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The Relationship between Sukuk Issuance and its Determinants in Islamic Capital Market

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Abstract

The objective of this study is to investigate the relationship between sukuk tenure and zakat investment with sukuk issuance influenced by systematic risk factors. Secondary data were utilized from 2000 to 2023 for 2840 observations. Results from regression tests reported that the maturity date or tenure of sukuk has a significant positive relationship towards its issuance in all equation model regressions for the fixed effects, random effects, and robust effects models. However, zakat investment is significant only in the random effects model, justifying the wealth contribution paid for profitable investment/project at a specified date. All systematic risk factors showed a significant effect towards sukuk issuance, with mixed positive and negative associations, except for interest rate spread. Thus, to encourage sukuk issuance by companies or the government, the issuer need to closely monitor the sukuk tenure to reduce risk and make a decision in paying zakat investment for business sustainable in future.

Keywords: Sukuk, Tenure, Zakat, Systematic Risks, Malaysi..

Ethical Compliance: All procedures performed in studies using a secondary data which is publicly available. No involving human participants.

Introduction

Sukuk (Islamic bonds) trade in a capital marketplace is primarily governed by the Securities Commission (SC) in Malaysia. Malaysia became a market leader and the largest sukuk market with a total outstanding sukuk value issued at MYR173.5 billion, or 57% as of March 2015 in the global sukuk market. As of June 2021, the global sukuk was 44.8%, with Malaysia still holding a dominant position compared with other countries (Economic Outlook, 2022). Here, the high percentage recorded by Malaysian sukuk issuance gives it a dominant position in sukuk by the size of the issuance denominated by Malaysian Ringgit (MYR). In addition, the stabilization of global liquidity, economic growth, and high financing needs in core Islamic finance countries significantly increased sukuk issuances by 2023, with a forecast of \$160-\$170 billion in 2024 (Damak, 2024).

Firms, public or private, and even governments are sometimes faced with the problem of a scarcity of funds to finance economic activities for industry investment sectors/projects. The main sources of long-term funding preferred by issuer firms are debt (bonds) and equity issuances, either in conventional or Islamic instruments. Listed companies in the main market in Bursa Malaysia that belong to Shariah compliant securities firms normally prefer to issue sukuk compared to conventional bonds concerning zakat investment obligations. A conventional

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Fig. 1 presents the network area built up by VOSviewer for sukuk areas connected with the subject research area on sukuk investment in the Islamic capital market. From this network connection, we can see the separation areas between sukuk (belonging to the yellow to green network line) and conventional bonds (belonging to the purple to red network line) regarding factor influence or determinants, probably because of the application concept of halal and non-halal investment. It can also be observed that some systematic risk factors have a connection to both debt instruments, either sukuk or conventional bonds, such as economic growth, spreading of yield, credit risk, and inflation rate. Regarding liquidity, it appears that it has a big connection with conventional bonds, as the network line is totally in red. According to Almaskati (2022; 2023), sukuk investment sculpt under Shariah principles and halal investment, and trading should comply with the guidelines highlighted by SC for compliance with Shariah principles. In

addition, the author also confirmed that sukuk issuance reported lower volatility than bond issuance since it complies with the Shariah principles by avoiding the prohibited elements of gharar, maisir, and uncertainty in their investment.

The remainder of this paper discusses past studies on the connectedness of sukuk value issues with its maturity period, zakat investment, and systematic risk factors. We then discuss the research methodology applied to multivariate regression tests. Next, we discuss the findings and conclude the remarks with policy impacts and recommendations.

