

*Proceedings of the*

**Asia-Pacific Conference on Business and Social Sciences 2015  
(in partnership with *The Journal of Developing Areas*,  
Tennessee State University, USA)**



**Australian Academy of Business and Social  
Sciences**

*"Devoted to High Quality Research and Publication in Business and Social Sciences"*

Grand Seasons Hotel, Kuala Lumpur, Malaysia  
November 23-24, 2015

*Editors*

Abu N.M. Wahid, PhD  
Carmen Reaiche Amaro, PhD

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## Message from the Conference Chair

Welcome to the Asia-Pacific Conference on Business and Social Sciences (APCBSS) 2015, Kuala Lumpur. The key organiser of the conference is Australian Academy of Business and Social Sciences, which is devoted to high quality research and publication in business and social sciences.

The Academy, founded by a group of Australian academics is based on the belief that excellence in research and publication is the key to benefiting academics, businesses, society and other relevant stakeholders at local, national, regional and international levels. The Academy works with partners throughout the world and builds networks between research and publication, academic and society, the government and private sector, and across diverse interest groups. It organises international conferences and publishes scholarly research articles in peer reviewed journals and proceedings. The main objective of APCBSS 2015 is to promote and publish ideas which are important for businesses, societies and economies throughout the world.

The Australian Academy of Business and Social Sciences is also proud to be partners with *The Journal of Developing Areas*. Under the partnership agreement between Tennessee State University and Australian Academy of Business and Social Sciences (AABSS) a number of high quality papers drawn from APCBSS 2015, Kuala Lumpur will be published in the form of Special Issues of *The Journal of Developing Areas*. Some other quality papers will be published in the two AABSS journals, including *Australian Journal of Business and Social Sciences* and *Australian Journal of Sustainable Business and Society*.

This conference held in Kuala Lumpur, Malaysia in November 2015 is the third gathering of researchers under the banner of the Academy. We welcome researchers from around the world. In this conference, academics from 25 countries representing five continents including North America, Africa, Australia, Europe, The Middle East, The Pacific and Asia have gathered to share their latest research and ideas. Papers presented here in this proceeding cover all areas of business and management as well as a number of other areas in the social sciences. In particular you will find papers discussing recent trends in Economics, Management, Marketing, Accounting and Finance, Political Science, Sociology, Education and Social Business. All papers presented here have been through a rigorous blind peer review process ensuring the highest level of academic quality and relevance.



**Stephen Boyle, PhD**

Dean: Academic Affairs  
Division of Business  
University of South Australia  
Adelaide, SA, Australia

November 20, 2015

## Message from the Editor, *The Journal of Developing Areas*

Dear Participants,

Please accept my sincere apology for not being present in your midst today. On behalf of AABSS and the JDA, I welcome you all to this conference and wish it to be a great success like the others in the past.

Then, I must express my gratitude to Dr Stephen Boyle for his continued support and patronization of this conference. I also thank today's Keynote speakers Professor Normah Omar and Professor Michael Segon. I Appreciate Professor Rafiqul Islam Molla for facilitating two professional workshops such as Social Enterprise Economics and Ph.D. Research Workshop. I remain thankful to the discussants of Prof Molla's Workshops - Professor Normah Omar, Professor Syed Ferhat Anwar, Professor Stephen Boyle, and Dr Carmen Reaiche Amaro.

To all the presenters and participants of this conference, I would like to say that the JDA is a proud partner of this initiative and is committed to quality research and publications. Our partnership and this conference series will continue as long you respond to our calls. Our next conference will be in Dubai in April of 2016, in which our dean and myself are expected to attend. You are cordially invited to participate in that and hope to see you there.

As soon as the conference is over, I will directly and personally contact all the presenters whose manuscripts have been accepted for the JDA special issue as Papers or Notes. I would like to assure you that, subject to your cooperation, I would like publish this special issue within the shortest possible time frame.

Here are some of the tips for the authors:

1. As soon as you go home, please incorporate the comments and queries that you may have received while presenting the Papers/Notes.
2. After finishing the draft, please give a spell check and make sure that all spelling are in the American style.
3. As per our new policy, please expand the abstract to 350 to 400 words.
4. Please pay attention to our word limit – including references, Papers and Notes must be in the neighbourhood of 5,000 and 3,500 words respectively.

Wishing you all the best.



**Abu N.M. Wahid, PhD**  
Managing Editor, *The Journal of Developing Areas*  
Nashville, TN. USA

November 20, 2015

## TABLE OF CONTENTS

Submission Title and Author	Track	Page
TRANSNATIONAL EDUCATION PROGRAM: LEADERSHIP CURRICULUM AND LEARNING OUTCOMES IN SINGAPORE AND HONG KONG Nuttawuth Muenjohn, Nattavud Pimpa, Alan Montague, John Qin	Education	<a href="#"><u>1</u></a>
SUSTAINABILITY OF MALAYSIAN CURRENT ACCOUNT BALANCE: EVIDENCE FROM ARDL BOUNDS TESTS APPROACH Kamrul Hassan, Ariful Hoque, Ananth Rao	Economics	<a href="#"><u>13</u></a>
EARNING DIFFERENTIALS AND RETURNS TO EDUCATION BY ETHNICITY: A CASE OF MALAYSIA Mohd Nahar Mohd Arshad	Finance	<a href="#"><u>24</u></a>
THE IMPACT OF INTERNATIONAL BRANDS AND AWARDS ON INDIAN TEXTILE AND APPAREL FIRMS' SOCIAL DISCLOSURE PRACTICES Ratna Nurhayati	International Business	<a href="#"><u>35</u></a>
DETERMINANTS OF SMALL-SCALE BUSINESS OWNERS' PARTICIPATION IN FORMAL MICROCREDIT MARKETS IN SUDAN Abbas Magboul, Rashid Hassan	Business	<a href="#"><u>45</u></a>
GOOD GARDENING FOR A PERENNIAL ECONOMY: WHAT'S THE OPTIMAL GROWTH PATH FOR A REGIONAL ECONOMY? Jim McFarlane, Boyd Blackwell, Stuart Mounter	Economics	<a href="#"><u>66</u></a>
ISLAMIC BRANDING AND MARKETING: AN INSIGHT OF CONSUMER PERCEPTION IN PAKISTAN Kulsoom Malik, Malik Muhammad Sheheryar Khan	Marketing	<a href="#"><u>80</u></a>
CHEAP IPO: DOES IT MATTER? Othman Yong	Finance	<a href="#"><u>89</u></a>
LEADERSHIP, WORK VALUES ETHIC AND WORKPLACE INNOVATION: A COMPARATIVE STUDY BETWEEN THAI AND VIETNAMESE SMES Nuttawuth Muenjohn, Adela McMurray	Management	<a href="#"><u>96</u></a>
INFLATION DIFFERENTIALS, DETERMINANTS, AND CONVERGENCE: EVIDENCE FROM INDONESIA SUBNATIONAL DATA Masagus Ridhwan	Economics	<a href="#"><u>108</u></a>
NEW EVIDENCE FROM THE EFFICIENT MARKET HYPOTHESIS FOR THE NIGERIAN STOCK INDEX USING THE WAVELET UNIT ROOT TEST APPROACH Kelikume Ikechukwu	Finance	<a href="#"><u>131</u></a>
THE 'INSIDER' AND 'OUTSIDER' EFFECTS OF FDI TECHNOLOGY SPILLOVERS: SOME EVIDENCE FROM CHINA Xiaowen Tian, Vai lo Lo, Moxi Song	Finance	<a href="#"><u>139</u></a>

