The Impact of Coronavirus (COVID-19) Outbreak on Faith-based Investments: An Original Analysis

Mohamed Sherif *

Edinburgh Business School, Heriot-Watt University, Edinburgh, UK.

*Tel: +44 (0) 1314513681. E-mail: m.sherif@hw.ac.uk.

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Abstract

This paper examines the rapid spread of Coronavirus (COVID-19) and its short-term impact on the Shariah-compliant UK Dow Jones market index to capture the dynamic behavior of stock returns at economy and industry levels. Using daily data over the period January 20 to May 20 and ten UK industrial sector groupings, the findings suggest a strong and statistically significant relationship between the COVID-19 pandemic and the performance of the conventional stock market index. The findings also suggest that the disease interacts negatively but insignificantly with the Dow Jones faith-based ethical (Islamic) index compared to its UK counterpart. In addition, through an analysis of sector groupings, the paper shows that the stock returns of the information technology sector performed significantly better than the market, while stock returns of consumer discretionary sector, which includes transportation, beverages, tourism and leisure, consumer services performed significantly worse than the market during the COVID-19 outbreak. Other sector groupings fail to yield significantly plausible parameter values.

Keywords: Coronavirus (COVID-19); Behavioral finance; Stock market indices; Faith-based investments.

JEL Classification: G02, G12, G17
1. Introduction

The coronavirus (COVID-19) outbreak is an increasingly pervasive and influential economic challenge in modern history. The novel virus has rapidly spread across borders with more than 5,049,497 confirmed infections and 367,230 deaths in more than 195 countries and territories worldwide, carrying a mortality of approximately 6·07% compared with a mortality rate of less than 1% from influenza (WHO 2020, Gormsen & Koijen 2020, Lekhray Rampal & Seng 2020, Peters et al. 2020). Pandemics rarely affect all people and economies in a uniform manner (Duncan & Scott 2005, Carlsson-Szlezak et al. 2020, Buklemisheh 2020, Papava & Charaia 2020, Mogaji 2020, He et al. 2020). For example, the UK is at present a highly volatile economy in terms of uncertainty in investment and production output due to the ongoing uncertainty and impact of Brexit and the unprecedented average of daily active confirmed cases and daily confirmed deaths caused by COVID-19 as seen in Figure 1.

INSERT Figure 1 here

Beyond the immediate tragedies of death and disease, indirect effects through fear are taking hold of a significant number of people and investors around the world, which has had dramatic impacts on financial markets all over the world (Liu et al. 2019, Papadamou et al. 2020, Carter et al. 2020, Duxbury et al. 2020, Al-Awadhi et al. 2020). Hence, the spread of COVID-19 has had a major impact on the performance of stock market indices globally, as can be seen from Table 1. For example, the worldwide international equities represented by the SP Global BMI fell 22.3% during Q1 2020. The S&P Global BMI Shariah, which only fell 17.2%, considerably outperformed its conventional peers by more than 500 bps. This tendency has been consistently achieved across all major regions, as the SP500 Shariah outperformed its conventional peers by 2.7%, while the Dow Jones Islamic Market (DJIM) Europe and DJIM Emerging Markets have both outperformed their conventional peers by more than 8.0%.\textsuperscript{1}

INSERT Table 1 here

\textsuperscript{1}Source: SP Dow Jones Indices LLC-Index performance based on the total returns in USD.
Much attention has been focused on the economic impact of Brexit on the UK economy, and this has been further amplified with the current financial and pandemic crisis (Liu et al. 2020, Fernandes 2020, Davies & Studnicka 2018). Consequently, decisions and variations associated with the performance of conventional and non-conventional stock market indices are clearly an empirical question of some importance. It is worth noting that investors are interested in investments with escalated profits, hence the Shariah-compliant market indices should be efficient and competitive to the conventional counterpart (Rehman et al. 2020, Balcilar et al. 2015, Hammoudeh et al. 2014).

