



ICBE 2019

INTERNATIONAL CONFERENCE ON BUSINESS AND ECONOMY

THEME:

Creating, Managing, and Distributing Wealth: Fulfilling the ASEAN Economic Community (AEC) Goals

- Management of Technology and Innovation
- Resource Management and Sustainable Development
- Entrepreneurship
- Accounting, Business Law, Economics, and Finance
- Governance and Corporate Social Responsibility
- ASEAN Economic Community: Challenges and Prospects

13-14 March 2019
Semarang, Indonesia





Editorial Board

The USC SBE International Conference on Business and Economy (USC-SBE ICBE) Proceedings is published annually by the School of Business and Economics of University of San Carlos. No part of this publication may be reproduced, or copied in any form or by any means, without permission in writing from the publisher.

Editors

Melanie B. De Ocampo, PhD
Cecil S. Gantalao, DM
Ivy R. Jumao-as, MM

Cover Design

Mr. Edik Dolotina

Research Production

SBE Research Committee

Editorial Consultant

Fr. Aleksander Gaut, SVD, PhD

Postal Address

The Editor
School of Business and Economics
University of San Carlos
P. del Rosario St., Cebu City

Email Address

usc-sbe-editor@gmail.com

Printed by

Optima Typographics
Agus Road, Ibabao, Basak, Lapu-Lapu City, Cebu
(63 32) 239 6064 • 495 8496 • 505 2662
optimatype@gmail.com



Messages



At its core business is not only about Creating and Managing Wealth, but equally about its Distribution; this perspective taken by University of San Carlos for its scholastic agenda is proving its worth even this early – we are gratified to note that the highest submission of papers at this ICBE in Semarang falls under the themes of Governance and Corporate Social Responsibility. The emphasis found echo even at the World Economic Forum at Davos (2019), where social entrepreneurship figured prominently.

The relevance of wealth redistribution cannot be gainsaid; there will always be a need to provide financial services to the “un-bankable”; to ensure healthcare access in the most under-resourced sites, to push for a circular economy with regard to plastics, to invent unconventional ways of scrubbing our polluted oceans, to envision solutions to migration and refugee populations, to name just a few. Today, however, Distribution has become an inevitably urgent agendum for society and government given the extremes we find of poverty and inequality. Efforts to bridge the gaps have to critique conventional frameworks and antiquated strategies given the global reach of the Fourth Industrial Revolution (FIRe). Certain constants, however, must be respected; no matter how innovative the solution integrating FIRe technologies, it cannot dispense with the logic of the market if it is to succeed.

Philosophically a useful way to wrap our heads around volatile, uncertain, complex, ambiguous (VUCA) issues is to isolate the underlying paradigms, core values and institutional norms of society, history and culture. Davos argues correctly that solutions must begin with conversation on the linchpin issues and transition to shaping architectures to match the global scale of the problems as requisite to forming functional partnerships to build a shared future in a common home. Semarang is justifiably focused on the restricted context of the ASEAN Economic Community, its conversation and cooperation shaped therewith by the contextual configurations of its economies and socio-cultural predilections.

Davos inevitably represents a First World perspective on what makes governance policy frameworks superior, or what inclusiveness means for employment, or how best to bridge the mismatch between skills training and job requirements, or maximizing the unrecognized potentials of differently-abled sectors and so on. Being less global and more regional, Semarang will inevitably reflect distinctive perspectives on its hierarchy of needs, urgencies of priorities, strategic directions, possibilities of cooperation and the like. In face of disruptive technologies and cultural reflexes, neither conference can sidestep the dilemma of gradual and evolutionary progress versus bold and dislocating innovation. Davos felt the need to “turbo-charge” Social Entrepreneurship impact through partnerships with global corporates, key governments and civil society organizations, and to showcase their cause through global media exposure. Semarang can only imagine as much as the rudimentary achievement of ASEAN will allow; still such a conversation and engagement can only be postponed at great cost. ASEAN Integration must at least catch up if not match Globalization 4.0; outdated mind-sets and incremental adjustments on existing processes and institutions may no longer suffice.

Davos underlined another worrisome problem. Not only must we contend with FIRe techs affecting business; we must more consciously attend to the impact of Globalization 4.0 – where for a variety of reasons substantial segments of society have become disaffected with politics and embittered by its economic underpinnings. Insecurity and frustration have themselves become globalized; strongman populism has become an attractive foil to the status quo. One analysis contends that the anti-elitist populist discourse confuses the mechanics of globalization with the politics of globalism. Globalization is the movement of ideas, people, and goods, a phenomenon driven by technology. Globalism is an ideology that prioritizes the neoliberal global order over national interests. Nobody is immune to globalization in some form; but we can opt for some of our national policies to be globalist in service of our interests. Nativism, nationalism, sovereignty, protectionism and even populism protect certain values; on the flip side they can frustrate cooperation, promote illiberalism, heighten tensions in a multipolar international order, and negate the common good of both the nation and of the region.

Ethically, threats to the quality of life as well as opportunities to improve the human condition must be rethought in the context of Globalization 4.0. Ready or not, a new world is upon us, forcing us

to return to the fundamental questions of human existence. Ethics reminds us that here the key is not technology per se, so much as our understanding of the good life for the human community as a whole, whose realization in turn depends on the choices we make at corporate, local, national, and international levels of governance. The challenge to Davos and Semarang is to initiate a conversation on new paradigms and core values based on classical wisdom but refashioned for the contemporary context. What are the new root causes of inequality today? How should we define the public good at various levels? How can we ethically harness FIRE technologies? How can we safeguard the public trust in an age of disruption?

At Davos the conversation was principally among business and government leaders. At Semarang the conversation will presumably be among academics mostly. Our hope is that they will also reflect on themselves and their role in this milieu of disruption and transformation. For government to manage change it must be assisted by the academe proposing new frameworks for analysis and construction. For workers to adapt and succeed, the academe must teach new skills. For society to survive the rigors of transitioning to a new world the academe must encourage a narrative of sharing and caring. To capitalize on new opportunities presenting themselves and avoid the disruptions we are witnessing even now, academe must take responsibility for its classical role of crafting philosophies that enable societies to methodically redesign their systems and institutions from the ground up. ICBE Semarang is a modest contribution to the dialog which can help create an ASEAN community of shared interest and purpose. In that spirit, then – to all who contributed to make this conference possible – our heartfelt gratitude.



FR. DIONISIO M. MIRANDA, SVD
President, University of San Carlos
Cebu, Philippines

Message from the School of Business and Economics Dean



Welcome delegates to the 5th International Conference on Business and Economy (ICBE) with the theme “Creating, Managing, and Distributing Wealth: Fulfilling the ASEAN Economic Community Goals. Unlike the last four conferences, the School of Business and Economics (SBE) of the University of San Carlos is co-organizing ICBE 2019 together with Universitas Katolik Soegijapranata (UNIKA) to be held on March 13-14, 2019 at the Noormans Hotel, Semarang, Central Java, Indonesia. We would like to thank UNIKA particularly Dr. Octavianus Digdo Hartomo, Dean of the Faculty of Economics and Business and former Dean Suciarto Sentot for successfully collaborating with USC to bring for the first time SBE’s home grown international academic conference to Indonesia.

The 4th ICBE continues the academic conversation and discussion on the overarching theme of Creating, Managing and Distributing Wealth. The last three years explored paradigm shifts, best practices and innovation in the context of the larger theme. This year’s conference will explore the ASEAN Economic Community goals juxtaposed with SBE’s advocacy of not just creating and managing wealth but more importantly, distributing it to those who have less and are marginalized. SBE believes that economic growth does not automatically redound to development if issues of inequality and poverty continue to abound. SBE wish to contribute to steering business and economic researches that will explore and produce data that will support relevant policies that will address these issues.

We are happy to share that this international conference has close to 70 paper presentors spread over 10 break-out sessions. We would like to extend our heartfelt gratitude to all researchers who chose to submit their papers to ICBE 2019. We are humbled with your continued support and participation. As a school, SBE is indeed inspired to strengthen its lead as Center of Excellence in Business Administration, Entrepreneurship and office Administration and Center of Development in Hospitality & Tourism Management, a designation given by the Philippine Commission on Higher Education. Our Accountancy programs, on the other hand, is recognized as one of the top performing accountancy schools in the Philippines. And lastly, our Economics Department is the preferred research partner of national government agencies in the Visayas region. Because of all these accolades, we are proud to share that Eduniversal, a global ranking and rating agency specializing in higher education awarded the School of Business and Economics, University of San Carlos, One Palme of Excellence – Business School with Considerable Local Influence. Eduniversal has established strong expertise in evaluating academic institutions and programs in France since 1994, and internationally since 2007.

In behalf of the USC and UNIKA, we thank all who made this conference possible. Our heartfelt thank you once again to all researchers who chose to present their latest papers in ICBE 2019. May our collective efforts find favor with the Almighty and ultimately bring about the social impact that we hope to achieve.

MELANIE BANZUELA-DE OCAMPO, CSS, PhD
Dean, School of Business and Economics
University of San Carlos
Cebu, Philippines

Message from the Dean of Faculty of Economics and Business, Soegijapranata Catholic University



Ladies and Gentlemen, Good Morning!

Since 2015, the Faculty of Economics and Business Soegijapranata Catholic University had strong collaboration with School of Economics and Business University of San Carlos Cebu Philippines. This collaboration is conducted to anticipate globalization, especially in the era of the Asean Economic Community which has been launched since 2015. The implementation of the collaboration are : students and faculty exchange programs, joint research programs on green business and joint international conferences.

The 4th International Conference on Business and Economics held in Semarang is a concrete manifestation of the joint international conference between the Faculty of Economics and Business, Soegijapranata Catholic University and the School of Economics and Business, University of San Carlos, Cebu, Philippines.

The conference is attended by approximately 70 presenters from four different countries and 120 participants involving academics, practitioners, students and government agencies. This activity is an appropriate platform for sharing research results and practical experiences in Economics and Business areas as well as tool for scientific publications for lecturers and students. We hope that this international conference will be conducted continuously and involve more parties so that the process of scientific dissemination in Economic and Business will be wider

Finally, we hope that the various collaborative activities carried out as the realization of the MOU between the Faculty of Economics and Business, Soegijapranata Catholic University and the School of Economics and Business, University of San Carlos, Cebu will continue and involve more parties. We believe this event will bring benefits not only for the two universities but also many parties and will be able to disseminate research results to the wider community, as well as for the nation and state. Last but not least, welcome to this conference . We hope you will enjoy this conference and will also enjoy the beauty of Semarang and Central Java Province.

Thank you.



OCTAVIANUS DIGDO HARTOMO, PhD
Dean, Faculty of Economics and Business,
Soegijapranata Catholic University
Indonesia

Message from the Conference Chairs



Welcome participants and presenters from various Universities and State Colleges to the 5th International Conference for Business and Economy 2019!

According to reports made by the Association of South-East Asian Nations, the establishment of the ASEAN Economic Community (AEC) in 2015, is viewed as a major milestone in the regional economic integration agenda, offering opportunities in the form of a huge market of US\$ 2.6 trillion and over 622 million people.

AEC's primary purpose is to work together as one, in ensuring the region's end goal of economic integration. The AEC envisions ASEAN as a single market and production base, a highly competitive region with equitable economic development, and fully integrated into the global economy.



Most funded researches related to the AEC includes measuring its progress; security competition and vision of ASEAN; competition law; and ASEAN's resiliency as one community. Singapore's AEC Chairmanship, as reported in the current ASEAN Economic Integration Brief, signals the region's commitment to foster its collective future-readiness. Thus, research interests relating to the need for a more interconnectedness of the various works across the pillars of the ASEAN Community is growing. The three pillars of the ASEAN Community, namely the ASEAN Political Security Community (APSC), the ASEAN Economic Community (AEC) and the ASEAN Socio Cultural Community (ASCC), must work harmoniously with rhythmic cooperation and/or coordination for the AEC to efficiently and rapidly move forward towards its end goal.

The conference brings together industry, academe, government and non-government leaders to share their researches and valuable thoughts about the conference theme, through a plenary session followed by parallel sessions. ICBE 2019 serves as venue for researchers to present documentation of such efforts and researches related to the fulfillment of, and the articulation of the existence of ASEAN. Around 60 academic research papers will be presented over the 2 day conference, with the following topics and sub-topics: Management of Technology and Innovation with sub-topics in Management Innovation, and on Industry 4.0; Resource Management and Sustainable Development, with sub-topics in Sustainable Tourism, Green Business, UNWTO's Sustainable Development Goals; Accounting, Business Law, Economics, and Finance; Governance and Corporate Social Responsibility; ASEAN Economic Community: Challenges and Prospects, with sub-topic on the ASEAN MRAs

In behalf of the organizing committee, scientific committee, University of San Carlos, Cebu City, Philippines, and Soegijapranata Catholic University, Semarang, Indonesia, we thank you for choosing to participate in 2019 ICBE.

CECILE S. GANTALAO, DM
Co-Chair, 2019 ICBE
Philippines

SENTOT SUCIARTO, PhD
Co-Chair, 2019 ICBE
Indonesia



.....

Table of Contents

.....

