PREFACE

The International Conference on Entrepreneurship and Business Management (ICEBM) is a conference that aims to facilitate the exchange of best practices information and knowledge dissemination in the field of entrepreneurship, business, and management. The ICEBM is organized by Tarumanagara University and collaborating universities as well as related institutions. The conference provides the forum for various groups of professionals including practitioners, researchers, academicians, practitioners, government officials, individuals in society, and graduate/postgraduate students.

Following the success of the Fourth ICEBM that was held in Bangkok, this year the Fifth ICEBM is held in Tainan in collaboration with Kun Shan University, Ciputra University, Udayana University, Kristen Krida Wacana University and Trisakti School of Management. The main theme of the Fifth ICEBM is “Entrepreneurship and Management in Turbulent Global Environment: From Start-Up to Global Business”.

The turbulent global environmental forces are constantly presenting new opportunities and threats. Entrepreneurs and managers are increasingly taking a global view of the company’s market opportunities and competitions. Mark Zuckerberg, Founder of Facebook, embraced change, created new solutions to unmet needs and managed to shape the incredible rocket growth from start-up to global giant. A primary feature of the conference is to consider the dynamics of entrepreneurship and management in the context of globalization. This posits challenges toward professionals and entrepreneurs in finding ways to vitalize the business development in the turbulent global environment.

In this Fifth ICEBM 2016, there were 126 abstracts received from the participants and 84 full papers were reviewed by ICEBM Scientific Committee. This committee comprises of 46 reviewers from 13 different institutions and 7 countries. The 84 full papers were received from 45 different institutions that came from 9 different countries: Brazil, China, Ethiopia, India, Indonesia, Malaysia, Philippines, Sweden, and Taiwan. A total of 75 out of 84 papers have been accepted. Reviewing process in this year is similar to last year where we applied a double blind peer-review process and scientific committee reviewed not just the abstracts received but also the full papers. These papers address diverse areas of application in entrepreneurship and business management. Starting from the field of accounting and finance, economics, marketing, and so forth through addressing a wide variety of theoretical and methodological approach.

This year papers that have been published to the book of proceedings will be further evaluated for possible submission to the special issue of Asia Pacific Management Review (APMR) and ASEAN Marketing Journal (AMJ). We hope that this book of proceedings could promote and stimulate further the discussion of practitioners and academics especially on business challenges and threats in turbulent global environment.

Finally, we would also like to thank all the contributing authors for their valuable work in supporting the success of the Fifth ICEBM. Thank you very much for your contribution.

Conference Chair

Dr Keni
Prof. Chin-Chiuan Lin
OPENING SPEECH FROM THE RECTOR OF TARUMANAGARA UNIVERSITY

Distinguished guests, ladies and gentlemen:
I am pleased to have the opportunity of addressing this important conference, widely known as the International Conference on Entrepreneurship and Business Management (ICEBM for short). After its first successful arrangement in Jakarta, followed by Bali, Penang, and Bangkok, this year’s conference in Tainan, Taiwan, commemorates the fifth anniversary of the event, and I am immensely grateful for having found to date the Conference a continued success.

The purpose of the seminar actually is to provide a forum that facilitates the exchange of knowledge and experience of both practitioners and academics in entrepreneurship, business, and management. Here they can mutually share their findings. I would like to further remind all of us about the importance of the current Seminar, considering the chosen topic “Entrepreneurship and Management in Turbulent Global Environment: from Start-Up to Global Business.” Basically the term start-up is still quite debated. The US Small Business Administration describes start-up as a “business that is typically technology oriented and has high growth potential.” It is considered that the only essential aspect of start-up is growth! Because of this “growth potential,” a start-up is able to provide its goods and services to a wider or larger market. As this happens, a start-up has no other choice but explores an unknown area or uses an innovative business model, trying to disrupt existing markets. This enables a start-up to enter a global business. From start-up to global business; one can imagine how difficult or turbulent is when a start-up involves globally or cross-border transactions of resources between two or many nations. For this reason, this Seminar actually is not just important but is even necessary in particular for those who try to understand and anticipate any possible threats and opportunities, which come along with the rapid change in the global environment.

