The Effect of Asia Regional Stock Price Index on the Indonesia Composite Index (ICI) on the Indonesia Stock Exchange

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ABSTRACT

Financial liberalization that occurs in various countries in the world will cause the capital market in a country to be integrated. Changes in the index of Asian countries that have economic relations with Indonesia can have an impact on the composite stock price index in Indonesia because the stock market is integrated. The purpose of this study was to determine the effect of the Hang Seng Index, Nikkei 225 Index, KS11 Index, Kuala Lumpur Composite Index, Strait Times Index on the Jakarta Stock Exchange in the 2015-2019 period. This study uses monthly data in the 2015-2019 period for each variable. The analytical method used in this research is multiple regression analysis, classical assumption test and hypothesis test using SPSS 25.0 program. The results show that partially the HSI index variable has a positive but not significant effect on the JKSE index variable, the N225 index variable has a positive but not significant effect on the JKSE index variable, the KS11 index variable has a negative but not significant effect on the JKSE index variable, the KLSE index variable has a positive effect. Significant to the JKSE index variable, the STI index variable has a positive but not significant effect on the JKSE index variable, and simultaneously the HSI, N225, KS11, KLSE, STI index variables have a positive and significant effect on the JKSE index.

Keywords: Hang Seng Index, Jakarta Stock Exchange, KS11 Index, Kuala Lumpur Stock Exchange, Nikkei 225 Index, Strait Times Index.

I. INTRODUCTION

In the economic development of a country, it takes a lot of money or funds. These funds can be obtained from loans or own capital, in which the funds can be allocated as an investment. This investment can be interpreted as an investment for one or more assets owned and usually for a long period in the hope of getting profits in the future. The Indonesian government considers that the capital market is a means that can support the acceleration of Indonesia’s economic development. This is possible because the capital market raises the movement of long-term funds from the public (investors) which are then channeled to productive sectors with the hope that these sectors can develop and generate new jobs for the community.

Globalization that occurs causes changes in all aspects of life, including the economic field. Globalization of the world economy has resulted in very high economic dependence between countries (Artini, 2017). Economic globalization will also have an impact on the financial sector in the form of trade liberalization. Trade liberalization shows the existence of trade activities between countries in the world. This is indicated by the existence of export and import activities carried out by a country. Trade liberalization will directly open up opportunities for each country to increase the level of exports and imports.

The condition of a country experiencing financial liberalization can be seen based on three elements, namely deregulation of the domestic financial sector, capital market liberalization, and opening a capital account (Farhani, 2015). One of the three elements that indicate the occurrence of financial liberalization in a country is the liberalization of the capital market of a country. Capital market liberalization is a policy taken by the government of a country to allow foreign investors to buy shares on the country’s stock exchange. The liberalization of the capital market will cause a rush of capital brought in by foreign investors to be invested in other countries. Globalization in the economy in the form of financial liberalization allows investors to invest in any capital market they want (Arriansyah, 2018).

The capital market is a market that trades various financial instruments. Financial instruments traded in the capital market are long-term instruments (more than 1 year), such as stocks, bonds, warrants, rights, mutual funds, and various derivative instruments, such as options, futures, and others. The capital market is one of the drivers of a country’s economy. The capital market is a means of forming capital and accumulating long-term funds aimed at increasing public participation in mobilizing funds to support national development financing. The capital market, which is the financial industry, has a great influence and is highly sensitive to economic globalization.
The Composite Stock Price Index (ICI) is the value used to measure the combined performance of all stocks (companies/issuers) listed on the Indonesia Stock Exchange (IDX). ICI is one of the factors that reflects the performance of the capital market whether it is increasing (Bullish) or experiencing a decline (Bearish). If the economic condition of a country is good, the ICI will certainly show an increasing trend. However, if the economic condition of a country is in a downturn, it will also affect the ICI (Mie & Agustina, 2014). An index is a statistical measure of changes in price movements of a group of stocks. Index movements represent part of the overall market movement. The index value is influenced by the prices of the stocks in the index portfolio and the weight of each stock. The more shares are outstanding and the greater the value, the greater the weight of the shares in influencing the movement of the index.

