



**A STUDY ON FACTORS THAT INFLUENCE THE  
PERFORMANCE OF SUKUK IN MALAYSIA**

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## **ABSTRACT**

The development of sukuk has been growing so fast since the first issuance in Malaysia in the early 1990 which known as Islamic Private Debt Securities (IPDS) and becoming more popular among Muslim and non-Muslim consumers. The aim of this study is to analyze the factors that influence performance of Sukuk in Malaysia. The study were used a quantitative method which based on secondary data that could be collected from Central Bank Report, Securities Commission Report, Islamic Bond Market Report, etc. Moreover, the data were collected over the five-year period starting from January 2005 up to December 2009 by using the regression model. The findings of the study are interest rate, inflation rate, Gross Domestic Product (GDP) and stock index which could be the factors or variables that can influence performance of Sukuk in Malaysia. Constraints found in the study due to lack of availability data, references. It is hoped that this study will benefit for references to the future since there are a few researcher have done on the topic of Sukuk in Malaysia especially for those who intended to do the same research.

# CHAPTER 1

## INTRODUCTION

### 1.1 Overview of Sukuk Market

The Malaysian financial system is one of the important elements in ensuring the growth of economic transformation and it had to go through with a various phases of economic development. The rapid changes in the global economic and financial environment will also contribute towards transforming the operating landscape of the Malaysian financial system. Before the emergence of the Islamic banking and financial system, the Muslims throughout the world had only conventional financial system in order to fulfil their financial needs. Besides that, Malaysia also have Islamic financial system which have been exists a long time ago in order to provide financial system which are based on Islamic law (Shariah). Moreover, it could be operating side by-side with the conventional financial system.

The basic principles of Islamic financial system are i) avoid from uncertainty contract, ii) have a contract of sale, iii) the goods are permissible (halal) and iv) no riba. It because in al-Quran in, Allah mention that, "Those who consume interest cannot stand [on the Day of Resurrection] except as one stands who is being beaten by Satan into insanity. That is because they say, *"Trade is [just] like interest."* But Allah has permitted trade and has forbidden