

# Indonesian Islamic Stock Returns Performance

*by Musdalifah Aziz*

---

**Submission date:** 27-Nov-2022 06:51AM (UTC+0700)

**Submission ID:** 1963767866

**File name:** Indonesian\_Islamic\_Stock>Returns\_Performance.pdf (591.19K)

**Word count:** 2821

**Character count:** 12276

Open Access Article

**Indonesian Islamic Stock Returns Performance in the Time of the COVID-19 Outbreak**

**Musdalifah Azis Burhanuddin\*, Heni Rahayu Rahmawati**

*Faculty of Economics and Business, Universitas Mulawarman, Samarinda, Indonesia*

*Received: October 16, 2021 ▪ Reviewed: November 13, 2021*

*▪ Accepted: December 17, 2021 ▪ Published: January 28, 2022*

**Abstract:**

The purpose of this research is to compare Indonesia's Islamic stock index before and during COVID-19. The paper traces the impact of the market crash on Indonesia's Islamic equity investment. Given the rising concern of the performance of Islamic equity returns, the findings in this paper are useful for investors interested in stock return performance and Shariah-compliant assets. To investigate the differences in daily equity returns of Indonesian Islamic stocks during the COVID-19 pandemic market crash, we applied a one-sample paired t-test using Stata. Data collection and analysis were conducted quantitatively. We obtained daily stock prices and converted them into daily returns, which were used for financial returns prior to and during the COVID-19 financial market crash. The results showed no significant differences before and during the market crash, indicating that the Indonesian Islamic stock does not react significantly to the COVID-19 market crash. Therefore, the impact of the market crash during the COVID-19 outbreak on the performance of the stock returns does not apply to the Indonesian Islamic stock index. Performance measurement is one of the major concerns for investors in Islamic capital markets. Given the rising concern of equity assets in Islamic finance in general and in the performance of Islamic equity returns in particular, the findings in this paper are useful for investors interested in stock return performance and Shariah-compliant assets. This paper contributes to assessing Islamic financial assets under the financial market crisis, as this research mainly focused on the short-term analysis before and during the COVID-19 market crash. The Islamic financial market growth has been severely impacted during the observed period due to COVID-19 lockdowns.

**Keywords:** Islamic index, stock performance, COVID-19.

**印度尼西亚伊斯兰股票在新冠肺炎爆发期间的回报表现**

**摘要:**

本研究的目的是比较 新冠肺炎之前和期间的印度尼西亚伊斯兰股票指数。该论文追溯了市场崩盘对印度尼

Corresponding Author: Musdalifah Azis Burhanuddin, Faculty of Economics and Business, Universitas Mulawarman, Samarinda, Indonesia; email: burhanuddin@feb.unmul.ac.id

*This article is an open-access article distributed under the terms and conditions of the Creative Commons Attribution License (<http://creativecommons.org/licenses/by/4.0>)*

西亚伊斯兰股权投资的影响。为了研究在 新冠肺炎大流行市场崩盘期间印度尼西亚伊斯兰股票的每日股票回报差异, 我们使用斯塔塔应用了单样本配对 t 检验。数据收集和分析是定量进行的。我们获得了每日股票价格并转换为每日回报, 用于在 新冠肺炎金融市场崩盘之前和期间的财务回报。结果表明, 在市场崩盘之前和期间没有显著差异, 这表明印度尼西亚伊斯兰股票对新冠肺炎市场崩盘没有显著反应。因此, 新冠肺炎爆发期间市场崩盘对股票回报表现的影响不适用于印度尼西亚伊斯兰股票指数。绩效衡量是伊斯兰资本市场投资者的主要关注点之一。鉴于对伊斯兰金融中股票资产的普遍关注, 尤其是对伊斯兰股票回报表现的关注, 本文的研究结果对于对股票回报表现以及符合伊斯兰教法的资产感兴趣的投资者很有用。本文有助于评估金融市场危机下的伊斯兰金融资产, 因为这项研究主要集中在 新冠肺炎市场崩盘之前和期间的短期分析。考虑到在观察期内, 由于 新冠肺炎封锁, 伊斯兰金融市场的增长受到了严重影响。

