

Religion and Finance: The Case of Islamic Equity Indices

AHMED SAMEER EL KHATIB

CENTRO UNIVERSITÁRIO ÁLVARES PENTEADO (FECAP)

NAHOR PLÁCIDO LISBOA

FACULDADE DE ECONOMIA, ADMINISTRAÇÃO E CONTABILIDADE DA UNIVERSIDADE DE SÃO PAULO - FEA

Religion and Finance: The Case of Islamic Equity Indices

Introdução

The Islamic finance industry has experienced a period of strong growth and recent figures suggest that \$2.13 trillion worth of assets is being managed in accordance with Islamic principles (IFSB, 2018). Besides Muslim economies, major financial market places are making increasing efforts to facilitate Islamic financial services. For instance, at the 2013 World Islamic Economic Forum in London, British Prime Minister David Cameron stated his ambition for "London to stand alongside Dubai and Kuala Lumpur as one of the great capitals of Islamic finance anywhere in the world" (Reuters, 2013).

Problema de Pesquisa e Objetivo

The objective of this study is to analyse the financial performance of equity investments that comply with Islamic principles. We argue that, conceptually, these investments are best characterised by Islamic equity indices, which represent the Shari'ah-compliant sub-universes of major international equity indices. Dow Jones launched the first Islamic index in 1999 and today most major index providers offer similar indices, resulting in a wide range of benchmarks for Islamic investors. Analysing the performance of these indices instead of Islamic mutual funds allows us to separate the merits.

Fundamentação Teórica

1) Islamic Equity Investing Fundamentals 2) Empirical evidence on Islamic Index Performance 3) Related Islamic Finance Literature

Metodologia

Following the arguments discussed above, we arrive at the following three hypotheses: H0: The performance of Islamic equity indices, relative to unconstrained counterparts, is indifferent from zero H1a: The performance of Islamic equity indices, relative to unconstrained counterparts, is significant

Análise dos Resultados

The findings presented in this paper could be seen as step towards a deeper understanding of the pricing of Islamic equity markets. Future research on Islamic equity investing is encouraged to further investigate the implications of constructing alternative market benchmarks in general and the DJIM in specific. The paper should also be considered highly relevant to investors and policymakers as it shows that the unique attributes embedded in Islamic equity investing could provide competitive investment strategies for both Muslim and non-Muslim investors alike.

Conclusão

This study analysed the financial performance of Islamic equity indices. The study distinguishes itself from most previous work by carefully addressing several methodological shortcomings that could explain the mixed results documented in the existing Islamic index literature. The steps towards a cleaner and more robust research approach can be summarized as follows.

Referências Bibliográficas

Ahmed, Adel. (2010). "Global Financial Crisis: An Islamic Finance Perspective." *International Journal of Islamic and Middle Eastern Finance and Management*, 3, p. 306-320. Akhtar, Shumi, and Maria Jahromi. (2015). "Impact of the Global Financial Crisis on Islamic and Conventional Stocks and Bonds." *Accounting and Finance*. Al-Hajieh, Heitham, Keith Redhead, and Timothy Rodgers. (2011). "Investor Sentiment and Calendar Anomaly Effects: A Case Study of the Impact of Ramadan on Islamic Middle Eastern Markets." *Research in International Business and Finance*, 25, p. 345-356.