



PROCEEDING

THE 14th MIICEMA CONFERENCE

MALAYSIA-INDONESIA INTERNATIONAL CONFERENCE ON ECONOMICS, MANAGEMENT AND ACCOUNTING

ASEAN Economic Community 2015: Issues and Challenges

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October 9 - 10, 2013



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Faculty of Economics and Management
Bogor Agricultural University



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October 9-10th, 2013, Bogor, Indonesia

EDITORIAL BOARD

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MESSAGE FROM DEAN Faculty of Economics and Management-Bogor Agricultural University

First and foremost, the best gratitude is gratefully bestowed upon the Supreme God, Allah SWT, because of His priceless blessings that the 14th Annual Conference of MIICEMA (Malaysia-Indonesia International Conference on Economics, Management and Accounting) can be organized at Bogor Agricultural University (Institut Pertanian Bogor or IPB) at October 9-10, 2013.

I would like to welcome all participants to our Green Campus of IPB on the occasion of the 14th MIICEMA Annual Conference 2013 organized by the Faculty of Economics and Management (FEM) IPB. FEM IPB is grateful to MIICEMA Board of Committee for choosing our campus for this event. This occasion is timely since in 2013, IPB is celebrating her 50th Anniversary, golden jubilee celebration, 1963-2013. In addition to the Annual Conference, there are two other activities in this event: Dean and Departmental Chair Forum of the State University Council of the Western Indonesia Region (Badan Kerja Sama Perguruan Tinggi Negeri Wilayah Indonesia bagian Barat – BKS PTN Barat) and MIICEMA Board of Committee meeting.

Theme of this year congress is “**ASEAN Economic Community 2015: Issues and Challenges**”. This theme is one of the issues at the global and, of course, ASEAN. It is currently utmost important among ASEAN countries and communities, since the ASEAN Economic Community (AEC) will begin in 2015. AEC is the goal of ASEAN regional economic integration by 2015 and marks the start of free trade liberalization between the members of ASEAN countries. AEC envisages four key characteristics, including: (1) A single market and production base, (2) A highly competitive economic region, (3) A region of equitable economic development, and (4) A region fully integrated into the global economy. Within the overall context of economic and political integration, the ASEAN countries are pursuing an ambitious agenda of creating a single market and production base based on five core elements: free flow of goods, free flow of services, free flow of investment, and a free flow of capital and free flow of skilled labour.

To accommodate the interest of participants who come from varieties of knowledge and discipline, there are fifteen sub-themes offered to be presented in the Conference including: (1) Economic Integration, (2) Monetary and Fiscal Policy, (3) Economics of Halal Food, (4) Sharia Economics, (5) Food Security, (6) Human Resource Management, (7) Knowledge Management and Innovation, (8) Marketing Management, (9) Supply Chain and Logistic Management, (10) Agribusiness Finance and Management, (11) Consumer Behaviour, (12) Business and Entrepreneurship, (13) Risk Management, (14) Accounting and Economic Development, and (15) Accounting Information System. However, in grouping of the papers for the presentation, the organizer of the conference has reclassified the total of 92 papers into four groups: Economic; Development and International Trade; Human Resource Management; Sharia Finance and Economic; and Consumer Behaviour.

MIICEMA Board of Committee meeting conducted in the Universiti Kebangsaan Malaysia (UKM) – Malaysia in 2012 has assigned me to be the coordinator in preparing journal to be published by MIICEMA i.e., **ASEAN Journal of Economics, Management and Accounting**. We have worked hard to prepare this journal. Alhamdulillah, thanks to Allah, the inaugural edition of the **ASEAN Journal of Economics, Management and Accounting (AJEMA)** can be softly launched at the Opening Ceremony of the 14th MIICEMA Conference, October 9, 2013. I hope this journal could: (1) provide a forum for academicians, researchers and practitioners who are interested in discussing new knowledge, ideas and issues in the field of economics, management, business and accounting in the ASEAN region, (2) strengthen academic cooperation among MIICEMA university members and other universities in Southeast Asia region.

Many parties are involved and supported this MIICEMA Conference. On this special occasion, I would like to express my appreciation to the organizer of the congress, the rector of IPB, Deans of FE/FEB/FEM of the MIICEMA University members, keynote speaker, invited speakers, distinguished participants and other contributors.