Editorial Board	3
Welcome Address	
Fr. Dionisio M. Miranda, SVD President, University of San Carlos Cebu, Philippines	5
Melanie Banzuela-De Ocampo, CSS, PhD Dean, School of Business and Economics University of San Carlos Cebu, Philippines	7
Octavianus Digdo Hartomo, PhD Dean, Faculty of Economics and Business, Soegijapranata Catholic University Indonesia	8
Cecil S. Gantalao, DM Co- Chair, 2019 ICBE Philippines	9
Sentot Suciarto, PhD Co-Chair, 2019 ICBE Indonesia	9
Committee Members	13
Conference Program	16
Conference Abstracts	
ASEAN Economic Community	28-32
Economics	33-39
Entrepreneurship and SME	40-46
Finance	47-53
Governance and Corporate Social Responsibility	54-66
Human Resource Management	67-73
Marketing Management	74-77
Resource Management and Sustainable Development	78-87
Directory of Speakers	88
Directory of Presenters	91
Call for ICBE 2019 Paper Guidelines	111
Sponsors	117
SBE - ICBE 2020 Announcement	119



.....

Committee Members

.....



Steering Committee

Dean Faculty of Economics and Business Soegijapranata:
Dr. Octavianus Digdo Hartomo, M.Si., Ak.

Dean School of Business and Economics University of San Carlos Cebu:
Dr. Melanie Banzuela de O Campo

Scientific Committee:

Dr. Hung-Hwei Liu, Aletheia University, Taiwan
Dr. Maria Andrea L. Santiago, Asian Institute of Management, Philippines
Dr. Ben L. Teehankee, De la Salle University, Philippines
Dr. Raymund B. Habaradas, De La Salle University, Philippines
Dr. Chip E. Miller, Drake University, USA
Dr. Sivakumar Velayutham, Nilai University, Malaysia
Dr. Divina M. Edralin, San Beda University, Philippines
Dr. Jim Koch, Santa Clara University, USA
Dr. Octavianus Digdo Hartomo, Unika Soegijapranata, Indonesia
Dr. Dwi Hayu, Unika Soegijapranata, Indonesia
Prof. Dr. Andreas Lako, Unika Soegijapranata, Indonesia
Dr. Ika Rahutami, Unika Soegijapranata, Indonesia
Dr. Sentot Suciarto A, Unika Soegijapranata, Indonesia
Dr. Adhitya Wardhono, Universitas Jember, Indonesia
Dr. Wahyudi Wibowo, Universitas Katolik Widya Mandala Surabaya, Indonesia
Dr. Corazon G. Anzano, University of San Carlos, Philippines
Dr. Melanie B. de Ocampo, University of San Carlos, Philippines
Dr. Challoner A. Matero, University of San Carlos, Philippines
Dr. Elizabeth M. Remedio, University of San Carlos, Philippines
Dr. Lauro Cipriano R. Silapan, Jr., University of San Carlos, Philippines

Organizing Committee (INDONESIA):

Co-Chair : Sentot Suciarto. A, Ph.D
Secretariat and Public Relation : Bernardia LinggarYekti N, Ph.D
Devitia Putri Nilamsari, SE., M.Ak
Chrisentia Eko A, A.Md

Treasurer : Yusni Warastuti, SE., M.Si
Alexandra Adriani W, SE, MM

Committee on Program and
Conference Proceedings (Event) : Alexandra Adriani W, SE, MM
Ricky Harsono, SE., M.Si
Drs. Theodorus Sudimin, MS

Committee of Paralell Session : Dr. Wijanto Hadipuro
Dr. Rustina Untari
Gita Claudia, SE., M.Ak

Committee of Food and
Arrangement : Retno Widi W, SE., MM
Agnes Hariningrum

- Committee of Guests and City Tour : Posmaria S Sitohang
Prisila Kartin, SE., M.Ak
- Committee of Borobudur Tour : Meniek Sining Prapti, SE., M.Si
Dr. Octavianus Digdo H.
- Committee of Sponsorship : Prof. Dr. Andreas Lako
Dra. Lucia Hari Patworo, M.Si
- Committee of Equipment : Hermawan
Y. N. Kristiyono
Markus Suparjono
- Committee of Transportation : Y. Supriyadi
Agus Darto Miarso

Organizing Committee (PHILIPPINES):

- Co-Chairperson : Cecil Gantalao, DM
Assistant Chairperson : Allan O. Gozon, MBA
- Members : Melanie B. De Ocampo, PhD
Lauro B. Silapan, DBA
Marissa Baldicer, DCM, CPA
Eleonor Paclijan, CPA, MAIA, MSA
Chris Bacungan, MA
Simplicio Espelita, DBA
Jovenal Arnaiz, MMBM
Ivy R. Jumao-As, MM
Corazon Anzano, PhD
Demetrio Anticuando, MBA
Carmencita Alviola
Lilystone Steves



Conference Program



Day 1, Morning

March 13, 2019 - Wednesday

Venue: Noormans Hotel Semarang, Indonesia

0800-0900	Registration and Morning Coffee	
0900-1000	Opening Ceremonies	
	Opening Dance : Indonesia Menari (Kembang Taru)	
	National Anthems: Philippines and Indonesia	
	Welcome Remarks	Melanie B. De Ocampo, Ph. D. Dean, School of Business and Economics University of San Carlos, Cebu, Philippines
		Octavianus Digdo Hartomo, Ph. D. Dean, Faculty of Economics and Business Universitas Katolik Soegijapranata Semarang, Indonesia
	Rationale of Conference	Cecil S. Gantalao, Ph. D. University of San Carlos Co-Chair, ICBE 2019
	Introduction of Keynote Speaker	Sentot Suciarto, Ph. D. Universitas Katolik Soegijapranata Co, Chair, ICBE 2019
1000-1100	Keynote Address: Central Java Development	Ganjar Pranowo Governor Central Java, Indonesia
	Photo opportunity and giving of certificate and token	
	Plenary Session	
	Session Chair Rapporteur	M. Dwi Hayu Agustini, PhD Devitia Nilam Putri., M.Ak
1100-1120	ASEAN Economic Community and Its Implication to Academe as it Relates to the Philippine Experience	Challoner A. Matero, CPA, DPA Former Dean, School of Business & Economics University of San Carlos
1120-1140	Doing Business in ASEAN	Ms. Anne Patricia Sutanto Vice CEO, Pan Brothers
1140-1200	Green Banking in Central Java	Mr. Supriyatno President Director of Bank Jateng
1200-1230	Open forum and photo opportunity	
1200-1300	Lunch Break with Entertainment	

Parallel Sessions (Day 1, Afternoon)**March 13, 2019 - Wednesday**

Venue: Noormans Hotel Semarang, Indonesia

1300-1330 Registration in Session Rooms

1330-1730 Parallel Sessions

<i>Parallel Session A: ECONOMICS</i>	
Session Chair: Christopher Bacungan (USC)	Rapporteur: Alma Pramitha
Venue: Petra 1	
Title of Paper	Presenter
1. Managing Dynamic Capital Flows and Macro-Prudential Policy: What are They Good for?	Yulia Indrawati, Munawar Ismail, David Kaluge, Ghozali Maskie Doctoral Programme of Economics, Faculty of Economics and Business, Universitas Brawijaya Email: yuliaindrawati2012@gmail.com
2. Determinants of Non-Farm Enterprise Participation among Agricultural Households in the Philippines	Ferdinand D. Anabo Department of Business and Economics, College of Business Administration, Capiz State University Email: drefboana@gmail.com
3. Structural Co-integrating Vector Autoregression Approach in Macroeconomic Model	Yulia Indrawati, Adhitya Wardhono, Cliplis Gema Qori'ah, M. Abd.Nasir, Nyomar Gede Krishnabudi Department of Economics and Business, Faculty of Economics and Business, University of Jember Email: yulia.feb@unej.ac.id
4. Objective Loss Function of Monetary and Macro-Prudential Policy: Evidence from Indonesia	M.abd.Nasir, Adhitya Wardhono, Yulia Indrati, Cliplis Gema Qori'ah Department of Economics and Development Studies, Faculty of Economics and Business, University of Jember Email: abd.nasir@unej.ac.id
5. Budgeting Planning Model based on Participating Institutional Economics Perspective	Moh.Adenan, Susanti Prasetyaningtias, Fajar Wahyu Prianto Department of Economics and Business, Faculty of Economics and Business, University of Jember Email: mohadenan.feb@unej.ac.id
6. Macroeconomic Condition and Investment in Indonesia: 2004 – 2017	Widuri Kurniasari, Angellina Ika Rahutami Management, Faculty of Economics and Business Soegijapranata Catholic University Email: widuri@unika.ac.id
7. The development of Indonesia Furniture Industry: A Review of Its Potential Tax Revenue	Shandy Jannufer Matitaputty, MG Westri Kekalih, Agnes Arie M. Christi, Rini Hastuti Taxatation, Faculty of Economics and Business Soegijapranata Catholic University Email: shandy@unika.ac.id

<i>Parallel Session B: FINANCE</i>		
Session Chair: Ivy Jumao-as (USC)	Rapporteur: Agatha Christiani	Venue: Samara
Title of Paper	Presenter	
1. Case Study of TZM Company's Strategy for Foreign Labor Intermediation	Lee Yi Mei, Liberato A, Reyes Business Administration Department, School of Business and Economics University of San Carlos Email: lareyes.indriana@gmail.com	
2. Banking and Stability : Evidence From Indonesia	Resty Eka Adiyani, Astiwi Indriani Management Department, Economics and Business Faculty Diponegoro University Email: astiwi.indriani@gmail.com	
3. Performance Analysis and Strategies Construction of Nirlaba Organizational with the Balanced Scorecard Approach: Case Study at Paseban Retreat House Semarang	Veronica Kurniati, Theresia Dwi Hastuti Master of Accounting, Faculty of Economics Soegijapranata Catholic University Email: vkurniapi@gmail.com	
4. Analysis of Sharia Banking Performance Based on Maqashid Sharia (Empiris Study of Shaira Banking in Indonesia and Thailand)	Fateemah Kalupae, Khanifah Khanifah, Atieq Amjadallah, Rosida Dwi Ayuningtyas, Jaka Isgiyarta Accountancy, Faculty of Economy, Universitas Wahid Hasyim Semarang Email: khanifah@unwahas.ac.id	
5. The Institutional and Macroeconomic Determinants of Stock Market Development in East Asia from 1996 to 2017	Manuelito F. Co PhD Program, Virata School of Business University of the Philippines Email: manuelito.co@yahoo.com	
6. Financial Inclusion in Carcar City, Cebu, Philippines	Melanie De Ocampo, Jann Allison Y. Barcenas, John Louis U. Blanco, John Irvin C. Carcallas, Quina Josel T. Doauta, Gigi A. Quilla and Patrick Cyle G. Servano Business Administration Department, School of Business and Economics University of San Carlos Email: mbdeocampo@usc.edu.ph	
7. Determinants of Profitability of Initial Public Offerings in Indonesian Stock Exchange	Tatang Ary Gumanti, Elok Sri Utami, Irma Waro'ah, Eka Lavista Universitas Jember Email: tatangag@unej.ac.id	

<i>Parallel Session C: GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY</i>		
Session Chair: Mr. Angelo Burdeos (USC)	Rapporteur: Ghabby	Venue: Petra 2
Title of Paper	Presenter	
1. Social Responsibility Practices and its Effect on Employees' Commitment, Business Growth and Company Image	Romano G. Lavilla Institute of Accounts, Business and Finance Far Eastern University Email: ronnglav@yahoo.com	
2. The importance of moral inputs within basic education and their role in the enhancement of the common responsibilities in economic development A case study: Introduction for Civic and Moral Education Syllabus for Basic Education Standard III-VI in Tanzania	Jacek A. Gorka Theology and Religious Science, Arts and Social Sciences Jordan University College Email: placeoofm@gmail.com	
3. Corporate Social Responsibility Disclosure: Learning from Thailand Experience	Agatha Christiani Prasetyo, Ayu Ariyani Sutikno, Thianggung Gabriella Hutapea, Alma Della Lukitasari, Rania Fa'atin Accounting, Economic and Business Faculty Email: agathachristiani15@gmail.com	
4. The Influence of Corporate Governance to the Financial Performance of Cooperatives	Ma.Angelica C. Balatucan, Christopher Asuncion I. Arcay Business Department, College of Accountancy, Business and Management Mater Dei College Email: macbalatucan@yahoo.com	
5. University Social Responsibility: Terobosan Konsep Transformatif Berbasis Pengembangan Berkelanjutan	Bayu Jadzil Hadi, Bayu Tri Cahya, JadzilBaihaqi, Suhadi Akuntansi Syariah, Ekonomi Bisnis Islam IAIN Kudus Email: cahyab380@gmail.com	
6. Corporate Governance in Indonesia, Antecedents and Consequences	Octavianus Digdo Hartomo, Theresia Dwi Hastuti, Vena Purnamasari Accounting, Economics and Business Soegijapranata Catholic Univeristy Email: digdo@unika.ac.id	
7. Corporate Governance Implementation, Indonesian Sector Impact	Stephana Dyah Ayu Ratnaningsih, Vena Purnamasari Doctoral Program, Economics and Business Diponegro University Email: stephana@unika.ac.id	

<i>Parallel Session D: ENTREPRENEURSHIP AND SMALL & MEDIUM ENTERPRISES (SMEs)</i>		
Session Chair: Dr. Adhitya Wardhono (Unel)	Rapporteur: Novita	Venue: Permata
Title of Paper	Presenter	
1. On Becoming College – Age Netpreneur	Sri Rahayu Tri Astuti, Imroatul Khasanah, Yoestini, Andriyani Management Department, Faculty of Economics and Business Diponegoro University Email: sr.triastuti73@gmail.com and sriahayutri@undip.ac.id	
2. A Study of the Accounting Information System of a Shawarma Food Chain	Emelie S. Campoamor, Marissa M. Baldecir Department of Accountancy, School of Business and Economics, University of San Carlos Email: marissabaldecir@gmail.com	
3. Structural Relationship of Entrepreneurial Characteristics of Business and Information Technology Students	Angelica T. Lanoy, Christopher Asuncion I. Arcay Student Service, College of Accountancy, Business and Management Mater Dei College Email: encay_mdc@yahoo.com	
4. The Maturity Level of Computer – Based Accounting Systems in SMEs: Empirical Evidence in Semarang Indonesia	Muhammad Noor Ardiansah, Indah Anisykurlillah Accounting, Economics and Business Faculty Diponegoro Dei College Email: m.noorardiansah@gmail.com	
5. Corporate Entrepreneurship and Firm Growth among Selected Companies in Cebu, Philippines	Lauro Cipriano R. Silapan, Jr. Business Administration Dept. School of Business and Economics, University of San Carlos Email: lrsilapan@usc.edu.ph	
6. An Empirical Study on Impact of Artificial Intelligence on Employment	Punith Kumar H S, Roopa P Commerce and Management Nagarjuna Degree College Email: Chethanpunith1995@gmail.com	
7. The attitude of MSMEs to Digital Financial Services: The Perspective of Cognitive, Affective and Conative Aspects	Westri Kekalih Susilowati, MG Management, Faculty of Economics and Business Soegijapranata Catholic University Email: westrie@unila.ac.id	

(Note: Parallel Sessions are dependent on room assignments and number of presenters. For the identified parallel sessions, it should follow the format above.)

