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Does Shariah Screening Buy Resilience? Exchange Rate Sensitivity of Islamic and Conventional Equities in Indonesia across Six Crisis Episodes

Faizul Mubarok, Shine Pintor Siolemba Patiro & Wenda Wahyu Christiyanto

Universitas Terbuka

Email: faizul.mubarok@ecampus.ut.ac.id

Abstract

This study examines whether Shariah-compliant equities in Indonesia are more resilient to macroeconomic pressure than the conventional market. Using 203 monthly observations from February 2009 to December 2025, it relates returns on the Jakarta Islamic Index (JII) and the Jakarta Composite Index (JCI) to changes in inflation, the policy rate, and rupiah depreciation, allowing these sensitivities to shift across six crisis episodes. A return-spread equation formally tests differential sensitivity. Rupiah depreciation is the only consistently significant channel: a one per cent depreciation lowers monthly returns by 0.75 percentage points for the JII and 1.00 for the JCI. The resilience hypothesis is not supported, as the crisis-interaction terms are insignificant in the return and spread equations. The JII is marginally less exchange-rate sensitive in normal times, but this advantage reverses during the 2013 taper tantrum and the 2015–2016 commodity slump. After controlling for macroeconomic factors, the JII underperforms the JCI by about 0.59 percentage points per month. The evidence favors a sectoral-composition explanation over a resilience explanation, so Shariah screening should not be treated as a crisis hedge.

Keywords Islamic stock index, Shariah screening, resilience, exchange rate, financial crisis.

1. Introduction

Islamic capital markets have grown from a niche segment into a mainstream component of many emerging equity markets. Indonesia, home to the world's largest Muslim population, launched the Jakarta Islamic Index (JII) in July 2000 as a benchmark of the thirty most liquid Shariah-compliant stocks. A recurring argument is that such equities should be more resilient to economic stress than the broader market. The argument rests on screening: Shariah screens exclude firms whose core business involves interest-based finance or other prohibited activities, and cap ratios such as interest-bearing debt relative to assets or market capitalization (Derigs & Marzban, 2008; Masih et al., 2018). Portfolios formed this way hold fewer highly leveraged firms and no conventional banks, which in principle should dampen their exposure to credit, interest-rate and currency shocks.

The international evidence is mixed. Islamic indices outperformed conventional counterparts during the global financial crisis (Al-Khazali et al., 2014; Ho et al., 2014), showed little contagion during the global financial and eurozone crises (Kenourgios et al., 2016), and were relatively more resilient in less integrated markets (Erragragui et al., 2018). Firm-level studies report lower risk and greater resilience among Shariah-compliant firms (Cheong, 2021; Shear

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& Ashraf, 2022). Other work finds that Islamic indices are more volatile and were not immune to crisis (Ben Rejeb & Arfaoui, 2019), and that the COVID-19 drawdown was broadly indiscriminate, with only Asian Islamic markets showing some relative resilience (Hassan et al., 2022). A systematic review concludes that the safe-haven status of Islamic equity remains contested (Delle Foglie & Panetta, 2020).

Three features limit what we can conclude. First, most studies compare returns, drawdowns, or volatility side by side rather than testing whether the macroeconomic sensitivity of Islamic and conventional equity differs and whether that difference changes under stress. Resilience is a claim about a difference, and two coefficients from separate regressions cannot be compared by inspection. Second, evidence usually comes from one crisis at a time, which prevents asking whether resilience depends on the type of crisis. Third, internationally indexed evidence for Indonesia remains limited to the interdependence of Islamic capital and money markets (Wahyudi & Sani, 2014), the predictive content of country risk (Masrizal et al., 2021) or the pricing of a Shariah risk factor in recent shocks (Dharani et al., 2024). A rival explanation also exists: screening reshapes sectoral composition, raising the weight of energy, mining and infrastructure firms tied to commodity prices (Al-Yahyaee et al., 2020; Badeeb & Lean, 2018), so any difference may reflect what the index holds rather than how its holdings were selected.

