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# Conference Proceeding of IRSA 2014

The 12<sup>th</sup> IRSA International Conference  
Political Economy of Regional Development in Indonesia

2-3 June, 2014, Makassar,  
South Sulawesi-Indonesia



## CONFERENCE AGENDA

### The 12th Indonesian Regional Science Association (IRSA) Conference

<b>Date: Monday, 02/Jun/2014</b>				
8:00am - 9:00am	Registration			
9:00am - 9:30am	OPE: Location: <a href="#">Ballroom</a>	Opening	Ceremony	
9:30am - 10:15am	KEY: Location: <a href="#">Ballroom</a>	Keynote	Speech	
	PROF. ARMIDA ALISJAHBANA President of IRSA / Minister of National and Development Planning Agency (BAPPENAS) / Padjadjaran University			
10:15am - 10:30am	Coffee Break			
10:30am - 12:00pm	PLE-1: Location: Chair: Arief Anshory Yusuf, Padjadjaran University; <a href="mailto:arief.yusuf@fe.unpad.ac.id">arief.yusuf@fe.unpad.ac.id</a> PROF. IWAN JAYA AZIS Cornell University / Asian Development Bank (ADB) <i>Mea Culpa</i> PROF. ARI KUNCORO University of Indonesia (UI)	Plenary	Session	1 <a href="#">Ballroom</a>
	<b>Complex Interplay of Factors in the Institutional Model of Decentralization: Theory and Application</b> <b>Iwan Jaya Azis</b> Asian Development Bank (ADB), Indonesia			
12:00pm - 1:00pm	Luncheon			
1:00pm - 3:00pm	<p><b>PAR-1A: Housing, Education, Transportation and other Regional Infrastructures Issues</b> Location: <a href="#">Room A</a></p> <p><b>Identifying Infrastructures Critical to MP3EI Continuity During and Post Civil Contingency</b> <b>Prananda Navitas</b> Sepuluh Nopember Institute of Technology, Surabaya, Indonesia</p> <hr/> <p><b>The Relationship between Tax Compliance and Tax Education</b> <b>Ida Zuraida</b> Training Tax Center, Ministry of Finance, Indonesia</p> <hr/> <p><b>The Effectiveness of Economic and Social Infrastructures in</b></p>	<p><b>PAR-1B: Political Economy and Governance of Regional Development</b> Location: <a href="#">Room B</a></p> <p><b>The Implementation of Good Government Governance for Welfare of society on Local Government in South and South-East Sulawesi.</b> <b>Abdul Hamid Habbe, Mulyati Akib, Sitti Haerani, Yohanis Rura</b> Faculty of Economic and Business of Hasanuddin University, Indonesia</p> <hr/> <p><b>The Implementation Sandalwood (Santalum Album L) Conservation Strategies in Timor Tengah Selatan District of Nusa Tenggara Timur Province</b> <b>Nursalam Jeppu</b></p>	<p><b>PAR-1C: Poverty, Inequality and Inter-regional Disparities</b> Location: <a href="#">Room C</a></p> <p><b>The Implication of Interregional Income Disparity on Household Health Quality: The Case of Indonesia</b> <b>Hilda Leilani Masniarita Pohan</b> Parahyangan Catholic University, Indonesia</p> <hr/> <p><b>Inequality Impact on Industrialization in Indonesia : A Study across All-provincial Region</b> <b>Davy Hendri<sup>1</sup>, Heru Gunawan<sup>2</sup></b> 1: Islamic Economic Department, IAIN Imam Bonjol, Padang; 2: Ministry of Industry of Republic of Indonesia</p>	<p><b>PAR-1D: Public Policy, Regional and Urban Planning and Regional Development</b> Location: <a href="#">Room D</a></p> <p><b>The Economy-Wide Impact of Increasing Natural Gas Production and Utilization on the Indonesian Economy</b> <b>Djoni Hartono<sup>1</sup>, Nurkholis<sup>-1</sup>, Aldi Hutagalung<sup>2</sup></b> 1: Universitas Indonesia, Indonesia; 2: University of Twente, Netherlands</p> <hr/> <p><b>Impact of Health Insurance on Saving and Consumption Expenses in Indonesia (Evidence from Indonesian Family Life Survey)</b> <b>Sunaryati -</b></p>