With the significant rise in the number of crises facing the conventional financial system such as the current COVID-19 pandemic, stock market investors (i) perceive stock returns as being uncertain and became more attentive; (ii) are rational and hence have inquired for information on the fundamentals of Shariah related investment structures and characteristics. Clearly, virus crises that hit conventional financial systems are less harsh for the Islamic financial system (Balcilar et al. 2015). There are indeed differences between Shariah and non-Shariah complaint indexes in terms of screening and financial characteristics. For investment screening, the Shariah complaint indexes are growth focused small-cap industries; whereas the conventional indices are more value-focused mid-cap industries with higher environmental risk such as investments in energy industries (Hassan & Girard 2010). In the case of financial characteristics, Shariah complaint indexes are characterised by low leverage and low account receivables, which reduce the financial risks and vulnerabilities related to periods of crisis such as COVID-19 (Farooq & Alahkam 2016). Hence, extensive attention has been devoted to such faith-based investments (Hussain et al. 2019, Alam & Seifzadeh 2020, Zandi et al. 2019, Sherif 2016, Sherif & Erkol 2017, Rifqi n.d., Sherif & Hussain 2017, Kalimullina 2020, Sadeghi et al. 2008, Derigs & Marzban 2008, Alotaibi & Hariri 2020, Seyyed et al. 2020, Tahir & Ibrahim 2020, Akguc & Al Rahahleh 2020, Ahmad et al. 2020, Fu et al. 2020, Castro et al. 2020).

Over the past several decades, Islamic finance has witnessed a remarkably broad expansion and unprecedented growth. It has grown from just $200bn in 2003 to an estimated predicted total of over $4 trillion in assets by 2030 (Alam & Seifzadeh 2020). It is now offered in more than 60 countries and over 300 Islamic financial institutions. Globally, approximately 0.5% of financial assets are estimated to be under Sharia-compliant management. The industry’s total worth is estimated to be USD 3.50 trillion in 2020, denoting a 10.3% growth in assets in USD terms. Such significant
growth has recently also extended to many non-Muslim countries in Asia and Europe (Alam 2019). This is due to a broad diversification in cultures with a considerable number of Muslims immigrants (Alam & Seifzadeh 2020).

Arguably the most contentious issue about faith-based investments vehicle is whether ethical overlays have a bearing on financial performance. Whilst a number of previous studies have considered this area (Hammoudeh et al. 2014, Al-Khazali et al. 2014, Fu et al. 2020, Abu-Alkheil et al. 2020, Umar et al. 2020, Climent et al. 2020, Haddad et al. 2020, Rehman et al. 2020, Anjum 2020, Widyanata & Bashir 2020, Sherif 2016), much uncertainty remains regarding the significant differences between conventional and faith-based investments. The general perception and critique facing ethical investments stem from their contradiction with the principles of the efficient portfolio theory of Markowitz 1952, cited in (Dhrymes 2017). It has been claimed that ethical investments underperform in the long run because they are subsets of the market portfolio and lack sufficient diversification (Bauer et al. 2005, Goodchild et al. 2002). Hence, investors regularly diversify their portfolios, aiming to minimize risk and maximize returns. However, several previous studies exhibit a general disagreement regarding the claim that faith-based investments (ethically screened firms) outperform their non-ethical screened counterparts (Charles et al. 2015, Masih et al. 2018, Sherif 2016).

Inspired by the above arguments and the potential impact of evolution of the current COVID-19 pandemic crisis, this study examines and provides new evidence on the impact of COVID-19 on the performance of the Dow Jones Islamic market index compared to the FTSE100 index. In essence we investigate the relative importance of the Shariah-compliant Dow Jones market index to capture the dynamic behavior of stock returns at economy and industry levels. Thus, this study contributes to the existing literature in several ways: (1) while most empirical and theoretical research focuses heavily on investors’ attention and its impact on conventional stock returns/indices (Andrei & Hasler 2015, Da et al. 2015), there is only limited academic research conducted on examining the performance of faith-based investments (ethical stock market index) and investor attention to the coronavirus pandemic, which is an important and ultimately new empirical

Main differences between faith-based and conventional investments are shown in Table 2

\[ \text{INSERT Table 2 here} \]
question. In particular, the main research question to be answered in this study is formed as follows: is there a significant difference of stock returns between Shariah and conventional investments?; (2) this study contributes to the contemporaneous, but exponentially growing, literature on the effects of COVID-19 on the performance of financial markets (Alfaro et al. 2020, Gormsen & Koijen 2020, Zhang et al. 2020).

The remainder of this paper is structured and further organized as follows. Section 2 presents a detailed literature review. Then the research methodology and data are discussed in Section 3. Section 4 shows our empirical results. Section 5 then concludes, considering the significance of our key findings and outlining a number of avenues for future research.

