Title: The impact of geopolitical risk and COVID-19 pandemic stringency on Sukuk issuance in Malaysia

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Abstract: Purpose This study aims to examine the impacts of global geopolitical risks (GPRs) and COVID-19 pandemic stringency on the size of Sukuk issuance in Malaysia.

Design/methodology/approach To examine the issue, this paper collected yearly data for the Sukuk issuance from the DataStream, and the rest of the variables, including the control variables from the World Bank, were from 2018 to 2022. Several econometric approaches have been used, that is, ordinary least square (OLS), two-stage least squares (2SLS) and generalized method of moment (GMM) with fixed effects and random effects in examining the impacts.

Findings The results demonstrate that global GPRs negatively impact the size of Sukuk issuance due to the investment risk during the high global geopolitical conflicts, war and rampant terrorism. Besides, the COVID-19 pandemic-related stringency also similarly affects the country's Sukuk issuance market because of the long-time lockdown measures, border closures, travel restrictions and low access to the market. The control variables also demonstrate similar results except for the gross domestic products, which shows positive and significant impacts on the Sukuk market of Malaysia.

Originality/value The study's policy implications for Sukuk investors and issuers stress the importance of disclosing risk mitigation procedures, strengthening the regulatory framework and raising investor knowledge to attract and protect investors in the Sukuk sector.

Keywords: Sukuk, Geopolitical risks, COVID-19, Islamic bond, GMM

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