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Sukuk in Bangladesh: Market Development, Regulatory Framework and Emerging Challenges.

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Abstract
Bangladesh, home to one of the world's largest Muslim populations and one of the most substantial Islamic banking sectors in South and Southeast Asia, has only recently begun developing a genuine Islamic capital market. This paper examines the structure, regulatory framework, and performance of sukuk (Islamic investment certificates) in Bangladesh, situating the domestic experience within the rapidly expanding global sukuk market, which crossed US$1 trillion in outstanding volume in 2025. Using a descriptive, document-based methodology drawing on Bangladesh Bank data, Bangladesh Securities and Exchange Commission (BSEC) regulations, International Islamic Financial Market (IIFM) reports, and academic and news sources from 2018–2026, the paper traces the evolution of the sovereign Bangladesh Government Investment Sukuk (BGIS) programme since December 2020, reviews corporate and institutional issuances (Beximco, Investment Corporation of Bangladesh), and evaluates the 2026 policy debate over whether Bangladesh's sale-and-leaseback sukuk model constitutes a genuine Islamic capital market or merely repackaged sovereign debt. The paper finds that while Bangladesh has built meaningful regulatory infrastructure — including a mandatory Shariah Advisory Council under 2022 rules and a dedicated Shariah Securities Module for sukuk auctions — issuance remains structurally narrow, sovereign-dominated, and heavily subscribed by Islamic banks seeking liquidity-management instruments rather than a broad, diversified investor base. Comparative data show Bangladesh's Islamic capital market remains a fraction of the depth achieved by Malaysia, Saudi Arabia, and Indonesia. The paper concludes with recommendations for new-asset (rather than existing-asset) sukuk structures, tenor diversification, secondary-market development, and expanded corporate issuance.

Keywords
Islamic capital market; Sukuk; Bangladesh; Shariah-compliant finance; Bangladesh Securities and Exchange Commission (BSEC); Bangladesh Bank; Bangladesh Government Investment Sukuk (BGIS); Ijarah; Islamic finance regulation; South Asia

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I. Introduction

Islamic finance operates on principles derived from Shariah (Islamic law), most notably the prohibition of riba (interest), gharar (excessive uncertainty), and maysir (speculation), together with a requirement that financial transactions be linked to real, identifiable assets or productive economic activity. While Islamic banking has existed in Bangladesh since 1983 with the founding of Islami Bank Bangladesh Limited, and Islamic banks today hold a substantial share of the country's deposits and financing, the Islamic capital market — covering Shariah-compliant equities, mutual funds, and sukuk — has developed much later and more slowly.

Sukuk are often described as the Islamic-finance analogue of bonds. Rather than representing a debt obligation paying interest, a sukuk certificate represents an undivided beneficial ownership interest in a tangible asset, a pool of assets, a business venture, or a project, with returns generated from the underlying asset's profits, rentals, or trading proceeds rather than from interest. Globally, sukuk have become one of the primary instruments through which sovereigns and corporates in Malaysia, the Gulf Cooperation Council (GCC) states, Indonesia, Pakistan, and beyond raise Shariah-compliant capital, with the global market surpassing US$1 trillion in outstanding volume in 2025.

Bangladesh entered this space relatively late, issuing its first sovereign sukuk — the Bangladesh Government Investment Sukuk (BGIS) — in December 2020. Since then, the sovereign programme has expanded rapidly, and the government has begun experimenting with new maturities, while a small number of corporate issuers have tested private-sector sukuk. This paper surveys that development trajectory, situates it against the global sukuk market, and examines the debate — sharpened by commentary published around the mid-2026 launch of the first short-term sovereign sukuk — over whether Bangladesh's sukuk activity has built a functioning Islamic capital market or merely repackaged conventional government borrowing.

1.1 Objectives of the Study

1. To review the conceptual foundations of the Islamic capital market and sukuk instruments.
2. To document the regulatory and institutional development of the Islamic capital market in Bangladesh.
3. To situate Bangladesh's sukuk experience within the global sukuk market.
4. To critically assess whether Bangladesh's sovereign sukuk structure builds genuine capital-market depth.
5. To propose policy measures for deepening the Islamic capital market in Bangladesh.