	<p><b>Improving the Development of Higher and Lower Income Regions</b>  <b>Dominicus Savio Privarsono, Ida Bagus Perdana Kumara</b>          Bogor Agricultural University, Indonesia</p> <p><b>Managing Education at the District Level: The Dynamic Picture in the Decentralization Era of Indonesia</b>  <b>Asri Yusrina, Palmira Permata Bachtiar</b>          SMERU Research Institute, Indonesia</p>	<p>University of Nusa Cendana Kupang, Indonesia</p> <p><b>Do the Rate of Profit and Organic Composition in Central Java Industry Increase in the Long Run? A Test of Heterodox Political Economy Perspective</b>  <b>Bhimo Rizky Samudro, Yogi Pasca Pratama</b>          Sebelas Maret University Surakarta, Indonesia</p> <p><b>Poverty or Politics: A Study of Targeted Community-Based Development Programs in Indonesia</b>  <b>Ingggrid -</b>          Petra Christian University, Indonesia</p>	<p><b>Local Government Reform and Poverty Reduction in Indonesia: A Case Study of Regional Coordinating Team for the Eradication of Poverty (Tim Koordinasi Penanggulangan Kemiskinan Daerah)</b>  <b>Sirojuddin Arif</b>          Northern Illinois University, Indonesia</p>	<p>UIN Sunan Kalijaga, Indonesia</p> <p><b>The Role of Birth Order in Infant Mortality in Indonesia 2012</b>  <b>Rudi Salam</b>          Institute of Statistics, Jakarta, Indonesia</p> <p><b>Effect of Hereditary Risk of Cardiovascular Diseases to the Individual Willingness to Pay of Health Insurance Premium</b>  <b>Restiatun Massardi</b>          Tanjungpura University, Indonesia</p>
<p>PAR-1E: Public Policy, Regional and Urban Planning and Regional Development          Location: <a href="#">Room E</a></p> <p><b>Regional Public Expenditure Strategy and its Implication on Regional Economic Growth, Poverty Rate, and Human Development Index</b>  <b>Mansur Afifi</b>          Faculty of Economics University of Mataram, Indonesia</p> <p><b>Electoral Accountability of Local Government in Post-Decentralized Indonesia: Does Economy Matters?</b>  <b>Rumayya Batubara</b>          University of Western Australia, Australia</p> <p><b>Budget Process and Performance of Public Budget of Local Government in Indonesia</b>  <b>Harryanto Endhy</b>          Faculty of Economics, Hasanuddin University, Indonesia</p> <p><b>The Low of Human Resources Quality: Evidence From The Textile and Food</b></p>	<p>PAR-1F: Public Policy, Regional and Urban Planning and Regional Development          Location: <a href="#">Room F</a></p> <p><b>The Effect of Human Development Index Indicators on Economic Growth in Central Sulawesi Province</b>  <b>Junaidin<sup>1</sup>, Mohammad Ahlis Djirimu<sup>2</sup>, Andi Darmawati Tombolotutu<sup>3</sup></b>          1: Regional Development Planning Agency (BAPPEDA) Central Sulawesi, Indonesia; 2: Department of Economics &amp; Development Study, Faculty of Economics, Tadulako University, Indonesia; 3: Faculty of Economics, Muhammadiyah University of Palu, Central Sulawesi, Indonesia</p> <p><b>A Survey Study of Indonesian Local Public Financial Management Capacity Building Programs' impact on Local Financial Annual Report Performance</b>  <b>Kodrat wibowo<sup>1</sup>, bambang Juanda<sup>2</sup>, Lenard Milich<sup>3</sup></b>          1: padjadjaran university, Indonesia; 2: Bogor Institute of Agriculture; 3: GIZ</p> <p><b>Health Care Financing Reforms Across Districts in Indonesia</b></p>	<p>PAR-1G: Regional / International Trade, Finance and Inflation          Location: <a href="#">Room G</a></p> <p><b>Patronage Buying Motives of Coffee shop's in Makassar: (Study on Customer-Upper Middle Class)</b>  <b>Kasnaeny Karim</b>          STIM Nitro Makassar, Indonesia</p> <p><b>Accuracy of Discrete Time Hazard Model With And Without Incorporating Macroeconomics Variable in Predicting Insolvency After Crisis: Evidence from Indonesian Regional Banks</b>  <b>Erie Febrian</b>          Universitas Padjadjaran, Indonesia</p> <p><b>Towards ASEAN Economic Community: Revitalizing Indonesia's Position in Financial and Customs Cooperation</b>  <b>Wempi Saputra, Ari Cahyo Trilaksana</b>          Center for Policy Analysis and Harmonization, Ministry of Finance, Indonesia</p> <p><b>Inflation and Inflation</b></p>	<p>PAR-1H: Spatial Model &amp; International Trade, Finance          Location: <a href="#">Room H</a></p> <p><b>Energy Pricing Policies in Indonesia: A Computable General Equilibrium Model</b>  <b>Djoni Hartono<sup>1</sup>, Tony Irawan<sup>2</sup>, Ahmad Komarulzaman<sup>3</sup></b>          1: Universitas Indonesia, Indonesia; 2: Bogor Agricultural University, Indonesia; 3: Universitas Padjadjaran, Indonesia</p> <p><b>Indonesia's moratorium on palm oil expansion from natural forest: Economy-wide impact and the role of international transfer</b>  <b>Mark Horridge<sup>2</sup>, Arief A. Yusuf<sup>1</sup>, Louise Roos<sup>2</sup>, Ahmad Komarulzaman<sup>1</sup>, Martin D. Siyaranamual<sup>1</sup>, Irlan A. Rum<sup>1</sup></b>          1: Universitas Padjadjaran, Indonesia; 2: Victoria University, Australia</p> <p><b>Trade Map and Competitiveness Analysis of the Indonesian Garment Products in International Market</b>  <b>Alla Asmara, Yeti Lis</b></p>	