Submission Title and Author	Track	Page
DETERMINANTS OF THE EFFECTIVENESS OF CELEBRITY ENDORSEMENT IN ADVERTISEMENT Syed Mazlan Syed Mat Dom, Hani Suhaila binti Ramli, Audrey Lim Li Chin, Tan Tze Fern	Marketing	<a href="#">149</a>
POLITICAL INCLUSION, DEMOCRACY AND ECONOMIC DEVELOPMENT: LESSONS FROM SINGAPORE AND BOTSWANA Kevin You	Economics	<a href="#">161</a>
INTEGRITY AND ITS ANTECEDENT: A UNIFIED CONCEPTUAL FRAMEWORK OF INTEGRITY Manjit Monga	Management	<a href="#">171</a>
GOLD AND ISLAMIC STOCKS: A HEDGE AND SAFE HAVEN COMPARISON IN TIME AND FREQUENCY DOMAIN FOR BRICS MARKETS Naveed Raza, Ahmad Ibn Ibrahimy, Azwadi bin Ali	Finance	<a href="#">181</a>
ESTIMATING THE RELATIONSHIP BETWEEN ECONOMIC GROWTH AND ENVIRONMENTAL QUALITY FOR THE BRICS ECONOMIES- A DYNAMIC PANEL DATA APPROACH Devleena Chakravarty, Sabuj Kumar Mandal	Economics	<a href="#">194</a>
STUDENTS' FACTORS PREFERENCE OF CHOOSING PRIVATE UNIVERSITY IN SARAWAK, MALAYSIA Awang Yusop Adom	Education	<a href="#">206</a>
ERM ADOPTION IN MALAYSIA: A DISCLOSURE APPROACH Suria Zainuddin, Salinah Hj Togok, Che Ruhana Isa	Accounting	<a href="#">219</a>
REVERSE LOGISTICS AND THE HOUSEHOLD RECYCLING WASTE MANAGEMENT Emy Ezura A. Jalil	Management	<a href="#">233</a>
TELEWORKING IN BUSINESS: KEY SUCCESS FACTORS Ron Torten, Carmen Reaiche, Ervin. L. Caraballo	Business	<a href="#">247</a>
NATURE AND SPIRIT OF EXCHANGE AND INTERPERSONAL RELATIONSHIPS FOSTERING GRASSROOTS INNOVATIONS Rajul G. Joshi, John Chelliah, Suresh Sood, Stephen Burdon	Management	<a href="#">258</a>
INTERNATIONAL STUDENTS' PERSPECTIVES ON PROTECTING NATURAL RESOURCES Kay Fielden, Naseem Rahman, Farhad Bashar	Social Science	<a href="#">268</a>
AN EXPLORING STUDY OF FACTORS WHICH AFFECT PURCHASING INTENSIONS OF LUXURY HANDBAGS IN BANGKOK Hiroko Oe , Yasuyuki Yamaoka, Pornchnit Sunpakit, Yan Liang	Business	<a href="#">275</a>

<b>Submission Title and Author</b>	<b>Track</b>	<b>Page</b>
THE IMPACT OF HEALTH CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES FOR CHILDREN IN URBAN AREA ON BRAND ATTITUDE AND CUSTOMERS' LOYALTY: CASE IN MAKASSAR AND SURABAYA, INDONESIA Tengku Ezni Balqiah, Nurdin Sobari, Elevita Yuliati, Rifelly Dewi Astuti	Management	<a href="#">286</a>
A LITERATURE REVIEW ON COMMUNITY PERCEPTIONS OF THE NIGERIAN OIL COMPANIES Odhiambo Odera, Kieran James, Albert Scott	Social Science	<a href="#">306</a>
THE MEDIATING EFFECT AND THE MODERATING EFFECT OF FLEXIBLE WORKING ON NEGATIVE WORK HOME INTERFACE (NWHI) AND INTENTION TO LEAVE Azlinzuraini Ahmad, Nicky E. Shaw, Nicola J. Bown, Desmond Leach, Jean Gardiner, Khatijah Omar	Management	<a href="#">315</a>
DETERMINANTS OF WORKING CAPITAL MANAGEMENT BEFORE, DURING AND AFTER THE GLOBAL FINANCIAL CRISIS OF 2008: EVIDENCE FROM MALAYSIA Razali Haron, Naji Mansour Nomran	Management	<a href="#">330</a>
DEVELOPING A WORK-LIFE BALANCE MODEL TOWARDS IMPROVING JOB SATISFACTION AMONG MEDICAL DOCTORS ACROSS DIFFERENT GENERATIONS Maniam Kaliannan, Kala Perumal, Magiswary Dorasamy	Management	<a href="#">341</a>
IDENTIFYING AND COMMUNICATING CONTEXT DRIVEN CONSIDERATIONS FOR INTERNATIONAL DEVELOPMENT PROJECTS Nina Ginsberg	Management	<a href="#">357</a>
WHY DO STUDENTS ATTEND LECTURES? EXPLORING JUSTIFICATIONS FOR ATTENDANCE AMONG UNDERGRADUATE STUDENTS FROM A BRITISH UNIVERSITY IN ASIA Roy W.L. Khong, Jessica S. Dunn, Chee-Ming Lim, Winnie S.P. Yap	Education	<a href="#">368</a>
CAREER HABITUS, CAPITAL, FIELD AND BOUNDARIES: SELF-INITIATED EXPATRIATE MIGRANT CAREERS OF SOUTH ASIAN PROFESSIONALS AND MANAGERS IN AUSTRALIA Syed Mofazzal Mohyuddin, David Pick	Social Science	<a href="#">376</a>
AUSTRALIA-THAILAND TRADE: AN ANALYSIS OF COMPETITIVENESS AND EFFECTS OF THE BILATERAL FTA M.A.B. Siddique, Rahul Sen, Sadhana Srivastava	Economics	<a href="#">391</a>
IMPACT OF INTRA-INDUSTRY TRADE INDONESIA ON MACROECONOMIC INDICATORS Mohtar Rasyid	Economics	<a href="#">400</a>
FROM THE MOUTH OF Y-ERS: PREFERENCE FOR TEAMWORK IN MALAYSIA Nur'ain Achim, Veera Pandiayan Kaliani, Zarina Denan, Nor Rahima Hashim	Business	<a href="#">413</a>

