



UNIVERSITI TEKNOLOGI MARA

**IMPACT OF MACROECONOMIC FACTORS
ON SUKUK ISSUANCE IN MALAYSIA**

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ABSTRACT

The flourishing of issuing in Sukuk has been accelerates in recent years. It has been widely accepted and issued by a lot of countries globally, and Malaysia has been leading in Sukuk issuance, defeating all other countries. As the economy of the world keeps on changing and varying throughout the years, there are shifting in macroeconomic factors as well. That includes our country, Malaysia. Therefore, the aim of this study is to investigate the effects of macroeconomic factors on the Sukuk issuance in Malaysia for 11 years, from the year 2010 until 2020. In this study, we will identify the impacts of gross domestic products (GDP), national income, inflation rate, interest rate and fuel exports towards the issuance of Sukuk in our nation, Malaysia. We applied the Ordinary Least Square method for this research in order to obtain the results of the study. Results obtained for this study indicate that GDP, GNI and inflation rate have insignificant impacts towards issuance of Sukuk. Whereby, the independent variables of interest rate and fuel exports have significant impacts towards Sukuk issuance in Malaysia.

Keywords: Gross domestic products, national income, inflation rate, interest rate, fuel exports, Sukuk

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CHAPTER 1: INTRODUCTION

1.1 INTRODUCTION

Sukuk are the most active Islamic debt market financial instruments and the most preferable and favored Islamic investment. The economic growth relates significantly with the stock market performance of a country. The increase of sources of financing are able to accelerate economic development and growth of a nation. In this modern era, the world's shariah financing is rapidly developing and it shows that there are more opportunities for the investors in issuing Sukuk for their investment. The world's shariah financing is rapidly developing and it shows that there are more opportunities for the investors in issuing sukuk for their investment. Several countries that adopted Sukuk issuance are Indonesia, United Arab Emirates, Turkey, Brunei and certainly Malaysia.

Malaysia is the top country when it comes to Sukuk issuance. In 2020, The Malaysian Reserve reported that Malaysia was the largest sukuk issuer with a 45.4% market share of total global issuance. Plus, Malaysia has been the leader in Sukuk issuance for years. It is a huge advantage for Malaysia since the shariah financial system is also the source to economics power as the system survived during the bankruptcy of World Financial Crisis. The development of Sukuk is based on how great the economic condition of our country. This is because the economic growth of a country is tremendously affected by the indicator of macroeconomics.

1.2 BACKGROUND OF THE STUDY

Various studies have been conducted proving that Islamic financing could aid in boosting the growth of economic (Boukhatem, J. and Moussa, F.B. ,2018). It is proven that the Islamic financing system is more stable and resilient to shock compared with the conventional financing. This is due to the principles of Islamic financing itself that preserving the system to avoid participating in any products that is based on speculative and uncertain practises. In addition, there are significant relationship between the macroeconomic factors in a country and the Sukuk issuance. as mentioned by (Arafat Mansoor Al-raeai1, Zairy Zainol, Ahmad