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An empirical comparison of sustainable and responsible investment sukūk, social impact bonds and conventional bonds

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Abstract

Purpose: The objectives of this paper are two-fold: first, to empirically compare and contrast the salient features of three financial instruments (FIs), namely sustainable and responsible investment (SRI) sukūk, social impact bonds (SIBs) and conventional bonds (CBs) and second, to examine the differences between the perceptions of the investors and the developers on the features of the three FIs. **Design/methodology/approach:** Using a questionnaire survey, 251 completed and useable responses were received, representing a 42.54% response rate. In examining the differences and similarities in the characteristics of the three FIs, the inferential statistical of frequency and percentage were used. Wilcoxon and Mann–Whitney tests were conducted to investigate the differences in the salient features of the three FIs and the differences between the investors and developers' perceptions on the salient features of SRI sukūk, SIBs and CBs, respectively.

Findings: The results reveal that stakeholders view SRI sukūk, SIBs and CBs to be statistically significantly different from each other. This shows that stakeholders do not view SRI sukūk as “old wine in a new Sharī'ah-compliant bottle” but instead considered different from SIBs and CBs. Furthermore, stakeholders also differentiate between SIBs and CBs.

Originality/value: The paper provides empirical evidence that Islamic finance (IF) instrument, represented by SRI sukūk, is viewed as different instruments to conventional tools, represented by SIBs and CBs. First, it debunks the notion that IF is viewed as similar to its conventional counterpart. Second, SIBs are seen as different from CBs, illustrating the distinct categorisation of impact investing instruments. As such, third, the development of SRI sukūk and SIBs can provide diversification to portfolios as it is a unique instrument in the social finance and financial market. © 2022, Syed Marwan Mujahid Syed Azman, Suhaiza Ismail, Mohamed Aslam Haneef and Engku Rabiah Adawiah Engku Ali.

Author Keywords

Conventional bonds; Islamic finance; Social impact bonds; SRI sukūk

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