1730 - 1800 Health Break

1800 Gala Dinner

Inspirational Talk

Octavianus Digo Hartomo, PhD
Dean, Faculty of Economics and Business
Universitas Katolik Soegijapranata
Semarang, Indonesia

Dinner

<i>Parallel Session E: HUMAN RESOURCE MANAGEMENT</i>		
Session Chair: Rini Hastuti, M. Si (SCU)	Rapporteur: Dea	Venue: Kanaya
Title of Paper	Presenter	
1. Involvement Intention of Employees of University of Southern Mindanao in the Implementation of ISO 9001:2015 Standards	Nerissa G. Dela Viña Graduate Programs, School of Business and Economics, University of San Carlos Email: ngdelavina@usc.edu.ph	
2. Tracer Study on the Employability of the Accountancy Graduates of the University of San Carlos	Eleanor D. Paclijan, Khristine Jill B. Malazarte, Marvic John M. Leyson, Robee Ann L. Aranas Department of Accountancy, School of Business and Economics, University of San Carlos Email: edpaclijan@usc.edu.ph	
3. Job Satisfaction and Employee Engagement of Temporary Agency Workers and Permanent Employees in Cebu City	Lyndon Carlos N. Ogoc Business Administration, College of Business and Accountancy, University of Cebu – Banilad Email: ogoclyndoncarlos@yahoo.com	
4. Organizational Behavior Model of Bank XYZ	Dinah F. Verullo School of Business and Economics, University of San Carlos Email: dfverallo@gmail.com	
5. Management Control System in Team-Based Settings and the Environment of ERP: Effect on Motivation and Performance	Purnamasari, Vena; Sitinjak M. Lucky Accounting, Economics Soegijapranata Catholic University Email: vena@unika.ac.id	
6. Learning and Development Practices of a Manufacturing Company in the Philippines	Nikki Esperanza A. Sagun, Allan O. Gozon, Cheska Mae R. Caberte, Angelo L. Alfafara, John C. Antonio, Sealtiel Marieh C. Ardon Business Administration Dept., School of Business and Economics, University of San Carlos Email: aogozon@usc.edu.ph	
7. Effect of Strategic Leadership on the Property Agent's Performance with Motivation and Training as Moderating Variables	Ester Minarni, Sentot Suciarto Athanasius Master of Management, Faculty of Economics and Business Soegijapranata Catholic University Email: sentot.sa@unika.ac.id	

1730 - 1800 Health Break

1800 Gala Dinner

Inspirational Talk

Dinner

Bernardia Linggar Yekti, Ph.D.
Master of Ceremonies

Octavianus Digdo Hartomo, Ph.D.
Dean, Faculty of Economics and Business
Universitas Katolik Soegijapranata
Semarang, Indonesia

Parallel Sessions (Day 2, Morning)

March 14, 2019 - Thursday

Venue: Pre-identified Parallel Session Rooms

0700-0830 Registration in Session Rooms

0830-1200 Parallel Sessions

<i>Parallel Session F: RESOURCE MANAGEMENT AND SUSTAINABLE DEVELOPMENT</i>		
Session Chair: Dr. Yulia Indrawati (Unej)	Rapporteur: Grace	Venue: Petra 1
Title of Paper	Presenter	
1. Improving Tobacco Besuki Na – Oogst Competitiveness: Does Tobacco Still at a Crossroads?	Adhitya Wardhono, Josi Ali Arifandi, Yulia Indrawati, M. Abd. Nasir Department of Economics and Development Studies, Faculty of Economics and Business University of Jember Email: adhitya.wardhono@unej.ac.id	
2. Smart ICT Platform for Enhancing Commercialization among Cassava Stakeholders in Tanzania	Catherine A. Ongoro Department of Information Sciences, Faculty of Arts and Social Sciences Jordan University College Email: catherineongoro@gmail.com	
3. Ecotourism Readiness of a Municipality in Cebu: Its Response to the ASEAN's Goal for Sustainable Tourism	Cecil S. Gantalao Graduate Program, School of Business and Economics University of San Carlos Email: csgantalao@usc.edu.ph	
4. Competitiveness of Dried Fish Dealers in an Island Economy in Cebu, Philippines	Karynel A. Amorado, Corazon G. Anzano Department of Business Administration, School of Business and Economics University of San Carlos Email: cganzano@usc.edu.ph	
5. Adjustment of Jepara Industrial Furniture Business For Business Stability	Angelina Ika Rahutami, Widuri Kurniasari, Chatarina Yekti Prawihatmi, MG. Westri K. Management, Economic and Business Soegijapranata Catholic University Email: yekti@unika.ac.id	
6. The application of Sustainability development concept study on campus of Nusa Ceqndana University	Oktovianus Nawa Paul, Ralland Fanggidae, Karmila Dwi Lestari Department of Management, Economic and Business Nusa Cendana University Email: nadapi@yahoo.com	
7. The Effect of the Solid Waste Management Toward Employee and Guest Satisfaction, also Financial Benefits at Four and Five Star Hotels in Bali	Jaya Pramono Hotel Management Department, Universitas Dhyana Pura Email: jayapramono@undhirabali.ac.id	

Parallel Session G: RESOURCE MANAGEMENT AND SUSTAINABLE DEVELOPMENT//MARKETING MANAGEMENT

Session Chair: M. Abd. Nasir (UneJ)	Rapporteur: Fadhil	Venue: Samara
Title of Paper	Presenter	
1. Green Productivity Initiatives of Selected Japanese Companies in Japan and the Philippines	Marites A. Khanser, Melanie Banzuela-De Ocampo, Allan O. Gozon, Soontorn Piromsartkoon, Ivy R. Jumao-as Co-Founder and VP-Business Strategy Perpetual Light Biotechnologies Co., Ltd. Email: tesskhanser@gmail.com	
2. Bioluminescent Light as a Disruptive Innovation: Case Study of Perpetual Light Biotechnologies, Co. Ltd., Bangkok, Thailand	Marites A. Khanser, Sootorn Piromsartkoon Founder and President Perpetual Light Biotechnologies, Co., Ltd. Email: tesskhanser@gmail.com	
3. Green Entrepreneur Typology of Batik SMEs in Semarang	Eny Trimeiningrum, Bernadeta Irmawati, Meniek Sring Prapti Management, Faculty of Economics and Business Soegijapranata Catholic University Email: eny@unika.ac.id	
4. The Influencing Factors of Self Identity, Hedonic, Materialism, and Novelty of Luxury Value Perception of Nature Tourism Products	Zunan Setiawan, Purwoko, Beni Agus Sulistyo Magister of Management, Economics and Business Ahmad Dahlan Email: Zoonan46@gmail.com	
5. Study on Go-Jek Customer Satisfaction in Semarang, Indonesia	Reza Akbar Pratama, Sri Rahayu Tri Astuti Management Department, Faculty of Economics and Business Diponegoro University Email: sr.triastuti73@gmail.com	
6. Online Shopping Behaviors of Silliman University Community	Ofelia T. Ragpa College of Business Administration, Silliman University Email: ofeliatragpa@su.edu.ph	
7. The success's analysis of JKN Mobile with the Delone and Mclean Model at the BPJS Kesehatan	Muhammad Noor Ardiansah, Desiana E.S., Ulfah Hidayati Accounting, Economics and Business Faculty Diponegoro University Email: m.noorardiansah@gmail.com	

Parallel Session H: GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY

Session Chair:
Dr. Rustina Untari (SCU)

Rapporteur:
Ivan

Venue:
Petra 2

Title of Paper	Presenter
1. Corporate Governance Mechanisms and Earnings Management in Initial Public Offerings: The Case of Philippines and Singapore	Angelo O. Burdeos, Melanie B. De Ocampo Business Administration Dept., School of Business & Economics University of San Carlos Email: angeloburdeos@gmail.com
2. Corporate Governance Report Narratives and Analyst Forecast Accuracy	Purnamasari, Vena; Dyah Ayu R., Stephana PhD Program in Economics, Faculty of Economics and Business Diponegoro University Email: vena@unika.ac.id
3. Entrepreneurial Program, A Sustainability Project: The Case of Organic Hog Growers in Alegria, Cebu, Philippines	Ivy R. Jumao-as, Lauro Silapan, Jr., Melanie De Ocampo, Jovenal Arnaiz Business Administration Department, School of Business and Economics University of San Carlos Email: ivyrjumaoas@gmail.com
4. Toward Taxpayers compliance: The role of tax Knowledge and Ethical Behavior	Rini Hastuti, Shandy Jannifer Matitaputty Taxation, Faculty of Economics and Business Soegijapranata Catholic University Email: rien@unika.ac.id
5. The Effect of Corporate Governance and Intellectual Capital toward Financial Performance and Corporate Value of Socially Responsible Firms	Robiyanto, Adhi Rahadi Putra, Andreas Lako Faculty of Economics and Business, Satya Wacana Christian University Email: robiyanto@staff.uksw.edu
6. CSR and OCB-E in The Banking : The Mediating Role of Organizational Commitment	Bernadeta Irmawati, Lucia Haripatworo Management, School of Business and Economics Soegijapranata Catholic University Email: irmawati_b@unika.ac.id

<i>Parallel Session I: ASEAN ECONOMIC COMMUNITY</i>		
Session Chair: Posmaria Sitohang (SCU)	Rapporteur: Hellen	Venue: Permata
Title of Paper	Presenter	
1. The State of the Philippine Real Estate Industry in the Face of the ASEAN Economic Integration	Mabel R. Calva, Edgardo M. Buhayang, Edgardo Z. Antonio Administrative Department Southern Leyte State University Email: slsuborsec@gmail.com	
2. Leveling of Expectations: Understanding the Political and Economic Ramifications of ASEAN Economic Community using the New Institutional Economics	Jan Lorenzo G. Alegado Department of Economics, School of Business and Economics University of San Carlos Email: jlgalegado@gmail.com	
3. Coping the Prospects and Challenges of the ASEAN Integration: A Local Cooperative Story	Mabel R. Calva Administrative Department, Graduate School Southern Leyte State University Email: slsuborsec@gmail.com	
4. Determinants of High-Technology Export for Selected ASEAN Members: A Cross-Country Study from 2002-2015	Christopher C. Bacungan Department of Economics, School of Business and Economics University of San Carlos Email: ccbacungan@usc.edu.ph	
5. Disharmony Between Moral and Economics, Main Sources of The Economy's Crisis	Ida Rosnidah, I.M. Ulum, M.Y. Mahadiyanto, D. Surana, Siska Ernawati Fatimah Faculty of Economics Universitas Swadaya Gunungjati / Unswagati Email: idarosnidah@gmail.com	

(Note: Parallel Sessions are dependent on room assignments and number of presenters. For the identified parallel sessions, it should follow the format above.)

1200 - 1330 Lunch

Day 2, Afternoon

March 14, 2019 - Thursday

Venue: Noormans Hotel Semarang, Indonesia

Closing Ceremonies

1300-1330 Recognition and Awarding of Best Paper

1330-1400 Closing Remarks and ICBE 2019 Announcement

ICBE 2020 Call for Papers:
"Title of Theme for 2020"

Angelo Burdeos, Ph. D. (candidate)
Chair, ICBE 2020

Closing Remarks

Octavianus Digdo Hartomo, Ph. D.
Dean, Faculty of Economics and Business
Universitas Katolik Soegijapranata
Semarang, Indonesia

Photo Opportunity

1400-1430 Preparation for City Tour
1430-2100 Semarang City Tour

Master of Ceremonies: Alexander Agung & Agatha Christiani

MACROECONOMIC CONDITION AND INVESTMENT IN INDONESIA: 2004-2017¹

Widuri Kurniasari¹
widuri@unika.ac.id
Angelina Ika Rahutami²

1,2 Soegijpranata Catholic University

Abstract

Introduction

Investment in general and Foreign Direct Investment (FDI) in particular can be one of ways to handle crisis. Indonesia ever experienced a difficult economy crisis in 1997 and a mini economy crisis in 2005. In crisis period and its recovery, the role of Foreign Direct Investment for a country, especially for developing countries is really needed. By using FDI, a country can gain opportunities to accelerate its developments and support economy growth by itself. Several previous researches showed that FDI is a direct investment that is more resistant to the crisis (Prasad et al., 2003) compared to portfolio investment. FDI is one of important parts for a country to finance its developments. FDI can stimulate technology expansion, efficiency, productivity, and economy growth.