This paper asks whether the JII is more resilient than the Jakarta Composite Index (JCI) to domestic macroeconomic pressure, and whether any resilience depends on the type of crisis. It contributes in three ways: a formal test of differential sensitivity through a return-spread equation; coverage of seventeen years and six distinct crises in one framework; and a direct confrontation of the resilience interpretation with the sectoral-composition alternative. The results do not support resilience. Rupiah depreciation is the only consistently significant macroeconomic channel for both markets, crisis-interaction terms are insignificant, and the JII's modest normal-time advantage reverses during commodity-related crises.

2. Literature Review

In a valuation framework, macroeconomic variables matter to the extent that they alter expected cash flows or discount rates. Fama (1981) shows that the negative relation between stock returns and inflation largely reflects the positive relation between returns and real activity. For an open emerging economy, the exchange rate is a key channel: flow-oriented models link currency movements to firms' competitiveness and share prices (Dornbusch & Fischer, 1980), while depreciation episodes often coincide with foreign portfolio outflows, so that currency and equity weakness share a common capital-flow origin (Basher et al., 2012; Eichengreen & Gupta, 2015). Islamic indices are not insulated from these forces. Bahloul et al. (2017) find that Islamic index returns in twenty markets respond to conventional returns and money supply in both low- and high-volatility regimes, and Naifar (2016) shows that global risk factors and macroeconomic conditions shape the global Islamic index. In Indonesia, country risk predicts the Islamic stock index (Masrizal et al., 2021).

H1. *Rupiah depreciation is associated with lower returns on both the JII and the JCI.*

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The screening argument runs through the balance sheet. Firms passing Shariah screens are less leveraged and less dependent on interest-bearing finance (Derigs & Marzban, 2008), which should reduce the sensitivity of their equity value to interest-rate, credit, and currency shocks. Al-Khazali et al. (2014) find that Islamic indices outperform during the global financial crisis even though conventional indices dominate over the full sample in most markets, and Kenourgios et al. (2016) interpret weak contagion as partial insulation. At the firm level, Cheong (2021) reports lower total and idiosyncratic risk for 2,160 Shariah-compliant firms. In Indonesia, the screen is explicit: a listed firm qualifies for the Sharia Securities List only if its interest-based debt does not exceed 45% of total assets and its non-halal income does not exceed 10% of total revenue (OJK, 2017). The JII then selects the thirty most liquid stocks from this list, and the list is reviewed twice a year. The leverage ceiling is the mechanism through which lower macroeconomic sensitivity should arise, while the liquidity-based selection concentrates the index in a small number of large firms.

H2. *The JII is less sensitive to macroeconomic shocks than the JCI.*

Lower average sensitivity is not the same as resilience. A resilient market is one whose exposure to adverse shocks does not intensify, or intensifies less, when a crisis occurs. The distinction matters because crises are periods when correlations rise and fundamentals are repriced (Bekaert et al., 2014), and evidence that Islamic markets remain integrated with conventional markets and transmit volatility (Majdoub & Mansour, 2014) implies that any screening advantage could erode when it is most needed. Studies of the COVID-19 period also examine how Islamic markets reacted and recovered (Chowdhury et al., 2022). Resilience is therefore tested directly as a change in sensitivity during crises. Table 1 summarises the principal prior studies.

H3. *The difference in macroeconomic sensitivity between the JII and the JCI widens in favour of the JII during crisis episodes.*

Table 1. Summary of prior studies

Study	Sample	Method	Main finding
Al-Khazali et al. (2014)	Nine Dow Jones Islamic and conventional indices, 1996–2012	Stochastic dominance	Conventional indices dominate in most markets; Islamic indices outperform during the global financial crisis
Ho et al. (2014)	Global Islamic and conventional share indices	Performance comparison	Islamic indices perform better in crisis periods
Kenourgios et al. (2016)	Islamic equity and sukuk indices; global financial and eurozone crises	Asymmetric DCC	Weak contagion; partial insulation of Islamic markets

