

# PERFORMANCE OF GLOBAL ISLAMIC INDICES

Zaminor Zamzamin<sup>1</sup>@Zamzamin<sup>1</sup>, Nor Asma Ahmad<sup>1</sup> and Nazeedah Badri<sup>1</sup>

<sup>1</sup>Faculty of Entrepreneurship and Business

Universiti Malaysia Kelantan

Email: zaminor@umk.edu.my; asma.a@umk.edu.my; nazeedah@umk.edu.my

## Abstract

*This study examines the performance of global Islamic indices between Islamic and conventional indices during the period of 1<sup>st</sup> January 1999 to 31<sup>st</sup> October 2011. There are 12 global Islamic and conventional indices selected which cover eight countries such as United States, United Kingdom, Malaysia, Indonesia, Hong Kong, Switzerland, India and France. The Risk Adjusted Performance measurement is employed to estimate both Islamic and Conventional Indices. The correlation coefficient and t-test is used to test the relationship and mean returns between both Islamic and Conventional Indices. The results show that Islamic Indices are outperformed and better compared to Conventional Indices.*

**Keywords:** Islamic index, Conventional index, Performance, Risk adjusted measurement

## 1 Introduction

Over the past few years, the global capital market scene has witnessed a barrage of Islamic indices, for instance Financial Times Islamic Index Series (FTSE), Dow Jones Islamic Market (DJIM), Standard & Poor Shariah Index (S&P) and Morgan Stanley Capital International Islamic Index Series (MSCI). An Islamic index is more successful because they have been outperforming conventional indices, mainly because they do not have any coverage to the conventional financial sector stocks. Additionally the dedication shown by the global index providers to the development of Islamic indices is proof that Islamic investors are showing greater sophistication in their investing trends. Global Islamic indices such as FTSE or DJIM have shaped their Islamic indices in different ways. It can be different approaches and expectations ranging from the regulators to the investors either Islamic investors or conventional investors. Unexpectedly, investors are very much interested in Islamic indices, mainly due to their resistant nature. Ironically, the index screening is performed at the index provider level while the Shariah board of the index provider sets the rules for Shariah compliance as a theoretical exercise. Then the index provider technically performs stock identification based on Shariah rules and constructs the Islamic index (Islamic Finance Asia, 2008).

Haroon (1999) said, lately Islamic financial instruments have been in much demand. Islamic stock market indexes which created by the companies practicing Islamic finance is increasing due to the great potential of growth and profitability. These Islamic indexes offer the excellence of Islamic ideology together with traditional financial management. Moreover, they offer investors the opportunity to identify a truly attractive investment environment. Generally, the existing research literature relating to Islamic indices is limited and due to that, some researchers analyse the performance of Islamic indices and conventional indices using stock market data.

In the recent decades, the world Islamic financial market has gathered a significant momentum in attracting international capital market flows from both Muslim and non-Muslim investors which concentrating into global Islamic indices such as FTSE, DJIM and MSCI. Moreover, the development of Islamic capital markets in domestic and global markets continued to show positive trends. This is caused by various factors that support these developments:

- 1) The issue of Islamic development which continues to progress very rapidly. As a result, it must be balanced with capital market products such as Islamic indices which are in accordance with Sharia to respond to market demand.
- 2) The Muslim investors who keep their funds in the stock market, but expect the product must be in accordance with Sharia. It becomes something very positive because their awareness of Sharia compliant products requires them to invest in shares in accordance with Sharia.
- 3) The factor of competitive advantage compared with conventional products (Mihajat, 2011).

Now, looking forward, Islamic indexing in next 11 years which is in 2022, will have high-profile Shariah-based indices, carried by many western companies or media, have provide financial pulse of Islamic finance and Islamic equity capital markets (Siddiqui, 2011). Additionally, there have many Islamic Index was introduced by many companies which practicing Islamic finance from different countries (*as shown in Table 1*). These Islamic Indices are using in this study in order to know further the nature of Islamic index performance.