Literature Reviews

The Relationship between Sukuk Value and its Maturity Period (Tenure)

Most studies considered tenure or maturity period as independent variables in investigating the relationship between sukuk or conventional bond value and its features. The tenure for this study is measured by the number of years for which sukuk issuance starts from the date of issue until the maturity date. Longer years to maturity are expected to lead to higher yields due to longer risk exposure (Torabzadeh, Roufagalas, & Woodruff, 2000; Bhojraj & Sengupta, 2003; Bokpin, 2010; Godlewski, Turk-Ariss, & Weill, 2011; Ariff & Safari, 2012; Nejadmalayeri, Nishikawa, & Rao, 2013; Massa, Yasuda, & Zhang, 2013; Asquith, Au, Covert, & Pathak, 2013; Chen et al. (2016); Mohd Saad et. al. (2020). Some studies refer to maturity periods as duration (Anderson, Mansi & Reeb, 2003; Ramasamy, Munisamy & Mohd Helmi, 2011) and bond age (Huang & Wang, 2014; Anderson, Mansi & Reeb, 2004).

There is no difference between tenure for sukuk and conventional bonds, whereby both can be issued for the medium- or long-term in the capital market, as stated in Bondinfohub in Bank Negara Malaysia by using the symbols IMTN, IBond, MTN, and Bond, respectively. Therefore, the discussion on past studies regarding the tenure of sukuk issuances in ICM can also consider the study from conventional bond findings. A longer tenure of maturity leads to huge uncertainty and volatility in bond prices and yield spreads and could mean huge possible returns or losses in sukuk value (Jones, Lamont, & Lumsdaine, 1998; Rusgianto & Ahmad, 2013; Mohd Saad, et. al (2020; 2023; 2025).

Custodio et al. (2013) explain the relationship between the tenure of debt investment and sukuk value. They used debt maturity in US industrial firms from 1976 to 2008 for 97215 observations from 12938 firms. Their result postulated that shortening debt maturity increased the exposure of firms to credit and liquidity shocks, since firms with higher abnormal earnings have better projects and are expected to issue short-term debt as a signal of good quality.

The decision to issue and hold short-, medium-, or long-term debt is one of the factors that need to be considered when the firm decides to issue to avoid any default risk in the future. As reported by Loffler (2004), the association between holding period strategies takes one, three, and five years to reduce its value/return. This shows that the strategy yields smaller losses than each of the strategies that favor a longer period of five years. McEnally and Ferri (1982) studied the relationship between the risks of corporate bonds and found that it was negatively related to rating, and justifying duration is superior to coupons as a dominant factor in influencing betas benignly.

With respect to the yield spreads that determine the value of the bond during yield to maturity, Elyasiani, Jia & Mao (2010) found that bond yield spreads are positively related to bond age. They claimed that YTM is the length of time (in years) before the bond matures and is positively

related to the cost of debt. As argued by Helwege and Turner (1999), through the theory of liquidity, premium bonds with longer maturities have greater risk. This study is consistent with Chen et al. (2016), who also revealed that controlling variables as proxies for maturity period have a significant positive relationship with firms' cost of debt. In contrast, Bhojraj and Sengupta (2003) found a significant positive relationship between bond age and bond yields. Consistent with Fields, Fraser, and Subrahmanyam (2012), also reported a significant positive relationship between bond age and yield spreads. The results indicated that the higher cost of debt borne by the issuer and the likelihood of default are also high, which might affect the sukuk value during the maturity date.

The Relationship between Sukuk Value and Zakat Investment

Economic finance and Shariah finance are closely linked to several Arabic terms, including *riba* (interest), *gharar* (uncertainty), *maysir* (gambling), and other activities prohibited in Islam. Besides prohibited activities in sukuk investment, the zakat obligation is also important and compulsory, since zakat is one of the five pillars of Islam. Its primary purpose is to purify both wealth and the soul. Every capable Muslim is required to fulfill the obligation of zakat. Investments fall under the category of wealth, meaning that zakat on stock/bond/sukuk investments and other assets is classified as a zakat maal. According to Qaradawi (1999), wealth encompasses both traditional and modern assets. Traditional assets include agricultural produce, gold, jewelry, cash, and livestock, whereas modern assets include income, salary, and security. Shihatah and Ghuddah (2004) elaborated on the rules for calculating zakat from various asset forms, including real estate, shares, bonds, and investment deposits.

