

UNIVERSITI TEKNOLOGI MARA

ARE SUKUK REALLY GIVING RETURN?
EVIDENCE FROM THE MALAYSIAN MARKET

MUKHAIRI BIN IBRAHIM
IBRAHIM HANIF BIN MD. GHAZALI
SURIA HARYATI BINTI MOHAMED ALI

MBA

JANUARY 2013

ACKNOWLEDGEMENT

With a humble and graceful appreciation, we wish to express our highest gratitude to Al-S.W.T, God Almighty, the Most Gracious and Most Merciful, for giving us the determination strengths to get through for the completion of this Applied Business Research (ABR) project. We thank all our group members for all the ideas, commitment, scarifications, encouragement and understanding throughout this study.

This research can never been successfully completed without the assistance and support m others parties concerned. Our sincere thanks and deepest gratitude to our Advisor, Associate Prof. Dr. Omar Bin Samat for all of his immeasurable supports, ideas, guidance and con- throughout various stages of the completion of this study.

Last but not least, our special thanks to our families and friends for their continuous moral supports, encouragements and boundless understanding from the beginning until the end of thi project. May Allah bless to all of you.

ABSTRACT

last decade has witnessed rapid expansion of Islamic financial instruments with particular increase of Islamic investment certificates called Sukuk. Since Sukuk represent an alternative instrument to conventional bonds, it is of interest to evaluate the economic differences between these financing techniques and appraise the implications on the future expansion of Sukuk. Performance analysis is used to investigate whether sukuk is under performing compared to conventional bond. This study found that the market perceived the risks of the two instruments (Sukuk and Conventional bond) as the same that is why the return of the financial instrument is not significantly different. For the issuer of Government Sukuk and Non Government Sukuk the finding revealed, the risk are different even though based on same instrument (Sukuk), that is why the return of the issuer are significantly different. For the issuer on Government based Sukuk gave more return compared to Non Government Sukuk. The market perceived the risks of the two instruments (Sukuk and Conventional Bond) for government and non government issued as the same, that is why the return of the financial instrument for Government or Non Government based Sukuk or Conventional issued is not significantly different.

TABLE OF CONTENTS

DESCRIPTION	PAGE
INTRODUCTION	
1.1 Background of the Study	8
1.2 History of Sukuk	10
1.3 Islamic Capital Market In Malaysia	14
1.4 Problem Statement	15
1.5 Objectives	17
1.6 Significance of the study	18
1.7 Limitation of the study	19
1.8 Definition of Term	20
CHAPTER 2	LITERATURE REVIEW
2.1 Introduction	23
2.2 Sukuk	27
2.3 Concept of Sukuk	29
2.4 Types of Sukuk	31
2.4.1 Ijarah Sukuk	31
2.4.2 Mudharabah Sukuk	32
2.4.3 Musyarakah Sukuk	33
2.4.4 Istisna'a Sukuk	34
2.4.5 Murabahah Sukuk	34
2.4.6 Hybrid Sukuk	35
2.5 Conventional Bond	35
2.6 Differences between Conventional Bond and Sukuk	36
2.7 Performance Sukuk versus Conventional Bond	38

	RESEARCH METHODOLOGY	
	3.1 Introduction	41
	3.2 Research Method	42
	3.3 Data Collection	43
	3.4 Data Analysis	45
	3.5 Hypothesis	46
CHAPTER 4	ANALYSIS AND RESULTS	
	4.1 Introduction	48
	4.2 Analysis and Results	49
CHAPTER 5	CONCLUSION AND RECOMMENDATION	
	5.1 Conclusion	62
	5.2 Recommendation	63
	LIST OF REFERENCES	67
	APPENDIX	74