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# HOW TENURE OF SUKUK ISSUANCES IMPACTS THE ECONOMIC GROWTH IN MALAYSIA?

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***Abstract:*** *The present paper analyses the impact of Sukuk issuances on the economic growth of Malaysia over a period of 10 years from 2008 to 2017 on a yearly basis. There are six different types of Sukuk issuances which includes the long-term government/treasury/central bank (LGTC), long-term corporate (LCTE), long-term agency (LAGY), short-term government/treasury/central bank (SGTC), short-term corporate (SCTE) and short-term agency (SAGY) with the presences of the moderating variable which is the exchange rate (ER). The 10 years' time-series data were analyzed by using the diagnostic test, unit root test and multiple regression analysis. The outcome of the study indicates that with the presence of the ER, LCTE, SGTC, SCTE, and SAGY found to have a significant and positive relationship with the economic growth (GDP) of Malaysia. However, LGTC found not to be significant but shows a positive relationship with the GDP in Malaysia, whilst LAGY is found to be significant but shows a negative relationship with the GDP in Malaysia. Therefore, the Sukuk issuances give an impact on the economic growth of Malaysia, whereby with the presences of the moderating variable, the long-term and short-term Sukuk issuances can spur the economic growth of Malaysia.*

***Keywords:*** *Sukuk Issuances, Economic Growth, Long-Term Sukuk, Short-Term Sukuk*

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## Introduction

Malaysia, one of the Asian countries that have a success story regarding *Sukuk* and became a leading country in issuing *Sukuk*. According to Laldin (2008), the world's first *Sukuk* was issued in 1990 by a Malaysia's non-Islamic corporation, Shell MDS (RM125 million). Moreover, up to the year 2012, Malaysia was successfully listed as the leading Sukuk

markets in the world, where 70% of the total global Sukuk were issued in Malaysia (Mohamed, Masih, & Bacha, 2015).

Referring to the IIFM *Sukuk* Report (2018), Malaysia maintained its lead with a market share of 28.8% in the first half of 2017. Figure 1 below indicates Malaysia's total *Sukuk* issued in Ringgit Malaysia (billion) from 2010 until the first half of 2017. Malaysia's total *Sukuk* issued in 2010 was RM 30.24 billion, in 2011 Malaysia's total *Sukuk* issuance increased to RM 185.00 billion and further increased in 2012 to RM 326.50 billion. From 2013 to 2015, the number of *Sukuk* issued decrease which in 2013 was RM 275.77 billion, in 2014 was RM 262.76 and in 2015 was RM 117.70 billion. It is happened in 2015 was due to the fact that there were not many major infrastructure projects financed by sukuk during the period. However, in 2016 it slightly increased by total RM 129.45 billion and lastly, in the first half of 2017, Malaysia's total *Sukuk* issued was RM 79.01 billion. According to the IIFM *Sukuk* Report (2018) also, at the end of October 2017, Malaysia's *Sukuk* issuance was RM 138.7 billion and the growth was contributing by government which was RM 46.5 billion, quasi-government which was RM 54.0 billion and corporate sectors which was RM 38.2 billion.

