



UNIVERSITI TEKNOLOGI MARA

**THE ROLE OF FIRM PERFORMACE TOWARDS
SUKUK FINANCING**

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Final Year Project Paper submitted in fulfillment
of the requirements for the degree of
Bachelor of Business Administration (Hons)
(Investment Management)

Faculty of Business and Management

July 2021

ACKNOWLEDGEMENT

Firstly, I wish to thank God for giving me the opportunity to embark on my Degree and for completing this long and challenging journey successfully. My gratitude and thanks go to my advisor, Miss Nadia Nurul Najwa Binti Mohmad Hassan.

My appreciation goes to the UiTM Segamat library staff who provided the facilities and assistance during sampling. Special thanks to my colleagues and friends for helping me with this project.

Finally, this thesis is dedicated to my dear father and mother for the vision and determination to educate me. This piece of victory is dedicated to both of you. Alhamdulillah.

ABSTRACT

The aim of this research is to assess the output of the role of firm performance towards sukuk financing. The study was using quantitative method to gather all the data from Thomson Reuters, Bank Negara Malaysia, Bursa Malaysia and etc. Sukuk is the dependent variable used to perform the analysis, while the independent variables used are Size (Log of Total Asset), Leverage Ratio (Debt to Total Asset), Asset Structure (measured as net plants, property and equipment divided by total assets), Profitability Ratio (Net Income to Total Asset) and company growth (Growth Rate of Total Asset). The panel data is used for companies' commitment to social capital, while the likelihood to choose sukuk represents ethical financing based on 5 years data selected from 2015-2019 in evaluating the relation between dependent and independent variables using the regression method. Based on findings, Size (Log of Total Asset), Leverage Ratio (Debt to Total Asset) and Asset Structure (measured as net plants, property and equipment divided by total assets) have significant impact on the propensity to issue sukuk. In addition, the results show little evidence to support that the Profitability Ratio (Net Income to Total Asset) and company growth (Growth Rate of Total Asset) influence the likelihood of choosing sukuk. Thus, the success of sukuk financing indicates that these factors efficiency throughout the years.

TABLE OF CONTENTS

	Page
ABSTRACT	iv
ACKNOWLEDGEMENT	v
TABLE OF CONTENTS	vi
LIST OF TABLES	x
LIST OF FIGURES	xi
CHAPTER ONE INTRODUCTION	1
1.1 Introduction	1
1.2 Background of the study	2
1.3 Problem statement	3
1.4 Research questions	4
1.5 Research objectives	4
1.5.1 Main research objective	5
1.5.2 Basic research objectives	5
1.6 Significance of the study	5
1.6.1 Industry	5
1.6.2 Investor	5
1.6.3 University	6
1.6.4 Student	6
1.6.5 Other Researcher	6
1.7 Scope of the study	6
1.8 Limitations of the study	7
1.9 Definition of key terms	7
1.9.1 Size	7
1.9.2 Leverage	7
1.9.3 Tangibility	8
1.9.4 Profitability	8

CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

In this chapter, researcher will discuss more about early step to conduct the research. Moreover, the researcher will determine the purpose and the reason on why this topic has selected. Over the last two decades, Sukuk have witnessed unprecedented success rivaling conventional bonds in many countries and have grown from modest and unknown financing vehicles to well-established instruments. Sukuk is the main capital instrument in Islamic country to help the growing of the Islamic finance industry and the banking sector. As such, Sukuk are often seen as being more secure and attractive to a broad range of investors who intend to diversify their investment portfolios. Sukuk defined as a certificate presenting an indispensable proof of ownership of a tangible asset, the value of benefits, services or asset ownership of a particular project or investment activity. Unlike the financial instruments in general, Sukuk complies with the accordance Islamic law and rules. It is pivotal to respect general principles and to follow Shariah fundamentals like the prohibition of Riba, the interdiction of Gharar and Maysir, profit and sharing, the interdiction of unlawful investment and asset backing investment. In this chapter, we are going to discuss the background of study, problem statement, research question, research objective, significant of study, scope of study, limitation of study, definitions of study with overall summary the role of firm performance toward sukuk financing.