Submission Title and Author	Track	Page
EXPLORING THE PATTERNS OF SOCIAL MEDIA USE AMONG BUSINESS STUDENTS IN MALAYSIA Mohammad Said Ibrahim Alshuaibi, Ahmad Said Ibrahim Alshuaibi, Faridahwati Mohd. Shamsudin	Business	<a href="#">425</a>
THE DUAL ROLE OF HUMAN CAPITAL FOR ECONOMIC GROWTH: AN EMPIRICAL INVESTIGATION USING PANEL DATA FOR DEVELOPING COUNTRIES Miethy Zaman	Economics	<a href="#">435</a>
STATISTICAL AND DATA MINING METHODS IN CREDIT SCORING Alireza Hooman, Mohana Omid, G. Marthandan, Wan Fadzilah Wan Yusoff, Sasan Karamizadeh	Finance	<a href="#">448</a>
SOCIAL CAPITAL AND ENTREPRENEURIAL COMPETENCIES: A STUDY AMONG WOMEN MICRO-ENTREPRENEURS IN MALAYSIA Abdullah Al Mamun, Rajennd A/L Muniady, P. Yukthamarani Permarupa, Noor Raihani Binti Zainol, Noorshella Binti Che Nawi, C. A. Malarvizhi	Business	<a href="#">459</a>
SERVICE OPERATIONS PRACTICE AND PERFORMANCE OF LOCAL AUTHORITIES IN MALAYSIA Mohd Nazri Zakaria, Abdullah- Al- Mamun, Noorshella Binti Che Nawi, Noorul Azwin Binti Md Nasir	Business	<a href="#">468</a>
THE ROLE OF FINANCIAL INCLUSION MOVEMENT FOR DEVELOPMENT OF MICRO AND SMALL ENTERPRISES (MSES), ENTREPRENEURSHIP AND POVERTY ALLEVIATION. Hermien Triyowati, Yolanda Masnita	Social Science	<a href="#">479</a>
COMPARATIVE ADVANTAGE DYNAMISM OF INDONESIAN EXPORT PRODUCTS Ni Putu Wiwin Setyari, Tri Widodo, Muhammad Edhie Purnawan	Economics	<a href="#">488</a>
RISK MANAGEMENT AMONGST SMALL AND MEDIUM ENTERPRISES IN MALAYSIA Zulnaidi Yaacob	Management	<a href="#">496</a>
PECIPTA: A READY PLATFORM FOR RESEARCH COMMERCIALISATION EXCELLENCE IN MALAYSIA Ruzy Suliza Hashim, Mazlin Mokhtar, Muhammad Fauzi Muhammad Zain, Indrani Ramachandran	Business	<a href="#">501</a>
PROMOTING PROTEAN CAREER THROUGH JOB-RELATED FACTOR: CAREER STRATEGIES AS MODERATOR Wong Siew Chin, Roziah Mohd Rasdi	Management	<a href="#">509</a>
APPROACHES FOR SCIENTIFIC COLLABORATION AND INTERACTIONS IN COMPLEX RESEARCH PROJECTS UNDER DISCIPLINARY INFLUENCE Eliasu Mumuni, O'Reilly Patrick, Kaliannan Manniam	Management	<a href="#">523</a>



Submission Title and Author	Track	Page
MANAGING SUPPLY CHAIN RISKS AND VULNERABILITIES THROUGH COLLABORATION: PRESENT AND FUTURE SCOPE Imran Ali, Khalid Shukran	Management	<a href="#">540</a>
CAPTURING CO-MOVEMENT: WAVELET DYNAMICS FOR OIL PRICE, EXCHANGE RATES AND STOCK INDICES OF MAJOR OIL IMPORTING COUNTRIES M. Thenmozhi, N. Srinivasan	Economics	<a href="#">553</a>
INSTITUTIONAL DISTANCE ON CROSS-BORDER MERGERS AND ACQUISITION PERFORMANCE: A HYPOTHETICAL FRAMEWOR Md. Mahadi Hasan, Yusnidah Ibrahim, Md. Mohan Uddin	Finance	<a href="#">567</a>
EXPLORING BRAND EQUITY DIMENSION IN MALAYSIAN BEVERAGE INDUSTRY: A CASE OF LOCAL BRAND HERO Norshahniza Sahari, Haslenda Yusop, Rohani Jangga, Norlina M.Ali	Marketing	<a href="#">577</a>
FAMILY OWNERSHIP AND COMPANY PERFORMANCE: EVIDENCE FROM INDONESIA Vera Diyanti, Luluk Widyawati, Nurul Husnah	Business	<a href="#">586</a>
STRATEGIC DEVELOPMENT FOR INTERNATIONALIZATION OF INDONESIAN SME'S FASHION BUSINESS Wawan Dhewanto, Evy Rachmawati CH, Sri Herliana, Donald Crestofel Lantua	International Business	<a href="#">600</a>
THE GROWTH OF LEATHER-BASED CREATIVE INDUSTRY SMEs IN GARUT DISTRICT, WEST JAVA PROVINCE, INDONESIA Sudrajati Ratnaningtyas, Nur Lawiyah	Business	<a href="#">607</a>
EFFICIENCY OF SHARIA AND CONVENTIONAL BANKS: EVIDENCE FROM INDONESIA Mokhammad Anwar	Finance	<a href="#">615</a>
POLICIES AND PRACTICES FOR ENTREPRENEURIAL EDUCATION: THE MALAYSIAN EXPERIENCE Siti Farhah Fazira Binti Shamsudin, Abdullah Al Mamun, Noorshella Binti Che Nawi, Noorul Azwin Binti Md Nasir, Mohd Nazri Bin Zakaria	Business	<a href="#">634</a>
EFFECTIVE TALENT MANAGEMENT IN MALAYSIAN SMES: A PROPOSED FRAMEWORK Maniam Kaliannan, Mathew Abraham, Vanitha Ponnusamy	Management	<a href="#">644</a>
INTELLECTUAL CAPITAL AND MARKET PERFORMANCE: THE CASE OF MULTINATIONAL R&D FIRMS IN THE U.S. Arifatul Husna Mohd Ariff, Tony van Zijl, Ainul Islam	International Business	<a href="#">673</a>
THE IMPACT OF BANKING SECTOR REFORMS AND CREDIT SUPPLY ON AGRICULTURAL SECTOR: EVIDENCE FROM NIGERIA Lawrence O. Osa-Afiana, Ikechukwu Kelikume	Finance	<a href="#">682</a>

