MACROECONOMIC RISK AND GROWTH IN THE SOUTHEAST ASIAN COUNTRIES

Insight from Indonesia

Edited by William A. Barnett and Bruno S. Sergi

INTERNATIONAL SYMPOSIA IN ECONOMIC THEORY AND ECONOMETRICS

VOLUME 33A
MACROECONOMIC RISK AND GROWTH IN THE SOUTHEAST ASIAN COUNTRIES
INTERNATIONAL SYMPOSIA IN ECONOMIC THEORY AND ECONOMETRICS

Series Editor: William A. Barnett

Recent Volumes:

Volume 18:  *Functional Structure Inference*
Edited by William A. Barnett & Apostolos Serletis

Volume 19:  *Challenges of the Muslim World: Present, Future and Past*
Edited by William W. Cooper & Piyu Yue

Volume 20:  *Nonlinear Modeling of Economic and Financial Time-Series*
Edited by Fredj Jawadi & William A. Barnett

Volume 21:  *The Collected Scientific Works of David Cass – Parts A–C*
Edited by Stephen Spear

Volume 22:  *Recent Developments in Alternative Finance: Empirical Assessments and Economic Implications*
Edited by William A. Barnett and Fredj Jawadi

Volume 23:  *Macroeconomic Analysis and International Finance*
Edited by Georgios P. Kouretas and Athanasios P. Papadopoulos

Volume 24:  *Monetary Policy in the Context of the Financial Crisis: New Challenges and Lessons*
Edited by William A. Barnett and Fredj Jawadi

Volume 25:  *Banking and Finance Issues in Emerging Markets*
Edited by William A. Barnett and Bruno S. Sergi

Volume 26:  *Asia-Pacific Contemporary Finance and Development*
Edited by William A. Barnett and Bruno S. Sergi

Volume 27:  *Advanced Issues in the Economics of Emerging Markets*
Edited by William A. Barnett and Bruno S. Sergi

Volume 28:  *Recent Developments in Asian Economics*
Edited by William A. Barnett and Bruno S. Sergi

Volume 29A:  *Environmental, Social, and Governance Perspectives on Economic Development in Asia*
Edited by William A. Barnett and Bruno S. Sergi

Volume 29B:  *Environmental, Social, and Governance Perspectives on Economic Development in Asia*
Edited by William A. Barnett and Bruno S. Sergi

Volume 30:  *Quantitative Analysis of Social and Financial Market Development*
Edited by William A. Barnett and Bruno S. Sergi

Volume 31:  *Comparative Analysis of Trade and Finance in Emerging Economies*
Edited by William A. Barnett and Bruno S. Sergi

Volume 32:  *Overlapping Generations: Methods, Models and Morphology*
Authored by Stephen E. Spear and Warren Young
CONTENTS

List of Figures and Tables vii

About the Editors xi

About the Contributors xiii

Preface xix

Chapter 1 Business-specific Risks and Stock Market Volatility as Indonesian Macroeconomic Risk Estimators
Ezra Valentino Purba and Zaäfri Ananto Husodo 1

Chapter 2 The Impact of Financial Literacy on Sustainability of Small Businesses: Government Policy Perspective
Kusdi Raharjo, Saparila Worokinasih and Nur Imamah 19

Chapter 3 Real Earnings Management in Family Firms in Indonesia
Reny Damayanti Safitri, Tastaftiyan Risfandy, Inas Nurfadia Futri and Rizky Yudaruddin 35

Chapter 4 How Bank Market Power and Diversification Affect Bank Stability? Evidence From Indonesia
Diyan Lestari, Andi Nurhikmah Daeng Cora and Edwin Arojado Balila 47

Chapter 5 Chasing Daily Return of Socially Responsible Portfolio: Evidence From Indonesian Stock Exchange
Alyta Shabrina Zusryn, Muhammad Rofi and Rizqi Umar Al Hashfi 61

Chapter 6 Systemic Risk: The Impact of COVID-19 on the Dual Banking System in Indonesia
Muh Rudi Nugroho and Akhmad Syakir Kurnia 83

