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Economic Recession and the Financing of High-tech SMEs

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ABSTRACT

The financial crisis, which started in September 2008, contributed to a fall of 6.4% in UK GDP in the subsequent six quarters that constituted the official recession. Even four and a half years into the recession, GDP is 3.31% lower than its pre-recession figure. As the crisis had its roots in the credit markets, retail banks and credit institutions have become increasingly unwilling to lend to the personal and business sector.

It is widely recognised that SMEs significantly contribute to job creation, innovation and economic growth. However, not all SMEs are 'born equal' and compared to other firms, high-tech SMEs characterised by high growth and intensive innovation activities are pivotal to enhancing entrepreneurship and innovation, thus playing a vital role in the recovery from a prolonged recession.

Whilst entrepreneurial activity and the growth of small businesses can be severely constrained by limited access to financial resources arising from imperfections in capital market allocations, the financing gap faced by high-tech SMEs are believed to be larger than small firms in general. Other than the well-identified reasons common to all SMEs, the demand for and supply of external finance for high-tech SMEs are idiosyncratically influenced by both structural and cyclical factors.

On the demand-side, their highly volatile growth pattern means high-tech SMEs often lack the internal resources to fund investment so they rely heavily on external finance. The high emotional attachment to business ownership means owners/founders are more likely to follow a pecking order in choosing external finance. However, the inherent business risk together with the lack of entrepreneurial experience in management and financial market result in a high level of discouragement amongst high-tech SMEs. On the supply-side, numerous studies have shown that high-tech SMEs are especially vulnerable to credit rationing because of novel products/services, shorter operating cycles, and the lack of tangible assets as collateral required by most banks.

Moreover, innovation behaviours, as found in the majority of high-tech SMEs, would have profound influences on their recessionary access to external capital. Firstly, innovation is usually conducted at the

preproduct or preservice stage with high failure rates. Secondly, innovation is highly context-specific so the application of innovation outcome is severely restricted. Overall, innovation further increases the uncertainty of the firm, leading to a decreased supply of finance with even higher costs. However, from a business cycle perspective, innovative firms may see the recession as an opportunity for product/service/process renewal to establish competitive advantages when the economy recovers, which suggests a counter-cyclical, increase in credit demand.

Several recent studies have identified a deterioration in access to finance for innovative SMEs since the latest financial crisis, but none of them is focused explicitly on high-tech industries. Thus it remains an unanswered question whether the financial constraints are caused by most innovative SMEs being themselves high-tech firms or by the inherent risk of innovation activities. Addressing this question will help us to determine whether the financial market is hampering or encouraging the much-needed innovation in an economic downturn.

With these issues in mind, it is important to understand not only how many high-tech SMEs are denied finance, but what differentiates them from their non-high-tech peers. With only modest recovery started five years after the outbreak of the crisis, evidence on the extent to which financial constraints by high-tech SMEs has impeded economic growth is pertinent. In particular, this study aims to address the following 4 key questions:

- What is the current level of finance demand for high-tech SMEs and has this changed over time?
- What is the current level of finance supply for high-tech SMEs and has this changed over time?
- What differentiates high-tech and non-high-tech SMEs in the intention, and the outcome of finance seeking?
- What is the effect of innovation on the observed financing dynamics of high-tech SMEs?

We use information extracted from the UK Small Business Surveys (SBSs), a government dataset of SMEs. The SBS is a biennial, large-scale telephone survey, whose purpose is to gauge the needs and concerns of small businesses and identify the barriers that prevent them from fulfilling their potential. Firms were interviewed using a stratified sampling process evenly across thirteen regions randomly drawn across all commercial sectors of the economy. The final sample has over 10,000 observations across three waves, namely 2007/08, 2010 and 2012, respectively, covering periods before, during and after the latest financial crisis.

Our preliminary econometric analyses show that there is a temporary increase in external finance demand for high-tech SMEs during the crisis, but they are significantly more likely to be unsuccessful in finance application especially since the crisis, although the relative gap between high-tech and non-high-tech SMEs has narrowed. After controlling for other firm and owner characteristics, there is no evidence that difficulties in access to finance are a result of firms undertaking innovation activities.

The results have two theoretical implications subject to further analyses. First, high-tech SMEs are likely to be discouraged given their perception of high rejection rate during the crisis. Second, innovative SMEs are not by default credit-rationed: their financing difficulties are driven by the inherent risk within the high-tech industries. Hopefully the proposed study can enable us to consider what the impacts of credit rationing on technological innovation are and also identify areas government action might be appropriate. More importantly, the study can help to assess whether policy levers trying to increase the supply of finance to young, knowledge-based businesses can stand up to the evidence.