<b>Submission Title and Author</b>	<b>Track</b>	<b>Page</b>
TOWARDS LINKING ASSESSMENT AND LEARNING II Stanly Fernandez	Education	<a href="#">693</a>
SOCIAL MEDIA USE BY PUBLIC RELATIONS PRACTITIONERS IN MALAYSIA: AN EXPLORATORY STUDY Chia Hern Koh, Selvamany P. Gabriel	Social Science	<a href="#">695</a>
COLLEGE YOUTHS' AWARENESS, ATTITUDES AND RESPONSES TOWARDS CORPORATE RESPONSIBILITY IN MALAYSIA Jiaen Zhou, Selvamany P. Gabriel	Education	<a href="#">696</a>
ZOOMING INTO WEBLOGS: A CROSS-CULTURAL COMMUNICATION Sharifah Shahnaz Bt Syed Husain, Noorzan Haji Mohd Noor	International Business	<a href="#">697</a>
VALUE PERCEPTION OF LUXURY PRODUCTS: A STUDY OF CHINESE CONSUMERS Yan Liang, Dr Hiroko Oe, Sid Ghosh	Marketing	<a href="#">698</a>
LONG LIFE AND ECONOMIC GROWTH IN SADC: ARE THERE GENDERED EFFECTS? Elsa Licumba, Janet Dzator, James Xiaohe Zhang	Economics	<a href="#">699</a>
THE EFFECT OF CULTURE AND INTERNAL CONTROL ON EARNINGS MANAGEMENT: CASE STUDY OF FIVE ASEAN COUNTRIES Aryana Satrya, Ancella Hermawan, Rafika Yuniasih, Dahyang Ika Leni Wijayani	Management	<a href="#">700</a>
CAN PSYCHOSOCIAL FACTORS IMPACT YOUTH FUTURE CAREER AND FINANCIAL SECURITY? Patricia Ang, Brendan Jeremy Gomez	Social Science	<a href="#">701</a>
HEALTH, EMERGENCY FACILITIES AND DEVELOPMENT Michael Dzator, Janet Dzator"	Social Science	<a href="#">702</a>
COMMON MENTAL DISORDERS, ECONOMIC GROWTH AND DEVELOPMENT Janet Dzator, Michael Dzator, Felix Asante, Clement Ahiadeke	Social Science	<a href="#">703</a>
CURRICULUM TO ENHANCE GRADUATES' ENTREPRENEURIAL, PSYCHOLOGY, AND MANAGEMENT SKILLS TOWARDS FUTURE EMPLOYMENT AND LEADERSHIP Patricia M. Ang, Maniam Kaliannan, Sharon Romeo	Education	<a href="#">704</a>
EXPLORING THE ANTECEDENTS OF SHOWROOMING AND WEBROOMING IN EMERGING MARKET Jyoti Pandey, Ashish Sadh	International Business	<a href="#">705</a>
LISTENING TO LOCAL COMMUNITIES: COPRODUCING COMMUNITY DEVELOPMENT FOR THE 21ST CENTURY Simon Watts, Allyson Holbrook, Maxwell Smith	Social Science	<a href="#">706</a>
DEVELOPING A CRM CONCEPTUAL FRAMEWORK FOR THE MAURITIAN HOTEL INDUSTRY Vanisha Oogarah-Hanuman, Visvanathan Naicker	Management	<a href="#">707</a>

Submission Title and Author	Track	Page
DETERMINANT OF CHILD LABOR IN DEVELOPING COUNTRIES: INDONESIA HOUSEHOLD CASE Putu Ayu Pramitha Purwanti, Elan Satriawan	Social Science	<a href="#"><u>708</u></a>
SIGNIFICANCE OF QUALITATIVE VIS A VIS QUANTITATIVE APPROACH TO ADDRESS POVERTY, A MALAYSIAN PERSPECTIVE Parthiban S. Gopal, Premalatha Karupiah	Social Science	<a href="#"><u>709</u></a>
DOES TRADE LIBERALIZATION HARMS GOVERNMENT TAX REVENUES? Mohammad Karimi, Shivee Ranjane Kaliappan	Economics	<a href="#"><u>710</u></a>
DO TOURISTS WHO HAVE PERCEIVED TRAFFIC CONGESTION REVISIT THE DESTINATION? Chang Hwan Park, Hoon Lee	Business	<a href="#"><u>711</u></a>
SOCIAL MEDIA MARKETING ADOPTION MODEL FOR SMALL AND MEDIUM-SIZED ENTERPRISES: A CONCEPTUAL PAPER Noor Fadhiha Mokhtar, Zuha Rosufila Abu Hasan, Muhammad Abi Sofian Abdul Halim, Norhidayah Mohamad	Marketing	<a href="#"><u>713</u></a>
INTERNATIONAL DIFFERENCES IN REPORTING INCENTIVES: THE CASE OF IFRS 3 Abdul Majid, Jamaliah	Accounting	<a href="#"><u>714</u></a>
SOCIAL BUSINESS FOR THE SUSTAINABLE LIVELIHOOD OF HOUSEHOLDS: A CONCEPTUAL LINKAGE Mohammad Masukujjaman, Chamhuri Siwar, Syed Shah Alam, Sharina Abdul Halim	Business	<a href="#"><u>716</u></a>
CONSTRUCTING AND CONTESTING NATIONAL IDENTITIES IN THE SOCIAL MEDIA: A PRELIMINARY ANALYSIS Shahnon Mohamed Salleh	Management	<a href="#"><u>727</u></a>
RELATIONAL ATTRIBUTION IN MANAGING POOR PERFORMING EMPLOYEES Suhaila Mohamed, Datin Suryana Sarbini	Management	<a href="#"><u>728</u></a>
CAN OVERSEAS INVESTMENT IMPROVE EARNINGS QUALITY? Junjian Gu, Dan Hu	Finance	<a href="#"><u>737</u></a>
DETERMINANTS OF MICRO ENTREPRENEURS' PARTICIPATION IN COWRIES MICROFINANCE BANK (CMB) PROGRAM IN NIGERIA Adijat Olubukola Olateju, Soo Y. Chua, Abdul Fatah Che Hamat	Finance	<a href="#"><u>764</u></a>
SENTIMENT OF A SOCIETY AND LARGE-CAP STOCK LIQUIDITY: FIRM LEVEL EVIDENCE FROM A PANEL QUANTILE REGRESSION Jaroslav Bukovina	Finance	<a href="#"><u>765</u></a>
CLIMATIC CHANGES AND VULNERABILITY OF HOUSEHOLD FOOD AVAILABILITY IN MALAYSIAN EAST COAST ECONOMIC REGION Md. Mahmudul Alam, Chamhuri Siwar, Abdul Hamid Jaafar, Basri Talib	Social Science	<a href="#"><u>775</u></a>

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November 23-24, 2015

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# **IMPACT OF INTRA-INDUSTRY TRADE INDONESIA ON MACROECONOMIC INDICATORS**

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## **ABSTRACT**

The purposes of this article are to investigate the existence of intra creative industry trade and its impact on macroeconomic goals. The literature of international economics define that intra industry trade is simultaneous exports and imports of product within particular industry. The level of intra industry trade (IIT) is generally measured by the so-called Grubel and Lloyd index. The results indicate that design and art industry have relatively high level of IIT. Base on regression analyses that control for any heterogeneity in industry level, IIT index has positive and significant impact on value added of creative industry. This paper confirms relevant theoretical hypothesis that international trade promote the economic growth. Otherwise, some economic indicator like employment and pricing has significant association with share of export on total production.

**JEL Classifications:** F14, F62, L16

**Keywords:** empirical trade studies, macroeconomic impact, price-cost margin indices

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## **INTRODUCTION**

Intra-industry trade is one of important feature in modern international trade. Some studies suggest that the share of intra-industry trade has increased along with the global economic growth. Comprehensively, Widodo (2009) studied the trend of intra-industry trade in some developed countries in Asia such as Japan, Korea, China and five ASEAN countries including Indonesia. Comparative advantages theory that emphasize on the relative ownership of natural resources is not relevant anymore. The facts show that developed countries such as Japan and the newly industrialized countries such as South Korea, Taiwan and Singapore are not known as a country with abundant natural resources. However, industrialized countries can produce any product and services that have competence internationally. Chang (1998) shows the influence of the institution or institutions for the development of Asian countries. In other words, creativity and governance factors have been displacing the position of comparative advantage as an important element in determining the direction of global trade.