Chapter 7 Assessing the Impact of the Lockdown in Jakarta on the Economy: An Input–Output Approach
Achmad Rifa’i 93
<table>
<thead>
<tr>
<th>Chapter</th>
<th>Title</th>
<th>Authors</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>The Implementation of Financial Inclusion for Indonesian Migrant Workers Post-placement (Best Practice of Permanent Income Life Cycle Hypothesis)</td>
<td>Nurul Istiqomah and Izza Mafruhah</td>
<td>107</td>
</tr>
<tr>
<td>9</td>
<td>Profitability and Firm Value: The Role of Industry Competition, Market Value of Equity, and Debt Levels</td>
<td>Dany Adi Saputra and Doddy Setiawan</td>
<td>127</td>
</tr>
<tr>
<td>10</td>
<td>The Effect of Moral Global Leadership Moderation on the Relationship Between Achievement Motivation, Smart Work, and Performance</td>
<td>Rahman El Junusi, Heru Sulisty, Fadjar Setiyo Anggraeni and Ferry Khusnul Mubarok</td>
<td>141</td>
</tr>
<tr>
<td>11</td>
<td>Testing the Discriminant Validity and Heterotrait–Monotrait Ratio of Correlation (HTMT): A Case in Indonesian SMEs</td>
<td>Yong Dirgiatmo</td>
<td>157</td>
</tr>
<tr>
<td>12</td>
<td>Generalist CEO and Firm Performance: Evidence From Indonesia</td>
<td>Diyah Kusuma Wardhani, Tastaftiyan Risfany, Yunieta Anny Nainggolan and Bowo Setiyono</td>
<td>171</td>
</tr>
<tr>
<td></td>
<td>Index</td>
<td></td>
<td>181</td>
</tr>
</tbody>
</table>
LIST OF FIGURES AND TABLES

Figures

Chapter 2

Fig. 1. Structural Model (Inner). 28
Fig. 2. Measurement Model (Outer). 30

Chapter 5

Graph 1. Robustness Check: Alpha Values of the 4FFC and 5FF Over the Quarter. 77

Chapter 6

Fig. 1. Estimation Results of VaR and CoVaR for ICBs and CCBs. 89
Fig. 2. Estimation Results of VaR and CoVaR Banking System. 90

Chapter 7

Fig. 1. Share of Regional Economy to the National Economy (%). 95

Chapter 8

Fig. 1. Formulation of Consumption Pattern (Mafruhah, Waridin, Iskandar, & Thohir, 2019a). 111
Fig. 2. Life Cycle Income Hypothesis (2019a). 112
Fig. 3. Relationship Patterns of Remittance, Entrepreneur, and Human Capital. 114
Fig. 4. Map of Influence and Dependences Between Actors. 122
Fig. 5. Convergences Between Actors in Order 3. 122
Fig. 6. Convergence Between Actors in the Order 3. 123

Chapter 10

Fig. 1. Research Model. 146
Fig. 2. Results Research Model. 150

Tables

Chapter 1

Table 1. Descriptive Statistics Results. 11
Table 2. Regression Results. 12
Table 3. Cross-sectional Risk Regression Results Against Economic Indicators. 14
Chapter 2

Table 1. Research Variables. 25
Table 2. Reliability and Convergent Validity. 26
Table 3. Coefficient of Determination Value ($R^2$). 29
Table 4. Size Influence ($f^2$). 29
Table 5. Hypothesis Test Results. 29

Chapter 3

Table 1. Descriptive Statistics. 40
Table 2. Correlation Matrix. 41
Table 3. Variance Inflation Factors. 41
Table 4. Regression Results With Robust Standard Error. 44

Chapter 4

Table 1. Statistic Descriptive. 53
Table 2. Correlation Matrix. 54
Table 3. Market Power and Diversification on Stability. 55
Table 4. Market Power and Diversification – Alternative Measurement. 56

Chapter 5

Table 1. Data Description. 67
Table 2. Pre-matching Probit Regression. 68
Table 3. Post-matching Probit Regression. 69
Table 4. Portfolio Descriptions. 69
Table 5. Portfolio Forming for 4FFC Model. 71
Table 6. Portfolio Forming for 5FF Model. 71
Table 7. Descriptive Statistics, Sharpe Ratio, Unit Root Test, and ARCH-LM Test. 73
Table 8. The Result of the 4FFC Estimation. 74
Table 9. The Result of the 5FF Estimation. 75
Table 10. The Result of the Fama–MacBeth Regression. 76
Table 11. Descriptive Statistics for Quarterly Alpha. 77
Table 12. Robustness Check: Fama–MacBeth Regression Over the Quarter. 78