INDEX	COUNTRY ORIGIN	YEAR ORIGIN
<b>Dow Jones Islamic Market (DJIM)</b>	United States (US)	1999
<b>Morgan Stanley Capital International Islamic Index Series (MSCI)</b>	United States (US)	2007
<b>Standard &amp; Poor Islamic Index Group (S&amp;P)</b>	United States (US)	2007
<b>Russell-Jadwa Islamic Index (RJI)</b>	United States (US)	2009
<b>Financial Times Islamic Stocks Exchange (FTSE)</b>	United Kingdom (UK)	2004
<b>Royal Bank Of Scotland Islamic Index (RBSI)</b>	United Kingdom (UK)	2008
<b>Directional Movement Index (DMI) 150 Index</b>	Switzerland	1999
<b>Bombay Stocks Exchange (BSE)</b>	India	2008
<b>Tasis Shariah 50 Index</b>		
<b>Jakarta Islamic Index (JII)</b>	Indonesia	2003
<b>Kuala Lumpur Shariah Index (KLSI)</b>	Malaysia	2000
<b>Hong Kong Islamic Index (HKII)</b>	Hong Kong	2007
<b>Societe General Index (SGI)</b>	France	2008

Table 1: Global Islamic Index

Based on the report issued by the Securities Commission in 2004, reflective of the dynamic efforts of the Commission, the Islamic Capital Market (ICM) continued to show significant growth in that year. ICM products have become increasingly attractive to those who recognize them as viable, alternative forms of financing or investment, and especially those inclined towards investing in and utilizing only products and services that compatible to Shariah principles. This has further encouraged market intermediaries and professionals to continue to introduce new products and services, while enhancing existing ones to better serve the needs of investors and users. Hashim (2008) said that an Islamic stock index such as the Dow Jones Islamic Market (DJIM) and the FTSE Global Islamic Index included only companies permanent by the Islamic Shariah rules.

Most investors said that one of the easiest and most efficient ways to improve trading is to do investment in indexes especially focusing on Islamic indices which are more transparent and the risk are calculated. There is doubt to the ability of Islamic indices to performed as well as conventional indices. Presently, the boost of Islamic indices around the world will provide a common platform to investors in the Islamic world. As a result, it will make them concerns about which indices are falls under Shariah compliant and the move is likely to promote the Islamic finance industry (Anwar, 2010). In view of this, this paper attempt to determine the returns of Islamic indices and conventional indices and to examine the performance of the Islamic index relative to conventional index.

## **2 Literature Review**

Dharani and Natarajan (2011) on their study analyzed the performance of the Islamic index and conventional index in India. The t- test has been used to test the mean returns difference between both indices. The average Monday return of the Nifty Shariah index was compared with average return of the Nifty index by using two sample t-tests. The study found that there was no difference between average day -wise returns of the Nifty Shariah index and average day return of the Nifty Index during the study period. They found that Nifty Shariah has been underperformed during period of 2nd January 2007 to 31st December 2010.

According to Albaity and Ahmad (2008), Islamic stock investment is based on the Islamic principles of transactions and it also falls into the category of ethical investment. KLSI is marginally underperforming Kuala Lumpur Composite Index (KLCI) which measured by mean and standard deviation, thus the securities under KLCI is less than KLSI. The risk-adjusted returns indicate that KLCI has higher returns and higher beta. Thus, KLSI has lower risk-adjusted returns and lower beta in the short run.

Meanwhile Sadeghi (2008) investigates the impact of the introduction of Bursa Malaysia Islamic index on the financial performance and liquidity of the screening securities involved in the Islamic index in Malaysia. The study found that the introduction of the Shariah index has positive and strong impact on the financial performance of the Shariah compliant stocks.

Rahim et al. (2009) investigate the transmission of information (at return and volatility level) on top of the correlation between Kuala Lumpur Shariah Index (KLSI) and Jakarta Islamic Indices (JII). The results indicate significant unidirectional return and volatility transmissions from KLSI

and the JII. However, volatility is highly persistent and mean-reverting in each market. In addition, they also found that there is low correlation between the two Islamic stock markets, KLSI and JII.

The Sharpe, Treynor and Jensen method has been used to measure the return performance of index. From January 1996 to December 2005, it showed that there is no significant difference in performance between Islamic and conventional indexes. Indeed, the DJIM outperformed their conventional counterparts from 1996 to 2000 and underperform them from 2001 to 2005. Overall, similar reward to risk and diversification benefits exist for both set of indexes. The multivariate cointegration analysis suggests that both Islamic and conventional groups are poorly integrated for the overall period (Hassan and Girard, 2011).