II. Literature Review

The academic literature on Islamic capital markets and sukuk has expanded considerably over the past two decades, tracking the sector's rapid global growth. Idris's evaluation of research trends on Islamic securities classified academic work by economic, legal, and banking perspectives, and by methodological approach (individual versus group-based, qualitative versus quantitative), noting a sharp rise in publication volume alongside the market's own expansion. More recent bibliometric work — a systematic literature review and bibliometric analysis of Shariah compliance in sukuk using the PRISMA protocol on Scopus-indexed articles — mapped the field into three dominant themes: sukuk structural design, governing Shariah principles, and default/credit risk, while noting that country-level empirical coverage of emerging sukuk markets remains comparatively thin.

A recurring theme in the theoretical literature concerns the gap between the legal form and economic substance of sukuk. Dusuki's widely cited analysis of equity-based sukuk structures questioned whether such instruments truly manifest the risk-sharing objectives (maqasid al-Shariah) of Islamic finance, or whether they principally replicate conventional debt through Shariah-compliant legal wrapping — a debate that recurs directly in the Bangladesh context discussed in this paper.

On Bangladesh specifically, the literature is comparatively sparse but growing. Nabi and Aminul's earlier work identified a scarcity of Islamic capital market instruments — including sukuk and Islamic derivatives — and insufficient financial channelling as key impediments to Islamic capital market growth in Bangladesh, despite the country's comparatively mature Islamic banking sector. Begum, Hossain, and Rahman's 2022 study on sukuk in Bangladesh — published shortly after the country's first sovereign issuance — used a descriptive methodology combining qualitative review with quantitative tables and charts drawn from IFSB, IIFM, and Bangladesh Bank data to examine the prospects, challenges, and regulatory framework for sukuk in Bangladesh, noting that Bangladesh Bank had experimented with a Shariah-compliant mudarabah bond (the Bangladesh Government Islamic Investment Bond, BGIIB) as early as 2004 to help Islamic banks meet Statutory Liquidity Ratio (SLR) requirements, well before the 2020 sukuk launch.

More recent commentary, including 2026 analysis in The Daily Star and The Financial Express, has shifted the debate from whether Bangladesh can issue sukuk (a question largely settled by the 2020–2026 sovereign programme) to whether the prevailing sale-and-leaseback structure over pre-existing public assets constitutes genuine Islamic capital-market development, or a Shariah-compliant repackaging of conventional sovereign debt — echoing, in a national policy context, the theoretical 'substance versus form' concern raised by Dusuki and later bibliometric reviewers. This paper builds directly on that literature, updating the empirical record through mid-2026 and situating Bangladesh's experience within contemporaneous global sukuk market data.

III. Data and Methodology

This paper adopts a descriptive, document-based (desk) research methodology combining qualitative and quantitative elements, consistent with prior studies of the sukuk market in Bangladesh. It does not employ primary data collection (surveys or interviews); rather, it synthesizes secondary data and documentary sources to construct an evidence-based account of market development.

3.1 Data Sources

- Regulatory and institutional documents: Bangladesh Securities and Exchange Commission (Securities Market Shari'ah Advisory Council) Rules, 2022; BSEC circulars and official website (www.sec.gov.bd); Bangladesh Bank (BB) quarterly Capital Market Developments reports and official website (www.bb.org.bd).
- Market and issuance data: Bangladesh Bank Shariah Securities Module (SSM) disclosures and Debt Management Department circulars on sukuk allotment quotas, investor limits, and maturity extensions; Dhaka Stock Exchange (DSE) filings for corporate sukuk (e.g., Beximco, ICB).
- Global market statistics: International Islamic Financial Market (IIFM) 15th Annual Sukuk Report (2025 data); S&P Global Ratings sukuk market reports; LSEG (Refinitiv) sukuk data; Fitch Ratings notes; Securities Commission Malaysia's Capital Market Masterplan 2026–2030.

