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INTERNATIONAL SYMPOSIA IN ECONOMIC THEORY
AND ECONOMETRICS VOLUME 28

**RECENT DEVELOPMENTS
IN ASIAN ECONOMICS
INTERNATIONAL
SYMPOSIA IN
ECONOMIC THEORY AND
ECONOMETRICS**

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CONTENTS

<i>List of Figures</i>	<i>ix</i>
<i>List of Tables</i>	<i>xi</i>
<i>About the Editors</i>	<i>xv</i>
<i>About the Contributors</i>	<i>xvii</i>
<i>List of Contributors</i>	<i>xxix</i>
Introduction	1
Chapter 1 The Impact of Online Market toward Social Welfare on Fourth Industrial Revolution Era: A Case at Bulan Terang Utama Online Market Malang <i>Ermita Yusida, Vika Annisa Qurrata, Vidya Purnamasari and Wen-Chi Huang</i>	3
Chapter 2 Structural Equation Model on Triple Bottom Line Performance of Large Manufacturing Companies in Region XII, Philippines <i>Vergil Joseph I. Literal and Eugenio S. Guhao</i>	13
Chapter 3 Determinants of Students' Perceptions of the Green University <i>Sylvia Veronica Siregar and Bayu Tenoyo</i>	39
Chapter 4 Analysis on Sources of Inefficiency in the Construction Sector: High Cost of Infrastructure Development in Indonesia <i>Anang Muftiadi, Rivani and Dian Fordian</i>	53
Chapter 5 Can Re-election Strengthen the Relationship Between Local Government Spending and Financial Performance? <i>Hidayah Asfaro Saragih and Dyah Setyaningrum</i>	69

Chapter 6 Integrating Interdisciplinary Studies with the HCMA Certificate to Reach the Milestone of Finalizing Post-crisis Reforms (Basel III) Considering the Aggravating Effect of the COVID-19 Deficit <i>John P. Koeplin and Pascal Lélé</i>	83
Chapter 7 A Vulnerability Spillover Index for the Indian Financial System <i>Indrani Manna</i>	129
Chapter 8 Is Inflation Targeting Successful in Emerging Economies? <i>Vidhi Agarwal and Taniya Ghosh</i>	143
Chapter 9 Impact of Economic Policy Uncertainty on FDI Inflows: Evidence from India <i>Aishanee Sinha and Taniya Ghosh</i>	157
Chapter 10 Consumption Life and Satisfaction of Chinese Rural Residents <i>Liying Xia, Jianbo Zhang and Xuelin Ma</i>	169
Chapter 11 The Impact of Institutional Quality on Stock Market Performance in Emerging Economy: Evidence from the ARDL Bound Approach <i>Woon Leong Lin, Aneeq Inam and Siong Hook Law</i>	187
Chapter 12 Herding Behavior: Evidence from Southeast Asian Stock Markets <i>Harjum Muharam, Aditya Dharmawan, Najmudin Najmudin and Robiyanto Robiyanto</i>	207
Chapter 13 Private Information from Extreme Price Movements (Empirical Evidences from Southeast Asia Countries) <i>Usman Arief and Zaäfri Ananto Husodo</i>	221
Chapter 14 The Impacts of Divisia Money on MYR/USD Exchange Rate Determination in Malaysia <i>Choi-Meng Leong, Chin-Hong Pua, Venus Khim-Sen Liew and Matviychuk-Soskina Nadiya</i>	243
Chapter 15 Modeling Exchange Market Pressure in East Asian Economies <i>Evan Lau, Jenny Yong and Nurul Bariyah</i>	263

