IMPACT OF LIQUIDITY RISK, SOLVENCY RATIO AND CORPORATE GOVERNANCE TO THE *SUKUK* DEFAULTED FIRM

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AUTHOR DECLARATION

I hereby declare that this thesis is my own except for quotations and summaries which have been duly acknowledged.

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ABSTRAK

Isu sukuk ingkar telah menjadi keterujaan ramai pihak yang terlibat dalam industri sukuk terutamanya selepas krisis kewangan global pada 2007-2008 berdasarkan beberapa pelaporan kes berprofil tinggi berkait dengan sukuk hampir ingkar yang melibatkan sebahagian negara Majlis Kerjasama Teluk (GCC) dan Amerika Syarikat (US), antaranya Saad Group Golden Belt Sukuk (Saudi Arabia), Kuwaiti Investment Dar Sukuk (Kuwait) dan East Cameron Gas Company Sukuk (US). Di Malaysia, terdapat 35 buah firma penerbit sukuk yang diisytihar ingkar oleh Rating Agency Malaysia Berhad (RAM) and Malaysian Rating Corporation Berhad (MARC) dari 2002 sehingga 2014. Kegagalan menanggani isu ini akan memberi kesan terhadap industri perbankan dan kewangan di negara-negara yang menerbitkan sukuk. Malaysia sebagai penerbit sukuk utama dunia telah menerbitkan sukuk untuk pembiayaan kepada industri dan sektor dalam bidang pembinaan, pembangunan dan pelaburan. Oleh itu, adalah masa yang tepat pengkaji membuat kajian keatas sukuk ingkar. Kajian ini bagi menyelidiki sejauh mana risiko kecairan, nisbah kemampuan dan tadbir urus korporat menyumbang kepada ciri-ciri 30 buah firma sukuk ingkar dan 30 bukan sukuk ingkar di Malaysia dari 2006 sehingga 2011. Bagi memahami mengenai sukuk ingkar, tiga pemboleh ubah telah dikaji iaitu risiko kecairan, nisbah kemampuan dan tadbir urus korporat. Risiko kecairan diukur menggunakan nisbah cepat dan nisbah tunai kepada aset, nisbah kemampuan diukur dengan nisbah hutang kepada equiti dan nisbah perlindungan faedah, manakala tadbir urus diukur dengan kewujudan jawatankuasa audit dan pengarah bebas. Analisis-analisis kajian dijalankan dengan menggunakan SPSS bagi *logistic regression* dan WEKA bagi *decision tree*. Hasil penemuan keatas setiap pemboleh ubah bebas, risiko kecairan (nisbah cepat dan nisbah tunai kepada aset), nisbah kemampuan (nisbah hutang kepada ekuiti) dan tadbir urus korporat (kewujudan jawatankuasa audit) menyumbang kepada sukuk ingkar dan keingkaran firma-firma sukuk. Sementara itu, penemuan model penuh dari WEKA mendedahkan bahawa kewujudan jawatankuasa audit, nisbah hutang kepada ekuiti dan nisbah cepat memberi kesan kepada keingkaran firma-firma sukuk. Oleh itu, daripada penemuan-penemuan ini, menunjukkan bahawa risiko kecairan, nisbah kemampuan dan tadbir urus korporat menyumbang kepada sukuk ingkar dan keingkaran firma-firma sukuk di Malaysia dari 2006 sehingga 2011. Penemuan kajian ini menunjukkan sukuk ingkar dan keingkaran firma-firma sukuk berlaku serentak dengan krisis kewangan dunia pada 2007-2008. Kajian akan datang dicadangkan atas keperluan untuk mengetahui lebih lagi mengenai sukuk, risiko kecairan dan krisis kewangan.

