II UZBEK-INDONESIAN JOINT INTERNATIONAL CONFERENCE

Economics And Management Towards Nation Character Development

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- Economic science, education and formation of human capital
- Social policy and labor market
- World economy and development of national economic system
- Financial system and financial and credit institutes

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“II Uzbek-Indonesian Joint International Conference”
Economics and Management Towards Nation Character Development
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Publisher Branch of Federal State Budget Educational Establishment of Higher Professional Education “Russian Economic University after G.V. Plekhanov” in Tashkent (Uzbekistan)
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Dear participants of international conference!

On behalf of staff and students of the branch of Russian economic university after G.V. Plekhanov in Tashkent allow me to greet all the participants of the international conference and express gratitude to the rector of Gunadarma University professor E. Margianti for participation in this event.

Representatives of Indonesia have been to the Branch many times. A large-scale "Uzbekistan-Indonesia" culture forum was organized and held at our university. Regular meetings with students of our university is an indicator of importance of such events in deepening and developing bilateral cooperation between Uzbekistan and Indonesia in various areas, in particular in education sphere. These aspects were the basic theme of negotiations with the Branch authorities during the visit of Ambassador of Indonesia in Uzbekistan. During his visit Extraordinary and Plenipotentiary Ambassador of Indonesia in Uzbekistan Mr. Mohammad Asruchin made a report on the issues of economy development of Indonesia for the students of the Branch. It is very important for the university to expand outlook of our students.

Meetings of such level, certainly, help to learn more about the country, its culture and history, and especially national economy. During the meeting students of Branch asked the Ambassador of Indonesia a lot of different questions on education system, opportunity of training in universities of the country, organization of joint seminars, symposiums and discussions of projects and programs representing mutual interest and student's exchange programs as well.

The delegation of Gunadarma University headed by the rector of university prof. E. Margianti visited the Branch several times. Gunadarma University specializes in the sphere of information technologies. There are 1300 teachers in the University. The university has partner programs with universities of the USA, France, England and etc. University consists of twelve departments in the capital city Djakarta and it takes the fifth place according to the rating in Indonesia. Gunadarma University was founded in 1981 and successfully functions in the sphere of education and scientific and research works. During the meetings there also signed Cooperation agreement between Gunadarma University and the Branch of REU after G.V. Plekhanov in Tashkent.

The given agreement provides bilateral cooperation between two universities in sphere of carrying out the research works which represent a mutual interest, short-term exchange of teachers and scientists for implementing scientific researches, consultations promoting scientific personnel education, organization of joint seminars, symposiums and discussions of projects and programs representing a mutual interest and students' exchange as well.

Within the limits of the given agreement the delegation of the Branch of Russian economic university after G.V. Plekhanov in Tashkent visited Indonesia in October, 2011 and took part in the work of Uzbek-Indonesian joint international conference organized by Gunadarma University. Extraordinary and Plenipotentiary Ambassador of Uzbekistan in Indonesia in Uzbekistan Mr. Shavkat Djamalov took part and made a report at the conference.

While visiting Indonesia we admire this country and its hospitable people every time. Gunadarma University and its staff impressed us greatly; it is a great honor for us to be partners of one of the largest and well-known universities of Indonesia.

In 2012 Russian economic university celebrated its 105 anniversary from the date of its foundation. During its activity the University trained more 150 thousand highly qualified specialists, about 2300 specialists are from Tashkent Branch in the Tashkent Branch. They work successfully in Russia, Uzbekistan and in the countries of the near and far abroad. Achieving high results in various spheres of activities, the graduates of the University rank the leading positions in politics and economy, business and science, continue renowned teaching traditions at the universities of Russia and abroad. We do our best for our students to do well in studying.

At the University training is conducted on 22 educational programs of higher professional education, three sets of programs of additional professional education. We have made contracts on students' exchange and cooperation on programs of double and triple diploma with the higher educational institutions of 17 countries of the far and near abroad. High level of education in our University is known far of Russia boundaries. For more than 105 years of its existence REU after G.V. Plekhanov has always been famous for its teaching staff. For the period of its functioning the Branch in Tashkent has steadily ranked the place on the market of educational services of the Republic of Uzbekistan. Hundreds of applicants annually compete for the right to study in our Branch.

On September, 21-22 In the Branch of Russian economic university after G.V. Plekhanov in Tashkent there conducted II Uzbek-Indonesian joint international conference Economics and Management Towards Nation Character Development jointly with Gunadarma University and with the support of Embassy of Indonesia in Uzbekistan. The collection of theses of participants' reports has been published on the basis of researches materials of leading and young scientists, who have perspective views on innovative development of national economy at the beginning of the conference. Conference, its total documents and recommendations become a practical basis of consolidation of our universities with the purpose of development of higher education.

