AL RISALAH: Jurnal Ilmu Syariah dan Hukum

VOLUME 26 NO 2, NOVEMBER 2026
P-ISSN: 2252-8334 / E-ISSN: 2550-0309
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https://doi.org/10.24252/al-risalah.vi.72781

Assessing Sharia and Conventional Capital Market Resilience to Macroeconomic Pressures in Indonesia: Comparative ARDL Evidence from JII and IHSG (2009–2025)

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Article history:
Received in revised form: 18 September 2026
Acceptance date: 22 October 2026
Available online: 1 November 2026

Keywords:
Sharia Capital Market; Jakarta Islamic Index; IHSG; ARDL; Exchange Rate; Market Resilience

How to Cite:
Adawiyah, R., Mubarok, F., Rodoni, A., & Masruroh, A. (2026). Assessing Sharia and Conventional Capital Market Resilience to Macroeconomic Pressures in Indonesia: Comparative ARDL Evidence from JII and IHSG (2009–2025). Al-Risalah Jurnal Ilmu Syariah Dan Hukum.
https://doi.org/10.24252/al-risalah.vi.72781

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Abstract
This study examines whether Sharia-screened and conventional stock indices in Indonesia exhibit distinct macroeconomic adjustment patterns. Using 204 monthly observations for January 2009–December 2025, parallel autoregressive distributed lag (ARDL) models relate the Jakarta Islamic Index (JII) and Composite Stock Price Index (IHSG) to the Bank Indonesia policy rate, inflation, and the IDR/USD exchange rate. Resilience is evaluated cautiously through conditional macroeconomic sensitivity and temporal predictability rather than inferred from index-level dispersion alone. The selected models are ARDL(1,1,0,3) for JII and ARDL(1,0,0,3) for IHSG. Exchange-rate terms are individually significant at the reported lags in both equations; inflation is not significant in either. Contemporaneous and one-period-lagged policy-rate terms are significant with opposite signs in the JII equation, while the contemporaneous term is not significant in the IHSG equation. At the 10% level, both bounds-test F-statistics fall between the lower and upper critical values, making evidence of a level relationship inconclusive. Pairwise Granger tests suggest predictive precedence from JII to IHSG, but not structural causation. These findings document differentiated short-horizon associations and predictive links; they do not, without return-based risk measures and a formal cross-model test, establish that either market is categorically more resilient.

INTRODUCTION

Indonesia's equity market combines a broad conventional benchmark, the Composite Stock Price Index (IHSG), with a Sharia-screened segment represented by the Jakarta Islamic Index (JII). Both reflect changes in monetary conditions, inflation, and currency valuation, yet their constituent coverage differs substantially. Because JII is a screened subset of listed equities whereas IHSG is a broad composite, divergence in their estimated relationships with macroeconomic factors may reflect sector allocation, capital structure, index construction, or adjustment dynamics rather than religious classification alone. This distinction is central to an interpretable comparison of market responses.

The January 2009–December 2025 period spans post-global-financial-crisis adjustments, the COVID-19 shock, tightening monetary conditions in 2022–2023, and renewed exchange-rate pressures. These episodes offer a useful setting in which to investigate whether policy-rate, inflation, and currency movements have comparable conditional associations with JII and IHSG. The sample minima reported below cover the entire 2009–2025 observation window and must not be identified as pandemic troughs without a corresponding dated observation. Similarly, differences in post-shock recovery cannot be asserted from index-level ARDL regressions unless recovery horizons are independently measured.

The theoretical issue is whether Sharia screening changes the transmission of public macroeconomic information into equity valuations. Sharia restrictions on business activities and financial ratios can modify sectoral representation and balance-sheet exposure; they do not remove common trade, currency, liquidity, or investor-sentiment channels. This creates a testable tension between partial market differentiation and substantial common exposure, rather than implying automatic insulation from shocks.[1] From an information-processing perspective, the Efficient Market Hypothesis (EMH) concerns the incorporation of information into prices; the present lagged-level models do not themselves constitute a formal test of market efficiency.[2]

Existing studies have compared Islamic and conventional equity behavior and examined macroeconomic drivers of JII, including their crisis-period performance. The unresolved issue addressed here is narrower than the existence of a Sharia advantage: with identical macroeconomic regressors, do the two Indonesian indices exhibit different selected lag structures, coefficient patterns, and predictive relationships over an extended

[1] M. Asutay, Y. Wang, and A. Avdukic, "Examining the performance of Islamic and conventional stock indices: A comparative analysis," *Asia-Pacific Financial Markets* 29, no. 2 (2022): 327–355, https://doi.org/10.1007/s10690-021-09340-0.
[2] E. F. Fama, "Efficient capital markets: A review of theory and empirical work," *Journal of Finance* 25, no. 2 (1970): 383–417, https://doi.org/10.2307/2325486.

common monthly sample? Previous studies use heterogeneous benchmarks, horizons, and risk measures, preventing the assumption that all forms of "resilience" are equivalent.

Accordingly, this article estimates two index-specific ARDL models over 2009–2025 and examines three empirical questions: which macroeconomic terms are associated with each index, what can legitimately be inferred from the bounds and diagnostic tests, and whether pairwise Granger results reveal predictive ordering. The contribution is a transparent side-by-side reassessment of exposure patterns across a period containing multiple stress episodes, together with an explicit distinction between conditional level responses, predictive precedence, and risk-based resilience. Neither differential index-scale coefficients nor differing p-values alone are treated as proof of a statistically significant difference between markets.

Literatur Review

1. Efficient Market Hypothesis and Capital Markets

The Efficient Market Hypothesis describes how rapidly asset prices incorporate information available to investors.[3] In its semi-strong formulation, public announcements should be reflected in prices without a consistently exploitable delay.[4] An ARDL relationship between aggregate economic indicators and index levels, however, is not by itself a test of abnormal returns or informational efficiency. In this study, the EMH instead motivates attention to how observable exchange-rate and policy information may correlate with adjustments in both index series.

Sharia screening provides a second, compositional argument for potentially differentiated responses. Restrictions on non-compliant business activities and financial ratios may change the mix of issuers, their leverage, and their sensitivity to monetary conditions.[5] At the same time, screened issuers remain exposed to imported inputs, exchange-rate movements, domestic demand, and international capital flows. Therefore, screening provides competing mechanisms for lower or higher measured exposure, not an unconditional prediction of superior protection.

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[3] E. F. Fama, "Efficient capital markets: A review of theory and empirical work," *Journal of Finance* 25, no. 2 (1970): 383–417, https://doi.org/10.2307/2325486.
[4] E. F. Fama, "Efficient capital markets: A review of theory and empirical work," *Journal of Finance* 25, no. 2 (1970): 383–417, https://doi.org/10.2307/2325486.
[5] M. Asutay, Y. Wang, and A. Avdukic, "Examining the performance of Islamic and conventional stock indices: A comparative analysis," *Asia-Pacific Financial Markets* 29, no. 2 (2022): 327–355, https://doi.org/10.1007/s10690-021-09340-0.

