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Paper Presenter

in the International Annual Symposium of Management

## THE NEW STRATEGIC COMMUNICATION

CREATING AND STRENGTHENING BUSINESS PARTNERSHIPS IN THE CONCEPTUAL AGE

Tambon Saensuk, Amphur Muang Chonburi 20131, Thailand | March 1<sup>st</sup>, 2018



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## Proceedings Article

### Face-to-face is the most effective media for communication over social media

Svenja Arabella Hallerberg, Madawala Liyanage Duminda Jayaranjan, Sumaia Farzana

Global teams need to know how to be successful in effective communication. Global leaders or international students should be able to manage diverse international teams. The paper reveals information into some communication theories and discusses their today's applicability. Technological advancement...

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### Cultural sustainability and kindship mode of production AMIDST global economy

Levita Duhaylungsod

Global capitalism made possible the expansion of economic processes that spread to all parts of the world and transformed many regions into economic areas reigned by the principle of free market. ASEAN integration facilitated such process in the region and as a consequence political and state boundaries...

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## Developing a causal model of game addiction and stealing behavior among undergraduate students

Thitiwat Numkhan, Waiphot Kulachai

The objectives of this study were to examine game addiction and stealing behavior, factors affecting game addiction, and factors affecting stealing behavior among undergraduate students. The samples of this study were 340 undergraduate students from 3 universities, Burapha University, Rajamangala University...

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Proceedings Article

## Cross Cultural Management in the Higher Educational Institutions

Tony S. Kuo

The globalization has been leading to the inevitable interactions between people in business as well as in the higher education institutions from different cultures. The lack of cross-cultural communication skills often results in the misconception and misunderstanding, sometimes results in the unpleasant...

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Proceedings Article

## The Key Challenges to Utilize Innovative Opportunities of Small and Medium Sized Enterprises in Surabaya, Indonesia

Prita Ayu Kusumawardhany

The world has entered an era of disruptive innovation where transformation is needed. In the conceptual age, a business needs to have new experiences and create ideas. This paper aims to identify the most important challenges of Small Medium-Sized Enterprises (SMEs) in utilizing innovative opportunities...

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Proceedings Article

Social capital, tiered entrepreneurship training, and agrotourism development model of Kampung Salak Bojonegoro

Noviaty Kresna Darmasetiawan

This which was related to social capital in collaboration for the development of an industrial cluster, in which the concept of agropolitan area development inclines on a micro and local scale. The type of research used was qualitative research. The results of the current study were (1) Agropolitan Area...

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Proceedings Article

Analysis of optimal hedge ratio and hedging effectiveness in Taiwan stock exchange capitalization weighted stock index (TAIEX) futures

Jason Aditya Jahja, Ika Yanuarti Loebiantoro

Theoretically, hedging is effective if there is a balance between the price of asset and price of hedging. The objective of this research was to determine the optimal hedge ratio and hedging effectiveness using Vector Autoregression (VAR) and Vector Error Correction Model (VECM) on TAIEX (Taiwan Stock...

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"Still me": human involvement in management accounting

Riesanti Edie Wijaya

Accounting is often regarded as a frozen figure. While, most of the accounting steps involve human element, but often being overlooked. In contrast with neoclassical economics assumptions, human behavior is not able to be predicted by a simple mathematical formula. The feeling and emotion often take...

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#### Proceedings Article

### Financial performance, corporate governance, and financial distress

Endang Ernawati, Samantha Elysia Handojo, Werner R. Murhadi

This study aims to analyze the effect of financial ratios and corporate governance on financial distress by making a prediction model of bankruptcy using data from non-financial sector companies listed on the Indonesia Stock Exchange (IDX). This research used the quantitative approach with a logistic...

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#### Proceedings Article

### The effect of corporate governance on the capital structure of non-financial companies in the period of 2011-2015

Arif Herlambang, Werner R. Murhadi, Giovani Anggasta Susanto

The purpose of the research was to analyze the effect of Corporate Governance on the Company's Capital Structure. The variable used in this study were director size, outside commissioner, director ownership, institutional investor, audit quality, CEO tenure, size, growth, profitability, and intangible...

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#### Proceedings Article

### Javanese lunar calendar effect (Primbon) on abnormal return

Sidarta Hermin, Putu Anom Mahadwartha

The purpose of this study is to examine Javanese lunar calendar (Primbon) effect to abnormal return on Indonesian Stock Market. Type of this study is conclusive descriptive using intraday trading data. The research observed and tested cultural phenomena called Primbon as a calendar effect on abnormal...

