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Cirebon, 13 Oktober 2020
Reviewer,
Aan Jaelani
Invitation to Review for SAGE Open (IF 0.715), Manuscript ID SO-20-2198

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SAGE Open <onbehalfof@manuscriptcentral.com>
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Kepada: iainanjal@gmail.com, stain_anjal75@yahoo.co.id
01-Sep-2020

Dear Dr. Jaelani:

We recently received Manuscript ID SO-20-2198 entitled "Systematic Review of Factors affecting the Performance of Islamic Equity Market" and, based on your area of expertise, would like to invite you to review this manuscript. The abstract appears at the end of this letter.

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We realize you must have a number of personal and professional priorities at the moment, given the global situation around COVID-19. If you are not able to review at this time or you need additional time to complete this review, please let us know. Your safety and that of your family is our priority during these difficult times.

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MANUSCRIPT DETAILS

TITLE: Systematic Review of Factors affecting the Performance of Islamic Equity Market

ABSTRACT: The significance of the Islamic equities has become eminent especially after the financial crisis of 2008. Past literature has shown that a broad array of work has been done on performance comparisons on shariah and non-shariah stock markets in the empirical context, but qualitative literature is scarce. Aim of this paper is to fulfill this gap by identifying the underlying factors, which induce the performance of Islamic equity market. For this study, we have adopted a systematic review approach as none of such study has been taken into account before to investigate the determinants of Islamic equity performance. Research findings have divided into Seven different themes namely economic factors, commodities, geopolitical risk, investor behavior, Seasonality, managerial skills and background, and investment tenure. Our findings have important implications for the investors, financial managers, and academic researchers.

APPROACHES: Qualitative

METHODS: Systematic Literature Review

REGION(S) OF FOCUS: Islamic world
Dear Dr. Jaelani:

Thank you for agreeing to review Manuscript ID SO-20-2198 entitled "Systematic Review of Factors affecting the Performance of Islamic Equity Market" for SAGE Open. The due date for the review is 11-Sep-2020. Please try your best to complete your review in a timely manner, but if you need an extension feel free to contact the editorial office by replying to this message.

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Kepada: iainanjal@gmail.com, stain_anjal75@yahoo.co.id

10-Sep-2020

Dear Dr. Jaelani:

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*Literature Review and Use References*

1) The author should disclose empirical data for the last 1 or 2 years regarding the significant achievements regarding the performance of the Islamic index or the performance of Islamic equity, and its position on the conventional equity index that is generally used. This is important as part of the academic debate in systematically reviewing this theme.

2) The factors that affect the performance of the conventional equity market and the performance of the Islamic equity market need to be disclosed in this introductory section which is supported by the latest literature and is sufficient to provide clarity to readers about the development of this study.

3) Latest references that are relevant and can be used, for example:
   - Dan lain-lain.

*Theoretical Development of Hypotheses*

1) The author needs to add concepts or theories about the Islamic capital market, Islamic performance index, Islamic equity market, or other terms relevant to this theme, so that readers can understand properly and not mistakenly distinguish key terms between "Islam" and "sharia" academically. The author can describe it briefly.

2) To develop a conception of the Islamic equity market, the author are advised to add a few brief descriptions of the conventional equity market, so that there is a link between the main concepts and the concepts discussed in this paper.

*Quality of Design and Methods*

1) The “study design” section can be an integral part of the research methodology.
2) In the methodology section, a brief explanation of systemic review as an approach is needed to determine the position of this method or approach and its explanation in uncovering the factors that affect the performance of the Islamic equity market.

3) There is a fundamental difference between "research design" which combines quantitative and qualitative approaches called mixed method, with the use of qualitative and quantitative "literature". Because the use of qualitative and quantitative literature can be used for any research approach. Therefore, the author needs to emphasize this description in the research design section.

4) The author needs to detail the methodology used in this paper, including details of the steps used in conducting a systematic review, such as an explanation of online database search results, identification and categorization, and what the database is for. The author is advised to also review the empirical database of the performance evaluation of the Islamic equity market on the official website used.

* Adequate Data Analysis

1) The author needs to emphasize the reasons for the evaluation results of 37 studies that resulted in 7 factors that affect the performance of Islamic equality (economy, geopolitics, commodities, investor behavior, seasonality, skills and background, and investment period). In this case, the seven factors can be illustrated in the form of a chart or the like, so that the reader is easier to understand.

2) The description of the seven factors affecting the performance of Islamic equity by the author is quite clear even though it is presented unequally for each factor. There is a description of the factors that are presented quite long, while other factors are very short, both of which can obscure the substance that will be emphasized in their respective sections. This requires restatement by focusing on the substance of each factor concisely and proportionately, but the readers will understand well.

* Quality of Discussion

1) The author needs to analyze the performance of Islamic and conventional equities simultaneously and objectively, so that the factors that influence it can be presented more comprehensively and actually, for example in the form of a different table.

2) The author requires an in-depth exploration of the factors that affect the performance of Islamic equity. Although the author has provided a fairly detailed description of this matter, to clarify its position as an important part of developing evaluation tools, of course, the authors can compare it with some of the latest literature (2020) on the factors that affect the performance of conventional equities. Systematically, the author has presented it well, but the literature review at this comparison stage has not been presented in this paper.