The movement of the index is an important factor for investors to determine whether they will sell, hold, or buy one or several stocks. Two factors that influence the Composite Stock Price Index are external factors and internal factors (Dewi, 2016). The fluctuation of the JKSE index can be seen in Fig. 1 as follows.

![Fig. 1. JKSE Index Movement in 2015-2019.](image)

In 2015, JKSE experienced a relatively sharp decline to the level of 4,207.80. This is because in the first quarter of 2015, the projected weakening of Indonesia's economic growth rate is below 5 percent, so the implication is a decline in the income of large issuers such as Astra International and semen Indonesia. The consolidating trend of the JKSE Index is in line with other bourses such as the United States Dow Jones Industrial Average (-1.65%), Australia's All Ordinaries Index (-2.46%), the Philippines PSE Index (-3.42%), UK's FTSE 100 (-4.74%), Malaysia's FTSE BM KLCI Index (-5.14%), India's BSE Sensex 30 Index (-5.33%), Hong Kong Hang Seng Index (-7.14%), SET Thailand Index (-14.14%) and Singapore Strait Times Index (-14.56%). At the regional level, there were only three indexes that managed to grow throughout 2015, namely China's Shanghai Composite Index which grew 9.25%, Japan's Nikkei 225 Index which grew 8.15%, and South Korea's KOSPI Index which was able to increase by 2.53%. (Detik Finance, 2021).

Regional areas are areas that have an impact on the Indonesian state in various aspects, especially in the economy. One aspect related to the regional area is the investment sector. The investment world is getting more open with the involvement of investors from various countries. This has an impact on the flow of investment funds that are getting bigger which can help the business world to grow. Thus, it has the potential to increase the rate of economic growth in various countries (Hartiny, 2014). The international capital market will enable investors to carry out international investment activities. International investment activities can be carried out by conducting international diversification. International diversification can provide great benefits for investors compared to investing only in the domestic market. Investors will get a reduced level of risk at a certain level of return if investors diversify internationally on stock exchanges of international countries. Generally, the stock exchanges that have a strong influence on the performance of other stock exchanges are those that are classified as advanced, such as the American, Japanese, and British stock exchanges. However, the stock exchange of a country in one region may have a major impact on other countries.

Several stock exchanges of Asian countries that are included in the list of world major indices list include two stock exchange indices from China and one stock index each from Mexico, India, Indonesia, and Malaysia. The inclusion of stock market indices of developing countries in the Asian Region into the list of the world's main indices shows that investors are of the view that investing in the capital markets of developing countries will provide large returns. The effect of Indonesia's economic relations with other countries causes the Indonesian capital market to be integrated. Changes in the index of developed countries that have economic relations with Indonesia can give a signal to investors in Indonesia because foreign investors who diversify internationally in Indonesia make withdrawals on their shares to reduce risks due to changes in the market situation. The follower strategy applied by domestic investors has caused JKSE to decline (Budi Utama & Sri Artini, 2015). The advantage of international diversification to eliminate risk causes investors to spread their capital to various international exchanges. The dynamic relationship between exchanges indicates a one-way or two-way relationship between exchanges. This happens because of the interdependence and integration that occurs between exchanges, such as the interdependence between Asian markets. This indicates that theoretically the Indonesian capital market is strongly influenced by markets in other countries (Stevaniu & Sukamulja, 2020).

A previous study conducted by Damajanti (2018) has the same conclusion that the Indonesian capital market through the Indonesia Stock Exchange (IDX) is an inseparable part of global stock exchange activities. In addition, usually for stock exchanges that are close to each other, often have the same investors. The phenomenon that occurs due to globalization and Indonesia as a member of the World Trade Organization (WTO) has opened a stock exchange for foreign investors who invest around the world. Therefore, changes in one exchange will also be transmitted to exchanges in other countries. In this case, usually, the larger exchange will affect the smaller exchange. Foreign factors are an implication of the form of globalization and the increasingly integrated capital markets around the world. This condition allows the emergence of the influence of the developed exchanges on the developing market. The capital market in Indonesia is a capital market that is still developing or an emerging market which in its development is still very vulnerable to changes in the macroeconomic climate.

