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CHAPTER – 7

Summary of Findings, Suggestions and Conclusion

7.1. Introduction

Islamic Finance has been growing for last two decades in global level. Islamic investment in the stock market has also rapidly been increasing in developed and developing countries. There are many Islamic stock market indices such as Jow jones Islamic Indices, Financial Time Islamic Indices, Margan Standly Capital Market Islamic Indices, S&P Shariah Indices, Kula Lumpur Islamic index, S&P Nifty Shariah index which were launched in developed and developing countries. People such as researchers, practitioner, Students, and investors realise to find the answer to the theoretical problems like why Islamic finance and investment, what is the reason behind launching the Islamic Stock Market indices, on what basis these indices are launched, who are given guidance to launch these indices, importance of the Islamic investment, and difference between Islamic investment and Conventional investment. And also research problems like risk and return characteristics of the Shariah stocks and Islamic index, significant different between Islamic index and common index, association of the Shariah index and common index, volatility nature of the Shariah Compliant stocks and Shariah index, and what type of relationship between return, volatility and trading volume of the Shariah Compliant stocks are rising in the researcher mind. The present study outlines the answers to these types of theoretical and research problems,
7.2. Rationale of the Study

The increasing popularity and growing demand for these indices have motivated the researchers to examine the performance of Islamic indices. Presently, the existing research literature on the subject of Islamic indices is limited. However, Ahamad and Ibrahim (2002), Hakim and Rashidian (2002), Hussein (2004, 2005), and Albaity and Ahmad (2008) analyse the performance of Islamic indices vis-a-vis conventional stock market indices using stock market data. The studies such as Shakrani et al (2005), Yusof and Majid (2007), Beik and Wardhana (2009) evaluate the volatility and forecasting ability of Islamic indices. The above studies are conducted for developed capital markets, while, the similar studies for emerging country like Indian is limited. Therefore, to fullfill this research gap, the present study aims has analysed the performance and effectiveness of the Shariah indices and Shariah Compliant stocks in India.

- From the academic and practitioners point of view, this study would contribute an additional knowledge to Islamic stock market and how the selection restriction imposed by Shariah Advisory Council (SAC) will affect the Return, Volatility and Liquidity of the National Stock Exchange Shariah indices.

- This study also enhances the research on Islamic Capital Market, which is still at its infant stage in terms of empirical research.

- This study would also assist investors to make investment decision. By knowing the diversification benefits, investors will be able to mitigate the risk of their investment.

- Finally, this study would also benefit the related authoritative agencies in constructing guidelines on Islamic stocks screening criteria, which is needed to be standardized following the Shariah Laws. Hence this study,
7.3. Data and Methodology of the Study

As on June 2011, S&P CNX Nifty Shariah index constituted 30 stocks which are presented in the table 1.3. Among the 30 Shariah Companies, data is available to only 27 Shariah Complaint stocks from 2\textsuperscript{nd} January 2007 to 29\textsuperscript{th} July 2011. Hence, the study frames the sample size as 27 stocks by using purposeful sample techniques.

This study is an analytical research based on empirical evidences. It is exclusively based on secondary data. The data set comprises of daily closing value, trading volume of the Shariah Compliant stocks and benchmark indices such as S&P CNX Nifty Shariah index, S&P CNX Nifty index and BSE Sensex index. Shariah Compliant stocks are following the Islamic investment principles. S&P CNX Nifty Shariah index is a stock market index which is used for a benchmark index to the Shariah Compliant stocks in India. S&P CNX Nifty and BSE Sensex are benchmark indices for the all listed stocks in India. The closing price, turnover, traded quantity and number of transactions of the Shariah compliant stocks are collected from CMIE Prowess, NSE and BSE websites during the period from 2\textsuperscript{nd} January 2007 to 29\textsuperscript{th} July 2011. The closing values of the S&P CNX Nifty, S&P CNX Nifty Shariah and BSE Sensex indices are collected from the Indices segment of the NSE and BSE respectively. Similarly, the three month Mumbai interbank offer rate is obtained from the Debt segment of the NSE, which shall be used as proxy for risk free rate return. The present study employed the following methodology.