I wish all the participants fruitful and constructive work.

Director of the Branch of "Russian Economic university after G.V. Plekhanov" in Tashkent,
Doctor of economic sciences, professor Kalandar Abdurakhmanov
FOREWORD

First of all, I am honourer and pleased to present my foreword for the Proceedings of “II Uzbek-Indonesian Joint International Conference on Economics and Management Towards Nation Character Development”.

This conference was obviously became the culmination of the vision, dedication and the cooperation of Gunadarma University, Jakarta, Indonesia and Branch of Russian Economic University after G.V. Plekhanov in Tashkent, Uzbekistan. The conference is planned to be held alternately in Indonesia and Uzbekistan in the time series. The first conference of October 18-19, 2011 has been organized in Jakarta, Indonesia is the first event in this plan series.

“II Uzbek-Indonesian Joint International Conference on Economics and Management Towards Nation Character Development” that will be held in Branch of Russian Economic University after G.V. Plekhanov in Tashkent, Uzbekistan on September 21-22, 2012 as the next steps of the collaboration and cooperation as well others occasion in the future, I believe will bring us to be closer in some aspects.

In the first conference has been presented 38 papers which cover a broad spectrum topics of economics and management towards nation character development. These papers captured the spirit of the Conference and reflect its major focus and objectives. The articles provide an overview of critical research issues reflecting on past achievements and future challenges, while for the second conference, Gunadarma University will send a full team delegation of Economic Faculty included Rector, and Vice Rector IV of Collaboration and Cooperation, Dean of Economic Faculty, Head of Department and Center as well Head of Departments and senior researchers from Diponegoro University, Semarang to convey the research articles and paper covering many aspects of insightful, inspirational messages, scholarly analysis of critical policy, programs issues of economics and management as well as experienced-based notes for practice. I believe that can provided a significant contribution to the development of knowledge in this interested area.

In this special occasion, I’d like to take this opportunity to expressed my gratitude and thanks to all people who made this first conference the success as it was. Firstly, allowed me to give my special appreciation and gratitude to leaders of Branch of Russian Economic University after G.V. Plekhanov in Tashkent, Uzbekistan in their trust to Gunadarma University in building cooperation for mutual benefit. I took this opportunity to make a balance situation of inviting Rector of Branch of Russian Economic University after G.V. Plekhanov in Tashkent, Uzbekistan, Prof Dr Abdurakhmanov K. Kh to become Honorary Professor in Gunadarma University, Jakarta, Indonesia as well I was in Branch of Russian Economic University after G.V. Plekhanov in Tashkent.

I encourage the continuation and development of cooperation programs and services which serve to strengthen economics and management in both countries and the relationships between Branch of Russian Economic University after G.V. Plekhanov in Tashkent, Uzbekistan and Gunadarma University, Jakarta, Indonesia.

In this occasion, please allowed me also to express my appreciation and gratitude to all of the organizing team including scientific committee, program chairs, session chairs, and others, for their commitment, effort and dedication in undertaking their own task to bring the success of this conference.

Finally, I owe our gratitude to all the conference participants for their contributions to the intellectual discourse during the conference and for the overall success of it. The conference would not have been successful without the support and active contribution from all participants.

As closing remarks, Let’s say thanks to the Lord Almighty God for all His blessing on us.

Prof. Dr. E.S. Margianti, S.E. MM
Rector of Gunadarma University
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PART I

We would like to acknowledge these following names for contributing their paper(s) in “II Uzbek-Indonesian Joint International Conference Economics and Management Towards Nation Character Development“:

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Zafar Shakarov
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Thank you for participating in our conference
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EFFECT OF MACROECONOMIC INDICATORS ON FIRM PROFITABILITY
AND ITS IMPLICATION ON STOCK PRICE: A CASE STUDY OF CEMENT COMPANIES
LISTED ON THE INDONESIA STOCK EXCHANGE

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Abstract
Maintaining the existence of the company, expanding business, and increasing the company stock prices are three of several steps that can be taken to realize the company's objectives—maximizing the wealth of the owner of the company. Therefore, understanding the various factors that could potentially affect stock price is off importance to both managers and investors. This study is aimed at analyzing the impact of macroeconomic indicators (i.e., rate of inflation, BI-rate, and exchange rate of IDR against USD), directly and indirectly, through firm profitability (i.e., return on asset—ROE and return on equity—ROE), on stock price of cement company listed at the Indonesian Stock Exchange.