Hussein (2004) indicates that the application of ethical screens did not have an adverse impact on the Financial Times Stock Exchange (FTSE) Global Islamic index performance. Since the FTSE Global Islamic index and its index counterparts are not from the same category of risk, and since the raw returns are not adjusted for risk, they utilize the Capital Asset Pricing Model (CAPM) in order to estimate the risk-adjusted returns. A comparison of the raw and risk-adjusted performance show that the Islamic index performs as well as the FTSE All-World index over the entire period. There is clear evidence that the Islamic index yields statistically significant positive abnormal returns in the bull market period, though it underperforms the FTSE All-World index in the bear market period.

Other than that, Beik and Wardhana (2009) evaluate further about the effect of financial crisis to Jakarta Islamic Index (JII) started in early 2006. Cointegration test was used to examine the long-run relationship among the stock markets and they concluded that there is no relationship between Indonesia's market and both Malaysia and the US markets. Thus, VAR model is used in evaluating the short-run dynamic interactions and it stated that the JII is significantly affected by the shock or disturbance taking place in the other markets. However, the results indicate that the JII is the least volatile and more stable market in the short run.

Shakrani et. al (2005) found that by using the GARCH model before the launching of shariah approved counters, the information of DJII was found to be the major factor that influences the feature of volatility persistence in KLCI returns. On the other hand, after launching of Shariah approves counters it was found that interest rate variable has greater influence in the feature of volatility persistence of in KLCI return.

### **3 Empirical Methodology and Data**

To attain the objective of the study several Islamic and conventional indices are selected to study in order to see the differences between the performances of both indices. The risk and return of both indices are calculated using risk adjusted measurement. The Sharpe, Treynor and Jensen ratio are used as method applied. Since, it would be almost impossible to incorporate for each index provider in the world, this study limit to selected only 12 global Islamic and conventional indices which cover eight countries such United States, United Kingdom, Malaysia, Indonesia, Hong Kong, Switzerland, India and France. The data selection takes into consideration the availability of data and their consistency within the accessible time frame.

Previous researcher Hassan and Girard (2011) and Hussein (2004) used MSCI All World indices as a benchmark for both conventional and Islamic indices. Further more Hassan and Girard (2011) also stated that the MSCI All World index is used as a buy and hold factor representing the broad stock market index. The conventional 3-month Treasury Bill for each countries such United States, United Kingdom, Malaysia, Indonesia, Hong Kong, Switzerland, India and France is used as a proxy for risk free rate. Even some of the countries such Malaysia (Malaysia Islamic Treasury Bill) and Indonesia (Indonesia Islamic Government Treasury Bill) has their own Islamic Treasury Bill but the rest of the countries still using their conventional Treasury Bill since not yet issuing their own Islamic Treasury Bill. Thus, we decided to use conventional Treasury Bill for all the selected countries with the purpose to standardized the proxy of risk free rate for the countries. Table 2 below shows lists of global Conventional and Islamic indices.

<b>COUNTRY OF ORIGIN</b>	<b>CONVENTIONAL INDICES</b>	<b>ISLAMIC INDICES</b>
United State (US)	Dow Jones US Index	Dow Jones Islamic Market (DJIM)
United State (US)	Morgan Stanley Capital US Equity Index	Morgan Stanley Capital International Islamic Index Series (MSCI)
United State (US)	Russell Global Index	Russell-Jadwa Shariah Global Index
United State (US)	Standard & Poor 500 Index	Standard & Poor Islamic Index Group (S&P)
United Kingdom (UK)	Financial Times Islamic Series UK (FTSE) Index	Financial Times Islamic Index Series (FTSE)
United Kingdom (UK)	Royal Bank of Scotland (RBS) Middle East Index	Royal Bank of Scotland (RBS) Middle East Shariah Index
Malaysia	FTSE Bursa Malaysia Kuala Lumpur Composite Index (KLCI)	FTSE Bursa Malaysia Hijrah Shariah Index (KLSI)
Indonesia	Jakarta Composite Index (JCI)	Jakarta Islamic Index (JII)
Hong Kong	Hang Seng Index	Hong Kong Islamic Index (HKII)
Switzerland	Swiss All Share Index	Directional Movement Index (DMI) 150 Index
India	Bombay Stock Exchange (BSE) SENSEX Index	Bombay Stocks Exchange (BSE) TASI Shariah 50 Index
France	Societe Generale Index (SGI) Wise Emerging Index	Societe Generale Index (SGI) Wise Emerging Shariah Index

Table 2: Lists of Global Conventional and Islamic Indices

### 3.1 The Return

The raw returns of both Islamic and conventional indices are calculated at the beginning. Then, the significant differences between raw returns of both Islamic and conventional indices for each period identified are examined by employing 'paired sample mean t-test'.