Theoretically, investment inflow from countries of origin to host countries are business strategies of business players or industrial organizations. Decisions of FDI depend on profit and market orientation in short and long terms (Martin, 2005). Even though literature of FDI is very comprehensive, there are two main models. The first model is analyzed based on paradigm of OLI Dunning (Dunning, 1993), where foreign investment is considered as a result of profit of ownership (O) from the company, the advantage of location (L) in foreign location, and internalization of incentive (I). The combination of these points

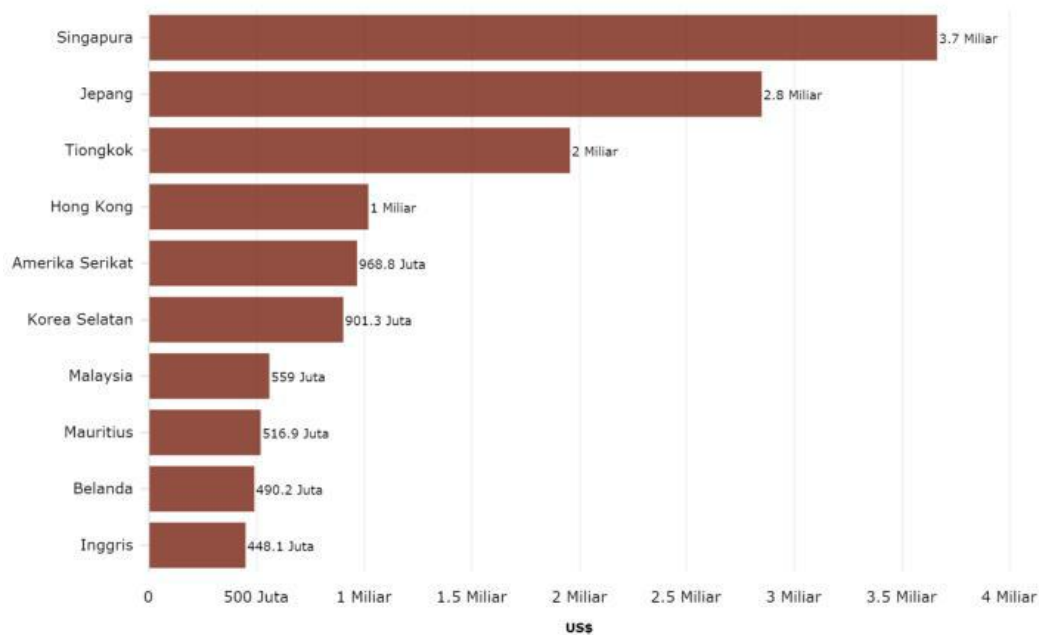
¹ This study is a part of a research entitled *Penanaman modal asing di Indonesia 2004-2017: Pendekatan Makroekonomi dan risiko politik, yang didanai oleh P3M Fakultas Ekonomi dan Bisnis, Universitas Katolik Soegijpranata. (Foreign Investment in Indonesia 2004-2017: Macroeconomic Approach and Politics Risk Funded by P3M of Faculty of Economics and Business, Soegijpranata Catholic University).*

SBE-ICBE 2019

5th International Conference on Business and Economy
Noormans Hotel, Semarang, Central Java, Indonesia
13-14 March 2019

forms a strong organization in marketing transaction. The second one is gravitation model that attempts to predict the flow of FDI based on macroeconomic variables, such as the rate of Gross Domestic Product (GDP), the growth of GDP, and the size of population. (Brenton dan Gros, 1997; Brock, 1998).

In Indonesia, Singapore still became the biggest investor for Indonesia until the beginning of semester 1 in 2017. Based on the data of Capital Investment Coordinating Body (CICB), it is noted that FDI from Singapore in semester 1 2017 reached US\$ 3,66 billion or Rp 48,69 trillion. This number is equivalent with 24% of the total Foreign Investment in Indonesia and it became the biggest one compared to other countries. Japan was on the second place with the investment value of US\$ 2,85 billion. Tiongkok was on the third place with US\$ 1,95 billion. There are 10 countries which have the biggest investments in Indonesia. The value reached US\$ 13,33 billion or 86% of the total investment of US\$ 15,55 billion. It is equivalent to Rp 206,9 trillion. Foreign investment to Indonesia in throughout the first half of 2018 has grown into 5,8% compared to the first half of 2017. The total investment in Indonesia in the first six months of 2017 reached Rp 678,8 trillion or about 49,6% of the target.



Source: Bank Indonesia

Figure of Foreign Direct Investment (FDI) for Indonesia in the Beginning of Semester 1 2017

In the previous theory and research, the development of investment is influenced by various macroeconomic indicators. The macroeconomic stability of a country, or positive trend on macroeconomics has positive impacts for conditions of FDI. Indonesia has good development in economy compared to other countries in ASEAN. On the other hand, Indonesia has unstable condition of exchange rate. The combination of macroeconomic indicators influences condition of FDI in Indonesia. This research is aimed to determine the influence of macroeconomic indicators towards inflow of foreign investment to Indonesia in 2004-2017.

Literature review

Simple theoretical study of foreign investment stated that foreign investment is motivated especially by the possibility of high profitability in developing markets. In this concept, low interest rate in host countries, safe sources of raw materials, and low barriers of trade become main factors that influence investment decisions. Some previous researches that are related to this concept are Akinkugbe (2003), Benacek et. al (2000) and Lim (2004). Akinkugbe (2003) showed that high income per capita, orientation of international trade, high rate of infrastructure development and high rate of investment return become significant factors of foreign investment. Benacek and friends (2000) also found that the major motive of investors is market search. The number of population and national income are the best market indicators. This finding was revised by Lim (2004) who argued that market size, infrastructural quality, economic stability and free trade zone are important for FDI. Other factors influencing investment decision are fiscal incentive, business and investment climate, employee cost and trade openness. (Lim, 2004).

Other theories of foreign investment are paradigm of OLI Dunning (Dunning, 1993) and gravitation model (Breton and Gros, 1997, Brock, 1998). Factors influencing foreign investment in OLI Paradigm are profit of company ownership (O), the advantage of location (L) in foreign location, and internalization of incentive (I) which support a hierarchy organization in market transaction. Gravitation model attempts to predict the inflow of foreign investment based on macroeconomic variables, such as the rate of gross domestic product, the growth of gross domestic product and the number of population.

SBE-ICBE 2019

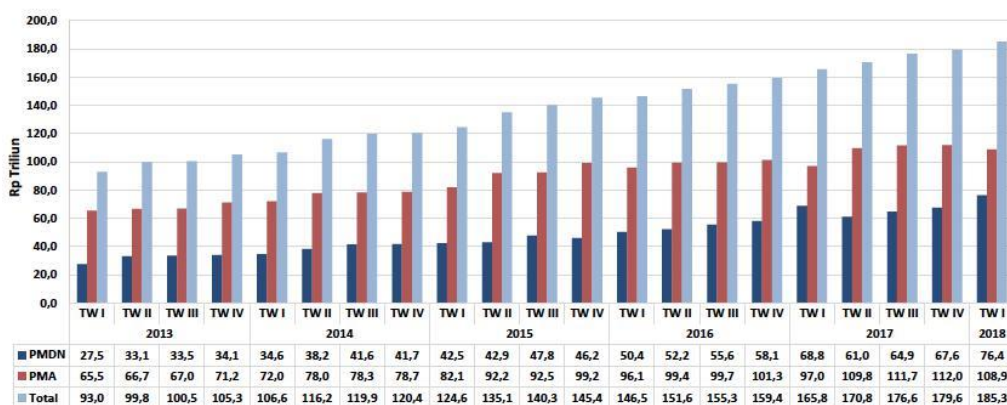
Methodology

This study uses secondary data collected from Central Statistics Body, Ministry of Finance, and Agency for Investment. Time range for this research is 2004-2017. Macroeconomic variables used are Gross domestic product, interest rate, trade openness, and economic condition of main investor countries. This study is a descriptive study about macroeconomic data that is related to foreign investment in Indonesia.

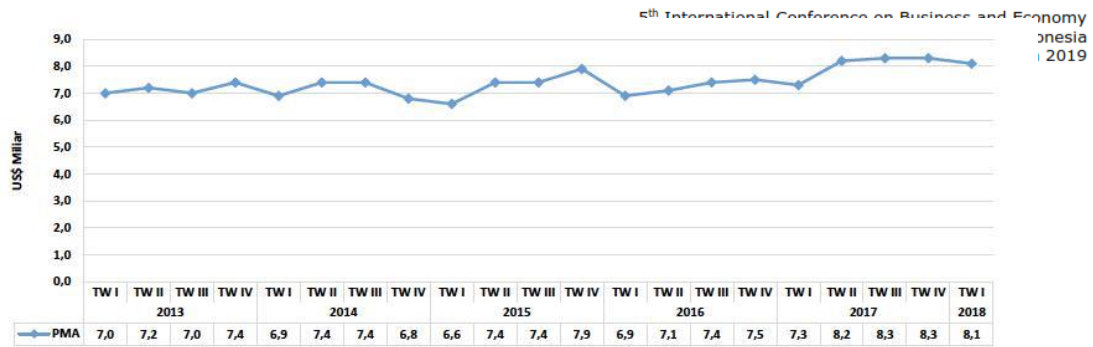
Description of foreign investment in Indonesia

Growth of direct investment in Indonesia from year to year shows positive development. The highest foreign investment was in 2017 for 24,9%. The increase number of foreign investment is supported by the acquisition and global bond issuance through overseas affiliate companies (Bank Indonesia, 2017). The increase of foreign investment occurs in the sector of non oil and gas. In 2017, there were four domestic e-Commerce companies which were acquired by foreign investors from Tiongkok, United States, and Singapore. On the contrary, investment of non oil and gas tend to be stagnant and reduce due to the lack of interest of foreign investors to invest their money on non oil and gas field in Indonesia.

The following figure shows the development of investment realization both in domestic and foreign investments in Indonesia. Viewed from the value, realization of foreign investment is bigger than domestic investment. The highest realization of foreign investment was in the third and fourth trimesters in 2017. They were 111,7 trillion rupiah and 122,1 trillion rupiah.



SBE-ICBE 2019



Source: Capital Investment Coordinating Body

Figure of Development of Investment Realization in 2013 - March 2017.

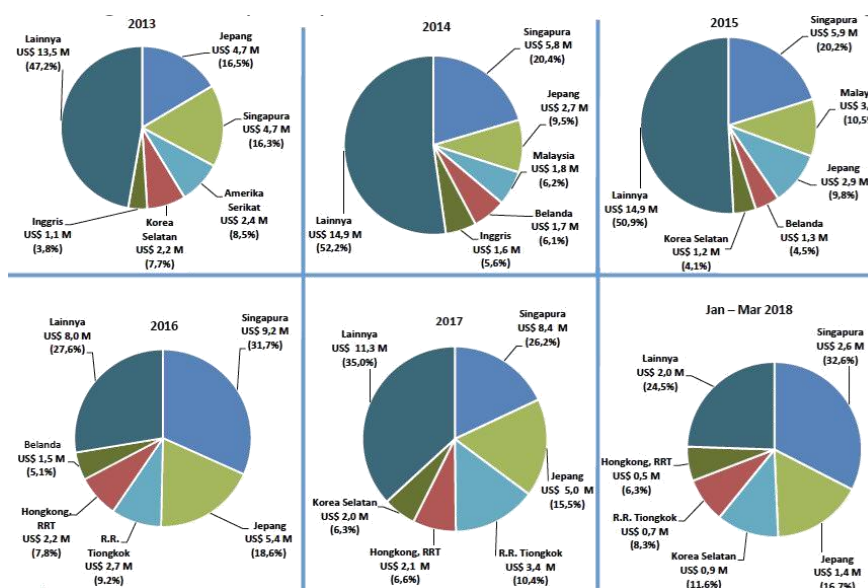
In billion, it can be seen that there was a good increase of foreign investment in 2015 until the first quarter of 2018. Some decreases of foreign investment usually occur in the first quarter.

Source: Capital Investment Coordinating Body

Figure of development of investment realization of foreign investment in USD

Sectorally, realization of foreign investment is still concentrated on manufacture industry, trade, fishery, and finance. The segment of those economy sectors reached 82,4% from the total value of foreign investment in 2017. In 2017, five business sectors that were interesting for foreign investment were basic metal industry, metal goods, machines, and electronics (with the contribution of 14%); mining with the contribution of 12,4%; electricity, gas and water with the contribution of 11,9%; basic metal industry, chemical and pharmacy goods (11,2%), and housing, industrial and office area with the contribution of 10,3%.

Based on the countries of origin of foreign investment, Singapore, Japan, and Tiongkok are the biggest sources of foreign investment for Indonesia. Based on the area, in the first trimester of 2018, Java area still becomes a destination for the biggest investment. Besides Java, Sumatera, Sulawesi and Maluku are destinations for the biggest foreign investment.