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Study	Sample	Method	Main finding
Bahloul et al. (2017)	20 developed and emerging markets, 2002–2014	Markov switching	Islamic returns respond to conventional returns and money supply in both regimes
Erragragui et al. (2018)	5 developed and 3 emerging markets, after 2008	CAPM-EGARCH with ICSS	Islamic indices more resilient in less integrated markets
Ben Rejeb & Arfaoui (2019)	Islamic and conventional indices, instability period	State space with GARCH	Islamic indices more volatile and not immune to the crisis
Cheong (2021)	2,160 non-financial firms, six regions	System GMM	Shariah-compliant firms show lower risk and greater resilience
Hassan et al. (2022)	Country-level Islamic and conventional MSCI indices, COVID-19	Maximum drawdown; cross-section regression	Largely indiscriminate drawdown; some resilience in Asian Islamic markets
This study	JII and JCI, 2009–2025, six crises	Short-run ARDL with spread equation; HAC	No evidence of resilience; advantage reverses in commodity-related crises

(source: compiled by the authors)

A rival explanation rests on sectoral composition. Removing banks and highly leveraged firms raises the weight of energy, mining and infrastructure. Crude oil prices are linked to Islamic stock indices in Southeast Asia (Abdullah et al., 2016), the effect of oil on Islamic sectoral stocks is asymmetric (Badeeb & Lean, 2018), and the equity effect of an oil shock depends on what drives it (Kilian & Park, 2009). In a banking-origin crisis such as that of 2008, excluding banks is an advantage by construction; in a commodity slump or a capital-flow reversal that strikes commodity exporters, the same tilt may be a liability. Indonesia was among the emerging markets under pressure after the 2013 tapering announcement (Eichengreen & Gupta, 2015), and the 2022 war in Ukraine depressed world stock returns (Boungou & Yatié, 2022). This reasoning is treated as an exploratory proposition: if the sectoral explanation holds, any JII advantage should be weakest in crises driven by commodities and external financing. Figure 1 summarises the research model.

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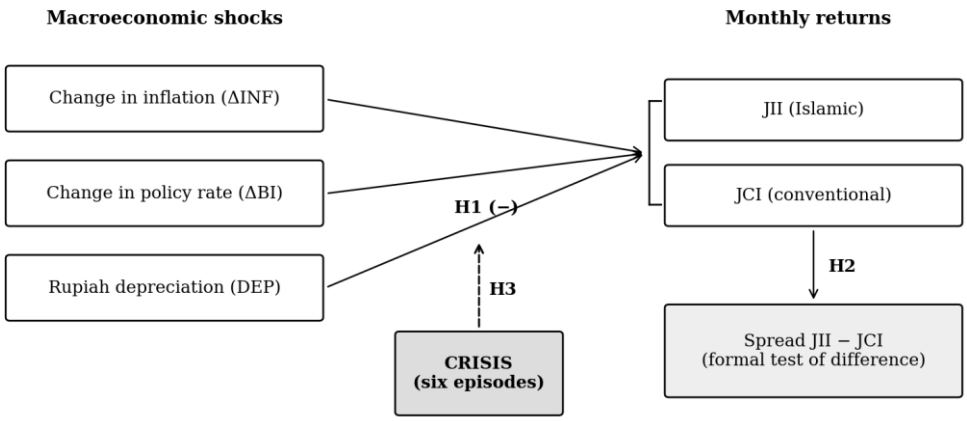

Figure 1. Research model

3. Research Method

The study uses monthly data from February 2009 to December 2025 (203 observations after differencing). End-of-month closing values of the JII and the JCI are from the Indonesia Stock Exchange (IDX), year-on-year inflation is from Statistics Indonesia (BPS), and the policy rate and IDR/USD exchange rate are from Bank Indonesia. The policy-rate series splices the BI Rate (to July 2016), the BI 7-Day Reverse Repo Rate (from August 2016) and its successor, the BI-Rate. [Authors to specify whether the exchange rate is an end-of-month or a monthly-average rate.] Data for 2026 are excluded because they were incomplete at the time of writing. Table 2 defines the variables, and Table 3 lists the six crisis episodes, dated by events; the composite CRISIS dummy equals one in 55 months.

