

# Factors influencing the individual investors of Bangladesh to opt for investment in *ṣukūk*

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## Abstract

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

**Design/methodology/approach** – The authors surveyed Bangladeshi retail investors using a structured questionnaire to understand their perspectives on potential investment in *ṣukūk*. The authors considered the behavioral aspects of retail investors and the desired *ṣukūk* 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 *ṣukūk*. Investors perceive the security represented by government and third-party guarantees as a persuasive feature of *ṣukūk*. The tradability and tenor of *ṣukūk* also affect the investment intention. Shari'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 *ṣukūk* in Bangladesh.

**Practical implications** – The authors expect that the study will aid policymakers and *ṣukūk* 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 *ṣukūk*. To the best of the authors' knowledge, no study has analyzed the desired *ṣukūk* features from the perspective of Bangladeshi retail investors.

**Keywords** Demand, *ṣukūk*, 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 Mirakhor, 2011). This divine proscription on dealing in interest marks conventional bonds and investment schemes offered by conventional banks as Shari'ah non-compliant.

In a country with 91.04% Muslim population (Bangladesh Bureau of Statistics 2022), there is a paucity of Shari'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.

**JEL Classification** — G1, G11. **KAUJIE Classification** — K16, I73

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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 *mudārabah* bonds and one *ṣukūk* (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. *ṣukūk*, an Islamic capital market instrument, can widen the scope for Shari'ah-compliant investment for Muslim investors. Investors can also resort to *ṣukūk* to diversify their portfolios (Hassan *et al.*, 2018).

AAOIFI, as an international Shari'ah standard producer organization, defines *ṣukūk* as, “*ṣukūk* 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 *ṣukūk* 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 *ṣukūk* as a preferred fund-raising instrument since its insertion by major index providers. In 2021, the global *ṣukūk* market witnessed a record-breaking annual issuance of USD 188 billion (International Islamic Financial Market, 2022).

The *ṣukūk* market in Bangladesh is nascent. The capital market regulator initiated the creation of legislation for *ṣukūk* by publishing the “Bangladesh Securities and Exchange Commission (Investment *ṣukūk*) Rules, 2019” (Bangladesh Securities and Exchange Commission, 2019). Later, for the issuance of sovereign *ṣukūk*, the Ministry of Finance of the People's Republic of Bangladesh set forth the “Bangladesh Government Investment *ṣukūk* 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 *ṣukūk* in December 2020 (Bangladesh Bank, 2020). In addition, Beximco broke the ground as a private issuer to launch the first corporate *ṣukūk* 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 *ṣukūk*. To popularize *ṣukūk* 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 *ṣukūk*. In Bangladesh, only a few studies have been conducted on *ṣukūk*. 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 *ṣukūk* in Bangladesh (Hasan, 2022; Rahman *et al.*, 2022). Ashraf (2023) recently interpreted the relationship between religious intention and actual buying behavior in *ṣukūk*. However, there is a research gap regarding the features of *ṣukūk* 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 *ṣukūk* features that stimulate Bangladeshi retail investors' willingness to purchase *ṣukūk*. The considered behavioral aspects are - investor awareness and Shari'ah conscious investment behavior. As *ṣukūk*

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, Shari’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 Ileri \(2016\)](#) 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 Shari’ah principles. In the UAE, investors recognize the attributes of *ṣukūk*, Shari’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

conducting a study on the factors influencing the willingness of potential individual investors in Bangladesh to invest in *ṣukūk*, considering both the behavioral aspects and desired *ṣukūk* 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 *ṣukūk*, 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 *ṣukūk* features on the willingness of Bangladeshi individual investors to invest in *ṣukūk*. 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 *ṣukūk* delivers distinctive value for Shari'ah compliance (Guermazi, 2020). Meticulous screening of assets and contract nature is mandatory before launching *ṣukūk* to meet religious requirements (Cakir and Raei, 2007). Having religiously cognizant investors is crucial to the *ṣukūk* 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 *ṣukūk* include *muḍārabah*, *mushārahah*, *murābahah*, *ijārah*, *salam* and *istiṣnā'*, scholars consider *muḍārabah* and *mushārahah* 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 *ṣukūk* (Duqi and Al-Tamimi, 2019). According to Khan et al. (2020), investors' intention to invest in *ṣukūk* 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 *ṣukūk*. The hypothesis tested is:

- H1. SHCONIB has a significant influence on Bangladeshi potential retail investors' willingness to invest in *ṣukūk*.

