

## **BETTER INVESTMENT CHOICE IN CRISIS AND AFTER CRISIS: STOCK VERSUS GOLD**

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### *Abstract*

This research examines two types of investment in Indonesia, which are gold and stock, in two types of economic condition, inCrisis condition and after crisis condition. The purpose of this research is giving more information to investors about the better investment in crisis condition and better investment after crisis condition. In this study the factor are put into a model through statistical test as a normality test, stationarity test, analysis of variance, t-test, and hypothesis test to calculate the higher return between stock and gold in two different economic conditions. This research prove that in crisis condition gold as a better investment compared to stock and after crisis condition stock as a better investment compared to gold.

Keywords: Investment, Stock, Gold, Crisis

### **1. Introduction**

Better investment choices in crisis and after crisis condition, both of crisis and after crisis conditions are commonly impact the country no matter big country or small country which impact of the crisis can affect countries of economic condition. In crisis condition, investors usually move from the stock investment to the gold investment, for gold known as a “safe haven” for stock. Investor invest money to gain more profit, and tools to help the investor, known as technical analysis especially for predicting the stock price by observing the stock form the stock price history (Fransis, 1988).

BEI (Bursa Efek Indonesia) or IDX (Indonesian Stock Exchange) is the Indonesian stock center, IDX provide the regular updates for the investor, through digital media or printed media, to inform the investor about the current stock price in the market. In IDX Indices: LQ-45 (Liquid 45), JII (Jakarta Islamic Index), and KOMPAS 100, represent the overall stock performance in Indonesia Stock Exchange. Pure gold bar 24Carat as a good gold investment, and one of the most popular investment is the pure gold bar 24Carat, as a variety pure gold bar 100 grams, 500 grams, 1 Kilo. Gold as a hedge against the inflation, but gold have own inherent value that protect against the inflation. (Martin Feldstein, 2009). In crisis period, investor sees more value on gold when investors lose confidence of stock market (for stock market return in crisis is negative) (Lujia Wang, 2012).

Indonesia economic overview, the statement come from BI (Bank Indonesia) says: the fallout from the crisis began to take hold towards the end of 2008, in Q3/2008. Based on prior research about Indonesian crisis, Indonesia suffers the impact of crisis start from October 2008 until July 2009. (Ristanti A, 2012).

The problem offormulation, is stock a better investment in crisis period? Is gold a better investment in crisis period? Is stock a better investment after crisis period? Is gold a better

investment after crisis period? For the stock and gold performance is quite different (negative correlation), if the stock price decreasing in crisis condition, the gold price moving in higher level, but after the crisis condition, the stock price increasing and the gold price decreasing.

The purpose of this research, to give more evidence to the reader about stock and gold, how to decide the better investment choice in crisis and after crisis for this research also discover about how the stock performance in crisis and how the stock performance after crisis, also the pure gold bar. The researcher compares the gold in crisis and the gold after crisis.

## 2. Literature Review

Investment mean putting money into something with the expectation of gain that upon through analysis has a degree of security for the principal amount, as well as security system, within an expected period of time (Graham, 1951). Investment divided into two groups, first is real asset and the second one is marketable securities. Real asset means physical or tangible asset that have value, due to their substance and properties. Real asset include precious metals, commodities, real estate, agricultural land and oil. (Investopedia, Definition Real Asset, 2012).

Return means the gain of a security in a particular period; the return consists of the income and the capital gains relative on an investment. The general rules that is more risk, the greater of potential for higher return and loss. (Investopedia, Definition Return, 2012).

Risk means the probability of losing some or all of the original investments, the different version of risk are usually measured by calculating the standard deviation of the historical returns or average return of a specific investment, a higher standard deviation indicates a high degree of risk. (Investopedia, Definition Risk, 2012). Standard deviation is often used as a measure of the risk associated with price - fluctuations of a given asset (stock, bonds, etc.) or the risk portfolio of asset. The average squared difference between the actual return and the average return, standard deviation calculated by: (Gitman, 2009, p.236).