- News and analytical sources (2018–2026): The Daily Star, The Financial Express (Bangladesh), The Business Standard, Daily Sun, Dhaka Tribune, IANS, and industry portals (Salaam Gateway, Islamic Markets).
- Academic and peer-reviewed literature on Islamic capital markets and sukuk, including bibliometric and country-specific studies.

3.2 Analytical Approach

Quantitative data on issuance volumes (in Taka crore for Bangladesh and US dollars for global figures) are compiled into comparative tables and charts to illustrate scale and growth over time. Because different sources (Bangladesh Bank, media reporting, IIFM, LSEG) occasionally report slightly divergent totals — reflecting different cut-off dates or the inclusion/exclusion of private placements — this paper reports the range where sources diverge rather than reconciling them into a single disputed figure. Qualitative analysis draws on regulatory texts and expert commentary (including Centre for Policy Dialogue analysis and Daily Star Macro Mirror commentary) to assess the structural characteristics of Bangladesh's sukuk instruments — chiefly, whether they are 'asset-based' sale-and-leaseback structures over pre-existing assets or genuinely new-asset, risk-sharing instruments — against the theoretical criteria for Islamic capital-market instruments established in the literature (Section 2).

3.3 Scope and Limitations

The study covers the period from Bangladesh's first Islamic government instrument (BGIIB, 2004) through September 2026, with primary focus on the sovereign BGIS sukuk programme (2020–2026) and available corporate/institutional issuances. As a desk-based study, it is limited by the accuracy and consistency of publicly reported figures, and does not include primary survey data on investor motivations; where such motivations are discussed (e.g., Islamic banks' liquidity and SLR-driven demand), the paper relies on secondary expert commentary rather than original survey evidence.

IV. Global Scenario of the Sukuk Market

The global sukuk market has grown from a niche instrument into a core component of international Islamic finance. According to the International Islamic Financial Market's (IIFM) 15th Annual Sukuk Report, combined international and domestic outstanding sukuk volume reached a record US$1.015 trillion in 2025 (international outstanding of US$280.58 billion plus domestic outstanding of US$734.93 billion). Total global issuance in 2025 rose 28.2% year-on-year to US$262.9 billion under IIFM's methodology (LSEG data places 2025 issuance somewhat higher, at approximately US$291 billion, reflecting differences in scope and classification).

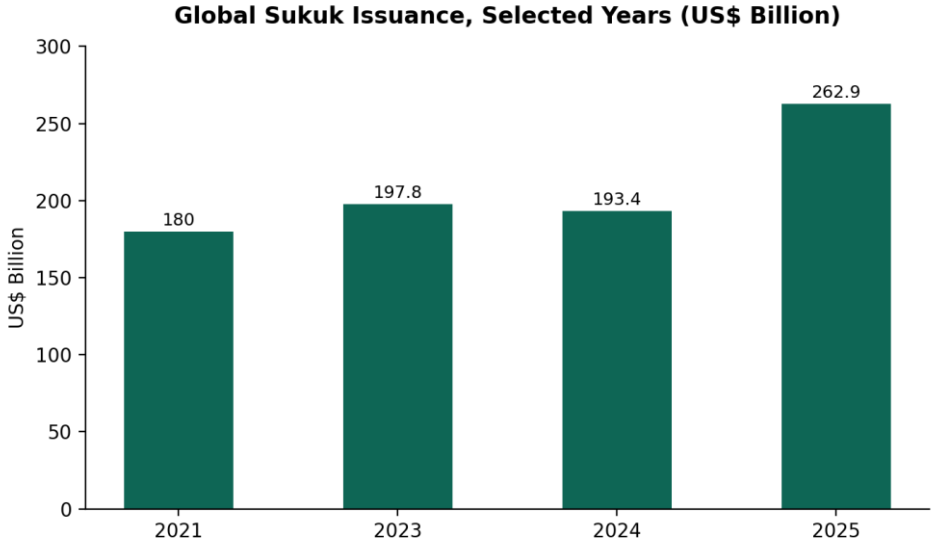

Figure 1: Global sukuk issuance, selected years 2021–2025 (US$ billion; 2022 omitted, data not consistently reported). Sources: Refinitiv; S&P Global Ratings; IIFM 15th Sukuk Report.