- Tow sample mean t-test
- Regression
- Correlation
- Sharpe Ratio
- Treynor Ratio
• Jenson Alpha Measure
• ADF test
• PP test
• ARCH LM test
• ARCH model
• GARCH model
• TGARCH Model
• Engle and Granger Co-integration model
• Granger Causality

7.4. Estimation Procedure of the Study

Price series have been studied for time scales ranging from every transaction, through daily, weekly, and monthly prices to annual prices. This study is exclusively about the analysis of daily prices, usually recorded at the close of a day's trading. According to Taylor (1986, pp 54), one price per day is nearly always the most appropriate frequency for analysis. The daily closing price cannot be used for analysis because it is non stationary. So the prices of the Shariah Compliant stocks and benchmark indices are converted into return. The daily return of the Shariah indices and Shariah stocks for a given period are computed by nature logarithm of the current trading day divided by previous trading day. The formula is

\[ R_t = \ln \left( \frac{P_t}{P_{t-1}} \right) \]

Where, \( R_t \) is the return at time \( t \), \( P_t \) is the index value at time \( t \) (today’s index value) and \( P_{t-1} \) is the index value at time \( t-1 \) (yesterday’s index value). The study follows the following estimation proceeds to fulfill the objectives.

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To measure the risk and return of the Shariah Compliant Stocks, the present study converts the closing prices of the Shariah Compliant stocks and benchmark indices into return series during the study period. The mean, standard deviation, skewness, kurtosis and Jaque Bera test for the returns series are calculated. The average return of the each Shariah Compliant stocks are compared with average return of the benchmark indices to find significant difference by using two sample t-test. Next, the relationship between return of the Shariah Compliant stocks and return of the benchmark indices are carried out by using regression model. The association among the returns of the Shariah Compliant stocks is calculated by using correlation test. From the indices point of view, the study finds whether mean return of the Shariah index is statistically different from the mean return of the common index in India. Finally, performance of the Shariah index and Common index are measured by using risk adjusted measurements.

To estimate the volatility of the Shariah Compliant Stocks, the study employs ADF and PP test to test the stationarity of the returns series of the Shariah Compliant stocks and benchmark indices. If the return series are stationary, ARCH LM test is applied to test the existence of the ARCH effect in the return series of the stocks and indices. To find the volatility clustering, volatility persistence and leverage effect, GARCH and TGARCH model are employed in the present study.

To examine the relationship between Shariah index and common index, the study first test stationarity of the closing value of the Shariah index and common index by using ADF and PP unit root test during the study period. If the closing values of the both indices are not stationary at level and stationary at first difference i.e. intergraded order (1), the study employs the Engle and Granger (1986) Error
based Co integration methodology. If the Shariah index and common index is co integrated, the researcher goes for Vector Error Correction model and if not so, the scholar goes for Granger Causality test. In the present study, Shariah index and common index is not co integrated, so the researcher goes for the Granger Causality test to find the relationship between Shariah index and common index in Indian stock market.

To examine the relationship between return, volatility and trading volume of the Shariah Compliant stocks, first, the researcher calculates descriptive statistics of the turnover, traded quantity and number of transaction of the Shariah Compliant stocks. The association between turnover, traded quantity and number of transactions are carried out by using correlation test. The study tests the stationarity of the series by using ADF unit root test and finds that all the series are stationary at level itself. Next, the relationship between trading volume and absolute return are examined by using regression model. And then, the study employs GARCH (1, 1) with trading volume to find relationship between return and conditional volatility of the Shariah Compliant stocks. Finally, the Granger Causality test is employed to investigate the relationship between return and trading volume of the Shariah Compliant stocks in India.

7.5. Findings of the study

The findings of the study are listed in this part.