2. Sharia Capital Market: Principles and Characteristics

The Sharia capital market operates based on Islamic principles that prohibit riba (interest), gharar (excessive uncertainty), and maysir (speculation/gambling), as well as forbidding investments in industries that contradict Islamic values.[6] The Jakarta Islamic Index (JII) in Indonesia, established in 2000, selects 30 Sharia-compliant stocks with the highest liquidity and market capitalization listed on the Indonesia Stock Exchange. Selections are made every six months based on the list of Sharia-compliant securities held by the Financial Services Authority (OJK).

The prohibition of interest-based financial activities affects the eligible issuer universe but does not imply that the market valuation of Sharia-screened firms is independent of monetary policy. Policy-rate changes can influence discount rates, financing conditions, investor portfolio allocation, and real economic activity. Prior ARDL evidence from Malaysia points to a relationship between macroeconomic indicators and Islamic equities, but its magnitude and direction need not transfer mechanically to Indonesia.[7]

3. The Relationship between Macroeconomic Variables and the Capital Market

a. Exchange Rate

Exchange-rate depreciation can affect listed firms through the domestic-currency costs of imports, foreign-currency liabilities, export revenues, and capital flows. These channels are relevant to both screened and broad equity indices. Widarjono, Shidiqie, and El Hasanah report asymmetric responses of Indonesian Islamic stocks to exchange-rate movements, which cautions against interpreting a linear aggregate effect as the complete response to appreciation and depreciation.[8] Antonio et al. also identify macroeconomic linkages for JII and IHSG, suggesting shared exposure rather than full insulation of the Sharia segment.[9]

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[6] M. Asutay, Y. Wang, and A. Avdukic, "Examining the performance of Islamic and conventional stock indices: A comparative analysis," *Asia-Pacific Financial Markets* 29, no. 2 (2022): 327–355, https://doi.org/10.1007/s10690-021-09340-0.

[7] M. S. A. Majid and R. M. Yusof, "Long-run relationship between Islamic stock returns and macroeconomic variables: An application of the autoregressive distributed lag model," *Humanomics* 25, no. 2 (2009): 127–141, https://doi.org/10.1108/08288660910964193.

[8] A. Widarjono, J. S. A. Shidiqie, and L. L. N. El Hasanah, "The sensitivity of the Indonesian Islamic stock prices to macroeconomic variables: An asymmetric approach," *Journal of Asian Finance, Economics and Business* 8, no. 3 (2021): 181–190, https://doi.org/10.13106/jafeb.2021.vol8.no3.0181.

[9] M. S. Antonio, A. S. Rusydiana, W. S. I. Soeparno, L. N. Rani, W. A. Pratomo, and A. A. Nasution, "The impact of oil price and other macroeconomic variables on the Islamic and conventional stock index in Indonesia," *International Journal of Energy Economics and Policy* 11, no. 5 (2021): 418–424, https://doi.org/10.32479/ijeep.10911.

b. Interest Rate

Interest-rate effects need not be identical across indices. A higher policy rate can raise discount rates and the opportunity cost of equities, while its earnings consequences vary across banks and non-financial firms. Majid and Yusof document macroeconomic linkages for Islamic shares,[10] whereas Rana and Akhter report differing interest-rate-related volatility patterns in Pakistan's screened and conventional benchmarks.[11] Such results suggest that composition matters but do not justify attributing an estimated JII–IHSG difference specifically to bank exclusion without firm- or sector-level evidence.

c. Inflation

Inflation affects operating costs, purchasing power, nominal revenue, and expectations in potentially opposing directions. Therefore, its net coefficient may be sensitive to the sample and to the macroeconomic variables included. In the Indonesian comparison by Antonio et al., exchange-rate effects were prominent in both benchmarks.[12] A non-significant inflation term in the present regressions would indicate limited evidence of an incremental conditional association, not proof that equity valuations are unaffected by inflation in general.

4. Sharia Capital Market Resilience versus Conventional

The decoupling hypothesis proposes that Sharia screening may create a distinctive risk-return structure; its empirical content depends on what is being compared. Differences in return volatility, crisis drawdowns, recovery speed, macroeconomic regression coefficients, and predictive connections constitute separate dimensions and should not be conflated.[13] This article operationalizes the narrow dimension available from its reported estimates as heterogeneous conditional macroeconomic adjustment and short-horizon predictive association. It does not directly measure drawdown recovery or return-based risk.

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[10] M. S. A. Majid and R. M. Yusof, "Long-run relationship between Islamic stock returns and macroeconomic variables: An application of the autoregressive distributed lag model," *Humanomics* 25, no. 2 (2009): 127–141, https://doi.org/10.1108/08288660910964193.

[11] M. E. Rana and W. Akhter, "Performance of Islamic and conventional stock indices: Empirical evidence from an emerging economy," *Financial Innovation* 1, no. 1 (2015): 15, https://doi.org/10.1186/s40854-015-0016-3.

[12] M. S. Antonio, A. S. Rusydiana, W. S. I. Soeparno, L. N. Rani, W. A. Pratomo, and A. A. Nasution, "The impact of oil price and other macroeconomic variables on the Islamic and conventional stock index in Indonesia," *International Journal of Energy Economics and Policy* 11, no. 5 (2021): 418–424, https://doi.org/10.32479/ijeep.10911.

[13] M. Asutay, Y. Wang, and A. Avdukic, "Examining the performance of Islamic and conventional stock indices: A comparative analysis," *Asia-Pacific Financial Markets* 29, no. 2 (2022): 327–355, https://doi.org/10.1007/s10690-021-09340-0.

Evidence from crisis settings is mixed. Nomran and Haron find a relatively favorable response of Islamic equity benchmarks during the COVID-19 period,[14] whereas Hasan et al. emphasize that stronger resilience was more clearly apparent for sukuk than for Islamic equities.[15] Dynamic spillover evidence also indicates that diversification properties change with the asset pair and time horizon.[16] Taken together, these studies imply that a crisis-period advantage cannot be presumed for every Sharia equity benchmark or for every indicator of resilience.

Evidence of integration is equally important. Ahmed and Elsayed document linkages among Islamic and conventional markets and their fixed-income counterparts,[17] while Ho et al. find comparatively stronger relative Islamic-index performance in falling markets rather than uniformly across states.[18] These results motivate a conditional comparison: Sharia screening may alter exposure while common shocks and shared constituents still generate dependence. Consequently, lag selection, level dispersion, and Granger predictability should be interpreted as complementary but non-equivalent evidence.