Chapter 6

Table 1. Individual Risk and Banking Systemic Risk. 88
Table 2. Risk Contribution to Banking System. 88

Chapter 7

Table 1. Simplification of IO Table. 96
Table 2. Activity Restriction on Certain Sectors in 2020. 98
Table 3. The Impact of PSBB Policy on the Jakarta’s Economy. 100
Table 4. The Impact of PSBB Policy in Jakarta on the Aggregate National Sectors. 102
Table 5. The Impact of PSBB Policy in Jakarta on the Other Provinces. 103
Chapter 8

Table 1. Amount of Remittances 2013–2019. 109
Table 2. Saving Regression Result. 117
Table 3. Remittance Regression Result. 119

Chapter 9

Table 1. Variable Measures. 131
Table 2. Descriptive Statistics. 133
Table 3. Results of Regression of the Role of IC Level in Explaining the Relationship Between Profitability and FV. 134
Table 4. Regression Results of the Role of MVE in Explaining the Relationship Between Profitability and FV. 134
Table 5. DAR Regression Results in Explaining the Relationship Between Profitability and FV. 135
Table 6. Regression Results of the Role of IC Level, MVE, and DAR in Explaining the Relationship Between Profitability and FV. 136
Table 7. Regression Results of the Role of IC Level, MVE, and DAR in Explaining the Relationship Between Profitability and FV for a Subsample of Profitable Companies (297 Observations). 136

Chapter 10

Table 1. Description of Respondents. 147
Table 2. Research Constructs/Variable and Indicator. 148
Table 3. Mean, Standard Deviation, and Correlation. 149
Table 4. Results for Outer Model and Combined Loading and Cross-loading. 149
Table 5. Composite Reliability and $R$-square. 150
Table 6. PLS Results. 151

Chapter 11

Table 1. Fornell & Larcker’s Criterion. 161
Table 2. Cross-loadings Criterion. 163
Table 3. HTMT 0.85 Criterion. 166
Table 4. HTMT_{Inference} (Bootstrapping With 5,000 Subsamples). 167

Chapter 12

Table 1. Descriptive Statistics. 176
Table 2. Correlation Matrix. 176
Table 3. The Impact of Generalist CEO on Firm Performance. 177
This page intentionally left blank
ABOUT THE EDITORS


Bruno S. Sergi is an Instructor at Harvard University, where he is also a Faculty Affiliate at the Center for International Development and the Institute for Quantitative Social Science and an Associate at the Davis Center for Russian and Eurasian Studies. He is the Series Editor of Cambridge Elements in the Economics of Emerging Markets (Cambridge University Press) and Entrepreneurship and Global Economic Growth (Emerald Publishing). He teaches Political Economy and International Finance at the University of Messina, Italy. He chairs the Lab for Entrepreneurship and Development (LEAD), a research lab based in Cambridge, USA, to generate and share knowledge about entrepreneurship, development, and sustainability.
This page intentionally left blank
ABOUT THE CONTRIBUTORS

Rizqi Umar Al Hashfi is a Lecturer in Faculty of Islamic Economics and Business, Universitas Islam Negeri Sunan Kalijaga, Indonesia. Currently, he is a PhD Student in Management, Faculty of Economics and Business, Universitas Gadjah Mada, Indonesia. Some of his academic articles are published in reputable journals such as *Borsa Istanbul Review* and *Indonesia Capital Market Review*. He is also a Peer Reviewer in *Global Review of Islamic Economics and Business* and *Jurnal Manajemen Indonesia*.

Fadjar Setiyo Anggraeni is a Student at the Sultan Agung Islamic University (UNISSULA) Doctoral Management Program, Faculty of Economics, Department of Management. He is also a Lecturer at AKI University Seamarang, Indonesia.

Edwin Arojado Balila has a strong background in Mathematics. He is Mathematics Books Evaluator in University of Batangas and C&E Company. He is also Founder of Consortium of CALABARZON Colleges and Universities for Sciences, Statistics, and Mathematics.