Source: Capital Investment Coordinating Body

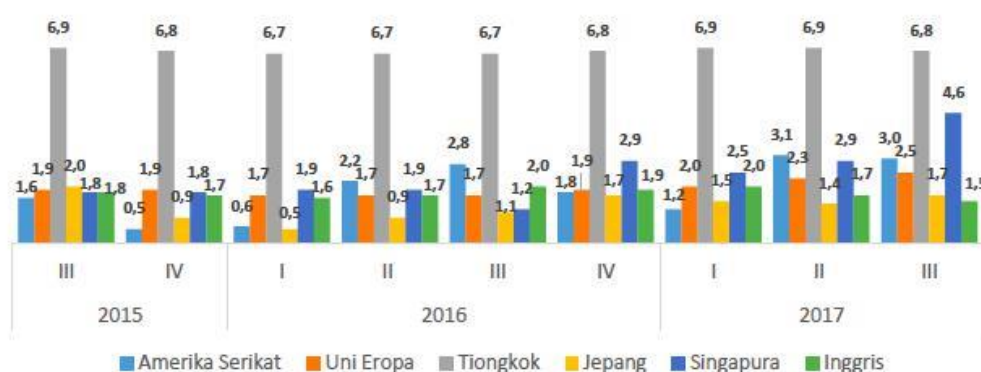
Figure of biggest origin countries of foreign investment in 2013 – March 2018

The increase of domestic and foreign investments in Indonesia is related to the rank of new ease of business in Indonesia. Based on report of World Bank about the ease of business (EODN 2018), the ease of business in Indonesia increases from the rank of 19 to 72. Indonesian government has a target that Indonesia will be in rank 40 in 2020. Regarding to this target, government focuses on (i) starting business indicator by reducing procedure of licensing and implication of online system service, (ii) indicator of tax payment system, (iii) indicator of border pass trade, and (iv) indicator of constructing buildings by using procedure simplification and strengthening building inspection.

Description of factors that influence investment in Indonesia

The world economy is predicted to continuously grow. In 2017, the world economy grows 3,6%. It is predicted to grow for 3,7% in 2018. The economy growth in developing

countries grows more rapidly compared to developed countries along with the economy growth in Tiongkok that is higher than what was predicted previously. United States grows 3,0% (yoy) in the third trimester in 2017. This growth was supported by public consumption expenditure and the occurrence of inventory change. Trade deficit in United States that gets smaller also forces the economy improvement even though Harvey and Irma hurricanes have impacts on retail sales.



Source: Indonesian Ministry of National Development Planning, 2018

Figure of economy growth in several countries (YoY)

From the previous figure, it can be seen that European area is still growing. It is supported by the increase of consumption. The highest growth is experienced by Tiongkok. In the third trimester in 2017, the economy growth reached 6,8% (yoy). Although it was lower than the previous trimester, it was higher than expected. The economy growth in Tiongkok is supported by the strengthening of export and import growths. The economy growth in Tiongkok is still moderate along with the efforts to reduce debt risk and fix property market situation.

Another important partner for Indonesia is Japan. In the third trimester in 2017, Japan showed a 1,7% growth. The economy growth in Japan was influenced by export growth of 6,4%. However, it was impaired by reduction of household consumption due to bad weather.

One of important variables in maintaining stability, managing debt risk and capital outflow is interest rate policy from Central Bank. The policy of interest rate from Central Bank plays an important role since it is derivated into interest rate deposit, saving interest rate, and loan interest rate.

Bank Indonesia along the third trimester in 2017 reduced the interest rate from 4,75% in July to 4,50% in August, and it decreased again into 4,25% in September 2017. The reduction policy of interest rate was conducted to stimulate credit growth, and because of relatively low and controlled inflation. On the other hand, almost all Central Banks in several groups of countries did not change their interest rate policy along the third trimester in 2017. The Fed still maintains its interest rate on 1-1,25%. The level of inflation that has not fulfilled the target is in 2% and it becomes a measurement to maintain the interest rate in The Fed. Central Bank Tiongkok is also noted to maintain its interest rate on 4,35%.

Foreign investment is influenced by gross domestic product of country partners. Theoretically, if a country has high gross domestic product, it will expand its investment to other countries. From the following table, it can be seen that Tiongkok has the highest national income. If it is viewed from the economy growth from 2004 to 2017, Tiongkok has the highest average of economy growth, that was 15,09%. Indonesia also has high average of economy growth, that is 10,34%. While Hongkong, Japan, South Korea, and Singapore have the average growth successively 5,6%, 1%, 5,92% and 8,53% in 2004-2017. In 2010 and 2011, almost all countries experienced high economy growth.

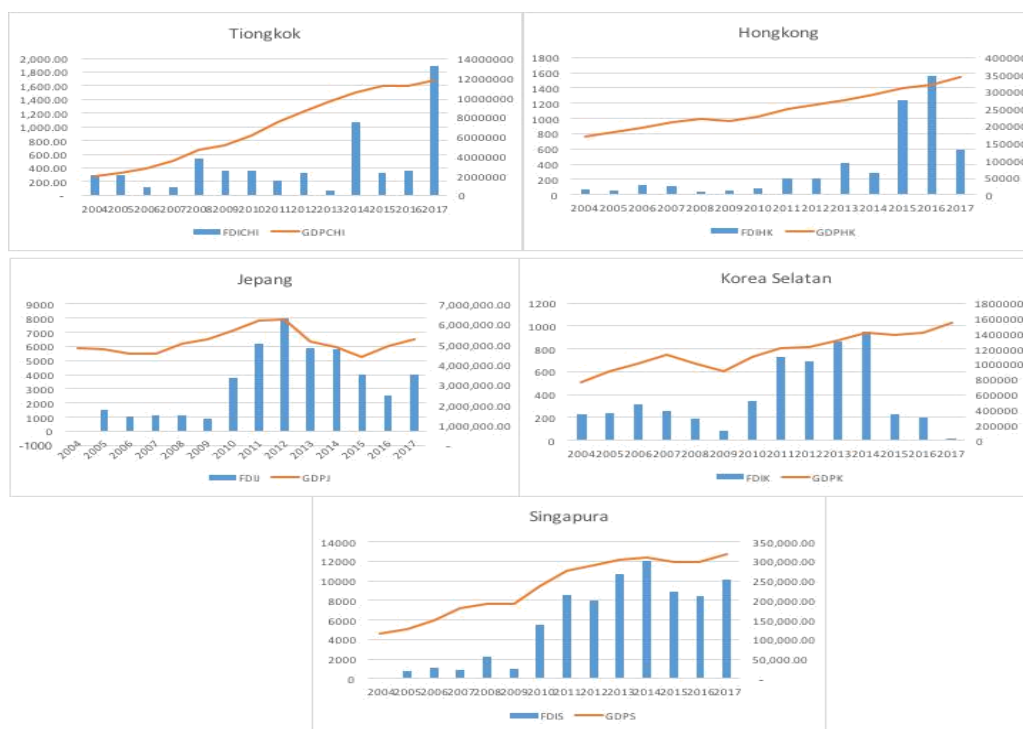
Table of the growth of gross domestic product in several countries in 2004-2017 (Million USD)

Year	Indonesia	Tiongkok	Hongkong	Japan	South Korea	Singapore
2005	11.30	17.42	7.37	-1.24	17.42	11.59
2006	27.53	20.16	6.59	-4.73	12.66	15.99
2007	18.56	28.73	9.33	-0.33	10.96	21.78
2008	18.76	28.92	3.63	11.58	-10.73	6.81
2009	3.63	11.24	-2.39	3.84	-10.01	0.09
2010	30.51	18.44	6.82	8.96	21.35	22.88
2011	18.26	24.00	8.69	8.02	9.86	16.57
2012	2.79	13.94	5.68	0.74	1.69	4.92
2013	-0.58	12.42	4.98	-16.89	6.77	4.61
2014	-2.38	9.34	5.72	-5.95	8.10	1.87
2015	-3.32	6.57	6.15	-9.67	-2.02	-3.67
2016	8.24	0.05	3.71	12.71	2.05	0.04
2017	1.06	4.90	6.48	6.02	8.92	7.36

SBE-ICBE 2019

Source: International Financial Statistics, IMF

Based on the data, we can see the relationship between Gross Domestic Product and Foreign Investment in Indonesia. It is clearly seen that trend of foreign investment is in line with trend of gross domestic product. The higher the gross domestic product, the higher the foreign investment. The graph shows that Japan describes clearly about this theory. When Japan's Gross Domestic Product increases, its foreign investment is also increases. On the contrary, if Japan's Gross Domestic Product decreases, its foreign investment also decreases. In the figure, it can be seen that the high economy growth stimulates Tiongkok's high growth of foreign investment for Indonesia. This phenomenon still needs to be proven in regression model to determine whether Gross Domestic Product of each country has significant influence towards Foreign Investment for Indonesia or not.



Source: International Financial Statistics, IMF, processed data
Figure of Relationship between Foreign Investment and Gross Domestic Product

The next variable that is interesting to observe is the Openness Index. The Openness Index of a country is the total number of export and import that is divided by Gross Domestic Product. If the Openness Index is high, the influence of international trade on domestic activities is also higher. It shows that the country's economy is stronger. The correlation of

the Openness Index and Foreign Investment is when a country is more open to trade flow of other countries, it will be the next destination of foreign investment since it is more interesting than other countries that are closed. The openness of a country shows that domestic economy is not only dominated by domestic products but also foreign products.

In the time span of 2004-2011, the average of the highest openness index is between Indonesia and Japan. The openness index of Indonesia - Japan is 1,786. If the value of openness index is absolute, the next high openness index is between Indonesia - Singapore (0,654) and Indonesia - Tiongkok (0,603). The positive value in openness index shows the surplus balance of trade. It means that export is bigger than import. If the value is negative, it shows the negative balance of trade.

**Table of the Openness Level of Indonesia towards Main Partner Country
2004-2017**

Year	Tiongkok	Hongkong	Japan	South Korea	Singapore
2004	0.180	0.401	3.537	1.034	-0.029
2005	0.264	0.386	3.584	1.356	-0.526
2006	0.430	0.342	4.090	1.215	-0.279
2007	0.238	0.265	3.639	0.933	0.141
2008	-0.647	-0.100	2.260	0.392	-1.599
2009	-0.433	0.072	1.509	0.588	-0.914
2010	-0.627	0.085	1.168	0.645	-0.863
2011	-0.366	0.084	1.599	0.380	-0.842
2012	-0.842	0.077	0.803	0.336	-0.975
2013	-0.794	0.066	0.855	-0.019	-0.975
2014	-1.461	0.104	0.691	-0.138	-0.941
2015	-1.668	0.028	0.552	-0.090	-0.624
2016	-1.503	0.040	0.334	0.036	-0.288
2017	-1.218	0.074	0.388	0.033	-0.448

Source: International Financial Statistics, IMF, processed data

The exchange rate, theoretically, also influences foreign investment. The exchange rate can be functioned as a stimulation of investment entry to the destined countries. It is because currency strengthening of destined countries improves the investment results of

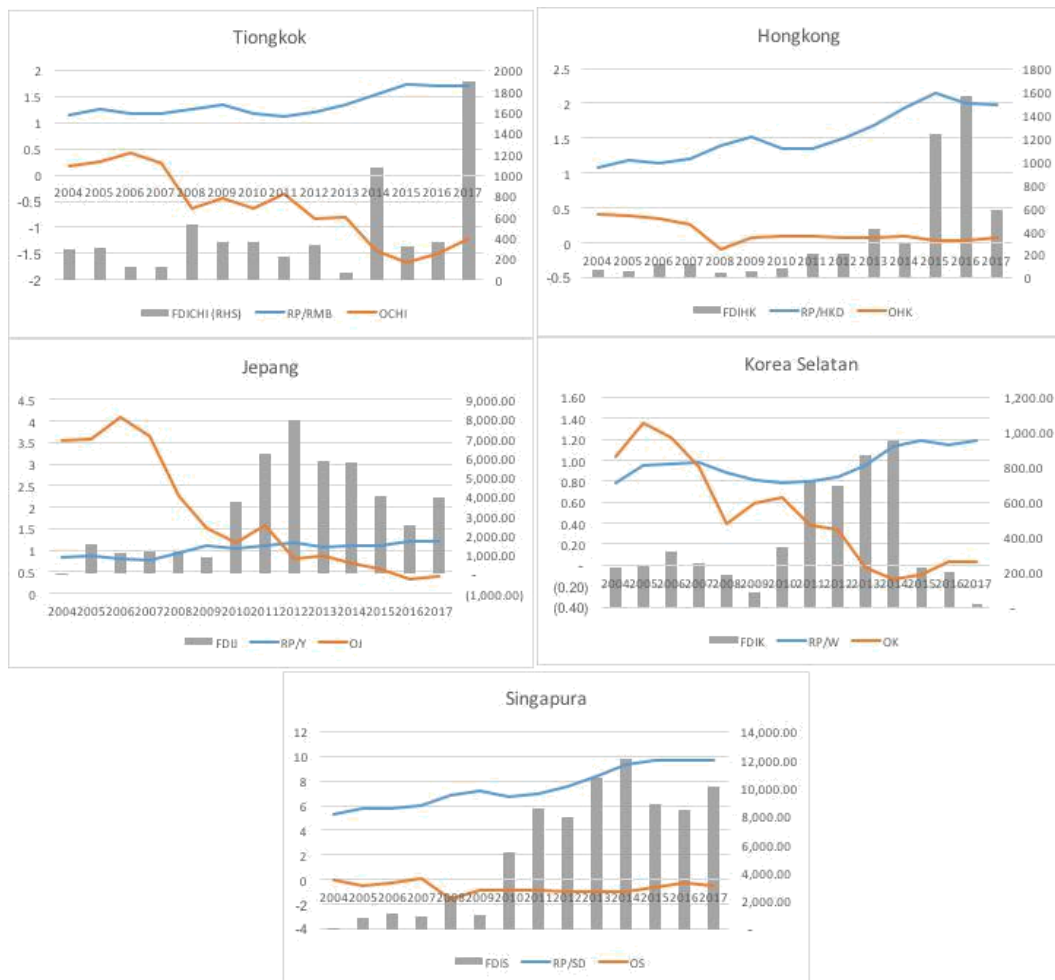
SBE-ICBE 2019

5th International Conference on Business and Economy
Noormans Hotel, Semarang, Central Java, Indonesia
13-14 March 2019

investors and vice versa (Benassy-Quere, et al (2001)). This following graph shows the relationship between economy openness and exchange rate.