As finding, the simple returns are estimated by taking into the monthly return as this month index price minus last month index price and divided it by last month index price.

$$R_t = (P_t - P_{t-1}) / P_{t-1}$$

Where,

$R_t$  is the return at time  $t$ ,

$P_t$  is the index price at time  $t$  (this month index price)

$P_{t-1}$  is the index price at time  $t-1$  (last month index price)

### 3.2 Risk Adjusted Measurement

This study employs various risk-adjusted performance measurements to estimate both Conventional and Islamic indices. This study also focuses mainly on secondary monthly time series data such as monthly closing price of each Islamic index and conventional index. The closing price of the both indices is collected from the Indices segment. As known, the risk adjusted return as a performance measure will estimate using the Sharpe index ratio, Treynor ratio and Jensen ratio. Previous studies also used this risk-adjusted measurement method to measure the performance of indices. (Dharani and Natarajan, 2011; Hassan and Girard, 2011; Albaity and Ahmad, 2008).

#### 3.1.1 Sharpe Ratio

Firstly, the study used Sharpe ratio (SR). The Sharpe ratio measures the performance of securities indices. This indicates the amount of excess return of the portfolio over the risk free rate in a given period per unit of risk. The same approach was adopted by Albaity and Ahmad (2008) for analyzing the performance of Shariah index of Bursa Malaysia. This study also employed the same measure for analyzing the performance of global Shariah and conventional indices. Generally, higher SR indicates higher or superior performance and vice versa.

The Sharpe Index (SI) is as follows:-

$$SI_{it} = [(AR_{it} - ARFR) / \sigma_i]$$

Where,

$AR_i$  is monthly average return for the Index over the period

ARFR is monthly average of the risk free rate

$\sigma_i$  is standard deviation of Index return

### 3.1.2 Treynor Ratio

The second measurement of risk adjusted is Treynor ratio (TR). The Treynor index performance measures the portfolio performance including risk which is associated with the general market fluctuations. This performance measure differs from Sharpe ratio because it uses beta or systematic risk, whereas Sharpe ratio uses standard deviation of returns as a measure of total risk in examining the portfolio performance. We calculated Beta through regression. Thus, higher Treynor ratio indicated superior performance of indices and vice versa. Dharani and Natarajan (2011) used the Treynor ratio to compare the performance of indices by including the risk for Nifty Shariah index and Nifty index in India.

The Treynor Index (TI) for the selected indices is computed as:-

$$TI_{it} = (AR_{it} - ARFR) / \beta$$

Where,

$T_{it}$  is the Treynor index

$AR_{it}$  is the average return of the index

ARFR is the average risk free rate of the return.

$\beta$  is the beta coefficient computed using market model as:

$$R_{it} = \alpha_{it} + \beta_i R_{m,t} + \varepsilon_{it}$$

Where,  $R_{it}$  and  $R_{m,t}$  represent the return of the Shariah and conventional indices respectively, and  $\varepsilon_{it}$  is the residuals of regression.

### 3.1.3 Jensen Ratio

Thirdly, the Adjusted Jensen's Alpha Index performance is calculated, which represents the average return on a portfolio over and above that predicted by the CAPM, given the portfolio's beta and the average market return. Capital Asset Pricing Model (CAPM) was introduced based on portfolio performance measure to examine the excess return provided by funds called as Jensen Alpha Index Performance measure. It represents the average returns on a portfolio over and above the estimated return using CAPM, to the given portfolio beta and average market return. The Alpha in the model represents the average portfolio return adjusted for risk. Hassan and Girard (2011) used Jensen Alpha to measure the performance between Dow Jones Conventional and Islamic index.