Chapter 16 The Impact of Equity Historical Market Price on Capital Structure <i>Miswanto Miswanto</i>	281
Chapter 17 Sharia Disclosure, Sharia Supervisory Board and the Moderating Effect of Regulatory Framework: The Impact on Soundness of Islamic Banking <i>Siti Khomsatun, Hilda Rossietia, Fitriany and Mustafa Edwin Nasution</i>	291
Chapter 18 Implementation of Green Banking and Financial Performance on Commercial Banks in Indonesia <i>Tria Ratnasari, Arni Surwanti and Firman Pribadi</i>	323
Chapter 19 The Implementation of Human Capital Disclosures on the Financial Statements of Local Governments in Indonesia based on the Institutional Theory <i>Henny Murtini, Djoko Suhardjanto, Djuminah and Agung Nur Probohudono</i>	337
Chapter 20 Disclosure, Information Asymmetry and The Cost of Equity Capital: Evidence from Indonesia <i>Erna Setiany and Djoko Suhardjanto</i>	351
Chapter 21 Financial Technology and Bank Risk: A Cross Country Study <i>Nugroho Saputro, Ariyanto Adhi Nugroho and Irwan Trinugroho</i>	367
Chapter 22 The Use of Discretionary Spending as an Opportunistic Motive to Win the Election <i>Dewi Darmastuti and Dyah Setyaningrum</i>	377
Chapter 23 The Dynamic Impacts of Financial Determinants and Ownership Concentration towards Firm Survival in Malaysia <i>Suzaida Bakar and Bany Ariffin Amin Noordin</i>	397
Chapter 24 Heterogeneity of Inflation Expectations: An Analysis using IESH data <i>Ashima Goyal and Prashant Parab</i>	423
<i>Index</i>	439

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LIST OF FIGURES

Chapter 1

- Fig. 1. Impact of BTU Online Market on the Level of Social Welfare. 10

Chapter 2

- Fig. 1. The Conceptual Paradigm of the Study. 22
Fig. 2. Best Fit Model of TBL Performance (Model 4). 29

Chapter 4

- Fig. 1. Time Series of Construction Sector Level of Efficiency in Indonesia. 59

Chapter 6

- Fig. 1. Overview of the Internal Financial Performance Piloting Technology. 97
Fig. 2. CEO's Scheme for HR Asset Decision-making. 97
Fig. 3. Operational Management Vector: Top-down and Bottom-up Interaction Diagram of HCMA's Interdisciplinary Cross-cutting Expertise to Run Business in an Organizational Team. 98
Fig. 4. Diagram of a Company for Which the Driving Axis (Vertical Axis) of HR Financial Performance is Equipped. 99
Fig. 5. Concomitant Improvement in Financial Performance and Working Conditions. 101
Fig. 6. Interfacing Diagram Through Fintech HR (IRM) of Operational Risk Management Systems of Banks with CCR Dashboards. 118
Fig. 7. Diagram of lack of cross-cutting skills needed for collective performance or collective bargaining. 124

Chapter 9

- Fig. 1. Comparison of India and Global EPU Index. 159
Fig. 2. Stability Tests. 165

Chapter 11

- Fig. 1. IQ (%), and MC of Listed Domestic Company in Malaysia (1984–2017). 189
Fig. 2. Institutions–Stock Market Performance Nexus. 192

Fig. 3. Cumulative Sum.	193
Fig. 4. Cumulative Sum Squares.	201

Chapter 13

Fig. 1. Jump and Private Information.	227
Fig. 2. The Probability of Jump and Macroeconomic Events.	235

Chapter 14

Fig. 1. Growth Rate of M2 and Divisia M2 Monetary Aggregates for United States and Malaysia.	245
Fig. 2. Plots of the Variables.	252

Chapter 16

Fig. 1. Research Model (Weigl, 2011).	284
---------------------------------------	-----

Chapter 17

Fig. 1. Research Design.	302
--------------------------	-----

Chapter 18

Fig. 1. Capital Adequacy Ratio.	330
Fig. 2. Non-performing Loan.	331
Fig. 3. Bank Efficiency.	332
Fig. 4. Bank Liquidity.	333

Chapter 19

Fig. 1. The Interplay of Coercive, Mimetic and Normative Forces Influencing Evolutionary Compliance, Offset by Dysfunctional Culture at Offending Firms (Burdon & Sorour, 2020).	343
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Chapter 24

Fig. 1. CPI (Industrial Workers) Inflation and Household Inflation Perceptions and Expectations.	427
--	-----

LIST OF TABLES

Chapter 1

Table 1.	Statistical Result of 3SLS Regression.	9
----------	--	---

Chapter 2

Table 1.	Significance on the Relationship Between Sustainable Management Practices and TBL Performance.	25
Table 2.	Significance on the Relationship Between Strategic Orientation and TBL Performance.	26
Table 3.	Significance on the Relationship Between Organizational Culture and TBL Performance.	27
Table 4.	Summary of Fit Measures.	29