	<p><b>Industries Industrial Intensity and Elasticity of Substitution in The Central Java Province</b></p> <p><b>Agung Riyardi, Bambang Setiaji</b> Faculty of Economics and Business, Muhammadiyah University of Surakarta, Indonesia</p>	<p><b>Sri Budiati<sup>1</sup>, Athia Yumna<sup>1</sup>, Nila Warda<sup>1</sup>, Robert Sparrow<sup>2</sup>, Asep Suryahadi<sup>1</sup>, Arjun Bedi<sup>3</sup></b> 1: SMERU Research Institute, Indonesia; 2: Crawford School of Public Policy, Australian National University; 3: International Institute of Social Studies, Erasmus University Rotterdam</p>	<p><b>Uncertainty: The Case of Indonesia</b></p> <p><b>Mochammad Firman Hidayat</b> Ministry of National Development Planning (BAPPENAS), Indonesia</p>	<p><b>Purnamadewi, Tanti Novianti, Anggi Meiri</b> Bogor Agricultural University, Indonesia</p>
		<p><b>Competitiveness Issues in Indonesia</b></p> <p><b>Haryo Aswicahyono<sup>1</sup>, Hal Hill<sup>2</sup>, Edimon Ginting<sup>3</sup>, Priasto Aji<sup>3</sup></b> 1: Centre for Strategic and International Studies (CSIS), Indonesia; 2: Australian National University, Australia; 3: Asian Development Bank (ADB), Indonesia</p>		<p><b>Social Responsibility Accounting: A Way to Sustainable Development (Case Study of PT. Semen Tonasa in South Sulawesi)</b></p> <p><b>Amiruddin Antong, Valentino Aris, Hijir Ismail</b> Hasanuddin University, Indonesia</p>
3:00pm - 3:15pm	Coffee Break			
3:15pm - 5:15pm	<p><b>PAR-2A: Housing, Education, Transportation and other Regional Infrastructures Issues</b> Location: <a href="#">Room A</a></p> <p><b>Municipal Bond as the Financing of MRT Jakarta Project</b> <b>Eko Nursurachman, Hadi Setiawan</b> Fiscal Policy Agency, Ministry of Finance, Indonesia</p> <p><b>The Use and Usefulness of BOS Program</b> <b>Vita Febriany, Nina Toyamah, Mayang Rizky</b> Lembaga Penelitian SMERU, Indonesia</p> <p><b>Top Gear Race: The Estimation of Society's Choice on Transportation Mode</b> <b>I Wayan Sukadana, Amrita Nugraheni Saraswati, I Gusti Ayu Putri Anggara Indraswari</b> Udayana University, Indonesia</p> <p><b>Public Housing Policy for Low-Income Communities in Indonesia</b> <b>Rita Helbra Tenrini</b> Fiscal Policy Office, Ministry</p>	<p><b>PAR-2B: Political Economy and Governance of Regional Development</b> Location: <a href="#">Room B</a></p> <p><b>Influence of Macroeconomic Indicators Against Poverty Rate In Moluccas Province</b> <b>Elsina Huberta Aponno, Zany Irayati Aunalal, William G. M. Louhenapessy</b> Hasanuddin University, Indonesia</p> <p><b>Creating Middle Class as Political Economy Choice</b> <b>Windhiarso P.A. Putranto<sup>1,3</sup>, Indra<sup>2,3</sup></b> 1: Central Bureau Statistics, Indonesia; 2: Bogor Agricultural University, Indonesia; 3: University of Indonesia, Indonesia</p> <p><b>Politically Driven Budget Cycle in Indonesia: Can the Voters be Influenced?</b> <b>Vid Adrison</b> LPEM FEUI, Indonesia</p> <p><b>Corporate Social Responsibility PT. Free Port Welfare of Community District</b></p>	<p><b>PAR-2C: Poverty, Inequality and Inter-regional Disparities</b> Location: <a href="#">Room C</a></p> <p><b>Regional Inequalities of Indicators of Employment and Wages in Indonesia</b> <b>Zulfan Tadjoeuddin</b> University of Western Sydney, Australia</p> <p><b>Analysis of Poverty Determinant in West Jawa Province</b> <b>Sartika Djamaluddin</b> Faculty of Economics, University of Indonesia, Indonesia</p> <p><b>Empowerment of Small Industrial Tempe for Poverty Reduction</b> <b>Rusdarti</b> Semarang State University, Indonesia</p> <p><b>Interregional Allocation of Capital with Spillover Effects in the Indonesia's Pre- and Post-Crisis Economy</b> <b>Mitsuhiko Kataoka</b> Chiba Keizai University, Japan</p>	<p><b>PAR-2D: Public Policy, Regional and Urban Planning and Regional Development</b> Location: <a href="#">Room D</a></p> <p><b>The Impact of Local Government Expenditure on Local Economic Growth in a Pre-Decentralization and Post-Decentralization Period; The Case on Subnational Governments in Indonesia</b> <b>Dewa Putu Ekayana</b> Fiscal Policy Office, Ministry of Finance, Indonesia</p> <p><b>What Drives Local Service Delivery Performance in Indonesia?</b> <b>Blane Lewis<sup>1</sup>, Neil Andrew McCulloch<sup>2</sup>, Audrey Sacks<sup>1</sup></b> 1: The World Bank, Indonesia; 2: Australian Embassy, Indonesia</p> <p><b>Implications of Inequality on Targeting Performance: Evidence from Decentralized and</b></p>