I do hope this conference would be successful with obvious contribution for strengthening ASEAN solidarity in achieving ASEAN Economic Community 2015. I wish all participants to have fruitful discussion and successful conference and enjoy your stay in Garden City of Bogor.

Yusman Syaukat, PhD
Dean
Faculty of Economics and Management
Bogor Agricultural University

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The Macroeconomic Cause of Stock Market Volatility: Empirical Study Based on Malaysian and Indonesian Data

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ABSTRACT

This study tries to examine the relationship between stock market volatility and macroeconomic variables in Malaysia and Indonesia. Monthly data from 1998 to 2013 of stock indices and macroeconomic variables are used. Firstly, in order to examine the conditional volatility of each series, we employed the well-known GARCH family models. We present some empirical stylized facts in the stock indices and the macroeconomic variables under consideration. Secondly, a regression of conditional stock market volatility as the dependent variable against conditional macroeconomic volatility is conducted to find any significant relationship. The result of this study shows some evidence on the existence of relationship between the volatility of stock returns and macroeconomic variables. These results are useful for providing information for investors, managers and policy makers.

Economic and Trade

1. INTRODUCTION

Stock market volatility has been the subject of interest for a number of years. Volatility which measures the standard deviation of financial asset may influence economic growth and performance negatively (Mula and Roddy, 2007). In this regard, the question that rises is that why the stock market volatility changes over time. There are also massive empirical studies on the relationship between asset return (the first moment) and its determinant factor. However, findings on the relationship between stock market volatility (the second moment) and its underlying determinants are still unclear. Among the limited studies in this subject, Merilli (2002) focus on UK stock market and found macroeconomic volatility can explain only 4.4% of variation in stock market volatility. Engel and Russell (2008) is the most recently work on this subject which propose spline-GARCH model to isolate low-frequency from high-frequency data. Engle, Ghoshal and John (2006) is another study which used GARCH-MIDAS approach with mixed data sampling. Since the results of previous studies are discrepant in different sampling and employed models, the present study explores this line of research by providing an investigation on the link between stock market volatility and macroeconomic volatility in Malaysia and Indonesia. In addition, we provide some empirical stylized facts in the stock indices and the macroeconomic variables. The rest of this study is organized as follows: section 2 reviews the data and methodology which are used in this paper. Section 3 presents the result obtained. The discussion and conclusion on the empirical findings are carried out in section 4.

2. METHODOLOGY

This study utilizes Kuala Lumpur Composite Index (KLSE) and Jakarta Composite Index (JCI) as stock indices in Malaysia and Indonesia, respectively. The macroeconomic variables chosen are consumer price index (CPI), exchange rate (EX), interest rate (INT), industrial production index (IPI), Money supply (M) and Trade account (TA). All data are in monthly frequency and cover the period from 1998 to 2013. Return for all series (except for CPI) are calculated as $R_t = \ln R_t - \ln R_{t-1}$ where R_t is the return at time t on stock market and macroeconomic variables.

In the first step, the well-known GARCH family models are employed to examine the monthly conditional volatility of each series. With respect to the stock market and macroeconomic variables, the GARCH model can be written as:

$$\begin{aligned} R_t &= \mu + \sigma_t \varepsilon_t \\ \sigma_t^2 &= \omega + \alpha_1 R_{t-1}^2 + \beta_1 \sigma_{t-1}^2 \end{aligned}$$

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Where R_t represents the return on stock market and macroeconomic variables at time t and $\varepsilon_t | \mathcal{F}_{t-1}$ denotes the error term with respect to the information at time $t-1$ and is assumed to be normally distributed.

In the second step, conditional stock market volatility is used as the dependent variable against conditional macroeconomic volatility to find any significant relationship between variables. The regression can be expressed as:

$$h_{t+1} = \beta_0 + \sum_{j=1}^K \beta_j h_{t-j} + \beta_{K+1} OPEN + \varepsilon_t \quad (3)$$

PERCEIVED VALUE : CONCEPTUAL MODEL FOR UPSCALE HOTEL

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Abstract

The purpose of this article is to investigate perceived value in hotel industry especially upscale & business hotel based on extensive literature review. Past research suggest that perceived value is key success in gaining customer satisfaction as well as behavior intention. It is also provide competitive advantage. Because of its roles, it received much attention from academic researcher and practitioners. Although perceived value has been widely studied, but only a little research developed perceived value as a multi-dimensional model for upscale hotels based on guest experience.

