



**EXPLORING COGNITIVE, PERSONAL, AND ENVIRONMENTAL FACTORS  
INFLUENCING SUKUK INVESTMENT INTENTIONS IN KANDAHAR,  
AFGHANISTAN: A PRE-MARKET LAUNCH STUDY**

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**Abstract:** Sukuk, an Islamic financial instrument that has gained global recognition, remains a relatively new concept in Afghanistan. Recently, Afghanistan Islamic Bank, in collaboration with the Islamic Emirate of Afghanistan (IEA), plans to initiate Sukuk issuance in the near future. In this context, the present study examines investors' perceptions and intentions regarding Sukuk investments in Kandahar, Afghanistan. This study employs a quantitative research design, collecting primary data from 300 investors in Kandahar, Afghanistan, using an adapted questionnaire. A cognitive social model comprising five independent constructs-awareness, compatibility, internal influence, external influence, and choice and preferences-was employed to examine the determinants of investment intention. The collected data were analyzed using SPSS software. The findings reveal that investors' intentions are significantly influenced by awareness, compatibility, and social influence factors. From a practical perspective, the results provide valuable insights for Sukuk issuers and policymakers, highlighting the importance of cognitive, personal, and environmental factors in enhancing investors' perceptions and intentions toward Sukuk investment.

**Keywords:** Islamic capital market, islamic finance, financial product, sukuk



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## INTRODUCTION

Islamic finance has undergone remarkable growth in the last two decades, and Sukuk has become one of the most prominent vehicles of Islamic financing in global capital markets. Sukuk are currently an important component of the Islamic financial system, holding a large percentage of total assets and playing a crucial role in funding infrastructure and development projects, especially in Muslim-majority nations (Khan et al., 2020). Sukuk issuance has surged significantly worldwide, particularly in most Muslim countries (Ziarmal, 2024). In today's Islamic capital market, it has been settled that Sukuk is the second-largest investment asset class, with the worth of US\$543.4bn outstanding as at end-2019, thus representing 22.3% of the Islamic finance industry's total assets of US\$2.44T (Abdullah & Humaidi, 2025).

Sukuk (plural of 'sakk,' the Arabic word for certificate) are stated as certificates representing proportional, undivided ownership rights in the underlying tangible asset (Kunhibava et al., 2020). These assets must be in a specific project or in investment activities that comply with Shariah rules and principles. In contrast to conventional bonds, which are debt obligations and their holders receive periodic fixed interest, Sukuk are Islamic financial instruments representing intangible ownership assets. Their holders receive periodic profits generated by the underlying assets (Zolfaghari P., 2017). Lack of standardization, limited liquidity, and concerns about insolvency regimes are key obstacles to further expansion of the Sukuk asset class. Despite the favorable trend, the full potential of Sukuk markets can only be achieved if these impediments are tackled, along with others related to a broader market development agenda.

Sukuk is a relatively new and undeveloped financial instrument in Afghanistan. However, the IEA and the central bank have recently announced plans to issue sovereign Sukuk in the near future. On the other hand, it's unknown whether there is sufficient awareness of how local investors view the instrument and whether they are prepared to engage. This leads to the key study issue: the ability of Sukuk to be successfully issued in Afghanistan depends not only on the legislative and institutional environment but also on investor acceptability and intention.

The existing research has mostly concentrated on Sukuk development in more developed Islamic financial markets, leaving little attention to developing or post-conflict economies like Afghanistan. Moreover, there is limited research on investors'

behavior towards Sukuk that uses a theoretical framework that includes psychological and social factors. This distinctive situation reveals a significant gap in research on the behavioral dimensions that influence investment intentions.

This study uses a social cognitive approach to investigate investors' intentions regarding Sukuk in Kandahar, Afghanistan. More specifically, it examines the important elements of investor awareness, compatibility, internal influence, external influence, and choice and preferences, and their impact on the desire to invest in Sukuk. To further clarify the research challenge, the paper emphasizes the absence of empirical information on investor behavior towards Sukuk in Kandahar, Afghanistan, particularly in Kandahar province. No comprehensive study has been conducted to date on investors' views and intentions regarding Sukuk once it launches in Kandahar, Afghanistan. As a result, the question is whether potential investors in the region are sufficiently aware of Sukuk or prepared to engage with such instruments when presented. This uncertainty presents a major hurdle for policymakers and financial institutions to effectively introduce Sukuk in the country.