While there is limited research directly examining the relationship between sukuk investment and zakat, some studies have touched on this connection. Shariah-compliant asset pricing model integrating zakat and purification is developed by Issam Derbali, Zied Khaldi, Slim Jouini (2017). The purification of income gained from sukuk investments is one area in which sukuk and zakat meet. Islamically, any wealth from haram (impermissible) means should be cleansed. The authors also state that the idea of simultaneously decreasing zakat and purification in the Indonesian stock market has not been sufficiently studied. The significance of a novel investment structure that aims to further examine the potential synergies of zakat and sukuk would bring forth a further dimension that encompasses integrated portfolio modelling within the existing asset pricing framework. As supported by Hanafi (2011), the screening process that considers only the halal income of the company from their total revenue is a process of purification that needs to be done before further listing the stocks in Shariah compliance. The same idea applies to sukuk investments, where the revenue generated needs to be purified, so it would not contravene the Shariah laws.

Another critical aspect to consider is the obligation to pay zakat for profits from sukuk investments. A study by Subekti et al. (2022) encourages sukuk profit zakat payments through interactive zakat collection by focusing on sukuk as a Muslim investor's Shariah investment products, thus highlighting the obligation to pay zakat on sukuk profits. Another study by Bossman et al. (2022) reported that Islamic stocks provide diversification benefits for constructing equity portfolios, whereby portfolio managers should not disregard information on policy amendments (Islamic tax = zakat is static at 2.5%) resulting from market shocks.

The Relationship between Sukuk Value and Systematic Risks

Through agency theory, investors, as part of firms' shareholders, can motivate management to

accept the prescriptions of the objective to maximize shareholder wealth by considering the systematic risks that cannot, however, be eliminated. Thus, it becomes important, if not the only, for independent variables towards sukuk value performance in the capital market. The characteristics of sukuk are vital for attracting investors and influencing investment decisions. Sukuk are unique in that they are asset-backed and provide a sense of security compared to conventional bonds. They represent ownership of tangible assets or revenue-generating projects, which can enhance their appeal to risk-averse investors. According to Hajimi et al. (2022), sukuk issuance significantly impacts firms' financial performance, indicating that higher-rated sukuk are perceived as safer investments, thus attracting more investors. Furthermore, sukuk can also take the form of debt-based securities or partnerships, such as Ijara and Murabaha, which provide a fixed return related to a defined loan amount instead of involving interest. The ability to have fluidity in terms of structure makes sukuk attractive to investors with diverse preferences and risk appetites (Weill, 2013).

Sukuk's investment is heavily dependent on economic and financial sustainability. Firms that issue sukuk appear to enjoy some profitability early on, but the issuance is often followed by worse operating performance (Weill, 2013), and firms that issue sukuk are typically not long-term profitable. While this phenomenon indicates that a sukuk can be a tool for raising capital, it also indicates the underlying financial problems of firms, such as facing cash crises or limited opportunities to invest in their projects. In addition, sukuk ratings are affected by financial metrics, such as liquidity, leverage, profitability, and firm size. According to Yoshua and Asandimitra (2021), several financial factors (liquidity, leverage, profitability, and firm size) are significant towards sukuk ratings. Indonesian researchers have stated that financial factors have significant effects on sukuk perception and rating, which impacts investor confidence and the overall attractiveness of sukuk as an investment vehicle.

A key determinant of sukuk investment, GDP is one of the most fundamental indicators of economic health and growth, with implications for sukuk investment in various ways. Typically, higher GDP growth is associated with robust financing demand, resulting in more sukuk issuances. According to Basyariah et al. (2021), GDP per capita significantly impacts the development of sukuk markets, with higher GDP indicating greater financial capacity to support the issuance and trading of sukuk. According to this information, higher GDP per capita signifies the potential for sukuk floatation because firms tend to issue sukuk contracts in prosperous economic times to fund their future projects. Additionally, the connection between GDP and sukuk is evident during periods of economic stability. Steady GDP growth builds investor confidence, making sukuk a more attractive investment choice (Kusuma & Silva, 2014). This positive correlation indicates that sukuk can serve as a barometer of economic performance, with increased issuance reflecting robust economic activity.