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### Test of Fama & French five factor-model on Indonesian stock market

Liliana Inggrit Wijaya, Randy Kennardi Irawan, Putu Anom Mahadwartha

This study aims to test the Fama & French Five-Factor Model (5FF) and the Three-Factor Model (3FF) on stocks listed in the LQ-45 Index over the 2013-2015 periods. The 5FF model includes factors of market risk premium, size, book-to-market equity, profitability, and investment. This study used a multiple...

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### Does female CEO and female directors affect dividend policy?

Fitri Ismiyanti, Ari Prasetyo, Indri Agestya Cania

This study aims to determine the influence of female CEO and female directors on the dividend policy of nonfinancial companies listed on Indonesia Stock Exchange. This study used purposive sampling method with 372 samples. Dividend policy was measured by dividend payout ratio defined as dividend over...

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### Interdependency between internationalization, firm performance, and corporate governance

Allan Mulyanto, Deddy Marciano

The purpose of this research was to identify the interdependency between internationalization, performance and corporate governance. Data used by this paper were from financial statement information of manufacturing companies listed on Indonesian Stock Exchange over period 2011-2015. Pooling data were...

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## The influence of intellectual capital on financial performance in sharia banking companies

Eka Nuraini Rachmawati, Restu Hayati, Fitra Yulandi

This study aims to examine the effect of Intellectual Capital (VAIC) with Value Added Capital Employed (VACA), Value Added Human Capital (VAHU), Structural Capital Employed (STVA), and Rate of Growth of Intellectual Capital (ROGIC) on the variable of Company's financial performance with the indicator...

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## Factors in taxation policies issuances

Norbertus Purnomolastu, Werner R. Murhadi

Republic of Indonesia has conducted tax reforms repeatedly through government policies issuance, either by law or government regulations. This research aims to identify factors affecting the government to issue the policies in taxation fields. The factors observed and tested include Government Spending,...

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## Analysis of working capital management of industry practices in Indonesia

Lukas Purwoto, Caecilia Wahyu Estining Rahayu

Managers need to pay more attention to the efficiency in working capital management in order to maintain the long term viability of the growth. This research focuses on the working capital management practices in Indonesia companies. This study aims to reveal the in-depth description of working capital...

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Managerial overconfident and firm financing decision: an Indonesian case

Werner Ria Murhadi

This research aims to determine the effect of managerial overconfidence and firm characteristics on financing decision of a firm. This research uses panel data from the entire companies listed on Indonesia Stock Exchange (BEI), except financial industry within 2006 - 2015. The result showed the higher...

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The Influence of Good Corporate Governance (GCG) on Financial Distress

Werner Ria Murhadi, Felicia Tanugara, Bertha Silvia Sutejo

This study aims to analyze the influence of good corporate governance (GCG) on financial distress. This study also aims to create a bankruptcy prediction model by using historical data from non-financial sector companies listed on Indonesia Stock Exchange (IDX) over the period of 2011 - 2015. This study...

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Demography factors, financial risk tolerance, and retail investors

Bertha Silvia Sutejo, Yohanes Kokoh Natan Pranata, Putu Anom Mahadwartha

This study aims to understand the influence of demography factors, as an independent variable to the financial risk tolerance of retail investors who conduct stock investment transactions on the Indonesia Stock Exchange, as a dependent variable. The research used a quantitative approach to binary logistic...

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## Factors determinant of bank capital buffer: empirical study on islamic rural banking in Indonesia

Mr. Sutrisno

Capital is a very important aspect of the banking industry as it will be used to cover the losses suffered by the bank. Financial Services Authority set a minimum limit of the bank's capital adequacy ratio of 8%. This study aims to determine the size of capital buffer. There are several factors believed...

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## Stock investment analysis, idiosyncratic risk and abnormal return

Mr. Suyanto, Florens Natalia Handayani Sibarani



The purpose of this research is to examine the effect of value of earning per price and book to market ratio, firm size shown by market capitalization, stock liquidity by using turnover rate and Idiosyncratic Risk depicted by Idiosyncratic Risk Volatility (IVol) on Abnormal Return of stocks owned by...

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## Management's Chinese Zodiac and ownership to firm performance

Rico Tedyono, Putu Anom Mahadwartha

The research examines the effect of Chinese Astrology (shio) and managerial ownership on firm's performance. The research also examines other issue of agency problem which is called managerial ownership. The separation between the principal with ownership function and agent with control function leads...

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The importance of corporate governance

Mudji Utami, Bertha Silvia Sutejo

This research examines the impact of corporate governance (CG) towards financial distress and financial performance. This paper used historical data from non-financial sector companies listed on Indonesia Stock Exchange (IDX) on the period 2011-2016. Corporate governance variables used in this research...

