

INTEGRATION ANALYSIS OF SHARIA STOCK PRICE INDEX IN INDONESIA, MALAYSIA, CHINA AND THE UNITED STATES ISLAMIC CAPITAL MARKETS

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Abstract

This study aims to determine the effect of Dow Jones Islamic Word Malaysia Index (DJMY25D), Dow Jones Islamic Market China (DJICHKU) and Dow Jones Islamic Market Index (DJIMI) on Indonesian Sharia Stock Index (ISSI.JK) for the 2018-2022 period. The exogenous variables in this study include DJMY25D, DJICHKU and DJIMI. Meanwhile, the endogenous variable is ISSI.JK. In the DJMY25D, DJICHKU, DJIMI and ISSI.JK variables it is calculated by the percentage growth in closing prices at the beginning of the month each month. The population in this study is the Islamic index of Malaysia, China and America. The sample selection method in this study uses a saturated sample technique. In addition, Error Corection Model (ECM) Regression Analysis was used in the data analysis method. The results of this study indicate that in the long run that DJMY25D has a negative but not significant effect on the Indonesian Sharia Stock Index. DJICHKU has a positive and significant effect on the Indonesian Sharia Stock Index. DJIMI has a negative and significant effect on the Indonesian Sharia Stock Index. Furthermore, in the short term it was found that DJMY25D had a positive but not significant effect on the Indonesian Sharia Stock Index. DJICHKU has a positive but not significant effect on the Indonesian Sharia Stock Index. Furthermore, DJIMI has a negative and significant effect on the Indonesian Sharia Stock Index. His research is limited by the integration of Indonesian Islamic stocks with several Malaysian, Chinese and American Islamic stocks. There are several other countries where the Islamic stock market may be integrated with Indonesian Islamic stocks, but in this study only uses Malaysian, Chinese and American Islamic stocks due to limited data and research time. The integration of ISSI.JK, DJICHKU and DJIMI sharia stocks may be useful for market players and regulators to consider the DJICHKU and DJIMI stock market in estimating market price movements and volatility of the Indonesian sharia stock market. This study provides new insights on the integration of Islamic stocks in Malaysia, China, America and Indonesia in 2018-2022.

Keywords: *ISSI.JK, DJMY25D, DJICHKU, DJIMI.*



THE INTRODUCTION

Economic development in a country is no longer determined by the country itself, but is also influenced by the economies of other countries. The capital market has an important role in the development of a country, because it is a tool and a place to drive the pace of economic development in a country, the formation of long-term funds and collection of funds formed in this capital market to increase public participation in mobilizing funds to encourage growth financing National development. The capital market has two main functions, namely as a means for business funding for companies that can encourage companies to expand the market and can also be used for additional capital, the second function is as a forum or facility that can be used by investors to carry out investment activities in various instruments. Investments offered in the capital market such as stocks, bonds, mutual funds and others (Umam, 2013).

The capital market can describe the health and economic growth in a country because the average company is represented by the capital market. When government policies and the economic conditions of a country are good from an investor's point of view, usually stock prices will increase and this condition will increase the value of the stock price index of a country, but if conditions the economy is bad, usually stock prices will slump. So that various kinds of efforts are carried out by each country to minimize existing risks and optimize the resources they have. One of the efforts being made is economic integration, especially the capital market which provides an overview of market activities that actually occur (Nur, 2020).

Judging from the function and role of the capital market, the capital market has a very large market share for the Islamic finance industry. Indonesia is a country with a Muslim majority population. According to population census data from the Central Statistics Agency (BPS) for 2022, 276 million Indonesians are Muslim, so it can be seen that 86.7% of the total population of 237.56 million

Indonesians are Muslim (Central Statistics Agency, 2022). When viewed from a large Muslim population in Indonesia, it is very possible to have a growing Islamic capital market, because Muslim investors can contribute to the development of a country through the Islamic capital market.

