Capital Aset Pricing Model (CAPM) Revisited: The Context of Sharia-based Stocks with the *Barakah* Risk Premium Variable

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**Abstract**

The purpose of this study is to answer the question about the inconsistency of research results in the field of Islamic stock investment. This study uses a literature study and in-depth interview with several Islamic financial experts for digging the uniqueness of Sharia stock investments which cannot be explained completely with a quantitative approach. In the last part of this research, we adjust the Capital Asset Pricing Model (CAPM) in *Sharia* capital market based on a literature study and deep interview. The classical finance theories such as portfolio and CAPM need to adjust by incorporating the unique characteristics of faith-based investments products. The main difference between faith-based and conventional investment products lies in the presence of religious teachings that underlie the formation of these products. Consequently, investors employ not only the objective risk-and-return analysis to select investment choices, but also the subjective risk-and-return analysis based on Islamic teachings. Accordingly, investors seek to align monetary and nonmonetary gains in making investment decisions. Subjective gains (nonmonetary) are reflected by the *Barakah* risk premium on which investors initially base their investment selection decisions between *sharia-*based and conventional stock investment. This research found a new variable called *Barakah* risk premium and *Barakah* return. This type of risk and return are very specific which is only found in sharia stock investments

**Keywords**: *Barakah* risk premium, *Barakah* return, CAPM, *Sharia-*based stocks

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