



UNIVERSITI TEKNOLOGI MARA

**CAPITAL MARKET AND ECONOMIC GROWTH
IN MALAYSIA**

**FATIN NURATIQA BINTI HASBULLAH
2020964211**

**Bachelor of Business Administration
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(Investment Management)**

Faculty of Business and Management

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ABSTRACT

Capital market is a fact that can be found in each contemporary economy. It is a market whose necessity cannot be questioned, constantly adapting to the economic environment while also influential. Thus, one that generates opportunities while also posing risks to all categories of participants in economic activity. The goal of this research is to examine the influence of Malaysia's capital market on economic development. We will investigate the link between economic growth and the independent variables identified in this research, including Sukuk, convertible bonds, and Sukuk and convertible bonds. This study will look at the influence of the capital market on economic development over ten years, from 2011 to 2020. The secondary will be using will utilize secondary data in this study, which has been published and may be accessed from past publications and papers. The Eviews application is being utilized to quantify the result. The multiple linear regression test is carried out using the t-test and the f-test. R-squared and normality tests also included R-squared and normality tests in the assumption test.

Keywords: Capital market, Sukuk, Convertible bond, Economic growth.

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CHAPTER ONE: INTRODUCTION

1.1 INTRODUCTION

Capital markets are exchanges where long-term financial securities may be traded and bought and sold. The securities that fall within this category include common stocks, long-term debt instruments such as debentures, loose debt stock, and transferable bonds (Cordelia,2021). A capital market is where investors and prospective investors may locate suitable assets that fulfil their investment requirements and meet their investment objectives. According to Reference (Omodero, 2020), buyers and sellers of securities gather in the capital market to exchange securities.

Bonds are an essential component of the financial system, serving to augment the money made available by the banking sector in an efficient manner. It is referred to as the Islamic Capital Market since it is a market where operations are carried out following Islamic laws (Sudipa,2021). Sukuk, the Arabic term for financial certificates that may be regarded as the Islamic counterpart of a bond, is one example of an Islamic financial instrument that can be examined. (Klein, 2016) It differs from conventional bonds in that the return on Sukuk must be generated by the profitability of the assets that back it; specific sectors are prohibited because they are not compliant with Shariah; profits and losses must be shared between contracting parties; natural and legal assets must support every transaction.

According to (Zulhibri, 2015), the first Sukuk was issued in February 1988, after the fourth session of the Council of the Islamic Fiqh Academy of the Organization of Islamic Conference, located in Jeddah, Saudi Arabia, at the time. But it was in 1983 and the Malaysian government introduced a government investment certificate based on the idea of Qard al-Hasan that was the world's first modern Sukuk issue, according to historical records (benevolent loans). Shell Malaysia issued a RM 120 million