

Applied Economics &gt;

Volume 45, 2013 - Issue 24

1,327 73

Views

CrossRef citations to date

0

Altmetric

Original Articles

# Are Islamic finance innovations enough for investors to escape from a financial downturn? Further evidence from portfolio simulations

M. E. Arouri, H. Ben Ameur, N. Jawadi, F. Jawadi ✉ &amp; W. Louhichi

Pages 3412-3420 | Published online: 09 Aug 2012

Cite this article <https://doi.org/10.1080/00036846.2012.707776>

Sample our  
Economics, Finance,  
Business & Industry Journals  
>> [Sign in here](#) to start your access  
to the latest two volumes for 14 days

Full Article

Figures &amp; data

References

Citations

Metrics

Reprints &amp; Permissions

Read this article

## Abstract

Does Islamic finance constitute a promising solution for the current global financial crisis and are Islamic financial innovations enough to reassure investors, stabilize financial systems and provide them with a means of escaping from financial

### About Cookies On This Site

We and our partners use cookies to enhance your website experience, learn how our site is used, offer personalised features, measure the effectiveness of our services, and tailor content and ads to your interests while you navigate on the web or interact with us across devices. You can choose to accept all of these cookies or only essential cookies. To learn more or manage your preferences, click "Settings". For further information about the data we collect from you, please see our [Privacy Policy](#).

Accept All

Essential Only

Settings



for conventional and Islamic funds to ensure the best resource allocation. Our main findings are: (i) the impact of the current crisis on the Islamic finance industry is less marked than on conventional finance, (ii) investment in Islamic products generates high returns, (iii) portfolios that include Islamic products reduce systemic risk and generate significant diversification benefits, (iv) the US crisis has led to significant changes in resource allocation through changes in investment choices.

Keywords: Islamic finance portfolio simulations financial crisis

JEL Classification:: G01 G11 C32

## Notes

<sup>1</sup> See Sousa ([2010](#), [2012a](#)) for wealth effects and macroeconomic impacts of these central bank actions and measures.

<sup>2</sup> It is important to note that while the period under consideration enables us to investigate the contribution of investment in Islamic funds before and after the subprime crisis, this cannot apprehend the nature of investment opportunities after the impact of Lehmann's collapse or the EU sovereign debt crisis. Such issues could be the focus of future research work. We would like to thank the anonymous reviewer for this suggestion.

<sup>3</sup> We have not reported the results of the unit root tests to save space, but they are available upon request.

<sup>4</sup> We do not report the results of Granger test for the sub-periods to save space. They are however available upon request.

<sup>5</sup> Such suggestions may be significant and require further research. This paper, however, does not consider the impact of the crisis on the Islamic finance industry. This is a topic that deserves further research, whereas the impact of the crisis on the conventional finance industry is probably well known. In this regard to conventional finance, the crisis has led to significant changes in resource allocation through changes in investment choices.

### About Cookies On This Site

We and our partners use cookies to enhance your website experience, learn how our site is used, offer personalised features, measure the effectiveness of our services, and tailor content and ads to your interests while you navigate on the web or interact with us across devices. You can choose to accept all of these cookies or only essential cookies. To learn more or manage your preferences, click "Settings". For further information about the data we collect from you, please see our [Privacy Policy](#).

Accept All

Essential Only

Settings



supplanted conventional assets to some extent after the US crisis.

<sup>7</sup> For more details about changes in investor's preference, see Sousa ([2012b](#)), who explores the nature of preferences of the representative investor to emphasize the role of wealth shocks in explaining time-variation in portfolio composition. Also, Sousa ([2012c](#), d, e) recently investigated the linkages between asset wealth, labour income, stock returns and government bond yields, and provides evidence of changes in investor's choices and preference.

<sup>8</sup> We would like to thank the anonymous reviewer for his/her suggestion regarding the derivation of an optimal portfolio.

## Related research

People also read


Recommended articles

Cited by  
73



### About Cookies On This Site

We and our partners use cookies to enhance your website experience, learn how our site is used, offer personalised features, measure the effectiveness of our services, and tailor content and ads to your interests while you navigate on the web or interact with us across devices. You can choose to accept all of these cookies or only essential cookies. To learn more or manage your preferences, click “Settings”. For further information about the data we collect from you, please see our [Privacy Policy](#).

Accept All 

Essential Only

Settings



## Information for

Authors

R&D professionals

Editors

Librarians

Societies

## Opportunities

Reprints and e-prints

Advertising solutions

Accelerated publication

Corporate access solutions

## Open access

Overview

Open journals

Open Select

Dove Medical Press

F1000Research

## Help and information

Help and contact

Newsroom

All journals

Books

## Keep up to date

Register to receive personalised research and resources by email



Sign me up



Copyright © 2024 Informa UK Limited [Privacy policy](#) [Cookies](#) [Terms & conditions](#)

[Accessibility](#)



Taylor & Francis Group  
an informa business

Registered in England & Wales No. 3099067  
5 Howick Place | London | SW1P 1WG

### About Cookies On This Site

We and our partners use cookies to enhance your website experience, learn how our site is used, offer personalised features, measure the effectiveness of our services, and tailor content and ads to your interests while you navigate on the web or interact with us across devices. You can choose to accept all of these cookies or only essential cookies. To learn more or manage your preferences, click “Settings”. For further information about the data we collect from you, please see our [Privacy Policy](#).

Accept All

Essential Only

Settings