### 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 *ṣukūk* 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 *ṣukūk* 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 *ṣukūk* has an impact on the investment intention of potential retail *ṣukūk* investors in Bangladesh. The hypothesis tested is:

H2. AWARE has a significant influence on Bangladeshi potential retail investors' willingness to invest in *ṣukūk*.

### 2.3 Security and liquidity (SNL)

*ṣukūk* 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 *ṣukūk* are tradability (Razak *et al.*, 2019) and tenor (Jamilah 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 *ṣukūk*. 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 *mudārabah* contract. Their logic is if the principal in *ṣukūk al-mudārabah*, *ṣukūk mushārahah*, or even *ṣukūk al-ijārah* 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 *ṣukūk* issues, advocates assert the absence of clear evidence impeding the act of providing guarantees in Shari'ah. Hence, according to the proponents of *ṣukūk* 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 *ṣukūk* issuer to guarantee any profit or compensation of investment loss of *ṣukūk* 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 *ṣukūk* holders (AAOIFI, 2017).

This guarantee has a positive impact on *ṣukūk*'s rating. Borhan and Ahmad (2018) commented that a guaranteed *ṣukūk ijārah* or *ṣukūk mushārahah* 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 *ṣukūk* 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 *ṣukūk* feature.

2.3.2 *Tradability*. *ṣukūk* investors are exposed to liquidity risk stemming from the impermissibility of trading of some *ṣukūk* structures as well as insufficient trading of the tradable *ṣukūk*. Thin trading leads to compromising of price while converting *ṣukūk* to cash on an urgent basis (Bacha and Mirakhor, 2013). However, Alam *et al.* (2018) demonstrated that *ṣukūk* is not riskier than conventional bonds in Malaysia, even though its tradability in the secondary market is not remarkable. He commented that, as the *ṣukūk* market gains maturity and attracts more investors, its liquidity tends to enhance over time.

*ṣukūk*'s tradability in the secondary market provides investors with the opportunity to attain liquidity (Usmani, 2007; Razak *et al.*, 2019). According to the Shari'ah standard 17 issued by AAOIFI in May 2003, depending on the nature of *ṣukūk*, some are tradable in the secondary market and some are not permissible to trade (Safari *et al.*, 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 *ṣukūk* is a cause for concern. In contrast, despite being non-tradable, *Ṣukūk 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 *ṣukūk* in the secondary market.

**2.3.3 Tenor.** The rules regarding *ṣukūk* do not restrict its maturity. The tenor of the *ṣukūk* can be either short or long (Safari *et al.*, 2014). *Sukūk* can also be perpetual (Elias *et al.*, 2016). These comments are consistent with the AAOIFI standard, which permits the issuance of short-term, medium-term, or long-term *ṣukūk*. It is also permissible to issue *ṣukūk* without mentioning the tenor if the nature of the underlying contract allows it (AAOIFI, 2017).

Tenor may impact the choice of *ṣukūk* investment. Jamilah Abdul Jalil and Abdul Rahman (2012) compared the profitability of *ijārah ṣukūk* and *mushārahah muntāqishah ṣukūk* for different tenors. They found in the long term, *Ijārah* is a more suitable investment alternative for investors, while in the short term, *mushārahah muntāqishah* performed better.

Duqi and Al-Tamimi (2019), based on survey responses, commented five to nine years to be the favorite tenor of UAE *ṣukūk* 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 *Sukūk 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 *ṣukūk* 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 *ṣukūk*.