2. Literature Review

Significantly, there is a much controversy and debate regarding the performance of faith-based investments when compared to their conventional counterparts. Recently, Shariah compliant investments, which represent an aspect of the ethical and ‘restricted’ finance, have been the focus of a growing body of empirical research for a number of reasons; (i) the growing debate advocated by modern financial theory claiming that Shariah-compliant indices are riskier than their conventional peers due to their lack of diversification (Albaity & Ahmad 2008); (ii) the assumption that faith-based ethical (Islamic) indices are more profitable than their peers due to their passing extra-financial screening criteria (Atta-Alla 2012, Hussein & Omran 2005).

Among the previous studies on Shariah compliant investments, a few have focused on the Dow Jones Islamic stock market Index (DJIMI) (Al-Khazali et al. 2014, El Khannichi et al. 2014, Ho et al. 2014, Charles et al. 2015, Shamsuddin 2014, Jawadi et al. 2014, Ftiti & Hadhri 2019, Charles et al. 2017). The majority of these studies have followed the same methodologies of comparing the performance of DJIMI to other benchmarks, but the choices are somewhat different from one study to another depending on the performance measures and benchmarks used. For example, Al-Zoubi & Maghyereh (2007) find that the Islamic index outperforms the Dow Jones World Index; and that the former is less risky than the benchmark, suggesting this finding can be attributed to the profit and loss sharing principle in Islamic finance. In another study, Hassan & Girard (2010) examine the market efficiency and time-varying risk-return relationship using DJIM and the volatility of the DJIM index. Their study finds that the DJIM has outperformed the conventional indices; and the reward to risk and diversification
benefits are similar in both indices. In contrast, Hakim & Rashidian (2002), Miniaoui et al. (2015), Girard & Hassan (2008), and Hoepner et al. (2011) find only insignificant differences between the performance of conventional and non-conventional indexes.

Another group of studies (Dhai 2015, Becchetti et al. 2015, Sherif 2016, Durand et al. 2016, Umer et al. 2019, Bauckloh et al. 2019, Landi & Sciarelli 2019, Shaikh et al. 2019, Vasisht 2017, Anwaar 2016, Wu et al. 2017) has investigated the performance of the FTSE and other Islamic indices, and provide an overall picture of somewhat mixed findings. For example, Tahir & Ibrahim (2020) find that Shariah-compliant companies (SCCs) outperformed non-Shariah compliant companies in terms of both accounting and market returns. In another study, Anwaar (2016) finds supportive evidence of the relationship between firm performance and FTSE100 stock market returns. Wu et al. (2017) demonstrate that the socially responsible investment (SRI) portfolio performed better and recovered its value quicker post-crisis than did the non-SRI portfolio.

Following on from this, more recent research has started to utilize increasingly more available data to investigate Islamic and conventional investments (Trabelsi et al. 2020, Ahmed & Elsayed 2019, Hasan & Abu 2019, Trabelsi 2019, Jawadi et al. 2019). For example, Trichilli et al. (2020) investigated the portfolio optimization under investor’s sentiment states of Hidden Markov model; and find that the Bayesian efficient frontier of Islamic and conventional stock portfolios is affected by the investor’s sentiment state and the time horizon. In a separate study, Trichilli et al. (2020) also examined the capability of the hidden Markov and investor sentiments to predict the dynamics of Islamic index’ returns in the Middle East and North Africa (MENA) financial markets. They find that the effect of sentiment on predicting the future Islamic index returns is conditional on the MENA region. In another study, Abduh (2020) investigated the volatility of conventional and Islamic indices and the impact of the global financial crisis toward the volatility of both markets in Malaysia; and finds that Islamic index was less volatile during the crisis compared to the conventional index. In another key study, Haddad et al. (2020) examined the importance of permanent versus transitory shocks as well as their domestic and foreign components in explaining the business cycle fluctuations of seven Dow Jones Islamic stock markets (DJIM). They found that seven Dow Jones Islamic stock indices are insignificantly linked to the movements of global risk factors. Similarly, Boubaker et al. (2020) examined the common movement of three commodities (Oil, gas and gold) and the Dow Jones Islamic market index (DJIM). Their study indicated using Wavelet Squared Coherence
(WSC), that there is a co-movement between DJIM and oil prices; and investors in Islamic stock market indices are yet to base their decisions on oil, gas or gold prices.