**关键词:** 伊斯兰指数、股票表现、新冠肺炎。

## 1. Introduction

The COVID-19 outbreak since early 2020 has been hugely impacted by health-related issues and raised social and economic crises globally. The pandemic and the restrictions on business and personal activities have triggered a global recession (World Bank Group, 2020). The COVID-19 outbreak also resulted in inefficiency in the stock market due to panic situations (Anh, & Gan, 2020; Chowdhury & Abedin, 2020; Kulal, & Kumar, 2021; Lalwani & Meshram, 2020). Like the conventional one, the Islamic financial industry is also affected by this crisis (Abdullahi, 2021). Major equity markets such as S&P have forecasted the Islamic finance industry to slow down to a single-digit growth from double-digit growth in the previous years. S&P also predicted a recession in the major Islamic finance markets in 2020 and a mild recovery in 2021 (Damak et al., 2021).

Islamic financial assets offer alternate investment preferences and diversity since they have a lower leverage ratio among investment products. They are asset-backed, whereby the Islamic stocks provide better risk-adjusted performance than conventional ones, as observed during the global financial crisis (Asutay et al., 2021; Jawadi et al., 2014). It also gives hedging protections during severe market breakdowns, particularly those implementing the market value of security-based Shariah screening criteria (Ashraf et al., 2020). Hence, performance measurement is one of the major challenges for investors in Islamic capital markets (Ashraf, 2016).

This paper contributes to the assessment of Islamic financial assets under unique circumstances, as this research mainly focused on the short-term analysis before and during the COVID-19 market crash. The Islamic financial market growth has been severely impacted during the observed period due to COVID-19 lockdowns (Damak et al., 2021). This research aims to compare Indonesia shariah stock returns before and during COVID-19. The paper traces the impact of the crisis on Indonesia's Islamic equity investment.

Given the rising concern of equity assets in Islamic finance in general and in the performance of Islamic equity returns in particular, the findings in this paper are

useful for investors interested in stock return performance and Shariah-compliant assets.

The paper is structured as follows: Section 2 reviews the recent literature from theoretical perspectives, Section 3 gives a brief explanation of the methodology used. The empirical analysis is discussed in Section 5, while Section 6 provides a conclusion.

## 2. Method

We used daily stock prices were sourced from Investing. The daily prices were converted into daily returns, used for financial returns prior to and during the COVID-19 pandemic financial market crash. The days prior to the COVID-19 market crash are from February 7, 2019, to February 7, 2020. The days during the COVID-19 market crash are from March 2, 2020, to March 2, 2021. March 2, 2020, was selected because it was the first time a COVID-19 case was detected and reported by the Indonesian government.

To investigate the differences in daily equity returns of Indonesia Islamic stocks during the COVID-19 pandemic market crash, we use a one-sample paired t-test. The paired t-test performs to state the acceptance of null ( $H_0$ ) and alternative ( $H_a$ ) hypotheses. The null and alternative hypotheses assumed for this test are:

$H_0$ : The mean difference is equal to zero.

$H_a$ : The mean difference is not equal to zero.

The main rules for rejecting or accepting the null hypothesis are the p-value and significance level ( $\alpha = 0.05$ ). A p-value higher than the significance level fails to reject the null hypothesis, while a p-value lower than the significance level rejects the null hypothesis with a significance level of 95%.

## 3. Results and Discussion

### 3.1. Descriptive Statistics

Daily financial returns for the two-time phases, before and during the COVID-19 crash, are presented in Table 1. Mean returns of ISSI stocks during covid19 are higher than before COVID-19. Standard deviations during the COVID-19 crash are higher than before COVID-19 implying higher volatility of ISSI stocks during the COVID-19 crisis (Nomran, & Haron, 2021).

Table 1. Descriptive statistics of daily Indonesian Islamic stock index before and during COVID-19

|                    | Before Covid19 | During Covid19 |
|--------------------|----------------|----------------|
| Mean               | -.000887       | .0001446       |
| Standard Deviation | .0066265       | .0158815       |
| Min                | -.0222113      | -.050155       |
| Max                | .0159948       | .0907288       |
| Skewness           | -.2957181      | .5836848       |
| Kurtosis           | 3.268745       | 8.300437       |

Table 1 above also shows that the Indonesian Islamic stock index has negative mean returns before COVID-19. However, positive value during COVID-19, indicating the impact of the market crash on the performance of the indices, does not apply to the Indonesia Islamic stock index during COVID-19. Because mean value of stock returns before covid19 is  $-0.0013203 <$  during COVID-19  $0.0001446$ . It means that there is no difference between average returns before and during COVID-19.