Chapter 3

Table 1.	Demographics of Respondents.	44
Table 2.	Descriptive Statistics.	44
Table 3.	Mean Difference Test.	45
Table 4.	Correlation Matrix.	47
Table 5.	Regression Results.	48
Table 6.	Regression Results – Additional Test.	49

Chapter 4

Table 1.	Methods of Efficiency Measurement.	55
Table 2.	Variables and Efficiency Level.	59
Table 3.	High Determining Sector of the Construction Sector Inefficiency in Indonesia.	60
Table 4.	Determinant Subsectors of the Efficiency of Indonesia's Construction Sector.	61
Table 5.	Quadrants of Construction Sector Efficiency Determinant in Indonesia 2010–2015.	62
Table 6.	Intermediate Input Composition of 26 Subsectors Determining Inefficiency in the Construction Sector in Indonesia, Year 2015.	63
Table 7.	Main Determinant Subsectors on the Construction Sector Inefficiency in Indonesia.	64

Chapter 5

Table 1.	Variables Measurement.	76
Table 2.	Descriptive Statistics.	76
Table 3.	Regression Results.	77

Chapter 7

Table 1.	Threshold Values for Sectoral Vulnerability Indicators.	139
----------	---	-----

Chapter 8

Table 1.	List of Sample Countries.	147
Table 2.	Two-sample <i>t</i> -test for Means of Inflation and Inflation Volatility.	148
Table 3.	Panel Data Regression Results.	151
Table 4.	RE Panel Data Regression Results.	152
Table 5.	Robustness Checks for Models 1–3.	153
Table 6.	Robustness Checks for Model 4.	154

Chapter 9

Table 1.	Results of Unit Root Tests.	161
Table 2.	ARDL Bounds Test.	162
Table 3.	Short-run Dynamics.	163
Table 4.	Long Run Results.	164

Chapter 10

Table 1.	Summary of Individual Variable.	176
Table 2.	Description of Variables and Statistics.	177
Table 3.	Result of Ordered Logistics Model Regression.	178
Table 4.	Least Square Method Regression Results.	183

Chapter 11

Table 1.	Political Risk Components and its Weightage.	189
Table 2.	Unit Root Test Results.	199
Table 3.	The Result of ARDL Bound Test.	199
Table 4.	ARDL Long-run Coefficient.	200
Table 5.	Short-run Dynamic Model.	200
Table 6.	Results of Pairwise Granger Causality Test.	202

Chapter 12

Table 1.	Descriptive Statistics of CSAD and Market Returns (R_m) for Indonesia, Singapore, Malaysia, the Philippines, and Thailand.	214
Table 2.	Regression Estimates of Herding Behavior for Indonesia, Singapore, Malaysia, the Philippines, and Thailand.	216
Table 3.	Regression Estimates of Herding Behavior as a Whole.	217

Chapter 13

Table 1.	Summary Statistics of Private information (Full Sample Frequencies).	230
Table 2.	Private Information in the Jakarta Stock Exchange.	231

Table 3.	Private Information in (FTSTI).	232
Table 4.	Private information in (KLSE).	233
Table 5.	Private information in (SETI).	233
Table 6.	Private information and Macroeconomic Announcements.	237
Table 7.	Regression Results, Full Sample Frequencies.	238

Chapter 14

Table 1.	Summary of Variables.	251
Table 2.	Unit Root Tests Results.	253
Table 3.	Results of Bounds Test for Cointegration.	254
Table 4.	Error Correction Representation of ARDL Results.	255
Table 5.	ARDL Estimation Results.	256
Table 6.	Diagnostic Tests for ARDL Estimation Results.	256
Table 7.	Granger Causality Test Results.	257

Chapter 15

Table 1.	VAR Granger Causality.	268
Table 2.	Decomposition of Variance.	273

Chapter 16

Table 1.	Notation and Definition of Variables.	284
Table 2.	Hypotheses Testing Result.	287