## 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). *ṣukūk* is a conducive source for funding infrastructure development projects (Sukmana, 2020). Handayani and Surachman (2017) also demonstrate the deployment of *ṣukūk* to fund infrastructure development in Indonesia. Smaoui and Nechi (2017) scrutinized the impact of *ṣukūk* issued throughout the period 1995–2015 in all *ṣukūk* issuing countries and opined that *ṣukūk* market expansion stimulated financial inclusion and economic growth. *ṣukūk* 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 *ṣukūk* in Indonesia. For the development of the local *ṣukūk* 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 *ṣukūk 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 *ṣukūk* 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 *ṣukūk* issuers in education and other contributory sectors to promote social equity is the driving factor that motivates investors to invest in *ṣukūk* in Malaysia (Rahman *et al.*, 2020). Similarly, among other reasons, motivations for investing in *ṣukūk 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 *ṣukūk*.

### 2.5 Rating (RAT)

One of the risks associated with an investment in *ṣukūk* 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 *ṣukūk* holders. If the nature of the underlying asset is usufruct providing to the issuer rather than profit-generating, payoff to *ṣukūk* 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 *ṣukūk* 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 *ṣukūk* (Zakaria et al., 2012). It examines the strength of the issuer or asset in repaying the principal with a profit. The *ṣukūk* rating was introduced in 1994. The appraisal of underlying assets is important for asset-backed *ṣukūk*, and the evaluation of an issuer's creditworthiness is pertinent in asset-based *ṣukūk* (Safari et al., 2014). Issuers' profitability and third-party guarantees also affect the *ṣukūk* ratings. Kamarudin et al. (2014) identified mixed results while examining the impact of initial credit rating on default of short-term and long-term *ṣukūk* in Malaysia. On the other hand, by applying value-at-risk (VaR) techniques, Alam et al. (2018) inspected the default patterns of corporate *ṣukūk* 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 *ṣukūk* 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 *ṣukūk* investors in Bangladesh. Thus, the hypothesis developed is:

H5. RAT has a significant influence on Bangladeshi potential retail investors' willingness to invest in *ṣukūk*.

### 2.6 Return

The nature of the disparate contracts between issuers and investors results in disparities in the nature of returns of *ṣukūk* (Razak et al., 2019). Contingent on the nature of the underlying contract, *ṣukūk* can provide disparate types of returns: fixed one-time returns at maturity, fixed periodic returns, variable one-time returns and variable periodic returns (Safari et al., 2014). Duqi and Al-Tamimi (2019) found that greater expected returns inspire investors to invest in *ṣukūk*. 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 Shari'ah compatibility of their investment.

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, Shari'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](http://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](http://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 *ṣukūk* 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 *ṣukūk* 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 *ṣukūk*, 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 ([Dillion and Goldstein, 1984](#)). The authors adopted principal component analysis to extract the factors influencing the willingness of potential investors to invest in *ṣukūk*. 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:

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

INVEST = Willingness to invest in *ṣukūk* by Bangladeshi potential individual investors

SHCONIB = Shari'ah conscious investment behavior

AWARE = Investor awareness

SNL = Security and liquidity

SRIB = Socially responsible investment behavior

RAT = Rating feature

The constructs represent both investors' behavioral aspects and *ṣukūk* 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 *ṣukūk* features. This study incorporated guarantee, tradability, rating as well as desired return pattern and tenor. The factor SRIB represents both the *ṣukūk* feature and investors' behavior by incorporating the use of the *ṣukūk* 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

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

Source(s): Created by authors’

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

Variable	Description	Number (percentage)
Gender	Male	217 (88.6)
	Female	28 (11.4)
Educational Qualification	SSC	1 (0.4)
	HSC	10 (4.1)
	Graduate	84 (34.3)
	Post-Grad	146 (59.6)
	Beyond	4 (1.6)
	Capital Market Professional	43 (17.6)
Profession	Others	202 (82.4)
	Muslim	235 (95.9)
Religion	Non-Muslim	10 (04.1)
	Under 20	3 (1.2)
Age	20–30 years	82 (33.5)
	30–40 years	101 (41.2)
	40–50 years	42 (17.1)
	50–60 years	11(4.5)
	Above 60 years	7 (2.9)

**Table 2.**  
Demographic profile of  
the respondents

**Source(s):** Authors' findings

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.