SBE-ICBE 2019

5th International Conference on Business and Economy
 Noormans Hotel, Semarang, Central Java, Indonesia
 13-14 March 2019



Source: International Financial Statistics, IMF, processed data

Figure of Foreign Investment Relationship with Exchange Value and Openness Index in 2004-2017

The interest rate is a cost that needs to be paid by capital borrowers because of the loaning or the use of some fund to capital lenders. There is a negative relationship between interest rate and investment rate. If the interest rate is high, the total of investment is low. On the contrary, if the interest rate is low, the total of investment is high.

If it is compared with other countries, the interest rate of Indonesia's loan is relatively higher. In average, from 2004 to 2017, Indonesia's interest rate was 13,10%. The interest rate for Tiongkok, Hongkong, South Korea and Singapura is almost the same, that was in 5%. The lowest average of interest rate was for Japan's loan, that was on 1,49%. From these

SBE-ICBE 2019

5th International Conference on Business and Economy
 Noormans Hotel, Semarang, Central Java, Indonesia
 13-14 March 2019

six countries, in the last 5 years, it can be seen that the interest rate kept decreasing. The problem is that Indonesia's interest rate compared to other countries since foreign investment considers the comparison between interest rate and recipient country.



Source: International Financial Statistics, IMF

Figure of the interest rate of loan in 2004-2017 (%)

SBE-ICBE 2019

5th International Conference on Business and Economy
 Noormans Hotel, Semarang, Central Java, Indonesia
 13-14 March 2019



Source: International Financial Statistics, IMF, processed data

Figure 15. The relationship between foreign investment and interest rate of loan in 2004-2017

Conclusion

xxxxxxx

References

- Akinkugbe, O. (2003), "Flow of Foreign Direct Investment to Hitherto Neglected Developing Countries". *WIDER Discussion Paper No. 2003/02*.
- Benacek, V., Miroslaw Gronicki, Dawn Holland, and Magdolna Sass, (2000), "The Determinants and Impact of Foreign Direct Investment in Central and Eastern Europe: A comparison of survey and econometric evidence". *Journal of United Nations vol.9*.

- Bevan, Alan. et. al (2001), "Institution Building and the Integration of Eastern Europe in International Production", *One-Europe Programme Working Papers*, 16/01: 1-37
- Brenton, Paul and Gros, Daniel (1997), "Trade Reorientation and Recovery in Transition Economies," *Oxford Review of Economic Policy*, Oxford University Press, vol. 13(2), pages 65-76, Summer.
- Brock, G.J (1998), "Foreign Direct Investment in Russia's Regions, 1993-95. Why so little and has it gone?", *Economic of Transition* 6: 349-60
- Busse, Matthias, and Carsten Hefeker (2007), "Political risk, institutions and foreign direct investment" *European Journal of Political Economy* 23:397-415.
- Chantasasawat B., Fung K.C., Iizaka H. and A.K.F. Siu (2004). "Foreign Direct Investment in China and East Asia," *HIEBS Working Paper No.1135*. Hong Kong.
- Chen, Yu-Fu and Michael Funke (2008), "Political Risk, Economic Integration, and the Foreign Direct Investment Decision", *Dundee Discussion Papers in Economics*, No 208:1-22, February
- Dumludag, Devrim, et. al (2007), "Determinants of Foreign Direct Investment: An Institutionalist Approach", Paper for The Seventh Conference of the European Historical Economics Society 29 June - 1 July , Lund, Sweden, www.ekh.lu.se/ehes/paper/devrim_dumludag_EHES2007_paper_new.pdf
- Dunning, J., (1993), *Multinational Enterprises and the Global Economy*, Harlow: Addison-Wesley
- Gast, Michael (2005), "Determinants of Foreign Direct Investment of OECD Countries 1991-2001", *Zentrum für internationale Entwicklungs- und Umweltforschung der Justus-Liebig-Universität Gießen Discussion Paper*, p 1-21
- Khatiwada and McGirr (2008), "Current Financial Crisis: A Reiview of Some of The Consequences, Policy Actions and Recent Trends", www.ilo.org/public/english/bureau/inst/download/back.pdf
- Lim, Ewe-Ghee. (2004), "Determinants of and the Relation Between Foreign Direct Investment and Growth: A Summary of the Recent Literature". *IMF Working Paper* 01/175.
- Martin, (2005), *Industrial Economics: Economics Analysis and Public Policy*, Macmillan Publishing Company.
- National investment Coordination Board (2008), *Investment Statistics*.
- PRS Group (2005), "About ICRG: The Political Risk Rating", Internet Posting:

SBE-ICBE 2019

5th International Conference on Business and Economy
Noormans Hotel, Semarang, Central Java, Indonesia
13-14 March 2019

<http://www.icrgonline.com/page.aspx?page=icrgmethods>.

Regional Autonomy Watch Indonesia - KPPOD (2005), “Attractiveness Investment Rating in Indonesia”, research publication

PAPER NAME

MACROECONOMIC CONDITION AND INVESTMENT IN INDONESIA.docx

AUTHOR

Widuri Kurniasari

WORD COUNT

3138 Words

CHARACTER COUNT

17554 Characters

PAGE COUNT

16 Pages

FILE SIZE

490.5KB

SUBMISSION DATE

Jan 12, 2024 9:47 AM GMT+7

REPORT DATE

Jan 12, 2024 9:47 AM GMT+7

● 7% Overall Similarity

The combined total of all matches, including overlapping sources, for each database.

- 6% Internet database
- Crossref database
- 2% Submitted Works database
- 0% Publications database
- Crossref Posted Content database

● Excluded from Similarity Report

- Bibliographic material
- Cited material
- Manually excluded sources
- Quoted material
- Small Matches (Less than 10 words)

MACROECONOMIC CONDITION AND INVESTMENT IN INDONESIA: 2004-2017¹

Widuri Kurniasari¹
widuri@unika.ac.id

Angelina Ika Rahutami²

1,2,3,4 Soegijapranata Catholic University

Abstract

Introduction

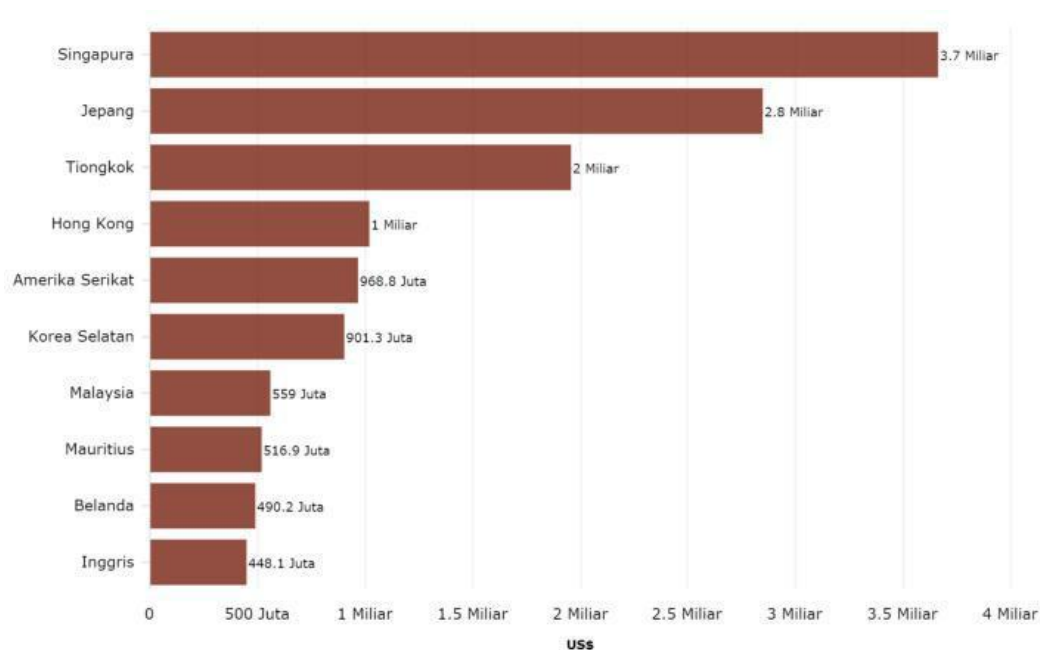
Investment in general and Foreign Direct Investment (FDI) in particular can be one of ways to handle crisis. Indonesia ever experienced a difficult economy crisis in 1997 and a mini economy crisis in 2005. In crisis period and its recovery, the role of Foreign Direct Investment for a country, especially for developing countries is really needed. By using FDI, a country can gain opportunities to accelerate its developments and support economy growth by itself. Several previous researches showed that FDI is a direct investment that is more resistant to the crisis (Prasad et al., 2003) compared to portfolio investment. FDI is one of important parts for a country to finance its developments. FDI can stimulate technology expansion, efficiency, productivity, and economy growth.

Theoretically, investment inflow from countries of origin to host countries are business strategies of business players or industrial organizations. Decisions of FDI depend on profit and market orientation in short and long terms (Martin, 2005). Even though literature of FDI is very comprehensive, there are two main models. The first model is analyzed based on paradigm of OLI Dunning (Dunning, 1993), where foreign investment is considered as a result of profit of ownership (O) from the company, the advantage of location

¹ This study is a part of a research entitled *Penanaman modal asing di Indonesia 2004-2017: Pendekatan Makroekonomi dan risiko politik, yang didanai oleh P3M Fakultas Ekonomi dan Bisnis, Universitas Katolik Soegijapranata. (Foreign Investment in Indonesia 2004-2017: Macroeconomic Approach and Politics Risk Funded by P3M of Faculty of Economics and Business, Soegijapranata Catholic University).*

(L) in foreign location, and internalization of incentive (I). The combination of these points forms a strong organization in marketing transaction. The second one is gravitation model that attempts to predict the flow of FDI based on macroeconomic variables, such as the rate of Gross Domestic Product (GDP), the growth of GDP, and the size of population. (Brenton dan Gros, 1997; Brock, 1998).

In Indonesia, Singapore still became the biggest investor for Indonesia until the beginning of semester 1 in 2017. Based on the data of Capital Investment Coordinating Body (CICB), it is noted that FDI from Singapore in semester 1 2017 reached US\$ 3,66 billion or Rp 48,69 trillion. This number is equivalent with 24% of the total Foreign Investment in Indonesia and it became the biggest one compared to other countries. Japan was on the second place with the investment value of US\$ 2,85 billion. Tiongkok was on the third place with US\$ 1,95 billion. There are 10 countries which have the biggest investments in Indonesia. The value reached US\$ 13,33 billion or 86% of the total investment of US\$ 15,55 billion. It is equivalent to Rp 206,9 trillion. Foreign investment to Indonesia in throughout the first half of 2018 has grown into 5,8% compared to the first half of 2017. The total investment in Indonesia in the first six months of 2017 reached Rp 678,8 trillion or about 49,6% of the target.



Source: Bank Indonesia

Figure of Foreign Direct Investment (FDI) for Indonesia in the Beginning of Semester 1 2017

In the previous theory and research, the development of investment is influenced by various macroeconomic indicators. The macroeconomic stability of a country, or positive trend on macroeconomics has positive impacts for conditions of FDI. Indonesia has good development in economy compared to other countries in ASEAN. On the other hand, Indonesia has unstable condition of exchange rate. The combination of macroeconomic indicators influences condition of FDI in Indonesia. This research is aimed to determine the influence of macroeconomic indicators towards inflow of foreign investment to Indonesia in 2004-2017.

Literature review

Simple theoretical study of foreign investment stated that foreign investment is motivated especially² by the possibility of high profitability in developing markets. In this concept, low interest rate in host countries, safe sources of raw materials, and low barriers of trade become main factors that influence investment decisions. Some previous researches that are related to this concept are Akinkugbe (2003), Benacek et. al (2000) and Lim (2004). Akinkugbe (2003) showed that high income per capita, orientation of international trade, high rate of infrastructure development and high rate of investment return become significant factors of foreign investment. Benacek and friends² (2000) also found that the major motive of investors is market search. The number of population and national income are the best market indicators. This finding was revised by Lim (2004) who argued that market size, infrastructural quality, economic stability and free trade zone are important for FDI. Other factors influencing investment decision are fiscal incentive, business and investment climate, employee cost and trade openness. (Lim, 2004).

Other theories of foreign investment are paradigm of OLI Dunning (Dunning, 1993) and gravitation model (Breton and Gros, 1997, Brock, 1998). Factors influencing foreign investment in OLI Paradigm are profit of company ownership (O), the advantage of location (L) in foreign location, and internalization of incentive (I) which support a hierarchy organization in market transaction. Gravitation model attempts to predict the inflow of foreign investment based on macroeconomic variables, such as the rate of gross domestic product, the growth of gross domestic product and the number of population.⁵

Methodology

This study uses secondary data collected from Central Statistics Body, Ministry of Finance, and Agency for Investment. Time range for this research is 2004-2017. Macroeconomic variables used are Gross domestic product, interest rate, trade openness, and economic condition of main investor countries. This study is a descriptive study about macroeconomic data that is related to foreign investment in Indonesia.