The Islamic capital market in Indonesia began to develop in 1997 with the issuance of Islamic Mutual Funds by PT. Danareksa Investment Management on July 3, 1997. Subsequently, the Indonesia Stock Exchange in collaboration with PT. Danareksa Investment Management launched the Jakarta Islamic Index on July 3, 2000 which aims to guide investors who wish to invest their funds in a sharia manner. Furthermore, sharia investment instruments in the capital market continued to grow with the presence of PT. Indosat Tbk in early September 2002. This instrument is the first Sharia Bond and the contract used is a mudharabah contract. Then in 2011 the Indonesian Sharia Stock Index (ISSI.JK) was published (OJK, 2022).

ISSI.JK is a stock index that reflects all Sharia shares listed on the Indonesia Stock Exchange (IDX). ISSI.JK constituents are all Sharia shares listed on the IDX and registered in the Sharia Securities List (DES). ISSI.JK constituents are reviewed every six months in May and November and published at the beginning of the following month. ISSI.JK constituents also make adjustments if there are Sharia shares that have just been registered or deleted from the Sharia Securities List (DES) (Nasrudin, 2008).

The cooperation of a country with other countries can be seen in the Cooperation between Malaysia and Indonesia. Malaysia and Indonesia are neighboring countries that are members of ASEAN countries and of course these two countries have a majority Muslim population. The two of them have bilateral agreements between the Indonesia Stock Exchange and the Malaysia Stock Exchange regarding trade by several industries and sharia products so as to provide opportunities for Indonesian investors to participate in stock trading in Malaysia. Malaysia was the first country to develop Islamic capital market



activities as early as 1990 and is currently experiencing very rapid progress. Malaysia's Sharia capital market securities activities must comply with Sharia principles, and are supervised by the Sharia Advisory Council (SAC). Bursa Malaysia bergabung dalam konstituen *Dow Jones Islamic Index* pada tahun 2012 dengan nama *Dow Jones Islamic World Malaysia Index (DJMY25D)* (Kurniawan, et al., 2019).

Furthermore, Indonesia also has cooperation with China. Where investors from China have invested in building mineral processing (smelters) in Indonesia since 2010. This investment is in line with the government's goal of adding added value to the domestic mining industry by cooperating with local companies and foreign investors. Cooperation between Indonesia and China is not only in the industrial sector, but also extends to the Islamic financial sector, this is what makes Indonesia quite integrated with China. Regional communities in the ASEAN region and China have formed a free trade community through the ASEAN China Free Trade Area (ACFTA) agreement (Sella, et al., 2021). With this agreement, member countries can interact massively in buying and selling shares between countries.

Dow Jones Islamic Market China (DJCHKU) joined the Dow Jones Islamic Market Index since 2005. With the integration of Chinese Sharia shares into DJIM, all transactions made by Chinese Sharia shares must be supervised and regulated by the Sharia Advisory Council (SAC), so as not to out of Islamic norms (Santosa, 2013). Furthermore, the United States also has links with the economy of Indonesia. The United States is the first country to carry out Islamic capital market activities in the world (Huda dan Nasution 2008). If the capital market in America experiences a decline, it will have a big impact on the capital market in Asian countries, because many countries in Asia have an economic or capital market dependence on America. The Indonesian capital market, especially those that have a strong dependence on the American and European capital markets, if the American capital market declines, the Indonesian capital

market will also experience a decline. The following is the price index of Indonesian, Malaysian, Chinese and US sharia stocks in 2022:

Tabel 1. Closing Islamic Stock Price Data for the January - December 2022 period

Month	ISSI.JK	DJMY25D	DJICHKU	DJIMI
January	189,12	755.17	2,412.72	5,942.34
February	192,32	794.81	2,245.89	5,740.58
March	199,91	769.06	2,012.11	5,874.65
April	208,18	749.13	1,967.34	5,346.91
May	209,07	720.43	2,025.73	5,259.45
June	200,39	648.41	2,110.10	4,827.24
July	205,84	658.73	1,947.67	5,247.94
August	208,63	652.63	1,931.99	5,005.34
September	204,10	578.48	1,588.02	4,516.13
October	207,73	594.84	1,320.74	4,726.17
November	209,01	642.16	1,742.73	5,084.53
December	217,73	662.38	1,862.76	4,836.18