Chapter 17

Table 1.	Islamic Governance System at the Country Level.	298
Table 2.	Sample Selection Procedure.	302
Table 3.	Soundness of Islamic Bank: The Result of PCA.	305
Table 4.	Descriptive Statistic.	306
Table 5.	Regression Results of Association Sharia Disclosure with Soundness of Islamic Bank.	308
Table 6.	Regression Result of Indirect Effect of SSB with Soundness of IB Through Sharia Disclosure.	310
Table 7.	Moderation Effect of Regulatory Framework on the Association Sharia Disclosure with Soundness of Islamic Bank.	311
Table 8.	Moderation Effect of Regulation Framework on the indirect effect of SSB on Soundness of Islamic Bank Trough Sharia Disclosure.	313

Chapter 18

Table 1.	The Determinant of Bank Profitability.	329
Table 2.	R^2 Test.	334

Chapter 19

Table 1.	Mechanisms/Structures of Institutionalization.	340
Table 2.	Summary of Meta-analysis of the Relationship Between Institutional Theory and Disclosure.	345
Table 3.	The Summary of Meta-analysis on the Relationship Among Institutional Theory, Contextual Setting, and Disclosure.	347

Chapter 20

Table 1.	The Result of Regression Analysis.	360
Table 2.	The Results of Path Analysis.	362

Chapter 21

Table 1.	Variable Definitions.	369
Table 2.	Descriptive Statistics.	370
Table 3.	Regression Result Model 1.	371
Table 4.	Regression Result Model 2.	372
Table 5.	Robustness Test Model 1: Include income_class.	373
Table 6.	Regression Result Model 2: Include income_class*mma.	374

Chapter 22

Table 1.	Sample Selection Process.	385
Table 2.	Variables Description.	386
Table 3.	Statistic Description.	387
Table 4.	Frequency Detail.	388
Table 5.	<i>H1</i> and <i>H2</i> Testing.	389
Table 6.	Descriptive Statistics (A Year After the Election Period).	389
Table 7.	<i>H3</i> Testing.	392

Chapter 23

Table 1.	Distributions of Firms in Financial Distress.	407
Table 2.	Descriptive Statistics for Financial Determinants and Ownership Concentration.	412
Table 3.	Hazards Model Estimates for Financial and Ownership Concentration Symptoms.	414
Table 4.	Forecast Accuracy with the AUROC.	416

Chapter 24

Table 1.	Descriptive Statistics of Inflation Perceptions and Expectations.	428
Table 2.	Speed of Adjustment of Indian Households.	430
Table 3.	Heterogeneity in Expectations Across Gender, Profession, and Age.	433
Table 4.	Heterogeneity in Expectations Across Cities.	434

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INTRODUCTION

Chapters published in *Recent Developments in Asian Economics* were presented at four conferences in Asia and Australia: (1) the SIBR 2020 Sydney Conference on Interdisciplinary Business and Economic Research, which was held on January 10–11, 2020 in Sydney, Australia; (2) the 5th Indonesian Finance Association Conference 2019 in Manado, Indonesia; (3) the 1st International Doctoral Colloquium on Business and Economics 2019 in Surakarta, Indonesia; and (4) the 5th Sebelas Maret International Conference on Business, Economics and Social Sciences 2018 in Bali, Indonesia.

Contributors to *Recent Developments in Asian Economics* deal with the latest economic and financial developments in Asia. Chapters present an array of topics, ranging from the online market's impact on Indonesia's social welfare to the positive effects of sustainable management practices, strategic orientation, and organizational culture on the triple bottom line performance of large manufacturing companies in the Philippines. University type, rather than the provision of sustainability-related subjects, is found to be a significant determinant of students' green perceptions.

In other chapters, contributors focus on the Indian financial system, inflation targeting in emerging economies, the impact of economic policy uncertainty on foreign direct investment inflows in India, and the trend and sources of inefficiency in the Indonesian construction sector input–output table approach. A fixed-effects multiple regression was used to investigate how re-election influences the effect of local government spending on financial performance and to investigate a newly proposed human capital management accounting approach, integrating finance, accounting, human resources, and operations management disciplines.