7.5.1. Risk and Return behavior of the Shariah Compliant Stocks and Indices

- The 15 Shariah Compliant stocks yielded negative returns and 12 stocks gain the positive returns during the study period. Among the 27 sample companies, Sesagoa offers highest lower return and highest standard deviation. Hero
Honda motors yield higher return than other Shariah stocks. The standard
deviation of the returns is lower for Hindustan. The results of the skewness
showed that all the sample companies except Ambuja, Hero Honda and Sail
were negatively skewed and also greater than zero. The negative skewness
implies that there is higher probability of earning negative returns. The value of
the kurtosis for the sample companies was higher than 3 which shows that the
distribution is leptokurtosis. The JB test is significant for the selected sample
companies which indicate that the return distribution is not normally
distributed during the study period.

- The sample companies under the study have provided higher standard
deviation than benchmark indices i.e. Sensex, Nifty and Nifty Shariah. The 6
companies were outperformed and 21 companies were underperformed with
respective to the Sensex index. Five companies yielded higher return and 22
companies have been providing lower return than Nifty index. While
comparing with Nifty Shariah index, the results further revealed that 11
companies outperformed and 16 Shariah companies underperformed. It clearly
discloses that 40% of the companies were able to yield higher return than the
Nifty Shariah Index return in India.

- The results of the correlation coefficient show that the selected Shariah
Compliant stocks are relatively less associated with each other. Further, it
indicates the selected Shariah Stocks are affected less during the crisis period
due to its least correlated nature. The table 5 indicates the least correlated
stocks among the selected Shariah stocks. The correlation between Sun
Pharma and SAIL is 0.03. The list of the least correlated securities was
presented in the chapter 1 and it will be useful to the ethical investors to select
the least correlated stocks to construct the portfolio.

- The results of the two sample t-test revealed that the calculated value of the t-
test is not significant for the all selected sample Shariah Companies and hence
supports the null hypothesis that there is no difference between return of the
Shariah compliant stocks and returns of the benchmark index in India. It
reveals that the return of the Shariah Compliant stocks is equal to the returns
of the benchmark index such as Sensex, Nifty and Nifty Shariah. The ethical investors can select any Shariah stocks to invest in the Indian stock market because return of the Shariah stocks and return of the benchmark index is an average equal in Indian context.

- According to the results of the CAPM using Shariah index as a benchmark, beta value of the 10 Shariah stocks is more one which indicates that these stocks are more volatile than Shariah index. The beta value of the 12 stocks is nearer to one and indicates that they are equally volatile like Nifty Shariah index. The beta value of the 5 Shariah companies is less than 0.5 and discloses that the volatility of these 5 companies is less volatile than Shariah index in India. L&T is more volatile and Dr. Reddy is less volatile than Nifty Shariah index. The beta values for the all Shariah stocks were highly significant.

- The results of the beta coefficient with respective to Nifty index discloses that the beta value of the 8 Shariah stocks is more 1 which indicates that these stocks are more volatile than Nifty index. The beta value of the 13 stocks is nearer to one and indicates that the volatility of these 13 Shariah stocks were nearer to volatility of the Nifty index. The beta values of the 6 Shariah companies were nearer to 0.5 and disclosed that the volatility is less than Nifty index in India. Jindalco is more volatile and Dr. Reddy is less volatile than Nifty index. The beta values for the all Shariah stocks are highly significant.

- According to the results of the CAPM using Sensex index as a benchmark, beta value of the 7 Shariah stocks is more 1. It indicates that these stocks are more volatile than Sensex index. The beta value of the 15 stocks is near to one and indicates that the volatility of these 15 Shariah stocks are an average near to volatile of the Sensex index. The beta value of the 5 Shariah companies is less than 0.5 and discloses that the volatility of these 5 companies is less volatile than Sensex index in India. Jindalco is more volatile and Sun Pharma is less volatile than Sensex index. The beta values for the all Shariah stocks are highly significant. DW test is around 2 and indicate that model is suitable. The R square is very low for all the stocks and discloses that
return of the Shariah stocks is not depending on only Sensex index but also many other factors.

- The mean return for the Nifty Shariah daily returns is 0.015 percent which is lower than 0.024 percent and 0.028 percent of the mean return of Nifty index daily returns Sensex daily return respectively. The standard deviation or the measure of dispersion for the Nifty Shariah, Sensex and Nifty is 1.879 percent, 1.939 and 1.926 percent respectively. This indicates that the returns of the Sensex Nifty are slightly more volatile than the returns of the Nifty Shariah. The other words, the Nifty Shariah index is less risky than the Common index in India.

