

**INTERNATIONAL CONFERENCE PROCEEDING**

**BUSINESS MANAGEMENT:  
DIRECTIONS AND STRATEGIES  
IN RESPONSE TO  
ASEAN ECONOMIC COMMUNITY 2015**



**November, 2<sup>nd</sup> 2013  
FACULTY OF ECONOMICS  
UNIVERSITY OF JEMBER**

## INTERNATIONAL CONFERENCE PROCEEDING

**BUSINESS MANAGEMENT: DIRECTIONS AND STRATEGIES  
IN RESPONSE TO ASEAN ECONOMICS COMMUNITY 2015**  
Jember, 2 November 2013

**Editor:**

Hadi Paramu, S.E., M.B.A., Ph.D.

Sudaryanto, S.E., M.B.A., Ph.D.

**Reviewer:**

Prof. Drs. Tatang A. Gumanti, M.Buss.Acc., Ph.D.

Prof. Dr. Isti Fadah, M.Si.

Adhitya Wardhono, S.E., M.Sc., Ph.D.

**UNIVERSITY OF JEMBER  
FACULTY OF ECONOMICS  
STUDY PROGRAM OF MANAGEMENT**

TABLE OF CONTENT

PREFACE .....  
KEYNOTE SPEAKERS' PAPERS .....  
TABLE OF CONTENT .....

Entrepreneurship by Cebu Street Resto Operators: An Economic Transformation System  
**Alicia L. Villar, Janet A. Pontevedra, Rosario A. Mahusay, and Corazon G. Anzano** .....

Entrepreneurship Competencies Development of Rabbit Farmers in Banyumas District Central Java  
**Moch.Sugiarto and Krismiwati Muatip** .....

The Effect of Organizational Commitment and Job Satisfaction on Out of Intention (Studies in the University of Muhammadiyah Jember)  
**Nurul Qomariah** .....

Movement Effects of Portfolio Investment Against Real Effective Exchange Rate Stability in Asean  
**Adhitya Wardhono, M. Abdul Nasir, Ciplis Gema Qori'ah and Sarwedi** .....

ASEAN Economic and Monetary Integration: The Feasibility of The Optimum Currency Area  
**Ciplis Gema Qori'ah, Adhitya Wardhono, Sofia Anggraeni Lestari And Yulia Indrawati** .....

Analysis The Effect of Internal Characteristics of External Audit to Premature Sign Off of Audit Procedure  
**Siti Maria Wardayati and Mutiara Puspa Widyowati** .....

Strategies for Increasing The Competitiveness of Soybean Farm Through Design Upstream and Downstream of Government Policy  
**Zainuri and Soetriono** .....

Psychological Factor Confirmatory Model on Tooth Paste Buyin Decision in Face Asean Economic Community 2015  
**Mohamad Dimyati and Puji Lestari** .....

Jember University  
Jl. Kalimantan  
Telp. 0331-333333  
E-mail: unej

## MOVEMENT EFFECTS OF PORTFOLIO INVESTMENT AGAINST REAL EFFECTIVE EXCHANGE RATE STABILITY IN ASEAN

Adhitya Wardhono, M. Abdul Nasir, Ciplis Gema Qori'ah, Sarwedi  
Faculty of Economic, University of Jember

### Abstract

Effort to attract foreign investment in form of portfolio is very important for developing countries. However, the portfolio investment establishment policies of financial liberalization in ASEAN can lead to real exchange rate appreciation and may have the effect of exchange rate competitiveness, harm exports and economic growth fluctuation. This research was intended to identify the performance and comparison of the movement of portfolio investment and foreign direct investment and to analyze portfolio investment linkage and real effective exchange rate in ASEAN. The analysis results by Generalized Method of Moment (GMM) provided an illustration that Indonesia, Malaysia and The Philippines had a positive significant impact on the real effective exchange rate stability. Meanwhile, Singapore and Thailand had a negative insignificant relationship. Portfolio investment flowing on the free floating exchange rate system causes an appreciation of real effective exchange rate which affects the rising price of domestic assets in the foreign exchange market. Government intervention in the determination of exchange rates on the floating exchange rate system causes less productive mechanism of inter-country trade. However, portfolio investment flows can be easily controlled, so the real effective exchange rate becomes uncompetitive against the currencies of other countries which are the main trading partners.

Keywords: portfolio investment, real effective exchange rate, GMM approach, ASEAN

### INTRODUCTION

The flow of capital in the ASEAN region is increasingly higher by the increasingly more integrated finance in the region. This is reflected in the high capital flows to emerging markets, as well as indicators of region restrictions and transparency of capital flows

## ASEAN ECONOMIC AND MONETARY INTEGRATION: THE FEASIBILITY OF THE OPTIMUM CURRENCY AREA

Ciplis Gema Qori'ah, Adhitya Wardhono, Sofia Anggraeni Lestari, Yulia  
Indrawati

Faculty of Economics, University of Jember

E-mail: ciplis\_qorlah@yahoo.com

### Abstract

Economic integration in recent years has become a trend in many parts of the world, including ASEAN. The process of economic integration in ASEAN has begun with economic cooperations that lead to the establishment of the ASEAN Economic Community (AEC). Follow-up of the ASEAN economic community is area with the establishment of a regional currency. The purposes of this study are to analyze the opportunity of establishment of the currency area in ASEAN and to analyze the relationship between the exchange rate variability and the forming OCA-index variables in the short and long term. This study focused on two analyses; the descriptive analysis and quantitative analysis using the Error Correction Model (ECM). The results of descriptive and quantitative analysis showed that the ASEAN countries have diverging economies. It is an obstacle to the establishment for the currency area because the divergence of economies in those countries will make the regional policy ineffective. However, the opportunity of the establishment of the currency area in ASEAN is still open, especially in the long run. This is supported by the increasingly smaller economic divergence between the ASEAN countries and the OCA index that is not too high.

Keywords: Optimum currency area, OCA index, ECM, ASEAN

### INTRODUCTION

Opportunities formation of a currency area in the region was first disclosed by Mundel in 1961. Ramayandi and Tjahjawardita (2010) define the currency area as a region where there is only one currency in circulation in the region. Meanwhile, Saichu (2007)



Membangun Generasi  
Menuju Insan Berprestasi



Anggota APPTI No. 036/KTA/APPTI/X/2012

Anggota IKAPI No. 127/JTI/2011

**Jember University Press**  
Jl. Kalimantan 37 Jember 68121  
Telp. 0331-330224, psw. 319, 320  
E-mail: [unej\\_press@ymail.com](mailto:unej_press@ymail.com)

ISBN: 978-602-9030-47-1



9 786029 030471