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According to Damajanti (2018), although the role of domestic investors is increasing, there is a habit of domestic investors to follow strategies for foreign investors or at least domestic investors use the behavior of foreign investors as a reference, so that when foreign investors sell shares, domestic investors as followers will also sell their shares. As a result, the index will be under pressure and experience an increasingly sharp decline. Foreign investors invest their capital in exchanges around the world so that there are global links between the world's exchanges. The occurrence and dynamics of stock prices between one exchange and another affect each other, especially with exchanges from adjacent countries.

Based on previous relevant research on the effect of the Asian stock price index on the JKSE index on the Indonesia Stock Exchange, there are several relevant studies. Hartiny (2014) shows that partially the Hang Seng Index variable has a positive and significant influence on JKSE, the Nikkei 225 Index has a positive and significant influence on JKSE, the KOSPI Index has a positive and significant influence on JKSE, the KLSE Index has a positive and significant influence on JKSE, and the STI Index has a positive and significant effect on JKSE. Simultaneously Hang Seng Index, Nikkei 225, KOSPI, KLSE, STI have a positive and significant effect on JKSE.

The results of research conducted by Widodo (2017) show that the Nikkei 225 (N225), KOSPI (KS11), and Kuala Lumpur Stock Exchange (KLSE) have a positive and significant effect on the Jakarta Composite Index (JKSE) for the period January 2009 to May 2017, either simultaneously or partially. Meanwhile, the Hang Seng Index (HSI) and the Strait Times Index (STI) have a simultaneous effect on the JKSE Index. While partially, HSI and STI have no effect on the JKSE Index for the period January 2009 to May 2017.

Hartanto & Yusbardini (2020) show that partially the Nikkei 225 index has a negative and insignificant effect on JKSE, the Strait Times Index has a positive but not significant effect on JKSE, the KLCI index has a positive and significant effect on JKSE, Hang Seng Index has a positive and insignificant effect on JKSE, KOSPI Index has a negative and insignificant effect on JKSE. While simultaneously having a significant effect on JKSE for the 2015-2019 period.

Based on the results of the previous research above, there is a Research Gap that explains the results of research regarding the effect of the HSI, N225, KS11, KLSE and STI indexes on JKSE partially and simultaneously still give different results. Therefore, further research is needed in the hope of knowing the partial and simultaneous effect of the independent variables on the HSI, N225, KS11, KLSE and STI indexes on the dependent variable of the JKSE index.

A. Contagion Effect Theory

The contagion effect causes a crisis in one country to spread to other countries. According to some experts, the state of a country's economy will affect the economic conditions of other countries. The crisis conditions in Asian countries in 1997 were mainly caused by the contagion effect (domino effect) from other countries. Indonesia as a developing country is highly dependent on foreign economic conditions, especially those related to investment. As a result, the condition of the capital market in Indonesia is thought to be influenced by foreign conditions, especially capital market conditions in developed countries. Contagion is defined as a significant increase in cross-market relations after a shock in a country (or group of countries), as measured by the comparison of asset prices or the combined movement of financial flows in the market to the joint movement in a stable period. Geographical proximity and similar characteristics allow countries in the Asian region to have a very high domino effect (Siahaan, 2018). The contagion effect occurs as a result of the fading of boundaries between countries, resulting in a process of economic unification between countries. This condition results in economic turmoil in a country, it will affect other countries that have relations with that country.