Table 1 summarises annual global issuance and outstanding volume based on the principal industry data providers.

Year	Total Global Sukuk Issuance (US$ bn)	Outstanding Volume (US$ bn, year-end)	Source
2021	≈180 (Refinitiv est.)	n/a	Refinitiv
2023	197.8	n/a	S&P Global
2024	193.4	n/a	S&P Global
2025	262.9 (IIFM) / 291 (LSEG)	1,015.5 (IIFM)	IIFM 15th Sukuk Report; LSEG

4.1 Market Structure and Leading Jurisdictions

Sovereign issuances remain the largest single segment of the global sukuk market, accounting for 52.3% of total 2025 issuance (US$137.5 billion) under IIFM data, though quasi-sovereign issuers were the fastest-growing segment, up 66.5% to US$52.3 billion. Corporate issuance grew 39.4% to US$33.5 billion and financial institutions' issuance rose 28.8% to US$39.6 billion, pointing to a gradually broadening issuer base globally. Structurally, Sukuk al-Ijarah overtook Sukuk al-Murabahah as the leading domestic-market structure in 2025, accounting for 24.28% of domestic issuance.

Cumulative data from 2001–2025 show Malaysia as the dominant historical issuer, with US$1.08 trillion (43.69% of the cumulative global total), followed by Saudi Arabia (US$379.16 billion, 15.33%) and Indonesia (US$237.93 billion, 9.62%). The GCC bloc — led by Saudi Arabia and the UAE — accounted for roughly 45% of total issuance in 2025 according to S&P Global Ratings, with Malaysia, Indonesia, Turkey, and Pakistan sustaining local-currency issuance growth. Malaysia's own Islamic capital market (encompassing both sukuk and Shariah-compliant equities) expanded to RM2.7 trillion by end-2025 from RM2.2 trillion in 2020, with sukuk and Shariah-compliant equities contributing RM1.4 trillion and RM1.3 trillion respectively — together representing about 64% of Malaysia's total capital market.

Emerging issuers are gradually diversifying the market: Egypt issued its first sukuk (US$2.5 billion) in 2025, and S&P Global Ratings projects 2026 issuance in the range of US$270–280 billion, including US$100–110 billion in foreign-currency issuance, as issuers pursue economic diversification financing needs and investors seek alternatives amid global monetary easing. ESG-linked sukuk have also emerged as one of the fastest-growing segments, reaching a record US$23.8 billion in 2025 (up 54% year-on-year) according to LSEG, with the GCC accounting for over half of an estimated US$50 billion equivalent ESG sukuk outstanding in mid-2025.

4.2 Bangladesh's Position in the Global Market

Against this global backdrop, Bangladesh's Islamic capital market remains at an early stage. Bangladesh's cumulative sovereign sukuk issuance of roughly Tk 42,400–53,000 crore (approximately US$3.5–4.4 billion at prevailing exchange rates) through mid-2026 is a small fraction of annual issuance volumes from Malaysia, Saudi Arabia, or Indonesia, and Bangladesh has, as yet, no dedicated Shariah-compliant equity index, no regular corporate sukuk pipeline, and no meaningful secondary market — in contrast to jurisdictions where sukuk and Islamic equities together constitute a majority of the domestic capital market.