3) If the author has a view of the superiority of the performance of Islamic equity over conventional equities, this needs to be recommended for future research purposes, even further this sharia equality practice can provide improvements in share practices in the global market and has an important contribution to economic welfare. In this case, the position of writing is not only a solution to the literature gap on this theme but also has built a new conception of better sharia-based equity performance in the future.

* Legitimacy of Conclusions

1) This conclusion has not disclosed the results of research findings on the 7 factors that affect the performance of Islamic equity, so restatement is feasible by adding arguments about the importance of these seven factors rather than other factors commonly used in the literature to measure conventional equity performance.
2) The author can add a theory that provides legitimacy about the urgency of the seven factors that affect the performance of the Islamic equity market.

* Clarity and Readability
Several descriptions need to be combined into one section, such as "objective" descriptions combined in the introduction, "study design" being part of the research methodology, and others so that the systematics are clearer and more readable.

* Use of References
1) Several literature reviews are suggested to be sourced from more recent references (2020) and have a better relationship between theoretical concepts about the Islamic capital market, Islamic equity performance, and others. Several recent case studies with current references will promote a better literature review.
2) The author needs to re-examine the reference writing in the form of citations and the style used (see the author's instructions in this journal).

* Rationale and Clarity of Definition
1) The author needs to present the basic concepts of Islamic stocks, Islamic equity, and the Islamic equity market in an academic manner so that readers from many circles can distinguish them from conventional concepts of shares and others.
2) The author is to provide adequate arguments about the Islamic equity market and its similarities and differences with conventional equity markets. It is important to build an academic tradition in its discussion from the diverse literature.

* Writing Style
1) The objective section can be included in the introductory section so that there is continuity between the problems studied and the objectives of this study.
2) There is a difference in the numbers in the "Searching Results" section (1,824,489 papers) with the total number in Table 2 (18,24,489). The author can provide clarification.
3) Some use of words and sentences in English need to be checked again according to standard language standards.

* Contribute to New Knowledge in the Field
If the results or findings of this research have implications for investors, financial managers, and academic researchers, then the authors need to emphasize with a brief description of what aspects and how important this study can contribute theoretically and practically. Because of this, the authors need to provide recommendations in terms of this theme or other related themes for the development of further research in the future.

* Integration of Theory (if applicable)
The author is advised to present some of the main concepts related to the Islamic equity market with conventional equity markets so that this contributes to reducing the gap or closing the literature gap, and can even lead to theoretical integration in this study.

* Additional Questions
* Confidential Comments to the Editor
To improve the quality of this paper, the author needs to revise several parts of the article according to the results of the study in terms of systematics, material, methodology, discussion, conclusions, and references before being published in this journal.

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1. Literature Review
2. Quality of Design and Method
3. Quality of Discussion
4. Legitimacy of Conclusions
5. Use of References
6. Other notes.

Indonesia, September 11 2020
Reviewer,

Dr. Aan Jaelani
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**Review SO-20-2198**

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**Literature review and use of references**

- **Good**

**Evaluation Criteria**

- **Theoretical development of hypotheses**
  - **Good**

- **Quality of design and methods**
  - **Good**

- **Adequate data analyses**
  - **Excellent**

- **Quality of discussion**
  - **Adequate**

- **Legitimacy of conclusions**
* Clarity and readability
Good

* Use of references
Good

* Rationale and clarity of definition
Good

* Writing style
Good

* Contributes to new knowledge in the field
Excellent

* Integration of theory (if applicable)
Good

Additional Questions

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- No

Would you be willing to review a revision of this manuscript?

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- No

* Recommendation

- Accept
- Accept Pending Minor Revision
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- Reject

* Confidential Comments to the Editor

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*Comments to the Author

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1. Literature Review
2. Quality of Design and Method

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# Systematic Review of Factors affecting the Performance of Islamic Equity Market

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<th>SAGE Open</th>
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<td>Manuscript Type:</td>
<td>SAGE Open - Literature Review</td>
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<tr>
<td>Keywords:</td>
<td>systematic review, Shariah compliant Stock, Islamic equity, performance determinants, Islamic Finance</td>
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<td>Methods:</td>
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## Abstract:
The significance of the Islamic equities has become eminent especially after the financial crisis of 2008. Past literature has shown that a broad array of work has been done on performance comparisons on shariah and non-shariah stock markets in the empirical context, but qualitative literature is scarce. Aim of this paper is to fulfil this gap by identifying the underlying factors, which induce the performance of shariah stock market. For this study, we have adopted a systematic review approach as none of such study has been taken into account before to investigate the determinants of Islamic equity performance. Research findings have divided into Seven different themes namely economic factors, commodities, geopolitical risk, investor behavior, Seasonality, managerial skills and background, and investment tenure. Our findings have important implications for the investors, financial managers, and academic researchers.
Systematic Review of Factors affecting the Performance of Islamic Equity Market

Abstract:
The significance of the Islamic equities has become eminent especially after the financial crisis of 2008. Past literature has shown that a broad array of work has been done on performance comparisons on shariah and non-shariah stock markets in the empirical context, but qualitative literature is scarce. Aim of this paper is to fulfil this gap by identifying the underlying factors, which induce the performance of shariah stock market. For this study, we have adopted a systematic review approach as none of such study has been taken into account before to investigate the determinants of Islamic equity performance. Research findings have divided into Seven different themes namely economic factors, commodities, geopolitical risk, investor behavior, Seasonality, managerial skills and background, and investment tenure. Our findings have important implications for the investors, financial managers, and academic researchers.