One further key argument that has recently been given much attention is related to different sources of financial volatility and major events that have affected stock market returns (Zhu et al. 2019, Corbet et al. 2020, Zaremba et al. n.d., Albulescu 2020, Onali 2020, Choudhry et al. 2016, Demirer et al. 2019, Wang et al. 2018, Antonakakis & Darby 2013). These sources of financial volatility are market uncertainty due to disasters (Kowalewski & Śpiewanowski 2020, Liu et al. 2019, Papadamou et al. 2020), economic conditions and political events (Bash & Alsaifi 2019), institutional issues and social Media news (Bollerslev et al. 2018, Reboredo & Ugolini 2018), environmental issues (Alsaifi et al. 2020), information demand and investor attention (Chronopoulos et al. 2018, Nikkinen & Peltomäki 2020), and pandemic diseases (Chen et al. 2009, Ichev & Marinč 2018). In this strand, Albulescu (2020) examined the impact of official announcements regarding new cases of infection and death ratios on the financial market volatility index (VIX); and finds that the death ratio positively influences VIX. In other words, the higher the number of affected countries, the higher the financial volatility is. In another study, Corbet et al. (2020) investigated the impact of global COVID-2019 pandemic on the volatility of stock markets; and find that a significant relationship between Chinese stock markets and Bitcoin evolved significantly during this period of enormous financial stress. Similarly, Mei & Guo (2004) examined the impact of political uncertainty on financial crises using a panel of 22 emerging markets; and find a significant relationship between political election and financial crisis. Also, Zaremба et al. (n.d.) examined the stringency of policy responses to the novel coronavirus pandemic in 67 countries around the world; and find that non-pharmaceutical interventions significantly increase equity market volatility. In the same vein, Chen & Chiang (2020) find evidence that a rise in economic policy uncertainty (EPU) leads to a decline in stock returns in the Chinese market. In the same line, Kowalewski & Śpiewanowski (2020) examined the stock market reaction to disasters; and find that the affected mining firms experience a cumulative drop in their market value of 1.15% in the first two days of a disaster.

From this review of previous literature here, it is noted that despite the multiplicity of previous empirical work focusing on the analysis of Islamic and conventional stock markets performance, the results are highly divergent and no consensus has been reached to date. In the same context, this paper attempts to fill the gap in the literature to deal with this same concept
of performance. However, unlike previous studies, we try to give special importance to the current coronavirus pandemic, econometric techniques and the dynamic behavior of stock returns at economy and industry levels.

3. Data and Methodology

This study investigates whether contagious infectious diseases affect stock market outcomes. The data adopted includes daily prices of companies listed on the UK Dow Jones Islamic stock market index and its counterpart FTSE100 index during the period from January 20 to May 20, 2020. The data is obtained from Bloomberg and, in addition to stock prices, includes market capitalization and market-to-book ratio. The study also used the number of daily active confirmed cases (NCOVGBCC) and daily cases of death (NCOVGBDC) from COVID-19 in the UK from the same source over the same period, which are available on a daily basis. Figure 1 shows the cumulative average daily returns for the UK Dow Jones Islamic stock market index. The figure suggests that cumulative returns are slightly impacted by COVID-19 in terms of the daily active confirmed cases and the daily confirmed deaths caused by COVID-19, and that market returns are mostly uninterrupted as the growth of both daily active cases and confirmed deaths starts to decline. The data of ten sector groupings (Communications (COM), Consumer Discretionary (COND), Energy (ENG), Financial (FIN), Health Care (HC), Materials (MAT), Consumer Staples (CONS), Industrial (INDUS), Technology (TEC) and Utilities (UT)) are also obtained from Bloomberg.

A key and important step in event study methodology/process is to identify the actual day of the event (Binder 1998). Subsequently, Henderson Jr (1990) and Dyckman et al. (1984) described this step as problematic and time consuming. Equipped with this claim and due to the fact that the peak of the event associated with COVID-19 pandemic is not the start date, but rather lasts for several days, the study hence adopts and follows the classical event study methodologies. Moreover, Kao & Chiang (1999) and Hsiao (1986) have stated and discussed the benefits of using panel data models; claiming that panel data regression reduces estimation bias and multicollinearity, controls for individual heterogeneity, and identifies the time-varying relationship between dependent and independent variables. Subsequently, the analysis in this study performs panel testing to investigate the performance of Shariah-compliant UK Dow Jones market index to capture the dynamic behavior of stock returns at economy and industry levels. The
regression model employed in this study has the following functional form:

\[ R_{it} = \left[ \alpha + \beta_1 COVID_{DGTCC,t,i} + \beta_2 L_{MCAP,t,i} + \beta_3 MTBR_{t,i} + \epsilon_{it} \right] \tag{1} \]