The importance of creativity in the economy has become a global issue. Van de Pol (2014) analyzed that the creative industries, especially culture-based industries, has an important role not only for the economy but also has an impact on the social aspect as a whole. Studies conducted in the UK showed that the new -new creative industries contribute significantly to employment, gross value added or Gross Value Added (GVA) and exports of services (Department for Culture Media and Sport, 2015). The contribution of creative industries to employment and economic growth in Australia is also being studied in a comprehensive manner (Australian

Government, 2015). In essence, the creative economy sector increasingly has a portion which is very important in modern economic development in all its aspects.

Development of creative industries in line with the economic development paradigm shifted: from agricultural economy, industrial economy, information economy to the creative economy (2008). The mapping study and the potential of creative industries has also been carried out quite intensively by the Ministry of Trade (2009) following a preliminary assessment of the mapping of the creative industries in Indonesia a few years earlier (2007). In this case the Indonesian government would not waste the opportunity to take part of the development of contemporary issues, including the development of creative economy industry.

The study of the creative industry trade patterns and their impact on macroeconomic objectives such as an increase in output, employment and relative price efficiency has not been done. Creative industry mapping study by the Ministry of Trade (2009) actually pertaining to the development of international trade of creative industries from 2002 to 2008. However, those studies have not touched on the impact of trade on other economic indicators. To fill the gap the study of the creative industries in a macro perspective, this paper will specifically identify the pattern of intra creative industry in Indonesia as well as the influence of the trade sub-sectors of the creative industries is to increase output (value added), employment and economic efficiency. The results show that there is a significant correlation between the indexes of intra-industry trade with the added value of this sector. Furthermore, this study shows that the share of exports of creative industry has a significant relationship with employment, added value and efficiency of the price. The empirical evidence is increasingly strengthening signaled the importance of the creative economy sector development in the future. Organization of this paper is organized as follows. The next session discusses the debate over the theory of international trade between factor endowment trade theory and alternative new trade theory. Further discussion followed by a discussion of the data descriptions and data analysis methods. Results of the study will be discussed in the next section.

## **REVIEW LITERATURE**

The new trade theory no longer put relatively ownership advantages of the abundant production factor as the sole determinant of cross-border trade (Adams, 1985). Trade theory based on the relative differences in the ownership of production factors cannot explain the phenomenon of cross-border trade with the ownership of production factors are relatively the same, i.e. trade between industrialized countries to commodity in a clump of similar industries. As a classic example, why the US and Japan as an economic superpower and world exports (as well as) the import of motor vehicles? The new trade theory describes a number of alternative determinants of trade such as monopolistic market structure (Lancaster, 1980), the existence of product differentiation (Helpman, 1981) and increased economies of scale (Krugman, 1985). One of the consequences of the new theory is that the trade will not be detrimental to the owner of a factor which is rare because the base is not a difference of factors. In the frame of new trade theory, all those who trade (including the owners of the factors of production) will equally benefit (Krugman, 1981).

Along with the rise of new trade theory literature, research on the topic of intra-industry trade has also been conducted in several countries. Empirical studies ranged from the issue of the measurement of the intensity of intra-industry trade (Grubel & Lloyd, 1971) until determinant of intra-industry trade. In general, determinants of cross-border trade were divided into two groups: country-specific (Greenaway, R.Hine, & C.Milner, 1994)

and industry-specific (Greenaway, R.Hine, & C.Milner, 1995). Factors differences between countries include differences in per-capita income, geographical distance between trading partners as well as other macro indicators such as the amount of capital investment among countries. In the meantime the industry specification factors include market structure, the degree of product differentiation, capital intensity and technical efficiency of an industrial size. The analytical framework Grubel and Lloyd (1971) and Greenaway et.al (1994; 1995) has become a sort of prototype of advanced research in the realm of empirical studies of intra-industry trade today. Some studies such as in Indonesia (Widarjono, 2008), Portuguese (Leitão & Faustino, 2008), Pakistan (Shahbaz & Leitão, 2010) as well as several other countries showed a more or less uniform. First, the intensity of intra-industry trade has a tendency to increase over time. Second, the pattern of trade that occurs is determined by the relevant determinants. There are two general types in intra-industry trade patterns which patterns of vertical (VIIT) and the horizontal pattern (HIIT). Vertical intra-industry trade patterns determined more by economic variation among countries, while the horizontal pattern is determined by factors of industrial structure and product differentiation.

Research on the determinants of intra-industry trade has been a lot done, but an empirical study on how the impact of intra-industry trade intensity towards the relative economic performance has not been done. The influence of trade to economic indicators was analyzed by conventional theoretical framework such as the testing of hypotheses export led growth or vice versa (Ullah, Bedi-uz-Zaman, Farooq, & Javid, 2009; Ray, 2011). Trade influence on the efficiency of the price (using the cost price indicator margin), was also alluded to in Bowen et.al (2001) but still not specifically analyze the effects of the creative industries trading on the performance of the industry.

The results showed that the volume of intra-industry trade intensified both of which occurred between developed countries and among developing countries. Possession of abundant natural resources is no longer a major factor because without the support of human resource capabilities that are innovative, creative and competitive, the ownership of natural factors alone will not be a lot of benefits. Relative gap has not been much research done is to examine the trade impact of creative industries on key economic indicators such as value added, employment and price efficiency. In other words, the main contribution of this paper is a preliminary study that specifically evaluates the impact of intra-industry trade to the condition of the national economy using macroeconomic data.

## **METHODOLOGY**

The data used in this study came from two sources that the creative industry data mapping results Ministry of Trade in 2007 - 2013 as well as survey data Central Statistics Agency (BPS) on Large and Medium Scale Industries in the period 2007-2013. The analytical method used in this paper consists of following stages. First, calculate the pattern of intra creative industries with an index commonly used the Grubel and Lloyd (GL) index or Intra Industry Trade (IIT) index. Referred index can be written as follows:

$$IIT = 1 - \frac{|X_i - M_i|}{(X_i + M_i)} \quad (1)$$

In this case  $X_i$  is the value of exports of certain industries and  $M_i$  is the import value industry concerned. This

index will be worth 1 if the type of trading that occurred in the industry are thoroughly investigated intra-industry and is 0 if the industry were evaluated in whole has a type of inter industry. In a review of empirical, IIT usually varies between 0 and 1 so that will be analyzed is whether a trade in a particular industry closer to the type of intra or inter industry.