Other chapters in *Recent Developments in Asian Economics* contain empirical studies in public governance and in financial economics, including financial markets, corporate finance, and financial institutions. The papers on financial markets discuss the impact of institutional quality on stock markets, herding behavior in the capital markets, private information about extreme price movement, modeling exchange market pressure, and the effect of equity market timing on firm capital structure. Two papers on corporate finance stress the relationship between disclosure, information asymmetry, and the cost of equity capital, and explore

the dynamic impacts of financial determinants and ownership concentration on firm survival. Three papers on financial institutions empirically study the effects of sharia disclosure and sharia supervisory boards on Islamic banks' soundness, the link between green banking and bank performance, and the financial impact of technology on bank risk.

Two other papers are on public governance. The first one discusses the implementation of human capital disclosure on the financial statements of local financial governments. In contrast, the second paper focuses on discretionary spending as an opportunistic motive to win a local election. Consumption and satisfaction of Chinese rural residents are also analyzed in *Recent Developments in Asian Economics*.

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CHAPTER 1

THE IMPACT OF ONLINE MARKET TOWARD SOCIAL WELFARE ON FOURTH INDUSTRIAL REVOLUTION ERA: A CASE AT BULAN TERANG UTAMA ONLINE MARKET MALANG*

Ermita Yusida, Vika Annisa Qurrata,
Vidya Purnamasari and Wen-Chi Huang

ABSTRACT

Internet technology and social media especially from mobile social commerce are known to have lavish impacts on the economic development. The purpose of this study was to identify the impact of the online market on the level of social welfare of online market traders which is proxies by the level of income. Bulan Terang Utama (BTU) area was used as an object in this study due to the fact that it is a subsidized housing area with a level of middle-income community income. The method used in this study was a quantitative method using the analysis of three-stage least square (3SLS). The results of the 3SLS estimation indicate that there was a significant increase in online seller income with the presence of the BTU online market. This situation happened by the fact that many buyers switch to sellers after they join the BTU Online Market. They began as a buyer and then offered their merchandise through the online market and became a permanent seller in this group. When many residents in these

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areas are using online markets as their primary place for selling, there will be need for strong connectivity (internet network) in each region to develop current economic activities. Furthermore, the government rule in enhancing technology literacy is also very important especially for the middle to lower regions.

Keywords: Online market; mobile social commerce; three-stage least square; social welfare; digital economy; economic development

JEL Classifications: O33; I31; C31; O1

INTRODUCTION

Technological sophistication seems to develop more rapidly along with the developing era. This is what brings us to The Fourth Industrial Revolution (Industry 4.0) based on the use of cyber physical systems or often referred to as computing systems. Industry 4.0 concept is considerably known as the development of digital-based or internet-based businesses. In recent years, the internet has become an indispensable information technology tool (Racolta-Paina & Luca, 2010). Advances in internet technology have facilitated the growth of home shopping through the internet (Lumpkin & Hawes, 1985). The internet has produced new forms of creation in businesses based on the internet or e-commerce. Kotler and Keller (2013) define e-commerce as a company or shopping site that offers a process for selling products and services online. Nowadays e-commerce is more than just buying and selling products online. E-commerce covers the entire process from the development, marketing, sales, delivery, service and payment of customers with the support of a network of business partners throughout the world.

The development of e-commerce has encouraged the evolution of e-commerce forms and models. In the past, consumers could only make transactions through related retailer websites, such as Amazon or e-bay, while the current trend is that consumers are greatly facilitated to transact through wide-spread marketplaces, also through social media and instant messaging (e.g., WhatsApp). The development of this transaction model is termed by Kucukcay and Benyoucef (2014) into mobile social commerce or a series of e-commerce activities carried out in cellular telephones. This technological change has been packaged in such a way that makes it easy for consumers to carry on transactions directly both with producers and intermediaries.

The potential for business growth in Indonesia is estimated to be quite large in line with the increasing use of the internet. Based on data from Bolton Consulting Group in 2013, the middle class in Indonesia who shop through e-commerce has reached 74 million people and is predicted to continue to increase in 2020 to 141 million people or around 54% of the total population in Indonesia. Considering this data, it is clear and certain that the potential of the e-commerce market in Indonesia is considerable. Kostini and Raharja (2019) find that as long as entrepreneur using perfect formula of financial strategies in their business, it will boost their business income and encourage the economic growth.