### 3.2. One Sample Paired T-Test

The  $p$ -value of 0.1856 is larger than the significance level of  $\alpha = 0.05$ , implying that returns of ISSI stocks before the market crash are not significantly different compared to during the market crash. There are no significant differences before and during the market crash indicates that the market does not react significantly to the COVID-19 market crash. This may reflect that the market participants are still more vigilant about information dissemination and prioritizing long-term possibilities, so they are not in a hurry to stock trading activities.

Table 2. Results of one-sample paired t-test

| Ha: mean(diff) < 0  | Ha: mean(diff) = 0      | Ha: mean(diff) > 0  |
|---------------------|-------------------------|---------------------|
| Pr (T < t) = 0.0928 | Pr ( T  >  t ) = 0.1856 | Pr (T > t) = 0.9072 |

## 4. Conclusion

This study aims to compare Indonesian Shariah stock return before and during COVID-19. The result showed no significant differences before and during the market crash, indicating that the Indonesian Islamic stock did not react significantly to the COVID-19 market crash. Therefore, the impact of the market crash during COVID-19 on the performance of the stock returns does not apply to the Indonesia Islamic stock index. Future research should include a longer time span of the data and add more variables such as the financial performance of the listed firms of the index.

## 5. Limitations and Further Study

This study only used one single test. Further study should use another test such as an event study that presents more comprehensive findings.

### Acknowledgments

We are thankful to the Faculty of Economics and Business, Universitas Mulawarman, for providing financial support for this research.

### Authors' Contributions

Burhanuddin is the main researcher who introduced the idea of this research and was responsible for data collection. Musdalifah Azis Burhanuddin helped recommend some previous studies in the area of stock return performance. At the same time, Heni Rahayu Rahmawati assisted in finishing administrative-related works.

### References

- [1] ABDULLAHI, S. I. (2021). Islamic equities and COVID-19 pandemic: measuring Islamic stock indices correlation and volatility in period of crisis. *Islamic Economic Studies*. <https://doi.org/10.1108/IES-09-2020-0037>
- [2] ANH, D. L. T., & GAN, C. (2020). The impact of the COVID-19 lockdown on stock market performance: evidence from Vietnam. *Journal of Economic Studies*, 48(4), 836–851. <https://doi.org/10.1108/JES-06-2020-0312>
- [3] ASHRAF, D. (2016). Does Shari'ah Screening Cause Abnormal Returns? Empirical Evidence from Islamic Equity Indices. *Journal of Business Ethics*, 134(2), 209–228. <https://doi.org/10.1007/s10551-014-2422-2>
- [4] ASHRAF, D., RIZWAN, M. S., & AHMAD, G. (2020). Islamic Equity Investments and the COVID-19 Pandemic. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.3611898>
- [5] ASUTAY, M., WANG, Y., & AVDUKIC, A. (2021). Examining the Performance of Islamic and Conventional Stock Indices: A Comparative Analysis. *Asia-Pacific Financial Markets*, 0123456789. <https://doi.org/10.1007/s10690-021-09351-7>
- [6] CHOWDHURY, E. K., & ABEDIN, M. Z. (2020). COVID-19 Effects on the US Stock Index Returns: An Event Study Approach. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.3611683>
- [7] DAMAK, M., ROY, D., MENSAH, S. (2021). *Islamic Finance 2020- 2021 : COVID-19 Offers An Opportunity For Transformative Developments*. S&P Global Ratings, 15 June 2020. <https://www.spglobal.com/ratings/en/research/article/s/200615-islamic-finance-2020-2021-covid-19-offers-an-opportunity-for-transformative-developments-11533355>
- [8] JAWADI, F., JAWADI, N., & LOUHICHI, W. (2014). Conventional and Islamic stock price