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Proceedings Article

Influence of financial attitude, financial behavior, financial capability on financial satisfaction

Agus Zainul Arifin

This research aims to examine the influence of Financial Attitude, Financial Behavior, and Financial Capability on Financial Satisfaction. This research was conducted on workers in Jakarta, Indonesia. The Sampling method used a non-probability sampling of purposive sampling. Data were obtained by spreading...

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Soft loan program for credit union: a fruitful or a useless program?

Ria Sandra Alimbudiono

This study aims to give an insight about the performance evaluation on the government soft loan program in empowering credit union. This is a strategic program to improve the regional economy. Nevertheless, there is a contradictive view whether it is a fruitful or merely a useless program. Thus, a performance...

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The impact of heuristics and biases in the application of professional judgement by internal auditors in the stage of fieldwork

Jonathan Tanone, Senny Harindahyani

This study aims to find the impact of heuristics and bias in the application of professional judgment by internal auditors in the stage of fieldwork in "Company X", a company engaged in the distribution of fuel oil in West Nusa Tenggara. "Company X" has conducted internal audit activities although the...

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Exploration of intention to turnover: case study of hospital IT employees

Siska Ariani, Didik Setyawan, Rudi Januar, Budi Setyanta

This study identifies factors that influence intentions for a turnover. Previous research indicated that hostile work environment, excessive workload, and job dissatisfaction are some factors that drive turnover intention. Data collection was done by survey method through a questionnaire. The sample...

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Investigating the correlation between commitment, spirituality and performance in workplace

Utik Bidayati, Adi Hardianto

This study aims to assess the correlations between commitment and spirituality dimensions in the workplace of a supermarket and determine the effect of both dimensions in employee performance. The research form is a survey research using questionnaires as an instrument to obtain data. A questionnaire...

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Proceedings Article

Communication strategies in improving agricultural society's value and participation

Noviaty Kresna Darmasetiawan, Lanny Kusuma Widjaja, Huang Lijie

This research was conducted following the research by Sonny (2008), which Javanese culture, a part of Indonesian culture, has been the philosophy of life and the attitude in life of Javanese people for years. The questions raised in this research were: (1) What is the communication strategy for improving...

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Internal communication, employee participation, job satisfaction, and employee performance

Waiphot Kulachai, Piya Narkwatchara, Pralong Siripool, Kasisorn Vilailert

The main objective of this research was to examine relationship between internal communication, employee participation, job satisfaction, and employee performance. The samples of this study were 489 state officials from 10 city municipalities in Chonburi (Thailand). Questionnaire was employed to collect...

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The Existence of human resources employability to energize the power of competitive advantage of aqiqah Nurul Hayat Surabaya

Johny Rusdiyanto, Elsy Tandelilin

This paper examines the importance of HR employability and their relationship with employment within the food industry in Indonesia, specifically in Aqiqah business services. This is a review of the literature related to the provision of HR empowerment program to sustain business competitiveness and...

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### The influence of intrinsic and extrinsic factors on the job satisfaction of the internal auditors of The State Islamic Universities in Indonesia

Mr. Suhartono, Gagaring Pagalung, Grace T. Pontoh

Job satisfaction is a set of unpleasant feelings or not an employee of their work. This study aimed to examine and to analyze the influence of intrinsic and extrinsic factors to internal auditor job satisfaction of State Islamic University in Indonesia. The research data was obtained through a questionnaire...

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#### Proceedings Article

### The influence of Hallyu, packaging and subjective norms towards buying intention on culture adaptation in Etude House

Yuco Aldelina, Jony Oktavian Haryanto

The growth of cosmetic's industries became rapid especially in Indonesia with the presence of local brands cosmetics and imported brands cosmetics. One of the competitors is Etude House, imported brand cosmetic from South Korea, which is now demanded by men and women especially the young people. Hence,...

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#### Proceedings Article

### Dark tourism marketing through experience visit at East Java

Erna Andajani

Tourism was one of the industrial sector which is always growth increased throughout the year and the biggest contributors in the economic development of a country. One of tourism objects to be able to be a tourist attraction is a tour in place of the former war or natural disasters and better known...

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#### Proceedings Article

### Usability, customer satisfaction, service, and trust towards mobile banking user loyalty

Victoria D. Johannes, Mrs. Indarini, Silvia Margaretha

The purpose of this research is to analyze the influence of usability, customer satisfaction, customer service and trust towards mobile banking user loyalty in Surabaya. The data used in this research were primary data obtained from questionnaires. Respondents of the study were 200 respondents who live...