Table 2. Variable definitions

Variable	Definition	Source
R_{JII}, R_{JCI}	Monthly log return: $100 \times \ln(P_t / P_{t-1})$, end-of-month close	IDX
SPREAD	$R_{JII} - R_{JCI}$ (percentage points)	Computed
VOL_{JII}, VOL_{JCI}	Rolling 12-month standard deviation of log returns $\times \sqrt{12}$ (%)	Computed
ΔINF	First difference of year-on-year CPI inflation (pp)	BPS
ΔBI	First difference of the policy rate (pp)	Bank Indonesia
DEP	Monthly % change of IDR/USD; positive = rupiah depreciation	Bank Indonesia
CRISIS	Dummy = 1 in the crisis months of Table 3	Authors

(source: authors' compilation)

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Table 3. Crisis episodes

Episode	Period	Months	Nature of the shock
Global financial crisis (tail)	Feb–Mar 2009	2	Banking-origin global crisis
Eurozone debt crisis	Aug–Dec 2011	5	Sovereign-debt stress; US rating downgrade
Taper tantrum	May–Dec 2013	8	US policy signal; capital-flow reversal
Commodity slump	Aug 2015–Feb 2016	7	Yuan devaluation; commodity price collapse
COVID-19 pandemic	Mar 2020–Dec 2021	22	Global health and demand shock
War in Ukraine	Feb–Dec 2022	11	Geopolitical and commodity-price shock
Total		55	27.1% of 203 months

(source: authors' dating based on event chronology)

Stationarity is assessed with the augmented Dickey–Fuller (Dickey & Fuller, 1979), Phillips–Perron (Phillips & Perron, 1988) and KPSS (Kwiatkowski et al., 1992) tests, supplemented by the Zivot–Andrews test with an endogenous break (Zivot & Andrews, 1992). Because all model variables prove stationary, there is no level relationship to test and the bounds procedure of Pesaran et al. (2001) does not apply; the models are estimated in short-run autoregressive distributed lag form. The return equation for index i is:

$$R_{i,t} = \alpha_i + \Sigma_{j=1}^{p} \varphi_{i,j} R_{i,t-j} + \beta_{1i}\Delta INF_t + \beta_{2i}\Delta BI_t + \beta_{3i} DEP_t + \gamma_i CRISIS_t + \delta_{1i}(CRISIS_t \times DEP_t) + \delta_{2i}(CRISIS_t \times \Delta BI_t) + \varepsilon_{i,t} \quad (1)$$

Coefficients β measure normal-period sensitivity and δ its change in crises; the lag order p is chosen by the Akaike criterion (0 to 3). Because coefficients from separate equations cannot be compared by inspection, the spread equation is estimated:

$$SPREAD_t = a + b_1\Delta INF_t + b_2\Delta BI_t + b_3 DEP_t + c\ CRISIS_t + d_1(CRISIS_t \times DEP_t) + d_2(CRISIS_t \times \Delta BI_t) + u_t \quad (2)$$

Each coefficient in equation (2) equals the JII–JCI difference with its own standard error. H2 predicts $b_3 > 0$ and H3 predicts $d_1 > 0$; the constant a measures relative performance after macroeconomic controls. Volatility is modelled as a first-order autoregression on the same regressors. All equations use Newey–West HAC standard errors (Newey & West, 1987) with six lags, and twelve lags for volatility because rolling windows overlap. Diagnostics cover serial correlation (Breusch–Godfrey), heteroskedasticity (Breusch–Pagan), normality (Jarque–Bera), functional form (RESET) and stability (CUSUM). Four robustness checks replace contemporaneous depreciation with its lag, drop 2009, and restrict the crisis dummy to COVID-19 or to the taper tantrum and commodity slump combined.

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4. Finding and Discussion

Table 4 summarises the data. The mean monthly log return is 0.49% for the JII and 0.92% for the JCI, with similar standard deviations. In crisis months, average returns fall for both indices, while volatility rises more for the JII (from 13.8% to 17.9%) than for the JCI (from 13.4% to 15.8%). The rupiah depreciates by 0.91% per month on average in crisis months against −0.03% otherwise, confirming that the crises in this sample are episodes of exchange-rate pressure. Figure 2 shows that the two indices moved together until about 2013 and diverged afterwards; by December 2025 the cumulative log-return spread reached −87.4 percentage points (Figure 3).

