



UNIVERSITI TEKNOLOGI MARA

HOW SUKUK FINANCING CAN INFLUENCE FIRM

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ABSTRACT

This study's objective is to evaluate the effects of business performance on sukuk financing. All the data for the study was gathered quantitatively from sources including Thomson Reuters, Bank Negara Malaysia, Bursa Malaysia, and others. The dependent variable utilised to execute is sukuk. During the analysis, Size (Log of Total Asset), Leverage Ratio, and other independent variables were employed. Asset Structure (calculated as net plants, property, and equipment divided by Total Asset), Debt to Total Asset, and a company's growth (Growth Rate), Profitability Ratio (Net Income to Total Asset), and for the Total Asset). The tendency to pick sukuk indicates ethical finance based on five years of data collected from 2015 to 2019 is used in assessing the relationship between dependent and independent variables using the regression approach. The panel data is utilised for firms' commitment to social capital. According to the research, factors such as size (measured as the log of total assets), leverage ratio (the ratio of debt to total assets), and asset structure (the ratio of net plants, property, and equipment to total assets) all significantly affect the likelihood of issuing sukuk. Additionally, the findings provide no evidence that the profitability ratio (Net Income to Total Asset) and firm development (Growth Rate of Total Asset) have any bearing on a person's propensity to choose sukuk. Therefore, the success of sukuk financing shows that these variables have remained effective throughout time.

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TABLE OF CONTENTS

AUTHOR'S DECLARATION	iii
ABSTRACT	iv
ACKNOWLEDGEMENT	v
CHAPTER ONE	
1.1 Introduction	1
1.2 Background of Study	2
1.3 Problem Statement	3
1.4 Research Questions	4
1.5 Research Objectives	4
1.5.1 Main Research Objective	5
1.5.2 Specific Research Objectives	5
1.6 Significance of the study	5
1.6.1 Industry	5
1.6.2 Investor	5
1.6.3 University	6
1.6.4 Student	6
1.6.5 Other researcher	6
1.7 Scope of study	6
1.8 Limitations of study	9
1.9 Definition of key terms	9
1.9.1 Size	9
1.9.2 Leverage	9
1.9.3 Tangibility	10
1.9.4 Profitability	10
1.9.5 Company's Growth	10
1.10 Summary	10
CHAPTER TWO	
2.1 Introduction	11
2.2 Sukuk Financing	11
2.3 Size	13
2.4 Level of Leverage	13
2.5 Tangibility (Asset structure)	14
2.6 Profitability	15
2.7 Company's Growth	15
2.8 Summary	16
CHAPTER THREE	
3.1 Introduction	17
3.2 Sampling	17
3.3 Data collection	17
3.4 Variables	17
3.4.1 Dependent Variable	17

CHAPTER ONE INTRODUCTION

1.1 Introduction

In this chapter, the researcher will go over the first steps in doing the research. Furthermore, the researcher will establish the goal and motivation for choosing this issue. Sukuk have risen from tiny and unknown funding vehicles to well-established securities in several nations during the last two decades, rivalling conventional bonds in many countries. Sukuk is the primary capital instrument used by Islamic countries to support the development of the Islamic finance and banking sectors. As a result, Sukuk are frequently considered as safer and appealing to a wide variety of investors looking to diversify their portfolios. Sukuk is a certificate that serves as proof of ownership of a tangible asset, as well as the value of benefits, services, or asset ownership in a certain project or investment activity. Sukuk, unlike other financial products, follows Islamic law and guidelines. Respect for general principles and Shariah basics such as the prohibition of Riba, the prohibition of Gharar and Maysir, profit and sharing, the prohibition of illegal investment, and asset backing investment are all critical. We will discuss the background of the study, the problem statement, the research question, the research objective, the significance of the study, the scope of the study, the limitations of the study, the definitions of the study, and the overall summary of the role of firm performance in sukuk financing in this chapter.