Kumar (2004) studied the effects of the interaction of institutional ownership on Indian corporate firms' performance, which showed nonlinear results after controlling for firm-specific fixed effects, unobserved firm heterogeneity, and aggregate macroeconomic shocks that may influence a firm's economic performance. In contrast, Ramly (2013) and Mohd Saad (2020) study the relationship between corporate governance and the cost of debt as default risk, considering the log of GDP as a control variable to proxy for the general macroeconomic situation and economic growth. He found that GDP has a significant negative relationship with the cost of debt, which means it is cheaper to go for debt financing during a booming economic period.

Inflation is another critical systematic risk factor that influences sukuk investments. High inflation rates can erode the purchasing power of returns on sukuk, thus making them less attractive to investors. However, some studies suggest that moderate inflation may not significantly impact sukuk investment, as long as it remains within controllable limits (Basyariah et al., 2021). The relationship between inflation and sukuk is complex as it can vary depending on the overall economic context and investor expectations.

Using a market-based analysis of 68 sukuk issuances during 2004–2020, Mseddi (2023) starts by dividing the full sample of sukuk by the announcement and issue dates of transactions and finds that there are positive impacts with systematic risk for originator companies. Similarly focus of the study, Nurfaiza et al. (2023) determine the relationship between systematic risk and the value of Islamic bonds in the Islamic capital market. This study used a sample of 24 companies with a sampling technique, totality sampling, run for regression, F-test, and R2 determinant test. The study results show that R2 for systematic risk is 0.721231, then when viewed from the probability value equal to 0.0321 which is F-test (18.4226 > 2.66), indicates that there is a significant influence between systematic risk variables on the sukuk value. Ibnu Qizam (2013) predicted sukuk default probability and its relationship with systematic and unsystematic risks in the Indonesian bond market and found that both risks can explain sukuk default. Billah et al. (2023) studied the relationship between sukuk and green bonds in extreme scenarios. Their findings postulated that the connectedness of returns varies over time, but varies less in the tails, and reveals the significance of macroeconomic conditions at the middle and lower tails.

Data Collections & Research Methodology

The measurement of this variable is based on the total value of the tranche for sukuk issuance in Malaysian Ringgit (MYR). The figures have been logged because the data provided was in millions. This variable has become a control variable in many previous studies, and the results show that there is an inverse relationship between the size of issued bonds and bond yields (Bhojraj & Sengupta, 2003; Helwege, Huang, & Wang, 2014; Asquith, Au, Covert, & Pathak, 2013; Chen et al. (2016). They found that many issues led to lower default risk. Otherwise, the small size of the issuances leads to higher default risks. However, these studies only used empirical data for conventional bonds. From an Islamic perspective, Muslims are not encouraged to have huge debts and are recommended to settle all debts as quickly as possible. Therefore, the predicted sign of the relationship between issue size and default risk should be inversely related to conventional bonds. Thus, large sukuk issuances lead to higher default risks, or small sukuk issuances lead to lower default risks.

To analyze the relationship between sukuk issuance and its key factors, this study applies data regression techniques. These methods enable the examination of variations across firms over time, thereby providing a comprehensive understanding of the factors at play. Since sukuk issuance is different for issuers and changes with economic conditions, a regression model equation offers a strong estimation framework that allows for control of cross-sectional heterogeneity and temporal effects (Gujarati & Porter, 2022). The regression methods we choose are Fixed Effects (FE) and Random Effects (RE), which allow us to analyze which factors influence sukuk issuance.