Swing in the Fed's balance sheet policy and spillover effects on emerging Asia: Evidence from a structural panel VAR model

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Abstract

We estimate the effect of the Fed's balance sheet policy at the zero lower bound on the interest rate on macroeconomic and financial variables of emerging Asia. Based on a heterogeneous structural panel data with monthly data from 8 emerging Asia countries over a sample spanning the Fed's balance sheet policy regime, we find some evidence of small cross-border spillover effects on the decline of long-term bond yield, an increase in GDP growth and inflation, an increase in the stock market prices, local currency appreciation and increase in credit growth. Yet, the quantile responses show that there is substantial heterogeneity in the emerging Asia countries responses to the Fed's shocks over all response periods. Accordingly, the effects vary across emerging Asia countries and are time-varying, depending on their macroeconomic fundamentals, exposure to global markets and their local financial market depth.

Keywords: US and EU quantitative easing; Financial and macroeconomic variables; Structural panel VAR model; Fed's balance sheet policy

**ANALYSIS OF FACTORS AFFECTING THE ECONOMIC GROWTH IN
REGIONAL YOGYAKARTA INDONESIA (VECM APPROACH OF THE YEAR 1983 – 2013)**

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Abstract

The main objective of this study was to analyze the influence of local revenue, the consumer price index and labor force to economic growth in DIY in the short term and long term. The data used is data time series period 1983- 2013, published by the Central Statistics Agency of Yogyakarta Special Region.

While the analysis method used is using the model VECM (Vector Error Correction Model) is a method derived from the VAR. Based on the results of this study concluded that the variable revenue (PAD) positive and significant impact on economic growth (GDP) in the short term. However, the variable revenue (PAD) have a negative impact although no significant effect on economic growth in the long term. Variable Consumer Price Index (CPI) is negative and significant effect on economic growth (GDP) in the short term. But variable Consumer Price Index (CPI) has a positive impact and no significant effect on economic growth (GDP) in the long term. Variable Work Force (AK) a significant negative effect on economic growth (GDP) in the short term. However, the variable Work Force (AK) has a negative and significant impact on economic growth (GDP) in the long term.

Keywords: Revenue (PAD), the Consumer Price Index (CPI), Work Force (AK), population growth (GDP), and VECM (Vector Error Correction Model).

Analysis of Factors Affecting Unemployment in Indonesia in 1984-2013

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Abstract

The problem of unemployment is a very complex problem that is experienced by each developing country. In the macro economy, unemployment became the fundamental problems in both the short and long term. Indonesia is a country with a high population, Indonesia is the 4th after India although Indonesia has an abundance of natural resources. This should make the economy and economic growth in Indonesia increased. However, in fact, many Indonesian people do not have jobs or in other words become unemployed. This study aims to determine the factors that affect unemployment in Indonesia. Then the independent variables used are population, GDP, and interest rates, while the dependent variable is unemployment. In this paper, an analysis tool used is regression analysis Vector Error Correction Model (VECM). The analysis showed that the interest rate and the number of population statistically significant affect unemployment. R-Squared results show that the above variables affects as much as 76% and the remaining 24% is influenced by other variables outside the model. So that the interest rate and the number of the population affect unemployment.

Keywords: Unemployment, Population, interest rate, and the Gross Domestic Product.

PERCEPTION OF BUSINESS COMMUNITY TOWARDS THE PROPOSED GOODS AND SERVICE TAX IN MALAYSIA

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Abstract:

The Malaysian Government would implement Goods and Services Tax (GST) on 1 April 2015. However, GST cast many doubts to Malaysian, particularly the business community, are confused, some even unaware and not prepared relating to GST implementation. Therefore, this study attempts to examine the perception of business community towards the proposed goods and service Tax in Malaysia. Sixth constructs namely attitude, awareness, understanding, preparedness, general perception and probable area of difficulties were used to measure GST perceptions. A mailed questionnaire survey was conducted to obtain the data from the business communities throughout Malaysia. A total of 521 questionnaires were analyzed using descriptive statistics. The reliability and validity tests were also performed on the sixth constructs. The study found business communities in Malaysia have good perception towards the GST system. The results indicate most of the business communities have a positive perception towards the attitude, awareness, understanding, preparedness, general perception and probable area of difficulties on GST. The finding is useful for the tax authority to implement GST to business communities in Malaysia.