Table 4. Descriptive statistics, February 2009 – December 2025

Variable	Mean	SD	Min	Max	Mean, normal	Mean, crisis
R_{JII}	0.491	4.794	−17.061	18.094	0.711	−0.103
R_{JCI}	0.921	4.604	−18.342	18.342	1.232	0.084
SPREAD	−0.430	2.503	−15.893	13.611	−0.521	−0.187
VOL_{JII}	14.952	5.300	5.881	31.251	13.834	17.882
VOL_{JCI}	14.076	5.563	4.265	27.536	13.414	15.814
DEP	0.220	1.997	−6.891	10.749	−0.034	0.906

(source: IDX, BPS and Bank Indonesia, processed; volatility from January 2010)

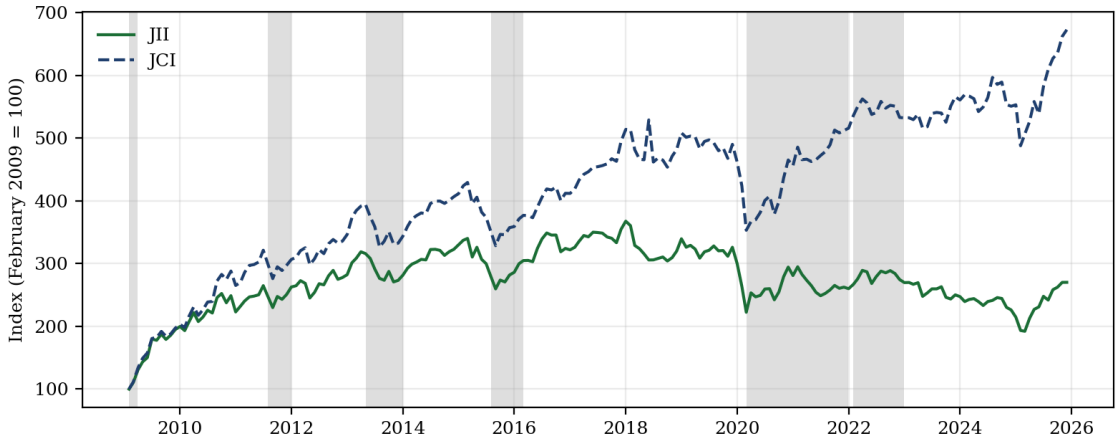

Figure 2. JII and JCI, February 2009 = 100; shaded areas are crisis episodes (source: IDX, processed)

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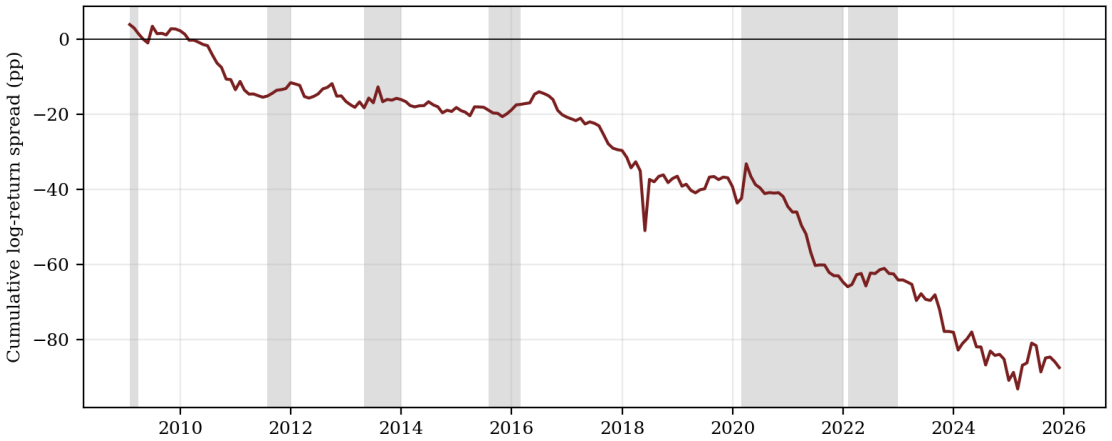

Figure 3. Cumulative JII − JCI log-return spread (source: IDX, processed)

Table 5 shows that all model variables are stationary. Inflation in levels is not: the ADF test does not reject a unit root, KPSS rejects stationarity, and the Zivot–Andrews test with a break in September 2015 also fails to reject (p = 0.891), so inflation enters in first differences. The apparent stationarity of index levels on the full sample is an artefact of starting at the 2009 trough; from January 2010 the unit root in the log JII is no longer rejected (p = 0.140).