\[ R_{it} = \left[ \alpha + \beta_1 COVID_{DGTDC,t,i} + \beta_2 L_{MCAP,t,i} + \beta_3 MTBR_{t,i} + \epsilon_{it} \right] \tag{2} \]

where \( R_{it} \) is return index at different time periods, \( COVID_{DGTCC,t,i} \) is daily growth in total confirmed cases, \( COVID_{DGTDC,t,i} \) is the daily growth in total cases of death caused by COVID-19, \( L_{MCAP} \) is the natural logarithm of daily market capitalization, \( MTBR_{t,i} \) is the daily market-to-book ratio, and \( \epsilon_{it} \) is the error or disturbance term.

For the UK sector groupings, the regression model employed in this study has the following functional form:

\[ SR_{it} = \alpha + \sum_{s=1}^{10} \beta_Y t + \epsilon_i,0 \tag{3} \]

where \( SR_{it} \) is sector returns at different time periods, \( Y_t \) symbolizes a vector of explanatory variables at different time periods associated with each sector grouping, and \( \epsilon_i \) is the error or disturbance term.

4. Empirical Findings

The analysis begins with the descriptive analysis. Table 3 presents the stock market return characteristics and summary statistics (mean, standard deviation, minimum, maximum, Kurtosis and Skewness) pertaining to Islamic index and its mainstream conventional UK counterpart. In Table 3, panels A and B show that both conventional and non-conventional stock return indices have negative mean returns, indicating a clear impact of COVID-19 on the performance of the two indices. However, the faith-based stock market index is less impacted by COVID-19 (\( R_{DJIUK}=15\% \)) than the peer (\( R_{FTSE100}=7.6\% \)). Similarly, the skewness which measures the asymmetry of the probability distributions shows that both indexes are negatively skewed, indicating the higher probability of decrease in returns. These statistics suggest that on average the ethical stock market index (-0.15%) out-perform their conventional peer (-7.593%) during the pandemic.
period. Also, the conventional index is on average riskier (SD = 71.87%) than the ethical stock market index (SD = 2.5%).

Table 4 shows the correlation matrix of the data. The highest negative correlation is between daily stock returns, with both the daily growth in total confirmed cases and the daily growth in total cases of death caused by COVID-19. The findings suggest that the faith-based stock market index performs and survives better than its UK conventional peer during the pandemic period. The overall results are not surprising, but provide quantitative evidence that the indices perform as might be anticipated, and offer some confidence to further examine these variables in more detail. This also clear from Figure 1.

In an attempt to ascertain the adequacy of the descriptive statistics to explain investment performance during the outbreak of the COVID-19, the performance of Islamic Dow Jones and conventional indexes are tested using panel regression. While Table 5 summarizes the estimates of faith-based investments associated with the daily growth in total confirmed and death cases, Table 6 presents the estimates of the conventional FTSE100 associated with the daily growth in total confirmed and death cases. Overall, these findings suggest that: (i) the stock returns of the conventional index are significantly negatively related to both daily growth in total confirmed cases and daily growth in total cases of death caused by COVID-19; (ii) faith-based investments/index are less exposed to the outbreak of COVID-19 than its conventional peer. These results are broadly comparable to the findings of Trichilli et al. (2020a) and Rejeb & Arfaoui (2019) who found that Islamic indices are partially immune from speculative shocks to global financial services. Furthermore, they indicated that the ethical stock market indices perform much better during calm periods and moderately better during times of crisis; and Islamic asset allocation is safer during pandemics and economic periods and distress. These findings are also in line with another group of studies that have found significant diversification benefits
This implies that Islamic indices are less risky than their peers, and this evidence is attributable to the profit and loss sharing principle in Islamic finance. 

Next, the performance of investments and UK stock market index during the coronavirus (COVID-19) outbreak for ten sector groupings (COM, COND, ENG, FIN, HC, MAT, CONS, INDUS, TEC, UT) introduced by Bloomberg (sector grouping classification, 2020). This is motivated by the findings of a number of researchers (Kizys et al. 2020, Chen et al. 2007) who demonstrate that a few sector groupings such as information technology, food processing, beverages, air transportation, and hotels among others are vulnerable and mostly impacted by pandemic diseases/outbreaks. Table 7 reports the estimates of panel data associated with ten sector groupings dummy variables that take the value one if stock $i$ is listed in that respective sector, and zero otherwise. The findings show that stock returns of the information technology sector grouping positively benefited from coronavirus (COVID-19) outbreak, and performed significantly better than the market. On the other hand, consumer discretionary sector (COND) which includes air and other transportation, beverages, tourism and leisure, consumer services appear to be the significant sectors that have been adversely influenced by the coronavirus (COVID-19) outbreak.