This study uses an explanatory research method whose purpose is to test the hypothesis between the research variables so that it can be seen the influence between the dependent variable and the independent variable. The sampling technique used is the purposive sampling method with a judgment sampling model. The criteria used in determining the sample of this study are: 1) The composite

![Fig. 2. Conceptual Framework.](Image)
index of stock exchanges in the Asian region which is included in the world indexes list based on yahoo finance data; 2) A composite index of stock exchanges in the Asian region based on yahoo finance's ranking of total trading volume in 2015-2019. Through the yahoo finance data, 5 Asian regional stock price indexes and 1 Indonesian stock price index were selected, which are Hang Seng Index (Hongkong), NIKKEI 225 (Japan), KOSPI (Korea), KLSE (Malaysia), STI (Singapore), and JKSE (Indonesia) whose data were taken from January 2015 to December 2019 (60 months). The analysis technique used in this research is multiple linear regression.

III. RESULTS AND DISCUSSION

A. Multiple Linear Regression Analysis

Table 1: Results of Multiple Linear Regression Analysis

| Model       | Unstandardized Coefficients | Standardized Coefficients | t | Sig. |
|-------------|-----------------------------|---------------------------|---|------|
| (Constant)  | 0.004                       | 0.004                     | 1.069 | 0.290 |
| HSI         | 0.75                        | 0.138                     | 0.119 | 0.543 | 0.589 |
| N225        | 0.009                       | 0.100                     | 0.013 | 0.092 | 0.927 |
| KLSE        | -0.006                      | 0.169                     | -0.007 | -0.035 | 0.972 |
| KS11        | 0.502                       | 0.175                     | 0.379 | 2.871 | 0.006 |
| STI         | 0.112                       | 0.173                     | 0.153 | 0.650 | 0.519 |
| Adjusted R Square: 0.219 |                  |                           |     |      |

Based on the results of multiple linear regression analysis in Table 1, it can be formulated the structural equation and its explanation as follows:

\[ Y = 0.004 + 0.75X1 + 0.009X2 - 0.006X3 + 0.502X4 + 0.112X5 + e \]

The constant value is 0.004. This shows that if the value of the independent variable is equal to zero, then the value of the JKSE index is 0.004 units. The regression coefficient value of the HSI Index variable (X1) is 0.75, meaning that if the ratio of the HSI Index increases by one unit, it will result in an increase in the JKSE index of 0.75 units with the assumption that the other variables are constant. The regression coefficient value for the N225 Index variable (X2) is 0.009, meaning that if the N225 Index ratio increases by one unit, it will result in an increase in the JKSE index of 0.009 units with the assumption that the other variables are constant. The regression coefficient value for the KS11 Index variable (X3) is -0.006, meaning that if the KS11 Index ratio increases by one unit, it results in a decrease in the JKSE index by -0.006 units with the assumption that the other variables are constant. The regression coefficient value for the KLSE Index variable (X4) is 0.502, meaning that if the KLSE Index ratio increases by one unit, it will result in an increase in the JKSE index of 0.502 units with the assumption that the other variables are constant. The regression coefficient value of the STI Index variable (X5) is 0.112, meaning that if the STI Index ratio increases by one unit, it will result in an increase in the JKSE index of 0.112 units with the assumption that the other variables are constant.

Adjusted R Square is 0.219 or 21.9%, so it can be concluded that the JKSE Index variable is explained by the return variables of STI, KLSE, N225, KS11, and HSI of 21.9%. While the remaining 78.1% is explained by other variables.

B. Discussion

1) Effect of HSI Index on JKSE

The results obtained from the t-test significance value for the significance level variable of 0.290 is greater than the significance level of 0.05 with a regression coefficient of 0.543. It can be concluded that the HSI index variable has a positive but not significant effect on the JKSE index variable, so H1 is rejected. These results are following the research of Hartanto & Yusbardini (2020) and Widodo (2017) concluding that the HSI index has a positive but not significant effect on JKSE.

Based on the regression coefficient value in multiple linear regression analysis, the variable HSI Index (X1) has a positive effect of 0.75 on JKSE. These results indicate that the Hong Kong capital market with the Indonesian capital market has a positive influence so an increase in the HSI index will encourage an increase in the JKSE index but not significantly in the 2015-2019 period. The proximity factor of the Hong Kong stock exchange with the Indonesian stock exchange regionally did not have a significant impact on the movement of the JKSE index on the Indonesia Stock Exchange for the period January 2015 to December 2019.