Keywords: systematic review, Shariah compliant Stock, Islamic equity, performance determinants

Introduction
Predicting the return on stock return is one of the crucial tasks for a trader because it influences the investment decision. Numerous empirical studies have been conducted in this perspective. Ibrahim, (2007) has provided an empirical evidence regarding the existence of the regional and international influence on stock prices. The international economic fundamentals effect on equities' indices of U.S., European, Asian, and Islamic stock markets has been empirically studied by (Hammoudeh et al., 2016) reported significant results. Majority of past studies have been conducted on the performance
evaluation of shariah and conventional indices yet there is a dearth of qualitative work. In this study we are making an effort to identify the factors that exert significant influence on the performance of the Islamic equities. To the best of our knowledge, this is one of the earliest attempts to investigate the factors which determines the performance of the Islamic stocks. For this purpose, we have adopted the systematic literature review approach (Petticrew & Roberts, 2008). To conduct the systematic review, we have considered the authentic peer reviewed journal articles and analyze the local and international determinants that impact equities.

This study has important implications for the investors, financial managers and the academic researchers. The first part of this study covers the objective and the study design and methodology sections. Second part comprehend the search results, quality assessment method, data extraction and synthesis whereas, last portion of the paper comprises of the factors; subdivided under the different themes.

**Objective**
The objective to conduct this review study is to identify the main determinants affecting the performance of shariah compliant equities.

**Study Design**
Several studies have highlighted the benefits of incorporating both approaches i.e. quantitative and qualitative for conducting a systematic review (Roberts et al., 2002). The argument raised is that if only a single type of evidence is employed in a review, there exists a risk of potential information loss. The information gap that exists in quantitative studies, can be filled by inclusion of qualitative studies. Single approach utilization may exclude the pertinent determinants or may cause judgment bias. Hence, this study included both qualitative and quantitative literature contributions to develop understanding about the factors affecting the performance of Islamic equities. For this review, the methodological guidelines provided by (Petticrew & Roberts, 2008) will be followed.

**Search Methodology**
All studies published in English language were searched using online databases, namely, Science Direct, Taylor & Francis group, Springer, Emerald, Sage Journals, Jstor and Wiley-Blackwell Journals. Keywords utilized for searching are presented in Table 1. To augment the comprehensiveness, the reference lists of published studies were searched manually.

**Table 1. Keywords used in the literature search**

<table>
<thead>
<tr>
<th>Keywords</th>
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<tbody>
<tr>
<td>Islamic Stock/ or Islamic Equities/ or Islamic Shares/ or Islamic indices</td>
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<tr>
<td>Shariah compliant Equities/ or Shariah compliant stock/ or Shariah compliant Shares/ or shariah indices</td>
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<tr>
<td>Ethical Investment/ or Ethical equities performance/ or ethical stocks performance/ Ethical shares performance</td>
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<tr>
<td>Religious beliefs in investment decisions</td>
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<tr>
<td>Equities market performance in Islamic countries/ or Stock market performance in Islamic countries</td>
</tr>
</tbody>
</table>

**Searching Result**

Initial search results have identified 1,824,489 papers (see Table 2.). After the title search 1,823,882 proved irrelevant and 2,87 found duplicate. In Further step the abstract of 3,28 papers were screened and 1,19 papers were selected for full text evaluation. After examining the full text 81 were excluded. Remaining 40 papers were completely
assessed for quality. 2 Papers were excluded after the quality evaluation and 37 papers were incorporated in review (Figure 2.).
Table 2. Articles and Number of Publications

<table>
<thead>
<tr>
<th>Database</th>
<th>No. of publication</th>
</tr>
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<tbody>
<tr>
<td>Science Direct</td>
<td>1143561</td>
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<tr>
<td>Springer</td>
<td>643011</td>
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<tr>
<td>Jstor</td>
<td>13914</td>
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<td>Taylor and Francis Online</td>
<td>11,987</td>
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<tr>
<td>Wiley</td>
<td>6,319</td>
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<td>Sage Journals</td>
<td>4697</td>
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<tr>
<td>Emerald</td>
<td>1000</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>18,24,489</strong></td>
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</table>

Quality Assessment
Methodological quality of each study was examined based on inclusion criteria as follows: a) pertinence to the systematic review, b) methodological validity and felicitousness, c) results generalizability or the quality of evidence d) reporting quality e) study limitations and their adjustment. This checklist criteria were developed on the guidance of the (Petticrew & Roberts, 2008) because we have used the pool of heterogeneous nature of studies for our review (Khan et al., 2001).

