Factors influencing the individual investors of Bangladesh to opt for investment in ūkūk

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Abstract

Purpose – This study aims to identify the factors that influence the willingness of Bangladeshi retail investors to invest in ūkūk.

Design/methodology/approach – The authors surveyed Bangladeshi retail investors using a structured questionnaire to understand their perspectives on potential investment in ūkūk. The authors considered the behavioral aspects of retail investors and the desired ūkūk features to analyze the demand side. Factors and regression analyses were performed to identify the persuading factors.

Findings – The results indicate that investor awareness is a fundamental factor in potential investments in ūkūk. Investors perceive the security represented by government and third-party guarantees as a persuasive feature of ūkūk. The tradability and tenor of ūkūk also affect the investment intention. Sharī‘ah consciousness of the investors also plays a significant role in their investment decisions.

Research limitations/implications – One limitation of this study is that it incorporates potential individual investors only, and precludes institutional investors. In the future, there is scope for research to explore the demand factors impacting institutional investors of ūkūk in Bangladesh.

Practical implications – The authors expect that the study will aid policymakers and ūkūk issuers in crafting strategies to cater to the needs of Bangladeshi retail investors.

Originality/value – This study is the earliest research conducted in Bangladesh to determine the factors impacting the willingness of individual investors to make their potential investments in ūkūk. To the best of the authors’ knowledge, no study has analyzed the desired ūkūk features from the perspective of Bangladeshi retail investors.

Keywords Demand, ūkūk, Investment, Bangladeshi investors

Paper type Research paper

1. Introduction

Fostering social equity through the establishment of justice in economic transactions is the heart of Islamic financial rulings. To uproot unfairness in financial contracts, Islam inspires risk-sharing as well as benevolent charity and bans interest (Qur‘an 2:275–276). Unjust predetermined interests impede equity as they are charged irrespective of the actual accomplishment of an investment (Iqbal and Mirakh, 2011). This divine proscription on dealing in interest marks conventional bonds and investment schemes offered by conventional banks as Sharī‘ah non-compliant.

In a country with 91.04% Muslim population (Bangladesh Bureau of Statistics 2022), there is a paucity of Sharī‘ah-compliant investment opportunities in the Bangladesh financial market. Furthermore, investors do not have plenty of opportunities to diversify their investments because of the scarcity of asset classes in Bangladesh’s capital markets.
The capital market of the country is equity-centric, providing retail investors with ordinary shares of around 350 companies, 36 mutual funds, 08 debentures and 10 corporate bonds as investment opportunities as of May 12, 2023 (Dhaka Stock Exchange, 2023a). The available alternatives are even less for investors demanding Shari’ah-compliant investment opportunities. There are 131 Shari’ah-indexed equities (Chittagong Stock Exchange, 2023), five Islamic mutual funds, four muddarabah bonds and one sukuk (Dhaka Stock Exchange Ltd, 2023b, c). On the other hand, in the money market, Bangladesh has only ten Islamic banks out of 61 scheduled banks (Bangladesh Bank, 2023). Thus, Muslim investors in this country have fewer opportunities to diversify their portfolios. sukuk, an Islamic capital market instrument, can widen the scope for Shari’ah-compliant investment for Muslim investors. Investors can also resort to sukuk to diversify their portfolios (Hassan et al., 2018).

AAOIFI, as an international Shari’ah standard producer organization, defines sukuk as, “sukuk are certificates of equal value representing undivided shares in ownership of tangible assets, usufruct and services, or (in the ownership of) the assets of particular projects or special investment activity” (AAOIFI, 2017). In recent years, the adoption and issuance of sukuk have grown worldwide owing to the solidification of the Shari’ah-compliant long-term market (Oseni and Hassan, 2014). Sovereigns and corporations of many nations including Malaysia, Indonesia, Bahrain, Ireland, Singapore, United Kingdom, South Africa, Saudi Arabia, Qatar, Nigeria, Oman and Turkey have been devising sukuk as a preferred fund-raising instrument since its insertion by major index providers. In 2021, the global sukuk market witnessed a record-breaking annual issuance of USD 188 billion (International Islamic Financial Market, 2022).

The sukuk market in Bangladesh is nascent. The capital market regulator initiated the creation of legislation for sukuk by publishing the “Bangladesh Securities and Exchange Commission (Investment sukuk) Rules, 2019” (Bangladesh Securities and Exchange Commission, 2019). Later, for the issuance of sovereign sukuk, the Ministry of Finance of the People’s Republic of Bangladesh set forth the “Bangladesh Government Investment sukuk Guideline, 2020” (Finance Division, Ministry of Finance, 2020). With a view to funding a project titled “Safe Water Supply for the Whole Country” and catering to the demand of investors for Shari’ah-compliant investment opportunities, the Bangladesh government issued its first sovereign sukuk in December 2020 (Bangladesh Bank, 2020). In addition, Beximco broke the ground as a private issuer to launch the first corporate sukuk in the country to deploy funds raised in the solar power project (Chittagong Stock Exchange, 2021).

This study identifies disparate factors that stimulate Bangladeshi retail investors to make prospective investments in sukuk. To popularize sukuk among individual investors, it is crucial for issuers to understand prospective investors’ perceptions. Unless issuers anticipate and cater to potential investors’ needs, they will not be able to attract sufficient investors, which may lead to undersubscription of the issue. Hence, this study examines Bangladeshi individual investors’ perspectives on their investment willingness in sukuk. In Bangladesh, only a few studies have been conducted on sukuk. Some studies have discussed the prospects and challenges of introducing the new instrument (Uddin et al., 2018; Rahman et al., 2021; Ullah et al., 2022). There are several studies on the establishment of a legal framework for sukuk in Bangladesh (Hasan, 2022; Rahman et al., 2022). Ashraf (2023) recently interpreted the relationship between religious intention and actual buying behavior in sukuk. However, there is a research gap regarding the features of sukuk that motivate investors to purchase them. The contributions of this study are as follows: First, this is the first study to examine the factors, including both investors’ behavioral aspects and sukuk features that stimulate Bangladeshi retail investors’ willingness to purchase sukuk. The considered behavioral aspects are - investor awareness and Shari’ah conscious investment behavior as sukuk
features this study incorporated guarantee, tradability, rating as well as desired return pattern and tenor. The factor ‘socially responsible investment behavior’ represents both the ṣukūk feature and investors’ behavior by incorporating the choice of ṣukūk issuers to use the ṣukūk fund in a socially responsible way and investors’ appreciation toward the cause by expressing willingness to invest in this type of ṣukūk. Second, our findings offer useful insights for regulators, policymakers and issuers in crafting effective strategies for a vibrant and fruitful ṣukūk market.