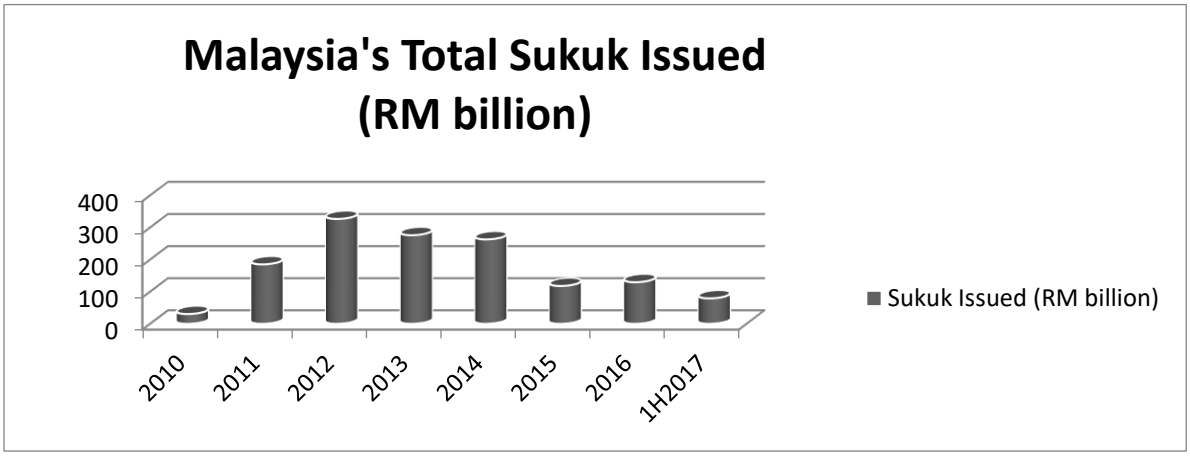


**Figure 1: Malaysia's Total *Sukuk* Issued in RM (billion), (2010-1H2017)**
Source: Malaysian ICM bulletin

*Sukuk* not only ensures a valuable financing opportunity to sustain and enhance a country's economic development projects but the banking and financial industry also use these financial instruments to stimulate economic growth of the country (Salem, Fakhfekh, & Hachicha, 2016). As many of the *Sukuk* issuances were issued to finance important projects, infrastructures and to generate liquidity needs, it is obvious that many institutions need *Sukuk* and therefore it can lead to the growth of the economy of a country. Studies that related to the *Sukuk* and the economic growth in countries other than Malaysia proved that *Sukuk* does give impact to the economic growth of those respective countries. For instance, a case study in Tunisia on Islamic banks-*Sukuk* markets relationships and economic development, the study concluded that *Sukuk* provides more funds to finance the country's economic growth and solve the poverty problems and unemployment in that country (Khoutem, 2014).

## Literature Review

### *Economic Growth (GDP)*

According to Bank Negara Malaysia (2013), for the past three decades, on 5.8% average growth rate per year, Malaysia has shown sustained growth. The gross domestic products or

GDP of a country is not only influenced by the country's economic activity but also influenced by the world or the macroeconomic activities.

Konchitchki and Patatoukas (2014) emphasized that the importance of GDP in analyzing economic growth as it reflects the overall key summarization of economic activities. Moreover, if the growth of the GDP per capita is instable, this might lead to higher incidence of poverty and also might hinder the development in education, health, crime which at the end affected the economic growth (Aziz & Azmi, 2017). Based on the previous studies, GDP has a positive relationship with the *Sukuk* market. The first study by Salem, Fakhfekh, & Hachicha (2016) finding shows that the major player in financing the economy in Malaysia is the *Sukuk* market. This is supported by Noor & Mohideen (2009), mentioned that the largest *Sukuk* issuer in the world is Malaysia with a percentage of 68.9%. Furthermore, a study by Smaoui & Nechi (2017), found that the development of the *Sukuk* market can spur the long-run economic growth by both the sovereign and the corporate.

### *Different Tenure of Sukuk Issuances*

#### *Short-Term Sukuk Issuances*

In IIFM *Sukuk* Report (2018) short-term *Sukuk* can be defined as the *Sukuk* that mature within twelve months or less. Short-term *Sukuk* usually to meet the liquidity needs especially for a bank and financial institutions. Short-term *Sukuk* is a rising trend and mainly driven by sovereign or government *Sukuk* issuers through the central bank issuances. This is because of the short-term *Sukuk* useful to fulfill the liquidity needs and also to support the monetary policy implementation (Taoual, 2016).

#### *Long-Term Sukuk Issuances*

In IIFM *Sukuk* Report (2018) long-term *Sukuk* can be defined as the *Sukuk* that mature within one year or more. Long-term *Sukuk* are useful in financing various economy's important projects, businesses and infrastructures that conducive to the country's development. Long-term *Sukuk* are issued due to the return that gained which is higher than the short-term *Sukuk*.