The portfolio Alpha Jensen is expressed as:

$$\alpha_i = AR_{it} - [ARFR_{it} + \beta_i (R_m - ARFR)]$$

Where,

$\alpha_i$  is a portfolio Alpha

$AR_{it}$  is the average return of the index

$ARFR_{it}$  is the average risk free rate of the return

$\beta_i$  is the beta coefficient

The positive Alpha Jensen indicates the superior performance and the negative Alpha Jensen indicates the inferior performance of the portfolio index.

## 4 Interpretation of Results

### 4.1 Descriptive statistic

The result of descriptive statistic shows Jakarta Composite Index (JCI Conventional) has the highest return of 2.255% when compared with the other indices. The statistics indicated that mostly Islamic indices and Conventional indices have positive returns except for RBS Islamic, Hang Seng Islamic and Swiss Conventional which have negative returns or represent losses.

When compare mean and standard deviation, it is clear stated that the mean return of Dow Jones Conventional, FTSE Conventional, KLCI Conventional and Swiss Conventional is less than Islamic indices. This is supported by less value of standard deviation, showing that conventional is less risky than Islamic. This is contrast with Albaity and Ahmad (2008) that stated KLSI is less risky than KLCI due the mean return of the KLSI is less than KLCI.

While compare the overall mean return of both indices, the results indices that Islamic Dow Jones, Russell Jadwa, S&P, FTSE, KLCI and DMI have better return compare to conventional indices. It is supported by high level of risk which measures by Standard Deviation. The result also shows FTSE Islamic have highest standard deviation which represents higher level of risk. Thus, it indicates high average return of 0.42% compare with 0.085% return of conventional FTSE index. In addition, the standard deviation of FTSE Islamic shows very high level of risk compares with the others indices. This means, the returns of FTSE Islamic are slightly more volatile than the returns of other indices.

	N	Minimum	Maximum	Mean	Std. Deviation
Dow Jones Con	153	-17.667	10.290	.14179	4.755320
Dow Jones IS	153	-15.725	10.372	.16327	5.023521
MSCI Con	153	-19.544	13.766	.20430	4.969128
MSCI IS	50	-17.528	8.961	.01451	5.595336
Russell Jadwa Con	153	-27.244	11.252	.26899	5.426429
Russell Jadwa IS	24	-14.778	5.210	.40791	4.924627
S&P Con	153	-16.943	9.672	.06383	4.626839
S&P IS	50	-8.893	8.456	.07701	4.400376
FTSE Con	152	-13.422	9.520	.08488	4.332665
FTSE IS	91	-69.974	114.710	.42073	15.325578
RBS Con	124	-26.937	27.540	1.29984	7.017515
RBS IS	45	-33.507	14.004	-1.23027	8.951308
KLCI Con	132	-15.223	13.545	.58918	4.627914
KLCI IS	132	-14.511	14.361	.83663	4.707468
JCI Con	99	-31.422	20.131	2.25547	7.078785
JCI IS	99	-32.371	19.834	2.15841	7.643145
Hang Seng Con	117	-22.466	17.074	.65294	6.240202
Hang Seng IS	50	-20.641	14.067	-.07934	6.956822
Swiss Con	153	-12.928	10.929	-.00709	4.126662
DMI IS	153	-15.178	13.027	.21065	4.976955
BSE Con	137	-23.890	28.255	1.26785	7.669096
BSE IS	45	-25.472	24.670	.93419	8.115094
SGI Con	129	-35.999	22.794	2.13574	8.362377
SGI IS	40	-26.652	20.394	.29504	8.809756
Valid N (listwise)	22				

Table 3: Descriptive Statistics

## 4.2 Correlation coefficient

Table 4 reports the correlation coefficients between conventional and Islamic indices for overall period. Correlation measures the strength of linear relationship between two variables. From the results of the test, all the indices indicate a positive significant relationship between conventional and Islamic during overall period. However, the result of FTSE indicates that there is no significant correlation between Conventional and Islamic index at 1% level. A positive correlation coefficient means that as the value of one variable increases the value of the other variable will increase too. Most of the indices such as Dow Jones, Russell Jadwa, RBS, Jakarta, BSE and SGI have a strong correlation between conventional and Islamic indices with a positive value above 96%. It is supported by Ahmad and Ibrahim (2002) who give a positive value of 96% for the correlation coefficient. However, the other indices such as MSCI, S&P, Kuala Lumpur, Hang Seng and Swiss indicate a positive correlation below 96%.