Source : www.investing.com

Notes :

ISSI.JK : Indonesian Sharia Stock Price Index

DJMY25D : Malaysia Sharia Stock Price Index

DJICHKU : China Sharia Stock Price Index

DJIMI : United States Sharia Stock Price Index

Seen from the table above, the difference in the Indonesian sharia stock price index to Malaysia, China and the United States is very visible, where the Indonesian sharia stock price index is very far behind. This is a big problem because Indonesia is known as a country with a majority Muslim population. Meanwhile, China only has a few Muslims but gets a higher sharia stock price index than Indonesia. Given this problem, researchers are very interested in the relationship between the 4 countries.

Capital market cooperation has the objective of realizing closer capital market cooperation to increase trade between countries and deepen regional economic integration. Economic integration will become stronger if capital market integration is carried out. As well as the integration of the capital market will increase the role of economic development between countries (Nurhayati,



2010).

One way to expand the Islamic financial sector through the Islamic capital market is by strengthening cooperation between countries. If the Indonesian Islamic capital market is integrated with Islamic capital markets in Asian and even European countries, it will have a positive impact on increasing the supply and demand for Islamic products in the capital market. The expansion of the capital market sector has affected the supply and demand for sharia-based products, and is one form of effort to encourage an increase in the number of issuers registered in the Sharia Securities List (DES).

In previous research, Suteja et al. (2019) this study examines whether there was integration of Islamic stock markets in Indonesia, Malaysia and Singapore, before and during the Greek crisis. The results of the research show that there is no capital market integration into the research sample. Oktaviani (2017) research results note that the Dow Jones Japan Index has no significant effect on the Jakarta Islamic Index. Pratama (2017) also found that there was no integrity between the Indonesian, Malaysian and Chinese Islamic stock markets during a slowdown in China's economy. Inconsistent findings in previous research motivated researchers to re-explore whether using the same variables in different objects, times and analytical techniques using path analysis techniques, can produce different results. Based on the background description above, the want to know the effect of the Dow Jones Islamic Word Malaysia Index (DJMY25D), Dow Jones Islamic Market China (DJICHKU) and Dow Jones Islamic Market Index (DJIMI) partially or simultaneously on the Indonesian Sharia Stock Index (ISSI.JK).

This research was conducted to contribute benefits to various parties. For market players, such as investors and market analysts to estimate market price movements and the volatility of the Indonesian sharia stock market. For regulators, it can be useful in establishing policies to control the volatility of the Indonesian sharia stock market because the source of volatility in the

Indonesian market is not only from the market itself. For future academics and researchers, it is hoped that this can be used as reference material and is expected to further analyze the indicators of the creation of the integration of the Indonesian Islamic stock capital market. For the public, with the results of this study it is hoped that the community will participate more in the Islamic capital market. This was done so that the Islamic capital market in Indonesia could continue to grow and compete with other countries because Indonesia is a country where the majority of the population is Muslim.

LITERATURE REVIEW

Dow Jones Islamic Index Malaysia (DJIMY25D)

There are two Islamic stock indices in Malaysia, the Kuala Lumpur Sharia Index (KLSI) and the Rashid Husein Berhad Islamic Market Index (RHBIMI). KLSI was founded by the government while RHBIMI was founded by the private sector (Rashid Hussain Berhad). The emergence of these two indices shows the great interest of Malaysian investors and other countries towards Islamic investment in Malaysia. This development can be seen from the number of issuers that are always increasing and currently sharia shares control 88% of all shares listed in KLSE in 2010 (www.sc.com).