This positive influence is because Indonesia and Hong Kong have close and strong bilateral relations with high business and trade value. In 2016, China's special autonomous region was the fourth largest investor in Indonesia, worth USD 2.2 billion. Based on data from the Hong Kong Trade Development Council (HKTDC), Indonesia is Hong Kong’s 22nd largest export market, with a total export value of USD 2.9 billion, up 7.2 percent year-on-year (YoY). Its main export commodities include telecommunication equipment and spare parts (35.7 percent), knitted fabrics (5.9 percent), and computers (4.5 percent). In the same period, Hong Kong’s imports from Indonesia grew 8.8 percent to USD 2.5 billion.

2) Effect of N225 Index on JKSE

The results obtained from the t-test significance value for the significance level variable of 0.927 is greater than the significance level of 0.05 with a regression coefficient of 0.092. It can be concluded that the index variable N225 has a positive but not significant effect on the JKSE index variable, so H2 is rejected. These results are following the research of Damajanti (2018) concluded that the Nikkei 225 index had a positive but not significant effect on the JKSE.

Based on the regression coefficient value in multiple linear regression analysis, the index variable N225 (X2) has a positive effect of 0.009 on JKSE. These results indicate that the Japanese capital market and the Indonesian capital market have a positive influence so an increase in the N225 index will encourage an increase in the JKSE index but not significantly in the 2015-2019 period.

This positive influence is because the value of Japanese investment in Indonesia in 2016 reached USD 5.4 billion, while until the 3rd quarter of 2017, the value of Japanese investment in Indonesia has reached USD 4 billion. The business index in Indonesia also jumped from the 114th position in 2015 to 72 in 2017. In the economic sector, Indonesia's non-oil and gas exports to Japan were ranked 3rd
after exports to the United States and China. Based on data from Bank Indonesia in 2015, the market share of exports to Japan was 9.9 percent, slightly different from the export market to the United States at 11.6 percent and China at 10 percent. The two countries have cooperated not only in the fields of economy, politics, and security but also in people-to-people exchange, especially in the tourism sector. Japan is one of the countries where many tourists visit Indonesia, along with Singapore, Australia, Malaysia, and China.

3) Effect of KS11 Index on JKSE
The results obtained from the t-test significance value for the significance level variable of 0.972 is greater than the significance level of 0.05 with a regression coefficient value of -0.35. It can be concluded that the KS11 index variable has a negative and not significant effect on the JKSE Index variable, so H3 is rejected. These results are following the research of Hartantio & Yusbardini (2020) and Ichsani (2019) concluded that the KS11 index had a negative and insignificant effect on JKSE. This result rejects the research of Widodo (2017) and Putri (2021) concluded that the KS11 index had a positive and significant effect on the JKSE variable.

Based on the regression coefficient value in multiple linear regression analysis, the KS11 (X3) index variable has a negative effect of -0.006 on JKSE. These results indicate that the South Korean capital market and the Indonesian capital market have a negative influence so an increase in the KS11 index will encourage a decrease in the JKSE index but not significantly in the 2015-2019 period. This negative effect is because South Korea is one of the five major countries that are still holding out for investment in Indonesia and the regional proximty factor is felt to have an impact on the movement of the JKSE index on the Indonesia Stock Exchange. Indonesia and South Korea have also just completed the negotiation process and agreed on the substance of the Indonesia-South Korea Comprehensive Economic Partnership Agreement (IK-CEPA) cooperation agreement as one of the pathways to attract large investment from South Korea. The negotiation process lasted for 8 months (February-October) 2019.

South Korea's Minister of Trade, Industry, and Energy Yoo Myung Hee said IK-CEPA would be a solution for both countries to avoid pressure from the global economic slowdown and the trend of world protectionism. So, with the establishment of comprehensive economic cooperation with South Korea, it will open up greater foreign investment opportunities because previously South Korea was still not convinced to invest in Indonesia.