Table 5. Unit-root tests

Series	ADF	p	PP	p	KPSS	p	Order
ln JII (level)	−5.366	<0.001	−5.454	<0.001	0.446	<0.010	I(1)[a]
ln JCI (level)	−6.263	<0.001	−6.382	<0.001	0.297	<0.010	I(1)[a]
ln IDR/USD (level)	−2.455	0.351	−3.344	0.059	0.260	<0.010	I(1)
Policy rate (level)	−2.068	0.258	−2.434	0.132	0.892	<0.010	I(1)
Inflation (level)	−1.479	0.544	−3.140	0.024	1.059	<0.010	I(1)[b]
R_{JII}	−12.796	<0.001	−12.908	<0.001	0.571	0.026	I(0)
R_{JCI}	−12.990	<0.001	−13.248	<0.001	0.460	0.051	I(0)
SPREAD	−18.136	<0.001	−18.371	<0.001	0.188	>0.100	I(0)
ΔBI	−6.505	<0.001	−9.196	<0.001	0.110	>0.100	I(0)
DEP	−11.097	<0.001	−11.233	<0.001	0.164	>0.100	I(0)
ΔINF	−3.995	0.001	−9.839	<0.001	0.064	>0.100	I(0)
VOL_{JII}	−2.841	0.053	−2.872	0.049	0.180	>0.100	I(0)[c]
VOL_{JCI}	−2.718	0.071	−2.941	0.041	0.230	>0.100	I(0)[c]

(source: authors' estimation; ADF and PP: H0 unit root; KPSS: H0 stationary; [a] I(1) from 2010; [b] Zivot–Andrews p = 0.891; [c] highly persistent)

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Table 6 reports the return and spread equations. Rupiah depreciation is highly significant for both markets: a one per cent depreciation lowers returns by 0.753 percentage points for the JII and 1.002 for the JCI, supporting H1. Inflation changes are insignificant, and the policy rate is weakly significant for the JII only (−2.90, p = 0.064). In the spread equation, the coefficient on DEP is 0.230 (p = 0.147): the JII tends to fall by less than the JCI when the rupiah weakens, but the difference is not significant, so H2 is not supported. H3 is rejected: the crisis interaction is insignificant for the JII (p = 0.594), the JCI (p = 0.769) and the spread (−0.049, p = 0.805). The spread constant (−0.587, p < 0.001) implies that the JII underperforms by about 7.0 percentage points a year after macroeconomic controls. Diagnostics reveal no serial correlation, heteroskedasticity or instability at the 5% level; residuals are non-normal, as is usual for returns, and the RESET result for the spread (p = 0.011) hints at nonlinearity.

Table 6. Return and spread equations

	R_{JII}	R_{JCI}	SPREAD
Constant	0.508 (0.349)	1.079*** (0.362)	−0.587*** (0.155)
ΔINF	−0.650 (0.643)	−0.608 (0.506)	−0.041 (0.190)
ΔBI	−2.900* (1.566)	−0.646 (2.302)	−2.528 (2.329)
DEP	−0.753*** (0.223)	−1.002*** (0.262)	0.230 (0.159)
CRISIS	0.020 (0.594)	−0.138 (0.515)	0.177 (0.333)
CRISIS × DEP	−0.176 (0.330)	−0.111 (0.377)	−0.049 (0.198)
CRISIS × ΔBI	0.789 (2.495)	−1.964 (3.135)	2.763 (2.444)
$R_{i,t-1}$	−0.094 (0.070)	−0.130*** (0.048)	
$R_{i,t-2}$	−0.003 (0.066)	0.033 (0.061)	
$R_{i,t-3}$	0.086 (0.067)	0.099* (0.059)	
N	200	200	202
Adjusted R^2	0.101	0.187	0.013
Breusch–Godfrey (p)	0.440	0.298	0.177
Breusch–Pagan (p)	0.117	0.164	0.375
RESET (p)	0.350	0.076	0.011

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	R_{JII}	R_{JCI}	SPREAD
CUSUM (p)	0.091	0.151	0.709

(source: authors' estimation; HAC standard errors in parentheses; *** p < 0.01; ** p < 0.05; * p < 0.10)

Volatility is highly persistent (Table 7; autoregressive coefficients 0.942 for the JII and 0.943 for the JCI), and none of the macroeconomic variables or the crisis dummy is significant at the 5% level. Thus, although JII volatility rises more in crises (Figure 4), monthly macroeconomic shocks do not explain volatility beyond its own persistence.