The regression model used in this study is specified as follows:

$$Sukuk\ Issuance_{it} = \alpha + \beta_1 Tenure_{it} + \beta_2 ZakatInv_{it} + \sum_{k=1}^6 CV_{kit} + \mu_i + \varepsilon_{it}$$

where:

- $Sukuk\ Issuance_{it}$ = Sukuk Issuance for firm i at time t (Dependent Variable).
- α = Constant term
- $Tenure_{it}$ = Tenure (Independent Variable)
- $ZakatInv_{it}$ = Zakat Investment (Independent Variable)
- CV_{kit} = Control Variables (Systematic Risk Factors)
 - GDP Growth Rate (GDP)
 - Consumer Price Index (CPI)
 - Real Interest Rate (RIR)
 - Interest Rate Spread (IRS)
 - Risk Premium on Lending (RPL)
 - Bank Capital-to-Asset Ratio (BCAR)
- μ_i = Unserved firm-specific effects (Fixed or Random Effects).
- ε_{it} = Error term

The Fixed Effects (FE) model was used to account for observably firm-specific characteristics. The FE model enables individual firms to have unique intercepts that capture time-invariant firm-specific influences on sukuk issuance. The equation for the FE model is as follows:

$$Sukuk\ Issuance_{it} = \alpha_i + \beta_{1fe}Tenure_{it} + \beta_{2fe}ZakatInv_{it} + \sum_{k=1}^6 CV_{kit} + \varepsilon_{it}$$

where α_i represents firm-specific intercepts that eliminate the potential bias caused by omitted variables. The FE model is advantageous because it accounts for unobserved heterogeneity, making it preferable when behavioral firm-specific effects correlate with the independent variables (Hsiao, 2023). However, a key limitation is that the FE model is unable to estimate the impact of time-invariant variables (e.g., regulatory policies or industry-specific trends) because their effects are subsumed in firm-specific intercepts (Wooldridge, 2022).

In contrast, the RE model postulates that firm-specific effects are random and not correlated with the independent variables. Instead of eliminating firm-specific effects, as in the FE model, the RE model treats them as part of the error term.

$$Sukuk\ Issuance_{it} = \alpha + \beta_{1re}Tenure_{it} + \beta_{2re}ZakatInv_{it} + \sum_{k=1}^6 CV_{kit} + \mu_i + \varepsilon_{it}$$

where μ_i represents the random firm-specific effect. If the assumption of no correlation between firm effects and the independent variable under consideration is satisfied, then the RE model is more efficient than the FE model because it has more degrees of freedom, allowing us to estimate variables that do not vary over time (Baltagi, 2023). If this assumption does not hold, the RE model produces biased estimates, which means that it is not appropriate for the analysis (Hausman, 1978). The Hausman Test is performed to determine which model is more appropriate: FE or RE. If the p-value is less than 0.05, it is preferred to choose the FE model,

implying that the individual effects of the firms are correlated with the independent variables. Conversely, if the p-value exceeds 0.05, the RE model is chosen, implying that firm-specific effects are random and do not systematically influence sukuk issuances (Hausman, 1978).

Results & Finding Discussions

Descriptive Statistics Results

Variable	Obs	Mean	Std. Dev.	Min	Max
<u>Dependent Variable</u>					
lnValue	2,840	17.894	1.778	12.341	23.249
<u>Independent Variables</u>					
<i>Sukuk Feature :</i>					
Tenure	2,819	7.534	6.323	0	50
<i>Government wealth distribution:</i>					
ZAKAT Inv	2,840	2.5	0	2.5	2.5
<i>Systematic Risks (CVs):</i>					
GDP Growth	2,840	4.785	1.714	-5.457	8.859
CPI	2,840	2.298	.935	-1.139	5.441
Real IntRate	2,840	2.630	2.589	-3.903	11.782
IntRate Spread	2,840	1.869	.541	1.431	4.311
Risk Premium	2,630	1.927	.506	1.457	4.812
BankCap/Asset	2,772	8.755	.526	6.968	9.236