Data Extraction
All the selected papers were assessed independently by two reviewers. The Data extraction form was developed by the authors as per the guidelines given by (Petticrew & Roberts, 2008). The form for data extraction represents information like general particulars (author/s, title, date, details of publication), study specific details (study
objective, location, population and sample size of the study, study design, quality evaluation, relevant findings).

**Synthesis**
Systematic reviewers often face the challenge of amalgamation of the diversified pool of studies in one review (Thomas et al., 2004). The guidelines of (Petticrew & Roberts, 2008) were followed for the data synthesis process. The characteristics and the findings of the study were tabulated and determinants which are statistically significant were reported. Both thematic and content analysis were conducted. Under the Thematic approach, the association between various themes were distinguished and categorized into broad overall themes (Keenan et al., 2005).
Figure 1: Systematic Review Process Flowchart Diagram of Identification and Inclusion of References

- **Total number of identified citations**: 1,824,489
- **Title screening (Exclusion of irrelevant titles)**: 1,823,882
- **Selection of relevant title**: 607
- **Exclusion of Duplicates**: 287
- **Screening of Abstract**: 328
- **Post abstract reading exclusion**: 209
- **Selected for full text Assessment**: 119
- **Post full text assessment exclusion**: 81
- **Incorporated for quality Assessment**: 40
- **Post quality assessment exclusion**: 2
- **Selected**: 37
Table 3: Elucidation of literature representing the significant determinants affecting performance of Islamic stock

<table>
<thead>
<tr>
<th>Author/s</th>
<th>Index</th>
<th>Design of the study</th>
<th>Frequency</th>
<th>Sample size</th>
<th>Factors having Significant effect</th>
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<tbody>
<tr>
<td>Ghorbel et al., (2014)</td>
<td>MSCI shariah indices (11 Islamic countries)</td>
<td>GARCH model</td>
<td>Daily</td>
<td>April 2007 to April 2012</td>
<td>VIX Index (used as a proxy for American Investor sentiment), Crude Oil, and S&amp;P 500 index</td>
</tr>
<tr>
<td>Bahloul et al., (2017)</td>
<td>MSCI Islamic indices</td>
<td>Markov Switching Regression</td>
<td>Monthly</td>
<td>2002-2014</td>
<td>Conventional indices (MSCI) and Money</td>
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<td>Model and Causality</td>
<td>Frequency</td>
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**Factors Influencing Islamic Equity Performance**

For this evaluation, 37 number of studies have been included, 35 were quantitative and 2 were qualitative. Majority studies have utilized the secondary data. And none have used the primary data. Out of 37 studies, 22 have studied the behavior of Dow Jones Islamic Index (DJIMI), 2 standards & Poors (S&P), 2 Financial Times Stock Exchange (FTSE) shariah index, 5 Morgan Stanley Capital International (MSCI) Islamic index, 2 KSE Meezan Index (KMI–30) of Pakistan, 1 Nifty-50 and Nifty-S500 of India, 5 studies the middle eastern indices. Large number of studies have incorporated the mix of indices categorized as Developed, Emerging and World markets. All the selected studies identified the determinants of affecting the performance of Islamic equities which were categorized into seven themes: Economic factors, geopolitical factors, commodities, investor behavior, seasonality factors, skills & background, investment tenure.

**Economic Factors**

Index return gets significantly affected by inflation found by 4 studies (Dash & Maitra, 2018; Gupta et al., 2014; Mohammed & Rumman, 2018; Naifar, 2016) as inflation goes higher the stock declines due to the shrinkage in the investors’ demand side. It affects the prices of stocks by reflecting the changes in the products and services prices on future cash flow also shows the changes in the business activities in the present and future
hence affects the stock prices. Naifar, (2016) used US inflation rate as a proxy for the world inflation rate. Inflation predicts the returns of the DJIMI significantly in time horizons of six, nine- and twelve-month’s period (Gupta et al., 2014).

Al Rayyan Islamic Index (RII) has significant and negative linear relationship with Producer Price Index which is a comprehensive measure of inflation. The negative relationship shows that Qatar Islamic share market is somehow linked to amplification in the nominal interest free rate that are reflected as surge in the rate of return required by the investors, which result in the reduction of the prices of stock (Mohammed & Rumman, 2018). Inflation affects shariah index positively significant manner (Dash & Maitra, 2018; Naifar, 2016), it is referred to as a price hike condition in an economy, but alongside it pushes the interest rate upward as a measure of mitigation and bring the economy back to equilibrium point. Since interest rate bearing or any additional amount on loan are strictly prohibited in shariah, hence it restricts the investment in debt market. As a result, the Muslim traders’ funds flow towards Islamic equity markets.

Interest rate has significant but negative association with Islamic index (Mohammed & Rumman, 2018), the interest rate is an effective tool to manage the monetary expansion within a country. Although interest is forbidden in Islam and dealing in interest based transaction by shariah compliant companies are discouraged by Islamic indices compliance standard but it is an influential factor to consider because none of the global economy is purely based on Islamic principles hence the interest does prevail in different financial forms and majority investors are profit seekers and may not be attracted towards shariah compliant corporates. AL Rayyan Islamic Index (RII) of Qatar, has significant and negative relationship with interest rate (Mohammed & Rumman, 2018).