A study by Saad, Haniff & Ali (2016), shows the result which indicates that higher tenure period leads to higher returns. Long-term *Sukuk* also can help in providing access to liquidity for banking and financing institutions. Salem, Fakhfekh, & Hachicha (2016), based on their study, they encourage the banks' sector to issue and invest more in the long-term *Sukuk* where it can gain a higher return. This is because long-term *Sukuk* can help banking institutions to overcome their biggest problem which is to match the assets and the liabilities.

Moreover, long-term *Sukuk* issuances have become a popular trend in the GCC region (Taoual, 2016). Particularly as stated by Kindlberger (2005), it is because long-term tenure is most conducive in financing infrastructure and industrial investment which is central to enabling development. As reported by The Malaysia Reserve (2017), Malaysia sovereign and government-related issuances with tenures of one year and more rose by 112.5%, which was from US$8 billion in 2014 to US$17 billion (RM70.53 billion) in 2015. This shows that over the past few years, Malaysia has started to issue long-term *Sukuk* mostly to finance the government's projects that can help the government development.

### *Different Type of Sukuk Issuances*

#### *Sovereign or Government Sukuk Issuances*

Sovereign or government *Sukuk* is a type of *Sukuk* issued by the government. Government always being the supporter behind the issuances of *Sukuk* due to the fact the *Sukuk* can help the government in financing mega projects and infrastructures which in return can stimulate the economic development of a country. Smaoui & Nechi (2017) mentioned that through issuing sovereign *Sukuk* the government raises its funds in order to help the government in financing their important projects. Hosen (2018), stated that in 2002, the Malaysian government has issued and became the first global sovereign *Sukuk* and thereby has successfully attracted investors from broad geographical distribution. The author also mentioned that in order to sustain project financing which under the development budget, the sovereign *Sukuk* issuance of Malaysia or also called the government guaranteed *Sukuk* were issued.

This type of *Sukuk* issuances clearly portrays that they could help the government in financing projects whereby they can spur the economic growth of issuers' countries. Thus, the finding of a study by Smaoui & Nechi (2017), provides strong evidence to support that the sovereign *Sukuk* market development can spur economic growth. In addition, sovereign or government *Sukuk* not only helps in financing big projects and infrastructure, but it also can help in providing access liquidity for banking sectors too to cater their liquidity management, Islamic banks in Pakistan for instance (Dar, 2012). Moreover, Zin et. al. (2011) stated that sovereign *Sukuk* also can help the development of the private sector of Tunisia.

#### *Corporate Sukuk Issuances*

Corporate *Sukuk* which is one of the means to gain financing externally, usually issued by the fixed income companies (Smaoui & Nechi, 2017). There are three famous corporate *Sukuk* based on the underlying contracts preferred in Malaysia which recorded in 2008, which firstly the *Musharakah* which recorded 55% issuances, *Ijarah* which recorded 20% issuances and *Murabahah* which recorded 11% issuances (Jamil & Rahman, 2012).

Companies not only issuing corporate *Sukuk* for external financing but they also useful in helping financing infrastructures such as The Pan Borneo Highway which lean on the companies that involved in the development project (Hosen, 2018). Car leasing and rental companies in Saudi Arabia in 2004 has issued their first corporate *Sukuk*, while in Bahrain, the Noriba Banks which is the Bahrain-based finance subsidiary of the Swiss UBS group, has the vision to become the main player of the corporate *Sukuk* market (Wilson, 2004). Thus, this can be concluded that corporate *Sukuk* not only issued by the companies, but the banking and financing sector also need corporate *Sukuk* to support by providing external financing and can help in financing infrastructures.

#### *Quasi-government or Agency Sukuk Issuances*

Quasi-government institutions such as Khazanah and Danaharta are among the main issuers of public debt and based on the data collected by the researcher, Khazanah National Bhd is among the agency *Sukuk* issuances. Thus, it can be concluded that quasi-government institutions are the agency *Sukuk* issuances. Quasi-government or quasi-sovereign *Sukuk* issuances as according to the Financial encyclopedia (2016), is the agencies that issued *Sukuk* which is either state-owned companies or publicly owned companies and is backed by the government. Therefore, this can be said that agency *Sukuk* issuances are useful mostly for the

private sector that can be involved in important and big projects and infrastructures which is backed by the government.

