



**UNIVERSITI TEKNOLOGI MARA**

**THE IMPACT OF ISLAMIC FINANCE IN  
ISLAMIC BANKING TOWARDS ECONOMIC  
GROWTH IN SELECTED SOUTHEAST ASIA AND  
GULF COOPERATION COUNCIL (GCC)  
COUNTRIES**

**SITI FATIMAH NASIHAH BINTI NASRUDIN**

Thesis submitted in fulfillment  
of the requirements for the degree of  
**Bachelor of Business Administration  
(Hons) (Finance)**

**Faculty of Business Management**

**July 2017**

## **ABSTRACT**

This paper aims to find out the impact of Islamic finance in Islamic banking towards development of economic growth of the country in selected Southeast Asia and Gulf Cooperation Council (GCC) countries. The variables used in this study are Gross Domestic Product per capita (GDP), Gross Fixed Capital Formation (GFCF), Stock market development (SUKUK), total Islamic Financial (IF), total Islamic deposit (ISDEPO). As for the sample of this study, it comprises of 75 observations each for the independent and dependent variables on a yearly basis over 15 years' period from 2001 until 2015. The methodology used in this study is the Multiple Linear Regression with panel data that are gathered from annual report of central bank for each country and world bank data. A software package called E-views will be used in finding and analysing the data. In order to observe the relationship between the Islamic finance and economic growth, an econometric test will be conducted during this research. Based on previous outcomes and findings, it was found that the Islamic finance variable is one of the factors that change the impact of GDP of the country. Hence, the results of this study would give us a demonstrative perspective and could frame a critical premise for financial specialists especially investors and policy makers towards their investment strategies and policy decisions respectively.

## **ACKNOWLEDGEMENT**

First and foremost, Alhamdulillah and all praise to Allah Almighty for giving me the opportunity, strength and patience to fulfil this Academic Project requirement for the Bachelor of Business Administration (Hons) (Finance). His utmost blessings have made this entire final semester research possible within the allocated timeframe.

I would like to take this opportunity to convey my utmost gratitude to my Thesis Project's advisor, Miss Nadia Nurul Najwa for her massive inputs, guidelines and continuous support throughout the completion of this research. I would also like to express my deepest appreciation towards my second advisor, Sir Kamal Fahrulrazy for his immense guidance from the very start of my research proposal culminating to the completion of this final research. In addition, my heartfelt thanks are also extended to both my loving parents, family members and classmates for their unwavering contribution and invaluable counsel in helping me steering this research to greater heights.

Last but not least, I would like to thank everyone who have supported, helped and worked together directly or indirectly in assisting me realizing this research on time, the cooperation given is well appreciated and will always be remembered. Thank you.

## TABLE OF CONTENTS

<b>AUTHOR'S DECLARATION</b>	i
<b>ABSTRACT</b>	ii
<b>ACKNOWLEDGEMENT</b>	iii
<b>LIST OF TABLES</b>	vi
<b>LIST OF FIGURES</b>	vi
<b>LIST OF SYMBOLS</b>	vii
<b>LIST OF ABBREVIATIONS</b>	vii
<b>CHAPTER 1: INTRODUCTION</b>	1
<b>1.1 INTRODUCTION</b>	1
<b>1.2 BACKGROUND OF THE STUDY</b>	2
<b>1.3 PROBLEM STATEMENT</b>	4
<b>1.4 RESEARCH QUESTIONS</b>	4
<b>1.5 RESEARCH OBJECTIVES</b>	5
<b>1.6 SIGNIFICANT OF STUDY</b>	5
<b>1.7 SCOPE OF STUDY</b>	8
<b>1.8 LIMITATION OF STUDY</b>	8
<b>1.9 DEFINITION OF TERMS</b>	9
<b>1.10 SUMMARY</b>	11
<b>CHAPTER 2: LITERATURE REVIEW</b>	12
<b>2.1 INTRODUCTION</b>	12
<b>2.2 ISLAMIC FINANCE</b>	12
<b>2.3 GROSS FIXED CAPITAL FORMATION</b>	14
<b>2.4 STOCK MARKET DEVELOPMENT</b>	14
<b>2.5 TOTAL ISLAMIC FINANCING</b>	16
<b>2.6 TOTAL ISLAMIC DEPOSIT</b>	17
<b>2.7 THEORETICAL FRAMEWORK</b>	18

## **CHAPTER 1: INTRODUCTION**

### **1.1 INTRODUCTION**

In this chapter will be discuss the background of study, the problem statement, research question, research objective, significant of study, limitation of study, definition of terms and summary of Chapter 1. This research will focus on the impact of Islamic financing on Economic Growth in selected Southeast Asia and Gulf Cooperation Council (GCC) countries. The variables use in this study is the Gross Domestic Product Per Capita (GDP), gross fixed capital formation (GFCF), stock market development (SUKUK), Islamic financing (IF) and Islamic deposit money bank (ISDEPO). As the sample of this study, it comprises of 75 observations of the independent variables and dependent variables on a yearly basis over 15 years from year 2001 until 2015. The methodology used in this study is the Multiple Linear Regression with panel data that are gathered from annual report of each central bank of the country and world bank data. A software package called E-views will be used in finding and analysing the data. There are several significant of the study. Firstly, the study is done to obtain as much as information and to better understand the relationship of selected variables on the Islamic financing services in the country. Second, the findings of the study also can be used by students, investors and public in order to enhance their knowledge about Islamic financing services and the factor that can affects the growth of the economy of the countries. Besides, the information that provide in research findings can help the investor in decision making process, lowering risk, and also increase the profit in their investment to the country. In addition, the findings can be used by other countries to consider whether they want to introduce the Islamic finance in their banking services or not. Lastly, the findings of this study also can be used as reference to other researcher in the future such as academicians as supporting information related to their research. For the limitation of the study, there