Andi Nurhikmah Daeng Cora is a Senior Lecturer in Institut Teknologi dan Bisnis Kalbis. She is having academic with strong background of professional experience. Her research focus is on economic growth, trade policies, and innovation.

Yong Dirgiatmo is a Senior Lecturer at the Faculty of Economics and Business, Sebelas Maret University, Surakarta, Indonesia. His research interests are in the field of Operation and Strategic Management, Information Technology, and Small and Medium-sized Enterprises (SMEs). His current researches are focused on the empowerment of digital technology for SMEs in Indonesia.

Rahman El Junusi is a Student at the Sultan Agung Islamic University (UNISSULA) Doctoral Management Program, Faculty of Economics, Department of Management. He is also a Lecturer at the Faculty of Economics and Islamic Business, Universitas Islam Negeri Walisongo, Semarang, in the field of Management. He is also the Editor of the *Journal of Digital Marketing and Halal Industry*.

Inas Nurfadia Futri is a Graduate of Management, Faculty of Economics and Business, Universitas Sebelas Maret. She is also a Researcher in the Research
Group of Financial Market and Institutions, Universitas Sebelas Maret, Indonesia. Her research interests are Digital Finance, Financial Inclusion, Management, Banking, and all topics related to Finance and Economics. She has published her papers in peer-reviewed journal, *MethodsX*, and national-accredited journals.

**Zaäfri Ananto Husodo** is a Associate Professor in Finance and Banking at Department of Management, Faculty of Economics and Business, Universitas Indonesia since 2000. He holds PhD in Finance and Banking from Australian School of Business, University of New South Wales, Australia. His current research covers topics of Frictions in Financial Markets, Financial System Stability, and Islamic Finance. Courses taught are Seminar on Asset Pricing, Applied Financial Econometrics, Risk Modelling, and Investment. He has been securing research grants from Central Bank of Indonesia, Financial Service Authority, Debt Management Office of the Republic of Indonesia, and the World Bank. He published in Research in *Business and Finance, Finance Research Letter, Global Finance Journal, Computational Economics, Bulletin of Monetary Economics and Banking*, and *Pacific-Basin Finance Journal*. He serves as Invited Reviewer in many reputable academic journals.

**Nur Imamah** is a Lecturer in Finance, Department of Business Administration, Faculty of Administrative Sciences, Universitas Brawijaya, Indonesia. She currently serves as Secretary of the Department of Business Administration, Faculty of Administrative Sciences, Universitas Brawijaya. She is also a Member of the Indonesian Finance Association. Her article appears in *Pacific-Basin Finance Journal, Australasian Accounting, Business and Finance Journal*, and other journals.

**Nurul Istiqomah** is a Lecturer in Faculty of Economics and Business, Sebelas Maret University, Surakarta, Indonesia. She actively participates in scientific conference and published materials of his researches in international scientific journals especially economic and social sciences. Her specific interest cover SMEs, community empowerment, and human capital investment.

**Akhmad Syakir Kurnia** is an Associate Professor of Economics at the Department of Economics Diponegoro University. His research interest includes macroeconomics, monetary economics, and public economics. Along with his academic career, he is widely involved as a Professional Consultant in various government institutions. Currently, he is a Member of the Regional Economist Group for the Fiscal Policy Board, the Ministry of Finance of Indonesia.

**Diyan Lestari** has a strong interest in Finance with a research focus on corporate finance, corporate governance, and banking. She is actively involved in professional association, including Indonesian Finance Association. She is also Editor in *Optimal Journal*, a national-accredited journal.
Izza Mafruhah is a Professor within the Discipline for Economics, in Faculty of Economics and Business, Sebelas Maret University, Surakarta, Indonesia. She actively participates in scientific conference and published materials of her researches in international scientific journals especially economic and social sciences. Her specific interest cover empowerment, migrant worker, poverty, and economic development.

Ferry Khusnul Mubarok is a Lecturer in Islamic Economics. He also serves as Head of the Laboratory of the Faculty of Economics and Islamic Business, Walisongo State Islamic University, Semarang, Indonesia. He is Editor-in-Chief at *Journal of Digital Marketing and Halal Industry*, Managing Editor at *Attaqaddum Journal*, Editor at *Stability: Journal of Management and Business*, and as a Reviewer in the *Iqtisad Journal* and the *Indonesian Sharia Economics Journal*.

