

A Study of Islamic Stock Indices and Macroeconomic Variables

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Abstract : The purpose of this paper is to investigate the relationship among the key macroeconomic variables and Islamic stock market in India. This study is based on the time series data of financial years 2009-2015 to explore the consistency of relationship between macroeconomic variables and Shariah Indices. The ADF (Augmented Dickey-Fuller Test Statistic) and PP (Phillips-Perron Test Statistic) tests are employed to check stationarity of the data. The study depicts the long run relationship between Shariah indices and macroeconomic variables by using the Johansen Co-integration test. BSE Shariah and Nifty Shariah have uni-direct Granger causality. The outcome of VECM is significantly confirming the applicability of best fitted model. Thus, Islamic stock indices are proficiently working for the development of Indian economy. It suggests that by keeping eyes on Islamic stock market which will be more interactive in the future with other macroeconomic variables.

Keywords : Indian Shariah Indices, macroeconomic variables, co-integration, Granger causality, vector error correction model (VECM)

Conference Title : ICIF 2016 : International Conference on Islamic Finance

Conference Location : Zurich, Switzerland

Conference Dates : July 21-22, 2016