Second, to determine the impact of trade on some key indicators such as output, employment and efficiency will be used regression analysis approach. The classic problem of the use of standard regression analysis is the potential endogeneity due to omitted relevant variables (Gujarati, 2003) as well as non-spherical disturbance that caused bias in the results of hypothesis testing (Thomas, 1997). To overcome this problem, the second estimation approach to Generalized Least Square (GLS) and incorporate industry-specific indicators that represent the presence of other factors outside the model. An important variable in this analysis is the IIT or proxy indicators of trade were used.

$$y_{it} = \alpha + \beta_i IIT_{it} + \delta_i X_{it} + \gamma_i IND_i + e \quad (2)$$

In this case  $y$  is the analyzed indicators include value added (value added, employment and price efficiency),  $IIT$  is intra-industry index;  $X$  is a vector of variables that affect the dependent variable. Meanwhile  $IND$  is the industry-specific variables that describe the variation between industries. To overcome the problem of endogeneity due to the neglect of important variables that are time variant, this study used regression approach control panel with time variation. This approach is known as a fixed effect to control time. Given the availability of data and consideration of the specification models, indicators of intra-industry in several models estimated using the share of exports of creative industries.

Following Bowen et. al (2001), industry performance indicators in this study using Price-Cost Margin (PCM), with a standard formulation as follows:

$$\frac{pQ - \sum_{j=1}^n c_j q_j}{pQ} = -\frac{1}{\epsilon} \sum_{j=1}^n \tau^2 \omega_j \quad (3)$$

The variable  $p$  is the price level,  $Q$  is output, and  $c$  is the marginal cost. While the parameter  $\epsilon$  is the elasticity of demand,  $\tau$  is the market share and  $\omega$  indicates conjectural parameter variation. Calculation of the difference in price and marginal cost in the empirical studies are not obtained directly. To calculate PCM indicator, then in this study using the ratio of output value to the value of the input value. With this ratio, mathematically the quantity of output can be omitted in the equation so as to obtain a consistent value. Thus, the equation 3 above can be modified as follows:

$$\frac{pQ - \sum_{j=1}^n c_j q_j}{pQ} = \frac{\text{output value} - \text{input value}}{\text{output value}} \quad (4)$$

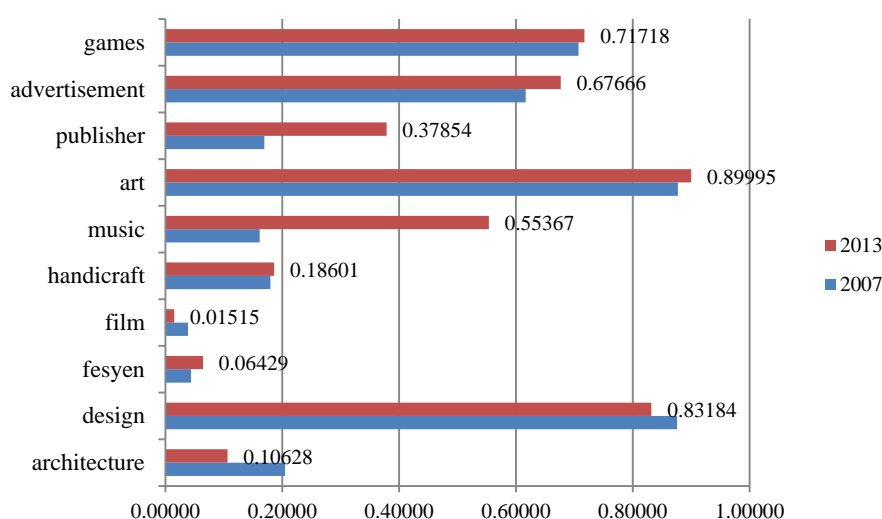
The value of output and input values expressed in monetary units. Given the same unit, the PCM indicator has no units. PCM indicator values will range between 0 to 1, with the stipulation that the closer to 1, the industry is concerned increasingly inefficient allocate for wearing a price level which is higher than the

average cost. In the concept of microeconomic theory and industrial organization, PCM value closer to 1 if the industrial structure closer to the performance of the monopoly. Conversely, if the value of PCM is getting close to 0 then analyzed the structure of the industry will be even closer to the performance of perfect competition. The basic assumption in the model is the PCM industry working in conditions of constant return to scale. Thus, the marginal cost (MC) assumed equal to the average cost (AC).

## RESULT AND DISCUSSION

The calculation result of intra trade patterns of creative industries in Indonesia using the IIT index (equation 1) can be presented in Table 1. Of the 14 sub-sectors of the creative industries mapping results Ministry of Trade, only 10 sub-sectors can be analyzed in view of the availability of trade data for each of the selected sectors. IIT index mapping results can generally be observed in Figure 1 as follows:

**FIGURE 1. IIT INDEXES**



Source: Ministry of Trade, Indonesia

Visualization Figure 1 above clearly explains some facts. First, over the past few years, IIT index in general tend to be stable. This indicates that intra-industry trade map changes in the creative sector have not changed much. Second, the industry has a trade value of intra creative industry is the industry's most prominent art and design. Both of these industries have the intensity of intra-industry trade the most. These results indicate that the level of trade competition for both industries is relatively high compared with other creative industries. Third, there are two industries that are not too high intensity of intra-industry trade, namely the film industry and the fashion industry. That is, the type of trade between the two industries is more dominated by the type of trade in the same direction (as a net-exporter or a net importer). The most striking results to be considered more carefully are the considerable development in the development of intra-industry trade for the publishing and music industry. If in 2007 the IIT index of both industries is still below the 0.2 figure in 2013 both shot high

enough. The music industry increased to 0.55 in 2013, while the publishing industry to 0.37 in 2013. This signal indicates that the two industries are increasingly open in the intensity of competition with other countries.

IIT index calculation results of Indonesia's creative industries can be considered more fully through the grain the following table (Table 1). Table 1 presents the results of the calculations are complete IIT index from 2007 to 2013 for ten creative industries are analyzed.

**TABLE 1. IIT CREATIVE INDUSTRY IN INDONESIA**

<b>Industri</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>Mean</b>
architecture	0,20455	0,48077	0,10938	0,03822	0,17647	0,12069	0,10628	0,17662
design	0,87589	0,87730	0,92433	0,93838	0,82421	0,94254	0,83184	0,88779
fesyen	0,04378	0,03653	0,03412	0,03773	0,04185	0,05555	0,06429	0,04484
film	0,03855	0,07160	0,09265	0,03763	0,02585	0,01138	0,01515	0,04183
handycraft	0,17974	0,18082	0,18044	0,23025	0,19174	0,19619	0,18601	0,19217
musik	0,16122	0,11695	0,35262	0,64009	0,49387	0,79285	0,55367	0,44447
art	0,87727	0,92142	0,80128	0,93570	0,89765	0,98232	0,89995	0,90223
publisher	0,16939	0,36079	0,20647	0,08305	0,10546	0,32109	0,37854	0,23211
advertiser.	0,61672	0,76615	0,63263	0,50400	0,77457	0,68060	0,67666	0,66447
games	0,70699	0,84148	0,92687	0,84390	0,94937	0,99531	0,71718	0,85444