Yunieta Amny Nainggolan is an Associate Professor at School of Business and Management, Institut Teknologi Bandung, Indonesia. She earned her doctoral degree in Finance from Queensland University of Technology. She has published articles in reputable peer-reviewed journals, such as *Journal of Business Ethics*, *Social Responsibility Journal*, and *Emerging Markets Finance and Trade*.

Muh Rudi Nugroho is a Lecturer at the Study Program of Islamic Economics, Faculty of Islamic Economics and Business, State Islamic University of Sunan Kalijaga, Yogyakarta, who is currently pursuing a doctoral education in Economics at the Faculty of Economics, Diponegoro University. He is also active in community organizations, including the Kalijaga Endowment Fund, and an Expert in the field of Economics in several city and district governments. Some of the awards he has won are the International Business Model Competition organized by Bank Syariah Mandiri, Finalist in the Financial System Stability Competition organized by Bank Indonesia, Finalist in the International Islamic Economic and Finance, Best Paper Award in the Islamic Economic and Financial Research Forum, etc. As a Lecturer, he is also an Alumnus of the Master of Science in Economics at Gadjah Mada University, actively writing in various national and international journals.

Ezra Valentino Purba is an institutional investor actively engaged in early-stage investments in Southeast Asia. He has a strong passion for helping entrepreneurs in the region to develop and expand their businesses. Previously, he worked as a corporate finance advisor at a global advisory firm, specializing in merger and acquisition transactions and capital structure restructuring. During his studies at the Faculty of Economics and Business, University of Indonesia, Ezra developed a profound interest in conducting macro-financial research and equity analysis, particularly focusing on Indonesian stocks. His equity research papers were recognized as the National Equity Research Winner by the Indonesian Ministry of Education in 2020 and the prestigious Southeast Asia champion accolade from the CFA Institute in 2021.
Kusdi Raharjo is a Professor in Organizational Science and Human Resource, Department of Business Administration, Faculty of Administrative Sciences, Universitas Brawijaya, Indonesia. He currently also serves as Chairman of the Indonesian Business Administration Science Association. His articles appear in the *Journal of Management Development*, *Journal of Organizational Change Management*, *International Journal of Law and Management*, and other journals.

Achmad Rifa'i is an Economic Analyst at the Directorate of Macro Planning and Statistical Analysis, Ministry of National Development Planning/Bappenas. He is also Research Affiliate at Learning-Up (L-Up) Institute. He is used to working with various macroeconomic databases as well as analyzing the data to provide evidence-based policy recommendations. He is a Reviewer and Editorial Board Member of several reputable Indonesian journals.

Tastaftiyan Risfandy obtained his PhD from the University of Limoges, France. He is now an Associate Professor at Universitas Sebelas Maret, Indonesia. His research interests are related to Islamic Banking and all topics related to Finance and Management. He has published many papers in reputable peer-reviewed journals such as *Economic Modelling*, *Emerging Markets Finance and Trade*, *Singapore Economic Review*, and *Global Finance Journal*.

Muhammad Rofi is a Lecturer in Finance at YARSI University. He also serves as Head of the Center for Financial Administration at YARSI University. He is the Founder of the Learning Up Institute, an institution focused on research, training, and consulting in Economics and Finance. He serves as Section Editor at the *Journal of Economics and Business Aseanomics*.

Reny Damayanti Safitri is a Student in Faculty of Economics and Business Universitas Sebelas Maret. Her thesis is entitled *Real Earnings Management in the Family Firms in Indonesia*.

Dany Adi Saputra is a Part-time Lecturer at Universitas Sebelas Maret. He is currently pursuing a Doctorate in Accounting at Universitas Sebelas Maret. His research interest is financial accounting in both the business and public sectors.

Doddy Setiawan is a Professor in Financial Accounting at the Faculty of Economics and Business, Universitas Sebelas Maret, Indonesia. He graduated with a PhD degree from Universiti Sains Malaysia, Malaysia. His research area is corporate governance, family business, financial accounting, corporate social responsibility, and public sector accounting. He has published in some academic journals, including the *Journal of Asian Business Studies*, *Global Finance Journal*, and *International Journal of Social Economics*.