5. Conclusion

This paper investigated the Shariah-compliant stock market indices reactions to the increased uncertainty due to COVID-19 expansion as compared to the FTSE100 conventional index. The findings suggest a strong and statistically significant relationship between the COVID-19 pandemic

3In the Islamic mode of finance, the Arabic word *Musharakah* means “shirka” or sharing. Equipped with the profit and loss sharing principle, the main goal of investors is to maximize returns, which in turn maximizes the other party’s return.
and the performance of the conventional stock market index. Such negative impact is over and above that of the Shariah-compliant stock market index. In addition, this paper analysed the impact of COVID-19 pandemic on the performance of ten UK sector groupings. Results show that stock returns of the information technology sector performed significantly better than the market; whereas stock returns of the consumer discretionary sector performed significantly worse than the market during the COVID-19 outbreak.

There are a number of implications for research and practice from these results. Firstly, the study offers insights to empower and enhance the strengthening of the policy measures required for policy makers in stock markets and economies. Secondly, from a broader perspective, the research and findings provide support for the existence of a risk-aversion channel of pandemic spread in the stock market. Comparing the conventional stock market indices with faith-based sources of stock investments and trading may provide insights into the globalization of such economic, trade and financial reforms. Finally, the findings could also be of interest to policy makers who are continually adopting regulations in attempts to curb possible presumable conflicts of interest in many other stock markets outside the UK. While investors can reconcile faith with finance, the financial market authorities could revise their regulations and legislation to enable banks and markets to include these types of products, and to propose new products with similar characteristics.

While this study helps contribute to existing literature on the COVID-19 pandemic, it also opens up avenues for further research. The most feasible immediate expansion would be to include other faith-based indexes (Christian and Jewish) omitted in this study due to the current unavailability of the data. In addition, future research should also look into Islamic sub-indices and include other institutions that are Islamic subsidiaries of conventional banks.
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Table 1
Comparative Regional Returns

| Benchmark                  | Shariah % | Conventional % | Variance % |
|----------------------------|-----------|----------------|------------|
| S&P Global BMI             | -17.2     | -22.3          | 5.1        |
| DJIM World                 | -16.6     | -22.0          | 5.4        |
| S&P500                     | -16.9     | -16.6          | 2.7        |
| DJIM Asia                  | -14.3     | -19.8          | 5.5        |
| DJIM Europe                | -16.8     | -24.8          | 8.0        |
| DJIM developed markets     | -16.7     | -21.6          | 5.0        |
| DJIM emerging markets      | -15.9     | -24.4          | 8.5        |
| S&P Pan Arab composite     | -20.6     | -23.4          | 2.5        |

Source: S&P Dow Jones Indices LLC-Index performance based on total return in USD. Islamic World (IW); Islamic Euro (IE); Islamic Asia Pacific (IAP); Islamic Developed countries (ID); Islamic Emerging markets (IEM); Islamic United States (IUS); Islamic United Kingdom (IUK); Islamic Oil and Gas (IOG); Islamic Technology (IT); Islamic Healthcare (IHC); Islamic Consumer Goods (ICG); Islamic Consumer Services (ICS).

Table 2
Faith-based Investments vs. Conventional Investments

| Faith-based Investments                                                                 | Conventional Investments                                                                                                                                 |
|----------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|
| Asset-based investments                                                               | Interest-rate based investments                                                                                                                         |
| More desirable in the short-run                                                        | More desirable in the long-run                                                                                                                         |
| Based on the principles of profit and loss sharing (religion’s law)                    | Based on the principles of interest and usury                                                                                                           |
| Investors maximise wealth by choosing among various faith compliant Investments         | Investors evaluate investments based upon risk-return characteristics                                                                               |
| Invest capital in line with a specific named faith                                     | Invest capital for a proportionate interest of the fund’s net assets                                                                                  |
| Avoid investing in industries or companies that conflict with beliefs                  | Invest money into assets that are well-known                                                                                                            |
| Generate a positive social impact inspired by their faith, Islamic, Catholic, and other religion’s law | Generate an unmeasurable social impact alongside a financial return                                                                                   |
Table 3
Summary Statistics.

