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Factors Influencing the Excess Returns of Sukuk: An Empirical Analysis on USD Denominated Sukuk Issued by Corporations in the Gulf Cooperation Council Countries

Maya Puspa Rahman and Mohd Azmi Hj Omar

1. Introduction

Over the last decade, sukuk has emerged as one of the most important financial instruments in Islamic finance, with corporations and governments around the world raising funds for the purpose of business expansions and infrastructure build-ups, via the issuance of sukuk. As at 2010, global sukuk issuance had reached USD197 billion from only USD997 million in 2001,¹ an increase of more than 100 times. In the development of the global sukuk market, Muslim countries such as the GCC, Malaysia and Indonesia to name but a few, have played a pivotal role in ensuring the accessibility of the sukuk market to global investors. While Malaysia leads the domestic sukuk market, the GCC appeared to be more prominent for international sukuk issuance, having issued an aggregate amount of USD39.7 billion or 83% out of the total USD47.9 billion international sukuk during the same period.