Drick G. Baur and Brian M. Lucey (2010) "Is gold a hedge or a safe haven?" found that Gold is a safe haven for stock. Graham Smith (2010) "The price of gold and stock price indices for the United States", found that the short run correlation between return on gold and stock in U.S. Market is a small and have a negative for some series. Mishra P.K (2010) "Gold price volatility and stock market return in India" found that during the period of global financial crisis, stock market crashed but gold price continuous to increase in the country. AM Al-Rjoub (2010) found that financial crisis impact the stock return. Andri Thomas (2011) "Analisis hubungan kausalitas antara return emas dengan return saham (IHSG)" found that gold has a negative correlation with stock (IHSG). Lujia Wang (2012) "Investment in gold; an empirical study of the gold return from 90s to 21<sup>st</sup>" found that the return of gold has a strong positive correlation with the change of the inflation rate. Abken (1980) "Study of gold price movement" found that U.S inflation rate and government.

### 2.1 Hypothesis

A prove from the previous research, about stock and gold in crisis, based on the theory gold as a hedge against crisis condition. The researcher argues that:

H<sub>1</sub>: There is expected gold as a better investment choice in crisis condition.

H<sub>2</sub>: There is expected stock as a better investment choice after crisis condition.

The previous research argues about the gold as a safe haven in crisis condition, but how the gold movement after the crisis condition? Is gold still the best investment choice after crisis condition?

### 3. Research Method

#### 3.1 Sample

Sample were taken from Indonesian Stock Exchange (IDX) represented stock by three stock indicates first LQ-45, JII (Jakarta Islamic Index) and KOMPAS 100, samples for gold category, researcher pick pure gold bar 24 carat. LQ-45 Index consist of 45 most liquid common stock listed on IDX that have been chosen and scrutinized the following criteria (1) the selection process started by selecting top 60 common stock with highest average transactions value in regular market for the last 12 months and many criteria. JII Index also known as Jakarta Islamic Index expected become a benchmark of the performance of stock that related to Islamic law. KOMPAS 100 index is a share index from 100 shares of a public company traded on Indonesia Stock Exchange. Gold is a chemical element with the symbol Au and atomic number of 79, Gold is dense, soft, shiny metal and the most malleable and ductile metal known.

#### 3.2 Data Collection

Data were collected from the secondary data, the data of stock prices and gold prices available in internet. Stock Index LQ45, JII, KOMPAS100 taken from (Yahoo! Finance) and GOLD price taken from (gold.org). Stock Index and gold price interval of daily and day by day movement *time series* model. Gold price from (gold.org) give the data of U.S. market (USD). Researcher converts the USD to IDR by adding USD to IDR foreign exchange currency taken from (oranda.com).

#### 3.3 Analysis Method

Prologue of the test in this research, first normality test to test the data in this research as a normal distributed data, after the data tested with normality test, stationarity test is needed in this research for stationarity test needed in time series model, third test is analysis of variance to test the different between group such as stock and gold, the last test is t-test to calculate the different between two sample, t-test used to compare the actual difference between two means in relation to the variation in the data. 3<sup>rd</sup> party software such as: Eviews can be used for this research to calculate the normality test and stationarity test, the other program SPSS can be used in this research to calculate the ANOVA and t-test. ANOVA and t-test show significant value if sig < 5% (0.005).

**Return** in this research calculated with:

$$R_t = \frac{P_t - P_{(t-1)}}{P_{(t-1)}}$$

R<sub>t</sub> = Return "Variable" during period t

P<sub>t</sub> = Price (Value) of "Variable" at time t

P<sub>(t-1)</sub> = Price (Value) of "Variable" at time t – 1

**ANOVA** (Analysis of Variance) a logarithmic transformation the data use tonon-parametric statistic:

$$Y_{ij} = \mu + \tau_i + \varepsilon_{ij}$$

$Y_{ij}$  = Return (Stock and Gold)

$\mu$  = Constant

$\tau$  = Finding in this research

$\varepsilon$  = Error

*t-test* formula:

$$I = \frac{(\bar{x}_1 + \bar{x}_2) + d_0}{S_p \sqrt{(1/n_1) + (1/n_2)}}$$

$\bar{x}_1$  = Average of return (Data 1)

$\bar{x}_2$  = Average of return (Data 2)

$d_0$  = Research Question

$S_p$  = Standard Differentiation

$n_1$  = Number of data (Data 1)