V. The Islamic Capital Market and Sukuk in Bangladesh

5.1 Regulatory and Institutional Groundwork

The Bangladesh Securities and Exchange Commission (BSEC) is the principal capital-market regulator, while Bangladesh Bank, the central bank, acts as issuing and settlement agent for sovereign sukuk. Key institutional milestones include the Bangladesh Securities and Exchange Commission (Securities Market Shari'ah Advisory Council) Rules, 2022, which created a mandatory nine-member Shariah Advisory Council (SAC) — comprising five Shariah scholars specialised in Fiqh al-Muamalat and four industry/technical experts — to certify Islamic Shariah-based securities (ISBS) and guide the broader development of the Islamic Capital Market (ICM). BSEC first constituted the SAC in January 2023, with members drawn from Dhaka University's Islamic Studies and Banking & Insurance departments, Islamic Foundation Bangladesh, and capital-market practitioners; the council was subsequently reconstituted with additional scholars and experts, including academics and senior Islamic-bank executives.

Bangladesh Bank operates a dedicated Shariah Securities Module (SSM), the electronic platform through which sovereign sukuk auctions and allotments are conducted; investors must first obtain a Sukuk Investor (SI) ID via their bank before applying. Policy pressure for this infrastructure predates the actual sukuk launch: as early as 2018, Bangladesh Bank's own capital-market review urged BSEC to encourage sukuk issuance, noting that banks alone could not sustainably finance long-term infrastructure given high non-performing loan levels and

asset-liability maturity mismatches, and cited Malaysia, Indonesia, Saudi Arabia, the UAE, the UK, and Singapore as models of established sukuk markets. Notably, Bangladesh Bank had experimented with a Shariah-compliant mudarabah bond — the Bangladesh Government Islamic Investment Bond (BGIIB) — as early as 2004, primarily to help Islamic banks meet Statutory Liquidity Ratio (SLR) requirements, well before the 2020 sovereign sukuk launch.

5.2 The Sovereign Sukuk Programme

Bangladesh issued its first sovereign sukuk in December 2020 — an Ijarah-based Bangladesh Government Investment Sukuk (BGIS) worth Tk 8,000 crore (Tk 80 billion), used to finance the national Safe Water Supply Project. The structure, replicated in subsequent issuances, works as follows: the government transfers an existing public asset (e.g., a water-supply network, school buildings, or rural roads) to Bangladesh Bank, which acts as a holding/trustee vehicle; Bangladesh Bank then leases the asset back to the government, with rental payments distributed to sukuk holders, and the government commits to repurchasing the asset at par value at maturity.

The Finance Division originally identified 68 eligible projects for sukuk-based financing. By June 2026, the government had raised a cumulative Tk 42,400 crore through sukuk according to Bangladesh Bank data (Tk 32,400 crore via public auctions and Tk 10,000 crore via private placement); other reporting places cumulative issuance at approximately Tk 53,000 crore once additional 2026 issuances are counted. On 28 June 2026, Bangladesh Bank auctioned the country's first short-term sovereign sukuk, a 273-day BGIS instrument, targeting Tk 5,500 crore for rural infrastructure. The auction drew bids of roughly Tk 56,600 crore — more than ten times the target — reflecting intense demand, much of it from Islamic banks. The government has signalled plans to raise a further Tk 30,000 crore through sukuk auctions in fiscal year 2026–27.

Bangladesh Bank (BB) has, over the life of the programme, issued a series of circulars and administrative decisions that shaped how the sukuk market operates in practice. At the first auction in December 2020, BB — acting as special purpose vehicle for the Ministry of Finance — accepted bids worth Tk 15,153 crore against an offered Tk 4,000 crore tranche, with a profit rate of 4.69%. In June 2021, BB's allotment quota for the BGIS reserved 70% of each issue for Shariah-based Islamic banks, non-bank financial institutions (NBFIs) and insurers, 15% for conventional banks and other financial institutions, 10% for Islamic branches/windows of conventional banks, and 5% for individual investors. BB subsequently revised this allocation, raising the individual-investor (including provident funds and deposit insurance) quota to 20% to diversify the investor base, while reducing the Shariah-institution quota to 70% from a previous 85%. In November 2025, BB's Debt Management Department — on the recommendation of its Shariah Advisory Committee and with Cash and Debt Management Committee approval — extended the maturity of the first BGIS (originally due 29 December 2025) by a further five years to December 2030, citing the need to protect sukuk holders' interests; investors were given the option to roll over their holding or encash it at the original maturity date. BB also issued a ninth sovereign sukuk tranche in June 2026 — the 'CAFDRIRP Socio-Economic Development Sukuk,' worth Tk 5,600 crore with a five-year tenor and a 9.75% annual rental rate — to finance rehabilitation of rural road infrastructure damaged by Cyclone Amphan and related flooding, run through BB's Islamic Securities Section under the Debt Management Department. Separately, BB has used its regulatory powers to support green/renewable-energy sukuk, extending to December 2028 a capital-market special fund exemption for bank investment in sukuk issued for renewable-energy projects (relevant, for instance, to Beximco's solar-linked issuance).