This phenomenon is certainly an attraction for lower middle class entrepreneurs, especially for new comers. Like the people living in Malang Bulan Terang Utama (BTU) subsidized housing, they are working in groups to try to build businesses by marketing e-commerce systems. Simply, they use instant messaging in the form of WhatsApp to market the sales of BTU residents. In WhatsApp they make a group of sellers and buyers. The specialty of the group is free shipping for the people of the BTU region. However, for buyers outside BTU there will be a shipping fee. From this group, it seems to provide significant results and of course also facilitate the surrounding community.

Up to now the group was called “BTU Online Market.” The BTU Online Marketplace was founded on a shared sense of fate. The average community in BTU housing is a lower middle class with below average work and income. In addition, some people are also young couples who are trying to run a new business. These new entrepreneurs are trying to take advantage of their productivity. On the other hand, the location of BTU subsidized housing is far from the main road so it is quite difficult to find food, goods or other services. So, an idea emerged to create a BTU Online Marketplace.

In this research, we will explore more deeply the impact of the BTU online market toward the level of social welfare. With the background of the lower middle class, of course, the existence of an online market by prioritizing this technology must be proven in its ability to change and increase the income of BTU subsidized housing communities in Malang. If this online market has a positive impact on people’s income, then the expansion of other forms of e-commerce will be carried out to improve the social welfare in the long term and be sustainable. Therefore, the purpose of this study is to identify the impact of the BTU online market toward the level of social welfare.

LITERATURE REVIEW

Social Commerce

Social media platforms are places where people look for product recommendations and to connect with many consumers who are brand-focused, so it makes sense that social media can take off. Technavio estimates that annual trade income through social media will exceed \$165 billion by 2021. The rapid growth of e-commerce combined with the popularity of online social networking has had a huge impact on the global economy. This impact in particular is a change in consumer spending behavior and a new type of e-commerce called social commerce that is currently emerging (Shanmugam, Sunb, Amidi, Khani, & Khani, 2016). Social commerce adds e-commerce functions to social networks. Thus, it helps people to buy goods and services from places where they are already connected (Shanmugam et al., 2016; Zhou, Zhang, & Zimmermann, 2013).

Zwass (2010) states that e-commerce has been described as an ease in sharing business information, maintaining business relationships, and conducting business transactions through telecommunications networks. So, from this point of

view it seems that e-commerce contains a wider range of business activities, such as marketing rather than just buying and selling online.

This is different from social commerce which refers more to e-commerce activities and transactions through the social media environment, so that most of it is done on social networks and uses Web 2.0 software. Social commerce is a part of e-commerce that involves the use of social media to assist in e-commerce transactions and activities (Turban, Bolloju, & Liang, 2011). With social commerce, it will be possible to run a business that can reach customers globally and build good relationships with them (Park & Kim, 2003; Turban et al., 2011).

Social Welfare in Digital Economy

In the economy, social welfare is often measured as income owned by households compared to demographic composition and family size. On the other hand, there are other standard calculations where welfare is calculated through the treatment of consumer demand (Ravallion & Lokshin, 2006). There are many indicators that can be used to measure household welfare, among others by considering the cost of living, income, education, level of happiness, job satisfaction and others. In this study, indicators used to measure the level of welfare include business income and turnover obtained by online merchants.

Katz (2017) states that economic digitalization has an impact on socioeconomic conditions. The development of computing, broadband and cellular telephone networks has an impact on the growth of the industrial sector, even this development raises new competitors namely the growth of the traditional economic sector. So, the development of traditional economy that is played in the household economy is faster than the industry. This has an impact on household income growth and social facilities (access to information, government services and other services). The development of digitalization can be beneficial for people who have little capital to run a business. This is because with technology the lower class does not have to open a store to sell their goods. The house as a place of business is enough (Katz, Avila, & Meille, 2010; Nicoletti & Scarpetta, 2005). The using of digital economy especially online platform in social commerce proven to be increased year by year and it creates bigger effect of social presence of buyer which leads economic growth (Khawaja, Jusoh, & Nor, 2019).