Distinguished guests, ladies, and gentlemen:
I would like to conclude with the following notes. Firstly, while we organize the event co-hosting with Kun Shan University, this year’s conference becomes special for the support of 4 other universities: Universitas Udayana, Universitas Kristen Krida Wacana, Ciputra University, and Trisakti School of Management (TSM). They provide assistance in the preparation and execution, leading this event to a success. I am thankful for their kind contribution. Secondly, our thanks also go to Kun Shan University for its utmost support and wonderful cooperation. I sincerely thank the Faculty of Economics of Tarumanagara University, in particular the organizing committee for their hard-work and dedication, making this important conference successfully possible. Finally, I would like to express my gratitude for the presence of distinguished speakers and a number of active participants from several countries. I wish you all a productive and fruitful seminar. Thank you.

Prof. Dr. Agustinus Purna Irawan
OPENING SPEECH FROM THE PRESIDENT OF KUN SHAN UNIVERSITY

First of all, it is an honor and a pleasure to hold the International Conference on Entrepreneurship and Business Management (The Fifth ICEBM 2016). I and staff of Kun Shan University to interact with all of you distinguished scholars and business elites at this marvelous conference.

In 2016, the government of R.O.C. (Taiwan) proposed a "new southward policy" not only to revive the foundation of the "go south" policy, but also to build new social and educational ties. Specifically, the policy focusing on strengthening relations between Taiwan and South and Southeast Asian nations would be set up. The policy would not be confined to trade and investment but would also include people-to-people, cultural, educational, research and other types of exchanges. This policy shows commitment to make Taiwan more ASEAN-oriented. Clearly, more business knowledge and understanding of South and Southeast Asian countries is necessary to Taiwanese researchers and business men/women. Therefore, it is an honor to host the Conference working together with the excellent partners of Universities in ASEAN. I look forward the Conference would become the best forum to share ASEAN-related knowledge. After the Conference, I sincerely hope that KSU will build a best academic and Business partners with the Tarumanagara University (UNTAR).

Finally, I highly recommend that please take the break to explore this amazing city of Tainan. Enjoy the Conference and take advantage of the opportunities it offers.

Prof. Yan-Kuin Su
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9. Yen-Hui Ouyang
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THE EFFECT OF MACRO ECONOMIC VARIABLES AND SOUTHEAST ASIA STOCK PRICE INDEX TO INDONESIAN STOCK PRICE COMPOSITE INDEX

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Abstract

This study is a combination of previous studies about a relationship between the stock market with a macro economic performance and research on the international capital market integration. Macroeconomic variables used in this study was limited to GDP growth, inflation, interest rate of Bank Indonesia Certificates (SBI) and the value of the US dollar against the rapidiah exchange rate, and stock index that used are Kuala Lumpur Stock Index, Thailand stock index and Singapore.

The objective of this paper are to to analyze the movement of macroeconomic and examine the degree of four stock market integration in South East Asia based on data from 2010 to 2014 with the period of observation January 2010 – December 2014. Regression model is used to analysis the effect of economic factor (GDP, inflation, interest rate and exchange rate) and South East Asia stock market index (KLCI, STI and STI) to the movement of the Indonesian composite stock market index in Indonesian Capital Market partially and simultaneous.

The results of this research indicate that GDP, inflation, interest rate, exchange rate, KLCI, SETI and STI have significant effect on the IHSG. Based on the test results the coefficient of determination, the value of the Adjusted R Square of 96.9 % while the remaining 3.1 % is influence by other variables not included in this research. Partially GDP, Inflation and STI have insignificant positive effect on IHSG, interest rate have significant negative effect on IHSG. While KLCI and SETI have significant positive effect.