Panel A: Reliability test of the model and descriptive statistics

Constructs	Reliability test of the model		Descriptive statistics	
	No of items	Cronbach's alpha	Mean	Standard deviation
Shari'ah conscious investment behavior (SHCONIB)	6	0.826	3.73	1.09
Investor awareness (AWAREs)	3	0.679	4.49	0.87
Security and liquidity (SNL)	3	0.733	4.96	0.91
Socially responsible investment behavior (SRIB)	2	0.876	4.83	1.02
Rating (RAT)	2	0.876	4.64	1.14
Overall reliability of the Model	16	0.818	N	245

Panel B: KMO and Bartlett's test of sphericity

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.747
Bartlett's test of Sphericity	Approx. Chi-Square	1466.186
	Degrees of freedom	120
	Sig	<0.001

Source(s): Authors' findings

**Table 3.**  
Descriptive statistics  
and test of reliability  
and validity of  
the model

**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 (Stevens, 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-complaint 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 "*ṣukūk*," understanding "Shari'ah-complaint investment," and understanding "*riḃa*". 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						
Items	1	2	Factor loading		5	Communalities
			3	4		
<i>SHCONIB</i>						
I am willing to accept some loss if the investment opportunity is Shari'ah-compliant	0.721					0.558
I have previously invested in Shari'ah-compliant products that gave me less return than that of their conventional counterparts	0.721					0.550
I have previously tried very hard to find Shari'ah-compliant investment opportunities	0.799					0.676
I have previously refused to invest in conventional investment products that offered me more return than that of their Shari'ah-compliant counterparts	0.738					0.574
I have prohibited my family members and friends from investing in financial instruments which are not Shari'ah-compliant	0.738					0.573
My investment habits are affected by my concern for Shari'ah-compliance	0.585					0.480
<i>AWARE</i>						
I know about Şukük		0.793				0.678
I know the term "Shari'ah-compliant investment"		0.847				0.733
I know the term "Riba"		0.638				0.516
<i>SNL</i>						
Government and third-party guarantees are important for making investments in Şukük			0.586			0.472
Tenor of Şukük is important			0.877			0.793
Tradability of Şukük is important			0.854			0.767
<i>SRIB</i>						
When there is an alternative available, I always choose the investment opportunity that contributes to economic development				0.872		0.829
When there is an alternative available, I always choose the investment opportunity that plays role in achieving social equity				0.878		0.859
<i>RAT</i>						
I am concerned about the rating of the asset of Şukük					0.922	0.892
I am concerned about the rating of the Issuer of Şukük					0.915	0.883
Eigenvalues	4.275	2.565	1.464	1.324	1.203	
% of variance	26.721	16.030	9.153	8.272	7.520	
Cumulative %	26.721	42.751	51.904	60.176	67.696	
Panel B: Goodness-of-fit test						
	SHCONIB	AWARE	SNL	SRIB	RAT	
Collinearity statistics (VIF)	1.126	1.257	1.214	1.280	1.164	
Durbin-Watson statistics						2.008
R						0.599
R <sup>2</sup>						0.358
Adjusted R <sup>2</sup>						0.345
F statistics						26.707*
<b>Note(s):</b>						
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						
<b>Source(s):</b> Authors' findings						

**Table 4.**  
Factor loading and  
goodness-of-fit test

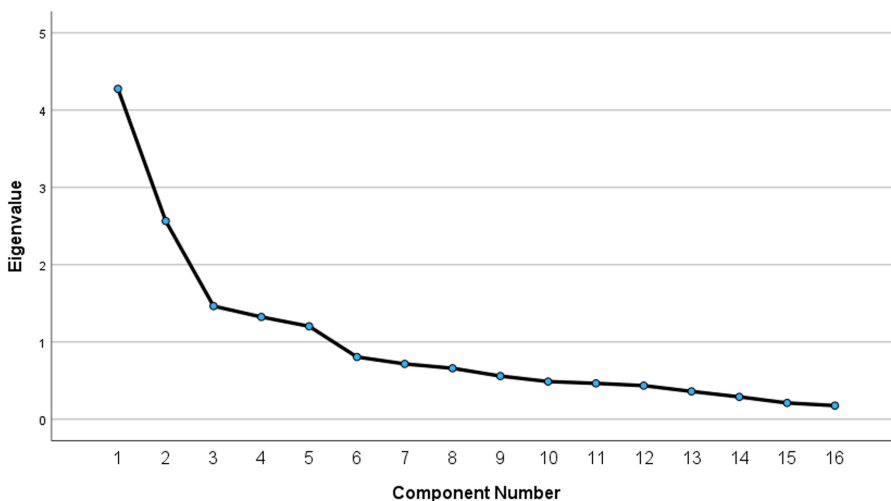
Figure 1 shows the scree plot used to extract the number of factors. It can be observed from the figure that five factors are extracted (eigenvalues >1).