The important source of fluctuation in Islamic stock price is US economic policy uncertainty shock has significant and negative impact on shariah stock market (Hammoudeh et al., 2016). Economic Policy Uncertainty (EPU) is an efficient predictor of the DJIMI returns in the short, medium, and long-term time scales (Ftiti & Hadhri, 2019).
Short-term risk-free rate of return Treasury bill (T-Bill) predicts the returns of the DJIMI significantly in six- and twelve-months’ time horizons (Gupta et al., 2014).

U.S. Ten-year treasury bond rate and 10 year European Monetary Union Government Bond Index have significant relationship with Islamic index (Hammoudeh et al., 2014). Negative and significant association with European government bond benchmark. The inverse association shows the interest rate of European sovereign debt because it reflects the risk of European economies and the cost of capital during the debt crisis of Eurozone furthermore, it is also a discount factor in evaluating the stock’s fair value (Hammoudeh et al., 2014). interest rate Treasury bill rate and Federal Fund Rate have positive relation with share prices. The increment in Riba or interest rate motivates the Muslim investors to look for shariah compliant shares market rather than investing in conventional saving deposits or other Riba based debt securities. the lower interest rate may be misunderstood as permissible by some shariah investors as compatible with sharia compliant rate of return (Majid & Yusof, 2009). In equity valuation model the long-term interest rate seems to a better proxy for the discount rate’s nominal risk-free component. It is also proxying for the expected interest rate which is discount rate incorporated (Majid & Yusof, 2009)

Slope of the yield curve has significant influence on stock prices (Naifar, 2016; Umar et al., 2018). (Umar et al., 2018) Conducted a study by using Quantile regression approach to assess the interest rate risk exposure of shariah equities diverges under heterogeneous conditions in the stock market. Author concluded that Islamic stock market (DJIMI) and the corresponding sectors are negatively and significantly sensitive to the interest rate risk. It means that in interest rate reduction will have a corresponding increasing effect in shariah stock indices. The best predictor of the interest rate variability of shariah portfolio returns is level factor of the U.S. yield curve, followed by the slope and curvature factors. The effect of unexpected changes in interest rate factor on the shariah compliant stock was reportedly stronger during the times when market face Sharp decline...
in the share prices, due to the investors’ pessimist and risk aversion psyche that provokes the declining response in equity market (Umar et al., 2018).

The risk premium term is tracked through the slope of the yield curve, which is considered as the reward for investors to bear the risk of interest rate. (Naifar, 2016), measured slope of the yield curve as the difference between 10-year yield of US Treasury bond and the US 3-month rates of Treasury bill. Dash & Maitra, (2018) measured Yield spread, as the difference of 10 years and 91 days T-Bill, found significant influence of the returns of the shariah- 50 index of India, in short-run. Significant non-linear unidirectional granger causality running from EMU benchmark 10-year government bond Index to the DJIM Index, infers that shariah compliant equity market is affected by the performance and risk of bond market across euro-zone (Ajmi et al., 2014).

Stock market volatility Index represented by “VIX” found significant in six studies (Ghorbel et al., 2014; Gupta et al., 2014; Hammoudeh et al., 2014; Naifar, 2016; Nazlioglu et al., 2015; Paltrinieri et al., 2018; Umar et al., 2018). Islamic markets are responsive to the US fear and volatility index (VIX) which means that shariah stock returns are receptive to news-based economic uncertainty (Nazlioglu et al., 2015).

Implied volatility index (VIX) has positively significant relationship with Shariah market returns (Naifar, 2016). VIX has significantly negative relationship with Islamic Index (Paltrinieri et al., 2018). Significantly Negative return dependence between DJIMI and volatility Index as it captures the fear response of the market in USA, hence work in opposite direction with DJIMI. Significant non-linear unidirectional granger causality running from VIX to the DJIM Index (Ajmi et al., 2014).

Industrial production growth rate which represents the economic growth prospects of the country has insignificant relationship with shariah index however, short-run sporadic association have been found for the 4-8- and 8-16-weeks’ time span in case of nifty shariah indices (Dash & Maitra, 2018).

Conventional stock index has crucial implications in terms of relationship with Islamic stock index performance, found significantly associated with conventional stock Index in
For Peer Review
twelve studies (Ajmi et al., 2014; Bahloul et al., 2017; Cevik & Bugan, 2018; Ghorbel et al., 2014; Gupta et al., 2014; Hammoudeh et al., 2014, 2016; Hengchao & Hamid, 2015; Mensi et al., 2017; Naifar, 2016; Umar et al., 2018). Inferred that Islamic index is prone to systematic risk like conventional counterpart, since the pool of firms that formulates the shariah index consists of firms that are already listed in conventional stock index. Islamic financial market may not be a good healer against the global economic crisis because shariah compliant financial markets are also the receptor of the shocks like the international financial market and the contagion risk (Ajmi et al., 2014).

The financial news (positive words and negative words) have significantly influence the power of predictability of shariah compliant equities’ returns. The positive news has more robust effect on returns than negative news. Moreover, investor holding Islamic equities portfolio can make more than 3 to 4 percent profit than conventional counterparts based on the financial news predictions (Narayan & Bannigidadmath, 2017).