Keywords: Macro Economic, Southeast ASIA Stock Market Index

Introduction

The movement of Jakarta Composite Index (JCI) rose 22.29%, to 5226.947 in late 2014 and never reached a highest record, at the level of 5246.483 on 8 September 2014. This trend can’t be separated from the influence of macroeconomic factors and support from policy makers. Jones (2014) states that the factors which influence the fluctuation of the stock price at capital market is an indication of economic activity aggregates such as GDP, currency exchange rates, inflation, and interest rates, in addition to government policies that support the development of capital markets. The increasing number of market players, macroeconomic growth and political development in the country also affect the stock market of a country.

Understanding the current and future condition of the economy is the first step in understanding what is happening and what is likely to happen to the financial market. Based on a knowledge of the economy-stock market relationship to understanding the stock market, we also consider forecasts of change in the stock market (Jones, 2014).

Bellalah and Habibah (2013) find that the Impact of Macroeconomic Factors on Stock Exchange Prices vary from one country to another. An explanation of the difference in behavior between the three stock markets may lie as USA economy is most affected by financial crises, 2007 and Japanese economy slump after 1990, china is least affected economy by financial crises, 2007. In the context of recent global financial recession, no study has so far been traced which explains the causal relationship between macroeconomic variables and stock markets of USA, Japan and China.

The capital market of Indonesia or the Indonesian Stock Exchange has become part of the global stock markets (Tamara, 2013). Capital market liberalization allows foreign investors to invest in the equity of the domestic market and domestic investors trading in equities in other countries. Investors can earn more return through diversified stock portfolio of various indices (Nikunj et al., 2012). There is a sense of the Capital Market Integration. According to the Theory of Capital Asset Pricing Model, that the Capital Market Already integrated if the Risk of the securitiesin the same level will have the same price, although traded on different Capital Market (Bodie, Kane & Marcus, 2014).

AFTA (ASEAN Free Trade Area), which is a forum for cooperation among ASEAN countries is expected to accelerate economic growth in ASEAN. Similarly, the implementation of the AEC in 2015 have led to a more integrated economy of countries in Southeast Asia. Even now there are ASEAN Linkage, which is emerging stock exchanges of ASEAN which comprises of the Kuala Lumpur Stock Exchange, Hanoi Stock Exchange, Ho Chi Minh Stock Exchange, Indonesia Stock Exchange.

Numerous studies have examined the relationship between the stock market index price and the state of economy. One of the studies to provide an assessment of stock market behavior and various macroeconomic variables for
Emerging Financial Market was conducted by Chen (2007) for China hotel Stock return, found the result that there is a relationship between economic and non-economic variables to the stock return.

The other paper that analyses the relationship between three international stock markets by Demitropoulos (2008) assess the degree of market integration in an international content. The stock markets that have been examined are among those with the highest capitalisation. The capital markets of London, Toronto and Hong-Kong were examined for the period 1997-1999. By applying a new methodological framework proposed by Peiro et al. (1998) found that the FTSE-100 and TSE-35 indexes have a low dispersion of data around the mean and also the Hang-Seng index had some more severe fluctuations compared to the other two indexes in the period under investigation. Madaleno and Pinho (2011) exploring stock market linkages using continuous time wavelet methodology. In order to sustain and improve previous results regarding correlation analysis between stock market indices, namely FTSE100, DJIA30, Nikkei225 and Bovespa, extend such analysis using the Coherence Morlet Wavelet, considering financial crisis episodes. Results indicate that the relation among indices was strong but not homogeneous across scales, that local phenomenon’s are more felt than others in these markets and that there seems to be no quick transmission through markets around the world, but yes a significant time delay. The relation among these indices has changed and evolved through time, mostly due to financial crisis that occurred at different time periods. Results also favor the view that geographically and economically closer markets exhibit higher correlation and short run movements among them. Strong movement is mostly confined to long-run fluctuations favoring contagion analysis.