The remainder of this paper is organized as follows. After this brief precludes, a comprehensive review of related literature is presented in Section 2. Section 3 describes the methodology used in the study. Section 4 describes the analysis and findings of the study. Section 5 discusses the results in comparison with previous studies and Section 6 concludes the paper.

As ṣukūk is a new instrument in Bangladesh, it is necessary to identify the variables that spur investor demand. Hence, this study endeavors to identify the factors that influence Bangladeshi investors’ potential investment in ṣukūk. Extrapolated from previous studies, the variables considered for testing in this study were awareness, Sharī’ah consciousness investment behavior, return patterns, guarantees, tenors, tradability, ratings and economic contribution.

2. Literature review and hypothesis development
In recent years, a number of studies based on different nations have attempted to identify the factors influencing the investment intentions in ṣukūk. In Qatar, Warsame and Ireri (2016) using the ‘Theory of Planned Behavior (TPB) model’, analyzed the desirability of ṣukūk and discovered that attitude toward ṣukūk, behavior factors such as customer service quality and familiarity with unique features of ṣukūk positively impacted the intention to purchase it. Awn and Azam (2020), also employed TPB and found that in Libya, there are significant positive relationship between ṣukūk investment decisions and determinants such as awareness about ṣukūk, perceived control and compliance to Sharī’ah principles. In the UAE, investors recognize the attributes of ṣukūk, Sharī’ah issues, predicted returns and accessibility of information as significant factors of investment decisions in ṣukūk (Duqi and Al-Tamimi, 2019). Meanwhile, Sukmana (2020) identified that profitability and safety are the drivers for attaining the popularity of the retail Government ṣukūk in Indonesia. In Pakistan, Khan et al. (2020), using both TPB and social cognitive theory (SCT), found a significant positive impact of the compatibility of ṣukūk with the lifestyle of investors, social influence, external influence from media and press, spiritual motivation on the investors’ behavioral intentions to purchase ṣukūk. In a similar vein, Bin-Nashwan et al. (2022) examining the Ṣukūk Prihatin (SP), the first retail digital ṣukūk issued by the Malaysian government in response to the COVID-19 crisis, discovered that investors’ willingness to invest in the ṣukūk was positively influenced by their attitudes toward the Ṣukūk Prihatin, social norms, perceived control over the ṣukūk, ṣukūk features, tax incentives and the sense of patriotism.

In Bangladesh, a limited number of studies have been conducted on ṣukūk. While most of the conducted studies in this country concentrated on the prospects and challenges of the new instrument, one research has been carried out on the purchase intention of ṣukūk. Ashraf (2023) surveyed BBA and MBA students of a private university and used the “Theory of Planned Behavior (TPB)” to focus on behavioral aspects and investigate the influence of Islamic moral values, internal factors such as self-efficacy, external factors like social pressure and empathy and attitudes on the buying behavior of potential ṣukūk investors. However, in order to understand the demand of potential ṣukūk investors, it is imperative to consider the desired features of ṣukūk. Hence, we have endeavored to fill this gap by

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cconducting a study on the factors influencing the willingness of potential individual investors in Bangladesh to invest in *sukuk*, considering both the behavioral aspects and desired *sukuk* attributes. We have surveyed capital market investors participating in trainings organized by BICM, the Government funded institution to impart capital market related training in Bangladesh. Our research considers various behavioral factors such as awareness, Shari'ah consciousness and socially responsible investment behavior. Furthermore, we have incorporated the desired features of *sukuk*, including guarantees, tradability, tenor, credit rating and return patterns, in order to comprehend the perspective of prospective individual investors in Bangladesh. To the best of our knowledge, this is the first study that has investigated the impact of both behavioral factors and desired *sukuk* features on the willingness of Bangladeshi individual investors to invest in *sukuk*. We conducted a review of previous literature in the field of Islamic finance to extrapolate the variables for our research.

2.1 Shari’ah conscious investment behavior (SHCONIB)
Investment in *sukuk* delivers distinctive value for Shari’ah compliance (Guermazi, 2020). Meticulous screening of assets and contract nature is mandatory before launching *sukuk* to meet religious requirements (Cakir and Raei, 2007). Having religiously cognizant investors is crucial to the *sukuk* market’s success. Investors’ consciousness can fetter the malpractice of compromising Shari’ah requirements to incentivize issuers (Azmat et al., 2014). Signaling stringent Shari’ah conformity by hiring reputed Shari’ah scholars has a positive impact on issuers’ stock prices (Godlewski et al., 2014). Although the popular contracts used for structuring *sukuk* include *mudarabah*, *musharaka*, *murabaha*, *ijarah*, *salam* and *isti’ana*, scholars consider *mudarabah* and *musharaka* as the classical mode for financing as they adhere to the risk-sharing principle of Islamic finance (Safari et al., 2014). In the UAE, investors stress conformity with Islamic principles when making investment decisions in *sukuk* (Duqi and Al-Tamimi, 2019). According to Khan et al. (2020), investors’ intention to invest in *sukuk* in Pakistan is inspired by their religious sentiment, and religion acts as a moderator in the association between internal and external determinants and investment behavior.

In this study, we endeavored to investigate the potential influence of Shari’ah Consciousness among prospective Bangladeshi individual investors on their willingness to invest in *sukuk*. The hypothesis tested is:

*H1. SHCONIB has a significant influence on Bangladeshi potential retail investors’ willingness to invest in *sukuk*.*

2.2 Investor awareness (AWARE)
Awareness of Shari’ah principles is imperative for a country’s far-reaching embracement of Shari’ah-compliant financial instruments (Hidayat et al., 2020). The disparity in the level of Shari’ah awareness has been evident in several studies. In India, there is a lack of knowledge regarding Islamic finance terms, although Muslim respondents in the country are familiar with them (Faisal et al., 2012; Islam and Rahman, 2017). Conversely, in Malaysia, a country with resounding success in the field of Islamic finance, understanding Shari’ah rule is a common phenomenon (Ganesan et al., 2020) Warsame and Ireri (2016) found familiarity with the *sukuk* features is an important determinant in shaping investment intentions in Qatar, irrespective of the religious background of the investors. Similarly, Khan et al. (2020) discovered that awareness about *sukuk* created through media and press played a crucial role in positively influencing investment decisions in Pakistan.

