

Ethical Investment Instruments for Financial Sustainability

Authors : Sarkar Humayun Kabir

Abstract : This paper aims to investigate whether ethical investment instruments could contribute to stability in financial markets. In order to address the main issue, the study investigates the stability of return in seven conventional and Islamic equity markets of Asia, Europe and North America and in five major commodity markets starting from 1996 to June 2012. In addition, the study examines the unconditional correlation between returns of the assets under review to investigate portfolio diversification benefits of investors. Applying relevant methods, the study finds that investors may enjoy sustainable returns from their portfolios by investing in ethical financial instruments such as Islamic equities. In addition, it should be noted that most of the commodities, gold in particular, are either low or negatively correlated with equity returns. These results suggest that investors would be better off by investing in portfolios combining Islamic equities and commodities in general. The sustainable returns of ethical investments has important implications for the investors and markets since these investments can provide stable returns while the investors can avoid production of goods and services which believes to be harmful for human and the society as a whole.

Keywords : financial sustainability, ethical investment instruments, islamic equity, dynamic conditional correlation, conditional volatility

Conference Title : ICIBFI 2015 : International Conference on Islamic Banking, Finance and Investment

Conference Location : Zurich, Switzerland

Conference Dates : January 13-14, 2015