


Chapter 7

Aligning Shariah– Compliant Investments With Sustainability: The Impact of SDGs on India's Stock Market

Mohammad Irfan

 <https://orcid.org/0000-0002-4956-1170>

Chandigarh University, India

ABSTRACT

This research explores the integration of sustainability within Shariah-compliant investments in India's stock market, focusing on how SDGs help align ethical and financial practices. Shariah-compliant investments follow Islamic principles, excluding sectors like liquor, gambling, and high-debt companies—aligning with many ESG goals. This paper examines Shariah-compliant stocks and their link to SDGs, showing how they promote sustainable economic growth and ethical values. The study highlights opportunities to advance SDG objectives in responsible consumption, clean energy, and financial inclusion through Shariah-compliant investments. Insights are geared towards investors interested in ethical, sustainable opportunities, emphasizing how Islamic finance can contribute to India's sustainability goals. Findings suggest that integrating Shariah principles with SDGs enhances responsible investment strategies, promoting long-term sustainability in India's capital markets.

DOI: 10.4018/979-8-3693-9714-5.ch007

1.0 INTRODUCTION

Shariah investment has now become an important focus point for investors, policymakers, and financial institutions alike-in the new landscape of global finance: the integration of sustainability into investment strategies. This recognition has become urgent largely because of the rise in acknowledgment of long-term risks and opportunities connected to the categories of ESG factors, along with the world's commitment to achieving the United Nations' Sustainable Development Goals (SDGs) (Ahmed et al., 2015). These trends are further buttressed by the rise of ethical investments, which, within the Islamic camp, is exemplified by the increasing profile of Shariah-compliant investments (Jan et al., 2023a, 2023b). Convergence sustainability, ethical finance, and Shariah compliance offer a unique framework for responsible investing, especially in emerging markets such as India, where financial inclusion and sustainable development are the twin priorities (Chen et al., 2022; Chin et al., 2022). Shariah-compliant investments follow the Islamic finance principles that exclude participation in industries believed to be dangerous or repugnant, such as liquor, gaming, and usurious debt (Irfan, 2021). Investments that promote fairness, transparency, and social responsibility are almost perfectly aligned with many ESG and SDG objectives. The SDGs, adopted in 2015, provide a universal call to action to end poverty and protect the planet with prosperity for all by 2030 (Hunjra et al., 2022; Nguyen et al., 2023). These 17 goals place a strong emphasis on inclusive and sustainable growth, focusing sharply on issues such as climate change, innovation, and reducing inequality. India's stock market currently provides a platform to analyse how Shariah-compliant investments could be considered in the context of sustainable development (Chen et al., 2022; Chin et al., 2022). India, as one of the evolving and booming economies in the world, faces a challenge: sustain economic growth while maintaining environmental and social sustainability. Integrating SDGs into Shariah compliance investments is a way forward that can aid in aligning finance with the ethics and the orientation of sustainability goals- hence framing responsible investing in the Indian market (Ahmed et al., 2015).

The role of Shariah-compliant investment in ethical finance Investments most relying on Shariah-compliant principles are based on the tenets of Islamic finance, which are stipulated to be on the basics of justice, equity, and the prevention of exploitation (Wahab et al., 2023). Such investments prohibit sectors or activities, such as alcohol, tobacco, casino games, and high-interest loans, which are detrimental to society and the environment (Saba et al., 2021). Instead, they invest in sectors that prove to be beneficial to public needs, like health, education, and infrastructure. By avoiding too much risk and speculation, Shariah-compliant investments encourage stability and long-term growth, which puts them in a good

30 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage: www.igi-global.com/chapter/aligning-shariah-compliant-investments-with-sustainability/395876

Related Content

Technology Acceptance Model

M. McCord (2007). *Handbook of Research on Electronic Surveys and Measurements* (pp. 306-308).

www.irma-international.org/chapter/technology-acceptance-model/20249

Measurement Analysis of Ultra-Wideband Monopole Antenna With Defected Ground Structure

Madan Kumar Sharma, Mithilesh Kumar and J.P. Saini (2017). *International Journal of Measurement Technologies and Instrumentation Engineering* (pp. 1-12).

www.irma-international.org/article/measurement-analysis-of-ultra-wideband-monopole-antenna-with-defected-ground-structure/201047

Measurements through Rectenna System

G. Griffo and P. Vergallo (2013). *International Journal of Measurement Technologies and Instrumentation Engineering* (pp. 13-26).

www.irma-international.org/article/measurements-through-rectenna-system/109648

Authentic Online Assessment: Three Case Studies in Teacher Education

Mike Keppell, Eliza Au Kit Oi and Ada Ma Wai Wing (2006). *Online Assessment and Measurement: Case Studies from Higher Education, K-12 and Corporate* (pp. 42-61).

www.irma-international.org/chapter/authentic-online-assessment/27665

A Case Study of Authentic Assessment

David A. Eubanks (2009). *Handbook of Research on Assessment Technologies, Methods, and Applications in Higher Education* (pp. 213-230).

www.irma-international.org/chapter/case-study-authentic-assessment/19673