Quarterly financial data from three cement companies listed on the Indonesia Stock Exchange and the relevant macroeconomic indicators over a period of five years (2006-2011) were used in this study. Path analysis model was performed to analyze data. The results revealed that stock prices were affected by both ROE and ROA; rate of inflation has no effect on ROA, ROE, and stock prices; BI-rate indirectly affects stock prices through ROE and ROA; exchange rate of IDR against USD directly affects stock prices. It is concluded, accordingly, that BI-rate, exchange rate of IDR against USD, ROA, and ROE are importat determinant of stock price cement of companies.

Keywords: macroeconomic indicators; BI-rate; rate of inflation; exchange rate; stock price; firm profitability; return on assets; return on equity.

Background to the Study
The relationship between macroeconomic indicators and stock price has been widely investigated. Fama and Schwert (1977), Fama (1981), Pearce (1982), Fung and Lie (1990) are pioneers in this subject of study. They were followed by a number of researchers such as, among others, Reilly (1997), Nassir and Straus (2000, 2004), Apergis and Eleftheriou (2002), Paul and Malik (2003), Puah and Jayaratnam (2007), and Tripathy (2011). They found that, in various means, different direction, and different magnitudes, macroeconomics indicators play important roles in the stock market.

Currently, this situation is still in effect since rapid economic development, both at the of national, regional and global levels, causes more intense business competition, including in the cement industry. In order to survive in the competition, companies need additional capital to finance the expansion of the business in addition to the company's operations. Capital required not only from within the company, but also sourced from external parties, such as creditors and investors. To obtain additional capital from investors, companies are required to register their shares through the stock market or stock exchange.

For an investor, the first step should be done before making an investment is to assess and consider the performance of the company, whether the company is viable or not, and how the company's prospects in the future. The company's performance can be assessed, among others, through financial performance. Indicators that can be used to assess the financial performance of the company is to use financial ratios, especially the ratio of profitability.

Profitability ratio is a ratio that illustrates the company's ability to generate earnings. The company can make a profit with a high level of sales. Increased profit of an enterprise indicates that the profitability ratio of the company is in good shape. Increased profitability ratios on an ongoing basis in each period, will affect investor decisions on investments. In addition, it will also affect the company's stock price. In other words, the stock price will increase with increasing the company's ability to generate earnings. The ratio of a company's profitability is not only affected by internal factors such as the level of sales, but rather is influenced by external factors, such as macroeconomic factors. Macroeconomic indicators, among others, include the inflation rate, the BI rate, and the exchange rate.

High inflation may lead to increase in prices of all goods and services, and it takes place on an ongoing basis. The increase in prices of goods and services will be a problem for the company, because it will result in the production of raw material price increases which, in turn, will increase the cost of production. Increased production costs potentially lower profits derived by an enterprise (Sugiyanto, 1997:80). Inflation not only resulted in increased prices for goods and services, but to encourage the Bank Indonesia to raise the BI rate. Increased BI rate will cause banks to raise interest rates, this means that the loan interest expense borne by the company will increase and will affect corporate profits. In addi-

Fig. 1. Empirical path model and unstandardized path coefficients
Fig. 2. Empirical path model and standardized regression coefficients (path coefficients)

raw materials will have an impact on the level of profits generated and also the company's stock price (Kandir, 2008).

Taking into account the above theoretical background, this study was conducted and aimed to analyze the effect of macroeconomic indicators on stock prices, both directly and indirectly, through profitability.

Method of the Study

Three cement companies listed in the Indonesia Stock Exchange (i.e., PT. Indocement Tunggal Prakarsa Tbk, PT. Semen Gresik (Persero) Tbk, dan PT. Holcim Indonesia Tbk.) were selected as objects of the study. Quarterly financial data of the study objects (i.e., return on assets, return on equity, and stock price) and macroeconomic indicators (i.e., inflation rate, BI rate, and exchange rate of IDR against USD) over a period of five consecutive years (2007-2011) which were obtained from Central Bank of Indonesia, Statistics Indonesia, the Indonesia Stock Exchange, and other related resources, were used. Different from the majority of previous studies in this subject, in this study, we used Path Analysis model to test the proposed hypotheses. Amos 18 was used in the analysis.

Results and Discussions

Empirical path model and the associated path coefficients, which describes the relationship amongst the variables studied, are depicted in the following figures and table, respectively.

The following causal relationships were revealed from the above figures and table: (i) return on assets (ROA) and return on equity (ROE) are important determinants of stock price. They, in different direction, significantly affect stock price; (ii) BI rate is an important determinant of both return on assets (ROA) and return on equity (ROE). It negatively affects these profitability ratio measures; (iii) inflation rate and exchange rate have no relationships with neither return on assets (ROA) nor return on equity (ROE); (iv) exchange rate is the only macroeconomic indicators that significantly affects stock price.