Bowo Setiyono is Faculty Member and the Deputy Director for MBA Program at Faculty of Economics and Business, Universitas Gadjah Mada. He holds General
Banking, Financial Planner (CFP) and Risk (CRP) certificates and delivers trainings/consulting for numerous firms and government agencies. His works focus on bank governance, ownerships, risk, and performance in emerging markets with some of them having been awarded as the best paper and published in high-rank journals. He was previously a Member of Risk Oversight Committee at PT. BRI Syariah and then currently at PT. Bank BSI.

Heru Sulistyo is a Professor in Management at the Sultan Agung Islamic University (UNISSULA) Program, Faculty of Economics, Department of Management. He served as Chairman of the Master's Program in Management at Sultan Agung Islamic University (UNISSULA).

Diyah Kusuma Wardhani was a Former Student at Undergraduate Degree of Management, Universitas Sebelas Maret. She was also a Research Assistant at Research Group of Financial Markets and Institutions. She is now working at Shopee, one of the biggest ecommerce platform in Asia.

Saparila Worokinasih is a Lecturer in Finance, Department of Business Administration, Faculty of Administrative Sciences, Universitas Brawijaya, Indonesia. She currently also serves as Head of the Taxation Study Program, Faculty of Administrative Sciences, Universitas Brawijaya. Her article appears in the *International Journal of Accounting and Business Society, Australasian Accounting, Business and Finance Journal*, and other journals.

Rizky Yudaruddin is a Lecturer at Faculty of Economics & Business, Mulawarman University, Samarinda, Indonesia. He is also Head of the Laboratory in the Department of Management. His research interests include behavioural finance, Islamic banking, and financial market.

Alyta Shabrina Zusryn is a Lecturer at the Department of Management, Faculty of Economics and Business, YARSI University. In addition, she now serves as Chair of the Undergraduate Program in Management, Faculty of Economics and Business, YARSI University. Her research papers have been published in the *Borsa Istanbul Review* and the *Journal of Islamic Monetary Economics and Finance*. She works as an Editor in the *Journal of Economics and Business Aseanomics (JEBA)*.
This page intentionally left blank
The world’s economic condition after suffering the COVID-19 pandemic has transformed dramatically by several challenges that affected numerous aspects. These potential issues include volatility in stock prices, labor markets, financial development, financial market risk, etc. Although the economy in various countries around the world is now developing for the better, the presence of problems such as geopolitical tensions and economic uncertainty still increases the probability of the emergence of a macroeconomic risk for certain countries.

The volume provides contemporary issues in the field of finance and economy in Indonesia and some Southeast ASEAN countries. These concentration areas, emerging markets, offer a unique setting that differs from those countries in developed markets, such as the domination of institutional and family-owned and the significant contribution of small businesses to economic growth. As a result, it is interesting to see the economic viability and risk with these background countries. This volume covers these topics and is represented in several papers written by authors from multiple countries. In Indonesia, a paper on this issue finds that business risk and asymmetric information significantly affected the increase of friction, while the stability of the economy reduced the friction. Another paper in this issue finds that business risk is associated with the instability in stock price that can cause the firm’s financial stability.

Firms in emerging countries are also often difficult to sustain because of the lack of risk assessment practice. Hence, this volume contains a discussion regarding risk reporting and disclosure practices, and it will bring a new finding in the accounting practice in emerging economies. Also, a paper will propose a new method for evaluating the risk of investing in the stock portfolio that could be applied to investment data interest and decision-making, which is considered essential for business in the long term. Macroeconomic risks are also inseparable from the social context in the country. Thus, a paper in this book presents labor force, migrant workers, and gender equality, which are important to be discussed in this topic.

Apart from several aforementioned new issues in finance and economics, some classical issues such as systemic risk, bank stability, and profitability also be covered in this volume because those topics are never absolute to be discussed, particularly in the context of macroeconomics risk. All the paper’s findings will enrich the evidence and literature on economic growth, economic risk, and others. These findings would be immensely beneficial for stakeholders, governments, policy-makers, and the people within the sector under financial risk, economic analysts, and others in order to tackle similar problems regarding the macroeconomics risk from the fundamentals.