Journal of Business Management and Economic Research
2019, 3 (2): 26-41 DOI: 10.29226/TR1001.2019.107
Journal Homepage: https://www.jobmer.org

The Profitability Analysis of Islamic (Sukuk) vs. Conventional Financing: an Empirical Analysis

Arshad Ullah Jadoon
School Of Economics, Northeast Normal University, Changchun, China
Arshadjadoon22@gmail.com
Yangda Guang
School Of Economics, Northeast Normal University, Changchun, China
Sajjad Ali
Assistant Professor, Higher Education Department Peshawar Pakistan

Abstract

Over the last decade, Islamic Financials (Sukuk) emerged as a pioneering capital market instrument. One of the fundamental reasons for the emerging demand of Islamic Financing (Sukuk) includes its adherence to the finance in accordance to the Islamic values, avoiding Riba, which is the generation of money from money such as usury or interest. Sukuk issues have notably proliferated, which fuels the debate regarding the between the conventional and the Islamic finance. To investigate the impact of Islamic and Conventional Financials on shareholders' wealth, this study takes the profitability ratios (including ROA, ROE, ROCE, and NPM) of 15 companies issuing Islamic Financials and 15 companies issuing Conventional Financials from the period between 2010 and 2017 and compares the profitability of both f financials. The findings reveal the Islamic Financials (Sukuk) to be a significantly high source of profitability for a company along with the other clients' catchy determinants such as religious principles, sharia-compliant instruments, and interest (Riba) free financing. The paper provide evidence that companies are recommended to pay more attention to Islamic Sukuk in order to grab the attention of customers. Furthermore, the Islamic Financials (Sukuk) offers other instruments to catch the customers' attention such as religious principles, sharia-compliant instruments, and interest (Riba) free financing. From this perspective, the mentioned determinants fulfil the religious needs of customers.

Keywords: Islamic finance, Islamic Sukuk, profitability, sharia-compliant instruments

JEL Codes: G21, G23.