ABSTRACT

Sukuk default issue has impressed many parties of the *sukuk* industry, especially after the global financial crisis in 2007-2008 based on several high-profile cases reported related to *sukuk* near-default in 2009 which involved some Gulf Cooperation Council (GCC) countries and the United States of America (US), such as Saad Group Golden Belt *Sukuk* (Saudi Arabia), the Kuwaiti Investment Dar *Sukuk* (Kuwait), and the East Cameron Gas Company *Sukuk* (US). In Malaysia, there were 35 *sukuk* issuer firms registered default by Rating Agency Malaysia Berhad (RAM) and Malaysian Rating Corporation Berhad (MARC) from 2002 to 2014. Failure to address the issue may affect the banking and financial institutions in the *sukuk* issuance countries. Malaysia as the prime *sukuk* issuer in the world has issued *sukuk* for financing the industries and sectors in constructions, development and investment. Therefore, it is timely for researcher to do research on the *sukuk* default. This study investigates the extent to which liquidity risk, solvency ratio and corporate governance contribute to the characteristics of 30 *sukuk* default and 30 non-default firms in Malaysia from 2006 to 2011. In order to understand *sukuk* default, three independent variables are tested which are liquidity risk, solvency ratio and corporate governance. Liquidity risk is measured by using quick ratio and cash to asset ratio, solvency ratio is measured by using interest coverage ratio and debt to equity ratio, whereas the corporate governance is measured by using existence of audit committee and independent director. The analyses are conducted on SPSS and WEKA by using logistics regression and decision tree analysis. From the findings of each independent variable, the liquidity risk (quick ratio and cash to asset ratio), solvency ratio (debt to equity ratio) and corporate governance (existence of audit committee) contributed to the *sukuk* default and defaulted *sukuk* firms. Meanwhile, the full model, finding from WEKA revealed that existence of audit committee, debt to equity ratio and quick ratio affect *sukuk* default and *sukuk* defaulted firms. Therefore, from the findings, it shows that liquidity risk, solvency ratio and corporate governance contributed to the *sukuk* default and *sukuk* defaulted firms in Malaysia from 2006 to 2011. This findings indicate that *sukuk* default and *sukuk* defaulted firms coincided with world financial crisis of 2007-2008. Future research is suggested on the need to explore more on the *sukuk*, liquidity risk, and financial crisis.

AL MUKHLAS

نبذة مختصرة

يف ةيملاعلا ةيلاملا ةمزلأا دعب ةصاخ ,كوكصلا ةعانص يف فارطلأا نم ديدعلا باجعإ كوكصلل يضارتفلاا رادصلإا راثأ دادسلا نع فلختلا نم بٍرتقت كوكصب ةقلعتملاو اهنع غلابلإا مت يتلا ةزرابلا اياضقلا نم ديدعلا ىلع ًءانب ٢٠٠٨-٢٠٠٧ يف ماع ٢٠٠٩ يتلاو تلمش ضعب لود سلجم نواعتلا يجيلخلا تايلاولاو ةدحتملا ةيكيرملأا ,هبش لثم كوكص مازحلا يبهذلا ةعومجمل دعس)ةيدوعسلا ،(وادر كوكصلا ةيتيوكلا رامثتسلال)تيوكلا ,(وكوكص ةكرش قرش ناكيمور للغاز)ولاايلات ةدحتملا(.

يف ايزيلام ،ناك كانه ٣٥ ةكرش ةُمصدر ةللكوك مسجلة بشكل يضارتفا نم لبق وكالة فينصتلا ايزيلام بيرهاد)رام (وشركة فينصتلا ةيلاملا ةيزيلام بيرهاد)رام(نم 2002 ىلإ ٢٠١٤. قد رثؤي مدع ةجلاعم ةلكشملا ىلع تاسسؤملا ةيفرصملا ةيلاملاو يف نادلبلا يتلا تردصأ كوكصلا ،تردصأ ايزيلام ةبصفتها ردصملا يسيئرلا كوكصلل يف ملاعلا كوكصأ ليومتل تاعانصلا وقطاعات يف ءانبلا ةينتلاو رامثتسلااو.

كلذل ،فقد ناح تقولا للبحاث ءارجلإ ثحب لوح فلختلا نع دادسلا يف كوكصلا. تبحث هذه ةساردلا يف ىدم رطاخم ةلويسلا ،تسهام ةبسن ةءلاملا ةيلاملا ةمكوحو تاكرشلا يف صئاصخ ٣٠ عون نم كوكصلا ةلتفلخملا نع دادسلا و٣٠ ةكرش ريغ ةفلتخم يف ايزيلام نم ٢٠٠٦ ىلإ ٢٠١١. نم لجأ مهف فلختلا نع دادسلا يف كوكصلا ،مت رابتخا ثلاث تاريغتم ةلقتسم يهو رطاخم ةلويسلا ةبسنو ةءلاملا ةمكوحو تاكرشلا.