Dow Jones Islamic Market China (DJICHKU)

Dow Jones Islamic Market China (DJICHKU) joined the Dow Jones Islamic Market Index on December 31, 2005. With the inclusion of Chinese Islamic stocks that are consistent with the Dow Jones Islamic Market International Index (DJIMI), all transactions carried out are monitored and regulated by a Sharia Advisory Council (SAC) that complies with sharia principles.



Dow Jones Islamic Market Index (DJIMI)

The Dow Jones Islamic Market Index is a member of the Dow Jones Global Index (DJGI) index family. In selecting sharia stocks, the S&P Dow Jones Index cooperates with Ratings Intelligence Partners (RIP) to provide screening of existing stocks. Ratings Intelligence Partners is a consulting firm specializing in world Islamic investment market solutions. His team consists of qualified Islamic researchers who work directly with the Sharia Supervisory Board.

Indek Saham Syariah Indonesia (ISSI)

The Islamic stock index is an indicator that shows the movement of the Islamic stock price index on the Indonesian Stock Exchange. Since 12 May 2011, the IDX has had two sharia stock price indices, namely the Jakarta Islamic Index (JII) and the Indonesian Sharia Stock Index (ISSI). ISSI is a stock index that reflects all sharia stocks listed on the IDX (Indonesian Stock Exchange). ISSI constituents are all sharia shares listed on the IDX and registered in the DES (Sharia Securities List). ISSI constituents are reviewed every 6 months (May and November) and published at the beginning of the following month. ISSI constituents also make adjustments if there are sharia shares that have just been listed or written off from the DES. (www.idx.co.id).

Capital Market Integration

Capital market integration is a condition in which share prices in various capital markets around the world have a very close relationship (closely correlated) between a capital market and other capital markets, so that capital markets in the world can achieve an international price (international pricing) on their shares and provide unrestricted access to investors around the world (Mailangkay, 2013).

Capital market integration occurs when two separate markets have the same price index movement and have a correlation between their movements

(Plummer, 2012). The movement of stock prices is caused by several factors, both directly and indirectly influencing, such as stock trading volume, investor perceptions and various fundamental news. Individual stock prices reflect investors' hopes and fears of future conditions, stock price movements can take the form of up and down waves that are always changing. With an increasing degree of international stock market integration, the benefits of diversification will tend to decrease. Regional stock market integration will be more attractive to international investors who will invest in regions that have advantages such as high stock liquidity and low transaction costs (Endri, 2009).

The definition of integrated is divided into two, namely integrated in the narrow sense and integrated in the broad sense. Integration in a narrow sense means that the equity market is connected to world tools 24 hours a day, both for trading equities and derivative products, whether computerized or not. Integration in a broad sense means that share prices in various world capital markets have an increasingly positive correlation. Integration in the broadest sense is that companies can make their shares reach international prices based on unlimited access for all investors (Yulianti & Handoyo, 2005).

Previous Studies: Hypothesis Development

Dow Jones Islamic World Malaysia Index (DJMY25D) with Indonesian Sharia Stock Index (ISSI.JK)

The majority of Malaysia's population adheres to Islam. And the position of Malaysia which is so close to Indonesia makes free trade between countries which can strengthen the intra-regional relations between the two countries. Also supported by the existence of a bilateral agreement between the IDX and the Malaysian exchange regarding the trading of several Sharia companies and products, this has allowed Indonesian investors to trade or trade in shares in Malaysia. This is in line with research (Qizam & Ardiansyah, 2019) which states that Malaysia, the Philippines, Singapore and Thailand influence the Indonesian



capital market.

H₁: The Dow Jones Islamic Word Malaysia Index (DJMY25D) has a positive effect on the Indonesian Sharia Stock Index (ISSI.JK).