$n_2$  = Number of data (Data 2)

### 3.4 Hypothesis Test

Hypothesis (1)

“There is expected Gold as a better investment choice in crisis condition”

$$H_0: \bar{x}_{GOLD} \leq \bar{x}_{LQ45}, \bar{x}_{JII}, \bar{x}_{KOMPAS\ 100}$$

$$H_1: \bar{x}_{GOLD} > \bar{x}_{LQ45}, \bar{x}_{JII}, \bar{x}_{KOMPAS\ 100}$$

Hypothesis (2)

“There is expected Stock as a better investment choice after crisis condition”

$$H_0: \bar{x}_{GOLD} \geq \bar{x}_{LQ45}, \bar{x}_{JII}, \bar{x}_{KOMPAS\ 100}$$

$$H_1: \bar{x}_{GOLD} < \bar{x}_{LQ45}, \bar{x}_{JII}, \bar{x}_{KOMPAS\ 100}$$

Criteria  $H_0$  Not Rejected if Sig > 5%,  $H_0$  Rejected if Sig < 5%

$H_1$  = Hypothesis one “There is expected gold as a better investment in crisis condition”  $H_1$  accepted if the Gold mean bigger compared to stock LQ-45 or JII or KOMPAS 100

$H_2$  = Hypothesis two “There is expected stock as a better investment in after crisis condition”  $H_1$  accepted if the stock mean bigger compared to gold. LQ-45 > Gold, or JII > Gold, or KOMPAS 100 > Gold.

## 4. Result and Discussion

Number observation in this research were 350 observations, consist of 175 observations in *crisis* condition and 175 observations *after crisis* condition. Crisis period in this research start from October,06,2008 – July,31,2009 and after crisis period start from February,01,2010 – November,22,2010.

### 4.1 Statistical Inferential

#### 4.1.1 Normality Test

Table 1 show about the normality test in crisis period, using Jarque-Bera method shows the number of LQ45: 7.8905; JII: 66.54468; KOMPAS100: 122.6809; GOLD: 111.78. Adding the central limit theory by Gujarati, Central Limit Theorem can be shown by a large number ( $n > 30$ ) of independent and identically distributed random variables and then with little expectation, the distribution identically distributed of their sum tends to a normal distribution. (Gujarati, 1995).

Table 2 show about the normality test in after crisis period, using Jarque-Bera method shows the number of LQ45: 9.4729; JII: 1027.601; KOMPAS100: 730.988; GOLD: 635.6497. Adding the central limit theory by Gujarati, Central Limit Theorem can be shown by a large number ( $n > 30$ ) of independent and identically distributed random variables and then with little expectation, the distribution identically distributed of their sum tends to a normal distribution. (Gujarati, 1995).

#### 4.1.2 Stationarity Test

**Table 1. Stationarity Test**

Stationarity Test	LQ45	JII	KOMPAS100	GOLD
Augmented Dickey	-11.44717	-11.81485	-11.3491	-12.32262
Fuller - t-stat	<b>0.0000</b>	<b>0.0000</b>	<b>0.0000</b>	<b>0.0000</b>

Table 3 show the result of Unit root test, Augmented Dickey Fuller, in crisis period, shows the number 0.000 for LQ45, 0.000 for JII, 0.000 for KOMPAS 100, and 0.000 for GOLD. As the result the data of LQ45, JII, KOMPAS 100 and GOLD in crisis condition as stationer. Stationarity test needed for time series data.

**Table 2. Stationarity Test**

Stationarity Test	LQ45	JII	KOMPAS100	GOLD
Augmented Dickey	-13.07049	-12.84939	-13.20119	-13.42669
Fuller - t-stat	<b>0.0000</b>	<b>0.0000</b>	<b>0.0000</b>	<b>0.0000</b>

Table 4 shows the result of Unit root test, Augmented Dickey Fuller, in after crisis period, shows the number 0.000 for LQ45, 0.000 for JII, 0.000 for KOMPAS 100, and 0.000 for GOLD. As the result the data of which is in crisis condition as stationer. Stationarity test needed for time series model data.