5. Previous Studies and the Analytical Gap

Majid and Yusof[19] employed ARDL on monthly data of the Malaysian Sharia capital market from May 1999 to February 2006, published in Humanomics (Vol. 25, No. 2), finding a long-run relationship between the Malaysian Islamic index and interest rates, the real effective exchange rate, and the M3 money supply. This is one of the earliest and most cited ARDL studies in Islamic capital markets.

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[14] N. M. Nomran and R. Haron, "The impact of COVID-19 pandemic on Islamic versus conventional stock markets: International evidence from financial markets," *Future Business Journal* 7, no. 1 (2021): 33, https://doi.org/10.1186/s43093-021-00078-5.

[15] M. B. Hasan, M. M. Rashid, M. Shafiullah, and T. Sarker, "How resilient are Islamic financial markets during the COVID-19 pandemic?" *Pacific-Basin Finance Journal* 74 (2022): 101817, https://doi.org/10.1016/j.pacfin.2022.101817.

[16] W. Mensi, S. Hammoudeh, I. M. W. Al-Jarrah, A. Sensoy, and S. H. Kang, "Dynamic risk spillovers between gold, oil prices and conventional, sustainability and Islamic equity aggregates and sectors with portfolio implications," *Energy Economics* 67 (2017): 454–475, https://doi.org/10.1016/j.eneco.2017.08.031.

[17] H. Ahmed and A. H. Elsayed, "Are Islamic and conventional capital markets decoupled? Evidence from stock and bonds/sukuk markets in Malaysia," *The Quarterly Review of Economics and Finance* 74 (2019): 56–66, https://doi.org/10.1016/j.qref.2018.04.005.

[18] C. S. F. Ho, N. A. Abd Rahman, N. H. M. Yusuf, and Z. Zamzamin, "Performance of global Islamic versus conventional share indices: International evidence," *Pacific-Basin Finance Journal* 28 (2014): 110–121, https://doi.org/10.1016/j.pacfin.2013.09.002.

[19] M. S. A. Majid and R. M. Yusof, "Long-run relationship between Islamic stock returns and macroeconomic variables: An application of the autoregressive distributed lag model," *Humanomics* 25, no. 2 (2009): 127–141, https://doi.org/10.1108/08288660910964193.

Pesaran, Shin, and Smith[20], in the Journal of Applied Econometrics (Vol. 16, No. 3, pp. 289–326), developed the ARDL bounds testing approach, which does not require uniformity in the order of integration of the variables, rendering it relevant for the mixed I(0) and I(1) data employed in this research.

Widarjono, Shidiqie, and El Hasanah[21], in the Journal of Asian Finance, Economics and Business (Vol. 8, No. 3, pp. 181–190, Scopus), employed NARDL on the JII from January 2000 to December 2019, finding a long-term relationship and an asymmetric response of JII to the exchange rate.

Antonio, Rusydiana et al.[22], in the International Journal of Energy Economics and Policy (Vol. 11, No. 5, pp. 418–424, Scopus), investigated the impact of oil prices and macroeconomic variables on the JII and IHSG from January 2000 to December 2019 using ARDL, finding both indices to be significantly influenced by the exchange rate and CPI.

Nomran and Haron[23], in the Future Business Journal (Vol. 7, No. 1, Scopus/Springer), utilized a pooled OLS panel and t-tests on daily data from 15 countries between September 2019 and April 2020, finding that COVID-19 had a weaker impact on the Islamic index than on the conventional index, with the Islamic index recovering more swiftly.

Asutay, Wang, and Avdukic[24], in Asia-Pacific Financial Markets (Vol. 29, No. 2, pp. 327–355, Scopus), compared the performance of Islamic and conventional indices across four markets using CAPM-EGARCH, finding that differences arise from Sharia principles.

Hasan, Rashid, Shafiullah, and Sarker[25], in the Pacific-Basin Finance Journal (Vol. 74, Scopus/Elsevier), conducted a wavelet analysis comparing the resilience of Islamic and

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[20] M. H. Pesaran, Y. Shin, and R. J. Smith, "Bounds testing approaches to the analysis of level relationships," *Journal of Applied Econometrics* 16, no. 3 (2001): 289–326, https://doi.org/10.1002/jae.616.

[21] A. Widarjono, J. S. A. Shidiqie, and L. L. N. El Hasanah, "The sensitivity of the Indonesian Islamic stock prices to macroeconomic variables: An asymmetric approach," *Journal of Asian Finance, Economics and Business* 8, no. 3 (2021): 181–190, https://doi.org/10.13106/jafeb.2021.vol8.no3.0181.

[22] M. S. Antonio, A. S. Rusydiana, W. S. I. Soeparno, L. N. Rani, W. A. Pratomo, and A. A. Nasution, "The impact of oil price and other macroeconomic variables on the Islamic and conventional stock index in Indonesia," *International Journal of Energy Economics and Policy* 11, no. 5 (2021): 418–424, https://doi.org/10.32479/ijeep.10911.

[23] N. M. Nomran and R. Haron, "The impact of COVID-19 pandemic on Islamic versus conventional stock markets: International evidence from financial markets," *Future Business Journal* 7, no. 1 (2021): 33, https://doi.org/10.1186/s43093-021-00078-5.

[24] M. Asutay, Y. Wang, and A. Avdukic, "Examining the performance of Islamic and conventional stock indices: A comparative analysis," *Asia-Pacific Financial Markets* 29, no. 2 (2022): 327–355, https://doi.org/10.1007/s10690-021-09340-0.

[25] M. B. Hasan, M. M. Rashid, M. Shafiullah, and T. Sarker, "How resilient are Islamic financial markets during the COVID-19 pandemic?" *Pacific-Basin Finance Journal* 74 (2022): 101817, https://doi.org/10.1016/j.pacfin.2022.101817.

conventional financial markets during two waves of COVID-19, finding that although both were affected by the pandemic, Islamic bonds (sukuk) demonstrated superior portfolio resilience.

Mensi, Hammoudeh et al.[26], in Energy Economics (Vol. 67, pp. 454–475, Scopus/Elsevier), analyzed dynamic risk spillovers between oil, gold, and Islamic and conventional indices using a DCC-GARCH framework, indicating variation in spillovers among these markets over time.

Using panel VAR on the Iranian stock market from 1990 to 2021, Ebrahimi Salari et al.[27], in the Middle East Development Journal (Vol. 17, No. 1, pp. 138–157, Scopus/Taylor & Francis), found that, compared to conventional stocks, Islamic stocks exhibited lower volatility and a weaker response to macroeconomic shocks.

Pranata and Nurzanah[28], in the Indonesian Capital Market Review (Vol. 7, No. 2, pp. 113–127), combined ARDL with CAPM and beta calculations to compare the JII with the conventional LQ45 index from January 2006 to November 2015, finding no significant difference in risk-adjusted performance between the two indices, though JII exhibited lower volatility in most years of the sample.