*Source: Ministry of Trade, Indonesia*

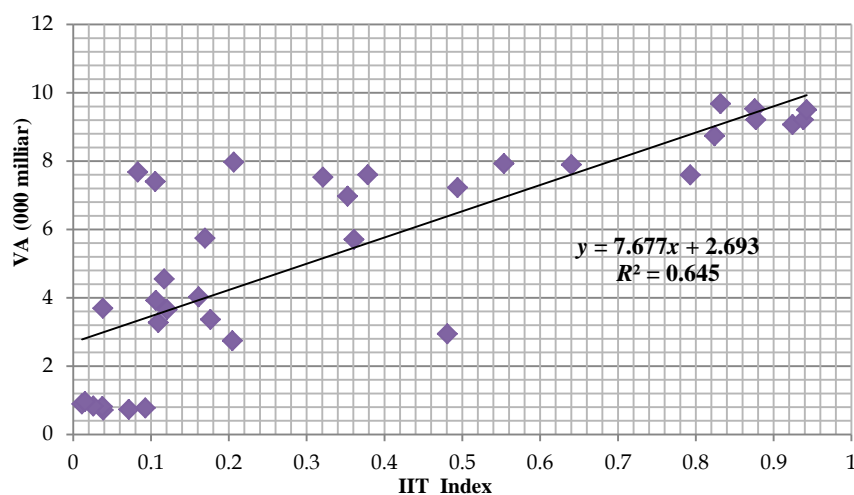
The calculations show that among the 10 sectors of the creative industries are analyzed, the three industrial sectors namely art, design and interactive games have a relatively high index. These results indicate that the three sectors of the industry have the type of intra-industry trade in the sense that the amount of exports and imports are relatively balanced. Meanwhile the film and fashion industry has a relatively low index. If explored more deeply it can be seen that in the case of the film industry, Indonesia is relatively still a net importer. As we know that the movie industry is still not able to host in own country although it must be recognized that the development of the national film industry has been better than the previous few decades. Conversely, this type of trade is the Indonesian fashion industry to act more as a net exporter. In general it can be evaluated that the pattern of intra-industry trade was relatively stable during the study period. IIT index average for the ten sectors of the creative economy can be seen in the far right column. Although there are some fluctuations in value at some period, but in general art and design industry has the most prominent IIT intensity.

The next question is how the consequences of intra-industry trade on the performance of each sub-sector of the creative industries. This fundamental question can be answered by performing a standard regression analysis as mentioned in the methodology section. But to obtain a more modest, relationship between IIT indexes as a representation of the intensity of intra-industry trade with the main indicators of industry performance is, the value-added industry, over the study period. Visualization of the image in Figure 2 shows a simple scatter plot between IIT index with value added several creative industries are expressed in thousand billion rupiah for the purpose of simplifying the analysis.

The vertical axis shows the level of industrial added value, while the horizontal axis shows the value of the index IIT. Plotting the data also comes with a simple regression model to show the direction of the relationship between the two variables was analyzed. Results of simple regression coefficient estimates are also

shown to further clarify the following calculation with a coefficient of determination to demonstrate the accuracy of the regression line.

**FIGURE 2. PLOTTING IIT VERSUS VALUE ADDEED**



Source: Author Calculations

Plotting the results in Figure 2 above clearly shows that there is a general tendency that the industry with a higher IIT indices have higher added value. The relationship between IIT with value added (VA) tend to be positive. It shows that trade is increasingly open with the type of intensity of exports and imports are relatively balanced in fact have a positive impact on value-added industry. The coefficient of determination (R<sup>2</sup>) obtained amounted to 0,645. Thus, approximately 64.5 percent of the variation of the added value can be explained by intra-industry trade proxy for intra-industry index.

Plotting two variables only give a rough idea of the relationship between variables without evaluating the effects of other relevant factors determining the value added. To obtain a more robust, then the other variables should be included in the model as a control. In this study the relevant variables included is the number of industries involved in the creative industries as a representation of the level of capital employed and the amount of labor used in each industry. Basic theory used in the estimation model is the standard theory of production that shows the technical relationship between the level of production (in this case is a plus) with input determiner (i.e. capital and labor). Of course there are several other variables that determine the added value of the creative industries. The variable is represented by two other indicators in the model, the time and industry-specific. All other variables that affect the dependent variable and are time-variant will be represented by an index of time. While the other variables do not change over time However the specifics vary across the industry will be represented by a variable analyzed the specific industry.

In contrast to the results of plotting in Figure 2, the regression performed using the variables in the model intact added value in units billion (not in thousands billion rupiah). The Effect of these changes will only affect magnitude of the relevant coefficients without changing the significance of the regression coefficients will be obtained. Results of regression estimates referred to may be considered in some of the following table.

### Estimation of Basic Model

Based on the results of intra-industry index calculation has been done, and then the estimated impact of the intensity of IIT on the value-added production. Results of the estimate can be noted in Table 2.

**TABLE 2. IMPACT IIT ON VALUE ADDED (MODEL A)**

	(1)	(2)
IIT	2183,16*** (2,87)	2095,48*** (2,70)
FIRM	-0,0169264*** (-2,75)	-0,0165727*** (-2,93)
LABOR	0,0218731*** (9,11)	0,0217376*** (9,74)
CONS	1211,954*** (4,81)	99,74267 (0,16)
TIME	no	yes
INDUSTRY	no	no
R-Square	0,9782	0,9792
F-stats	934,69	460,12
Obs.	98	98

t-stat in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

A dependence variable in Table 2 is the value added. Intra-industry trade impact of the value added can be considered in the first row. The first column shows the least squares estimation results without exercise control over the variation over time and variation between industries. IIT coefficients are positive and significant to 1 percent significance level. The second column presents the results of the estimation taking into account the variation over time. Indicators of time (time) is used to control the influence of other factors outside the model has changed between the time a good that can be observed or not observable (un-observed heterogeneity). By controlling the variation of the time, the significance of IIT variables still at the level of 1 per cent but the amount (magnitude) of the estimated coefficients be slightly reduced. In general it can be shown that the addition of one unit IIT index increase the value added of the creative industries amounting to an average of two thousand billion rupiah. Judging in terms of scale, these results would indicate that a significant contribution.