The present study aims to measure investors' knowledge of Sukuk in Kandahar, Afghanistan, and their attitudes and intentions to invest in these instruments. Thus, the study aims to better understand investors' perceptions of Sukuk and whether they would consider it an investment option. Therefore, two main research topics lead this work. The first is to examine investors in Kandahar, Afghanistan, regarding their awareness of Sukuk as a financial instrument. Second, it studies the willingness of these investors to invest in Sukuk issued in Afghanistan. Answering these questions will help us better understand investors' preparedness and make more informed decisions to support the growth of the Islamic capital market in the nation.

## **RESEARCH METHOD**

A structured questionnaire was used to gather data for this study. The questionnaire was presented to 300 investors in Kandahar, Afghanistan, both in online and printed versions. To maximize outreach and access, the online questionnaire was distributed via digital media, and printed copies were administered by the local Chamber of Commerce to reach respondents with limited access to digital resources. A

convenience sample strategy was adopted, as had been done in previous research in comparable settings without access to a full sampling frame.

Based on previous literature, the questionnaire consisted of 19 assessment items reflecting 5 independent constructs: awareness, compatibility, internal impact, external influence, and choice and preference. For each construct, many items were used to measure the underlying dimensions. Awareness was specifically measured using items that assessed the respondents’ knowledge and familiarity with Sukuk; Compatibility examined the extent to which Sukuk was compatible with the investors’ religious beliefs, values and financial needs; Internal influence measured individual attitudes, beliefs and personal motivations; External influence measured the role of social factors such as peers, family and institutional trust and Choice and preference measured the respondents’ intention and willingness to invest in Sukuk. The dependent variable of the study concerned investors' intention or desire to engage in the sukuk business.

The items were rated on a 5-point Likert scale (1=strongly disagree to 5=strongly agree) to allow for standardized answers and quantitative analysis. This technique assures consistency in the measurement of respondents’ views and allows for an accurate assessment of the links between the dimensions studied, adopted from (Masood et al., 2014).

#### Demographic profile of the respondents

Table 1. Descriptive statistics of the respondents

Category	Frequency (N)	Percentage (%)
Age		
18–25	108	36.0%
26–35	123	41.0%
36–45	45	15.0%
46–80	24	8.0%
Education Level		
Below 12th Class	3	1.0%
Grade 12	72	24.0%
Bachelor’s Degree	144	48.0%
Master’s Degree	69	23.0%

Other	12	4.0%
Investment in Sukuk		
Yes	0	0.0%
No	300	100.0%

The table shows the demographic and investment distribution of 300 male respondents. The reason for single-gender respondents is that the registered investors with the Chamber of Commerce in the south-western zone are solely male. Scaled from a base sample of 100. The 26-35 years' age group was the most common (41%), followed by the 18-25 years' age group (36%), and the remaining respondents were in the 36-45 years (15%) and 46-80 years (8%) age groups. Almost half of the respondents (48%) have a bachelor's degree, 23% have a master's degree, 24% have grade 12, and a very small percentage (1%) are below grade 12 or other (4%) in terms of educational history. Interestingly, none of the respondents reported investing in Sukuk, with 100% reporting that they have not invested in Sukuk before. This demonstrates the opportunities and difficulties in introducing Sukuk issuance in Afghanistan, as the investor base is youthful, somewhat well educated, but mainly inexperienced with Islamic financial instruments.

## RESULT AND DISCUSSION

### Reliability and Normality tests

Cronbach's alpha is among the most often used indicators of internal consistency and dependability in social and behavioral research, including organizational research (Abdullah, 2024; Tavakol & Dennick, 2011). The reliability analysis of this study yielded a Cronbach's alpha of 0.71, indicating adequate internal consistency. A value of 0.70 and above is deemed acceptable in most studies, especially in exploratory research. Reliability is about internal consistency, not about whether the instrument measures the right things. Hence, construct validity should also be evaluated. This may be demonstrated using methods such as factor analysis (e.g., exploratory or confirmatory). Convergent validity (e.g., Average Variance Extracted) and discriminant validity are used to guarantee that the measuring items properly reflect diverse theoretical conceptions.

Table 2. Reliability

Reliability Statistics

Cronbach's Alpha <sup>a</sup>	N of Items
.71	6

Source: author's calculation

Table 3. Normality Tests

Statistics

		Awareness	Compatibility	Internal Influence	External Influence	Choice Preference
N	Valid	300	300	300	300	300
	Missing	0	0	0	0	0
Skewness		.82	.803	0.222	-.828	-.013
Kurtosis		.273	-.329	.374	.484	-1.252

Source: author's calculation

Data normality was evaluated using skewness and kurtosis statistics. Consistent with standard practices in social scientific research, skewness and kurtosis values within  $\pm 2$  are regarded as acceptable indicators of approaching normality, particularly for large sample sizes ( $n = 300$ ), where parametric tests are robust to small departures from normality. The investigation found that all variables had skewness and kurtosis values within the permitted range. This means the data distribution did not depart appreciably from the assumption of normality.