We develop a scale of measurement of perceived value for upscale hotel, which grouped into 7 dimensions mainly (1) functional value – building, (2) functional value – guestroom, (3) functional value – food & beverage, (4) functional value – service employees, (5) functional value – price, (6) emotional value and (7) social value. We proposed the model as formative. The models answer questions especially from the hotel manager about the factors which play a major role in forming the perceived value.

Keywords: perceived value, multi-dimensional, formative, upscale hotel

1. Introduction

Perceived value received great attention from academics and practitioners for 30 years. Perceived value established as a goal in American Marketing Association definition of marketing both in 2004 and 2007 (Wilkie, 2007). According to the Marketing Science Institute perceived value is one of the priority research in 2006 -2008.

Perceived value is a source of competitive advantage (Huber, 2000; Lai, 1996; Woodruff, 1997; Porter, 1988). Perceived value is antecedent of customer satisfaction and behavioral intention (Chen,Chen, 2010; Hutchinson, Lai, Wang, 2008; Lai, Griffin, Babin, 2008). Although perceived value is an important concept, but there is no consensus on the definition, operationalization and measurement of perceived value.

This article focused in perceived value of the hotel. Research on perceived value in hotel, been conducted by Jayanti & Ghosh (1996), Bojanic (1996), de Ruyter, Lemmink, Wetzels, Mattsson(1997), Kashyap & Bojanic (2000), Sabbahy, Ekinci, Riley (2003), Nasution &

Mavondo (2008), Walls (2012). Jayanti & Gosh (1996), Bojanic (1996), Kashyap & Bojonc (2000) focused on antecedent and consequences of perceived value and operated is as uni-dimensional construct. de Ruyter, Lemmink, Wetzels, Mattsson(1997) operated perceived value as multi-dimensional construct which developed based on Axiology of Value theory. Sabbahy, Ekinici, Riley (2003) considered perceived value based on price based theory developed by Grewal, Monroe, and Krisnan. Nasution & Mavondo focused their study on customer value from customer perspective and hotel manager perspective. Walls (2012) developed perceived value based on experiential view and operated it as multi-dimensional reflective construct. There is still unanswered issue mainly what perceived value is formed. This issue is very important because managers have to focused in the elements of the services that are important to customers.

This article is structured into three sections. First section will discussed the literature review. Next section, is result/analysis. Result of the study is a conceptual model of perceived value. The models is intended to upscale hotels. Last is conclusion of the discussion.

2. Literature Review

Research on perceived classified two approaches perceived value construct as uni-dimensional and multi-dimensional perceived value as construct. The first approach, assumed perceived value as a single overall construct that measured by one or a series of items that evaluate customers' perception of value. Second approach, assumed perceived value as multi-dimensional construct. The second approach, consider perceived value as a multidimensional construct that reflects an assessment of the attributes or dimensions that are interconnected to form a holistic represents a complex phenomenon (Sanchez-Fernandez & Iniesta-Bonillo, 2007).

Theories that support the first approach is a price-based studies and the means-end theory while the second approach and Hedonic and Utilitarian views. Since, perceived value represent complex phenomena then this article focus on multi-dimensional construct. Sanchez-Fernandez & Iniesta-Bonillo (2007) concluded that theories which assumed perceived value, are Axiology of value theory, Holbrook's typology of value, Consumption-values theory.

Consumption-values theory, constructed by Sheth, Newman, Gross (1991) based on 3 propositions mainly (1) to select multiple market value, (2) each value contributes different,

(3) each value independent. The theory identified 5 types of value which influence consumer behavior mainly, functional value, emotional value, social value, conditional value, epistemic value.

Researches on perceived value which used Consumption-values theory were conducted by Sweeney & Soutar (2001), Pura (2004), Sanchez, Callarisa, Rodriguez, Moliner (2006), Fandos-Roig, Gracia, Tena & Monzonis (2006), Cengiz & Kirkbir (2007), Williams & Soutar (2009), Simova (2009), Fandos-Roig, Gracia, Tena (2009), Fiol, Tena, Garcia (2011), Chi & Kildruff (2011). Despite using the same theory but they varied in the operationalization of perceived value. Sweeney & Soutar (2001), Pura (2004) operated perceived value as first-order construct. As perceived value is higher order construct (Sanchez-Fernandes & Iniesta & Bonillo, 2006; Day & Crack, 2000; Zeithaml, 1988), the other operated it as a second order construct.