- performance: An empirical investigation. *International Economics*, 137, 73-87. <https://doi.org/10.1016/j.inteco.2013.11.002>
- [10] KULAL, A., KUMAR, S. K., & KUMAR, Y. (2021). Impact of Coronavirus on Indian Stock Market - An Event Study with Reference to Nifty 50. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.3768419>
- [11] LALWANI, V., & MESHRAM, V. V. (2020). Stock Market Efficiency in the Time of COVID-19: Evidence from Industry Stock Returns. *International Journal of Accounting & Finance Review*, 5(2), 40-44. <https://doi.org/10.46281/ijaf.v5i2.744>
- [12] NOMRAN, N. M., & HARON, R. (2021). The impact of COVID-19 pandemic on Islamic versus conventional stock markets: international evidence from financial markets. *Future Business Journal*, 7(1). <https://doi.org/10.1186/s43093-021-00078-5>
- [13] WORLD BANK GROUP. (2020). *Global Economic Prospects* (Issue June).
- [5] ASUTAY, M., WANG, Y., 和 AVDUKIC, A. (2021). 检查伊斯兰和传统股票指数的表现：比较分析。亚太金融市场, 0123456789。 <https://doi.org/10.1007/s10690-021-09351-7>
- [6] CHOWDHURY, E. K. 和 ABEDIN, M. Z. (2020)。新冠肺炎对美国股票指数回报的影响：一种事件研究方法。SSRN 电子期刊。 <https://doi.org/10.2139/ssrn.3611683>
- [7] DAMAK, M., ROY, D., 和 MENSAH, S. (2021)。2020-2021 年伊斯兰金融：新冠肺炎为转型发展提供了机会。标准普尔全球评级, 2020 年 6 月 15 日。 <https://www.spglobal.com/ratings/en/research/article/s/200615-islamic-finance-2020-2021-covid-19-offers-an-opportunity-for-transformative-发展-11533355>
- [8] JAWADI, F., JAWADI, N. 和 LOUHICHI, W. (2014)。传统和伊斯兰股票价格表现：实证调查。国际经济学, 137, 73-87。 <https://doi.org/10.1016/j.inteco.2013.11.002>
- [10] KULAL, A., KUMAR, S. K. 和 KUMAR, Y. (2021)。冠状病毒对印度股市的影响——一项参考漂亮 50 的事件研究。SSRN 电子期刊。 <https://doi.org/10.2139/ssrn.3768419>
- [11] LALWANI, V. 和 MESHRAM, V. V. (2020)。新冠肺炎时代的股市效率：来自行业股票收益的证据。国际会计与金融杂志评论, 5 (2), 40-44。 <https://doi.org/10.46281/ijaf.v5i2.744>
- [12] NOMRAN, N. M. 和 HARON, R. (2021)。新冠肺炎大流行对伊斯兰股票市场与传统股票市场的影响：来自金融市场的国际证据。未来商业杂志, 7(1)。 <https://doi.org/10.1186/s43093-021-00078-5>
- [13] 世界银行集团。(2020)。全球经济展望(6月刊)。

#### 参考文献:

- [1] ABDULLAHI, S. I. (2021)。伊斯兰股票和新冠肺炎大流行：衡量伊斯兰股票指数在危机期间的相关性和波动性。伊斯兰经济研究。 <https://doi.org/10.1108/IES-09-2020-0037>
- [2] ANH, D. L. T. 和 GAN, C. (2020)。新冠肺炎封锁对股市表现的影响：来自越南的证据。经济研究杂志, 48 (4), 836-851。 <https://doi.org/10.1108/JES-06-2020-0312>
- [3] ASHRAF, D. (2016)。伊斯兰教法筛查会导致异常回报吗？来自伊斯兰股票指数的经验证据。商业伦理杂志, 134 (2), 209-228。 <https://doi.org/10.1007/s10551-014-2422-2>
- [4] ASHRAF, D., RIZWAN, M. S. 和 AHMAD, G. (2020)。伊斯兰股票投资和新冠肺炎大流行。SSRN 电子期刊。 <https://doi.org/10.2139/ssrn.3611898>

# Indonesian Islamic Stock Returns Performance

---

## ORIGINALITY REPORT

---

**22%**

SIMILARITY INDEX

**18%**

INTERNET SOURCES

**9%**

PUBLICATIONS

**3%**

STUDENT PAPERS

---

## MATCH ALL SOURCES (ONLY SELECTED SOURCE PRINTED)

---

1%

★ [hdl.handle.net](http://hdl.handle.net)

Internet Source

---

Exclude quotes  On

Exclude matches  < 5 words

Exclude bibliography  On