Dow Jones Islamic Market China (DJICHKU) with Indonesian Sharia Stock Index (ISSI.JK)

The increase in export-import based on Sharia has placed China as a country to be reckoned with because the flow of money in the Chinese market is known as one of the best. The expansion of the Islamic finance sector in China has made Indonesia quite integrated. Because regional communities in the ASEAN region and China have formed a free trade community, namely through the ACFTA (ASEAN China Free Trade Area) agreement. This is supported by research conducted by Madyan, et al (2019) which shows that there is a positive relationship between the Chinese stock index and the Indonesian stock index in the long and short term in the first and second periods.

H₁: *Dow Jones Islamic Market China (DJICHKU)* has a positive effect on the Indonesian Sharia Stock Index (ISSI.JK).

Dow Jones Islamic Market Index (DJIMI) with Indonesian Sharia Stock Index (ISSI.JK)

The United States is the first country to carry out Islamic capital market activities in the world. If the capital market in America experiences a decline, it will have a big impact on the capital market in Asian countries, because many countries in Asia have an economic or capital market dependence on America (Natalia, 2020). The Indonesian capital market, especially those that have a strong dependence on the American and European capital markets, and if the American capital market declines, the Indonesian capital market will also experience a decline. This is reinforced by research Soeharjoto & Inviah (2021) which shows that US Sharia stocks have a positive effect on the Indonesian

Sharia Stock Index (ISSI.JK).

H₁: *Dow Jones Islamic Market Index (DJIMI)* has a positive effect on the Indonesian Sharia Stock Index (ISSI.JK)

METHODOLOGY

Types of research

In this study, the authors used a quantitative approach method. The quantitative method is a research method based on the philosophy of positivism, used to examine certain populations or samples, sampling techniques are generally carried out randomly, data collection uses research instruments, data analysis is quantitative/statistical to test established hypotheses (Sugiono, 2010). This study uses a quantitative approach whose purpose is to identify the effect of exogenous variables on endogenous variables.

Operational Definition and Variable Measurement

1. Dependent Variable (Endogenous Variable)

The endogenous variable in this study is the Indonesian Sharia stock index (ISSI.JK) which is included in the Dow Jones Islamic market and is measured by the monthly closing price.

2. Independent Variables (Exogenous Variables)

The exogenous variables in this study are the Dow Jones Islamic World Malaysia Index (DJMY25D), the Dow Jones Islamic Market China (DJICHKU) and the Dow Jones Islamic Market Index (DJIMI). The Dow Jones Islamic World Malaysia Index (DJMY25D) is the country's Islamic stock index, the Dow Jones Islamic Market China (DJICHKU) is the China Islamic stock index and the Dow Jones Islamic Market Index (DJIMI) is the United States Sharia stock index and



is measured by the monthly closing price.

Data Types and Sources

The data used in this study are secondary data, the secondary data used is the closing stock price index at the end of the month originating from the Indonesian Sharia Stock Index (ISSI.JK), Dow Jones Islamic World Malaysia Index (DJMY25D), Dow Jones Islamic Market China (DJICHKU) and the Dow Jones Islamic Market Index (DJIMI).

Populasi and Research Sample

The population in this study is the Islamic index of Malaysia, China and America. The sample selection method in this study uses a saturated sample technique. Saturated sample technique is a sampling technique with the entire population being sampled (Sugiyono, 2016). The sample for this study uses Islamic stock indices of Malaysia, China and the United States because they interact a lot with Indonesia.

Method of collecting data

Source of data is one part of the research that is urgent. The data collection method in this study is secondary data collection. Secondary data is research data obtained by researchers indirectly from intermediary media. Secondary data is generally in the form of evidence, historical reports or notes that have been compiled in published archives. This study uses secondary data obtained by researchers by conducting literature studies to support the material discussed in this study. This research activity was carried out by collecting information through books, journals, literature, websites and others that support this research. The data used is time series data which is the percentage growth in closing prices at the beginning of the month from ISSI.JK, DJMY25D, DJICHKU and DJIMI in the period from January 2018 to 2022. The data collection technique used comes from the internet via a site with an address at

www.yahoofinance.com, www.googlefinance.com, www.marketwacth.com, www.investing.com.