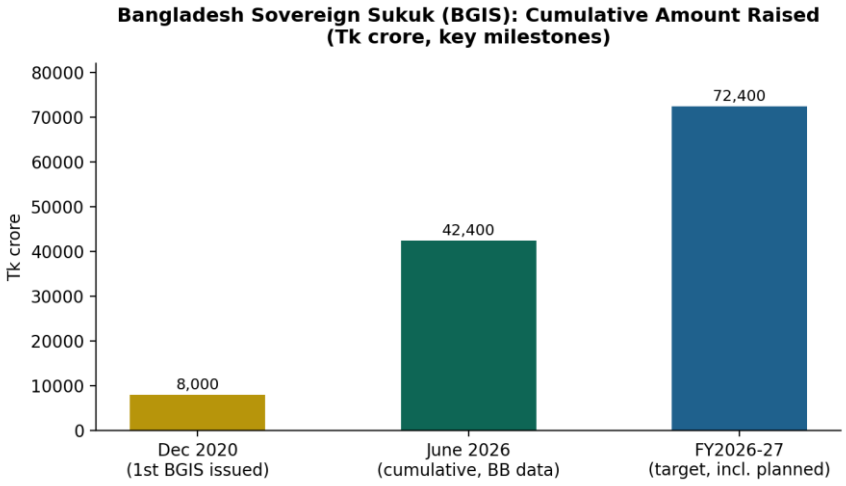

Figure 2: Bangladesh sovereign sukuk (BGIS) — cumulative amount raised at key milestones (Tk crore). Sources: Bangladesh Bank; The Daily Star; Daily Sun.

5.3 Corporate and Institutional Sukuk

Private-sector and quasi-public sukuk issuance has been limited but notable. Beximco Limited announced in March 2021 the country's first-ever private-sector asset-backed sukuk, a Sukuk Al Istisna worth Tk 3,000 crore (Tk 30 billion) — then the largest private securities issuance in Bangladesh's history — to finance solar power projects (Teesta Solar and Korotoa Solar, subsidiaries of Beximco Power) and to expand and refinance its textile division. The instrument carried a conversion feature allowing holders to convert up to 20% of their holding into Beximco ordinary shares annually over a five-year tenor, at a discount to the market price, alongside half-yearly profit distributions — a hybrid structure blending sukuk with an equity-linked convertible feature.

The Investment Corporation of Bangladesh (ICB), a state-run non-bank financial institution, announced in late 2021 its first Mudaraba Sukuk (ICB 1st Mudaraba Sukuk) worth roughly Tk 1,000 crore (about US$116.6 million), with proceeds to be invested predominantly (at least 70%) in Shariah-compliant capital-market instruments and the remainder in the money market, open to resident and non-resident individual and institutional investors.

Table 2 summarises the principal sukuk issuances in Bangladesh to date.