In this research, we attempted to investigate whether awareness of Shari’ah principles and *sukuk* has an impact on the investment intention of potential retail *sukuk* investors in Bangladesh. The hypothesis tested is:
H2. AWARE has a significant influence on Bangladeshi potential retail investors’ willingness to invest in šukūk.

2.3 Security and liquidity (SNL)

šukūk investors are exposed to various risks, including default risk, rate of return risk and liquidity risk (Al-Sayed, 2013). Third-party guarantee is used to mitigate the default risk by ensuring the security of the invested amount (Alswaidan et al., 2017). Meanwhile, two variables related to liquidity risk of šukūk are tradability (Razak et al., 2019) and tenor (Jamila Abdul Jalil and Abdul Rahman, 2012; Rauf and Ibrahim, 2014). In this research, we included guarantees, tradability and tenor under the factor “Security and Liquidity (SNL)”.

2.3.1 Guarantees. The benevolent and voluntary third-party guarantee, usually provided by the government to motivate investments within the nation, is a widespread method to safeguard the interest of investors in šukūk. However, scholars opined in a contradictory manner regarding the permissibility of this phenomenon. The opponents of this issue view the guarantee of the capital as inconsistent with the notion of mudāraba contract. Their logic is if the principal in šukūk al-mudāraba, šukūk mushāraka, or even šukūk al-jārakah is guaranteed, it will eventually lead to the practice of riba. Furthermore, providing government guarantee is discouraged by them as the government’s treasury belongs to the entire community and should not be exposed to financial risks arising from ventures undertaken by specific individuals or entities (Al-Amine, 2008). Although there are opposing opinions among Islamic scholars regarding the acceptability of third-party guarantees in some šukūk issues, advocates assert the absence of clear evidence impeding the act of providing guarantees in Sharī‘ah. Hence, according to the proponents of šukūk guarantee, third-party guarantors’ financial and legal independence makes it permissible for a third party to offer this benefit without compensation (Alswaidan et al., 2017). As per AAOIFI, it is not permissible for the šukūk issuer to guarantee any profit or compensation of investment loss of šukūk holders, other than in case of any negligence from the issuer’s end. However, it is permissible for an independent third party to undertake voluntarily, without taking any fees, to compensate for investment losses of šukūk holders (AAOIFI, 2017).

This guarantee has a positive impact on šukūk’s rating. Borhan and Ahmad (2018) commented that a guaranteed šukūk ijārah or šukūk mushārakah issued by a profit-making issuer is more likely to receive a better rating. Sukmana (2020) identified safety supported by government guarantees as a motivating feature of the retail government šukūk in Indonesia.

In this research, we have tried to comprehend whether potential individual investors of Bangladesh perceive security backed by government guarantee as a decisive šukūk feature. 2.3.2 Tradability. šukūk investors are exposed to liquidity risk stemming from the impermissibility of trading of some šukūk structures as well as insufficient trading of the tradable šukūk. Thin trading leads to compromising of price while converting šukūk to cash on an urgent basis (Bacha and Mirakh, 2013). However, Alam et al. (2018) demonstrated that šukūk is not riskier than conventional bonds in Malaysia, even though its tradability in the secondary market is not remarkable. He commented that, as the šukūk market gains maturity and attracts more investors, its liquidity tends to enhance over time.

šukūk’s tradability in the secondary market provides investors with the opportunity to attain liquidity (Usmani, 2007; Razak et al., 2019). According to the Sharī‘ah standard 17 issued by AAOIFI in May 2003, depending on the nature of šukūk, some are tradable in the secondary market and some are not permissible to trade (Sañari and, 2014).

Duqi and Al-Tamimi (2019) identified liquidity as an important factor attracting investors in the UAE. Similarly, Razak et al. (2019) commented, that in some markets, the inability to trade certain šukūk is a cause for concern. In contrast, despite being non-tradable, Şükûk Prihatin (SP) was oversubscribed in Malaysia (Bin-Nashwan et al., 2022).
In this study, we attempted to understand whether potential Bangladeshi individual investors desire the tradability of sukuk in the secondary market.

2.3.3 Tenor. The rules regarding sukuk do not restrict its maturity. The tenor of the sukuk can be either short or long (Safari et al., 2014). Sukuk can also be perpetual (Ellias et al., 2016). These comments are consistent with the AAOIFI standard, which permits the issuance of short-term, medium-term, or long-term sukuk. It is also permissible to issue sukuk without mentioning the tenor if the nature of the underlying contract allows it (AAOIFI, 2017). Tenor may impact the choice of sukuk investment. Jamilah Abdul Jalil and Abdul Rahman (2012) compared the profitability of ijarah sukuk and musharakah muntaqishah sukuk for different tenors. They found in the long term, ijarah is a more suitable investment alternative for investors, while in the short term, musharakah muntaqishah performed better.

Duqi and Al-Tamimi (2019), based on survey responses, commented five to nine years to be the favorite tenor of UAE sukuk investors (30.1%). Investors tend to favor a shorter maturity period to mitigate the liquidity risk (Rauf and Ibrahim, 2014). The reflection of this finding can be observed in the case of oversubscribed Sukuk Prihatin (SP) in Malaysia with a short tenor of about one year only (Bin-Nashwan et al., 2022).

Our study includes the tenor preference as a variable to better understand potential retail investors’ demand. We also attempt to identify whether the tenor of sukuk is important in shaping prospective investment decisions in Bangladesh.

Incorporating above mentioned three variables, for the construct SNL, the developed hypothesis is:

H3. SNL has a significant influence on Bangladeshi potential retail investors’ willingness to invest in sukuk.

2.4 Socially responsible investment behavior (SRIB)
This construct incorporated two aspects of investors: preferring investment alternatives leading economic development and attaining social equity.

2.4.1 Economic development. Undertaking numerous infrastructural development projects is imperative for Bangladesh to accomplish its goal of attaining upper-middle-income status. The formulation of an effective plan in this regard is pivotal for attaining sustainable economic growth (The World Bank, 2020). sukuk is a conducive source for funding infrastructure development projects (Sukmana, 2020). Handayani and Surachman (2017) also demonstrate the deployment of sukuk to fund infrastructure development in Indonesia. Smaoui and Nechi (2017) scrutinized the impact of sukuk issued throughout the period 1995–2015 in all sukuk issuing countries and opined that sukuk market expansion stimulated financial inclusion and economic growth. sukuk also contributed to the economic progress of Southeast Asia (Ledhem, 2022). Sukmana (2020) identified economic growth as a driving factor for high sales of retail sukuk in Indonesia. For the development of the local sukuk market, strengthening economic development is recommended (Aman et al., 2022). In Malaysia, the sense of making a contribution to the economic rebuilding of the nation spurred the enthusiasm of investors to purchase Sukuk Prihatin (Bin-Nashwan et al., 2022).