| Variable                  | Faith-based DJIUK Index | Conventional FTSE100 Index |
|---------------------------|-------------------------|---------------------------|
|                           | $R_{DJIUK}$             | $L_{MCAP}$ $MTBR$ $COVID_{DGTCC}$ $COVID_{DGTDC}$ | $R_{FTSE100}$ $L_{MCAP}$ $MTBR$ $COVID_{DGTCC}$ $COVID_{DGTDC}$ |
| Mean                      | -0.0015                 | 13.63 4.369 0.1472 0.1656 | -0.0759 14.35 5.283 0.1472 0.1654 |
| SD                        | 0.0255                  | 0.1403 5.634 0.2689 0.6043 | 0.7187 0.1342 0.2318 0.2676 0.6010 |
| Max                       | 0.0944                  | 13.79 5.048 1.667 5.500 | 2.261 14.53 1.884 1.667 5.500 |
| Min                       | -0.1232                 | 13.31 3.131 0.0000 0.0000 | -3.195 14.10 1.238 0.0000 0.0000 |
| Skewness                  | -0.7728                 | -0.3057 -0.2598 2.988 7.354 | -0.9750 0.0226 0.1929 2.989 7.367 |
| Kurtosis                  | 9.084                   | 1.886 1.779 13.77 62.98 | 6.992 1.492 1.277 13.77 62.98 |
### Table 4:
Correlation Matrix

#### Panel A: Correlation Matrix - DJIUK

|        | $R_{DJIUK}$ | $L_{MCAP}$ | MTBR | $COVID_{DGTCC}$ | $COVID_{DGTDC}$ |
|--------|-------------|------------|------|-----------------|-----------------|
| $R_{DJIUK}$ | 1.000 |          |      |                 |                 |
| $L_{MCAP}$   | 0.0539 | 1.000      |      |                 |                 |
| MTBR       | 0.0531 | 0.6088 | 0.000 |
| $COVID_{DGTCC}$ | -0.1274 | -0.2605 | -0.2584 | 1.000 |
| $COVID_{DGTDC}$ | -0.2327 | -0.3431 | -0.3439 | 0.4349 | 1.000 |

#### Panel B: Correlation Matrix FTSE100

|        | $R_{FTSE100}$ | $L_{MCAP}$ | MTBR | $COVID_{DGTCC}$ | $COVID_{DGTDC}$ |
|--------|---------------|------------|------|-----------------|-----------------|
| $R_{FTSE100}$ | 1.000 |          |      |                 |                 |
| $L_{MCAP}$   | 0.0111 | 1.000      |      |                 |                 |
| MTBR       | 0.0042 | -0.0581 | 0.000 |
| $COVID_{DGTCC}$ | -0.0238 | -0.0311 | -0.0120 | 1.000 |
| $COVID_{DGTDC}$ | -0.0169 | -0.0470 | -0.0159 | 0.4370 | 1.000 |
Table 5
Panel Regression Estimates: Faith-based Investments

Panel A: Daily growth in total confirmed cases - DJIUK

| Variables      | (1)     | (2)     | (3)     |
|----------------|---------|---------|---------|
| $\alpha_0$    | 0.0032  | -1.053  | -2.363  |
|                | (0.0057)| (1.056) | (8.379) |
| $COVID_{DGTCC}$| -0.0205 | -0.0013 | -0.0022 |
|                | (0.0233)| (0.0302)| (0.0310)|
| $L_{MCAP}$    | 0.0780  | 0.1828  |         |
|                | (0.0679)| (0.6696)|         |
| $MTBR$        | -0.0409 |         |         |
|                | (0.1686)|         |         |

Panel B: Daily growth in total death cases - DJIUK

| Variables      | (1)     | (2)     | (3)     |
|----------------|---------|---------|---------|
| $\alpha_0$    | 0.0026  | -0.7761 | -2.766  |
|                | (0.0047)| (0.8471)| (8.239) |
| $COVID_{DGTDC}$| -0.0085 | -0.0068 | -0.0070*|
|                | (0.0057)| (0.0060)| (0.0011)|
| $L_{MCAP}$    | 0.0576  | 0.2166  |         |
|                | (0.0627)| (0.6581)|         |
| $MTBR$        | -0.0409 |         |         |
|                | (0.1686)|         |         |

*significant at the 0.10 level.
Table 6
Panel Regression Estimates: Conventional Investments

