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## **Effect of Addition and Reduction of Sharia Index Constituents**

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**Abstract :** We investigate the price effect of addition and deletions from the Indonesia Sharia Stock Index (ISSI) and Jakarta Islamic Index (JII). Using event study methodology, we measure abnormal returns for firms over the period June 2019 - to December 2021. Through the sample of 107 additions and 95 deletions, we find evidence to support the theory of Muslim country investment behavior. We find that additions to the Islamic index led to a significant positive stock market reaction and deletions to the Islamic index led to a negative stock market reaction on Jakarta Islamic Index (JII) and there is no significant reaction of addition and deletion on Indonesia Sharia Stock Index (ISSI).

Keywords: abnormal return, abnormal volume, event study, index changes, sharia index

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