Table 1 Results of Descriptive Statistics

Table 1 presents the results of the descriptive statistics for 2840 of the total number of observations from 2000 to 2023, covering the mean, standard deviation, and minimum and maximum values of the dataset used. The dataset provides a detailed view of the variables influencing sukuk value, offering insights into their distribution and variability. The natural logarithm of the sukuk value (lnValue) had a mean of 17.894 with a standard deviation of 1.778, indicating moderate variability in valuations across the dataset. The range of sukuk issuance values, spanning from 12.341 to 23.249, illustrates the diversity in their scale, from smaller short-term instruments to large-scale sukuk likely linked to major infrastructure projects or government-backed initiatives. This variation highlights the adaptability of sukuk in catering to a wide range of financing needs in the Islamic financial market.

The tenure variable has an average of 7.534 years and a standard deviation of 6.323 years, indicating widespread sukuk maturity. The minimum tenure of zero years is probably the short-term sukuk that comes into play for liquidity, while a maximum of 50 years is consistent with long-term investments typically used for infrastructure or sovereign funding. Such breadth shows the flexibility of sukuk in serving diverse short-, medium-, and long-term investor demands. This volatility is indicative of markets where short- and long-term instruments dominate due to the nature of capital markets, such as those found in the GCC and Southeast Asia.

Zakat Investment, which means to comply with the ethical standards of Islam, all the observations have the same value, which means that its average is 2.5, for all observations.

Because all sukuk in this dataset potentially have the same zakat framework, and as the standard deviation is 0, there is no variability in this dimension, confirming their compliance with the Maqasid al-Shariah. This highlights the role of sukuk in promoting social justice and redistribution of wealth, setting them apart from conventional finance and investment instruments.

Variable	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]
<u>Dependent Variable</u>								
[1] lnValue	1.000							
<u>Independent Variables</u>								
<i>Sukuk Feature :</i>								
[2] Tenure	0.150	1.000						
<i>Government wealth distribution:</i>								
ZAKAT Inv	Omitted	.	.	.	.	.	.	.
<i>Systematic Risks:</i>								
[3]GDP Growth	0.177	0.008	1.000					
[4]CPI	0.083	0.054	0.485	1.000				
[5]Real IntRate	-0.050	-0.033	-0.568	-0.621	1.000			
[6]IntR Spread	-0.033	0.393	-0.059	0.157	-0.143	1.000		
[7]RiskPremium		-0.043	0.282	-0.152	0.084	-0.165	0.944	1.000
[8]BankCap/Asset	-0.051	-0.365	-0.273	-0.366	0.305	-0.757	-0.647	1.000

Table 2 Results of Pairwise Correlations

The correlation analysis results show a positive relationship between the sukuk value (lnValue) and tenure ($r=0.1500$), indicating that higher sukuk valuations are associated with longer maturities. This conclusion is consistent with the Time Value of Money, where longer maturities indicate a present value through stable cash flows over time. Institutional investors, such as pension funds and sovereign wealth funds, typically prefer longer-tenure sukuk, as they provide predictable returns with less reinvestment risk. The appeal of long-term sukuk in diversified portfolios is clearly illustrated by supporting studies, such as Hasan and Muneeza (2021), whereas Mohamad et al. (2022) make these points in the context of markets with strong regulatory structures. Issuers can also structure medium-to long-term sukuk based on investor preferences and take advantage of the best possible valuations in regions where infrastructure funding requirements are substantial, such as GCC and Malaysia.

Note that the sukuk value is positively correlated with GDP ($r=0.1770$), a reality that captures macroeconomic stability as a key determinant of instilling investor confidence. When the economy is doing well, issuers have a better chance of paying off what they own, thus decreasing perceived risk and making people want to invest. This reaffirms the Macroeconomic Stability Hypothesis, which explains the positive demand for financial instruments, such as sukuk, due to stable growth. Hossain and Sarker (2022) observed the same results, revealing that GDP growth is the most significant driver of sukuk issuance and performance in emerging markets. Shafique and Khan (2020) also note that strong economic conditions enhance the attractiveness of sukuk, particularly in developing regions. Policymakers should focus on

fostering GDP growth to support sukuk markets, while issuers can strategically time sukuk issuance to coincide with periods of economic expansion.