- The mean return of the Nifty Shariah is slightly lower than the mean returns of the Sensex and Nifty. The correlation between the returns of the Nifty Shariah and benchmark index is positive and highly correlated. This indicates that there is a strong linear relationship between returns of the both indices in India.

- The t-test is to test whether there is a difference between the means of the indices. The result shows that there is no significant difference in mean between the indices. It indicates that the returns of ethical investments are not significantly different from those of conventional investment.

- The Sharpe index and Treynor index, the Nifty Shariah is provided less risk adjusted returns than the Nifty index and BSE Sensex during study period. The Jensen measure for the Nifty Shariah is negative for all the period and indicates that Islamic index is underperformed compared with benchmark index i.e. Nifty index and BSE Sensex. The overall results represent that the Islamic index or Shariah index in India is less risky than the common index during the study period.

- The daily log values of the S&P CNX Nifty Shariah index and S&P CNX Nifty index are not stationary at level. While taking the first difference, both variables are stationary. The variables are integrated of order I (1). Hence, Engle and Granger Co Integration test can apply.
The results of the Engle and Granger Co Integration test show that error term is not stationary at level. Therefore, the study concludes the Nifty Shariah and Nifty indices are not co integrated. That is there is no long term relationship between both indices in Indian stock market.

The results of the Granger Causality test reveal that the S&P CNX Nifty Returns causes the S&P CNX Nifty Shariah returns at 10% level of significant whereas the S&P CNX Nifty Shariah returns causes the S&P CNX Nifty returns at 5% level of significant. At the same time, BSE Sensex causes the Shariah index at 5% level of significant and vice versa. The reason is that most of the securities form Nifty index and BSE Sensex are constituted in the S&P CNX Nifty Shariah index. Therefore, there is a bidirectional relationship between Shariah index and benchmark index in India.

7.5.2. Volatility estimation and Relationship between Return, Volatility and trading volume of the Shariah Compliant Shares

The results of the ADF and PP unit root test confirm that the return series of the selected Shariah Compliant shares and benchmark indices are highly significant at 1% level. It shows that the series is stationary at level itself.

The ARCH effect exists in the return of the Shariah companies and benchmark indices and indicates that the return is affected by the volatility trends. And also they have predictive power for the return.

The coefficient on both the lagged squared residual and lagged conditional variance terms in the conditional variance equation are highly statistically significant. Also as is typical of GARCH model estimates for the returns of the Shariah Compliant shares, the sum of the coefficient on the lagged squared error and lagged conditional variance is very lose to unity. This implies that shocks to the conditional variance will be highly persistent. This can be seen by considering the equations for forecasting future values of the conditional variance using a GARCH model given in a subsequent section. A large sum of this coefficient variance will imply that a large positive or a large negative return will lead future forecasts of the variance to be high for a protracted
period. The parameters are statistically significant for all the GARCH models and therefore we conclude that the returns series are fat tailed.

- The TGARCH leverage effect term is also significant, and the news impact is asymmetric. For the return of the Shariah Compliant shares and benchmark indices, the leverage effect exists and bad news increases volatility. In addition, the coefficient of the GARCH is greater than the coefficient of the TGARCH for the Shariah Compliant Shares benchmark indices, which implies that negative shocks have a large effect on conditional volatility than positive shocks of the same magnitude. The leverage effect term in the output is negative and significant indicating the existence of leverage asymmetric effect in the Shariah Compliant shares during the period of study. That is an unexpected drop in price (bad news) increases predictable volatility more than unexpected increase in price (good news) of similar magnitude.

- The results of the Pearson correlation between turnover, traded quantity and number of transactions are closely related. For most of the companies the study found that the correlation between all the three measures of trading volume is very high.

- The ADT test for turnover, traded quantity and number of transactions of the Shariah Compliant shares are highly significant at 1% level. It confirms that the turnover, traded quantity and number of transactions of the Shariah Compliant shares are stationary at level itself i.e. integrated 1(0).