### *Moderating Variable*

A moderating variable indicates a process or a factor which can modify the impact of an independent variable on a dependent variable (Lewis-Beck, Bryman, & Liao, 2004). The moderating variable also could influence the correlation amount and could adjust the direction between the independent variable and the dependent variable (Nazami & Nazami, 2015). In this study, we are using the Exchange rate as a moderating variable which is give impact on the relationship between the independent variables and the dependent variable.

Exchange rate according to the Amadeo (2019) is an amount of one currency that can be exchanged for another currency around the world. In the economic growth of a country, exchange rate does play an important role whereby the exchange rate has a significant relationship to the gross domestic product (GDP), which is the major macroeconomic variable (Salman, Asghar, Kahlon, Husnain & Makarevic, 2015). A study by Ahmad & Ali (2013), shows a positive relationship between exchange rate and economic growth, which suggest that devaluation or depreciation enhance economic growth. However, a study by Mantari & Nuryasman (2017), stated that while the macro-economic variables such as the exchange rate as a concept is postulated as moderating variables which may affect by way of interrelating with the independent variables, so that interrelation can strengthens or weakens a previously existing relationship between the independent variables with the dependent variable. For this reason, exchange rate is among the most used as the economic measurement aside from other factors such as inflation and interest rates (Alexandra Twin, 2018).

## Research Methodology

### *Hypothesis Development*

This study objective is to determine the impact of different type of *Sukuk* issuances on the economic growth in Malaysia.

$H_1$: There is a relationship between long-term government/treasury/central bank *Sukuk* issuances and the economic growth (GDP) in Malaysia.
$H_0$: There is no relationship between long-term government/treasury/central bank *Sukuk* issuances and the economic growth (GDP) in Malaysia.

$H_2$: There is a relationship between long-term corporate *Sukuk* issuances and the economic growth (GDP) in Malaysia.
$H_0$: There is no relationship between long-term corporate *Sukuk* issuances and the economic growth (GDP) in Malaysia.

$H_3$: There is a relationship between long-term agency *Sukuk* issuances and the economic growth (GDP) in Malaysia.
$H_0$: There is no relationship between long-term agency *Sukuk* issuances and the economic growth (GDP) in Malaysia.

$H_4$: There is a relationship between short-term government/treasury/central bank *Sukuk* issuances and the economic growth (GDP) in Malaysia.
$H_0$: There is no relationship between short-term government/treasury/central bank *Sukuk* issuances and the economic growth (GDP) in Malaysia.

$H_5$: There is a relationship between short-term corporate *Sukuk* issuances and the economic growth (GDP) in Malaysia.
$H_0$: There is no relationship between short-term corporate *Sukuk* issuances and the economic growth (GDP) in Malaysia.

$H_6$: There is a relationship between short-term agency *Sukuk* issuances and the economic growth (GDP) in Malaysia.
$H_0$: There is no relationship between short-term agency *Sukuk* issuances and the economic growth (GDP) in Malaysia.

$H_7$: There is a relationship between exchange rate and the economic growth (GDP) in Malaysia.
$H_0$: There is no relationship between exchange rate and the economic growth (GDP) in Malaysia.