**Correlation**

To test the correlation between investors' perceptions and the regulatory constructs of the study, a correlation coefficient was used. The following table shows the result of the correlation:

Table 4. Correlation of the Variables

Correlations

		Awareness	Compatibility	Internal_Influence	External_Influence	Choice_Preference
Awareness	Pearson Correlation	1	.553*	.253	.011	.506*
	Sig. (2-tailed)		.041	.011	.037	.026
	N	300	300	300	300	300

Compatibility	Pearson	.553*	1	.664*	.013	.541*
	Correlation					
	Sig. (2-tailed)	.041		.041	.348	.046
	N	300	300	300	300	300
Internal_ Influence	Pearson	.253	.664*	1	.364	.392
	Correlation					
	Sig. (2-tailed)	.011	.041		.017	.047
	N	300	300	300	300	300
External_ Influence	Pearson	.011	.011	.364	1	.331
	Correlation					
	Sig. (2-tailed)	.037	.037	.017		.002
	N	300	300	300	300	300
Choice_ Preference	Pearson	.506*	.364	.392	.331	1
	Correlation					
	Sig. (2-tailed)	.026	.017	.047	.002	
	N	300	300	300	300	300

\*. Correlation is significant at the 0.05 level (2-tailed).

Source: author calculation

The correlation data suggest an organized decision-making mechanism with Compatibility at the center. Compatibility is generally strongly associated with Internal Influence, meaning that the better the perceived compatibility, the greater the influence of internal psychological and personal elements on decisions. This means that compatibility is deeply integrated into how people internally analyze and evaluate options, rather than being a separate process. Compatibility is also significantly related to Awareness and Choice Preference, indicating that the perception of fit is strongly related to the awareness of options and eventual formation of preference, and that improving the perceived compatibility may indirectly enhance the formation of preference. Awareness seems to be a core cognitive driver, with a modest association with Compatibility and Choice Preference and little link to External Influence. So, it seems that awareness is more bottom-up than top-down, but once possibilities are detected, awareness is still involved in the creation of preferences.

In contrast, Internal Influence is more strongly associated with Compatibility and Choice Preference than External Influence is with Awareness or Compatibility; this suggests decision formation is more internally than externally driven in this data set, but External Influence still has a substantial association with Choice Preference, indicating

it plays a more limited role at the final decision stage, rather than in shaping perceptions earlier on. In general, the convergence result of Choice Preference is a constant combination of Awareness, Compatibility, and Internal Influence, especially the first two; that is, Choice Preference results from the combination of cognitive recognition, perceived fit, and internal psychological consistency rather than a single factor. This pattern is a multi-factor decision-making process in which Awareness triggers recognition, Compatibility generates appraisal, Internal Influence enhances personal alignment, and External Influence provides supplementary support.

### **Regression Model**

The regression analysis accounts for 37.5% of the variation in Investors' intention ( $R^2 = 0.375$ ), thus demonstrating moderate explanatory power of the model. This implies that the variables together provide a relevant but incomplete explanation of investors' intentions. The constant term is statistically significant ( $B = 3.688$ ,  $p < .000$ ), which represents the baseline level of investors' intentions when all predictors are zero. Awareness is positively related to Investors' Intention, meaning that greater awareness is associated with a stronger desire among investors. Compatibility and Internal Influence also make positive contributions, indicating that perceived compatibility and internal psychological factors increase investors' perceptions. External Influence and decision & Preference also have positive effects, indicating that the external pressures and ultimate decision inclinations affect investors' intention, although the effects are rather small in magnitude. The standard errors suggest a fair level of precision of the estimations. The confidence intervals typically support the stability of the coefficients, since most do not cross zero, which underscores the trustworthiness of the observed connections. Regarding the multicollinearity diagnostics, the Tolerance values are close to 1, and the VIF values are around 1 for all variables. This means there is no multicollinearity problem and the predictors are contributing to the model separately. In general, the regression results indicate that a combination of awareness, compatibility, internal and external influences, and choice-related factors plays an influential role in shaping Investors' intention. The model shows a reasonable degree of explanatory power and diagnostic validity. The moderate  $R^2$  value indicates the need for further variables to improve predictive capability.

