

Shari‘ah Compliance Screening Moderating Effect on Risk and Return: The Malaysian Case of Capital Market

ABSTRACT

The objective of this paper is to determine the moderating effect of -compliant securities on the relationship between risk and return. The study uses panel regression, pooled ordinary least squares (OLS), random and fixed effects analysis. The sample size of the study consists of the 200 largest companies based on the list of market capitalization in 2019. In addition, the study uses a firm fixed effect and a two-stage generalized moments method (GMM) to test the robustness of the results for the years between 2010 and 2019 in -compliant securities negatively affect the relationship between risk and stock returns. The results are robust, even after mitigating endogeneity issues regarding omitted variable bias mechanism to mitigate the relationship between risk and return. Policy makers -compliant securities in the Islamic capital market (ICM) to mitigate the risk-return -compliant investment portfolios with this advantage to encourage more investors to choose ICM as their main preference for an internationally diversified portfolio. moderating factor in the relationship between risk and equity returns. This gap has been addressed in this study.