

## **ANALYZING THE RESILIENCE AND IMPACT OF ISLAMIC STOCK MARKETS BEFORE AND AFTER THE COVID-19 PANDEMIC IN MALAYSIA**

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### **ABSTRACT**

The study aims to investigate the relationships between Total Return (TR) on Islamic stock prices and key economic indicators such as GDP growth rate, interest rate, and Foreign Direct Investment. Data for the analysis is obtained from financial statements downloaded from Bursa Malaysia and The World Bank Data. The research seeks to shed light on how these economic factors influence the Total Return of Islamic stock markets, providing insights into the performance and behavior of Islamic stock markets in Malaysia. The findings emphasize the significant impact of GDP growth rate, interest rate, and Foreign Direct Investment on the performance of Islamic stock markets, offering valuable implications for investors and policymakers in the Islamic finance sector.

**Keywords:** Islamic stock markets, Covid-19 pandemic, economic indicators, Malaysia

### **INTRODUCTION**

The global spread of the COVID-19 pandemic, marked by its rapid and widespread impact, caused not just a significant public health crisis but also a deep economic shock. Financial markets around the world became unstable and uncertain as the virus disrupted economic activities, led to widespread lockdowns, and raised worries about the future stability of different types of investments. The financial markets experienced a remarkable makeover in response to the worldwide effects of the COVID-19 pandemic, which showed similarity to the unparalleled changes observed throughout the 2008 credit crunch (Ullah, 2022). The purpose of this study is to investigate and evaluate the impact and resilience of Islamic stock markets both pre and post-crisis. The Islamic Stock Market, which adheres to dedication to Shariah principles, serves as a platform that offers investment opportunities to individuals seeking companies that comply with Shariah. However, Muslims have expressed a significant opinion concerning the limitations imposed by the conventional stock market framework, which they consider to be inadequate in its adherence to various principles of Islamic law (Alam et al., 2017). Given the growing recognition of the ethical and risk-sharing precepts that are fundamental to Islamic finance, it is urgent to determine whether these markets demonstrated any distinctive attributes during periods of crisis.

According to Bernama (2021), Malaysia's Islamic financial market showcased resilience. The Islamic banking sector remained robust, witnessing a 9.1% expansion in total assets to RM1,132.5 billion by end-July 2021. Islamic financing outstanding also grew by 5.6% to RM831.6 billion, driven by strong demand in the household sector, supported by stimulus packages and the phased reopening of economic sectors. In the Islamic capital market, Malaysia's domestic Islamic market valued at RM2,254 billion accounted for 65.7% of the total market. Notably, sukuk issuance reached RM151.3