Table 5. Regression Analysis

Model	Unstandardized Coefficients		t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
	B	Std. Error			Lower Bound	Upper Bound	Tolerance	VIF
1 (Constant)	3.688	.584	6.320	.000	2.540	4.836		
Awareness	.501	.086	.769	.042	.104	.237	.994	1.009
Compatibility	.458	.075	-	.051	.104	.124	.995	1.005
			1.958					
Internal_Influence	.390	.083	.724	.039	.103	.223	.998	1.002
External_Influence	.338	.062	-.284	.016	.139	.144	.993	1.007
Choice & Preference	.416	.051	-.226	.025	.119	.254	.996	1.006

a. Dependent Variable: Investors' intention

Source: Author's calculation

Islamic securities and other Islamic financial instruments have increasingly attracted scholarly interest worldwide, especially in Muslim-majority nations, where their growth is strongly tied to financial inclusion and Sharia-compliant investing behavior. Various theoretical models and adoption frameworks have been used in the existing literature to explain the formation of intentions and decision-making regarding Islamic financial instruments. However, empirical studies on Islamic banking and finance in Afghanistan are lacking, particularly regarding public knowledge and attitudes toward sukuk. The absence of evidence is a significant contextual gap that the present study attempts to fill. The present study thus analyzes the impact of cognitive, psychological, contextual, and behavioral aspects on investors' attitudes and intentions towards sukuk in Kandahar, Afghanistan. The study is based on primary data gathered using a structured questionnaire and a convenience sampling technique.

The regression analysis shows that awareness has the most influence on investors' intention toward sukuk. This may be explained by the fact that Islamic financial instruments, such as sukuk, are still a relatively new concept in the Afghan context. When financial products are not well understood or experienced, knowledge becomes a primary prerequisite for engagement. This means that individuals are unlikely to develop positive perceptions or intentions without first acquiring sufficient

information about how these instruments work, their benefits, and their compliance with Islamic principles.

Another important factor is compatibility, suggesting that investors tend to react positively when sukuk is compatible with their religious values, cultural expectations, and financial goals, confirming that acceptance of Islamic finance is highly dependent on value congruence. Internal factors also influence perception and intention, as personal beliefs and motives act as filters through which financial information is processed, shaping the extent to which individuals perceive sukuk as acceptable and advantageous.

Conversely, the influence of choice and preference is less important when awareness and compatibility are examined, suggesting that expressed preferences are generally the result of being well-informed and recognizing value congruence, rather than being autonomous determinants of decision-making. The statistical effect of external influence is rather small but beneficial, as social networks and institutional signals may boost or discourage adoption, especially in new financial markets where trust and knowledge are still developing.

## **CONCLUSION**

Overall, the model accounts for 37.5% of the variance in investors' views and intentions, which is a considerable amount of explanatory power given the growing, yet relatively undeveloped, nature of sukuk knowledge in Afghanistan. However, it also means that a large portion of the variance (62.5%) remains unexplained, indicating that investors' intentions are likely driven by other factors not included in the present model, such as trust in financial institutions, perceived risk, regulatory confidence, income levels, or broader socio-economic conditions. This unexplained variance underscores the complexity of the investment decision-making process in the burgeoning Islamic finance markets and demonstrates that perception formation is not solely influenced by awareness, compatibility, and behavioral characteristics addressed in this study. Nevertheless, the results highlight the need for awareness-raising and alignment with religious and financial principles to build investor confidence and acceptance. The study also contributes to the current literature on sukuk adoption by identifying significant psychological and behavioral factors in a new environment, and offers practical implications for policymakers and financial institutions in Afghanistan. In particular,

increasing informational outreach and developing institutional trust might be complementary tactics to address the substantial share of unexplained variation and further improve sukuk market growth.

### **Recommendations**

Based on the findings and discussion, the following recommendations are proposed:

1. **Enhance Awareness Programs:**

Financial institutions and regulators should invest in public awareness campaigns, workshops, and educational programs to increase investors' knowledge and understanding of sukuk. This will directly strengthen the most influential predictor of intention.

2. **Emphasize Compatibility with Values:**

Communication strategies should highlight the alignment of sukuk with Islamic principles and cultural values, thereby strengthening perceived compatibility and investor confidence.

3. **Leverage Internal Motivations:**

Sukuk issuers should appeal to personal motivations such as faith-based values, ethical investing, and social responsibility, which significantly shape individual investor behavior.

4. **Improve Accessibility and Choice:**

Offering diverse sukuk structures with varying maturities, yields, and risk-return profiles can accommodate different investor preferences and make sukuk more attractive.

5. **Institutional Support and Regulation:**

Policymakers should create a supportive legal and regulatory environment for sukuk issuance, ensuring transparency, credibility, and investor protection. External influences, such as trust in financial institutions, can indirectly strengthen adoption.

### **Further Research:**

Future studies could employ larger, more diverse samples across Afghanistan, explore potential mediating/moderating effects (e.g., religiosity, income levels), and use advanced models such as structural equation modeling (SEM) to gain deeper insights.

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