In Indonesia, Mazummil (2011) conducted a research to analyze the influence of Southeast Asian Stock Index to Indonesia Stock Price Index has showed that Kuala Lumpur Stock Exchange Index and the index of PSE (Philippines Stock Exchange) has a significant positive effect on Indonesian Stock price index and STI (Straits Times Index) have significant negative effect to Indonesian Stock Price Index

During the observation period between 2010-2014 there was volatility stock price at Indonesian Stock market and the relationship between macroeconomic variables with Indonesian Stock Market have inconsistent result with existing theory. The inconsistent result from earlier study is an interesting phenomenon to make a study again. In addition the results of previous studies on the effect of GDP, inflation, interest rate, exchange rate of the rupiah against the US dollar, tends to be inconsistent or differ between the study of other studies and based on previous research on the effect of Stock Price Index against IDX still find a different results then this study will be analyzed again on the influence of the GDP, inflation, interest rate, exchange rate of the rupiah against the US dollar and combining with the Kuala Lumpur Stock Exchange (KLSE), Stock Exchange of Thailand Index (SETI) and the Straits Times Index (STI), to the composite stock Price Index of IDX.

Method

The aim of this study is to investigate the macro fundamental analysis in stock market and the international stock market integration. Specifically, our objective is to determine the influence of various economic factor such as GDP, inflation, interest rate, exchange rate of the rupiah against the US dollar and added by the Kuala Lumpur Stock Exchange Index, Stock Exchange of Thailand Index and the Straits Times Index (STI), to the Indonesian Stock price Index of IDX.

The period under investigation extends from January 2010 to December 2014. Monthly data were extracted from the Yahoo finance for market stock Indexes that consist of Kuala Lumpur Stock Exchange (KLSE), Stock Exchange of Thailand Index (SETI) and the Straits Times Index (STI), to the Indonesian Stock Index of IDX and the macroeconomic data were extracted from the official website of Indonesian central statistical agency.

This paper hypothesizes a positive relation between the GDP and stock market index in nature. As GDP rise, profitability will generally increase and it means a favorable impact on domestic stock market. Wijayanti and Kaluge (2013) results showed that in the short-term and long-term positive effect on the GDP growth to JCI.

The relationship between inflation rate and stock market index was hypothesized to be negative in nature. As inflation rate rise, production and input cost will generally increase, decreasing firm profit and cash flow. This perceived risk will further erode investor confidence and increase their search for alternative investments and if investor search for alternative investment it can be a negative effect on the stock price index.

The effect of interest rate on the stock price index was hypothesized to be negative in nature. As interest rate rise, the stock price index will generally decrease because investor preferred to invest their fund in conventional saving that give them higher return.

There is a negative relation between the exchange rate and the stock market index was hypothesized to be negatively related, if an appreciation (depreciation) of the domestic currency in term of USD would have an unfavorable (favorable) impact on the domestic stock market.

Regional integration of financial markets in Asia’s emerging economies has accelerated in recent years, these markets remain more integrated with global financial markets than with other financial markets in the region. the relationship among South East Asia’s Capital market were hypothesized to be positively. The hypothesizes are investigated by regression analysis and using Statistical Package For Social Science (SPSS) software.
Results and Discussions

In order to begin our analysis we will discuss some basic measures of descriptive statistics such as the mean, the standard deviation, minimum and maximum, as to have an idea about the distribution of our data within the sample. The mean for GDP is 1,930,258,000,000 and GDP has the highest standard deviation (160.788), compared to the other variables, a fact that indicates a greater dispersion of data around the mean, which is also identifiable from the wide range between the minimum and maximum values.

On the other side, Inflation rate indicate a low dispersion of data around the mean since the standard deviation is relatively close to it and the range between the minimum and maximum values. The mean for interest rate is 6,5750 and interest rate has a relatively close standard deviation to the mean and the range between the minimum and maximum value. The next variable is exchange rate, the mean for exchange rate is 9.935 and the standard deviation is 1,246 that indicates a greater dispersion of data around the mean, and the range between the minimum and maximum values is relatively wide.

The highest mean for stock indexes is Indonesian composite stock index and continuously by strait Time Index, Kuala Lumpur Composite Index and stock exchange Thailand Index thus the standard deviation for Indonesian composite index indicates a greater dispersion of data around the mean, and for three others stockindex have a relatively close standard deviation to the mean.