***Theoretical Framework***

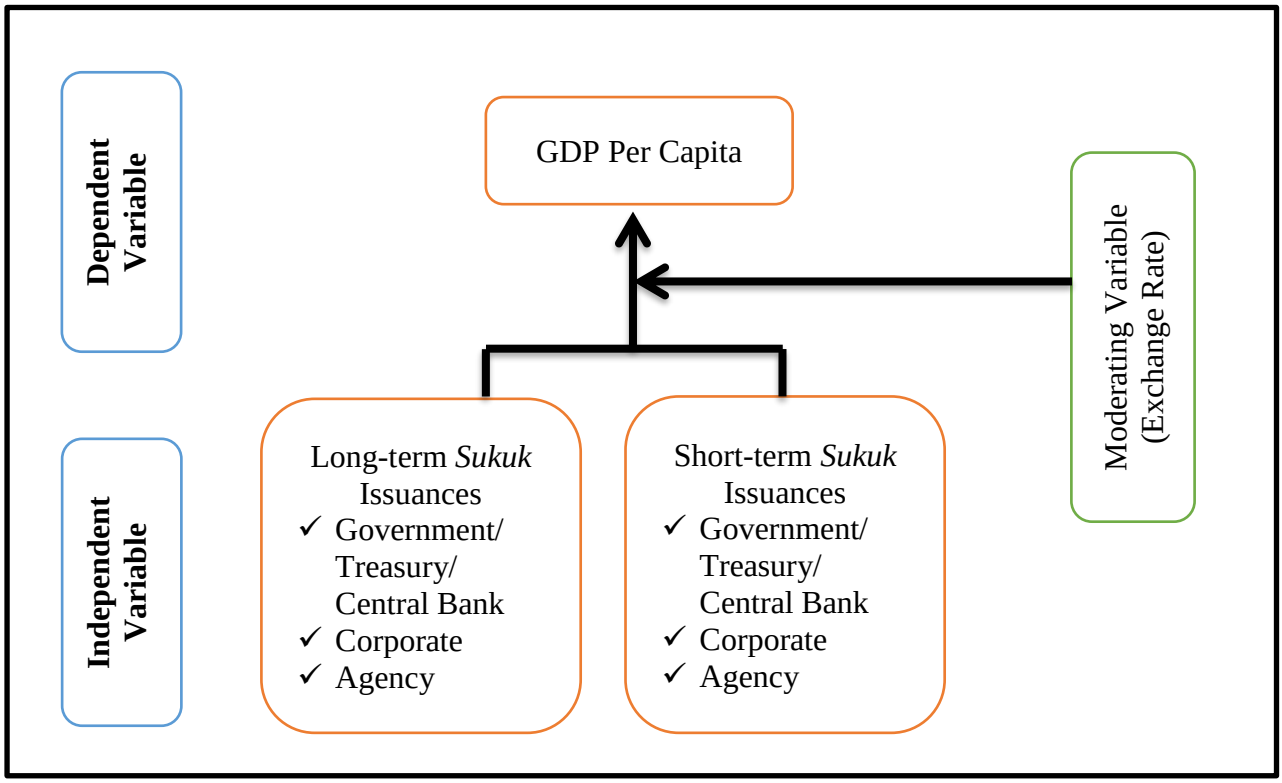


**Figure 3: The Theoretical Framework of the Study**

***Multiple Regression Models***

The regression equations in this study are show as below:

i. Regression using long-term *Sukuk* issuances on the economic growth in Malaysia. For equation (1), the relationship between the long-term *Sukuk* issuances and economic growth is analyzed with the presences of the exchange rate as the moderating variable.

$$GDP_{it} = ß_{0it} + ß_1 LGTC_{it} + ß_2 LCTE_{it} + ß_3 LAGY_{it} + ß_7 ER_{it} + Ɛ_{it} \quad (1)$$

ii. However, for equation (2), the relationship between the long-term *Sukuk* issuances and economic growth is analyzed without the presences of the exchange rate as the moderating variable.

$$\mathbf{GDP}_{it} = \mathbf{ß}_{0it} + \mathbf{ß}_1\mathbf{LGTC}_{it} + \mathbf{ß}_2\mathbf{LCTE}_{it} + \mathbf{ß}_3\mathbf{LAGY}_{it} + \mathbf{Ɛ}_{it} \quad \textbf{(2)}$$

iii. Regression using short-term Sukuk issuances on the economic growth in Malaysia. For equation (3), the relationship between the short-term *Sukuk* issuances and economic growth is analyzed with the presences of the exchange rate as the moderating variable.

$$\mathbf{GDP}_{it} = \mathbf{ß}_{0it} + \mathbf{ß}_4\mathbf{SGTC}_{it} + \mathbf{ß}_5\mathbf{SCTE}_{it} + \mathbf{ß}_6\mathbf{SAGY}_{it} + \mathbf{ß}_7\mathbf{ER}_{it} + \mathbf{Ɛ}_{it} \quad \textbf{(3)}$$

iv. However, for equation (4), the relationship between the short-term *Sukuk* issuances and economic growth is analyzed without the presences of the exchange rate as the moderating variable.

