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## **COMPARATIVE ANALYSIS OF ISLAMIC BONDS AND CONVENTIONAL BONDS IN THE CHOSEN COUNTRIES**

### **Abstract:**

Islamic bonds can be marked as one of the most successful instruments of the Islamic financial sector, which is possible to define briefly as the attempt to connect the religious principles and financial entrepreneurship. At the beginning, Islamic bonds had the character of the specific instrument, that appeared occasionally at some local markets. By the time, Islamic bonds gained bigger and bigger market share. Nowadays, the market sukuk, has the raising number of foreign investors from banks and corporations. The organization AAOIFI defines sukuk as the certificates of the similar value, which, after the final underwriting, authorize to accept the nominal value of certificates and its usage for the planned investments to tangible assets, rights and services or to the sufficient capital for projects or other investment activities.

Another point that puts the accent on the knowledge of this instrument is the increasing population of muslim citizens in the european countries, what creates the basic assumptions for the growing demand for the instruments of islamic financial products, the need for the knowledge of the basic and also more detailed approaches and the philosophy of this financial market. On the other hand, this segment is obstructed by a number of problematic factors which restrict remarkably the future possible development.

The aim of this paper is to specify more closely the features of Islamic bonds (sukuk) and to perform on this theoretical basis the comparative analysis with the conventional bonds. For their comparison, we are going to use the calculations of the value at risk. The data used with the comparison consist of the monthly prices of the public and company sukuk and bonds taken from he database Bloomberg. Although the weekly prices are more exact in substituing the market prices, where the position of the portfolio can be liquid, despite of this fact, we used the monthly prices because of the restriction of availability of the daily time chains in the case of sukuk. We also had the limited number of countries, regarding the fact that the trading with sukuk is on the primary market in the majority of cases restricted. That is why we have chosen United Arab Emirates (Dubai) and Malaysia, as the countries from which we have chosen public and company sukuk and bonds for their analysis and comparison.

### **Keywords:**

bond, sukuk, Value at Risk, factor

**JEL Classification:** G15, G24