Exchange rate found significant factor that influence shariah compliant equities performance (Dash & Maitra, 2018; Majid & Yusof, 2009; Rana & Akhter, 2015; Wahyudi & Sani, 2014). Real exchange rate has a positive impact on the shariah index returns in India (Dash & Maitra, 2018). Real exchange rate has negatively significant association with the share price suggests that when the monetary value of currency depreciates, the firm’s products become cheaper in foreign currency and producer can gain the advantage of increasing the prices in local market hence the profitability of the firm increases. The Ringgit value fluctuation in Malaysia affects the firms’ value could be through foreign currency or domestic currency (Majid & Yusof, 2009).

Money supply has significant yet imperative impact on shariah compliant stocks (Bahloul et al., 2017; Majid & Yusof, 2009). The money supply (M3) has positively significant impact on equity prices as the M3 increase results in the increment in the cash flows of the firms hence stock prices inclines. Furthermore, money supply exerts direct influence on stocks through portfolio changes and an indirect impact through real economic activities (Majid & Yusof, 2009).
Sovereign credit debt swap (CDS) represents the sovereign credit risk factor, has a significantly positive influence on the Islamic equities, as the efficient stock markets ought to incorporate the information related to the firms’ default probability in a timely manner. The hike in CDS lead to increase in risk premium eventually the returns of the DJIMI increases, especially during and after the time period of the financial crisis (Naifar, 2016). Market risk premium factor, measured as the excess return from market index over the risk-free rate, has significantly priced in Nifty indices of India (Shariah-50 and Shariah-500) (Dash & Maitra, 2018).

Hassan et al., (2019) highlighted the significance of the regional markets’ influence on the equity market of different geographical region. Because the particular outcome from the specific regional assessment tend to provide the factors that affect that geographical segment. For instance, American Islamic market is vulnerable to the out regional shocks, while, Asian Islamic markets are susceptible to the persistent shocks from within the region along with the prospects of the higher volatility in long-term. The existence of causal link of DJIMI index with Asia and Europe depicts that regions where Islamic financial system is more developed the causal association is stronger (Ajmi et al., 2014). The investment perception is different in Malaysian market as compared to more developed markets like USA and Japan hence require different portfolio investment strategy for Malaysian stocks as the markets in the United States and japan are more susceptible to macroeconomic factors like inflation (expected and unexpected), term structure and risk premium (Majid & Yusof, 2009).

**Investment Tenure**

The investment time horizon on equity investment decision is crucial. Islamic equities have negative association with market timing because of its conservative nature as it restricts investment in highly leveraged firms. Islamic equities portfolio has the potential to give diversification benefits in the short run also tend to appeal the portfolios internationally. Islamic equity investors in Malaysia avails the international diversification
benefits on short-run time horizon within one year, whereas longer time horizon investors tend to have lower diversification benefits (Hassan et al., 2018).

**Geopolitical Risks**

(Bouri et al., 2019; El Ouadghiri & Peillex, 2018; Guyot, 2011) found significant influence of geopolitical events such as war, terrorism, armed conflicts, political tension and financial crisis. Guyot, (2011) found that shariah equities are more susceptible to global geopolitical risk factors like Iraq war 2003, September 9/11 attacks and the subprime mortgage crisis. Bouri et al., (2019) the return and volatility dynamics of shariah equities are affected by the geopolitical risks like the conventional counterparts.

El Ouadghiri & Peillex, (2018) USA Islamic indices returns are negatively and significantly affected by the US public attention to the Islamic terrorism, whereas it has no significant impact on US conventional indices. Major factor is the psychological “fear” that engraved from terrorist attacks may have influenced the investment decisions, moreover, such events, reduces the confidence level of investors and create instability in the financial sector.

**Commodities**

Commodities provide natural complement to the limited universe of shariah compliant investment. The spot trading of tangible commodities makes them eligible for shariah invest as it fulfils the criteria of riba free transaction and ethically screened. From a Classical perspective, the equities market and commodities are inversely correlated, hence considered to be efficient diversifier of portfolio (Nagayev et al., 2016). This view has been contested due to the increasing financialization and financial determinants’ influence on fluctuations of commodities prices. financial crisis and other major global events during the time span of 1999 to 2015, the Correlation between commodities and shariah compliant equities remain highly volatile. Deviation in correlation shows the heterogeneous nature of commodities with capricious prospects for diversification. Correlation was higher during 2008 till 2012 period. The major simulators of the higher correlation were political, financial behavioral and macroeconomic determinants.
amalgamating from 2008-2012. During the financial crisis all financial markets tend to react in similar manner because of synchronization of investor negative sentiment and the liquidity constraint faced by the investors. The correlation between precious metals (silver and gold) and Islamic equities has the similar pattern over the short period of time – 20 days (Nagayev et al., 2016) reported an increase in negative correlation during the crucial international events like the 2008 financial crisis. Natural gas provides better portfolio hedging benefit as it retained the lower correlation with Islamic equities.