2.4.2 Social equity. Evaluation of the moral factors of an investment is an ingrained feature of Islamic finance (Alswaidan et al., 2017). The fundamental principle of Islam is to ensure welfare and fairness in society. For this purpose, the government and corporations can deploy sukuk to augment socially accountable financing and promote social equity (Guermazi, 2020). Socially conscious investors prioritize aligning financial profit-making strategies with social responsibility (Puaschunder, 2017). For instance, the use of funds by sukuk issuers in education and other contributory sectors to promote social equity is the driving factor that motivates investors to invest in sukuk in Malaysia (Rahman et al., 2020). Similarly, among other reasons, motivations for investing in sukuk Prihatin during the COVID-19 pandemic in Malaysia included patriotism, and a willingness to aid in the country’s recovery plan (Bin-Nashwan et al., 2022).
Incorporating above mentioned two variables, for the construct SRIB, the developed hypothesis is:

\[ H4. \] SRIB has a significant influence on Bangladeshi potential retail investors’ willingness to invest in șukûk.

**2.5 Rating (RAT)**

One of the risks associated with an investment in șukûk is default risk or credit risk. The meaning of this risk is the probability of the issuer being unsuccessful in fulfilling its commitments to pay the cash flows to the șukûkholders. If the nature of the underlying asset is usufruct providing to the issuer rather than profit-generating, payoff to șukûk investors depends on the issuer’s ability to meet the obligations (Bacha and Mirakhor, 2013). Thus, Tariq and Dar (2007) commented that the reason behind șukûk default in the past was the lack of creditworthiness of the issuer (Tariq and Dar, 2007).

Rating aids investors in assessing the comparative protection of șukûk (Zakaria et al., 2012). It examines the strength of the issuer or asset in repaying the principal with a profit. The șukûk rating was introduced in 1994. The appraisal of underlying assets is important for asset-backed șukûk, and the evaluation of an issuer’s creditworthiness is pertinent in asset-based șukûk (Šafari et al., 2014). Issuers’ profitability and third-party guarantees also affect the șukûk ratings. Kamarudin et al. (2014) identified mixed results while examining the impact of initial credit rating on default of short-term and long-term șukûk in Malaysia. On the other hand, by applying value-at-risk (VaR) techniques, Alam et al. (2018) inspected the default patterns of corporate șukûk issuances in Malaysia over a span of 16 years (2000–2015) in nine different economic sectors and concluded that their default predictions were consistent with the credit ratings assigned by credit rating agencies. On a similar note, Borhan and Ahmad (2018) commented, investors preferring safety may consider investing in șukûk with good ratings to increase the likelihood of obtaining comparatively higher and assured payoffs.

In this study, we aimed to identify the impact of rating (RAT) on the willingness of potential retail șukûk investors in Bangladesh. Thus, the hypothesis developed is:

\[ H5. \] RAT has a significant influence on Bangladeshi potential retail investors’ willingness to invest in șukûk.

**2.6 Return**

The nature of the disparate contracts between issuers and investors results in disparities in the nature of returns of șukûk (Razak et al., 2019). Contingent on the nature of the underlying contract, șukûk can provide disparate types of returns: fixed one-time returns at maturity, fixed periodic returns, variable one-time returns and variable periodic returns (Šafari et al., 2014). Duqi and Al-Tamimi (2019) found that greater expected returns inspire investors to invest in șukûk. Similarly, Sukmana (2020) opined that the returns are an important component for attracting investors. Although the authors commented on the inevitability of generating competitive returns, they did not examine the preferred nature of expected cash flows.

This study includes cash flow preference as a variable to better understand potential investors’ demand. We also attempt to determine whether investors are ready to forego returns if they are assured of the Sharî’ah compatibility of their investment.

As șukûk is a new instrument in Bangladesh, it is necessary to identify the variables that spur investor demand. Hence, this study endeavors to identify the factors that influence Bangladeshi investors’ potential investment in șukûk. Extrapolated from previous studies, the variables considered for testing in this study were awareness, Sharî’ah consciousness investment behavior, return patterns, guarantees, tenors, tradability, ratings and economic contribution.
3. Methodology of the study
3.1 Population, sampling technique and sample size
Bangladesh Institute of Capital Market (BICM) is a government-mandated Institute for imparting education on the Capital Markets (www.bicm.gov.bd). BICM is an appropriate platform for reaching existing and potential investors. To understand Bangladeshi retail investors’ perspectives, this study used a sample of capital market investors, including participants who willingly attended different investor awareness programs, workshops and certificate courses (www.bicm.ac.bd). Convenience sampling was used for data collection. We reached the respondents depending on their accessibility and eagerness to respond. In addition to the trainees, questionnaires were distributed to other investors who had visited the BICM. We also requested some brokerage house employees to provide questionnaires to Bangladeshi retail investors. As sukūk is a new instrument, investors and professionals were likely to be unaware of its features and uses. To familiarize the respondents with the sukūk features, types, use and structures, before starting data collection, they were trained for one hour to three hours depending on the training program they attended. Each question or statement was explained to the respondents while conducting the survey. A total of 302 samples were collected. However, some of the respondents did not answer certain questions and some provided contradicting answers. We excluded these responses from our analysis. In the questionnaire, two statements (“I will only invest in sukūk if the return is fixed” and “I am ready to accept variable return”) were used to check respondents’ understanding. If an answer to these statements contradicted with desired return pattern while answering the question “What kind of returns do you prefer the most?”, we excluded the response from the analysis. Thus, the number of usable responses was reduced from 302 to 250. To avoid redundancy, the two mentioned statements were not included in the analysis as the desired return pattern was analyzed by the question “What kind of returns do you prefer the most?”. Further data skimming has been performed to exclude investors displaying less familiarity. Finally, 245 responses displaying a better understanding of the new instrument were analyzed.

3.2 Type and source of data
The data used in this study were primary in nature and gathered through both offline and online surveys of the respondents participating in this research. The surveys were conducted between October 2019 and November 2020. Data collection was postponed from March 2020 to June 2020 because of the spread of Covid-19. The data collection process was conducted in offline mode starting in October 2019, and questionnaires were collected using the online platform of the Zoom meeting from July 2020 to November 2020.