Perceived value is a second order construct as it met the criteria such as there is theoretical justification, all factors in first order influence the construct in the same way (Hair, Black, Babin, Anderson, 2010). Some scholars assume that customer behavior including perceived value, as unobserved and can not be measured directly. To measure it the scholar investigate indicators that reflect the behavior. Measuring indicators which considered to reflect the variables studied, called the reflective measurement models (Hair, Black, Babin, Anderson, 2010). However, indicators do not always have a positive influence on the latent variables so that there are other possibilities in relation to indicators of latent variables (Coltman, Devinney, Veniek, 2008). In some cases the indicators cause the latent variable. The model is called the formative measurement.

Some authors defined functional value, emotional value, social value, epistemic value, and conditional value formed perceived value (Sanchez, Callarisa, Rodriguez, Moliner, 2006; Fandos-Roig, Gracia, Tena & Monzonis, 2006; Cengiz & Kirkbir, 2007). Their argument is perceived quality or price are not manifestations of perceived value but defining characteristic of it, perceived quality, price or feeling do not share a common theme; each dimension of perceived value has its own antecedents and consequences.

3. Conceptual Model for Upscale Hotel

Batra and Ahtola (1990) stated there are 2 reasons consumers purchase, namely utility reasons and affective or hedonic reasons. Upscale hotel offers both utilities and sensory experience. Then the multi-dimensional perspective is more appropriate.

We use Consumption values theories since it is a strong theory which is often tested. Though Sheth, Newman, Gross (1991) suggested 5 values, we considered upscale hotel over 3 values mainly functional value, emotional value and social value. Epistemic value is not suitable for the hotel, because the hotel more emphasis on hospitality than technological sophistication which arouse desire of knowledge or offering something that has never existed. Hotel is not seasonal products and the number of hotel rooms is higher than its demand, therefore conditional value does not suitable the hotel.

Because perceived value is very subjective, Sanchez, Callarisa, Rodriguez, Moliner (2006) suggest that the measurement model should fit with the characteristics of customers and products. Hotel services categorized as a service shop (Ng, Russell-Bennett, Dagger, 2007). In service shop, the use of tools/facilities and services are balanced, and product

Service is a series of processes generated by people and equipment/facilities. From a customer perspective, service is the experience while from the perspective of service management is a process that must be designed based on customer experience (Lovelock & Wirtz, 2012). A series of processes are reservation, check-in, guests receive baggage handling using guestroom facilities, enjoy the food & beverage, using other facilities, guests receive baggage handling, check-out, paying the bill and leave the hotel (Bardi, 2007). The series of process is described as follows.