Data Analysis Techniques

This study wants to use the Error Correction Model (ECM) regression analysis technique using E-Views 12 software. To use the Error Correction Model (ECM) model, stationary tests and cointegration tests are carried out, then classical assumption tests are carried out, namely normality, multicollinearity, heteroscedasticity and autocorrelation. In this model, carry out the F test, t test, R squared for the long and short term.

RESULT AND DISCUSSION

Result

Based on the results of the data stationarity test using the Augmented Dickey-Fuller Test with the E-Views 12 statistical tool, it shows that all research variables are stationary at the first different level with a significant level below 5%. Furthermore, the cointegration test obtained a probability value of 0.0103 < 0.05, resulting in long-term cointegration between the Indonesian Sharia Stock Index (ISSI.JK) and the Dow Jones Islamic World Malaysia Index (DJMY25D), Dow Jones Islamic Market China (DJCHKU) Dow Jones Islamic Market World Index (DJIMI).

Next, the researcher conducted a classic assumption test in order to get regression results that could be estimated accurately and unbiased or called BLUE (Best Linear Unbiased Estimation). This classic assumption test consists of 4 tests including:

1. Normality Test

Based on the results of the data normality test with the help of the E-Views 12 application, it shows that the probability results are greater than



the significant level ($= 0.05$), which is equal to 0.804007 . So it can be concluded that the data is normally distributed, so the model is feasible to use.

2. Multicollinearity Test

Based on the results of the data multicollinearity test with the help of the E-Views 12 application, it shows that the Centered VIF value is not more than 10. This shows that there is no high correlation between variables, so there is no multicollinearity in the data being analyzed.

3. Heteroscedasticity Test

Based on the results of the Heteroscedasticity test of the data with the help of the E-Views 12 application, it shows that $obs*Rsquare$ has a value of 5.280818 (>0.05). So it can be concluded that there are no cases of heteroscedasticity.

4. Autocorrelation Test

Based on the results of the data autocorrelation test with the help of the E-Views 12 application, it shows that $obs*Rsquare$ is 4.253134 (>0.05). So it can be concluded that there is no case of autocorrelation.

The results of the long-term ECM regression test obtained a Probability F-Statistic value of 0.002139 , which means that simultaneously DJMY25D, DJICHKU and DJIMI have an effect on ISSI.JK. The results of the regression test carried out obtained an $Rsquared$ value of 0.323592 , which means DJMY25D, DJICHKU and DJIMI can explain ISSI.JK by 32.36% and the rest is explained by other variables but not included in the model.

Table 2. Long Term ECM Regression Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DJMY25D	-0.041464	0.035268	-1.175694	0.2472
DJICHKU	0.049951	0.013491	3.702631	0.0007
DJIMI	-0.028639	0.007159	-4.000244	0.0003
C	208.4972	23.12956	9.014315	0.0000
R-squared		0.323592	F-statistic	5.900241
Adjusted R-squared		0.268748	Prob(F-statistic)	0.002139

Source: Eviews 12 Test Results (data processed)

The estimation results from the long-term equation partial test obtained a coefficient value of DJMY25D of -0.041464 with a probability value of 0.2472 (> 0.05), which means DJMY25D has a negative but not significant effect on the Indonesian Sharia Stock Index. DJICHKU has a coefficient value of 0.049951 with a probability value of 0.0007 (< 0.05), which means that DJICHKU has a positive and significant effect on the Indonesian Sharia Stock Index. DJIMI has a coefficient value of -0.028639 with a probability value of 0.0003 (< 0.05), which means that DJIMI has a negative and significant effect on the Indonesian Sharia Stock Index.