Correlation	Significant Level
DJCO-DJIO	0.960**
MSCICO-MSCHIO	0.938**
RJADCO-RJADIO	0.988**
S&PCO-S&PIO	0.647**
FTSECO-FTSEIO	0.106
RBSCO-RBSIO	0.975**
KLCICO-KLCIIO	0.954**
JCICO-JCIIO	0.965**
HSCO-HSIO	0.907**
SWISSCO-DMIIIO	0.704**
BSECO-BSEIO	0.968**
SGICO-SGIIIO	0.976**

\*\* Correlation is significant at the 0.01 level (2-tailed)

Table 4: Correlations between Conventional and Islamic Indices

### 4.3 T-Test

Table 5 represents the results of T-test between conventional and Islamic indices for overall period. T-test is used to test whether there is a difference between the means of the indices. The result of P-value indicates that there is no significant difference in mean between the conventional and Islamic indices for all indices at 5% level and 10% level except for Kuala Lumpur index and Bombay Stock Exchange index. This is consistent with the results of Hassan and Girard (2011), Dharani and Natarajan (2011) and Albaity and Ahmad (2008) that stated the returns of ethical investments are not significantly different from those of conventional vehicles. However, there is a significant difference in mean between conventional and Islamic indices for Kuala Lumpur index and Bombay Stock Exchange index.

Paired Differences	T-Value	P-Value
DJCO-DJIO	-0.189	0.850
MSCICO- MSCIO	-1.608	0.114
RJADCO- RJADIO	-1.384	0.180
S&PCO- S&PIO	-0.524	0.603
FTSECO- FTSEIO	-0.038	0.970
RBSCO- RBSIO	0.809	0.423
KLCICO- KLCHIO	-2.002	0.047**
JCICO- JCIO	0.477	0.634
HSCO- HSIO	-0.207	0.788
SWISSCO- DMIIO	-0.750	0.454
BSECO- BSEIO	-1.933	0.060**
SGICO- SGIIO	-0.273	0.786

\*\* P-Value is significant at the 0.01 level, 0.05 level and 0.10 levels.

Table 5: T-test of Mean Differences between Returns of Conventional and Islamic Indices

#### 4.4 Risk adjusted performance

	Conventional			Islamic		
	Sharpe	Treynor	Jensen	Sharpe	Treynor	Jensen
Dow Jones Index	-0.482	-3.486	-0.791	-0.452	-3.412	-0.751
MSCI Index	-0.454	-3.223	-0.639	-0.126	-1.205	-0.145
Russell Index	-0.404	-2.136	0.180	0.063	0.318	0.261
S&P Index	-0.518	-3.745	-0.917	-0.145	-1.958	-0.327
FTSE Index	-0.875	-6.562	-1.632	-0.187	-16.447	-2.33
RBS Index	-0.306	-3.781	-0.306	-0.310	-3.130	-1.233
Kuala Lumpur Index	-0.491	-5.146	-1.059	-0.431	-4.703	-0.841
Jakarta Index	-1.196	-9.249	0.958	-1.121	-8.970	1.238
Hang Seng Index	-0.113	-1.067	-0.011	-0.074	-0.888	-0.123
Swiss Index	-0.637	-5.400	-1.425	-0.485	-3.763	-0.828
BSE Index	-0.644	-5.418	0.658	-0.630	-6.351	-0.094
SGI Index	-0.023	-0.159	2.451	-0.072	-0.566	0.692

Table 6: Performances of Conventional and Islamic Indices

Table 6 reports the risk-adjusted performance for both conventional and Islamic indices. For conventional indices its start in year 1999 until 2011 while the Islamic indices is start based on their origin. The result indicates that the performance of most Islamic indices is superior performance than conventional indices using various types of performance measurement. It also shows that the Islamic indices return fall less than conventional indices. Besides that, the results also indicate only RussellJadwa Islamic index shows a superior performance compare to the others indices with positive return. The result is similar to Hassan (2002), Hussien (2004) and

Hassan and Girrard (2011) where the risk adjusted return performance of Islamic indices outperformed and was more efficient compared to the conventional indices. It is also stated by Hashim (2008) that the global Islamic Indices achieved superior performance compared to conventional indices. In contrast, only RBS and SGI indices have better perform in conventional rather than Islamic. One of the reason may be due to the indices have only a market historical record and from experience indices normally will concentrated on conventional rather than Islamic indices.