of Finance, Indonesia	<p><b>Mimika Papua Province</b>  <b>Syarifuddin Said, Musafir Yala, Normiyati -</b>          Hasanuddin University, Indonesia</p>		<p><b>Centralized Social Protection Programs in Indonesia</b>  <b>Armand Arief Sim, Radi Negara, Asep Suryahadi</b>          SMERU Research Institute, Indonesia</p> <hr/> <p><b>The Deconcentration of Small-Scale Industry in Jakarta Metropolitan Region</b>  <b>Zulqadri Ansar</b>          Bandung Institute of Technology, Indonesia</p>
<p>PAR-2E: Public Policy, Regional and Urban Planning and Regional Development          Location: <a href="#">Room E</a></p> <p><b>The Impact of Double Taxation for The Central and Local Taxes (Case Study of Restaurant and Hotel Tax)</b>  <b>Benny Gunawan Ardiansyah</b>          Fiscal Policy Office, Ministry of Finance, Indonesia</p> <hr/> <p><b>Intergovernmental Transfer and Income Redistribution: The Impact of General Purpose and Special Purpose Grant on Income Inequality and the Role of Public Participation on Local Governance</b>  <b>Martin Hasiholan Lumbantobing</b>          Ministry of Finance, Indonesia</p> <hr/> <p><b>Effective Transition to Climate Change Adaptation Through Capacity Building Enhancement in Indonesia: Learning from Developing Countries</b>  <b>Rahayu Yoseph-Paulus</b>          Regional Development Planning Agency (BAPPEDA) Kendary City, Indonesia</p> <hr/> <p><b>The Definition of Related Party in Taxation Cases in Indonesia</b>  <b>Muhammad Rifky Santoso</b></p>	<p>PAR-2F: Regional / International Trade, Finance and Inflation          Location: <a href="#">Room F</a></p> <p><b>The Relationship Between Technical Efficiency and Pricing in the Indonesian Banking Sector</b>  <b>Nury Effendi<sup>1</sup>, Rina Indiatuti<sup>2</sup>, Maman Setiawan<sup>3</sup></b>          1: Universitas Padjadjaran, Indonesia; 2: Universitas Padjadjaran, Indonesia; 3: Universitas Padjadjaran, Indonesia</p> <hr/> <p><b>Competitiveness Analysis and Indonesia Policy Strategies Towards ASEAN Economic Community 2015</b>  <b>Etty Soesilowati, Dyah Maya Nihayah, Deki Aji Suseno, Nurjannah Rahayu Kistanti</b>          Semarang State University, Indonesia</p> <hr/> <p><b>Economic Growth, Regional Revenue (PAD), and General Allocation Fund (DAU), of Allocation of Capital Expenditure</b>  <b>Darmawati Juanda<sup>1</sup>, Riny Jefri<sup>2</sup>, Ratna Sari<sup>1</sup></b>          1: Hasanuddin University, Indonesia; 2: Makassar State University, Indonesia</p> <hr/> <p><b>The Cooperative Banks and Rural Banks in Italy: A Model of Development Based on the Mutuality, Localism and Democracy</b></p>	<p>PAR-2G: Regional / International Trade, Finance and Inflation          Location: <a href="#">Room G</a></p> <p><b>An Econometric Assesment National and Provincial Inflation in Indonesia Under Inflation Targeting Framework (2005:07-2013:12)</b>  <b>Yoke Muelgini</b>          Fakultas Ekonomi dan Bisnis Universitas Lampung, Indonesia</p> <hr/> <p><b>A STUDY OF INDONESIA'S EXTERNAL ADJUSTMENS USING MONETARY APPROACH 2000-2012</b>  <b>Abdul Hamid Paddu</b>          Hasanuddi University, Indonesia</p> <hr/> <p><b>The Effects of Commodity Export Prices on The Exchange Rate Adjustment in Indonesia</b>  <b>Indraswati Tri Abdi Reviane</b>          Hasanuddin University, Indonesia</p> <hr/> <p><b>Comparative Advantage and Export Market Prices Integration of Indonesia and Malaysia</b>  <b>Ni Putu Wiwin Setyari</b>          Udayana University, Indonesia</p>	<p>PAR-2H: Urban, Agriculture and Rural Development          Location: <a href="#">Room H</a></p> <p><b>Three Models of Public Private Partnership in Agriculture Sector</b>  <b>Dominicus Savio Priyarsono, Eka Puspitawati</b>          Bogor Agricultural University, Indonesia</p> <hr/> <p><b>Viability of Organic Farming: Case Study of West Java province</b>  <b>Noknik K Herawati, Januarita Hendrani, Siwi Nugraheni</b>          Universitas Katolik Parahyangan, Indonesia</p> <hr/> <p><b>Institutional Arrangements of SRI (System of Rice Intensification) Method through Payments for Environmental Services to Increase Food Production and Urban Water Availability in Jatiluhur Irrigation Area</b>  <b>Luh Putu Suciati<sup>1</sup>, Bambang Juanda<sup>1</sup>, Akhmad Fauzi<sup>2</sup>, Ernan Rustiadi<sup>3</sup></b>          1: Regional &amp; Rural Development Planning Science, IPB, Indonesia; 2: Department of Resource and Environmental Economics, IPB, Indonesia; 3: Center for Regional System Analysis, Planning and Development</p>

