



**FACTORS AFFECTING PERFORMANCE OF ISLAMIC STOCK
MARKET IN MALAYSIA**

AZIZI BIN KASSIM

2015135349

**BACHELOR OF BUSINESS ADMINISTRATION
WITH HONOURS (FINANCE)
FACULTY OF BUSINESS AND MANAGEMENT
UNIVERSITY TECHNOLOGY MARA
KAMPUS BANDARAYA MELAKA**

JANUARY 2018

ACKNOWLEDGEMENT

All praises to the Allah S.W.T for giving me the strength, courage, inspiration and patience for completing this study without any obstacles and within the time period. All the goodness is come from Allah S.W.T.

Firstly, I would like to express our heartfelt gratitude and appreciation to our supervisor and lecturer, PM Dr Abd Halim Mohd Noor. Who had guided us throughout the duration of this project papar. I appreciate the valuable time, guidance, and advices she has given us for the completion of this project paper.

Furthermore, I would also like to thank the librarians of Universiti Teknologi MARA (Melaka) City Campus who have guided us directly and indirectly with new insights and ideas on the path of completing this study. Besides, I deeply appreciate the moral support, understanding and endless love in which our family have given unconditionally throughout the process. Once again, I are in grateful and in appreciation of all assistance contributed for our study.

Last but not least, thanks to GIATMARA for giving me the opportunity to do a practical training which provide me a lot of new experience and knowledge on working environment. This opportunity helps me able to improve my skills which will useful in future.

Thank you very much.

ABSTRACT

This research focused on factors affecting performance of Islamic Stock Market in Malaysia. Research in Islamic stock market has become an interesting topic among investors to recognize the actual return they can acquire, compared to conventional stock market. Although there are numerous studies investigating performance, affecting Malaysia conventional stock market, there still is a certain gap in the literature pertaining to the relationship between Islamic indices and macroeconomic variables which has becoming an interesting area of research due to fast growing force of Islamic finance. This paper examined the long-term equilibrium relationships between FTSE Bursa Malaysia Emas Syariah Index as a proxy for Islamic Stock Market and three selected macroeconomic variables, namely Consumer Price Index (CPI), trade balance and exchange rate. The researchers used monthly data from third month of year 2008 until ninth month of year 2017. Multiple Linear Regression Model was applied to study the relationship between explanatory variables (Malaysia consumer price, Malaysia visible trade balance, and exchange rate between Malaysia Ringgit and U.S. Dollars,) and to explain a variable (Islamic Stock Market). The findings showed that Islamic Stock Market was significant with selected variables in which the Islamic Stock Market was positive and significantly related with Consumer Price Index, but related negative and significant with exchange rate variable. Meanwhile, for trade balance, it showed insignificance and a negative relationship with Islamic Stock Market.

TABLE OF CONTENTS

	Page
Title Page.....	i
Declaration of original work.....	ii
Letter of submission.....	iii
Proofread.....	iv
Acknowledgement.....	v
Table of Content.....	vi
List of Tables.....	ix
List of Figures.....	x
List Of Abbreviations.....	xi
Abstract.....	xii
CHAPTER 1 Introduction	
1.0 Introduction.....	1
1.1 Background of the study.....	2
1.2 Problem Statement.....	4
1.3 Research Question.....	7
1.4 Research Objective.....	7
1.5 Hypotheses of the Study.....	8
1.6 Significant of Study.....	9
1.7 Conclusion.....	10
CHAPTER 2 LITERATURE REVIEW	
2.0 Introduction.....	11
2.1 Review of the Literature.....	11
2.1.1 Islamic Stock Market.....	11
2.1.2 Consumer Price Index.....	14

2.1.3	Trade Balance.....	15
2.1.4	Exchange Rate.....	17
2.2	Conclusion.....	18
CHAPTER 3 METHODOLOGY		
3.0	Introduction.....	19
3.1	Research Design.....	20
3.2	Data Collection Method.....	21
3.3	Data Processing.....	21
3.4	Data Analysis.....	22
3.4.1	EViews.....	22
3.4.2	Multiple Linear Regressions.....	23
3.4.3	F-Test Statistic.....	24
3.4.4	T-Test Statistic.....	25
3.4.5	Diagnostic Checking.....	25
3.4.5.1	Model Specification and Normality Test.....	26
3.4.5.2	Multicollinearity.....	27
3.4.5.3	Autocorrelation.....	28
3.4.5.4	Heterosdasticity.....	29
3.5	Theoretical Framework.....	30
3.5.1	Variable.....	31
3.5.2	Dependent Variable.....	31
3.5.3	Independent Variables.....	32
3.6	Conclusion.....	33
CHAPTER 4 DATA ANALYSIS		
4.0	Introduction.....	34
4.1	Diagnostic Checking Of Multiple Linear Regression Model 1.....	34
4.1.1	Interpretation Of Multiple Linear Regression Result.....	38