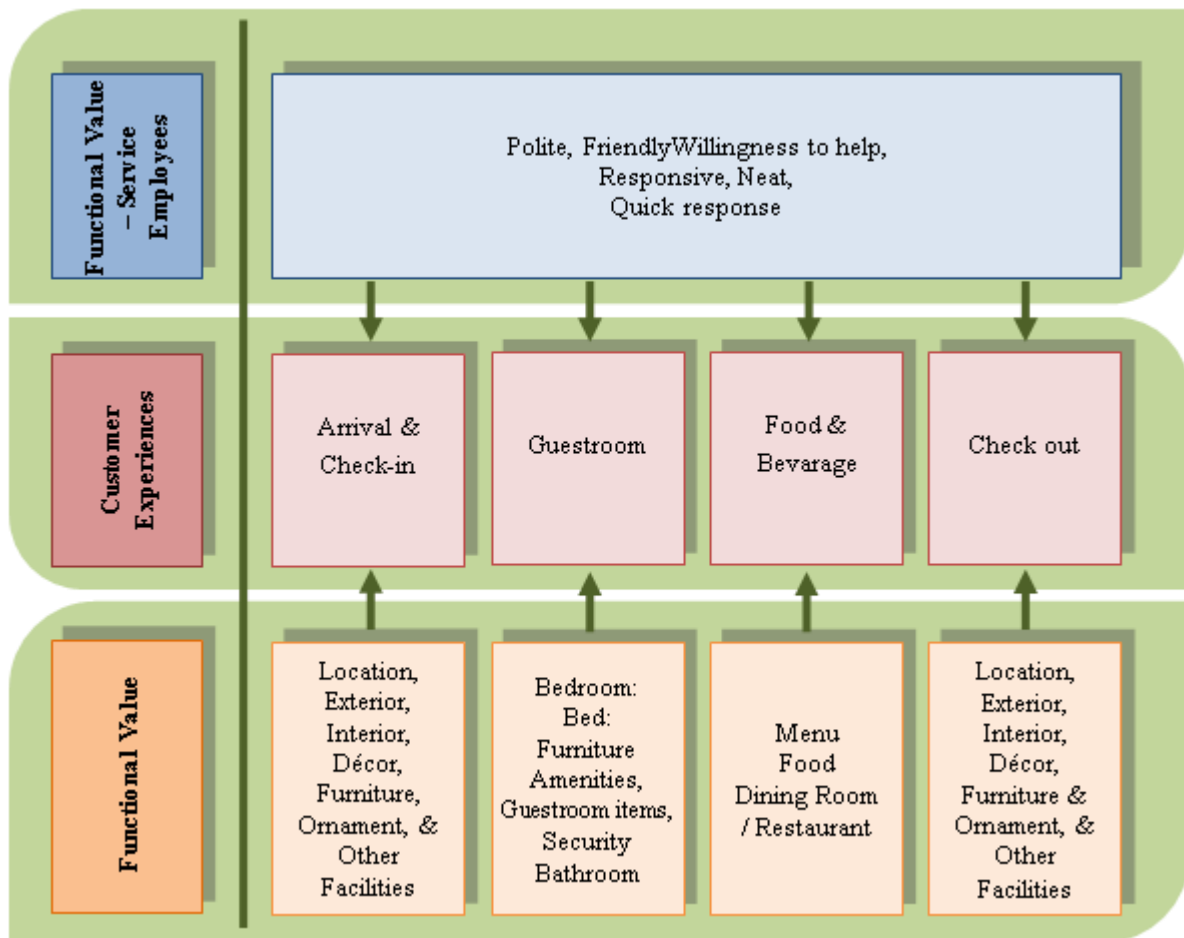


Figure1. Customer Experience & Functional Value

Reservation can be done through various media, the perceived value at this stage is difficult to generalize. We concluded that customer experience starts from arrival & check-in (registration), using guestroom, enjoy food & beverage, and check out. From these processes, guests perceive value. Source of value varies at each stage as used due to using different facilities. Perceived value at each stage also varies. Because antecedents and consequences of each state are different we argue that functional value should be separated into some groups. Service employees at each stage of the guest experience. Services may vary at each stage but it is not easy for guests to assess the capabilities of employees in serving customers at every stage and each guest gets different experiences. We argue there are general capabilities throughout the stage in order to be able to generalize. Guest perceived value derived from capabilities of facilities and employees in carrying out their functions beyond the standard. Sheth, Newman, Gross (1991) suggested functional values emphasize on utilities. The utility obtained by a certain sacrifice, therefore, the price is one of functional value attributes.

Perceived value in hotel is a second order construct. Perceived value formed by functional value, emotion value and social value. They are abstract concept, which is reflected by several indicators. Thus the perceived value is a second order construct. Perceived value is a perceived utilities, as a result of cognitive and affective assessment. As perceived value is formed by functional value, emotion value and social value then perceived value is second formative construct which described as follow.