## **5 Conclusion**

The Islamic indices also suitable to the investors who plan for low volatility return from the investment selection based on market trend performance because Islamic indices provides less risk kind of investment which in line with the nature of Islamic value of small uncertainty (Gharar). In consequences, there is no harm for investors investing in the Shariah compliant index. Other than that, it's also recommending most investors to invest in Islamic Indices especially for Russell Jadwa index since this index has a positive return and performance well.

In addition, since this study only limits the performance to only twelve (12) conventional and Islamic indices. It is suggested for future research to identify more indices which available in the global market with the purpose of deeply understand the difference between performance return for both conventional and Islamic indices.

## 6 References

- Albaity, M. and Ahmad, R. (2008), 'Performance of Syariah and Composite Indices, Evidence from Bursa Malaysia', *Asian Academic of Management Journal of Accounting and Finance*, **Vol. 4** (1), pp 23–43.
- Anwar, H. (2010), 'Muslim Nations Plan Stock Index to Spur Trade: Islamic Finance', <http://www.businessweek.com/news/2010-11-25/muslim-nations-plan-stock-index-to-spur-trade-islamic-finance.html>, viewed: 26/9/2013
- Beik, S.I. and Wardhana, W. (2009), 'The Relationship between Jakarta Islamic Index and Other Selected Market, Evidence from Impulse Response Function'. *Islamic Economic Forum for Indonesia's Development*.
- Demont, P. (2010), 'Canada's Islamic stock index: Finding harmony between religion and investing', <http://www.cbc.ca/news/business/taxseason/story/2009/12/29/f-taxseason-shariah-investing.html>, viewed: 26/9/2013
- Dharani, M. and Natarajan, P. (2011), 'Equanimity of Risk and Return Relationship between Shariah Index and General Index in India', *Journal of Economics and Behavioral Studies*, **Vol. 2** (5), pp 213-222.
- Hashim, N. (2008), 'The FTSE Global Islamic and the Risk. Office of Research and Publications (ORP)', pp. 1-21.
- Hassan, K.M. and Girard, E. (2011), 'Faith Based Ethical Investing: The Case of Dow Jones Islamic Indexes', Network Financial Institute, <http://ssrn.com/abstract=1808853> viewed: 6/4/2013
- Haroon, Y.S. (1999), 'Islamic Stock Market Indices: The Dow Jones Experience', [http://www.islamic-finance.com/item21\\_f.htm](http://www.islamic-finance.com/item21_f.htm), viewed: 5/7/2013
- Hussein, A.K. (2004), 'Ethical Investment: Empirical Evidence from FTSE Islamic Index', *Journal of Islamic Economic*, **Vol. 12** (1), 21-40.
- Mihajat, S.I.M. (2011), 'Islamic Exchange Traded Fund (Islamic ETF): New Instruments on the Islamic capital market', <http://romiibrahim.blogspot.com/2011/07/islamic-exchange-traded-fund-islamic.html>, reviewed: 5/7/2013

- Rahim, A. F., Ahmad, N., and Ahmad, I. (2009), 'Information transmission between Islamic Stock Indices in South East Asia', *International Journal of Islamic and Middle Eastern Finance and Management*, **Vol. 2** (1), pp 7-19.
- Sadeghi, M. (2008), 'Financial Performance of Syariah Compliant Investment: Evidence from Malaysia Stock Market', *International Research Journal of Finance and Economics*, **Issue 20**, pp 15-26.
- Shakrani, M S., Abdullah, H., Abu Bakar, A.S., and Mohd Taib, H. (2005), 'Volatility Trends of Syariah Index Returns and Kuala Lumpur Composite Index', *Journal Syariah*, **Vol. 13**, pp 65-91.
- Siddiqui, R. (2011), 'Report card for the Islamic Indices', [http://www.btimes.com.my/Current\\_News/BTIMES/articles/20110711232814/Article/index\\_html](http://www.btimes.com.my/Current_News/BTIMES/articles/20110711232814/Article/index_html), viewed: 26/9/2013