3.3 Questionnaire development and data collection
To comprehend the attributes that influence buying behavior, pertinent writings on the subject were reviewed. Apart from studies based on sukūk, previous studies on Islamic banking and other sectors have been used to extrapolate variables related to awareness and buying behavior. Based on the literature review, 16 attributes were identified. A structured questionnaire was developed on the basis of these variables.

The questionnaire was divided into three sections: section 1 comprised five questions on the demographic profile of the respondents; in the second section, 16 statements were used to collect data using a 6-point Likert scale, where point “1” represents “strongly disagree” and point “6” represents “strongly agree”.

The study used a Likert scale of 6 points because research revealed that it provides higher reliability than the Likert scale (5 points). A six-point Likert scale forces respondents to think about all options, whereas a five-point Likert scale allows them to be lazy and simply select a middle option without much thinking (Chomeya, 2010). In the third section, two questions
with given options were asked to comprehend investors’ preferences. Sources and representations of questions and statements are listed in Table 1.

3.4 Data analysis technique and statistical tools

3.4.1 Factor analysis. Exploratory factor analysis (EFA) method was used to categorize the factors in the study. In this study, EFA was used as the data reduction technique. EFA reduces numerous variables (tests, scales, items, persons, etc.) to a smaller number of assumed underlying hypothetical elements called factors (Fruchter, 1967). The primary objective of factor analysis is data reduction and substantive interpretation (Field, 2005). It attempts to simplify relationships that exist among a number of apparently irrelevant variables by identifying common aspects or factors that link together while providing an understanding of the underlying design of the data (Dillon and Goldstein, 1984). The authors adopted principal component analysis to extract the factors influencing the willingness of potential investors to invest in sukuk. Principal component analysis is used to extract various components or factors that are found to fit when the study is exploratory in nature, and the objective is data summarization (Hair et al., 2006). This can explain more of the variance than loadings obtained using other factoring methods. Factor analysis diagnostics, such as the Kaiser–Meyer–Olkin (KMO) measure of sampling adequacy and Bartlett’s test of sphericity, have also been applied. The number of principal components considered in the study was determined based on Kaiser’s (1958) criterion of an eigenvalue greater than 1. Of the several methods of orthogonal rotation, the varimax rotation procedure has been used, which maximizes the dispersion of loadings within factors and attempts to load a smaller number of variables highly onto each factor (Kinnear and Gray, 2004).

3.4.2 Regression analysis. Regression analysis was performed using the five extracted factors and the following regression model was used:

\[ \text{INVEST} = f (\text{SHCONIB, AWARE, SNL, SRIB, RAT}) \]

\[ \text{INVEST} = \text{Willingness to invest in sukuk by Bangladeshi potential individual investors} \]

\[ \text{SHCONIB} = \text{Shari’ah conscious investment behavior} \]

\[ \text{AWARE} = \text{Investor awareness} \]

\[ \text{SNL} = \text{Security and liquidity} \]

\[ \text{SRIB} = \text{Socially responsible investment behavior} \]

\[ \text{RAT} = \text{Rating feature} \]

The constructs represent both investors’ behavioral aspects and sukuk features that are desirable to potential Bangladeshi retail investors. SHCONIB and AWARE constructs represent the behavioral aspects of potential retail investors. SNL and RAT represent desirable sukuk features. This study incorporated guarantee, tradability, rating as well as desired return pattern and tenor. The factor SRIB represents both the sukuk feature and investors’ behavior by incorporating the use of the sukuk fund and investors’ response toward how funds are to be utilized by issuers.

4. Analysis and findings

4.1 Demographic profile of the respondents

The demographic profile of respondents is essential for studying investors’ investment decisions (Table 2). Of the respondents, 88.6% respondents were male and 95.9% were Muslim. The age range of 74.7% of investors is from to 20–40, implying that most of the
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<th>Question no.</th>
<th>Question/Statement/Variable</th>
<th>Representation</th>
<th>Source</th>
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<tr>
<td>1–5</td>
<td>Gender, Educational qualification, Profession, Religion, Age</td>
<td>Demographic features of respondents</td>
<td>Faisal et al. (2012) and Safari et al. (2014)</td>
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<td>6</td>
<td>I know about “Sukuk”</td>
<td>Investor Awareness (behavioral aspect of potential investors)</td>
<td>Faisal et al. (2012)</td>
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<td>7</td>
<td>I know the term 'Shari'ah-compliant investment”</td>
<td>Investor Awareness (behavioral aspect of potential investors)</td>
<td>Faisal et al. (2012)</td>
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<td>8</td>
<td>I know the term “Riba”</td>
<td>Investor Awareness (behavioral aspect of potential investors)</td>
<td>The Holy Quran</td>
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<td>9</td>
<td>My investment habits are affected by my concern for Shari‘ah-compliance</td>
<td>Shari‘ah Consciousness (behavioral aspect of potential investors)</td>
<td>Faisal et al. (2012)</td>
</tr>
<tr>
<td>10</td>
<td>I am willing to accept some loss if the investment opportunity is Shari‘ah-compliant</td>
<td>Shari‘ah Consciousness (behavioral aspect of potential investors)</td>
<td>Faisal et al. (2012)</td>
</tr>
<tr>
<td>11</td>
<td>I have previously invested in Shari‘ah-compliant products that gave me fewer returns than that of their conventional counterparts</td>
<td>Shari‘ah Consciousness (behavioral aspect of potential investors)</td>
<td>Taufique and Vaithianathan (2018)</td>
</tr>
<tr>
<td>12</td>
<td>I have previously tried very hard to find Shari‘ah-compliant investment opportunities</td>
<td>Shari‘ah Consciousness (behavioral aspect of potential investors)</td>
<td>Taufique and Vaithianathan (2018)</td>
</tr>
<tr>
<td>13</td>
<td>I have previously refused to invest in conventional investment products that offered me more returns than that of their Shari‘ah-compliant counterparts</td>
<td>Shari‘ah Consciousness (behavioral aspect of potential investors)</td>
<td>Taufique and Vaithianathan (2018)</td>
</tr>
<tr>
<td>14</td>
<td>I have prohibited my family members and friends from investing in financial instruments that are not Shari‘ah-compliant</td>
<td>Shari‘ah Consciousness (behavioral aspect of potential investors)</td>
<td>Faisal et al. (2012)</td>
</tr>
<tr>
<td>15</td>
<td>Government and third-party guarantees of the Şukuk are important for making investments in Şukuk</td>
<td>Şukuk Feature</td>
<td>Alswaidan et al. (2017) and Borhan and Ahmad (2018)</td>
</tr>
<tr>
<td>16</td>
<td>Tenor of Şukuk is an important factor</td>
<td>Şukuk Feature</td>
<td>Safari et al. (2014)</td>
</tr>
<tr>
<td>17</td>
<td>Tradability of Şukuk is important</td>
<td>Şukuk Feature</td>
<td>Usmani (2007) and Safari et al. (2014)</td>
</tr>
<tr>
<td>18</td>
<td>I am concerned about the rating of the assets of Şukuk</td>
<td>Şukuk Feature</td>
<td>Safari et al. (2014)</td>
</tr>
<tr>
<td>19</td>
<td>I am concerned about the rating of the issuer of Şukuk</td>
<td>Şukuk Feature</td>
<td>Safari et al. (2014)</td>
</tr>
<tr>
<td>20</td>
<td>When there is an alternative available, I always choose the investment opportunity that contributes to economic development</td>
<td>Both Şukuk Feature and behavioral aspects of potential investors</td>
<td>Smaoui and Nechi (2017)</td>
</tr>
<tr>
<td>21</td>
<td>When there is an alternative available, I always choose the investment opportunity that plays a role in achieving social equity</td>
<td>Both Şukuk Feature and behavioral aspects of potential investors</td>
<td>Smaoui and Nechi (2017)</td>
</tr>
<tr>
<td>22</td>
<td>I am willing to invest in Şukuk</td>
<td>Dependent variable</td>
<td>Safari et al. (2014)</td>
</tr>
<tr>
<td>23</td>
<td>Which tenors of Şukuk do you prefer the most?</td>
<td>Şukuk Feature</td>
<td>Safari et al. (2014)</td>
</tr>
<tr>
<td>24</td>
<td>What kind of returns do you prefer the most?</td>
<td>Şukuk Feature</td>
<td>Safari et al. (2014)</td>
</tr>
</tbody>
</table>