Pratama and Azzis[29], in Al-Iqtishad: Jurnal Ilmu Ekonomi Syariah (Vol. 10, No. 1, pp. 171–188), applied an ARCH-GARCH framework to examine the effect of macroeconomic indicators and international Islamic indices on the return volatility of JII, finding that the BI Rate, the IDR-USD exchange rate, and several international Islamic benchmark indices significantly affect JII's volatility.

Rana and Akhter[30], in Financial Innovation (Vol. 1, No. 1, Article 15), employed a GARCH-M model to compare the Sharia-compliant KMI-30 and conventional KSE-100 indices in Pakistan, finding that interest rate volatility significantly affects the conventional index while leaving the Islamic index largely unaffected.

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[26] W. Mensi, S. Hammoudeh, I. M. W. Al-Jarrah, A. Sensoy, and S. H. Kang, "Dynamic risk spillovers between gold, oil prices and conventional, sustainability and Islamic equity aggregates and sectors with portfolio implications," *Energy Economics* 67 (2017): 454–475, https://doi.org/10.1016/j.eneco.2017.08.031.
[27] T. Ebrahimi Salari, A. Ochi, and R. Faycel, "Macroeconomic shocks and stock market efficiency: A panel VAR study of Islamic and conventional stocks in Iran," *Middle East Development Journal* 17, no. 1 (2025): 138–157, https://doi.org/10.1080/17938120.2025.2451100.
[28] N. Pranata and N. Nurzanah, "Conventional and Islamic indices in Indonesia: A comparison on performance, volatility, and the determinants," *Indonesian Capital Market Review* 7, no. 2 (2015): 113–127, https://doi.org/10.21002/icmr.v7i2.5004.
[29] Y. C. Pratama and A. Azzis, "Macroeconomic variables, international Islamic indices, and the return volatility in Jakarta Islamic Index," *Al-Iqtishad: Jurnal Ilmu Ekonomi Syariah* 10, no. 1 (2018): 171–188, https://doi.org/10.15408/aiq.v10i1.5550.
[30] M. E. Rana and W. Akhter, "Performance of Islamic and conventional stock indices: Empirical evidence from an emerging economy," *Financial Innovation* 1, no. 1 (2015): 15, https://doi.org/10.1186/s40854-015-0016-3.

Ahmed and Elsayed[31], in The Quarterly Review of Economics and Finance (Vol. 74, pp. 56–66), examined spillovers among conventional stocks, Islamic stocks, bonds, and sukuk in Malaysia, finding that the four market segments remain highly interconnected, offering only partial support for the decoupling hypothesis.

Ho, Abd Rahman, Yusuf, and Zamzamin[32], in the Pacific-Basin Finance Journal (Vol. 28, pp. 110–121), compared risk-adjusted performance across matched global Islamic and conventional share indices, finding that Islamic indices tend to outperform their conventional counterparts specifically during bear market periods.

Yahya[33], in the Asian Journal of Islamic Management (Vol. 2, No. 1, pp. 36–45), used cointegration and error correction model (ECM) techniques to examine the relationship between JII and macroeconomic variables from January 2015 to August 2019, finding both long-term and short-term relationships between JII and inflation, the BI Rate, the exchange rate, and the money supply.

Most recently, Prehatin and Haryono[34], in the Jurnal Ekonomi dan Bisnis Islam / Journal of Islamic Economics and Business (Vol. 10, No. 2, pp. 245–264), employed a Vector Error Correction Model (VECM) to analyze macroeconomic effects on JII from January 2010 to December 2023, finding that the exchange rate, IHSG, and world gold price positively affect JII in the long term, while inflation exerts a significant negative long-term effect and none of the macroeconomic variables show significant short-term effects.

Across these studies, three tensions stand out. First, findings of lower volatility or stronger crisis performance depend on benchmarks and risk metrics, while studies of spillovers imply continuing integration. Second, macroeconomic exposures may be asymmetric or state-dependent, a feature not estimated by a linear ARDL in levels. Third, earlier ARDL comparisons already examined JII and conventional Indonesian indices, so the novelty here is not the first use of ARDL or the first Islamic–conventional comparison. Rather, it lies in an extended 204-month common window, parallel estimated equations,

[31] H. Ahmed and A. H. Elsayed, "Are Islamic and conventional capital markets decoupled? Evidence from stock and bonds/sukuk markets in Malaysia," *The Quarterly Review of Economics and Finance* 74 (2019): 56–66, https://doi.org/10.1016/j.qref.2018.04.005.
[32] C. S. F. Ho, N. A. Abd Rahman, N. H. M. Yusuf, and Z. Zamzamin, "Performance of global Islamic versus conventional share indices: International evidence," *Pacific-Basin Finance Journal* 28 (2014): 110–121, https://doi.org/10.1016/j.pacfin.2013.09.002.
[33] T. Yahya, "The effect of macro variables on the Jakarta Islamic Index," *Asian Journal of Islamic Management* 2, no. 1 (2020): 36–45, https://doi.org/10.20885/ajim.vol2.iss1.art4.
[34] D. Prehatin and S. Haryono, "The influence of macroeconomic variables on the Jakarta Islamic Index (JII): An analysis from 2010 to 2023," *Jurnal Ekonomi dan Bisnis Islam (Journal of Islamic Economics and Business)* 10, no. 2 (2024): 245–264, https://doi.org/10.20473/jebis.v10i2.58362.

explicit reporting of differing selected lags, and a more disciplined examination of which resilience claims the results actually support. The empirical contribution is descriptive and model-conditional unless a formal equality-of-effects or return-risk comparison is added.

METHODS

1. Research Method

The study uses 204 monthly observations from January 2009 through December 2025. JII and IHSG are measured in their respective index points; the Bank Indonesia policy-rate series (BIR) and inflation (INF) are expressed in percent, and KURS denotes Indonesian rupiah per US dollar. JII and IHSG are sourced from the Indonesia Stock Exchange, BIR from Bank Indonesia, inflation from the Indonesian statistical system (BPS/BI), and the exchange-rate series from the Pacific Exchange Rate Service. The reported ARDL estimates use these variables in levels; no log, return, base-year normalization, or inflation adjustment is documented in the original estimation. Accordingly, estimated coefficients have different units across the two dependent-variable equations. The monthly series cover a changing index composition and monetary-policy framework, matters relevant to comparative interpretation.

2. Model Development

Two equations are estimated, with JII and IHSG separately regressed on the same three macroeconomic factors. JII consists of selected liquid Sharia-compliant stocks, while IHSG covers a broader equity universe with a different scale and weights. The models therefore compare conditional patterns within each index, not matched firm portfolios or one-to-one changes in normalized prices. BIR proxies monetary policy and financing conditions, INF general price pressures, and KURS external-sector and foreign-investor pressures. Because sector composition and index construction differ, observed coefficients cannot isolate the effect of Sharia screening itself.