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#### Proceedings Article

### Product types in moderating the process of buying street foods

Budhi Haryanto, Djoko Purwanto, Amina Sukma Dewi

This study aims to examine the effects of price, quality, and ease in obtaining on positive attitudes and intentions to buy street food moderated by product types (traditional meals and modern meals). The sample consists of 1000 individuals. Multi-group SEM is a statistical tool selected to elaborate...

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#### Proceedings Article

### Developing a destination brand in the context of regional and national branding strategies: a case study of brand development of Sleman District, Yogyakarta Special Province, Indonesia

Ike Janita Dewi

Developing a destination branding is one of the popular marketing strategies employed by tourism destinations. This paper describes the process of regional brand development of Sleman District, Special Region of Yogyakarta, Indonesia. As a case study, this paper offers perspectives, strategies, and guidelines...

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A study of the impact and effectiveness of scent used for promotion of products and services with low olfactory affinity

Jun Kumamoto, Adi P. Tedjakusuma

The paper objective is to analyze the impact of two studies on scent marketing and discuss the feasibility of scent as an effective promotional tool for business. The first study surveyed 45 undergraduate students in writing at three-time periods, and the second study orally surveyed shoppers using an...

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Consumer's response to e-mail advertisement from tour and travel agency in Indonesia

Jonathan Kurniawan Halim, Silvia Margaretha, Christina Rahardja Honantha

This study aims to determine and analyze consumer response to email advertising from online tour and travel agency in Indonesia. This study used purposive sampling approach with an assessment of the researchers who can be made respondents in accordance with the characteristics of the population. The...

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Building local fashion brand equity for young consumers

Mega Melina Dewi, Dudi Anandya, Christina Rahardja Honantha

The purpose of this study was to examine the effect of brand awareness, perceived quality of the brand, brand association, brand loyalty, and brand image on the brand equity of local fashion brand among young consumers in Surabaya. Data from 215 undergraduate students were analyzed using Structural Equation...

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Indonesian tourism marketing communication strategy through LionMag in-flight magazine

Adi P. Tedjakusuma, Hayuning P. Dewi

The world of tourism cannot be separated from transportation and accommodation. Transportation becomes a means of tourists to reach the desired tourist destination both domestic and international. Airplane becomes the most effective option for tourists as it reaches a wide range of destination. Each...

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The effect of eco-friendly practices on green image and customer attitudes

Christina Rahardja Honantha, Dudi Anandya, Andhy Setyawan

This study aims to examine the relationship between customers' perceived green practices, perceived green image, and attitudes of a canteen, as well as identify the key green practices that influence customers' perceptions of a canteen's green image. The model used for this study was adopted from Namkung...

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"Wonderful Indonesia" country marketing campaign - how visible Indonesia as a tourism destination for Europeans

Slavomir Rudenko, Adi P. Tedjakusuma

Even though the campaign has been intensively presented in Indonesia and throughout the world as the main marketing campaign for Indonesian tourism, it remains questionable in how successful the campaign is in attracting more potential international tourists to visit Indonesia. Out of a general examination...

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A message behind a smile: how facial expression supports communication in marketing

Andhy Setyawan, Dudi Anandya, Farenza Renada Fulongga

A smile is a form of facial expression which contains a message of a person's feelings that allows the transmission of emotion to others. In marketing communications, emotional contagion can be an individual evaluation of advertising, brands, and even purchase intentions. Using experimental techniques,...

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The effect of service Quality to customer satisfaction and loyalty in Sharia Bank

Gito Suseno, Muchsin Muthohar

Products and prices competition within sharia and conventional banks have an impact on commoditization. To gain market share, sharia banks use halal product as differentiation and service strategy to retain customer through satisfaction to increase loyalty. Customer loyalty expected to increase share...

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A study of drinking behavior among undergraduate students in Chonburi Pornrapee Torsak, Waiphot Kulachai

The objectives of this research were to study drinking behavior of undergraduate students in Chonburi, and to examine factors affecting drinking behavior of the students. The respondents were 397 undergraduate students of three Thailand universities, namely Burapha University, Rajamangala University...

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## Educational Tourism as the conceptual age in the University of Surabaya Veny Megawati

In many major cities in a developed country, a green open space is being promoted as a vacation destination. Besides, the government in the cities in developed countries also provides a museum that is neat and integrated with Simulation Park and playground for children. However, many green open spaces...

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## Influence of destination attributes on destination image of Surabaya City according to domestic MICE participants

Fitri Novika Widjaja

This study aims to determine the influence of destination attributes on destination image of Surabaya city according to the domestic MICE participants and also to know the differences in perception concerning the importance of MICE destination attributes based on socio-demographic characteristics of...