**Table 1.**
Sources and representations of questions and statements

**Source(s):** Created by authors’
investors are young. Highly educated investors dominated the survey and 59.6% were postgraduates. However, only 17.6% of the respondents were capital market professionals, whereas the rest were from different professions.

4.2 Reliability test
Cronbach’s alpha was used to investigate the unwavering quality of the instrument used to collect the essential information. Cronbach’s alpha estimates the unwavering quality of unique classes and comprises assessments of how much assortment in the scores of various factors is due to shots. A coefficient more than or equal to 0.60 is acknowledged as a decent sign of building unwavering quality. This value of Cronbach’s alpha in our findings is 0.812, indicating that the study factors were reliable (Hair et al., 2006). The effects of testing the unwavering quality of the investigation factors are presented in Table 3 (Panel A).

4.3 Descriptive statistics of the variables
Table 3 (Panel A) also presents the descriptive statistics of this study. The Table presents the mean values and standard deviations of the constructs. Some constructs had higher mean values, suggesting that most respondents assigned higher weights to them. Among these “Security and liquidity” ranks first implying the respondents of this study emphasize this issue most.

4.4 Factor analysis
4.4.1 Data validity. Table 3 (Panel B) presents the results of the KMO measure of sample adequacy and Bartlett’s Test of Sphericity. The Kaiser-Meyer-Olkin (KMO) measure varies between 0 and 1, and values closer to 1 are viewed as better. This demonstrates that the correlation patterns are relatively compact; thus, the factor analysis should yield distinct and reliable results. Kaiser (1974) recommends values greater than 0.5 as adequate, and this study shows an acceptable KMO value of 0.747. Bartlett’s sphericity test tested the null hypothesis that the correlation matrix was an identity matrix. Here, the overall correlation is significant at <0.001 level demonstrating that factor analysis is a suitable methodology for this study.
4.4.2 Factor extraction. Principal component analysis (PCA) was performed using the SPSS software to investigate the underlying factors related to these 16 variables. Table 4 (Panel A) shows that 67.70% of the variance can be explained by the five extracted factors. This table also demonstrates the communalities. If communalities for a variable are low (<0.4), it implies that the variable struggled to load on any factor. The results show that all variables have communalities greater than 0.4. This implies that all the variables are significantly loaded on the factors (Hair et al., 2006). However, this table also presents the factor loading of each variable. This factor loading can take values ranging from zero to one. Most of the variables had loading values greater than 0.7. Only three variables have a value less than 0.7, but these are more than 0.5, which is also significant (Stevans, 1992). The first factor comprises six variables: An inclination to bear losses for Shari‘ah-compliant products, previous investment in Shari‘ah-compliant products with fewer returns, exploration of Shari‘ah-compliant investment opportunities, refusal to invest in conventional counterparts with higher returns, convincing others not to invest in non-Shari‘ah-compliant products and Shari‘ah-compliant investment habits. This factor was named as “Shari‘ah conscious investment behavior” and explained 26.72% of the variation. The second factor comprises three variables: understanding “ṣukuk,” understanding “Shari‘ah-compliant investment,” and understanding “riba”. This factor was named “investor awareness” and represented 16.03% of the variation. The third factor comprises three variables: government or third-party guarantees, tenors, and tradability. This factor was named “Security and liquidity” and explained 9.15% of the variation. The fourth factor of the study comprised two variables: willingness to choose an investment with economic contribution and willingness to choose an investment preferring social equity projects. This factor was named as “socially responsible investment behavior” and accounted for 8.27% of the variation. Finally, the last factor of the study comprises two variables: the rating of the asset and the rating of the issuer. The Fifth factor of the study was named “rating” and explained 7.52% of the variations. Overall, 67.70% of the total variation is explained by these five factors.
Panel A: Factor loading from extraction