يتم ةياقس رطاخم ةلويسلا بادختسام ةبسنلا ةعيرسلا ةبسنو دقنلا ىلإ لوصلأا ،وتقاس ةبسن ةءلاملا ةيلاملا بادختسام ةبسن ةيطغت دئاوفلا ةبسنو نيدلا ىلإ قوقح ةيكلملا ، يف حين يتم سايق ةمكوح تاكرشلا بادختسام ةلجنة قيقدتو ريدم ةلقتسم.

يتم إجراء التحليلات ىلع جمانرب ةمزحلا ةيئاصحلإا مولعلل ةيعامتجلاا (SPSS) وبرنامج ةئيب واكياتو لتحليل ةفرعملا (WEKA)، بادختسام الانحدار للوجستي وتحليل شجرة رارقلا.

نم نتائج لك ريغتم لقتسم ،رطاخم ةلويسلا)ةبسنلا ةعيرسلا ةبسنو دقنلا ىلإ لوصلأا ،(وساهمت ةبسن ةءلاملا ةيلاملا)ةبسن نيدلا ىلإ قوقح ةيكلملا (ووحكمة تاكرشلا (ووجود ةنجل قيقدت)يف رثعت كوكصلا تاكرشو كوكصلا ةرثعتملا. وفي تقولا ،هسفن كشفت جئاتنلا ةلماكلا لنموذج نم وبرنامج ةئيب واكياتو لتحليل ةفرعملا (WEKA)عن وجود ةنجل قيقدت ةبسنو نيدلا ىلإ قوقح ةيكلملا وتأثير ةبسنلا ةعيرسلا ىلع رثعت تاكرشلا كوكصلاو كوكصلا ةرثعتملا. ذلك ،نم جئاتنلا ،فإنه يظهر أن رطاخم ةلويسلا ،ةبسنو ةءلاملا ةيلاملا ةمكوحو تاكرشلا تمهاس يف فلختلا نع دادس كوكصلا وتعثر كوكصلا يف ايزيلام نم ٢٠٠٦ ىلإ ٢٠١١.

تشير هذه جئاتنلا ىلإ أن تاكرشلا ةرثعتملا يف تادنسلا والكوك تزامنت عم ةمزلأا ةيلاملا ةيملاعلا يف ٢٠٠٧-٢٠٠٨. مت حارتقا ثحب ةلبقتسم يحول ةجاحلا ىلإ فاشكتسا ديزملا نع كوكصلا رطاخمو ةلويسلا ةمزلأاو ةيلاملا.

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The Company Winding-Up Rules 1972

The Guidelines on the Governance of *Shariah* Committee for the Islamic Financial Institutions 2004

LIST OF ABBREVIATIONS

AAOIFI	Accounting and Auditing Organization for Islamic Financial Institutions
BaIDS	*Bai'Bithaman Ajil* Islamic Debt Securities
BBA	*Bai' Bithaman Ajil*
BBA	British Bankers Association
BCSB	Basel Committee on Banking Supervision
BEIM	Business Ethics of Malaysia
BIS	Bank for International Settlements
BNM	Bank Negara Malaysia
CAGR	Compound Annual Growth Rate
CPI	Consumer Production Index
CPI	Corruption Perceptions Index
FSAP	Financial Sector Assessment Program
GCC	Gulf Cooperation Council
iECONS	Islamic Economic System Conference
IFIs	Islamic Financial Institutions
IFIS	The Islamic Finance Information Services
IFN	Islamic Finance News
IFSB	Islamic Financial Services Board
IICMF	International Islamic Capital Market Forum
IIFM	International Islamic Financial Market
LIBOR	London Interbank Offer Rates
MARC	Malaysian Rating Corporation Berhad
MAS	Malaysia Airlines System
MCCG	Malaysian Code on Corporate Governance
MIFC	Malaysian International Islamic Finance Centre
OIC	Organization of Islamic Conference
RAM	Rating Agency Malaysia Berhad
RM	Malaysian Ringgit
SAC	Securities Commission *Shariah* Advisory Council
SC	The Securities Commission
SGF	*Shariah* Governance Framework
SPSS	Statistical Package
SPV	Special Purpose Vehicles
UAE	United Arab Emirates
US	United States of America
WEKA	Waikato Environment for Knowledge Analysis
WIEF	World International Economic Forum
GDP	Malaysian Gross Domestic Product
MoF	Ministry of Finance Malaysia