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## The analysis of logistics at McDonald's Restaurant Denpasar Bali

Anna Putri Andari, Stefanus Budy Widjaja Subali, Juliani Dyah Trisnawati

This study aims to analyze the difference and effect of McDonald's' delivery order logistics service on customer satisfaction and loyalty based on individualist and collectivist perception. Customer satisfaction and loyalty is a fundamental element for a company to face competition in order to ensure...

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Proceedings Article

Factors influencing travel to Islamic destinations: an empirical analysis of Sunan Ampel religious tourism area Surabaya

Siti Rahayu

The purpose of this paper is to analyze the influence of travel motivation, Muslim-friendly amenities and lifestyle, destination image, and the quality of service on Indonesian travelers' intentions to visit Sunan Ampel religious tourism area Surabaya. Data were collected through self-administrated questionnaires...

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Model analysis of service satisfaction as the modulator between service quality and decision-making behavior in using low-cost airlines

Sumalee Ramanust, Tikhamporn Punluekdej, Yaowalak Nakvichien

This research has its objectives to study 1) service-quality, service-satisfaction, and decision-making behavior in using low-cost airlines, and 2) service-satisfaction of the customers as a modulator between service-quality and decision-making behavior of the low-cost airline passengers. The sample...

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Factors influencing accounting students in acceptance of e-learning

Adhicipta Raharja Wirawan

This study aims to examine and obtain empirical evidence of the influence of variables consisting of System Characteristic (system interactivity, technical support, & screen design) and Individual Differences (subjective norms, internet experience, & computer self-efficacy) on an e-learning acceptance...

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#### Proceedings Article

### Do local suppliers and local buyers benefit from foreign direct investment?: evidence from Indonesia

Dr. Suyanto, Yenny Sugiarti

This study examines the impact of foreign direct investment on the local suppliers as well as on the local buyers in Indonesian manufacturing industries. The effect of FDI on local suppliers is tracked down using the backward effect on the efficiency performance and the effect on local buyers is evaluated...

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### Guest Supplies Pressures to Environment: a Hotel Case Study

Ida Bagus Made Wiyasha, I Nyoman Sudiksa

Green environment is a strategic tool to enhance marketing strategy especially in tourism area. The objective of this study is to analyze the impacts of solid wastes disposed by hotels in Bali. To meet the objective of this research archival data from 6 hotels with different classifications and resort...

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### Service Quality of Public Terminal Users in UPT-LLAJ East Java

Mrs. Sukes, Rahma S.Muliasari

A bus terminal is a public transport infrastructure that is designated for the arrival or departures passengers and the loading or dropping off goods, Morlok (2005). From January 1st, 2017, terminal management has been under the authority of the Provincial LLAJ. The feasibility of the terminal is a priority,...

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### Business Strategy: A Study on Cost Stickiness Behavior

Permata Ayu Widyasari

This paper examined the effect of firm-level business strategies on the stickiness of Selling and Administrative cost in manufacturing firms. It applied business strategies scoring model developed by Bentley et al. (2013). This model transforms the firm's financial data into business strategy classification...

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### Resource orchestration to improve communication with customers: 'case study: MSME footwear in East Java'

Juliani Dyah Trisnawati, Muhammad Rosiawan

This study aims to discuss the orchestration of resources in MSME in accordance with the implementation of ISO 9001 standards and the improvement of product competitiveness. By using case study research approach at MSME footwear in East Java, the results obtained are the information on how the company...

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### Corporate communication and strategic management history, operational concept and integration

Bahtiar Mohamad, Hassan Abu Bakar

There are divergent views within the literature as to what is meant by corporate communication. In this article, the authors discuss three main areas, which covered the history, the operational concepts and last the integration of corporate communication with strategic management. Currently, international...

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Cycling: do the health benefits of cycling outweigh the risks in Bangkok?

David Seale

This study aims to identify the risks of cycling in Bangkok, including congestion, noise, pollution, and the dangers of Bangkok roads. Cycling, like many other physical activities, that could be reversed dramatically, especially on such illnesses such as obesity and diabetes 2, but it's attempting to...

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A study on the impacts of Smartphone addiction

Napassphol Sinsomsack, Waiphot Kulachai

The objective of this study was to examine Smartphone addiction among high school students and its impacts. The samples of the study were 341 high school students in the Eastern region of Thailand derived from stratified random sampling. The questionnaire was used to collect the data. The data were then...

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Developing Ho Chi Minh City to be the city of affection, modernized, and quality living

Phan Thi Hong Xuan

A Resolution made at the 10th Communist Party of Vietnam's Congress has stated to "developing Ho Chi Minh City to be the City of affection, modernized, and quality living". This Resolution also reflects the cultural value of the City now a day because looking at the present of HCMC in the beginning of...