Industri 4.0 Era

Industry 4.0 is an industrial concept that combines automation technology with cyber technology. Industry 4.0 is embedding a revolution where intelligent technology is not only connected to great companies, but also connected to daily life. With the Industry 4.0 there will be many conveniences in digitizing data both in product offerings and purchases (Grieco et al., 2017; Witkowski, 2017).

Vasin, Gamidullaeva, Shkarupeta, Palatkin, and Vasina (2018) stated that the acceleration of information systems and communication technology in Industry 4.0 had an impact on economic development. Industry 4.0 has the potential in economic development because this era has the power in the flexibility of communication systems and big data. The development of cyber technology causes

economic activities more effective and efficient, so it has the potential for new economic activities (Piercy & Rich, 2009).

METHODOLOGY

Data Source

This research is a quantitative study using primary data in the form of a cross section. In this study, the time period is before the BTU online market and after the BTU online market in 2017. The primary survey was conducted in 2019.

Data Analysis

The method used in this study is a three-stage least square (3SLS) analysis using simultaneous equations that aims to determine the impact of the online market on the level of welfare of traders.

Reviewed from the initial purpose of the study is to analyze this research data using simultaneous equations. The use of the 3SLS method in this study is intended to determine how the influence of the online market on the level of traders' welfare.

Analysis Method of 3SLS

3SLS is a method that is applied to all equations in the model at the same time and provides an estimate for all parameters simultaneously. This method was developed by Theil and Zellner following on from two-stage least square (2SLS). 2SLS is a method of estimating a single equation, so that it includes the limited information method. The 3SLS method can be used to estimate simultaneous equations.

The method used in this analysis is two stages. The first stage uses simultaneous equations that are solved by 3SLS. This stage is to answer the influence of the online market on the level of traders' welfare.

Based on the theory explained in the previous chapter, where the online market will affect turnover and profits, the simultaneous equation in the first stage can be written on the simultaneous model as follows:

Equation 1: Turnover equation

$$\ln Y = \alpha + \beta_1 \ln U + \beta_2 \ln JK + \beta_3 \ln JU + \beta_4 P + PO + \varepsilon_i$$

Y , trader benefits; U , age of trader; JK , trader's gender; JU type of merchant business; P , price of merchandise; PO , absolute dummy variable; value 1, application of BTU Online Market; value 0, before the existence of BTU Online Market; ε , error.

Equation 2. Profit equation

$$\ln P = \alpha + \beta_1 \ln Q + \beta_2 \ln A + \beta_3 \ln M + PO + \varepsilon_i$$

P , trader price; Q , merchandise quantity; A , business area; M , business capital; PO , absolute dummy variable; value 1, application of BTU Online Market; value 0, before the existence of BTU Online Market; ε , error.

Both of these equations are solved simultaneously since profits and turnover are very closely related.

Definition of Variable Operations

The variables used in this study are three main variables, namely: dependent, control variable/independent, and dummy.

Dependent Variable

This variable consists of merchant welfare measured by business profits.

- a. Turnover (Y), is the number of sales of BTU Online Market traders.
- b. The profit (Pf) is the turnover reduced by the production costs of BTU Online Market traders.

Control/Independent Variable

This variable consists of:

- a. Age (U) is the age of BTU Online Market traders.
- b. Gender (JK) is the gender of BTU Online Market traders.
- c. Business type (JU) is any type of business traded on the BTU Online Market, these data are used Likert scale, where 1 = food and beverage business, 2 = non-food and beverage business, 3 = transportation services and 4 = non-transportation services.
- d. Item price (P) is the average price of goods sold by merchants in the BTU Online Market.
- e. Business area (A) is the marketing distance of consumers who often buy at BTU Online Market traders.
- f. Business capital (M) is the capital of the BTU Online market trader when opening their business.

Dummy PO Variable

This dummy variable is to illustrate the difference in the impact of merchant welfare before the formation of the BTU Online Market (0) and after the formation of the BTU Online Market (1). The formation of the BTU Online Market begins in 2017.

RESULT AND DISCUSSION

The people who live in the BTU subsidized housing are the people with the majority of low income, where the majority of people are young families who have children under five years old. Eighty-five percent of women in this housing are housewives who have no income. However, with the BTU Online Market