- The results of the OLS regression explain the relation between volume and price changes and its asymmetric nature. The estimates of $\beta_1$, which measure the relationship between price changes and volume irrespective of the direction of the price change, are significant and positive at 1% level across all three measures of trading volume for most of the companies. The asymmetric behavior of relation between volume and returns is indicated by coefficient $\beta_2$. In most of the cases, $\beta_2$ is significant and negative i.e. for most shares $\beta_2$ is negative for at least two out of the three trading volume measures. The negative value of $\beta_2$ indicates that the relation between price changes and trading volume is smaller for negative returns than for positive returns.
However, some of the companies do not show asymmetric behavior for at least two of the trading volume measures. This clearly indicates the absence of asymmetric relationship in emerging markets.

- The results of the GARCH (1,1) with including trading volume show that the coefficient of the ARCH and GARCH are highly significant. It is found that for all shares the conditional volatility is time varying and shows persistence. The persistence of the conditional variance process, which we measure by $\alpha_1+\beta_1$, is high (>0.9) and is often close to unity. Most interestingly, our data show a decrease in the persistence of volatility when including trading volume. The study finds that the parameters alpha and beta remain significant after including trading volume. This can be seen as a signal that either trading volume might only be a crude proxy for the flow of information.

- The results of the Granger Causality test between return and trading volume of the Shariah Compliant shares. The results indicated that most of the case, the return causes the trading volume of the Shariah Compliant shares in India.

**7.5.3. Ethical Investor’s Perception about Shariah Investment**

- The alpha coefficient for the 29 items is 0.845, suggesting that the items have relatively high internal consistency.

- The study shows that 141 (88.7%) respondents are having awareness about Shariah investment. While considering the Shariah principles, 147 (92.2%) respondents know about Shariah principles. In case of Shariah investment principles, all the respondents are having right awareness about primary business principles than Shariah accounting principle, 77.4%, 69.8%, 69.8% and 66% of the respondents aware about debt to market value of equity, account receivable to market value of equity, cash to market value of the equity and non permissible income respectively. The overall results reveal that the ethical investors are well known about Shariah investment, Shariah principles and Shariah shares in India.

- The study rejects the null hypothesis that there is no difference between awareness and unawareness about Shariah investment in India stock market. It
shows that there is a significant number of respondents have awareness about Shariah investment. Only small portion of respondents are unaware about Shariah investment.

- Hence, the study rejects the null hypothesis that there is no association between personal groups and awareness & unawareness of the respondents about Shariah investment.

- The results show that the test statistics is highly significant for all different Shariah investment principles and personal profile of the respondents during the study period. Hence, the study rejects the null hypothesis that there is no association between different Shariah investment principles and personal profile of the respondents.

- The test statistics reveals that the p-value for all personal profile is highly significant. Therefore, the study rejects the null hypothesis that there is no association between personal profile and awareness of the respondents about Shariah compliant shares and index.

- The results reveal that p-values for all variables are highly significant except occupation groups and motivational factors. The study rejects the null hypothesis that there is no difference between personal profile groups and four awareness factors.

- The study shows that if the awareness creating factors increase 1 percent, the motivation of the respondents about Shariah investment will increase 0.224 percent. The value of the beta coefficient is also highly significant at 5% level and it rejects that null hypothesis that there is no impact of awareness creating factors on motivation of the respondents about Shariah Investment in India. The F-statistics is also significant and indicates that overall model is good in this study.

- The study discloses the result of relationship between awareness creating factors and risk & return perception of the respondents during the study period. The result shows that the beta coefficient is insignificant and overall model is poor. The study fails to reject the null hypothesis that there is no
relationship between awareness creating factors and risk & return perception of the respondents about Shariah investment in India.

- The study also reveals that the beta co-efficient of the trading perception with respect to awareness creating factors is significant at 1% level. It indicates that if awareness increases 1 percent, the trading perception about Shariah investment will increase at 0.197 percent. The result rejects the null hypothesis that there is no relationship between awareness and trading perception of the respondents about Shariah investment in India. The F-statistics is significant and indicates that the overall model is good. The overall results reveal that the awareness about Shariah investment has increased in India.