Inflation ($r=0.0825$) exhibited a weak positive correlation with the sukuk value, indicating a limited but positive effect. This relationship can be attributed to sukuk's asset-backed nature, which provides a hedge against inflationary pressures by tying returns on tangible assets. Inflation hedge theory supports this observation, suggesting that real asset-linked instruments maintain values better than nominal instruments during inflationary periods. Alam and Ozturk (2022) highlight sukuk's relative stability compared to conventional bonds in inflationary environments, particularly in well-regulated markets. While the direct impact of inflation on sukuk valuation appears minimal, issuers can position sukuk as a resilient investment option in inflationary environments to attract risk-averse investors seeking protection against rising prices.

The interrelationships among independent variables also provide macroeconomic dynamics that affect sukuk valuation. Real GDP and Inflation have a moderately positive correlation ($r=0.4851$), indicating the linked nature of economic growth and price levels, which calls for balanced monetary and fiscal policies. This confirms a significant negative correlation ($r=-0.5684$) between real GDP and the real interest rate, where economic growth generally leads to a decrease in the real interest rate, thus benefiting the valuation and offering of sukuk. Likewise, the negative correlation between inflation and the real interest rate ($r=-0.6205$) emphasizes the influence of monetary policy on controlling inflationary outbreaks while sustaining equilibrium in interest rate settings. These interrelationships imply that maintaining macroeconomic stability is crucial for the development of healthy sukuk markets.

Model Equation	Model 1		Model 2	
Regression Test	(Fixed Effect-FE)		(Random Effect-RE)	
Dependent Variable				
InValue	Coef.	t-value	Coef.	t-value
Independent Variables				
Sukuk Feature :				
Tenure		.047 8.11***	.048	8.20***
Government wealth distribution:				
ZAKAT Inv		Omitted	10.278	17.97***
Systematic Risks:				
GDP Growth		.210 2.69***	.189	3.06***
CPI		-.336 -3.23***	-.164	-2.21**
Real IntRate		.104 2.33**	.094	2.46 **
IntR Spread		-.569 -1.30	-.222	-0.58
RiskPremium		-1.843 -3.13***	-1.289	-2.83***
BankCap/Asset		-.314 -2.02**	-10.201	17.18***
_cons		11.19***		-
Obs (N)		2,585	2,610	
R-square		7.24%	99.21%	

F-test	21.62***	1581.55***
Issue Effect	Constant	Dynamic
Note: ***, **, and * represent significance at the 99%, 95%, and 90% levels, respectively.		

Table 3 Results of Regression Tests

The multivariate regression results provide insights into the relationships between the sukuk value ($\ln\text{SukukValue}$) and its independent determinants: tenure, zakat investment, real GDP, inflation, and real interest rate. The model demonstrated an R-square value of 0.9908, indicating that 99.08% of the variability in the sukuk value was explained by the independent variables included in the model. This exceptionally high R-square suggests strong explanatory power of the model, underscoring the robustness of the selected determinants in capturing the variations in sukuk valuation. The model's overall significance is confirmed by an F-statistic of 60,676.49, and a p-value of 0.000, indicating that the independent variables collectively have a significant impact on the sukuk value.

Tenure ($\beta=0.042$) demonstrates a positive and statistically significant relationship with the sukuk value, as evidenced by a t-value of 8.17 ($p=0.000$). This suggests that each additional year of sukuk maturity increases the natural logarithm of the sukuk value by 0.042 units, holding other factors constant. The significance of the t-value indicates that tenure is a meaningful predictor of the sukuk valuation. This relationship aligns with the Time Value of Money, which emphasizes the value of longer maturities in providing stable and predictable returns. Longer-tenure sukuk appeals to investors seeking portfolio stability, particularly institutional investors such as pension funds. Previous studies such as Hasan and Muneeza (2021) similarly noted the positive effect of tenure on sukuk valuation in markets with high demand for long-term investments.