Keywords: attitude, awareness, understanding, preparedness, general perception, area of difficulties

**EFFECTIVENESS OF MONETARY POLICY TRANSMISSION OF FUNDING OF ISLAMIC
ECONOMIC SECTOR IN ISLAMIC BANKING IN INDONESIA 2011M01-2014M02**

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Abstract

Bank Indonesia has made Bank Indonesia Certificates Sharia (SBIS) as one of the Islamic monetary policy instrument in addition to Bank Indonesia Certificates (SBI), which became conventional monetary instruments. Both of these instruments have a role in transmitting monetary policy to the real sector. Monetary transmission can occur through a line of credit, namely by channeling funds from banks including through credit and financing the economic sector. This study aimed to analyze the influence of Islamic monetary instrument to the channeling of funds to sectors of the economy (agriculture, trade and industry). The data used in this study comes from the Financial Services Authority (FSA) and the CPM of the year 2011: 01 to 2014: 12.

Analysis of data using Vector Auto Regression models. R-squared results showed that 96 percent of SBIS variables affect the economic sector financing while 4 percent are affected by variables outside the model.

Keywords: Bank Indonesia Certificates Sharia (SBIS), agricultural finance, industrial finance, financing
Trafficking

Management Development for Expatriate Cross Cultural Adjustment in MNCs

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Abstract

Cross Cultural Adjustment is a major determinant of an expatriates' job performance (Aahad and Rockstuhl, 2008). When it comes to expatriation in MNCs, the main aim is for expatriates to perform in accordance to organizational expectations by ensuring coherence and continuity in business operations between the headquarters and subsidiary (Marlin et.al, 2014). The relationship between Cross Cultural Adjustment and expatriate job performance is complex due to the influence of various business aspects such as the top management support and HRD role (Tucker et. al, 2004). Cross Cultural Adjustment has been suggested to be facilitated through Human Resource Development activities such as development programs (Dayang and Cheam, 2015; Pruetipibultham, 2012). Training and development programs for expatriates are assessed to have the potential in providing relevant knowledge, skills and adjustment abilities to improve performance and minimize expatriation failures (Shen and Darby, 2006). This indicates the necessity of HRD interventions to facilitate expatriate development for effective Cross Cultural Adjustment (Marquardt, 2004; McLean, 2006; Dowling et.al, 2008). The objective of this study is to understand the significance of Cross Cultural Adjustment for expatriates in MNCs to facilitate continuous achievement from the organizations' and individual perspectives. As such, this study will explore the Development Programs that are designed for expatriates in MNCs. It will then propose a Management Development framework that addresses the Cross Cultural Adjustment challenges in MNCs. The methodology being used is qualitative-phenomenology, however up to this stage, the study is purely empirical.

Keywords: Cross Cultural Adjustment, Management Development, HRD, expatriate

Adoption and implementation of International Financial Reporting Standards in Bangladesh: The Evidence from Banking Sector

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Abstract

The acceptance and implementation of International Financial Reporting Standards (IFRS) around the world is growing rapidly to ensure standardize accounting quality through a uniform set of standards for financial reporting. As Bangladesh has adopted IFRS, the purpose of this paper is to analyze the impact of IFRS on the Bangladeshi banking industry after the implementation of IFRS. It may impact on positive way or negative way. So, we did a research on banking industry. The variables of the research paper were compliances burden, tax reporting practices, information technology, financial instruments, human resources and impairment in advances. We made questionnaires based on the variables. The questionnaires focused on overall IFRS impact and used to identify whether they really made an impact on banking industry or not. Open ended questionnaires were also conducted on Auditors from major banks, which were based on variables that may have an impact on banking industry, and we did our analysis on their given answers.

Keywords: IFRS, audit, banking industry

A mobile app for the treatment of depression

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Abstract

The aim of this work is to disseminate a Comprehensive Computerized Intervention for Depression. While face to face cognitive-behavioral therapy (CBT) remains the psychological standard of care in the treatment of depression, other delivery formats, such as two-way online video, have been tried successfully in the recent years.

Automated interventions for depression (e.g., internet-delivered sessions) have been shown to have comparable clinical outcomes with standard CBT. They also come with benefits such as convenience, cost reduction and greater reach. However, such interventions also come with less desirable outcomes, such as a high dropout rate, or limited long-term improvement.

Building on these recent advances, we have developed an app – a mobile Intervention for Depression - that aims to minimize the problems that the current automated solutions face. To this end, our proposed solution incorporates insights from Graphic Design, gamification theories, and Artificial Intelligence, to increase the quality of the user experience, potentially leading to better clinical outcomes.

Ecotourism as a Guarantee of Sustainable Economy in Developing Countries /in example of Armenia

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Abstract

The article discusses the common peculiarities, problems and perspectives of the tourism sector in the countries with developing economy using as a basis the growing socioeconomic significance and the ecological problems connected with it. The problem of relevance of ecological orientation for long-term strategic development in tourism sector has been asserted, the whole fascination of ecotourism has been revealed in terms of the balanced progress of the country's economy and the provident use of non-renewable natural resources. With the proposed methodology a hierarchical variant of inclusive estimation of the potentials of ecotourism in the process of the foundation and extension of tourism centers is represented.