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# Stock investment analysis, idiosyncratic risk and abnormal return

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**ABSTRACT:** The purpose of this research is to examine the effect of value of earning per price and book to market ratio, firm size shown by market capitalization, stock liquidity by using turnover rate and Idiosyncratic Risk depicted by Idiosyncratic Risk Volatility (IVol) on Abnormal Return of stocks owned by the entities from the property and real estate sector listed in Indonesia Stock Exchange during the research period of the year 2012 – 2016. The analysis model used in this research is multiple regression with the test tool of SPSS version 21. There are four hypotheses which are tested by the t-test to provide evidence there is significant effect and by the F-test to provide evidence that there is simultaneous significant effect of variable x to variable y. The study results show that value from E/P ratio and B/M ratio had insignificant effect on Abnormal return, while the other factors Firm Size, Stock Liquidation, and Idiosyncratic Risk Volatility had significant effect on Abnormal return. B/M ratio and Turnover rate show negative effect on Abnormal Return, while E/P ratio, Firm Size and Idiosyncratic Risk Volatility show positive effect on Abnormal Return.

**Keywords:** value, earnings-price, book to market, market capitalization, idiosyncratic risk volatility

## 1 INTRODUCTION

### 1.1 Background

An announcement containing relevant information is one that will give an abnormal return to the market. The existence of the abnormal return phenomenon attracts the attention of investors and researchers towards any factors that can significantly affect the abnormal return. Some researchers have tried to examine various factors that influence abnormal return by using factors such as the value of E/P ratio & B/M ratio, firm size, stock liquidity, and idiosyncratic risk.

### 1.2 Purpose of Study

The purpose of this study is to empirically prove whether the value of E/P ratio & B/M ratio, firm size, stock liquidity, and idiosyncratic risk significantly influence the abnormal return of the stock partially and simultaneously on Indonesia Stock Exchange (BEI).

## 2 LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

### 2.1 Value of E/P ratio and B/M ratio

According to Jiang & Lee (2009), financial and income ratios can be used to predict stock returns

both long and short-term. An active investor needs to pay attention to financial ratios because of market risks that occur all the time. Basu (1977) and Basu (1983) studied up to 1,400 companies listed on the New York Stock Exchange from 1956 to 1971 and 1963 to 1980. Both studies showed that in both periods, the expected returns were negatively related to earnings-price (E/P) ratio. On average, portfolios with low E/P ratios result in higher risk-adjusted returns than portfolios with high E/P ratios.

The most popular financial ratio concerning the market risk anticipation is a book-to-market ratio. Liu (2009) proves in his research on Chinese Stock Exchange that B/M ratio is positively related to abnormal return.

### 2.2 Firm Size

Firm size is often used as an indicator of the possibility of the bankruptcy of a company, where companies with larger sizes are considered more able to face the crisis in running their business. Firm size is a measure of a company that can be seen from market capitalization. The main factor in the Fama-French three-factor model tested by Fama & French (1993) to determine the value of a financial security was the size factor or the market capitalization of a security or portfolio of

securities. Market capitalization was the market price of a share or common stock multiplied by the number of outstanding shares (Berk & De-Marzo 2014).

### 2.3 Stock Liquidity

According to Conroy et.al (1990) in Setiyanto (2006), the most common parameters used to measure the liquidity of a stock are:

- a. Trading volume
- b. Spread level
- c. Information flow
- d. Number of shareholders
- e. Number of outstanding shares
- f. Transaction cost
- g. Stock price
- h. Turnover rate

The turnover ratio can be used as an indicator of the level of stability and volatility of a stock's value. The low turnover ratio gives the investor a hint that quick buying does not cause the stock price to increase due to the availability of multiple shares. However, high turnover ratios provide clues that stocks are less available so that high demand will affect stock price increases.

### 2.4 Idiosyncratic Risk

Various theories assume that idiosyncratic risk is positively correlated with stocks' expected returns. The idea behind this assumption is that investors who do not diversify their investments demand an additional return in order to bear the risk of their portfolios. The main exponents of these theories are Levy (1978) and Merton (1973).

The empirical existence of a relationship between idiosyncratic risk and the expected returns has been tested for a considerable amount of time. Goyal & Santa-Clara (2003), who found evidence that market variance does not predict returns, should be highlighted. However, they found a positive and significant relationship between average stock variance, which greatest component is an idiosyncratic risk and market returns. Goyal & Santa-Clara (2003) used a portfolio of stocks traded on the New York Stock Exchange (NYSE), American Stock Exchange (AMEX) and Nasdaq exchanges between August 1963 and December 1999 (Primo, 2012).