Issuer / Instrument	Amount	Purpose / Structure
1st BGIS (sovereign), Dec 2020	Tk 8,000 crore (Tk 80 bn)	Ijarah sale-and-leaseback; Safe Water Supply Project
Beximco Sukuk Al Istisna (corporate), Mar 2021	Tk 3,000 crore	Solar power projects (Teesta & Korotoa Solar) and textile division expansion; convertible into shares
ICB 1st Mudaraba Sukuk (institutional), Dec 2021	Tk 1,000 crore (~US$116.6m)	Mudarabah; ≥70% invested in capital-market instruments
Cumulative sovereign BGIS, by June 2026	Tk 42,400 crore (BB data); ~Tk 53,000 crore (media estimate)	Multiple Ijarah-based auctions and private placements across 68 identified public-asset projects
1st short-term sovereign sukuk, 28 June 2026	Tk 5,500 crore target (273-day tenor)	Rural infrastructure; bids received ~Tk 56,600 crore (>10x oversubscribed)
Planned issuance, FY2026-27	Tk 30,000 crore (indicative)	Continuation of sovereign BGIS programme across varied tenors

VI. Substance or Form? The 2026 Policy Debate

A substantive critique surfaced in mid-2026, prompted by commentary around the first short-term sukuk auction. The core argument, made in analysis published by The Daily Star and echoed in wider coverage (including IANS and The Business Standard), is that despite roughly six years of activity and tens of thousands of crore taka raised, Bangladesh's sovereign sukuk programme has not produced a genuine, tradable Islamic capital market. Several specific criticisms recur in this literature:

1. Repackaged sovereign debt, not new capital formation. Every sovereign sukuk to date follows the same sale-and-leaseback template on existing public assets: the government effectively sells something it already owns to Bangladesh Bank, immediately leases it back, and promises to repurchase it — a structure whose economics closely resemble a conventional government bond, with Shariah compliance achieved mainly through legal form and terminology rather than genuine risk-sharing.
2. Investor reliance on sovereign credit, not asset performance. Because repayment depends on the government's promise to repay rather than on the performance of the underlying asset, sukuk holders bear essentially the same credit risk as holders of conventional treasury instruments, undermining the risk-sharing rationale that distinguishes sukuk from bonds in Islamic finance theory (cf. Dusuki, 2010).
3. Small, constrained issuance volumes. This asset-backed model requires identifying suitable pre-existing public assets to repackage (with associated valuation and legal complexity), so issuance size is inherently limited and cannot easily scale to the volumes needed to build a liquid market or a reliable benchmark yield curve across a full range of maturities.
4. Absence of a real secondary market and yield curve. With sukuk concentrated in a narrow band of tenors and structures, and heavily bank-dominated, Bangladesh lacks the diversified, actively traded sukuk curve that underpins deeper Islamic capital markets such as Malaysia's.
5. Demand driven by regulatory and liquidity motives rather than market depth. Reporting on the tenfold-oversubscribed June 2026 short-term sukuk auction found that Islamic banks — sitting on excess liquidity amid private-sector credit growth as low as roughly 4.7% — piled into the sukuk largely to earn a safe, fixed-type return and to meet Statutory Liquidity Ratio (SLR) requirements, rather than because of confident

appetite for risk-sharing Islamic capital-market instruments per se, according to commentary from the Centre for Policy Dialogue (CPD).

The suggested alternative — issuing sukuk against genuinely new assets (roads, ports, power plants, schools under construction) rather than repackaging existing ones — would, proponents argue, allow issuance across a fuller range of maturities without repurchase clauses, let volumes scale with Bangladesh's substantial pipeline of development projects, and gradually build the benchmark yield curve a real Islamic capital market requires. Critics acknowledge this is the 'harder path,' since it demands more complex project-linked structuring, greater risk-sharing exposure for investors, and stronger institutional capacity — trade-offs that help explain why Bangladesh, like many issuers historically, has so far taken the simpler asset-based/sale-and-leaseback route.