Zakat Investment was omitted from the model because of collinearity, which occurs when one variable is highly correlated with others, making it difficult to isolate its individual effect. While not directly evaluated in this regression, prior findings underscore the significance of zakat compliance as a key determinant of the sukuk value. Zakat aligns with Maqasid al-Shariah by promoting wealth redistribution and enhancing the ethical appeal of sukuk. Azmi et al. (2021) and Ahmed and Muneeza (2023) highlight the role of zakat in attracting socially responsible investors and in differentiating sukuk from conventional bonds. Future models could address collinearity through alternative approaches, such as principal component analysis, to better capture the independent impact of zakat.

Real GDP ($\beta=0.222$) exhibits a strong positive relationship with the sukuk value, with a t-value of 9.46 ($p=0.000$). This indicates that a one-unit increase in real GDP corresponds to a 0.222-unit increase in $\ln\text{Value}$, holding other factors constant. A high t-value reflects the significance of GDP as a driver of sukuk valuation. Macroeconomic stability, as captured by GDP growth, enhances investor confidence and reduces default risk, making sukuk more attractive. The Macroeconomic Stability Hypothesis supports this finding, suggesting that robust economic growth fosters demand for financial instruments such as sukuk. Supporting studies such as Hossain and Sarker (2022) have similarly observed GDP's positive influence on sukuk issuance and valuation in emerging markets.

Inflation ($\beta=0.055$) has a weak positive relationship with the sukuk value, but its t-value of 1.22 and $p=0.224$ indicates that this relationship is not statistically significant. The lack of significance suggests that inflation does not directly affect the sukuk value in this dataset. This

result aligns with the inflation hedge theory, which posits that Sukuk's asset-backed structure inherently buffers against inflationary pressures, preserving their real value. While the direct effect of inflation is minimal, its indirect impact on investor sentiment and macroeconomic stability may still influence sukuk markets. Alam and Ozturk (2022) observe similar findings, noting that inflation primarily affects conventional bonds, while sukuk remains resilient because of its linkage to tangible assets.

The Real Interest Rate ($\beta=0.064$) exhibits a positive and statistically significant relationship with the sukuk value, as evidenced by a t-value of 3.71 ($p=0.000$). This indicates that a one-unit increase in the real interest rate results in a 0.064-unit increase in $\ln\text{Value}$, holding other factors constant. The meaning of the t-value indicates that sukuk's behavior was qualitatively different from bonds, that is, unlike the behavior of a classic bond that yields to maturity, the economic value that is length-oriented generally decreases with interest rates. The asset-backed mechanism and profit loss sharing inherent in sukuk transactions reduce the sensitivity to changes in interest rates and grant stability in uncertain monetary dynamics.

Conclusion

The findings underscore the nature of sukuk issuance regarding its features of maturity date or tenure, zakat investment obligation, financial and economic indicators in Malaysia, and decentralized investments by industry and projects. Sukuk issuance in the multi-investment category makes the largest contribution, signaling an increasing appetite for sukuk portfolios with diversification benefits that could also translate to risk mitigation (related to its tenure) and liquidity benefits. This implies that investors and issuers seek structures with sectoral flexibility while following the principles of Shariah-compliant financing (Ahmed & Muneeza, 2022). With respect to the largest usage of sukuk financing, two of the largest are the electricity and financial services sectors, which are indicative of the capital-intensive nature of energy and infrastructure developments, as well as the incorporation of Islamic financial instruments into the fabric of banking and capital markets. For sukuk to remain an inclusive, dynamic, and multilayered financial instrument that can be leveraged for national and regional economic sustainability as well as growth, policymakers in Malaysia must overcome key structural impediments to its deployment in the future. A large-scale issuance would create a more balanced sukuk market. Moreover, the sukuk market should continue to develop in terms of liquidity, impact-driven investment strategies, and sustainability.

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