

UNIVERSITI TEKNOLOGI MARA

**DRIVERS AND CHALLENGES:
GREEN *SUKUK* ISSUANCE IN
MALAYSIA**

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AUTHOR'S DECLARATION

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the results of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Post Graduate, Universiti Teknologi MARA, regulating the conduct of my study and research.

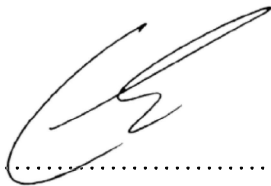
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ABSTRACT

International stakeholders are striving and competing to shift the current business settings to a greener landscape. In general, shaping a sustainable future industry requires a huge amount of funding, whereby an estimated amount up to USD 5.7 trillion is needed annually. Green bonds have been developed to support the environmental agenda and yet such target remains unreachable. Therefore, to bridge the gap between green financing agenda and *Shariah*-compliant stakeholders, the United Nations and Malaysian government have collaborated to push for industry player participation in the newly-introduced concept of green *sukuk*. Green *sukuk* is a *Shariah*-compliant fixed income investment that integrates financial concerns with Environmental, Social and Governance (ESG) issues. Despite the extensive efforts exerted, the number of green *sukuk* players has yet to achieve the expected amount and still lags in accelerating the green investment required. This study was conducted to explore the drivers that influence and the challenges that faced by firms to issue green *sukuk* in Malaysia, consequently developing an integrated framework to promote green *sukuk* issuance. The data required were obtained by adopting a qualitative case study methodology in which interviews with key participants in green *sukuk* issuance in Malaysia were undertaken and the results were triangulated with documented resources. The results illustrated three main drivers that influenced the current green *sukuk* issuers, namely competitiveness, legitimation and ecological responsibility. The first two drivers revealed a strong influence towards green *sukuk* issuance in Malaysia, while ecological responsibility provided minimal impact on the financing structure. However, the study indicated further that ecological responsibility could be enhanced through the involvement of religion in the environmental agenda, thereby shaping the current social behaviour. The study also discovered several challenges in green *sukuk* financing, green project construction and the response from investors. These challenges found to give green *sukuk* issuers a hard time to obtain the financing and completing the project. To conclude, green *sukuk* have a good prospect in accelerating green investment in Malaysia. However, the market is still nascent and several measurement need to be taken into consideration to develop the green *sukuk* market in near future including consistent marketing of green *sukuk*, facilitating conducive green *sukuk* environment, providing favourable policies to industry and integrating religion into green agenda to influence the population.

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