Oil as a major tradeable commodity has higher influence on shariah stock markets as number of researchers have found it significant (Ajmi et al., 2014; Fitti & Hadhri, 2019; Ghorbel et al., 2014; Gupta et al., 2014; Hammoudeh et al., 2014; Mensi et al., 2017; Mishra et al., 2019; Mohammed & Rumman, 2018; Nagayev et al., 2016; Naifar, 2016; Paltrinieri et al., 2018; Umar et al., 2018). Oil is a crucial commodity and influences almost all business activities, but it has dual aspects of impact on equities, as oil price goes up, importing countries’ cost of doing business increases, that negatively influence the future cash flow and profitability expectations of the investors while the exporting countries experience the progressive effect and reap multiple benefits at the economic, social and corporate levels.

**Investor Behavioral Factors**

Sentiment of an investor is an important factor that influences the performance of the stock market globally (Abbes & Abdelhédi-Zouch, 2015; Al-Hajieh et al., 2011; Aloui et al., 2016; Dash & Maitra, 2018; Fitti & Hadhri, 2019; Ghorbel et al., 2014; Mazouz et al., 2019; Naifar, 2016; Perez-Liston et al., 2016; Wasiuzzaman, 2017). It is defined as the irrational expectations or beliefs of an individual about the future cash stream and risk related to the asset (Perez-Liston et al., 2016).

Wasiuzzaman, (2017) confirms the effect of investor sentiments on returns of The Saudi stock market Tadawul All-shares (TASI) and the sector indices, supports the notion that investors are not rational hence guided by their moods and sentiments.
Ramazan significantly and positively affect the investor sentiment due to good mood and positive sentiments of the Islamic investors (Al-Hajieh et al., 2011). The positive influence of investor sentiment (optimism and pessimism) on Shariah compliant equities returns by analyzing the portfolio of three firm-sizes i.e. small-cap, medium and large. Results confirm the existence of these association among the three firms GARCH test suggest that the lower conditional volatility in the ensuing period is associated with bullish trend in investor sentiment. This effect is larger in case of small-cap firms (Aloui et al., 2016; Perez-Liston et al., 2016) suggested that while picking Islamic stocks in portfolio, the investors in USA should consider both time-scales co-movement i.e. short-run and long-run in the sentiment-equity return. Moreover, through asymmetric causality test, found that only the mid-cap firms are vulnerable to the investor sentiments’ negative innovation.

Investors’ positive attitude has been observed towards announcement for the addition of share in Shariah index (DJIMWI) as good news and deletion as negative news. Investors perceive Shariah laws and ethical practices as a source of value creation rather than a limitation and that changes in price behavior followed by the index revisions are likely to be driven by ethical investors sentiments rather firm fundamentals i.e. firm size, leverage and book to value, (Mazouz et al., 2019).

Herding behavior is trend following behavior of market when traders pursue the trend of past trades. Avery & Zemsky, (1998) defined herding behavior as socially inefficient reliance on publicly available information by traders. The herding behavior found as a significantly influencing factor on Shariah stock returns. Herding behavior in investors of Shariah compliant GCC stock markets was found during the upsurge period of the market. Nevertheless, no effect of herding found during the time of downward trend in market (Chaffai & Medhioub, 2018). The higher level of volatility during the beginning and at the end of the holy month, verifies the effect of synchronization of opinion and the social mood herding effect concerning the market direction (Al-Hajieh et al., 2011).
Seasonality Factors

Calendar effect have found to have significant influence on Islamic equities return. (Al-Hajieh et al., 2011), confirms the impact of holy month of Ramazan on shariah equities. Hajj Pilgrimage has significant influence on the performance of Islamic stocks (Abbes & Abdelhédi-Zouch, 2015; Wasiuzzaman, 2017).

The returns of equity can be predicted through the seasonality or anomalies characteristic of the stock return. Jebran & Chen, (2017) the different effects of anomalies found significant in case of the shariah compliant index of Pakistan. Surprisingly the Ramazan and January effects were absent in Pakistan’s shariah indices despite the evidence from past studies of presence of the higher returns during the said months. In Gregorian calendar months, July was associated with the higher significant average returns. Among all Islamic calendar months, the Rabi-ul-Awal found to have highest mean returns. Significant day of the week effect was present as Monday reported to have lowest returns whereas Friday highest. Turn of the month pattern and Half of the month effects also found significant as returns were higher during the first half of the month. The time of the month pattern was significant during the first-third of the month while last-third of the month, the returns were lowest.

Skills and Background

The managerial abilities of stock selection and Market timing have significant impact on Islamic equities performance (Mohammad & Ashraf, 2015). The sariah criteria that restricts the managers to select the risky high leveraged and sin stocks which may cause the reduction in profitability as compared to the conventional counterpart, but it is also the reason behind the better performance of Islamic equities fund during financial crisis time. (Hassan et al., 2018) suggest that shariah board composition (number of members) and their educational background have significant impact on Islamic indices performance.