3. Model Specification

For index Y in {JII, IHSG}, the conditional level ARDL(p,q_1,q_2,q_3) model includes lags of the dependent index and distributed lags of BIR, INF, and KURS. Following the reported Akaike Information Criterion (AIC) selection with a maximum lag of four, the preferred equations differ only in the selected BIR lag length. Importantly, the individual coefficients below belong to the dynamic level equations: calling each of them an independently estimated short-run marginal effect without UECM differenced coefficients would be imprecise.

$$Yt = a0 + \Sigma\, \beta i\, Yt\text{-}i + \Sigma\, \gamma j\, BIRt\text{-}j + \Sigma\, \delta j\, INFt\text{-}j + \Sigma\, \theta j\, KURSt\text{-}j + \varepsilon t$$

Here α_0 is the intercept, ε_t is the disturbance, and p and q denote the respective lag orders. Each coefficient expresses a conditional change in index points per unit of a regressor, given the other included levels and lags. Because the two dependent indices have different point scales and investment universes, their raw coefficients are not cross-market effect sizes on a common scale.

Model 1 (JII), ARDL (1,1,0,3):

$$JIIt = a0 + \beta 1\, JIIt\text{-}1 + \gamma 0\, BIRt + \gamma 1\, BIRt\text{-}1 + \delta 0\, INFt + \theta 0\, KURSt + \theta 1\, KURSt\text{-}1 + \theta 2\, KURSt\text{-}2 + \theta 3\, KURSt\text{-}3 + \varepsilon t$$

Model 2 (IHSG), ARDL (1,0,0,3):

$$IHSGt = a0 + \beta 1\, IHSGt\text{-}1 + \gamma 0\, BIRt + \delta 0\, INFt + \theta 0\, KURSt + \theta 1\, KURSt\text{-}1 + \theta 2\, KURSt\text{-}2 + \theta 3\, KURSt\text{-}3 + \varepsilon t$$

Both specifications employ the same macroeconomic variables and sample window, but AIC selects different dynamic orders: ARDL(1,1,0,3) for JII and ARDL(1,0,0,3) for IHSG. The extra BIR lag in JII allows the policy-rate response to unfold differently within that equation, whereas the contemporaneous term alone is selected in IHSG. Such lag heterogeneity is a modeling result, not evidence by itself of stronger or weaker resilience. In particular, statistical significance in one equation and non-significance in the other do not establish a statistically significant between-equation difference. A joint comparison of normalized marginal responses, or a formal cross-equation equality test with appropriate covariance treatment, would be needed for that claim.

For possible level relationships, the ARDL equations are represented conceptually as unrestricted error-correction models (UECM) and assessed by the bounds-testing procedure of Pesaran, Shin, and Smith.[35]

$$\Delta Yt = a0 + \Sigma\, \varphi i\, \Delta Yt\text{-}i + \Sigma\, \gamma j\, \Delta BIRt\text{-}j + \Sigma\, \delta j\, \Delta INFt\text{-}j + \Sigma\, \theta j\, \Delta KURSt\text{-}j + \lambda 1\, Yt\text{-}1 + \lambda 2\, BIRt\text{-}1 + \lambda 3\, INFt\text{-}1 + \lambda 4\, KURSt\text{-}1 + \varepsilon t$$

The null hypothesis is that the coefficients on all lagged-level terms jointly equal zero (H_0: $\lambda_1 = \lambda_2 = \lambda_3 = \lambda_4 = 0$). Under the reported critical values, F below I(0) fails to reject the null, F above I(1) rejects it, and F between the bounds is inconclusive.[36] Inconclusive results must not be labeled "weak cointegration" or used to compute an asserted error-correction speed.

[35] M. H. Pesaran, Y. Shin, and R. J. Smith, "Bounds testing approaches to the analysis of level relationships," *Journal of Applied Econometrics* 16, no. 3 (2001): 289–326, https://doi.org/10.1002/jae.616.
[36] M. H. Pesaran, Y. Shin, and R. J. Smith, "Bounds testing approaches to the analysis of level relationships," *Journal of Applied Econometrics* 16, no. 3 (2001): 289–326, https://doi.org/10.1002/jae.616.

4. Method

Stationarity is assessed through the reported Augmented Dickey–Fuller (ADF) and Phillips–Perron (PP) tests to verify that none of the series is I(2). AIC lag selection uses a maximum lag of four. The bounds test assesses evidence for a conditional level relationship; reported diagnostics include Jarque–Bera residual normality, Breusch–Pagan–Godfrey heteroskedasticity, Breusch–Godfrey serial correlation, and CUSUM parameter stability. Pairwise Granger tests use two lags and describe sample-specific predictive precedence, not economic causation. Analysis was conducted in EViews. The manuscript reports no formal cross-equation equality test, return-based volatility model, or structural-break-adjusted ARDL re-estimation; conclusions are restricted to the estimators actually reported.

RESULT AND DISCUSSION

Results

1. Descriptive Statistics

Table 1 reports index levels and macroeconomic indicators in different original units. The mean index level is 583.97 for JII and 5,337.86 for IHSG, with standard deviations of 104.54 and 1,519.25 points, respectively. Because the scales are different, comparing those raw standard deviations does not rank the return volatility or resilience of the two markets. For a limited scale-free description of variation in index levels, the coefficient of variation (standard deviation divided by the sample mean) is approximately 17.90% for JII and 28.46% for IHSG. This is descriptive dispersion in levels, not the standard deviation of percentage returns, a drawdown measure, or a formal test of differential volatility. The mean exchange rate is IDR 12,916.78 per US dollar, while BIR and inflation average 5.76% and 4.04%.

Table 1. Descriptive Statistics

Variable	Mean	Median	Max.	Min.	Std. Dev.	Skewness	Kurtosis	Obs
JII	583.97	581.97	787.12	213.63	104.54	-0.7900	4.2275	204
IHSG	5,337.86	5,386.39	8,646.94	1,285.48	1,519.25	-0.4432	2.7295	204
INF	4.04	3.57	9.17	-0.09	1.94	0.6630	2.7613	204
BIR	5.76	5.75	8.75	3.50	1.25	-0.1980	2.2376	204
KURS	12,916.78	13,547.15	16,759.40	8,522.80	2,430.01	-0.4529	1.9204	204

The index-level coefficient of variation provides a scale-adjusted descriptive comparison but is sensitive to trends, differing constituents, and the sample period; it

should not be equated with investable risk. The JII level series also displays negative skewness (−0.7900) and kurtosis above three (4.2275). A direct test of market stability would require aligned monthly percentage or log returns and a comparable risk measure, neither of which is available among the reported summary statistics.