<table>
<thead>
<tr>
<th>Items</th>
<th>Factor loading</th>
<th>Communalities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SHCONIB</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I am willing to accept some loss if the investment opportunity is Shari’ah-compliant</td>
<td>0.721</td>
<td>0.558</td>
</tr>
<tr>
<td>I have previously invested in Shari’ah-compliant products that gave me less return than that of their conventional counterparts</td>
<td>0.721</td>
<td>0.550</td>
</tr>
<tr>
<td>I have previously tried very hard to find Shari’ah-compliant investment opportunities</td>
<td>0.799</td>
<td>0.676</td>
</tr>
<tr>
<td>I have previously refused to invest in conventional investment products that offered me more return than that of their Shari’ah-compliant counterparts</td>
<td>0.738</td>
<td>0.574</td>
</tr>
<tr>
<td>I have prohibited my family members and friends from investing in financial instruments which are not Shari’ah-compliant</td>
<td>0.738</td>
<td>0.573</td>
</tr>
<tr>
<td>My investment habits are affected by my concern for Shari’ah-compliance</td>
<td>0.585</td>
<td>0.480</td>
</tr>
<tr>
<td><strong>AWARE</strong></td>
<td>0.793</td>
<td>0.678</td>
</tr>
<tr>
<td>I know about Sukuk</td>
<td>0.847</td>
<td>0.733</td>
</tr>
<tr>
<td>I know the term “Shari’ah-compliant investment”</td>
<td>0.638</td>
<td>0.516</td>
</tr>
<tr>
<td><strong>SNL</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government and third-party guarantees are important for making investments in Sukuk</td>
<td>0.586</td>
<td>0.472</td>
</tr>
<tr>
<td>Tenor of Sukuk is important</td>
<td>0.877</td>
<td>0.793</td>
</tr>
<tr>
<td>Tradability of Sukuk is important</td>
<td>0.854</td>
<td>0.767</td>
</tr>
<tr>
<td><strong>SRIB</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>When there is an alternative available, I always choose the investment opportunity that contributes to economic development</td>
<td>0.872</td>
<td>0.829</td>
</tr>
<tr>
<td>When there is an alternative available, I always choose the investment opportunity that plays role in achieving social equity</td>
<td>0.878</td>
<td>0.859</td>
</tr>
<tr>
<td><strong>RAT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I am concerned about the rating of the asset of Sukuk</td>
<td>0.922</td>
<td>0.892</td>
</tr>
<tr>
<td>I am concerned about the rating of the Issuer of Sukuk</td>
<td>0.915</td>
<td>0.883</td>
</tr>
<tr>
<td><strong>Eigenvalues</strong></td>
<td>4.275</td>
<td>2.565</td>
</tr>
<tr>
<td>% of variance</td>
<td>26.721</td>
<td>16.030</td>
</tr>
<tr>
<td>Cumulative %</td>
<td>26.721</td>
<td>42.751</td>
</tr>
</tbody>
</table>

Panel B: Goodness-of-fit test

<table>
<thead>
<tr>
<th></th>
<th>SHCONIB</th>
<th>AWARE</th>
<th>SNL</th>
<th>SRIB</th>
<th>RAT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collinearity statistics (VIF)</td>
<td>1.126</td>
<td>1.257</td>
<td>1.214</td>
<td>1.280</td>
<td>1.164</td>
</tr>
<tr>
<td>Durbin–Watson statistics</td>
<td>2.008</td>
<td>2.008</td>
<td>2.008</td>
<td>2.008</td>
<td>2.008</td>
</tr>
<tr>
<td>R</td>
<td>0.599</td>
<td>0.599</td>
<td>0.599</td>
<td>0.599</td>
<td>0.599</td>
</tr>
<tr>
<td>Adjusted R^2</td>
<td>0.358</td>
<td>0.358</td>
<td>0.358</td>
<td>0.358</td>
<td>0.358</td>
</tr>
</tbody>
</table>

**Note(s):**
- Extraction Method: Principal Component Analysis
- Rotation Method: Varimax with Kaiser Normalization
- Loadings <0.40 are omitted for clarity
- *indicates significance at 99% level of confidence
- **Source(s):** Authors’ findings

Table 4. Factor loading and goodness-of-fit test
Figure 1 shows the scree plot used to extract the number of factors. It can be observed from the figure that five factors are extracted (eigenvalues >1).

4.5 Regression model of the extracted factors

4.5.1 Goodness-of-fit assessment of the model. Multicollinearity in any study creates redundant information, thereby skewing regression model results. In other words, one predictor variable can be used to predict another. To confirm that there is no multicollinearity, every indicator’s variance inflation factor (VIF) value should be less than 5 (Hair et al., 2011, 2012), a value less than 3.3 is considered an excellent value (Diamantopoulos and Siguaw, 2006), whereas, under 10, no collinearity is commonly accepted (Hair et al., 1995). The values reported in Table 4 (Panel B) show that all of the VIF values are below 3.3, which appears to be an amazing measure for running the regression. The Durbin–Watson test statistic was used to identify autocorrelation in the residuals in regression analysis. The DW statistic always assumes a value between zero and four, where a value between 1.5 and 2.5 is acceptable. The reported value of 2.008 indicates a favorable result.

$R^2$ measures the extent of the variance of a dependent variable, which is explained by an independent variable or a variable in a regression model. In this model, the $R^2$ was 35.8% (Table 4, Panel B) which means that approximately 35.8% of the observed variation could be explained by the inputs of this model. However, the adjusted $R^2$ was a modified version of the $R^2$ adjusted for the number of predictors in the model; in this model, it was 34.5%. The calculated F-value of the model indicates the significance of the overall model at the 99% confidence level.

4.5.2 Regression results. The intercepts and factors 1, 2 and 3 in the regression model are statistically significant (Table 5, Panel A). The intercept of the model was significant at the 95% confidence level. Among these three significant factors, factor 1 which is termed as “Shari’ah conscious investment behavior” is significant at 90% confidence level whereas factor 2 namely “Investor awareness”, and factor 3 namely “Security and liquidity” are significant at 99% confidence level. The other two variables namely “Socially responsible investment behavior” and “Rating” seem insignificant in this model implying that investors who participated in this study did not consider these factors as important.
4.6 Return and tenor preference of the respondent

4.6.1 Return preference. The respondents were asked to express their return preferences for şukuk in Bangladesh. The nature of returns provided by şukuk is dependent on its underlying contract. Thus, investor return pattern preferences have important policy implications. Table 5 (Panel B) shows that 47.8% of the respondents prefer variable periodic returns, indicating that they agree to bear the risk of the investment, followed by 24.5% preferring a fixed periodic return, 3.3% preferring a fixed one-time return and 2.4% preferring the least preferred option of variable one-time return. However, 19.6% of the respondents agreed to invest despite any return pattern for Shari’ah-compliant products, implying a strong intention to invest in Shari’ah-compliant instruments.

Although profitability is an important investment consideration, investors’ Shari’ah consciousness outweighs this factor. The results show that if investment in şukuk ensures Shari’ah conformation, potential investors are more likely to invest in Shari’ah-compliant şukuk (Table 5, Panel A).

4.6.2 Tenor preference. The respondents were asked to state their views on the most appropriate tenor preference for Investment şukuk in Bangladesh. Table 5 (Panel C) shows that most respondents prefer şukuk maturities of one to five years, which is a total of 47.8% followed by 15.1% preference for five to ten years, 13.9% preference for up to one year of maturity and 2.4% preference for more than ten years. Based on the sample responses, it can be concluded that the desired period is 1–5 years. However, 20.8% chose any tenor as their preference, implying that they were desperately searching for Shari’ah-complaint investment opportunities.