The analyzed problem is more explicit in the countries of developing economy with the limited resource potentials like the Republic of Armenia is regarded. The article examines the peculiarities of development, the tendencies and perspectives of the tourism sector in the Republic of Armenia, the county's bioclimatic, socioeconomic and historical features. Matching the acquired information, the possibilities of the development of ecotourism have been estimated in correspondence with the proposed methodology and taking into consideration the perspective benefit of all the partners of market relations, the sustainable development of economy, along with the priority of the maintenance of non-renewable resources.

KEYWORDS: Economic development, developing countries, tourism, ecotourism

**The Mediating of Social Entrepreneurship Effects on Social Capital, Social Knowledge and Social
Innovation towards Malaysian SME Performance**

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Abstract

This study aims to examine the effect factors on the business performance among SMEs Malaysia. A questionnaire survey consists of 36 items was distributed to 500 identified respondents in Malaysia, particularly in Selangor area. A total of 207 valid responses were obtained. Simple random sampling was adopted over other techniques to enhance representativeness. Data analysis shows that significant relationship exists between each of the two (out of three) independent variables and SME business performance. Social capital emerged as the most important factor influence the SME business performance. This factor is followed by social innovation. The Structural Equation Modelling (SEM) results indicated that social capital and social innovation have significant influence on the SME business performance. The paper focuses on the SMEs at Selangor area and concentrates only on the company business performance. The results provide insights to the SMEs of how they could improve the business performance. This research paper is perhaps of the first to investigate SMEs involvement in social entrepreneurship activities particularly leading to improve the business performance using comprehensive set of variables through RBV Theory, Social Entrepreneurship and SME Growth Performance model in investigating their influence on SMEs business performance.

Keywords: Social Entrepreneurship, Malaysia, SME, Performance

The Moderating Effect of the Audit Quality on the Association between Ownership Concentration and Managerial Ownership and Firm Performance in Oman companies: Empirical Study

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Abstract

This paper attempted to explore two main aims; firstly, to examine the direct effect of the concentration and managerial ownership on firm performance (ROA) among Omani non-financial companies in the period from 2012-2014. The second objective is to explore the moderating effect of the audit quality on the relationship between ownership concentration and managerial ownership, and firm performance of Omani companies. In addition, this study used control variable, namely leverage. Moreover, in order to test the direct relationship between independent variables and dependent variable, this study used OLS regression. Aside from this, the study is focused on the non-financial sector owing to the distinction between the structure and regulations between the two sectors (financial and non-financial sector) for the years 2012-2014. More importantly, this study revealed that the ownership concentration has a positive and significant effect on ROA. In the same path, the managerial ownership has a positive association with ROA but not significant. Moreover, the study failed to find the moderating effect of the audit quality on the relationship between ownership concentration and managerial ownership, and firm performance of Omani companies. Finally, this study provided the limitations and suggestions for future researchers at the end of the paper.

Keywords: Ownership Concentration, Managerial Ownership, Firm Performance, Audit Quality.

You can skip this ad in 5 seconds: exploring consumers' ad skipping behaviour on internet

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Abstract

Consumers encounter advertisements while browsing websites, these ads appear in-page before, during, or after streaming in any web content. Consumers show their rejection or appreciation by skipping the ad or sharing them with other users using social networking sites. The current study attempts to understand how the consumers decide to skip or watch and share the ad. We propose to use need for cognitive closure as the theoretical foundation for explaining the ad skipping behaviour. As this is a work in progress, the proposed experiment will explore the ad skipping behaviour in context of video advertisement on video content delivering websites (e.g. YouTube).

The major constructs used to explore ad skipping behaviour are Consumer perceived Advertising Creativity (Divergence and Relevance), Brand Familiarity and ad Avoidance. In this study first we try to understand how ad skipping is different from ad avoidance. The later part of the study tries to explore how brand familiarity and perceived ad creativity influence the decision of consumer to skip or watch the ad. Contrary to the prevalent view regarding the ad avoidance is that consumers are likely to process and appreciate ads from known brands as compared to unknown brand. We here propose that in case of ad skipping the consumers tend not to skip ads from unknown brand because of novelty as unfamiliar brands may reduce the need for cognitive closure (NCC).

The results of the study will help in understanding the determinants and consequences of ad skipping behaviour. How ad skipping is different from ad avoidance? And what is the role of brand familiarity consumers' decision about ad skipping.

Keywords : Ad avoidance, Ad skipping, Internet advertising, Video ads, Ad Creativity



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