$$\mathbf{GDP}_{it} = \mathbf{ß}_{0it} + \mathbf{ß}_4\mathbf{SGTC}_{it} + \mathbf{ß}_5\mathbf{SCTE}_{it} + \mathbf{ß}_6\mathbf{SAGY}_{it} + \mathbf{Ɛ}_{it} \quad \textbf{(4)}$$

Where, β = Constant
*i* = Country, *i*
*t* = Time period, *t*
$Ɛ_{it}$ = Error term of *i* on *t*

Dependent Variable:
GDP = Gross Domestic Products Per Capita in Malaysia

Independent Variables:
LGTC = Long-term Government/Treasury/Central Bank *Sukuk* issuances in Malaysia
LCTE = Long-term Corporate *Sukuk* issuances in Malaysia
LAGY = Long-term Agency *Sukuk* issuances in Malaysia
SGTC = Short-term Government/Treasury/Central Bank *Sukuk* issuances in Malaysia
SCTE = Short-term Corporate *Sukuk* issuances in Malaysia
SAGY = Short-term Agency *Sukuk* issuances in Malaysia
ER = Exchange Rate in Malaysia (moderating variable)

## Results and Discussion

### *Multiple Regression Analysis*

The multiple regression analysis is to determine the projecting influencing of independent variables such as LGC, LCTE, LAGY, SGTC, SCTE, SAGY and ER on the dependent variable which is GDP. The ß-coefficient value presents the contribution of each independent variable to the dependent variable. Table 1 and Table 2 below shows the result of the multiple regression analysis of this study.

**Table 1: Long-Term Sukuk Issuances in Malaysia**

| | Model 1 | | Model 2 | |
|---|---|---|---|---|
| Variable | ß-Coefficient | *p*-Value | ß-Coefficient | *p*-Value |
| c | | 0.0000*** | 27.5735 | 0.0000*** |
| LGTC (ln) | 0.1070 | 0.2190 | 0.0221 | 0.0020*** |
| LCTE (ln) | 0.2390 | 0.0040*** | 0.0204 | 0.0327** |
| LAGY (ln) | -0.2810 | 0.0010*** | -0.0422 | 0.0006*** |
| ER | 0.5250 | 0.0000*** | | |
| $R^2$ | 0.5230 | | 0.2930 | |
| Adjusted $R^2$ | 0.4980 | | 0.2659 | |
| F-Statistic | 21.1180 | | 10.7775 | |
| Sig. F-Statistic | 0.0000 | | 0.0000 | |

*Note*: *p<0.10, **p<0.05, ***p<0.01

The result of the multiple regressions for long-term *Sukuk* issuances in Malaysia is presented in the Table 1 above. The F-statistic for model 1 explains that the overall significance of the model 1 is found to be significant at 0.0000 levels with the $R^2$ of 0.5230 which means that only 52.30% of the variability of the response data around its mean, and the adjusted $R^2$ of 0.4980. It shows that the regression model consisting LGTC, LCTE, LAGY and ER could explain 49.80% changes in GDP. The adjusted $R^2$ result appeared that there are other factors which are distinctive to *Sukuk* issuances in Malaysia that could explain more than 50% of variation in GDP in Malaysia. While the F-statistic for model 2 explains that the overall significance of the model 2 is found to be significant at 0.0000 levels with the $R^2$ of 0.2930 which means that only 29.30% of the variability of the response data around its mean, and adjusted $R^2$ of 0.2659. It shows that the regression model consisting LGTC, LCTE, LAGY could explain 26.59% changes in GDP. The low adjusted R2 result appeared that there are other factors which are distinctive to *Sukuk* issuances in Malaysia that could explain more than 70% of variation in GDP in Malaysia. Thus, the result of model 1 for long-term *Sukuk* issuances with the presences of the exchange rate is more fitted to the regression line. The full result can refer appendix III. The results of these variables are discussed in detail below:

***Long-Term Government/Treasury/Central Bank Sukuk Issuances in Malaysia***

For model 1, the coefficient estimation of LGTC is 0.1070 with the *p*-value of 0.2190($p$>0.10). This result indicates that one percent increase in long-term government/treasury/central bank *Sukuk* issuances may increase the gross domestic products in Malaysia by 0.1070. Even though, the result is not significant, it shows a positive relationship between LGTC and GDP in Malaysia. Therefore, it reveals that the increase in amount of long-term government/treasury/central bank *Sukuk* issued contributed to higher GDP in Malaysia. The result also indicates that we can reject the alternative hypothesis where there is no significant relationship between long-term government/treasury/central bank *Sukuk* issuances and economic growth (GDP) in Malaysia.