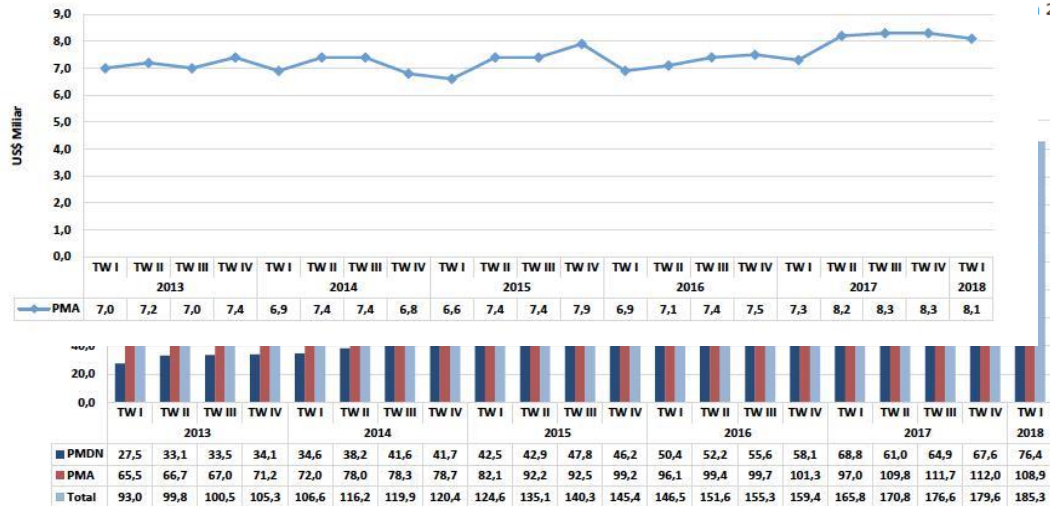
Description of foreign investment in Indonesia

Growth of direct investment in Indonesia from year to year shows positive development. The highest foreign investment was in 2017 for 24,9%. The increase number of foreign investment is supported by the acquisition and global bond issuance through overseas affiliate companies (Bank Indonesia, 2017). The increase of foreign investment occurs in the sector of non oil and gas. In 2017, there were four domestic e-Commerce companies which were acquired by foreign investors from Tiongkok, United States, and Singapore. On the contrary, investment of non oil and gas tend to be stagnant and reduce due to the lack of interest of foreign investors to invest their money on non oil and gas field in Indonesia.

The following figure shows the development of investment realization both in domestic and foreign investments in Indonesia. Viewed from the value, realization of foreign investment is bigger than domestic investment. The highest realization of foreign investment was in the third and fourth trimesters in 2017. They were 111,7 trillion rupiah and 122,1 trillion rupiah.

SBE-ICBE 2019

5th International Conference on Business and Economy
Normans Hotel Samarang Central Java Indonesia



Source: Capital Investment Coordinating Body
Figure of Development of Investment Realization in 2013 - March 2017.

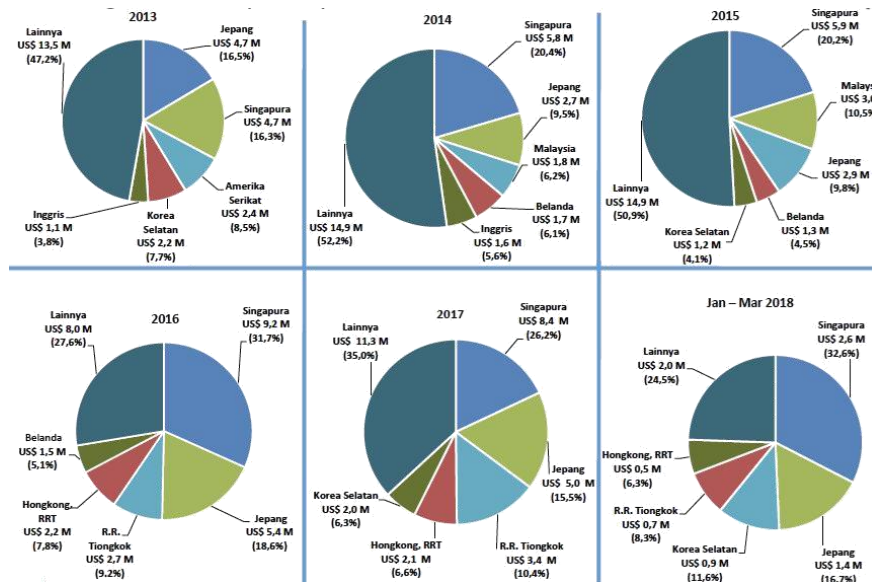
In billion, it can be seen that there was a good increase of foreign investment in 2015 until the first quarter of 2018. Some decreases of foreign investment usually occur in the first quarter.

Source: Capital Investment Coordinating Body
Figure of development of investment realization of foreign investment in USD

Sectorally, realization of foreign investment is still concentrated on manufacture industry, trade, fishery, and finance. The segment of those economy sectors reached 82,4% from the total value of foreign investment in 2017. In 2017, five business sectors that were interesting for foreign investment were basic metal industry, metal goods, machines, and electronics (with the contribution of 14%); mining with the contribution of 12,4%; electricity, gas and water with the contribution of 11,9%; basic metal industry, chemical and pharmacy goods (11,2%), and housing, industrial and office area with the contribution of 10,3%.

Based on the countries of origin of foreign investment, Singapore, Japan, and Tiongkok are the biggest sources of foreign investment for Indonesia. Based on the area, in

the first trimester of 2018, Java area still becomes a destination for the biggest investment. Besides Java, Sumatera, Sulawesi and Maluku are destinations for the biggest foreign investment.



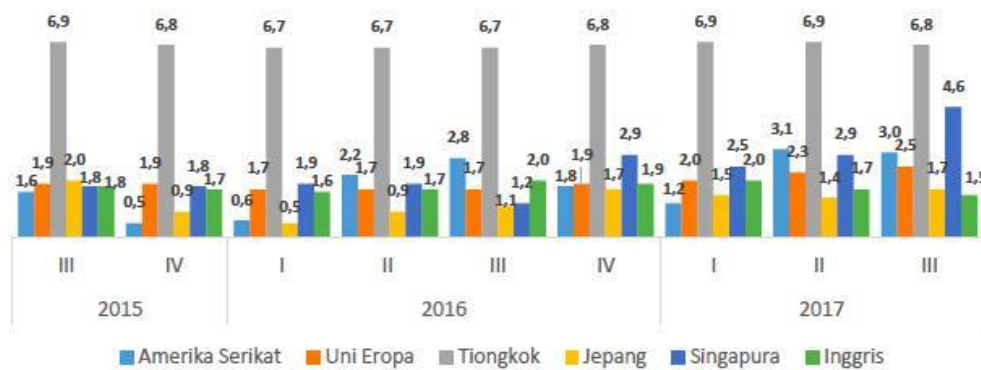
Source: Capital Investment Coordinating Body

Figure of biggest origin countries of foreign investment in 2013 – March 2018

The increase of domestic and foreign investments in Indonesia is related to the rank of new ease of business in Indonesia. Based on report of World Bank about the ease of business (EODN 2018), the ease of business in Indonesia increases from the rank of 19 to 72. Indonesian government has a target that Indonesia will be in rank 40 in 2020. Regarding to this target, government focuses on (i) starting business indicator by reducing procedure of licensing and implication of online system service, (ii) indicator of tax payment system, (iii) indicator of border pass trade, and (iv) indicator of constructing buildings by using procedure simplification and strengthening building inspection.

Description of factors that influence investment in Indonesia

The world economy is predicted to continuously grow. In 2017, the world economy grows 3,6%. It is predicted to grow for 3,7% in 2018. The economy growth in developing countries grows more rapidly compared to developed countries along with the economy growth in Tiongkok that is higher than what was predicted previously. United States grows 3,0% (yoy) in the third trimester in 2017. This growth was supported by public consumption expenditure and the occurrence of inventory change. Trade deficit in United States that gets smaller also forces the economy improvement even though Harvey and Irma hurricanes have impacts on retail sales.



Source: Indonesian Ministry of National Development Planning, 2018

Figure of economy growth in several countries (YoY)

From the previous figure, it can be seen that European area is still growing. It is supported by the increase of consumption. The highest growth is experienced by Tiongkok. In the third trimester in 2017, the economy growth reached 6,8% (yoy). Although it was lower than the previous trimester, it was higher than expected. The economy growth in Tiongkok is supported by the strengthening of export and import growths. The economy growth in Tiongkok is still moderate along with the efforts to reduce debt risk and fix property market situation.

Another important partner for Indonesia is Japan. In the third trimester in 2017, Japan showed a 1,7% growth. The economy growth in Japan was influenced by export growth of 6,4%. However, it was impaired by reduction of household consumption due to bad weather.

One of important variables in maintaining stability, managing debt risk and capital outflow is interest rate policy from Central Bank. The policy of interest rate from Central Bank plays an important role since it is derivated into interest rate deposit, saving interest rate, and loan interest rate.

Bank Indonesia along the third trimester in 2017 reduced the interest rate from 4,75% in July to 4,50% in August, and it decreased again into 4,25% in September 2017. The reduction policy of interest rate was conducted to stimulate credit growth, and because of relatively low and controlled inflation. On the other hand, almost all Central Banks in several groups of countries did not change their interest rate policy along the third trimester in 2017. The Fed still maintains its interest rate on 1-1,25%. The level of inflation that has not fulfilled the target is in 2% and it becomes a measurement to maintain the interest rate in The Fed. Central Bank Tiongkok is also noted to maintain its interest rate on 4,35%.

Foreign investment is influenced by gross domestic product of country partners. Theoretically, if a country has high gross domestic product, it will expand its investment to other countries. From the following table, it can be seen that Tiongkok has the highest national income. If it is viewed from the economy growth from 2004 to 2017, Tiongkok has the highest average of economy growth, that was 15,09%. Indonesia also has high average of economy growth, that is 10,34%. While Hongkong, Japan, South Korea, and Singapore have the average growth successively 5,6%, 1%, 5,92% and 8,53% in 2004-2017. In 2010 and 2011, almost all countries experienced high economy growth.

Table of the growth of gross domestic product in several countries in 2004-2017 (Million USD)

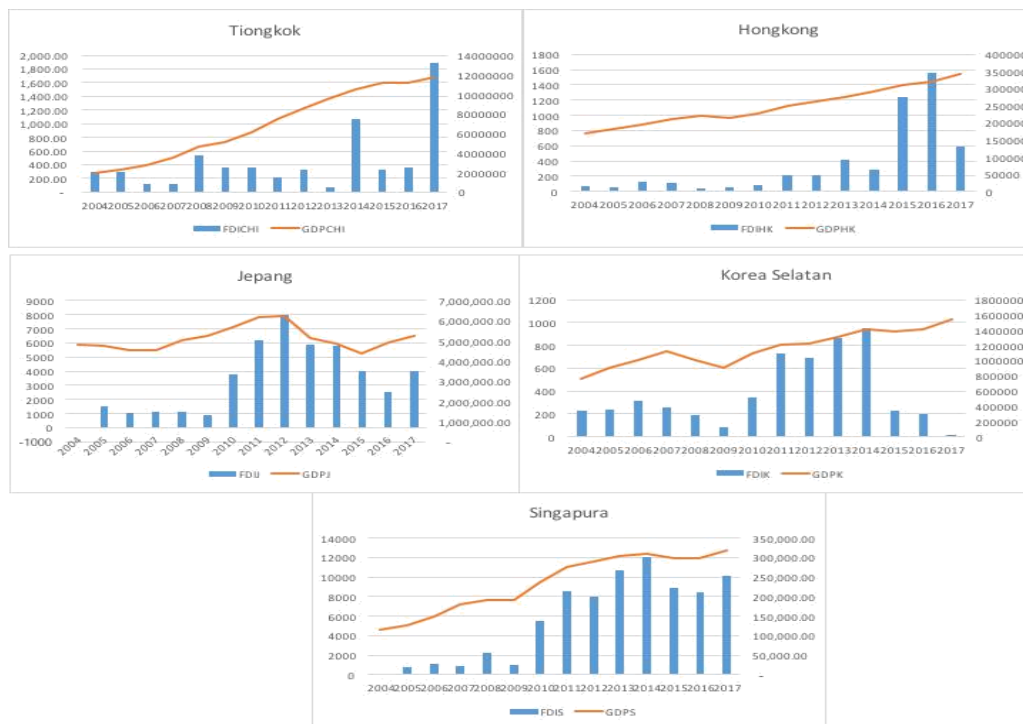
Year	Indonesia	Tiongkok	Hongkong	Japan	South Korea	Singapore
2005	11.30	17.42	7.37	-1.24	17.42	11.59
2006	27.53	20.16	6.59	-4.73	12.66	15.99
2007	18.56	28.73	9.33	-0.33	10.96	21.78
2008	18.76	28.92	3.63	11.58	-10.73	6.81
2009	3.63	11.24	-2.39	3.84	-10.01	0.09
2010	30.51	18.44	6.82	8.96	21.35	22.88
2011	18.26	24.00	8.69	8.02	9.86	16.57
2012	2.79	13.94	5.68	0.74	1.69	4.92
2013	-0.58	12.42	4.98	-16.89	6.77	4.61

SBE-ICBE 2019

2014	-2.38	9.34	5.72	-5.95	8.10	1.87
2015	-3.32	6.57	6.15	-9.67	-2.02	-3.67
2016	8.24	0.05	3.71	12.71	2.05	0.04
2017	1.06	4.90	6.48	6.02	8.92	7.36

Source: International Financial Statistics, IMF

Based on the data, we can see the relationship between Gross Domestic Product and Foreign Investment in Indonesia. It is clearly seen that trend of foreign investment is in line with trend of gross domestic product. The higher the gross domestic product, the higher the foreign investment. The graph shows that Japan describes clearly about this theory. When Japan's Gross Domestic Product increases, its foreign investment is also increases. On the contrary, if Japan's Gross Domestic Product decreases, its foreign investment also decreases. In the figure, it can be seen that the high economy growth stimulates Tiongkok's high growth of foreign investment for Indonesia. This phenomenon still needs to be proven in regression model to determine whether Gross Domestic Product of each country has significant influence towards Foreign Investment for Indonesia or not.