# **The Relationship Between Technical Efficiency and Pricing in the Indonesian Banking Sector#**

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## **ABSTRACT**

Pricing in the banking sector can affect the Indonesian economy significantly, since the pricing is able to alter the economic decisions of both depositors who save the money and people who borrow the money. Conceptually, the pricing is related to banks' operation in which the banks transform the inputs into outputs.

This research investigates the effect of technical efficiency on the pricing in the Indonesian banking sector. The pricing is measured by the interest rate spread between the deposit and lending interest rate. It is hypothesized that the higher efficiency of the banks results in the less interest rate spread. This research uses the sample of banks listed in the Indonesian Stock Exchange Market during the period from 2002 until 2012. Technical efficiency is estimated using the data envelopment analysis (DEA) with bootstrapping approach. Regarding the role of bank, the technical efficiency is estimated using the intermediation approach in the DEA. The effect of technical efficiency on the banks' spread is estimated using panel data regression.

This research finds that the banks listed in the Indonesian Stock Exchange Market are relatively inefficient. The interest rate spread is relatively high during the period of estimation with the spread of 5.8%, on average. Furthermore, the technical efficiency affects the banks' spread negatively indicating the importance of the banking efficiency on the pricing.

**Keywords:** technical efficiency, interest rate spread, Indonesian banking sector, data envelopment analysis.

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