4) Effect of KLSE Index on JKSE
The results obtained from the t-test significance value for the significance level variable of 0.006 is smaller than the significance level of 0.05 with a regression coefficient of 2.871. It can be concluded that the KLSE index variable has a significant positive effect on the JKSE index variable, so H4 is accepted. These results are following the research of Hartantio & Yusbardini (2020) that the KLSE index has a positive and significant effect on JKSE. Based on the regression coefficient value in multiple linear regression analysis, the KLSE Index variable (X4) has a positive effect of 0.502 on JKSE. These results indicate that the Malaysian capital market and the Indonesian capital market have a positive influence so an increase in the KLSE index will encourage a significant increase in the JKSE index in the 2015-2019 period.

This positive influence is because, in 2017, the trade value of the two countries increased by 22 percent to USD 16.89 billion when compared to 2016. Indonesia as a neighboring country makes Malaysia the seventh-largest trading partner of Indonesia globally or the third-largest trading partner in ASEAN. after Singapore and Thailand. Malaysia is one of the countries with a high investment value for Indonesia. Malaysia is ready to invest in the telecommunications, electricity, air transport, infrastructure, property, and industrial sectors.

5) Effect of STI Index on JKSE
The results obtained from the t-test significance value for the significance level variable of 0.519 is greater than the significance level of 0.05 with a regression coefficient of 0.650. It can be concluded that the STI index variable has a positive but not significant effect on the JKSE index variable, so H5 is rejected. This result is following Hartantio & Yusbardini (2020) research which concluded that the STI index has a positive but not significant effect on JKSE. Based on the regression coefficient value in multiple linear regression analysis, the STI Index variable (X5) has a positive effect of 0.112 on JKSE. These results indicate that the Singapore capital market and the Indonesian capital market have a positive influence so an increase in the N225 index will encourage an increase in the JKSE index but not significantly in the 2015-2019 period.

This positive influence is because Indonesia and Singapore are committed to mutually increasing intensive cooperation in the economic sector, especially the industrial sector. One concrete example of the synergy between industrial players in the two countries is the implementation by PT Jababeka Tbk and Sembcorp Development Ltd in the development of the Kendal Industrial Estate (KIK) as an integrated industrial area in Central Java with international standards.

The development of KIK in phases 1 and 2 covers an area of 1,000 hectares and 1,200 hectares, respectively. The development of KIK is expected to have a positive effect on the national economy with a target of absorbing potential investment of up to Rp 200 trillion and a workforce of 500,000 people. As of August 2017, the realization of the investment value in KIK has reached Rp 4.7 trillion with 32 investors from Indonesia, Singapore, Malaysia, China, and Japan by absorbing 5,000 workers.

6) Effect of HSI, N225, KS11, KLSE, STI Index on JKSE
The calculated F-test value is 4.302 with a significance level of 0.002 which is smaller than 0.05. The STI, KLSE, N225, KS11, and HSI indexes simultaneously have a positive and significant effect on the JKSE index. It can be concluded that Hypothesis 6 is acceptable. These results are following the research of Hartantio & Yusbardini (2020) concluded that simultaneously the HSI, N225, KS11, KLSE, STI indexes have a positive and significant effect. These results indicate that simultaneously the movement of the HSI, N225, KS11, KLSE, STI indexes will significantly affect the movement of the JKSE index in the 2015-2019 period.
Pramudika (2012) states that foreign investors invest their capital in the world's main exchanges and exchanges with high growth so that there are links between exchanges in the world. The occurrences and dynamics of stock prices between one exchange and another affect each other, especially with exchanges from adjacent countries, for example, the crash in the Singapore stock exchange will cause a crash in Taiwan, Hong Kong, Japanese, and Indonesian stock exchanges.

7) Research Implication

The theoretical implication obtained from this research is that it can provide an empirical contribution to financial management science related to portfolio performance analysis using the HSI, N225, KS11, KLSE, STI index methods to make JKSE better. The theory of contagion effect occurs as a result of the fading of boundaries between countries, resulting in a process of economic unification between countries. This condition results in economic turmoil in a country, it will affect other countries that have relations with that country. Simultaneously, the contagion effect theory can be accepted because the results of the study show that simultaneously changes in the HSI, N225, KS11, KLSE, STI indexes have a positive and significant effect on the JKSE index for the 2015-2019 period. Partially, the contagion effect theory is acceptable but not all independent variable indices have a positive and significant effect on the JKSE index for the 2015-2019 period.

