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**“THE IMPACT OF SUKUK ON ISSUER’S
PERFORMANCE IN GULF COOPERATION COUNCIL
(GCC) COUNTRIES”**

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ABSTRACT

Islamic financial industry is the foundation of an economy in every country. Thus, this study aims to identify the factors give impact to the Sukuk issuer's performance in Gulf Cooperation Council (GCC) countries by looking from the financial statement that might have influence on Sukuk issuer's performance. Data was collected over the period of 2005 to 2011, with the study focusing on organization that used Sukuk part of their operations in GCC countries. These factors are strength of the organization, organization overall efficiency and profitability ratio. At the same time, the Sukuk issuer's performance of those issuers is questioned due to stiff competition in the Sukuk market. This study is conducted to see the sukuk issuer performances in GCC's country that are shown not growing rapidly as compared to Malaysia as countries dominated sukuk market all over the world which has Muslim population less than population in GCC's countries. Based on descriptive analysis, the study found that organization overall efficiency can give impact to the Sukuk issuer's performance. This study also revealed that, in general, Sukuk does not give big impact to the performance of Sukuk issuer's organization.



CHAPTER 1

INTRODUCTION

1.1 OVERVIEW OF ISLAMIC FINANCIAL SYSTEM

Islamic financial system is the foundation of an economy in every country. There are consists of Islamic banking industry, Takaful industry and Islamic capital market industry. Sukuk is fall under Islamic Capital Market in the group of debt market. In Malaysia, the government would not control 100% on the Islamic financial system compared to other country all over the world. The comprehensive legal are setup by central bank. There also have their own Syariah Advisory Council and its own governance. Therefore, the entire product from Islamic banking institution need to be recognized by the Syariah Advisory Council before launched in the financial market.

There are causing major communication and brand identity challenges in every institution with its own Sharia board has a slightly different interpretation of the rules. Today, Islamic Finance industry are faced with the challenges of effectively communicating their special messages to the Muslim and non-Muslim markets. In other words, Islamic financial system is a business activity where the principles underlying its operations are founded in Islam. Thus, any operations that are contradicted with Islam are forbidden has been stated in Holy Quran:

You are the best of peoples, evolved of mankind, enjoining what is right, forbidding what is wrong, and believing in Allah. (Qur'an 3: 110)