2. Stationarity Test (ADF Test)

The ADF and PP results classify JII and INF as I(0), and IHSG, BIR, and KURS as I(1), using the reported tests and significance criteria. The level p-values for JII and INF are 0.0056 and 0.0134 in the ADF test; each of the other three variables has a first-difference p-value reported as 0.0000. The PP results give consistent integration classifications. Thus, none of the reported series is I(2), satisfying the integration-order prerequisite for the ARDL bounds framework.[37]

Table 2. Results of the Stationarity Test (ADF & PP)

Variable	ADF Level	ADF 1st Diff	PP Level	PP 1st Diff	Note
JII	0.0056**	-	0.0058**	-	I (0)
INF	0.0134**	-	0.0172**	-	I (0)
IHSG	0.4804	0.0000***	0.4808	0.0000***	I (1)
BIR	0.2735	0.0000***	0.1039	0.0000***	I (1)
KURS	0.9600	0.0000***	0.9370	0.0000***	I (1)

3. ARDL Model Estimation

AIC selects ARDL(1,1,0,3) for JII and ARDL(1,0,0,3) for IHSG. The original output reports R^2 = 0.9408 and 0.9806, respectively; these describe in-sample level fit, substantially influenced by lagged dependent variables, and do not demonstrate relative resilience or superior forecasting performance. The different selected rate lags should also be considered when reading their individual coefficient significance.

In the JII level equation (Table 3), the four KURS terms are individually significant ($p \leq 0.0348$) and alternate in sign. The contemporaneous and one-month-lagged BIR coefficients are −22.6057 ($p = 0.0359$) and +21.4775 ($p = 0.0377$), respectively, implying offsetting conditional movements across the two included rate terms. The reported INF coefficient is not significant at 5% ($p = 0.1723$). Individual t-tests do not establish the significance of the sum of a distributed-lag response, and no net-effect Wald test is reported.

[37] M. H. Pesaran, Y. Shin, and R. J. Smith, "Bounds testing approaches to the analysis of level relationships," *Journal of Applied Econometrics* 16, no. 3 (2001): 289–326, https://doi.org/10.1002/jae.616.

Table 3. Results of ARDL Estimation for the JII Model (ARDL 1,1,0,3)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
JII (-1)	0.9446	0.0192	49.2585	0.0000***
BIR	-22.6057	10.7001	-2.1127	0.0359**
BIR (-1)	21.4775	10.2634	2.0926	0.0377**
INF	2.0348	1.4853	1.3699	0.1723
KURS	-0.0339	0.0072	-4.6824	0.0000***
KURS (-1)	0.0487	0.0114	4.2793	0.0000***
KURS (-2)	-0.0299	0.0113	-2.6539	0.0086***
KURS (-3)	0.0154	0.0072	2.1258	0.0348**
C	30.8503	18.9920	1.6244	0.1059

In the IHSG level equation (Table 4), all four exchange-rate lag coefficients are individually significant ($p \leq 0.0156$) and likewise alternate in sign. BIR ($p = 0.2252$) and INF ($p = 0.5196$) are not significant individually at 5%. These results indicate conditional associations in the specified index-point equation. They do not establish that JII is statistically less exchange-rate-sensitive than IHSG, because the coefficient units differ and no common-scale joint comparison has been performed.

Table 4. Results of ARDL Estimation for the IHSG Model (ARDL 1,0,0,3)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
IHSG (-1)	0.9657	0.0214	45.1814	0.0000***
BIR	-20.1845	16.5902	-1.2167	0.2252
INF	7.6001	11.7804	0.6451	0.5196
KURS	-0.3848	0.0648	-5.9362	0.0000***
KURS (-1)	0.5028	0.0992	5.0690	0.0000***
KURS (-2)	-0.2546	0.0979	-2.6012	0.0100**
KURS (-3)	0.1533	0.0628	2.4406	0.0156**
C	98.5174	143.254	0.6877	0.4925

4. Cointegration Test (Bounds Test)

For JII the reported bounds F-statistic is 2.4302 ($k = 3$). At 10% it is above the I(0) lower bound (2.37) but below the I(1) upper bound (3.20). The correct decision is therefore inconclusive, not "weak cointegration." At 5%, it lies below the I(0) lower critical value (2.79), so the null of no level relationship is not rejected at that threshold.

For IHSG, $F = 2.6906$ also falls between the 10% bounds of 2.37 and 3.20, making that decision inconclusive. At 5%, F is below the lower bound of 2.79 and the null is not rejected. Neither equation therefore provides decisive positive cointegration evidence under the reported 10% and 5% critical values. This similarity is important: the bounds results do not establish a stronger long-run equilibrium anchor for JII than for IHSG.

Table 5. Cointegration Test Results (Bounds Test)

	JII Model	**IHSG Model**
F-statistic	2.4302	2.6906
k	3	3
Critical Value I (0) 10%	2.37	2.37
Critical Value I (1) 10%	3.20	3.20
Critical Value I (0) 5%	2.79	2.79
Critical Value I (1) 5%	3.67	3.67
Conclusion	Inconclusive (10%); no rejection (5%)	Inconclusive (10%); no rejection (5%)

5. Diagnostic Tests

The Breusch–Pagan–Godfrey probabilities of 0.5408 for JII and 0.0663 for IHSG do not reject homoskedasticity at 5%; the IHSG value is nevertheless near the conventional 10% threshold. Breusch–Godfrey probabilities of 0.9212 and 0.5436 do not indicate serial correlation at the tested lag specification. Jarque–Bera p-values of 0.0014 and 0.0000 reject normal residuals in both models. A sample of 204 observations does not make observed residual non-normality disappear through the Central Limit Theorem, nor does non-normality alone establish structural breaks. Consequently, the reported coefficient and diagnostic patterns should be interpreted alongside sensitivity checks rather than treated as satisfying every assumption unconditionally.

Table 6. Diagnostic Test Results

Test	**JII Statistic**	**JII Prob.**	**IHSG Statistic**	**IHSG Prob.**
Normality (JB)	13.1826	0.0014	42.6719	0.0000
Heteroskedasticity (BPG)	6.9616	0.5408	13.2475	0.0663
Autocorrelation (BG)	0.1642	0.9212	1.2189	0.5436

6. Stability Test (CUSUM)

The reported CUSUM trajectories for both models remain within the plotted 5% boundaries (Figures 1 and 2), indicating that this particular cumulative-residual test does not reject parameter stability. CUSUM is useful but does not rule out all structural changes, time-varying volatility, or exceptional observations during the COVID-19 episode and other stress periods. It also cannot resolve the non-normal residual results of the Jarque–Bera tests.