Panel A: Regression results

<table>
<thead>
<tr>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Stat</th>
<th>p-value</th>
<th>Number of observations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>0.597</td>
<td>0.413</td>
<td>1.446</td>
<td>0.150</td>
</tr>
<tr>
<td>Şukuk conscious investment behavior</td>
<td>0.091</td>
<td>0.054</td>
<td>1.682</td>
<td>0.094***</td>
</tr>
<tr>
<td>Investor awareness</td>
<td>0.427</td>
<td>0.072</td>
<td>5.959</td>
<td>&lt;0.001**</td>
</tr>
<tr>
<td>Security and liquidity</td>
<td>0.399</td>
<td>0.068</td>
<td>5.903</td>
<td>&lt;0.001**</td>
</tr>
<tr>
<td>Socially responsible investment behavior</td>
<td>0.016</td>
<td>0.062</td>
<td>0.255</td>
<td>0.799</td>
</tr>
<tr>
<td>Rating</td>
<td>0.024</td>
<td>0.053</td>
<td>0.446</td>
<td>0.654</td>
</tr>
</tbody>
</table>

Panel B: Return preference of şukuk by the retail investors

<table>
<thead>
<tr>
<th>Variable periodic return</th>
<th>Fixed periodic return</th>
<th>Variable one-time return (lump sum)</th>
<th>Fixed one-time return (lump sum)</th>
<th>Any type of return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td>123</td>
<td>60</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>%</td>
<td>50.2</td>
<td>24.5</td>
<td>2.4</td>
<td>3.3</td>
</tr>
</tbody>
</table>

Panel C: Tenor preference of şukuk by retail investors

<table>
<thead>
<tr>
<th>Upto 1 year</th>
<th>1–5 years</th>
<th>&gt;10 years</th>
<th>Any tenor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td>34</td>
<td>117</td>
<td>37</td>
</tr>
<tr>
<td>%</td>
<td>13.9</td>
<td>47.8</td>
<td>15.1</td>
</tr>
</tbody>
</table>

Note(s): *indicates significance at 99% level of confidence
**indicates significance at 95% level of confidence
***indicates significance at 90% level of confidence

Source(s): Authors’ Finding

Table 5. Investors’ preferences and significance of factors influencing şukuk purchasing intention.
5. Discussion and implications
Several research studies from around the world have delved into the determinants of retail investors’ willingness to invest in sukuk. This study has investigated behavioral factors (SHCONIB, AWARE and SRIIB) and contextual factors (SNL and RAT) influencing the willingness of Bangladeshi investors to purchase sukuk. The results have depicted that “Shari’ah conscious investment behavior (SHCONIB)” has a significant impact on Bangladeshi individual investors’ intention to invest in sukuk. In a country with a Muslim majority population, this outcome was not surprising in Bangladesh. This result is consistent with the studies of Duqi and Al-Tamimi (2019), Khan et al. (2020) and Awn and Azam (2020).

The findings also discovered the crucial influence of “Investor awareness (AWARE)” on sukuk investment inclination of Bangladesh retail investors conforming with the results of Warsame and Ireri (2016), Khan et al. (2020) and Awn and Azam (2020). Among the inspected sukuk features, “Security and liquidity (SNL)” appeared to be an important factor for making investment decision. Bangladeshi investors stressed on having a guarantee as a measure of safety, which is also identified as a decisive factor by Borhan and Ahmad (2018) and Sukmana (2020). This study has also identified liquidity resulting from the tradability of sukuk in the secondary market as a desired feature by Bangladeshi investors. This result is in line with Duqi and Al-Tamimi (2019) and Razak et al. (2019), but in contrast to the finding of (Bin-Nashwan et al., 2022). Contrary to Borhan and Ahmad (2018), the results of this study, further showed that investors are indifferent regarding another investigated sukuk feature, the rating (RAT) of sukuk. Borhan and Ahmad (2018) opined investors prefer good ratings of sukuk to enhance protection. In contrast, Bangladeshi investors have not identified rating as an important feature of sukuk.

sukuk has been deployed to achieve economic development and social equity in many countries (Sukmana, 2020; Guermazi, 2020; Ledhem, 2022). Socially responsible investors prefer sukuk issued for contributing to economic development and social equity (Puaschunder, 2017; Rahman et al., 2020; Bin-Nashwan et al., 2022). However, in this study, the impact of “Socially responsible investment behavior (SRIIB)” on sukuk purchasing intention appeared statistically insignificant.

These implications may aid the issuers and policymakers in crafting strategies and structuring sukuk catering to the preferences of Bangladesh retail investors. Moreover, creation of investor awareness and assurance of Shari’ah compliance can serve as catalysts for the success of sukuk market in Bangladesh.

6. Conclusion and recommendations
sukuk, being a newly introduced instrument in Bangladesh, has been included in an insignificant number of research. Therefore, there was a need to fill the gap in research to shed light on the investors’ side of the instrument. Hence, this study captures the perceptions of potential retail investors about this instrument. This study identifies the factors that stimulate Bangladeshi potential retail investors’ willingness to purchase sukuk.

This study surveys investor perceptions. This study provides empirical evidence using two methods. Factor analysis helps determine key factors, whereas regression analysis tests the statistical significance of these factors. Our findings have several implications for both sukuk issuers and policymakers. This is instrumental in implementing policies that shape a conducive system for a vibrant sukuk market. Our finding demonstrates that investor awareness is the leading factor behind positive investment intention. The finding underscores the need for nationwide training programs to raise awareness among potential investors. This study suggests that building awareness among potential investors can positively contribute to the popularization of sukuk. This study also identifies Shari’ah consciousness as an important factor
when retail investors consider an investment opportunity. Hence, to gain investor trust, Shar‘ī scholars must ensure steadfast scrutiny of Shar‘ī compliance issues. The results show that government or third-party guarantees, tradability and tenor preferences are the desired sukuk features. Policymakers and sukuk issuers may consider these features to meet investor demand.

Our study identifies some preferred sukuk features from the perspective of Bangladeshi retail investors. There is scope for research that analyzes institutional investors’ perspectives. In addition, it is necessary to investigate effective ways of incorporating desired sukuk features to ensure sustainability.

References

Accounting and Auditing Organization for Islamic Financial Institutions [AAOIFI] (2017), Shar‘ī Standard 17: Investment Sukuk, AAOIFI.


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