The results of the short-term ECM regression test obtained a Probability F-Statistic value of 0.000405, which means that simultaneously DJMY25D, DJICHKU and DJIMI have an effect on ISSI.JK. The results of the regression test carried out obtained an Rsquared value of 0.392417, which means DJMY25D, DJICHKU and DJIMI can explain ISSI.JK by 39.24% and the rest is explained by other variables but not included in the model. The results of this test obtained a coefficient of RES (-1) of -0.309974 with a probability value of 0.0103 < 0.05 , so that it has a negative and significant influence on the Indonesian Sharia Stock Index. This means that the equation in the study can use the Error Correction Model (ECM) model.

Table 3. Short Term ECM Regression Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DJMY25D	0.010526	0.027882	0.377524	0.7080
DJICHKU	0.004839	0.007380	0.655712	0.5162
DJIMI	0.021002	0.006928	3.031729	0.0045
RES(-1)	-0.309974	0.114867	-2.698555	0.0103
C	-1.719134	1.057485	-1.625682	0.1127
R-squared		0.392417	F-statistic	7.750375
Adjusted R-squared		0.341785	Prob(F-statistic)	0.000405

Source: Eviews 12 Test Results (data processed)

The estimation results from the short-term equation partial test obtained a coefficient value of DJMY25D of 0.010526 with a probability value of 0.7080 (> 0.05), which means that DJMY25D has a positive but not significant effect on the Indonesian Sharia Stock Index. DJICHKU has a coefficient value of 0.004839 with a probability value of 0.5162 (> 0.05), which means that DJICHKU has a positive but not significant effect on the Indonesian Sharia Stock Index. DJIMI has a coefficient value of 0.021002 with a probability value of 0.0045 (< 0.05), which means that DJIMI has a negative and significant effect on the Indonesian Sharia Stock Index.

DISCUSSION

Effect of the Dow Jones Islamic World Malaysia Index (DJMY25D) on the Indonesian Sharia Stock Index (ISSI.JK)

In the short and long term the Dow Jones Islamic World Index has a negative but not significant effect on the Indonesian Sharia Stock Index, the results of this study are in line with research conducted by Puspitasari, et al (2015) which states that there is integration or a long-term relationship between 5 countries ASEAN, but only Thailand and Singapore have a significant influence on the Indonesian stock market. Furthermore, Soeharjoto & Inviah (2021) found that in the short term, the Dow Jones Malaysia Index has no effect on the Indonesian Sharia Stock Index. Then, Budiarta, et al (2021) found that the KLSE Index had no effect on the Indonesian Composite Stock Price Index (IHSG) on the Indonesia Stock Exchange from 1 June 2021 to 31 July 2021. This was due

to differences in the Islamic stock index indicators and the research period used . With the finding that there are differences in the performance of Islamic stock indices in Indonesia and Malaysia as reflected in the return of Islamic stock indices in Malaysia which is higher than Indonesia, but the risk in Indonesia is higher than Malaysia. However, the presence of high risks in Indonesia will indirectly cause the level of profit on the Indonesian Stock Exchange to be higher than that of Malaysia.

The Influence of the Dow Jones Islamic Market China (DJICHKU) on the Indonesian Sharia Stock Index (ISSI.JK)

In the long run, the Dow Jones Sharia Market in China has a positive and significant effect on the Indonesian Sharia Stock Index. The results of this study are in line with research conducted by Natalia (2020) that the Indonesian stock index on the Indonesian stock market was influenced by the US and Chinese stock markets during the 2018-2020 trade war. However, in the short term DJICHKU has a positive but not significant effect on the Indonesian Sharia Stock Index, this finding is in line with research conducted by Herlianto & Hafizh (2020) which states that the Shanghai Stock Exchange Composite Price Index has no significant effect on the Jakarta Composite Index (IHSG).) on the Indonesia Stock Exchange (IDX) for the 2015-2019 period. Furthermore, Imron, et al (2020) found that market movements in economic partner countries (China) did not dominantly influence the Indonesian stock market. This is because there are other influences that are considered by investors, especially foreign investors, to invest their funds in a country's capital market. In 2015, China, which experienced an economic slowdown at that time, was reflected in the drop in the SSEC Index, which immediately moved bearish. In 2019 China is in conflict with the US in terms of a trade war which destabilizes China's own economic conditions. This has resulted in the Chinese capital market becoming less attractive, due to the high investment risk that will be accepted, especially for foreign investors. Because of this, they prefer to keep their funds in other



countries' capital markets or other investment instruments. Investors who initially invest in Indonesia will prefer to retain their funds, because they have a smaller risk compared to the risk when investing in China.