- The study reveals that the beta coefficient of the influencing factors is 0.144 and highly significant at 1%. It indicates that if the influencing factors increase at 1 percent, the trading perception of the respondents will increase at 0.144 percent. The beta coefficient of motivational factors and risk & return perception is 0.111 and 0.533 respectively and indicates that these values are highly significant. If the motivational factors increase at 1 percent, the trading perception of the respondents will increase at 0.144 percent. Likewise, if the risk & return perception increase at 1 percent, the trading perception of the respondents will increase at 0.533 percent. The results reject the null hypothesis that there is no impact of awareness, motivation and risk & return perception on trading perception of respondents about Shariah Investment. The F-statistics is 31.88 and indicates that overall model is good.

### 7.6. Suggestions of the Study

Based on the above findings, the study has observed the following suggestions.

- The ethical investors purchase the over performed Shariah shares with respect to the Shariah Index.

- The average return of the Shariah shares and benchmark indices is on an average same. Therefore, ethical investors need not fear to invest in the share market in India.
➢ Beta coefficient of the 10 shares with respective to Nifty Shariah index is higher than one. The study suggests the ethical investors to keep away from the market during the crisis period to invest in the aggressive shares. Further, it is safe to the ethical investors to invest in the defensive shares.

➢ Ethical investors construct the portfolio by taking low correlated shares. Because the low correlated shares will be affected very less during the crisis period.

➢ The average return of the Shariah index and benchmark indices such as Nifty and Sensex are on an average equal. The study suggests that though the speculation and gambling are prohibited in the Shariah index, it provides same return as the common index yield in Indian stock market. Ethical investors may participate in the Indian share market without any fear.

➢ The results imply that there is no difference in returns between both indices, indicating that the extra cost assumed in screened investment such as Shariah index is moot.

➢ The ethical investors are risk averse and thereby these investment behaviour are in line with Shariah law. Their behavior is more associated with Islamic culture than the assumptions of the portfolio theory. The Islamic investors consider factors other than the risk, return, and religious concerns when making financial decisions. As a result of investment in the Shariah compliant shares, ethical investors are able to diversify their portfolio to include shares rather than having to invest in Islamic institutions.

➢ The forecast models provide good forecasts of volatility and are useful for portfolio allocation, performance measurement and market risk measurement. It would assist the investors, for example, when they choose to adjust their portfolio by reducing their commitments to asset whose volatilities are predicted to increase or by using a more sophisticated and dynamic diversification approaches to hedge predicted volatility increase.
The risk seeker investor, stock collection in common index is suited to them. Meanwhile for the risk avoider investors which always seek a lower risk, they will opt for Shariah index which prove to have a lesser risk. For ethical investors who are valued with the Islamic norm of the allowing small uncertainty, they will definitely select from Shariah index.

The volatility clustering is persistent in the Shariah stocks as well as benchmark indices during the study period. So ethical investors can forecast the mean and variance of the Shariah shares in the Indian share market. By forecasting the risk of the shares, investors can restructure the portfolio by eliminating high risk shares and including low risk shares at the same level of return.

The leverage effect is existing in the return of the Shariah shares and indicates that the risk of the shares is high in the down trend period than uptrend period for the same movement. The ethical investors won’t participate in the share market during downtrend period.

The trading volume is an efficient proxy for measuring the information arrivals in the Indian share market. It affects the volatility of the shares. Return of the shares causes the trading volume during the study period. If the return increases, the trading volume also increases. Ethical investors purchased the shares based on the return of the shares but not trading volume.

There is no long run relationship between Shariah index and common index in India. But there is a short run relationship between both indices. Therefore, if any changes in the common index, it will affect the Shariah index in short run period. The causality between the series implies that whenever the common index moves, it will give a clear indication to where the Shariah index will move in India.

