Are Islamic Risk Factors Effect on Stock Return? Evidence from Malaysia Based on Dynamic GMM and Quantile Regression Approaches

Lim Yeong Yeong[1], Ho Khee Hoong[2], T'ng Soo Ting[2], Low Sew Kim[2], Siah Poh Chua[2] and Frederick Low[3] , Mosharrof Hosen[1], Mohammed Yaw Broni[2], Mohammad Ashraful Ferdous Chowdhury[3], and Mansur Masih[2]

[1]Faculty of Business and Finance, Universiti Tunku Abdul Rahman, Bandar Barat, 31900 Kampar, Perak, Malaysia.
[2]INCEIF, Lorong Universiti A, 59100, Kuala Lumpur Malaysia.
[3]Department of Business Administration, Shahjalal University of Science & Technology, Bangladesh.
Corresponding author email: jonycox74@gmail.com

ABSTRACT

The paper is the first attempt at analyzing the Islamic-effect in a cross-sectional stock return framework by applying relatively advanced appropriate statistical techniques to pure technical efficiency estimates of individual 141 Islamic and non-Islamic Malaysian firms for the period of 1997 to 2016 using the dynamic GMM and Quantile regression techniques. The results reveal that there is no significant relationship between Malaysian Islamic firms and average stock returns. For robustness, Quantile regression approach has been applied and found that the non-significant Islamic effect, in fact, are changing at different percentiles that affect the cross-sectional expected returns of Malaysian common stocks. Furthermore, results show that some focus variables like market value and book to market and control variable, oil price are not significant at different percentiles, and this result has important implications for the growing Islamic finance industry around the world.