The influence of the integrated Dow Jones Islamic Market Index (DJIMI) on the Indonesian Sharia Stock Index (ISSI.JK)

The Dow Jones Sharia Market Index in the long term and short term has a negative and significant effect on the Indonesian Islamic stock index. The results of this study are in line with research conducted by Fitrianto (2020) and Herlianto & Hafizh (2020) which state that the Dow Jones Islamic Index (DJIMI) has a partially significant effect on the Jakarta Islamic Index (JII). Then research conducted by Soeharjoto & Inviah (2021) which shows that US Sharia stocks have a positive effect on the Indonesian Sharia Stock Index (ISSI.JK) and Natalia (2020) that the Indonesian stock index on the Indonesian stock market was influenced by the US and Chinese stock markets during the 2018-2020 trade war. This is because the Dow Jones index is the largest average index in the world so that its movements often affect the movement of stock indices around the world including JII, when DJIMI experiences movements it is always followed by the same movements on the Indonesian Stock Exchange Exchange, meaning has a positive influence. This happens because world stock prices fluctuate, causing investors to take the initiative to balance by adding and keeping active portfolios, so that stock markets between countries have opposite values. The macroeconomic conditions in America are in a cycle, after some time it is immediately followed by Indonesia, resulting in an economic downturn in America, investors in the American stock market immediately secure their assets in Indonesian stocks and then follow further developments from that direction. macroeconomic movement.

CONCLUSIONS

The research results obtained in the long run show that DJMY25D has a negative but not significant effect on the Indonesian Sharia Stock Index. DJICHKU has a positive and significant effect on the Indonesian Sharia Stock Index. DJIMI has a negative and significant effect on the Indonesian Sharia Stock Index. Furthermore, in the short term it is known that DJMY25D has a positive but not significant effect on the Indonesian Sharia Stock Index. DJICHKU has a positive but not significant effect on the Indonesian Sharia Stock Index. Furthermore, DJIMI has a negative and significant effect on the Indonesian Sharia Stock Index. In future research, it is better to link the integration that occurs with exchange rate changes that occur as a result of macroeconomic shocks. This needs to be done bearing in mind that extreme exchange rate volatility is the main source of the world economic crisis, so that the exchange rate contributes greatly to the development of the Islamic stock index. Therefore, based on the conclusions of this study, the authors suggest that market players such as investors and market analysts must include the DJICHKU and DJIMI stock markets in estimating market price movements and volatility in the Indonesian sharia stock market. For regulators, this study highlights the fact that ISSI.JK must consider the DJICHKU and DJIMI markets in setting its policies to control the volatility of the Indonesian sharia stock market because the source of volatility in the Indonesian market is not only from the market itself, but also from DJICHKU and DJIMI. For future academics and researchers, it is hoped that the results of this research can be used as reference material and are expected to further analyze indicators to create capital market integration with monthly data, in this case the closing price at the beginning of this month. Future researchers are expected to be able to add other factors that can affect the integration of Islamic capital markets such as economic factors, currency, geographical location and others which can be done by making comparisons with ISSI.JK to be able to find out the performance of ISSI.JK. For the community, with the results of this study it is

hoped that the community will participate more in the Islamic capital market. This was done so that the Islamic capital market in Indonesia could continue to grow and compete with other countries because Indonesia is a country with a majority Muslim population.

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