VII. Challenges Facing Bangladesh's Islamic Capital Market

- Structural: heavy reliance on sale-and-leaseback sukuk over existing assets rather than genuinely new-asset, risk-sharing structures.
- Market depth: a small number of corporate issuances (Beximco, ICB) relative to the size of the Islamic banking sector; limited secondary-market trading and price discovery; no dedicated Shariah-compliant equity index.
- Concentration of demand: sukuk demand dominated by Islamic banks seeking SLR-eligible, low-risk instruments rather than a broad base of institutional and retail investors.
- Institutional capacity: a still-young Shariah governance apparatus (the SAC was only operationalised from 2022–2023) relative to more established regimes in Malaysia or the GCC.
- Product diversity: limited use of Mudarabah, Musharakah, and equity-linked sukuk structures relative to Ijarah-based sovereign issuance.
- Macro-financial backdrop: subdued private-sector credit growth (around 4.7%) and banking-sector liquidity imbalances that shape — and arguably distort — investor demand for sukuk.
- Regulatory capacity: BSEC already oversees two conventional exchanges with constrained resources, raising concerns about whether a wholly separate Islamic-market institution would be adequately resourced.

VIII. Policy Recommendations

1. Shift toward new-asset, project-linked sukuk for infrastructure (roads, ports, power, schools) rather than exclusively repackaging existing public assets, to enable larger, more frequent issuance and genuine risk-sharing.
2. Diversify tenors and structures beyond the current Ijarah-dominated model, deliberately building out a maturity curve (as begun with the 2026 short-term BGIS) to create a usable benchmark yield curve for pricing corporate sukuk and other Islamic instruments.
3. Deepen the secondary market, including exchange-based or OTC trading platforms, market-making arrangements, and clearer valuation methodologies, to improve liquidity beyond buy-and-hold bank demand.
4. Broaden the investor base beyond Islamic banks — encouraging participation from insurance companies, pension and provident funds, mutual funds, and retail investors — to reduce SLR-driven concentration of demand.
5. Encourage corporate issuance by streamlining BSEC approval processes, providing tax or regulatory incentives comparable to those in more mature sukuk jurisdictions, and building sponsor/underwriter capacity for Musharakah- and Mudarabah-based corporate sukuk.
6. Strengthen Shariah governance and standardisation, building on the 2022 SAC framework, including alignment with international standards (e.g., AAOIFI) to improve investor confidence, cross-border comparability, and potential access to foreign Islamic capital.
7. Invest in public investor education, given evidence of strong latent retail and institutional interest (reflected in the tenfold oversubscription of the 2026 short-term sukuk), to convert interest driven by yield and Shariah-compliance labelling into informed, diversified participation.
8. Consider a dedicated Shariah-compliant equity index on the Dhaka Stock Exchange to complement sukuk and provide a fuller Islamic capital-market ecosystem, drawing on Malaysia's experience where sukuk and Shariah equities together form the majority of the domestic capital market.

IX. Conclusion

Bangladesh has, within roughly six years, built the basic regulatory and institutional scaffolding for an Islamic capital market — a Shariah Advisory Council, a dedicated issuance platform in Bangladesh Bank's Shariah Securities Module, and a sovereign sukuk programme that has raised tens of thousands of crore taka and, as of

mid-2026, is expanding into shorter tenors with heavy oversubscription. Corporate experiments such as Beximco's Sukuk Al Istisna and ICB's Mudaraba Sukuk demonstrate that private-sector and institutional appetite for Shariah-compliant capital-market instruments exists. Set against a global sukuk market that surpassed US$1 trillion outstanding in 2025 and continues to expand at double-digit rates, however, Bangladesh's Islamic capital market remains narrow, sovereign-dominated, and structurally reliant on sale-and-leaseback arrangements over pre-existing public assets rather than genuinely new, risk-sharing instruments. An emerging body of domestic analysis in 2026 makes a serious case that the substance of this programme has produced Islamic-labelled government debt rather than a genuine, liquid Islamic capital market with its own yield curve, secondary trading, and diversified issuer and investor base. Closing that gap will require Bangladesh to take the harder, project-linked path to sukuk issuance, diversify its instruments and participants, and continue building the Shariah governance and market infrastructure needed to convert current enthusiasm into durable market depth.

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Note: Figures on cumulative Bangladesh sukuk issuance and global issuance totals vary slightly across sources depending on reporting cut-off dates and methodology in 2025–2026; readers should consult Bangladesh Bank (www.bb.org.bd) and IIFM primary data for the most precise and current figures.