Panel A: Daily growth in total confirmed cases FTSE100

| Variables       | (1)    | (2)    | (3)    |
|-----------------|--------|--------|--------|
| $\alpha_0$      | 0.0407 | 0.0442 | 0.0479 |
|                 | (0.0105)| (0.0848)| (0.0852)|
| $COVID_{DGTCC}$| -0.0798**| -0.0786**| -0.0784**|
|                 | (0.0341)| (0.0343)| (0.0344)|
| $LM_{CAP}$      | 0.0281 | 0.0213 | 0.0003 |
|                 | (0.0207)| (0.0208)| (0.0007)|
| $MTBR$          | 0.0003 |        |        |

Panel B: Daily growth in total death cases FTSE100

| Variables       | (1)    | (2)    | (3)    |
|-----------------|--------|--------|--------|
| $\alpha_0$      | 0.0331 | 0.0514 | 0.0552 |
|                 | (0.0095)| (0.0847)| (0.0851)|
| $COVID_{DGTDC}$| -0.0252***| -0.0245***| -0.0244***|
|                 | (0.0007)| (0.0003)| (0.0003)|
| $LM_{CAP}$      | 0.0090 | 0.0093 |        |
|                 | (0.0089)| (0.0090)|        |
| $MTBR$          | 0.0003 |        |        |
|                 |        |        | (0.0007)|

***significant at the 0.01 level **significant at the 0.05 level.
Table 7
Panel Regression Estimates with Sector Groupings

| Variable | (1)   | (2)   | (3)   | (4)   | (5)   | (6)   | (7)   | (8)   | (9)   | (10)  |
|----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| α₀       | 0.0537| 0.0656| 0.0871| 0.1052| 0.0469| -0.0629| 0.0567| 0.0051| 0.0094| 0.0670|
| (0.0856)| (0.0849)| (0.0913)| (0.0852)| (0.0818)| (0.0850)| (0.0851)| (0.0852)| (0.0851)| (0.0851)|
| LM CAP   | 0.0093| 0.0095| 0.0124| 0.0133| 0.0078| 0.0097| 0.0092| 0.0105| 0.0105| 0.0100|
| (0.0090)| (0.0090)| (0.0098)| (0.0090)| (0.0086)| (0.0089)| (0.0090)| (0.0090)| (0.0091)| (0.0090)|
| MTBR     | 0.0002| 0.0003| 0.0003| 0.0004| 0.0005| 0.0003| 0.0007| 0.0008| 0.0003| 0.0002|
| (0.0007)| (0.0007)| (0.0007)| (0.0007)| (0.0007)| (0.0007)| (0.0007)| (0.0007)| (0.0007)| (0.0007)|
| FIN      | -0.0246|       |       |       |       |       |       |       |       |       |
|          | (0.0219)|       |       |       |       |       |       |       |       |       |
| COND     | 0.0029***| 0.0006|       |       |       |       |       |       |       |       |
|          | (0.0006)|       |       |       |       |       |       |       |       |       |
| ENG      | -0.0373|       |       |       |       |       |       |       |       |       |
|          | (0.0572)|       |       |       |       |       |       |       |       |       |
| TEC      | 0.2402***|   |       |       |       |       |       |       |       |       |
|          | (0.0527)|   |       |       |       |       |       |       |       |       |
| INDUS    | -0.0194|       |       |       |       |       |       |       |       |       |
|          | (0.0338)|       |       |       |       |       |       |       |       |       |
| CONS     | -0.0199|       |       |       |       |       |       |       |       |       |
|          | (0.0352)|       |       |       |       |       |       |       |       |       |
| COM      | -0.0463|       |       |       |       |       |       |       |       |       |
|          | (0.0342)|       |       |       |       |       |       |       |       |       |
| MAT      | -0.0029|       |       |       |       |       |       |       |       |       |
|          | (0.0288)|       |       |       |       |       |       |       |       |       |
| HC       | -0.0227|       |       |       |       |       |       |       |       |       |
|          | (0.0414)|       |       |       |       |       |       |       |       |       |
| UT       | 0.0087|       |       |       |       |       |       |       |       |       |
|          | (0.0412)|       |       |       |       |       |       |       |       |       |
Average return of UK Dow Jones Islamic stock market index

Daily UK active confirmed cases (DGTCC)

Daily cases of UK death (DGTDC)

Figure 1: UKIDJ Index & COVID-19
AUTHORSHIP STATEMENT

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I hereby declare that I am the sole author of the above manuscript. I further declare that it is original, has not been published before and is not currently being considered for publication elsewhere.

Mohmad Sherif
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