These findings are generally in line with previous study results. Interest rate, which is represented by BI rate, in this study is found to have negative effect on return on equity and return on assets, which, in turn, negatively affect stock price. This is not generally different from those findings of Apergis and Eleftheriou (2002), and Paul and Malik (2003). Similarly with exchange rate which, in this study, is found to directly affect, in negative direction, stock price. Difference, however, is found from previous study. In this study, inflation is found to have no influence, directly and indirectly, on stock price.

Conclusions and Suggestions

BI rate and exchange rate of IDR against USD are macroeconomic indicators that serve as important determinants of stock price of cement companies. BI rate indirectly, through return on assets and return on equity, affects stock price. Exchange rate, on the other hand, directly affects stock price. This suggests that managers—financial managers in particular—are required to monitor in a regular basis and take into account BI rate and exchange rate in their strategic decisions.

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Notes: 1IV: Independent variable; 2DV: Dependent variable 3Ustd: Unstandardized; Std: Standardized

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GOOD CORPORATE GOVERNANCE IMPLEMENTATION: THE EFFECT ON CORPORATE PERFORMANCE BY SIZE AND LEVERAGE AS INTERVENING VARIABLES

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Guna darn a University

Abstract

The previous research has shown that corporate governance is related to good corporate governance implementations. But it’s still rarely the research that includes interveners in the effect of good corporate governance implementation on corporate performance. This research aims to examine the effect of good corporate governance on corporate performance by size, leverage as intervening variables.

This research use manufacture companies which are listed on Indonesia Stock Exchange period 2006-2010 as the samples. The sampling technique that is used is Purposive Sampling Technique with specified criteria: go public manufacturing companies in period 2006-2010 which consistently publish annual report and financial reports on the website of Indonesia Stock Exchange (IDX) or its own site; companies that have selected as the 40 companies with the largest size; companies that have a positive DER. The analysis method used is Path Analysis which shows the effects of each path.

The results of this research show that the GCG implementation affects directly on corporate performance as measured by EVA. It also shows that the GCG implementation affects on corporate performance by intervention of size, but the GCG implementation does not affect on corporate governance by intervention by leverage. In other words, size is the only one which has role as interviner in the effect of good corporate governance implementation on corporate governance.

Keywords: Good Corporate Governance, EVA, size, leverage, manufacture companies.

Background

GCG is a series of mechanisms that can protect minority parties (outside investors/minority shareholders) from expropriation by managers and controlling shareholders (insider) with emphasis on legal mechanisms (Shleifer and Vishny, 1997). In Asia, including Indonesia, the concept of GCG began much discussed in mid-1997, when the crisis struck the region. Economic crisis and financial crisis in 1997 - 1998 made the company unable to pay debts to the bank and bonds in foreign currencies both principal and interest. The impact of the crisis showed that many companies could not survive. One of the reasons is because the growth that was achieved was not built on a solid foundation according to the principles of good corporate governance.

GCG implementation in companies implemented based on the principles that have been established. In general GCG implementation consists of five basic principles, those are: transparency, accountability, responsibility, independency, and fairness that we can call as TARIF to make it easier (Daniri, 2005). These principles can be described as follows: transparency can be defined as the disclosure of information, both in the decision making process as well as in revealing material and relevant information about the company; accountability is the clarity of function, structure, systems of the company so that the company management is effectively implemented; responsibility is conformity (compliance) in the company management towards a healthy corporate principles and applicable legislation; independency is a state where the company is managed professionally without conflict of interest and influence/pressure from any party that is not in compliance with applicable laws and principles of a healthy corporation; fairness, in simple way, can be defined as a fair and equal treatment in fulfilling stakeholders’ rights arising under the agreement and applicable laws and regulations.

The essence of corporate governance is to increase the corporate performance through supervision or monitoring management performance and management accountability to other stakeholders’ interest based on the framework of rules and regulations (Tri Gunarshi, 2003 quoted by Daniri, 2005). All this time, profit has always been the main focus in assessing corporate performance (Fauzan, 2006). Sutrisno (2000) states that the ratio of profits can be measured by several indicators, such as: Net Profit Margin (NPM), Return on Asset (ROA), Return on Equity (ROE), Return on Investment (ROI) and Earnings per Share (EPS). But Fauzan (2006) states that in assessing a corporate performance is not enough only using accounting profit, because profit accounting has no real meaning, unless supported by the company’s ability to produce cash. In the 80’s, Economic Value Added (EVA) was born to overcome the weakness in assessing the corporate performance. EVA can be called as a tool to measure the results obtained by the company for the actions of the investment made which must be able to fulfill all expenses incurred by the company. Stern states that EVA is not only a tool for measuring a company’s financial performance, but also a management system consisting of financial policies, procedures, methods and measurements that guide the operations of a company and strategies (Mourtisen, 1998).