Source: International Financial Statistics, IMF, processed data
Figure of Relationship between Foreign Investment and Gross Domestic Product

The next variable that is interesting to observe is the Openness Index. The Openness Index of a country the total number of export and import that is divided by ⁴ Gross Domestic Product. If the Openness Index is high, the influence of international trade on domestic activities is also higher. It shows that the country's economy is stronger. The correlation of the Openness Index and Foreign Investment is when a country is more open to trade flow of other countries, it will be the next destination of foreign investment since it is more interesting than other countries that are closed. The openness of a country shows that domestic economy is not only dominated by domestic products but also foreign products.

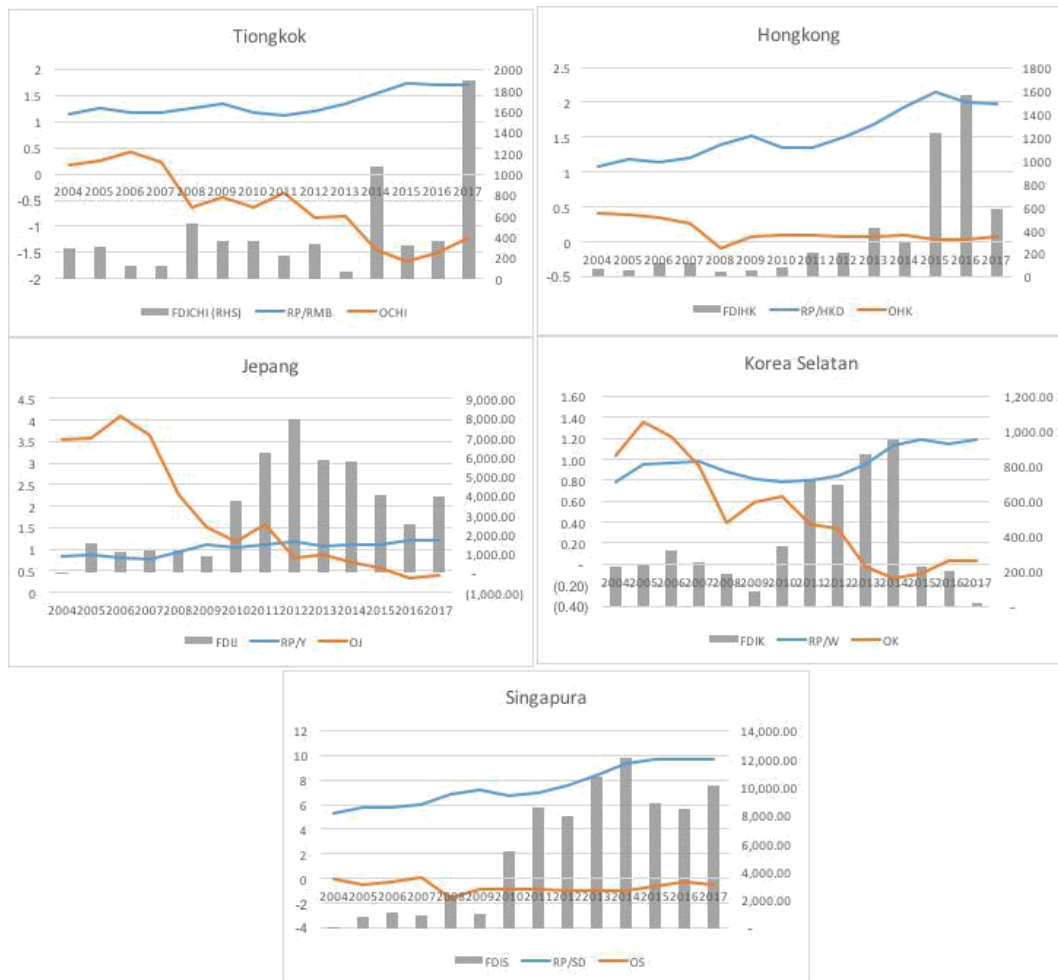
In the time span of 2004-2011, the average of the highest openness index is between Indonesia and Japan. The openness index of Indonesia - Japan is 1,786. If the value of openness index is absolute, the next high openness index is between Indonesia - Singapore (0,654) and Indonesia - Tiongkok (0,603). The positive value in openness index shows the surplus balance of trade. It means that export is bigger than import. If the value is negative, it shows the negative balance of trade.

**Table of the Openness Level of Indonesia towards Main Partner Country
 2004-2017**

Year	Tiongkok	Hongkong	Japan	South Korea	Singapore
2004	0.180	0.401	3.537	1.034	-0.029
2005	0.264	0.386	3.584	1.356	-0.526
2006	0.430	0.342	4.090	1.215	-0.279
2007	0.238	0.265	3.639	0.933	0.141
2008	-0.647	-0.100	2.260	0.392	-1.599
2009	-0.433	0.072	1.509	0.588	-0.914
2010	-0.627	0.085	1.168	0.645	-0.863
2011	-0.366	0.084	1.599	0.380	-0.842
2012	-0.842	0.077	0.803	0.336	-0.975
2013	-0.794	0.066	0.855	-0.019	-0.975
2014	-1.461	0.104	0.691	-0.138	-0.941
2015	-1.668	0.028	0.552	-0.090	-0.624
2016	-1.503	0.040	0.334	0.036	-0.288
2017	-1.218	0.074	0.388	0.033	-0.448

Source: International Financial Statistics, IMF, processed data

The exchange rate, theoretically, also influences foreign investment. The exchange rate can be functioned as a stimulation of investment entry to the destined countries. It is because currency strengthening of destined countries improves the investment results of investors and vice versa (Benassy-Quere, et al (2001)). This following graph shows the relationship between economy openness and exchange rate.



Source: International Financial Statistics, IMF, processed data

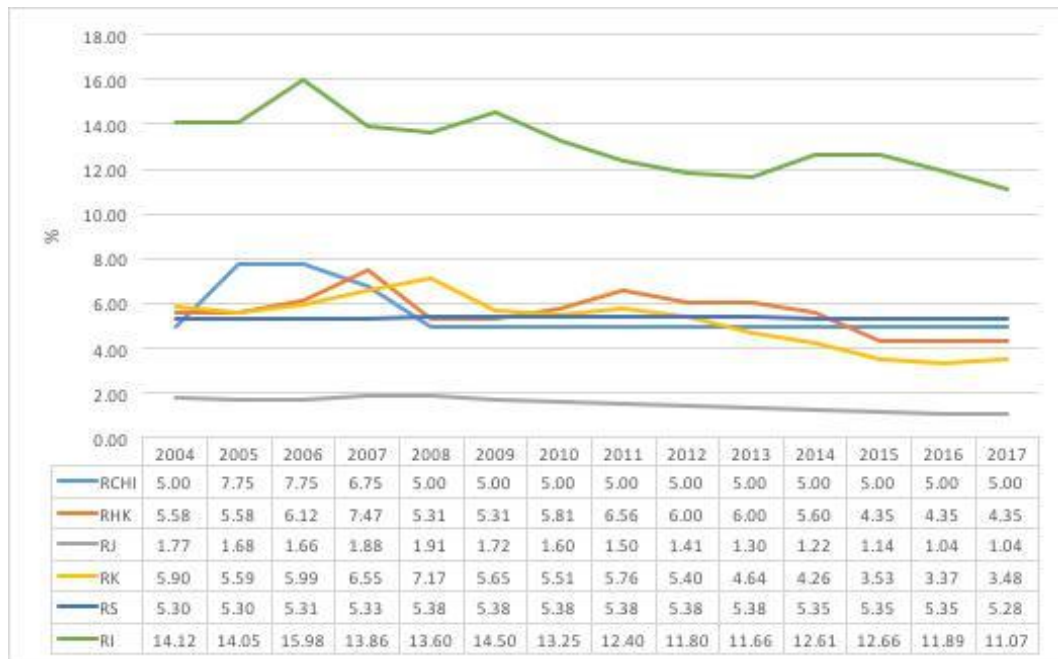
Figure of Foreign Investment Relationship with Exchange Value and Openness Index in 2004-2017

The interest rate is a cost that needs to be paid by capital borrowers because of the loaning or the use of some fund to capital lenders. There is a negative relationship between interest rate and investment rate. If the interest rate is high, the total of investment is low. On the contrary, if the interest rate is low, the total of investment is high.

If it is compared with other countries, the interest rate of Indonesia's loan is relatively higher. In average, from 2004 to 2017, Indonesia's interest rate was 13,10%. The interest rate for Tiongkok, Hongkong, South Korea and Singapore is almost the same, that was in

SBE-ICBE 2019

5%. The lowest average of interest rate was for Japan's loan, that was on 1,49%. From these six countries, in the last 5 years, it can be seen that the interest rate kept decreasing. The problem is that Indonesia's interest rate compared to other countries since foreign investment considers the comparison between interest rate and recipient country.



Source: International Financial Statistics, IMF

Figure of the interest rate of loan in 2004-2017 (%)



Source: International Financial Statistics, IMF, processed data

Figure 15. The relationship between foreign investment and interest rate of loan in 2004-2017

Conclusion

xxxxxxx

References

- Akinkugbe, O. (2003), "Flow of Foreign Direct Investment to Hitherto Neglected Developing Countries". *WIDER Discussion Paper No. 2003/02*.
- Benacek, V., Miroslaw Gronicki, Dawn Holland, and Magdolna Sass, (2000), "The Determinants and Impact of Foreign Direct Investment in Central and Eastern Europe: A comparison of survey and econometric evidence". *Journal of United Nations vol.9*.

- Bevan, Alan. et. al (2001), "Institution Building and the Integration of Eastern Europe in International Production", *One-Europe Programme Working Papers*, 16/01: 1-37
- Brenton, Paul and Gros, Daniel (1997), "Trade Reorientation and Recovery in Transition Economies," *Oxford Review of Economic Policy*, Oxford University Press, vol. 13(2), pages 65-76, Summer.
- Brock, G.J (1998), "Foreign Direct Investment in Russia's Regions, 1993-95. Why so little and has it gone?", *Economic of Transition* 6: 349-60
- Busse, Matthias, and Carsten Hefeker (2007), "Political risk, institutions and foreign direct investment" *European Journal of Political Economy* 23:397-415.
- Chantasawat B., Fung K.C., Iizaka H. and A.K.F. Siu (2004). "Foreign Direct Investment in China and East Asia," *HIEBS Working Paper No.1135*. Hong Kong.
- Chen, Yu-Fu and Michael Funke (2008), "Political Risk, Economic Integration, and the Foreign Direct Investment Decision", *Dundee Discussion Papers in Economics*, No 208:1-22, February
- Dumludag, Devrim, et. al (2007), "Determinants of Foreign Direct Investment: An Institutional Approach", Paper for The Seventh Conference of the European Historical Economics Society 29 June - 1 July , Lund, Sweden, www.ekh.lu.se/ehes/paper/devrim_dumludag_EHES2007_paper_new.pdf
- Dunning, J., (1993), *Multinational Enterprises and the Global Economy*, Harlow: Addison-Wesley
- Gast, Michael (2005), "Determinants of Foreign Direct Investment of OECD Countries 1991-2001", *Zentrum für internationale Entwicklungs- und Umweltforschung der Justus-Liebig-Universität Gießen Discussion Paper*, p 1-21
- Khatiwada and McGirr (2008), "Current Financial Crisis: A Reiview of Some of The Consequences, Policy Actions and Recent Trends", www.ilo.org/public/english/bureau/inst/download/back.pdf
- Lim, Ewe-Ghee. (2004), "Determinants of and the Relation Between Foreign Direct Investment and Growth: A Summary of the Recent Literature". *IMF Working Paper* 01/175.
- Martin, (2005), *Industrial Economics: Economics Analysis and Public Policy*, Macmillan Publishing Company.
- National investment Coordination Board (2008), *Investment Statistics*.
- PRS Group (2005), "About ICRG: The Political Risk Rating", Internet Posting:

SBE-ICBE 2019

5th International Conference on Business and Economy
Noormans Hotel, Semarang, Central Java, Indonesia
13-14 March 2019

<http://www.icrgonline.com/page.aspx?page=icrgmethods>.

Regional Autonomy Watch Indonesia - KPPOD (2005), “Attractiveness Investment Rating in Indonesia”, research publication

● 7% Overall Similarity

Top sources found in the following databases:

- 6% Internet database
- Crossref database
- 2% Submitted Works database
- 0% Publications database
- Crossref Posted Content database

TOP SOURCES

The sources with the highest number of matches within the submission. Overlapping sources will not be displayed.

1	researchgate.net Internet	5%
2	asean.org Internet	1%
3	Manchester Metropolitan University on 2023-05-04 Submitted works	<1%
4	University of Wollongong on 2011-11-23 Submitted works	<1%
5	University of Bradford on 2012-05-07 Submitted works	<1%

● Excluded from Similarity Report

- Bibliographic material
- Cited material
- Manually excluded sources
- Quoted material
- Small Matches (Less than 10 words)

EXCLUDED SOURCES

repository.unika.ac.id

Internet

82%