Effect of HSI Index on JKSE. The Hang Seng Index (HSI) is a cumulative index of 50 blue-chip stocks from the Hong Kong Stock Market, which is one of the most trusted stock indexes used by investors and fund managers to invest. The stocks listed in this index come from various sectors, such as Industry, Finance, Property, and so on. The Hong Kong stock market is the second-largest stock exchange in Asia. Therefore, the Hong Kong stock exchange is more in demand by investors. Thus, any price changes in the HSI index will affect the movement of the JKSE index on the Indonesia Stock Exchange.

Effect of N225 Index on JKSE. Sunariyah (2006) explains that Japan as one of Indonesia's export destinations is an important factor so that Japan's economic growth can encourage Indonesia's economic growth through export activities and capital inflows, both direct investment and through the capital market. Thus, a change in the price of the N225 index will affect the movement of the JKSE index on the Indonesia Stock Exchange.

Effect of KS11 Index on JKSE. The KOSPI 200 is traded with Option on the South Korean stock index futures exchange, on the Korea Stock Exchange (KSE) division. One of the most sought-after investment instruments by Korean domestic investors, as well as Indonesian investors and other international investors, with a contribution of 10% of total transactions, after Nikkei and Hang Seng. However, unlike Hang Seng and Nikkei, KOSPI has a higher correlation with the Asian market than the American market. Thus, any changes in the price of the KS11 index will affect the movement of the JKSE index on the Indonesia Stock Exchange.

Effect of KLSE Index on JKSE. Malaysia is a country that is geographically close to Indonesia. According to Moh. Mansur (2005), the occurrence and dynamics of stock prices in one exchange can affect other exchanges, especially with exchanges from adjacent countries. Experts argue that the economic condition of another country will affect the economic condition of the country. Indonesia as a developing country is still very dependent on foreign economic conditions, especially those related to investment. As a result, capital market conditions in Indonesia are influenced by foreign conditions, especially capital market conditions in other countries. Thus, any price changes in the KLSE index will affect the movement of the JKSE index on the Indonesia Stock Exchange.

Effect of STI Index on JKSE. Singapore is Indonesia's top source of overseas investors. Indonesia is Singapore's second-largest trading partner among ASEAN member countries. Thus, the state of the Singapore economy will affect the state of the Indonesian economy. Thus, any price changes in the STI index will affect the movement of the JKSE index on the Indonesia Stock Exchange.

The results of this study are expected to be able to provide information aimed at investors so that they can be taken into consideration in making fundamental decisions globally, especially the Asian stock exchanges against the Indonesian stock exchanges so that investment decisions taken have better performance and can increase returns optimally. Decisions made by policymakers can also be more effective and efficient in determining policies globally, especially the impact of movements in the composite stock price index in Asia on the JKSE index on the Indonesia Stock Exchange.

IV. Conclusion

International portfolio diversification needs to be carried out by Indonesian investors to stock exchanges of other countries such as Hong Kong, Japan, South Korea, Malaysia, and Singapore. On the other hand, foreign investors invest in the Indonesian stock market. This will increase portfolio performance and obtain maximum stock returns so that it will affect the movement of the combined stock price index of each country due to the integration of the Asian stock market. Cooperation between countries through investment will also be good.

In general, the stock price index abroad is not the only factor that affects the stock price index in Indonesia. Nevertheless, the existence of the ASEAN Economic Community (MEA) will certainly have a major impact on the JKSE index in Indonesia, which is a state of Southeast Asia and ASEAN. Thus, this condition affects the interest of the Indonesian people in investing. It is appropriate for the Indonesian people to invest so that they can build their own country, not because of funds flowing from abroad, but it is hoped that the Indonesian people will be able to channel their funds to the international realm for investment.

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