***Long-Term Corporate Sukuk Issuances in Malaysia***

The coefficient estimation of LCTE is 0.2390 with the *p*-value 0.0040($p$<0.01). This result indicates that a one percent increase in long-term corporate *Sukuk* issuances may increase the gross domestic products in Malaysia by 0.2390, which is significant at the 0.01 level of acceptance. The result shows a significant and positive relationship between LCTE and GDP in Malaysia. Therefore, it reveals that the increase in amount of long-term corporate *Sukuk* issued contributed to higher GDP in Malaysia. The result also indicates that we can reject the

null hypothesis where there is a significant relationship between long-term corporate *Sukuk* issuances and economic growth (GDP) in Malaysia.

***Long-Term Agency Sukuk Issuances in Malaysia***

The coefficient estimation of LAGY is -0.2810 with the *p*-value 0.0010($p$<0.01). This result indicates that one percent increase in long-term agency *Sukuk* issuances may decrease the gross domestic products in Malaysia by 0.2810, which is significant at the 0.01 level of acceptance. The result shows a significant and negative relationship between LAGY and GDP in Malaysia. Therefore, it reveals that the increase in amount of long-term agency *Sukuk* issued does not contributed to higher GDP in Malaysia. The result also indicates that we can reject the null hypothesis where there is a significant relationship between long-term agency *Sukuk* issuances and economic growth (GDP) in Malaysia.

***Exchange Rate in Malaysia***

The coefficient estimation of ER is 0.5250 with the *p*-value 0.0000($p$<0.01). This result indicates that one percent increase in exchange rate may increase the gross domestic products in Malaysia by 0.6463, which is significant at the 0.01 level of acceptance. The result shows a significant and positive relationship between ER and GDP in Malaysia. Therefore, it reveals that the increase in exchange rate contributed to higher GDP in Malaysia. The result also indicates that we can reject the null hypothesis where there is a significant relationship between exchange rate and economic growth (GDP) in Malaysia.

**Table 2: Short-Term Sukuk Issuances in Malaysia**

| | Model 1 | | Model 2 | |
|---|---|---|---|---|
| Variable | ß-Coefficient | *p*-Value | ß-Coefficient | *p*-Value |
| c | | 0.0000*** | 25.3162 | 0.0000*** |
| SGTC (ln) | 0.2730 | 0.0030*** | 0.0351 | 0.0036*** |
| SCTE (ln) | 0.5090 | 0.0000*** | 0.0259 | 0.0001*** |
| SAGY (ln) | 0.1930 | 0.0300** | 0.0705 | 0.0270** |
| ER | 0.3550 | 0.0000*** | | |
| $R^2$ | 0.5660 | | 0.4462 | |
| Adjusted $R^2$ | 0.5370 | | 0.4194 | |
| F-Statistic | 19.8650 | | 16.6528 | |
| Sig. F-Statistic | 0.0000 | | 0.0000 | |

*Note*: *p<0.10, **p<0.05, ***p<0.01

The result of the multiple regressions for short-term *Sukuk* issuances in Malaysia is presented in the Table 2 above. The F-statistic for model 1 explains that the overall significance of the model 1 is found to be significant at 0.0000 levels with the $R^2$ of 0.5660 which means that only 56.60% of the variability of the response data around its mean, and the adjusted $R^2$ of 0.5370. It shows that the regression model consisting SGTC, SCTE, SAGY and ER could explain 53.70% changes in GDP. The adjusted $R^2$ result appeared that there are other factors which are distinctive to *Sukuk* issuances in Malaysia that could explain more than 40% of variation in GDP in Malaysia. While the F-statistic for model 2 explains that the overall significance of the model 2 is found to be significant at 0.0000 levels with the $R^2$ of 0.4462 which means that only 44.62% of the variability of the response data around its mean, and the adjusted $R^2$ of 0.4194. It shows that the regression model consisting SGTC, SCTE, SAGY could explain 41.94% changes in GDP. The adjusted $R^2$ result appeared that there are other factors which are distinctive to *Sukuk* issuances in Malaysia that could explain more than 50% of variation in GDP in Malaysia. Thus, the result of model 1 for short-term *Sukuk*