Regression test results in Table 2 confirm plotting in Figure 2, where there is a significant positive relationship between IIT with added value indicator. The addition of the timing (time) increase the amount of the coefficient of determination, but reduce the amount or magnitude coefficient of IIT. This indication shows that when the time variable is controlled, then the standard OLS estimation results biased. The test results in Table 2 have not fully control all the relevant variables. That is, it could be the result of these estimates will



change significantly if the other variables are included. Other variables included in this model are a variation between industries represented by industry-specific indicators. The calculation result more models can be considered in Table 3 as follows:

**TABLE 3. IMPACT IIT ON VALUE ADDED (MODEL B)**

	(1)	(2)
IIT	2870,73**	2064,15*
	(2,19)	(1,90)
FIRM	-0,0052606	-0,003922
	(-0,66)	(-0,49)
LABOR	0,0056546	0,0049485
	(1.14)	(0,84)
CONS	2733,993***	2290,599***
	(7,90)	(5,26)
TIME	no	yes
INDUSTRY	yes	yes
R-Square	0,9958	0,9966
F-stats	842,02	587,05
Obs.	98	98

t-stat in parentheses

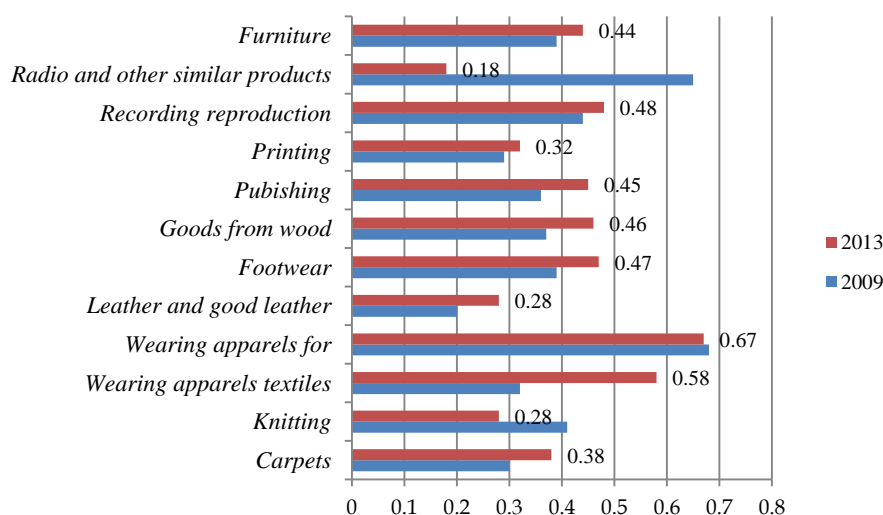
\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

The results showed that the significance of the coefficients of the variables IIT reduced when controlling for variation between industries as confirmed in Table 3 column (1). Likewise with other independent variables which are explicitly included in the model that is the number of companies (FIRM) and labor (LABOR). Both variable number of companies (FIRM) and variable labor (LABOR) proved to be quite significant. The calculations show that the level of IIT reduced the significance and magnitude of the coefficient also declined. This shows that neglect variation control over time and industry will produce biased estimates (overestimate). However coefficient of interest, namely IIT, still significant level of 10 percent. Thus it can be said that a positive determination on the value-added IIT index is robust given the consistency of the results of several alternative models have been used. The presence of other variables decisive significance of the added value represented by a constant (CONS) and control of the variation of time (TIME) and industrial (IND). Given the purpose of this paper is not to analyze the factors affecting the value added, then the presence of complete variables that affect the dependent variable to be not so important for the reviews. Calculation results consistently show that the IIT variables have a positive impact on the added value of the creative industries. Check of robustness can be done in various ways. In addition to trying various alternative models of estimation, can also be done by using alternative data sources, alternative indicators as well as alternative critical variables (variables of interest).

BPS survey provides a complete industrial value data output and input values that can be used to

calculate indicators of price-cost margin (PCM). These indicators are used to evaluate the allocation efficiency of an industry and the pricing is done by an industry. PCM calculation results of the creative industries in 2009 and 2013 can be considered as follows:

**FIGURE 3. PCM INDEXES OF CREATIVE INDUSTRY**



Source: BPS, Indonesia

Illustration Figure 3 above shows that the overall index of PCM has not changed much from 2009 and 2013. The results are quite prominent is certainly the radio products and the like that are changing quite dramatically PCM from 0.65 in 2009 to about 0.18 in 2013. This shows that the industry is experiencing a fairly good efficiency improvements during the period of study presented.

PCM calculation for the creative industries use data BPS complete version can be noticed in Table 4 on the following page. PCM index is basically an indicator of industry performance as well as added value. This index measures the efficiency of the price that occurs in an industry to measure the ratio between the levels of prices to marginal cost (Equation 3). An industry is said to be efficient if the price set is not much different from its marginal cost. This index is a value between 0 and 1 with the provision that if getting close to zero then evaluated industry is more efficient. PCM calculation results of the 12 creative industry survey results of the industry (3 digit ISIC) BPS indicates that the average index value is between 0.3 and 0.5. This shows that the creative industries are relatively efficient in terms of pricing. Industries included in the group such as the clothing industry leather industry (leather), knitting (knitting) and rugs (carpets) is an industry with a level of efficiency that is relatively good price. The radio industry and similar products, PCM has decreased from 0.65 in 2005 to 0.18 in 2009. Among the group of selected is that is less efficiency.

The performance indicators and other relevant industries to be studied is employment. Labor issues to be one of the key indicators in analyzing the role of the creative industries sector to the macroeconomic objective. The nature of the creative industries based on the ability of human resources should open up greater opportunities in

employment.

Mapping study conducted by the Ministry of Trade (2009) showed that the contribution of net trade (net-trade) creative industries sector to the national net trade on average relatively large (26.12 percent). With the contribution of the creative industries sector which reached an average of 8 percent of the total Gross Domestic Product (GDP), the position of this sector (particularly in terms of trade) in the national macroeconomic maps are very important. The results showed that the expansion of trade contributed positively to the increase in value added, employment and price efficiency. Given the growing role of the creative industries sector to the national production, the dynamics in this sector will certainly provide a significant contribution to the macroeconomic objectives such as growth in production (or value added), reduction of unemployment and price stability. Study of the Ministry of Trade (2009) also noted that the labor force participation rate of the national creative industry sector on average reaches 7.74 percent.

Positive contribution to the creative industries sector macroeconomic objective is not only limited to the indicators of output and unemployment. The role of this sector to price stability can be traced through the effects of trade on price efficiency. In the long run, the price level will naturally achieve efficiency levels (the gap between the price and the cost of getting smaller). Considering the results of studies showing the significance of the correlation trading on the efficiency of the price of the contribution of the creative industries sector to price stability should also quite important.

## **CONCLUSIONS**

The results showed that some subsectors of creative industries like art, fashion and design have intra-industry trade levels are quite high. The high level of intra-industry trade is basically consistent with the global trend which demonstrates the growing importance of intra-industry trade across developed countries and among developing countries. Research also shows that creative industries trade has a significant impact on the increase in value added, employment and price efficiency. Given the contribution of the creative industries are significant in the national economy; the role of this sector to the macroeconomic objective (i.e., growth, unemployment and inflation) is of course very important.

Bringing research results are quite important policy implications. Along with the demands of international trade competition to consistently reduce trade barriers, the sector of creative industries augurs well enough for the economy long term. In contrast to other sectors that rely on conventional inputs (such as capital and labor), this unique industry-specific because based on human creativity. The opening of trading faucet that allows trade flows between similar products and services (intra-industry trade) will potentially have a positive impact on the economy in three macro indicators: output, employment and prices. In other words, this sector can be seen as the sectors most ready to fight in this era of global competition. For that, the government's attention to the development of this sector needs to be improved. Economic history has proved that South Korea's creative industries sector has emerged as one of the economic powers of the world begin to be considered. The success of Samsung shift the Sony-Ericson and Nokia could be a little note to remind the greatness of the role of the creative industries. Not only has that, in the modern automotive industry, the Korean car begun in parallel with the old player made in Japan and Europe.

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