The result of regression analysis for each relationship, we will discussion the effect of macroeconomic variables and some south east Asia stock indexes to Indonesian Composite stock Index.

Table 1 summary of regression Analysis

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (Constant)</td>
<td>12.433</td>
<td>749.652</td>
<td>.017</td>
<td>.987</td>
</tr>
<tr>
<td>PDB</td>
<td>.001</td>
<td>.000</td>
<td>1.432</td>
<td>.158</td>
</tr>
<tr>
<td>Inflasi</td>
<td>25.366</td>
<td>30.925</td>
<td>.820</td>
<td>.416</td>
</tr>
<tr>
<td>Suku Bunga</td>
<td>169.705</td>
<td>57.751</td>
<td>2.939</td>
<td>.005</td>
</tr>
<tr>
<td>nilai Tukar</td>
<td>-.166</td>
<td>.038</td>
<td>-.292</td>
<td>.000</td>
</tr>
<tr>
<td>KLSE</td>
<td>.754</td>
<td>.372</td>
<td>2.025</td>
<td>.048</td>
</tr>
<tr>
<td>SETI</td>
<td>2.409</td>
<td>.326</td>
<td>7.391</td>
<td>.000</td>
</tr>
<tr>
<td>STI</td>
<td>-.275</td>
<td>.218</td>
<td>-.262</td>
<td>.213</td>
</tr>
</tbody>
</table>

As we can see the relationship between Gross Domestic Product (PDB) and Indonesian composite stock Index (IHSG) has a positive effect, this result indicate that as GDP increase, the purchasing power of consumer increase and the demand of the product decrease then the firm profitability will increase and this is a favorable condition for stock index, although there is positive effect of GDP to Indonesian Stock Index, there’s no statistically significant.

The relationship between inflation rate was hypothesis to be negative related, but this relationship was found to be positive related. An interesting point in the result of the study was the relationship observed between inflation rate and Indonesian Composite stock index has a positive related, this result would be inverse as expected. The positive relationship exist because of Indonesian government always control the level of inflation rate in Indonesia. This positive related result indicate that inflation rate increase, the Indonesian Composite stock Index will be increase but not significant.

As hypothesized, the relationship between interest rate and Indonesian Composite Stock Index should be negatively related. This hypothesis was found to be positive related and has a significant effect. The possibly explained of this result, that interest rate in Indonesia has a small dispersion because of the government control and investor in Indonesian Stock Exchange used interest rate in their investment decision.

The relationship between exchange rate and Indonesian Composite stock Index was hypothesized to be negatively related, this relationship was found to exist between exchange rate and Indonesian Composite stock Index significantly. This result showed an appreciation (depreciation) of the domestic currency in term of USD would have an unfavorable (favorable) impact on the domestic Stock Market.

As hypothesized, the relationship between Kuala Lumpur Composite Index and Indonesian Composite Stock Index should be positively related. This hypothesis was found to exist significantly between Kuala Lumpur Composite Index and Indonesian Composite Stock Index. This result indicate that Kuala Lumpur Stock Exchange and Indonesian Stock Exchange has a significant integration.

The relationship between Stock Exchange Thailand Index and Indonesian Composite Stock Index was hypothesized positively related. This hypothesis was found to exist significantly between Stock Exchange Thailand Index and...
Indonesian Composite Stock Index. This result indicates that Thailand Stock Exchange and Indonesia Composite Stock Exchange significantly integrated.

The relationship between Singapore Strait Time Index and Indonesian Composite Stock Index was hypothesized to be positively related but the result of the relationship between Singapore Strait Time Index and Indonesian Composite Stock Index was found to be negatively and there’s no statistically significant. An interesting point in the result of the study was the relationship observed between Singapore Strait Time Index and Indonesian Composite Stock Index was negatively related, this result would be inverse as expected.

References


Authors’ Bibliography

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