issuances with the presences of the exchange rate is more fitted to the regression line. The full result can refer appendix III. The results of these variables are discussed in detail below:

***Short-Term Government/Treasury/Central Bank Sukuk Issuances in Malaysia***

The coefficient estimation of SGTC is 0.2730 with the *p*-value 0.0030($p<0.01$). This result indicates that one percent increase in short-term government/treasury/central bank *Sukuk* issuances may increase the gross domestic products in Malaysia by 0.2730, which is significant at 0.01% level of acceptance. The shows a significant positive relationship between SGTC and GDP in Malaysia. Therefore, it reveals that the increase in amount of short-term government/treasury/central bank *Sukuk* issued contributed to higher GDP in Malaysia. The result also indicates that we can reject the null hypothesis where there is a significant relationship between short-term government/treasury/central bank *Sukuk* issuances and economic growth (GDP) in Malaysia.

***Short-Term Corporate Sukuk Issuances in Malaysia***

The coefficient estimation of SCTE is 0.5090 with the *p*-value 0.0000 ($p<0.01$). This result indicates that one percent increase in short-term corporate *Sukuk* issuances may increase the gross domestic products in Malaysia by 0.5090, which is significant at the 0.01 level of acceptance. The result shows a significant and positive relationship between SCTE and GDP in Malaysia. Therefore, it reveals that the increase in amount of short-term corporate *Sukuk* issued contributed to higher GDP in Malaysia. The result also indicates that we can reject the null hypothesis where there is a significant relationship between short-term corporate *Sukuk* issuances and economic growth (GDP) in Malaysia.

***Short-Term Agency Sukuk Issuances in Malaysia***

The coefficient estimation of SAGY is 0.1930 with the *p*-value 0.030($p<0.05$). This result indicates that one percent increase in short-term agency *Sukuk* issuances may increase the gross domestic products in Malaysia by 0.1930, which is significant at the 0.05 level of acceptance. The result shows a significant and positive relationship between SAGY and GDP in Malaysia. Therefore, it reveals that the increase in amount of short-term agency *Sukuk* issued contributed to higher GDP in Malaysia. The result also indicates that we can reject the null hypothesis where there is a significant relationship between short-term agency *Sukuk* issuances and economic growth (GDP) in Malaysia.

***Exchange Rate in Malaysia***

The coefficient estimation of ER is 0.3550 with the *p*-value of 0.0000($p<0.01$). This result indicates that one percent increase in exchange rate may increase the gross domestic products in Malaysia by 0.3550, which is significant at the 0.01 level of acceptance. The result shows a significant and positive relationship between ER and GDP in Malaysia. Therefore, it reveals that the increase in exchange rate contributed to higher GDP in Malaysia. The result also indicates that we can reject the null hypothesis where there is a significant relationship between exchange rate and economic growth (GDP) in Malaysia.

**Conclusion**

This study examines the impact of *Sukuk* issuances to the economic growth in Malaysia as *Sukuk* is one of the Islamic capital market important components. The previous studies show that not many studies on the different tenure and type of *Sukuk* issuances and their impact on the economic growth especially in Malaysia. Hence, this study can contribute a wider scope of analysis on the different tenure and type of *Sukuk* issuances by including the long-term

*Sukuk* issuances and short-term *Sukuk* issuances of government/treasury/central bank, corporate and agency as the independent variables. Therefore, this study also contributes a new finding in term of separate impact of different tenure and type of *Sukuk* issuances on the economic growth. The findings will add new knowledge to the existing literature.

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