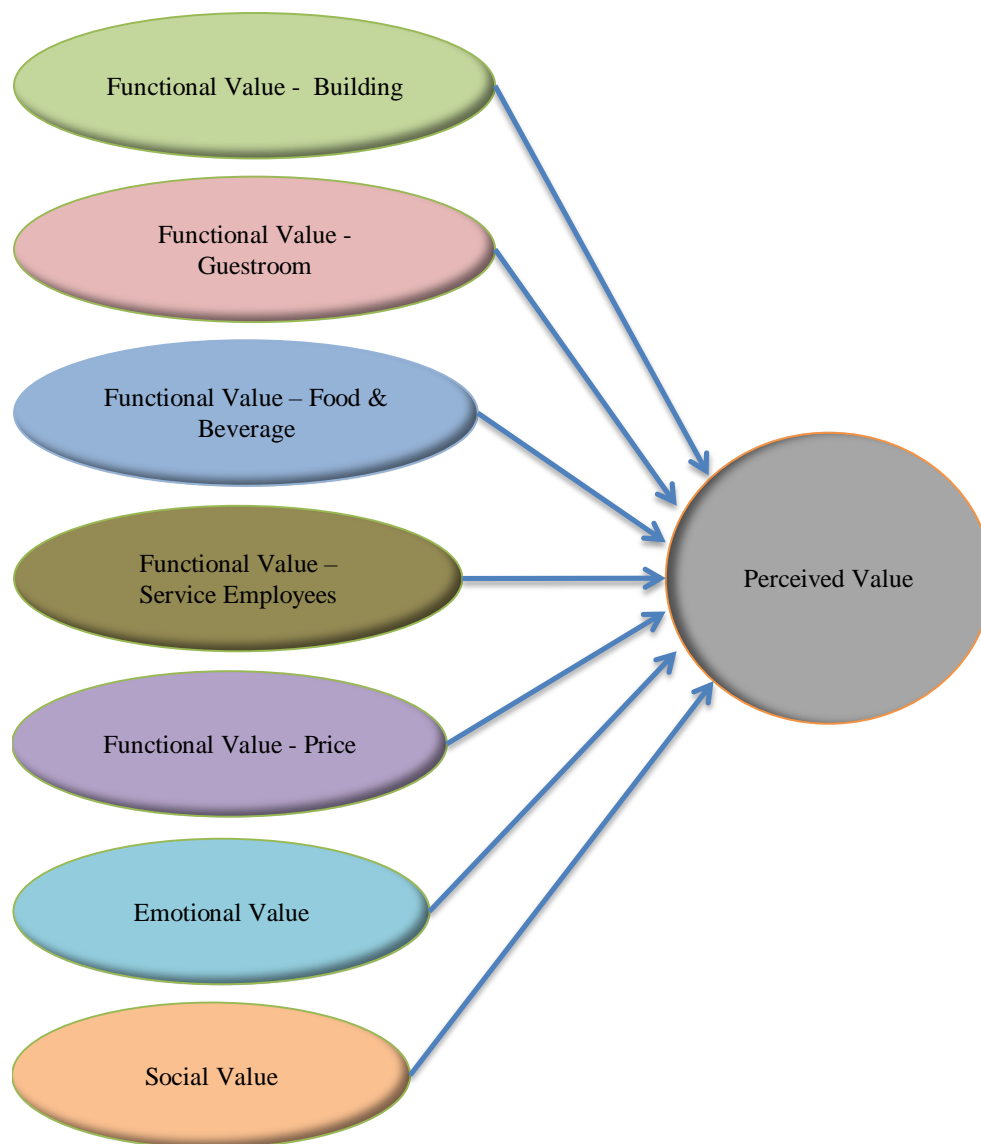


Figure 2. Perceived Value and Its Dimensions

Our conclusions on relevant functional value to the opinion of Yuan (2008) and Sanchez (2006). Fuctional value is defined as the values derived from the functional aspect of the

hotel which includes the value of the building (Sanchez, 2006), the value of the guestroom (Yuan, 2009), the value of the food & beverage (Yan, 2009), the value of the service employees (Yuan, 2009; Sanchez, 2006) and the value of the price (Sanchez, 2006).

Previous studies discussed emotion value which perceived by guest (Basky & Nash, 2002; Petrick, 2004). Based on our preliminary survey and their researches, we conclude emotion value which suitable for upscale hotel are comfortable, respected, relaxed, welcome, proud, practical, safe, fascinated and delighted.

We define social value as a utility customer perceived by linking themselves with their social group. We agree with Miladian & Sarvestani (2012) that social value is measured by social self-image. Because basically one of consumption motive is to get social self-image. Social self-image is defined as the image one wants "held" by others. Miladian & Sarvestani (2012: 226) concluded that the motive for buying and using the products depending on what one wants to be seen by others. Product which has prominent symbolic value exceeds the utility function will provide social value. Miladian & Sarvestani (2012) use social self-image and social relationships to measure social value. Social self-image suitable for measuring perceived value on hotel guests because the goal is for the customer to choose products to get a certain image of others, while social relationships are not suitable.

4. Conclusion

This article offers insight on conceptual model of perceived value for upscale hotel. Model is designed based on customer experience and consumption values theory.

Based on the theory of consumption values, the values perceived guests are functional value, emotional value and social value. We conclude that there are five dimensions for measuring functional value, mainly functional – building, functional value – guestroom, functional value – food & beverage, functional value – service employees, functional value – price. Emotion value should be fitted with guest and hotel characteristics. We conclude that social value should be measured by social self- image.

The weakness of this article is a model has not been tested yet. Empirical support is needed to make it a good model.

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