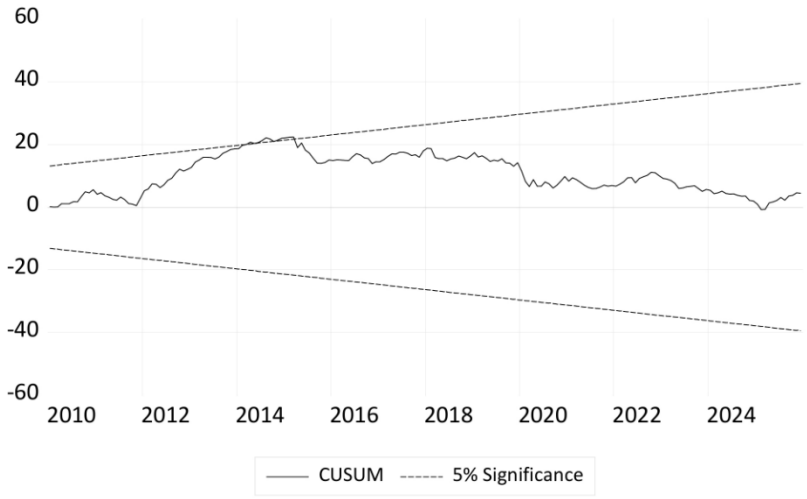


Figure 1. CUSUM Stability Test – JII Model

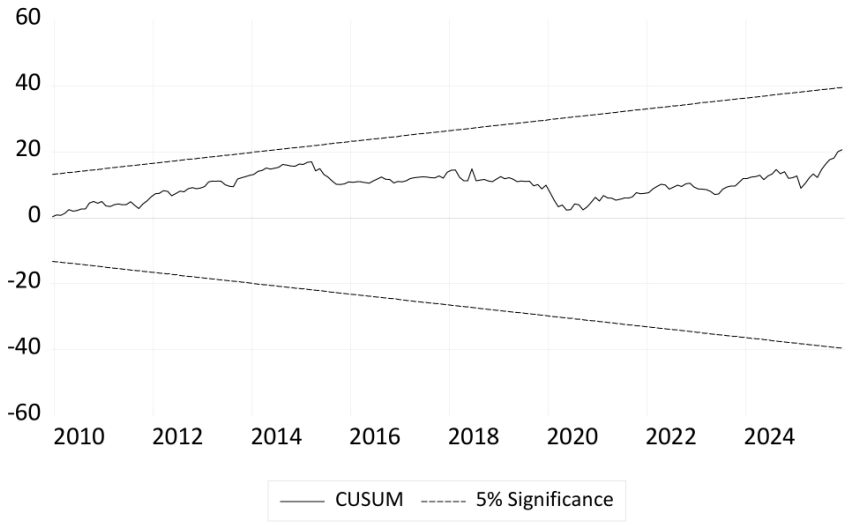


Figure 2. CUSUM Stability Test – IHSG Model

7. Granger Causality Test

With two lags, the pairwise test rejects the null that JII does not Granger-predict IHSG ($p = 0.0014$), while it fails to reject the reverse null ($p = 0.2858$). KURS Granger-predicts IHSG ($p = 0.0356$), whereas the null of no KURS-to-JII predictability is not rejected ($p = 0.7851$). The table also records JII-to-KURS, IHSG-to-KURS, and other significant predictive directions. These are bivariate, lag-dependent temporal relationships, not identified structural effects. In particular, failure to reject KURS-to-JII Granger predictability does not overturn the significant KURS terms in the multivariable JII ARDL, because the two tests answer different conditional questions.

Table 7. Granger Causality Test Results

Null Hypothesis	F-Statistic	Prob.	Conclusion
JII does not affect IHSG	6.7675	0.0014**	Reject H0
IHSG does not affect JII	1.2606	0.2858	Fail to reject H0
KURS does not affect IHSG	3.3936	0.0356**	Reject H0
IHSG does not affect KURS	21.6646	0.0000***	Reject H0
JII does not affect KURS	15.9843	0.0000***	Reject H0
KURS does not affect JII	0.2423	0.7851	Fail to reject H0
INF does not affect BIR	7.0912	0.0011**	Reject H0
KURS does not affect BIR	3.2878	0.0394**	Reject H0
KURS does not affect INF	4.2071	0.0162**	Reject H0

In summary, both index-level ARDL models show statistically significant exchange-rate terms, while their rate-lag specification and Granger predictive patterns differ. The findings support nuanced, model-conditional differences in observed adjustment rather than the stronger proposition that the Sharia benchmark is intrinsically insulated from macroeconomic shocks. Determining which benchmark is more resilient in an investment-risk sense requires a normalized return-based comparison and formal inference on cross-index differences.

DISCUSSION

Common exchange-rate exposure is the clearest result. Every KURS term in the reported JII and IHSG ARDL equations is individually significant, although the alternating signs across lags caution against interpreting any one coefficient as a permanent response. Exchange-rate movements can be transmitted through imported inputs, foreign-currency funding, exports, and portfolio reallocation. This broad exposure agrees with the shared macroeconomic sensitivity discussed by Antonio et al.[38] and with Widarjono et al.'s evidence that responses in Sharia equity markets may be asymmetric.[39] Such evidence is consistent with public information being relevant for both benchmarks, but it cannot independently verify the semi-strong EMH or equal adjustment speed.[40]

[38] M. S. Antonio, A. S. Rusydiana, W. S. I. Soeparno, L. N. Rani, W. A. Pratomo, and A. A. Nasution, "The impact of oil price and other macroeconomic variables on the Islamic and conventional stock index in Indonesia," *International Journal of Energy Economics and Policy* 11, no. 5 (2021): 418–424, https://doi.org/10.32479/ijeep.10911.
[39] A. Widarjono, J. S. A. Shidiqie, and L. L. N. El Hasanah, "The sensitivity of the Indonesian Islamic stock prices to macroeconomic variables: An asymmetric approach," *Journal of Asian Finance, Economics and Business* 8, no. 3 (2021): 181–190, https://doi.org/10.13106/jafeb.2021.vol8.no3.0181.
[40] E. F. Fama, "Efficient capital markets: A review of theory and empirical work," *Journal of Finance* 25, no. 2 (1970): 383–417, https://doi.org/10.2307/2325486.

Monetary-policy sensitivity is more complex than a simple screened-versus-conventional dichotomy. The JII equation includes a negative contemporaneous BIR coefficient and a nearly offsetting positive first lag, each significant individually; the IHSG equation selects only a non-significant contemporaneous term. This pattern is compatible with dynamic adjustment or changing issuer weights, but the different lag orders mean the p-values cannot be interpreted as an equality test. Sectoral differences, including bank representation, offer a plausible mechanism rather than an established causal explanation. Prior evidence of interest-rate channels in Islamic markets reinforces the need for sector-specific and jointly tested responses rather than the assumption of automatic immunity.[41]

Inflation coefficients are not individually significant in either index equation at 5%, after the included lags and other variables are taken into account. This finding can reflect counteracting cost, demand, and nominal earnings channels, or limited incremental information conditional on KURS and BIR. It is consistent with research emphasizing the exchange rate among the macroeconomic correlates of Indonesian equities,[42] but does not prove that unexpected inflation has no financial-market consequences.