Table 7. Volatility equations

	VOL_{JII}	VOL_{JCI}	$VOL_{JII} - VOL_{JCI}$
Constant	0.760** (0.367)	0.688** (0.304)	0.067 (0.148)
ΔINF	0.097 (0.201)	−0.053 (0.172)	0.153 (0.093)
ΔBI	−0.238 (0.880)	0.743 (0.973)	−1.031 (0.697)
DEP	0.111 (0.099)	0.165 (0.121)	−0.056 (0.050)
CRISIS	0.175 (0.339)	0.133 (0.419)	0.094 (0.145)
Lagged dependent	0.942*** (0.026)	0.943*** (0.021)	0.914*** (0.042)
N	191	191	191
Adjusted R^2	0.894	0.887	0.851

(source: authors' estimation; HAC standard errors with 12 lags in parentheses; *** p < 0.01; ** p < 0.05; * p < 0.10)

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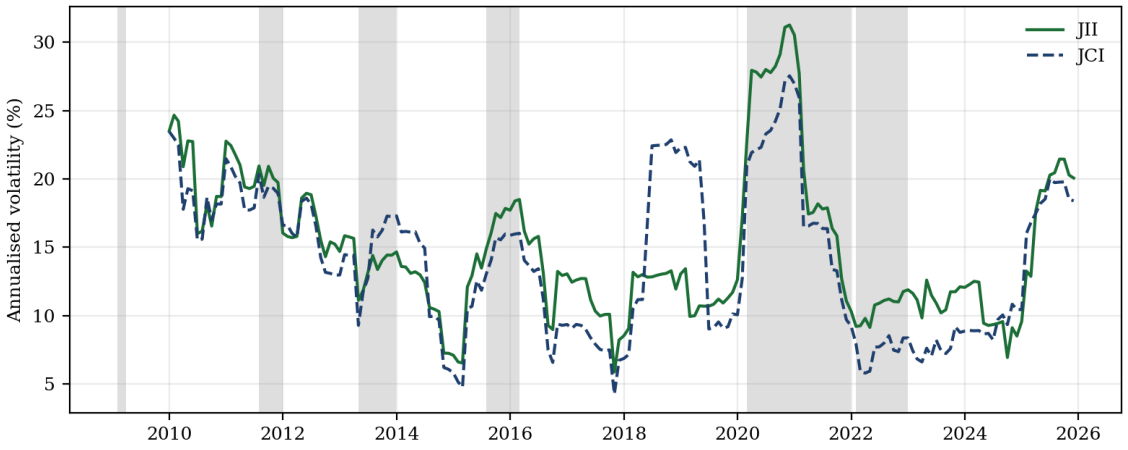

Figure 4. Rolling 12-month volatility of the JII and JCI (source: IDX, processed)

Table 8 reports the robustness checks. Excluding 2009 (R2) and restricting the dummy to COVID-19 (R3) leave the conclusions unchanged. With lagged depreciation (R1), the crisis interaction is positive and significant for the JII only, so the JII rebounds more strongly a month after a crisis depreciation; given its larger rise in crisis volatility, this reads as overreaction and correction rather than resilience. The sharpest result comes from R4: outside the taper tantrum and commodity slump the JII is significantly less exposed to depreciation than the JCI (spread coefficient 0.267), but during these episodes the interaction is −0.367 ($p = 0.001$), reversing the advantage to −0.10. Because twelve interaction tests are run, one significant result could arise by chance; R4 is therefore read as consistent with, not proof of, the sectoral explanation, although it is the specification that explanation singled out in advance.