The Shariah stocks screening is the best achievement in terms of islamisation of capital market especially stock market. However, these stocks which are listed in Shariah index are never really free from market dynamic. In the
market, the players are “easy come easy go”. They will be able to do anything they want as long as they have the capital. It is really hard to assume that they have the same intention in making investments in Islamic manner. As long as the players in the market are in quantity and do not have the Islamic paradigm, the Shariah or Islamic index is just an index, which can only give them, profit or lost.

- Indian government should give support by providing the necessary infrastructure, such as Islamic stock broking companies, Islamic banking facilities and Islamic insurance, so that investors can choose to invest in a holistic Islamic manner in India.

- The government of India should take more momentous steps in promoting Shariah Compliant stocks and indices in particular. Various product innovation and policies supporting development of Islamic finance should become to agenda of the national’s policy makers.

- Shariah investment decision can be taken up by the investors as given below. The Shariah Investment decision chart reveals that if the company adhere the all Shariah principles, investors select those company for investment. If the market price of the share is less than intrinsic value, investors may buy the share from the market. If the market value is greater than intrinsic value, the investors may sell the Share. Likewise, if the Share return is less than index return, investors may buy the shares from the market. If the share return is greater than index return, investors may sell the share.
Chart 1: Shariah Investment Decision Model
7.7. Summary

The present chapter empirically analyse the risk and return of the selected Shariah Compliant Shares and benchmark indices during the period from 2nd January 2007 to 29th July 2011. The closing prices of the selected Shariah Compliant shares and closing value of the Nifty Shariah index, Nifty index and BSE Sensex index were collected from the CMIE Prowess, NSE and BSE websites. The study employed the t-test, market model, correlation, and risk adjusted measurement to examine the study objectives. The study found that there is no difference between Shariah Compliant Shares and benchmark indices returns and also Shariah index and common index in India during the study period.

The present study also estimated the volatility of the Shariah Compliant shares and benchmark indices such as S&P CNX Nifty Shariah Index, BSE Sensex index and S&P CNX Nifty index by applying ARCH and GARCH model. The study further examined the relationship between Shariah index and Common index in India during the same period by employing Engle and Granger Error based cointegration methodology and Granger Causality test for the closing value of the Islamic index and common index. The study found that there is no long term relationship between Shariah index and common index in India. According to the Granger Causality test, there is a short term relationship between Shariah index and common index in India.

Next, the present study examined the relationship between return, volatility and trading volume of the Shariah Compliant shares during the period from 2nd January 2007 to 29th July 2011. The study found that the volatility of the selected shares is also depended on the trading volume of the same shares. The persistence of the volatility of the shares has been decreased after including the trading volume in
the model. The Granger Causality test indicates that the return of the shares causes the trading volume for the most of the shares in India. This reveals that there is a bidirectional relationship between return and trading volume of the selected Shariah shares.

Finally, the present study examined the investor’s awareness about Shariah investment in India during study period. The study found that 80 percent of the respondents have gained awareness about Shariah investment. The results of the Kolmogorov-Smirnov Test indicates that there is significant difference between personal profile groups and awareness variables such as awareness factors, motivational factors, risk & return perception and trading perception of the respondents about Shariah investment in India. The study also found that there is significant difference between awareness factors and other factors such as motivational factors and trading perception except risk & return perception. Finally, the study reveals that there is impact of awareness, motivation and risk & return perception on trading perception of respondents on Shariah Investment. Overall study reveals that awareness of respondents has been increasing and ethical investors are participating in the stock market activity keenly.

Thus, the whole study reveals that though speculation and gambling are prohibited, Shariah equity provides same return as common equity investment provides. Hence, it is one of the best investment avenues to the ethical investors.
1.8. Scope for Further Research

The study reveals the wide scope for the further research on the following areas.

- The relationship between Shariah index and Economic variables in India can be studied.
- The relationship between Nifty Shariah index and other Global Shariah indices could be investigated.
- The interaction between Global Shariah indices could also be studied.
- An Application of Asset Pricing Models to the Shariah Compliant shares in Indian share market could be attempted.
- A comparative study on the behavior of Shariah equity investment and debt instruments can also be undertaken.