The bounds evidence does not differentiate the two indices in the way a resilience claim would require. Both F-statistics sit in the inconclusive region at 10%, and both fail to reject a level relationship at 5% using the supplied critical values. Therefore neither a confirmed error-correction process nor a stronger JII long-run anchor can be inferred. Likewise, the difference between the raw standard deviations of 104.54 and 1,519.25 index points reflects different scales. Although coefficients of variation of approximately 17.90% and 28.46% provide descriptive level normalization, they are not return-volatility estimates and should not be read as evidence of lower Sharia portfolio risk.

The Granger results reveal a directional predictive pattern, not a causal hierarchy: lagged JII values add predictive information for IHSG at the tested two-lag horizon, but the reverse null is not rejected. KURS adds pairwise predictive information for IHSG but not for JII under that same bivariate design.[43] These findings can coexist with significant

[41] M. S. A. Majid and R. M. Yusof, "Long-run relationship between Islamic stock returns and macroeconomic variables: An application of the autoregressive distributed lag model," *Humanomics* 25, no. 2 (2009): 127–141, https://doi.org/10.1108/08288660910964193.
[42] M. S. Antonio, A. S. Rusydiana, W. S. I. Soeparno, L. N. Rani, W. A. Pratomo, and A. A. Nasution, "The impact of oil price and other macroeconomic variables on the Islamic and conventional stock index in Indonesia," *International Journal of Energy Economics and Policy* 11, no. 5 (2021): 418–424, https://doi.org/10.32479/ijeep.10911.
[43] M. Asutay, Y. Wang, and A. Avdukic, "Examining the performance of Islamic and conventional stock indices: A comparative analysis," *Asia-Pacific Financial Markets* 29, no. 2 (2022): 327–355, https://doi.org/10.1007/s10690-021-09340-0.

KURS terms in both multivariable ARDL equations because bivariate forecasting and conditional level regression address different estimands. Moreover, JII comprises selected equities included in the broad Indonesian market, so shared constituents and common information may generate predictive linkages without financial decoupling. Crisis-period evidence of relatively favorable Islamic-index performance[44] provides a relevant comparator, not direct verification of crisis recovery or transmission pathways in the present estimates.

In theoretical terms, the evidence favors partial differentiation within an integrated market environment over a definitive decoupling conclusion. Sharia screening may reshape sector exposure, yet exchange-rate associations remain material in both benchmarks. The diagnostics add an inferential qualification: the plotted CUSUM lines remain within their boundaries, whereas residual normality is rejected and structural-break robustness has not been assessed. These facts do not invalidate the reported estimates automatically, but they constrain stronger claims about relative shock resistance or stable adjustment mechanisms throughout distinct macroeconomic regimes.

CONCLUSION

This study compares JII and IHSG over 204 monthly observations from January 2009 to December 2025 using two ARDL specifications with the same macroeconomic regressors and AIC-selected lag structures. Its principal contribution is to describe how screened and broad Indonesian equity benchmarks exhibit shared macroeconomic exposure alongside some different conditional rate-lag and predictive patterns, without conflating these findings with independently established risk resilience.

Exchange-rate coefficients are individually significant across the reported contemporaneous and lagged terms in both models, while inflation is not significant in either conditional level equation. JII has significant contemporaneous and first-lag policy-rate coefficients of opposite sign; IHSG does not show a significant contemporaneous rate coefficient. Both bounds-test statistics are inconclusive at 10% and fail to reject the null of no level relationship at 5% under the reported critical values. Pairwise Granger tests show predictive precedence from JII to IHSG and from KURS to IHSG at two lags, but this must not be interpreted as structural causality. The two different index-point scales, selected lag orders, and absence of a formal between-equation test prevent a statistical ranking of macroeconomic sensitivity or market resilience.

[44] N. M. Nomran and R. Haron, "The impact of COVID-19 pandemic on Islamic versus conventional stock markets: International evidence from financial markets," *Future Business Journal* 7, no. 1 (2021): 33, https://doi.org/10.1186/s43093-021-00078-5.

Thus, the defensible conclusion is that JII and IHSG share meaningful exchange-rate-related dynamics yet differ in certain model-specific monetary-policy and predictive patterns. These observations are compatible with partial differentiation arising from Sharia screening and constituent composition; they do not prove comprehensive market decoupling, faster recovery, lower return volatility, or superior resilience of JII.[45]

Practical Implications and Future Research

For investors, the comparable significance of exchange-rate terms emphasizes the need to account for currency exposure when evaluating both Sharia and broad Indonesian equities. For policymakers and market supervisors, the contrasting policy-rate lag structures suggest that index composition and transmission channels deserve more disaggregated analysis. Future tests of relative resilience should use aligned monthly percentage returns, drawdowns and recovery periods, volatility specifications, and formal tests of differences in normalized responses across the two indices.

The interpretation is bounded by the different scales and constituent universes of JII and IHSG, non-normal residuals in both equations, possible regime changes across major macroeconomic episodes, and the omission of firm-level sector exposures and other macroeconomic drivers. Moreover, the reported bounds tests are inconclusive at 10%, while the Granger findings are predictive rather than structural. The present analysis therefore offers evidence on conditional macroeconomic relationships and a transparent basis for more targeted comparative testing, rather than a definitive investor-risk ranking.

Author Contributions

Conceptualization, R.A.; Methodology, R.A.; Investigation, R.A.; Analysis, R.A.; Original draft preparation, R.A.; Review and editing, R.A.; Supervision, F.M.

Acknowledgement

The author wishes to thank the thesis supervisors for their guidance and constructive feedback throughout the preparation of this article.

Funding

This research received no external funding.

[45] M. Asutay, Y. Wang, and A. Avdukic, "Examining the performance of Islamic and conventional stock indices: A comparative analysis," *Asia-Pacific Financial Markets* 29, no. 2 (2022): 327–355, https://doi.org/10.1007/s10690-021-09340-0.

Data Availability Statement

The data supporting the findings of this study are publicly available from the Indonesia Stock Exchange (www.idx.co.id), Bank Indonesia (www.bi.go.id), the Central Bureau of Statistics (www.bps.go.id), and the Pacific Exchange Rate Service. Compiled data are available from the corresponding author upon reasonable request.

Conflicts of Interest

The authors declare no conflicts of interest. No external funding was received for this study.

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