#### 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.



Source(s): Created by authors’

Figure 1.  
Scree plot

4.6 Return and tenor preference of the respondent

4.6.1 Return preference. The respondents were asked to express their return preferences for *ṣukūk* in Bangladesh. The nature of returns provided by *ṣukūk* 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 *ṣukūk* ensures Shari‘ah conformation, potential investors are more likely to invest in Shari‘ah-compliant *ṣukūk* (**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 *ṣukūk* in Bangladesh. **Table 5 (Panel C)** shows that most respondents prefer *ṣukūk* 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

	Coefficient	Std. Error	t-Stat	p-value	Number of observations
<i>Intercept</i>	0.597	0.413	1.446	0.150	245
Shari‘ah conscious investment behavior	0.091	0.054	1.682	0.094***	
Investor awareness	0.427	0.072	5.959	<0.001*	
Security and liquidity	0.399	0.068	5.903	<0.001*	
Socially responsible investment behavior	0.016	0.062	0.255	0.799	
Rating	0.024	0.053	0.446	0.654	

Panel B: Return preference of *ṣukūk* by the retail investors

	Variable periodical return	Fixed periodical return	Variable one-time return (lump sum)	Fixed one-time return (lump sum)	Any type of return
Frequency	123	60	6	8	48
%	50.2	24.5	2.4	3.3	19.6

Panel C: Tenor preference of *ṣukūk* by retail investors

	Upto 1 year	1–5 years	years	>10 years	Any tenor
Frequency	34	117	37	6	51
%	13.9	47.8	15.1	2.4	20.8

**Table 5.** Investors’ preferences and significance of factors influencing *ṣukūk* purchasing intention

**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

## 5. Discussion and implications

Several research studies from around the world have delved into the determinants of retail investors' willingness to invest in *sukūk*. This study has investigated behavioral factors (SHCONIB, AWARE and SRIB) and contextual factors (SNL and RAT) influencing the willingness of Bangladeshi investors to purchase *sukūk*.

The results have depicted that "Shari'ah conscious investment behavior (SHCONIB)" has a significant impact on Bangladeshi individual investors' intention to invest in *sukūk*. 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 *sukūk* investment inclination of Bangladesh retail investors conforming with the results of [Warsame and Ileri \(2016\)](#), [Khan et al. \(2020\)](#) and [Awn and Azam \(2020\)](#).

Among the inspected *sukūk* 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 *sukūk* in the secondary market as a desired feature by Bangladesh 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 *sukūk* feature, the rating (RAT) of *sukūk*. [Borhan and Ahmad \(2018\)](#) opined investors prefer good ratings of *sukūk* to enhance protection. In contrast, Bangladeshi investors have not identified rating as an important feature of *sukūk*.

*sukūk* has been deployed to achieve economic development and social equity in many countries ([Sukmana, 2020](#); [Guermazi, 2020](#); [Ledhem, 2022](#)). Socially responsible investors prefer *sukūk* 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 (SRIB)" on *sukūk* purchasing intention appeared statistically insignificant.

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

## 6. Conclusion and recommendations

*sukūk*, 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 *sukūk*.

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 *sukūk* issuers and policymakers. This is instrumental in implementing policies that shape a conducive system for a vibrant *sukūk* 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 *sukūk*. This study also identifies Shari'ah consciousness as an important factor

when retail investors consider an investment opportunity. Hence, to gain investor trust, Shari'ah scholars must ensure steadfast scrutiny of Shari'ah 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.

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