Table 8. Robustness: key coefficients

Specification	Coefficient	R_{JII}	R_{JCI}	SPREAD
R1: lagged depreciation	DEP_{t-1}	−0.200 (0.392)	−0.137 (0.514)	−0.063 (0.474)
	$CRISIS \times DEP_{t-1}$	0.672** (0.026)	0.337 (0.262)	0.335* (0.057)
R2: sample from 2010	DEP	−0.687*** (0.004)	−0.936*** (<0.001)	0.249 (0.199)
	CRISIS × DEP	−0.089 (0.799)	−0.023 (0.954)	−0.067 (0.767)
R3: COVID-19 only	DEP	−0.814*** (<0.001)	−0.986*** (<0.001)	0.172 (0.161)
	COVID × DEP	−0.024 (0.952)	−0.176 (0.637)	0.153 (0.332)

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Specification	Coefficient	R_{JII}	R_{JCI}	SPREAD
R4: taper tantrum and commodity slump	DEP	−0.835*** (<0.001)	−1.102*** (<0.001)	0.267*** (0.005)
	TK × DEP	0.069 (0.852)	0.436 (0.279)	−0.367*** (0.001)

(source: authors' estimation; p-values in parentheses; TK = taper tantrum and commodity slump; *** p < 0.01; ** p < 0.05; * p < 0.10)

These results contrast with evidence that Islamic indices outperformed during the global financial crisis (Al-Khazali et al., 2014; Ho et al., 2014) and with firm-level evidence of resilience (Cheong, 2021; Shear & Ashraf, 2022), and align with findings that Islamic indices were not immune to crisis (Ben Rejeb & Arfaoui, 2019) and that the COVID-19 drawdown was largely indiscriminate (Hassan et al., 2022). The two strands can be reconciled by crisis type. Much of the evidence for resilience comes from 2008, a banking-origin crisis in which excluding banks is an advantage by construction. The present sample begins at the trough of that crisis and covers sovereign-debt, capital-flow, commodity, health and geopolitical shocks, none of which is naturally hedged by excluding banks. The crisis benefit of screening therefore appears to depend on where a crisis originates rather than being a general property of Shariah compliance.

The R4 reversal fits this reading. During the taper tantrum Indonesia faced pressure on its currency, reserves and equity prices (Eichengreen & Gupta, 2015), and during the commodity slump falling export prices and a weaker rupiah struck commodity-linked firms at the same time. For an index tilted towards energy and mining, depreciation in these episodes coincides with falling revenues rather than competitiveness gains, consistent with the oil sensitivity of Islamic indices in Southeast Asia (Abdullah et al., 2016) and with sector-dependent crisis performance (Al-Yahyaee et al., 2020). The weak policy-rate effect on the JII runs against the leverage argument and may reflect capital-intensive infrastructure and property constituents, but it is significant only at 10% and should not be overinterpreted. Finally, the persistent underperformance is consistent with conventional dominance outside crises (Al-Khazali et al., 2014), and may partly reflect the JII's design as a concentrated thirty-stock index.

5. Conclusion

Using seventeen years of monthly data and six crisis episodes, this study finds no evidence that Shariah-compliant equity in Indonesia is more resilient to macroeconomic pressure. Rupiah depreciation is the dominant channel for both the JII and the JCI; the JII is marginally less exchange-rate sensitive in normal times, but its sensitivity does not improve during crises and its relative advantage reverses in the taper tantrum and commodity slump. The JII also underperforms persistently after macroeconomic controls. The evidence favours a sectoral-composition explanation over a resilience explanation.

For investors, Shariah screening should not be treated as a crisis hedge, and the sector weights of Islamic equity holdings deserve monitoring. For the exchange and the regulator, broader or

sector-capped Shariah indices would help investors separate the effect of compliance from that of sector exposure. For Bank Indonesia, exchange-rate stabilisation supports the Islamic and conventional markets alike. The study is limited by index-level data for one market, the absence of commodity-price controls, event-based crisis dating, linear specifications and rolling-window volatility. Future research should use the Indonesia Sharia Stock Index (ISSI), add oil and coal prices, apply nonlinear ARDL models, model volatility with GARCH-type specifications, and examine the 2026 market turbulence once complete data are available.

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