### 2.5 Abnormal Return

In his book "What Works on Wall Street: The Classic Guide to the Best-Performing Investment Strategies of All Time", 2012, James P. writes,

*"Abnormal Returns seeks to demystify investment strategies and help investors find the path that is right for them, and, in so doing, should help investors succeed on the sometimes perilous road to investment success."*

Abnormal return is the return earned by investors who are not in accordance with expectations. Abnormal return is the difference of return earned (actual return) with expected return (expected return). The difference of abnormal return will be positive (excess return) if the return obtained is higher than the expected return or calculated return. While the abnormal return will be negative if the return earned is lower than the expected return or return is calculated.

### 2.6 Hypothesis Development

Fama & French (1992) introduced a three-factor model in researching the relationship between abnormal returns with B/M ratios. In research on the New York Stock Exchange (NYSE), American Stock Exchange (AMEX), and NASDAQ, it was found that E/P ratio and B/M ratios both could influence future stock abnormal returns. Hypothesis: *"Value of E/P ratio and B/M ratio both have a significant effect on abnormal return"*.

Firm Size shown from the market capitalization value can be used as a reference to answer whether the company is worth buying. Large companies are believed to be more resilient to crisis than small ones. The ability of firms to stay afloat in generating profit becomes the consideration of investors in choosing shares that are worth buying, selling or maintaining. Thus, the size of the company can affect the abnormal return. Hypothesis: *"Firm size has a significant effect on abnormal return."*

Liquidity itself plays an important role in the price of an asset (Malkiel & Xu 2004). Although various researchers have different definitions and measurements, it is generally agreed that high liquidity is defined as a measure of the ability of an investor to sell an asset without experiencing a significant loss of its fair value. Logically, illiquid assets will be difficult to sell, which will have an impact on the decline in asset prices. Hypothesis: *"Stock liquidity has a significant effect on abnormal return."*

Bali & Cakiki (2006) mentioned that firms with high total idiosyncratic risk will be charged high returns to cover the risk of not being diversified perfectly. In this study, the idiosyncratic risk will be measured using idiosyncratic volatility (Ivol), which according to Tinic & West (1986) and Malkiel & Xu (1997), the higher the volatility of idiosyncratic risk, the higher the stock return of a firm. Hypothesis:



*“Idiosyncratic risk has a significant effect on abnormal return.”*

After reviewing each of the partially independent variables in terms of their relation to the dependent variable, it is necessary to simultaneously examine all independent variables in relation to the dependent variable to see whether the existing partial relationships between independent and dependent variables can be reinforced or weaken the relationships. Hypothesis: *“Value of E/P ratio and B/M ratio, firm size, stock liquidity and idiosyncratic risk simultaneously have a significant effect on abnormal return.”*

### 3 METHODOLOGY

#### 3.1 Estimation Model

The type of this research was quantitative research using secondary data with a source of information from Indonesia Stock Exchange in the form of financial statement which was published for 5 years from 2012 until 2016. While the sample research method used was purposive sampling in which the researcher has a certain criterion or purpose to the sample to be studied, where the sampling is done by choosing to deliberately adjust to the purpose of research. This study used panel data which is a combination of time series and cross-section data. Time series data consists of annual data for 5 years, 2012 - 2016. Based on the method of purposive sampling, the number of cross-section data consists of 35 research objects.

#### 3.2 Variable Measurements

Dependent variable---abnormal return is the differences between a single stock or portfolio's performance and the expected return over a set period of time.

Independent variables E/P ratio is derived from income per share divided by stock price. The Book-to-Market (B/M) ratio shows the firm's value by comparing the book value of the company with its value in the market. Firm size is measured using the market capitalization value, i.e. the value of the issuer's shares multiplied by the number of shares traded. Turnover ratio is often used to measure stock liquidity by counting the number of shares traded in one period divided by the number of outstanding shares. The volatility of Idiosyncratic Risk is derived from the standard deviation of residuals from Idiosyncratic Risk. Idiosyncratic risk (CAPM model):

$$R_{i,t} = \alpha_{i,t} + \beta_{i,t} \cdot (R_{m,t} - R_{f,t}) + \epsilon_{i,t} \quad (1)$$

where  $R_{i,t}$  = stock return;  $R_{m,t}$  = market return;  $R_{f,t}$  = risk-free return;  $\epsilon_{i,t}$  = idiosyncratic risk.