Discussion

The effective stock market prediction is important as investment decision, market regulation and risk management influenced by these outcomes. It remains a dilemma for
researchers to clearly identify the best way to forecast the returns of the stock market. To mark the effort, many researchers have utilized different factors to find out the perfect norm to forecast the share performance. But in the case of Islamic equity index, the shariah screening criteria makes the forecasting ability of the Islamic shares even more difficult (Gupta et al., 2014). In this study we have identified the major factors which influence the Islamic equity market return through systematic literature review approach. This review has analyzed a limited number of studies published in peer-reviewed journals in English language during the time period of around three decades. Due to the space constraint the book chapters and the grey literature are not incorporated. Despite the fact that this study has identified various important determinants, they ought to be seen as context or country specific. The impact of factors of Islamic equity may vary in other countries. For instance, the influence of the news related to the terrorist attack may worse affect the sentiment of Islamic equities investors in United States as compared to the shariah compliant indices of Islamic countries. However, it requires further investigation. There is a dearth of literature of qualitative nature on Islamic equities yet only two studies were found they were mainly focusing on the broader aspects of the topics (Hassan et al., 2019; Masih et al., 2018) whereas, this study narrowed down their view and specifies it to the determinants’ evaluation.

In this review study, numerous determinants have been found that emerged to explain the Islamic equities performance in different countries globally. Most studies found that although the interest rate is prohibited in Islam and dealing in interest based transaction is forbidden in equities market by the shariah market regulators but it is found as one of the most influential factor that affects the performance of the Islamic equities hence it is widely researched factor in empirical studies as well. It has negative association with shariah equities because when it increases in an economy it increases the opportunity cost of investment in equities due to the demand shifts towards the interest-bearing assets. however, the reduction in interest rate by the exchequer of the country treated as welcoming sign for the business growth, eventually equity market performs better.
Conventional stock market was highly investigated macroeconomic factors that significantly influence the shariah equities because both markets face a similar systematic risk, since the combination of corporate for shariah indices consist of corporates already listed in conventional indices. Regional integration has significant influence over country specific index hence the study on different indices gives more clearer results compared to single country analysis.

Energy Commodities like oil are one of the most investigated factors after gold. Oil is a crucial commodity as it has dual influence on global economy. Export economies receive a positive and growing impact on firm’s business whereas, importing countries receive negative impact because firm’s it increases the cost of doing business. Sentiment of investors influence on the Islamic equities has been a widely studied factor as investor’s attitude governs the market trends. Different aspects have been covered like calendar effect, herding behavior, attitude (pessimist and optimist), financial news effects etc. yet there is a need to cover many other aspects of investor behaviors related to shariah equities performance. There is a wide gap to study the equities performance and the managerial abilities and skills as too little information is available regarding these aspects. The qualitative studies analyzed for this study (Hassan et al., 2019; Masih et al., 2018) have identified the lack of generalization of results that require further analysis to come up with a theory formulation that can explain the phenomena regarding the relative performance of Islamic and conventional indices, relative efficiency, the risk-return profiles, and portfolio hedging benefits.

**Conclusion**

For the systematic evaluation purpose, the Study was subdivided into Seven different themes namely economic factors, commodities, geopolitical risk, investor behavior, Seasonality, managerial skills and background, and investment tenure. This study has raised various applied, policy and research implications. Some suggestions have been derived from this evaluation: Much more work is required in the area of shariah equity selection standards. As these standards vary around the world, it impacts the investors
decision to invest in shariah equities and eventually to the prices of the asset. There observed is a collision of shariah ruling that strictly prohibits riba in any form yet there is a certain level of riba permissibility in shariah criteria for Islamic asset selection for trading that may hamper the confine of some Muslim investors who remain sceptic. Secondly, there is still dearth of empirical work in the Islamic equities area in comparison with its conventional counterpart may be because Islamic finance is still in the evolutionary process in the global economy. Overall, the Islamic equities provides better investment opportunities to hedge seekers hence it offers a wide room for researcher to study its potential in different regions which are yet to introduce the Islamic finance.

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Appendix

**Appendix 1:** Summary of major factors evaluating the Islamic equities performance

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- ENERGY ECONOMICS
- FINANCIAL ECONOMICS
- HALAL INDUSTRY
- HALAL TOURISM
- HISTORY OF ECONOMIC THOUGHT
- PUBLIC FINANCE
- TOURISM ECONOMICS

Most Cited Publications

1. Acknowledgement to Reviewers of Economies 2017
   - Authors: Economies Editorial Office
   - Published: Jan 2018 in Economies
   - DOI: 10.3390/ECONOMIES6010006
   - Times Cited: 0

2. Sustainability of Public Finance During The COVID-19 Outbreaks in Indonesia
   - Published: Jun 2020 in Al-Amwal: Jurnal Ekonomi Dan Perbankan Syariah
   - DOI: 10.24235/AMWAL.V111.6557
   - Times Cited: -

3. ENERGY CONSERVATION AND ENERGY MANAGEMENT FOR INDUSTRY IN INDONESIA IN ISLAMIC ECONOMIC PERSPECTIVE
   - Authors: Aan Jaelani, Layaman Layaman, Dewi Fatmasari; ... Abdus Salam Bz; see more
   - Published: Mar 2020 in International Journal of Energy Economics and Policy
   - DOI: 10.32479/IJEEP.9061
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