Idiosyncratic Risk volatility (IVOL) will be measured using (Bali & Cakiki 2006):

$$IVOL_{i,t} = \sqrt{Var(\epsilon_{i,t})} \quad (2)$$

#### 3.3 Data Analysis

This research used a quantitative method with multiple regression analysis tool. Multiple regression analysis was used to test the effect of value, firm size, liquidity, and idiosyncratic risk to the abnormal return of stock of property & real estate firms listed on BEI. Classic assumption test was required to know the condition of data used in the research. The purpose was to obtain an appropriate analysis model. This linear regression analysis model requires assumption test on data which includes normality test using scatter plot, multicollinearity test with correlation matrix between independent variables, heteroscedasticity test using plot between the predicted value of bound variable (ZPRED) with residual (SRESID) autocorrelation test through Durbin-Watson test (DW test). Thereby, the results of regression analysis meet the criteria BLUE (best linear unbiased estimator).

The test of the partial regression coefficient is done by t-test. With a 95% confidence level, the t-count value of each regression coefficient is then compared with the t-table value. While testing of regression coefficients simultaneously performed with F-test. With a significance level of 0.05 from the F ratio of each regression coefficient then compared with the F-table value. If  $F \text{ ratio} > F \text{ table}$  or  $\text{prob-sig} < \alpha = 0.05$  means that all independent variables significantly influence the dependent variable.

### 4 RESULTS AND DISCUSSION

#### 4.1 Research Findings

Normality test is done by using Kolmogorov-Smirnov test to find out whether the data is normally distributed. The test results show that the residual regression has a sig value. Z 0.726 which is above 0.05. This shows the regression model is normally distributed. The five independent variables have a number TOLERANCE close to the number 1 and the VIF or Variance Inflation Factor smaller than 10. Thus, it can be said that the model formed shows no symptoms of multicollinearity. Scatter Plot test result shows no clear or spread pattern. This supports the evidence of no heteroscedasticity problem in the regression model. A further test was conducted to determine whether there is a correlation of variables

that exist in the prediction model with time changes Value DW = 2.685 is greater than the upper limit (dU) of 0.878 and less than 4-dU ( $4 \times 0.878$ ) = 3.122, so it can be concluded that there is no autocorrelation.

The value of Adjusted R-Square in Table 4.6 above is 0.327 thus the value indicates that 42.6% Abnormal Return variable can be explained by independent variables consisting of E/P ratio, B/M ratio, Firm Size, Turnover Rate and Idiosyncratic Risk Volatility, while the rest of 57.4% is influenced by other variables that cannot be explained by the model in this study.

The result of t-value  $0.552 < t\text{-Table}$  that is equal to 2.045 and significance value X1 to Y that is equal to 0.585 which means  $> 0.05$ . Thus, it can be concluded that H0 is accepted and H1 is rejected that E/P ratio has no significant effect on the abnormal return of the stock.

The result of t-value  $0.403 < t\text{-Table}$  that is equal to 2.045 and significance value X2 to Y is equal to 0.690 which means  $> 0.05$ . Thus, it can be concluded that H0 is accepted and H1 is rejected that the B/M ratio has no significant effect on the abnormal return of the stock.

The result of t-value  $2.231 > t\text{-table}$  that is equal to 2.045 and significance value X3 to Y that is equal to 0.033 meaning  $< 0.05$ . Thus, it can be concluded H0 is rejected and H1 is accepted that market capitalization has a significant effect on the abnormal return of the stock.

The result of t-value  $2.272 > t\text{-table}$  that is equal to 2.045 and value of significance X4 to Y that is equal to 0.030 meaning  $< 0.05$ . Thus, it can be concluded H0 rejected and H1 accepted that the turnover rate significantly affects the abnormal return.

The result of t-value  $2.238 > t\text{-Table}$  that is equal to 2.045 and significance value X5 to Y that is equal to 0.033 meaning  $< 0.05$ . Thus, it can be concluded H1 is accepted and H0 is rejected that Ivol significantly affects the abnormal return of the stock.

The calculated F-value of  $4.782 > F\text{-Table}$  which is 2.53 and the significance value X1, X2, X3, X4, X5 to Y is 0.002 which means  $< 0.05$ . Hence, it can be concluded that H1 is accepted and H0 is rejected that Variable X1, X2, X3, X4, and X5 together significantly influence Variable Y.

## 5 CONCLUSION

The results of this study indicate that taking into account the market capitalization, stock liquidation, and idiosyncratic risk partially is very helpful in providing the expected abnormal return as a basis for making investment decisions meaningful to potential investors in the BEI, especially for stocks in the in-

dustrial sector of property and real estate. However, it will be more reinforcing if all the independent variables in this study are all collectively used as the basis for consideration in taking stock investing decisions.

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