#### 4.1.3 Analysis of Variance

**Table 3. Analysis of Variance**

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.005	3	.002	2.811	<b>.039</b>
Within Groups	.372	696	.001		
Total	.376	699			

Table 4 shows about the analysis of variance in crisis condition show the sig value 0.039, means the significant value between groups. Sig value if (Sig < 0.05). In crisis condition there is different values between group of Gold and group of Stock.

**Table 4. Analysis of Variance**

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.002	3	.001	5.511	<b>.001</b>
Within Groups	.094	696	.000		
Total	.097	699			

Table 5 shows about the analysis of variance in after crisis conditioning show the sig value 0.001, means the significant value between groups. Sig value if (Sig < 0.05). In after crisis conditioning there are different values between groups of Gold and group of Stock.

#### 4.1.4 t-test

**Table 5. t-test**

	Mean	t	Sig.
Pair 1 GOLD-LQ45	0.00627691	2.420	<b>0.017</b>
Pair 2 GOLD-JII	0.00519691	2.060	<b>0.041</b>
Pair 3 GOLD-KOMPAS100	0.00583086	2.331	<b>0.210</b>

t-test in this research in crisis condition, show the data of t-test Paired Sample Test, Sig2 (2-tailed), between Gold - LQ45: 0.017, Gold-JII: 0.041, Gold-KOMPAS100: 0.021, so the data are significant, (Value < 0.05 means significant). (Source: Appendix 1; t-test in crisis condition).

**Table 6. t-test**

	Mean	t	Sig.
Pair 1 GOLD-LQ45	-0.0041866	-3.742	<b>0.000</b>
Pair 2 GOLD-JII	-0.0038481	-3.253	<b>0.001</b>
Pair 3 GOLD-KOMPAS100	-0.0043063	-3.919	<b>0.000</b>

t-test in after crisis conditioning, show the data of t-test Paired Sample Test, Sig2 (2-tailed), between Gold - LQ45: 0.000, Gold-JII: 0.001, Gold-KOMPAS100: 0.000, the data are significant, (Value < 0.05 means significant). (Source: Appendix 2; t-test in after crisis condition).

#### 4.2 Descriptive Statistic

**Table 7. Descriptive Statistic**

	GOLD	JII	KOMPAS_100	LQ_45
<b>N</b>	175	175	175	175
<b>Mean</b>	0.0029	-0.002291	-0.002986	-0.0034
<b>Median</b>	0.0016	-0.001532	-0.00112	-0.001
<b>Maximum</b>	0.083	0.045632	0.042975	0.0447
<b>Minimum</b>	-0.0584	-0.102824	-0.111637	-0.1186
<b>Std. Dev.</b>	0.0239	0.022382	0.022326	0.0238

<b>Skewness</b>	0.3379	-0.8816	-1.208216	-1.1755
<b>Jarque-Bera</b>	<b>7.8905</b>	<b>66.54468</b>	<b>122.6809</b>	<b>111.78</b>

Table 1 show, descriptive statistic for variable used in this research. Gold variable has median 0.0029, JII has median -0.002291, KOMPAS100 has median -0.002986, and LQ45 has median -0.0034. Table 1 show the condition of crisis period. Gold return has the bigger value in skewness compared with other variable in crisis condition.

**Table 8. Descriptive Statistic**

	<b>GOLD</b>	<b>JII</b>	<b>KOMPAS_100</b>	<b>LQ_45</b>
<b>N</b>	175	175	175	175
<b>Mean</b>	-0.000464	0.003384	0.003842	0.003722
<b>Median</b>	-0.000158	0.001755	0.002881	0.002967
<b>Maximum</b>	0.01393	0.091492	0.079295	0.079508
<b>Minimum</b>	-0.028162	-0.02077	-0.021846	-0.018851
<b>Std. Dev.</b>	0.008647	0.013167	0.011952	0.012295
<b>Skewness</b>	-0.569696	2.137184	1.978344	1.937834
<b>Jarque-Bera</b>	<b>9.472986</b>	<b>1027.601</b>	<b>730.988</b>	<b>635.6497</b>

Table 2 show, descriptive statistic for variable used in this research. Gold variable has median -0.000464, JII has median 0.003384, KOMPAS100 has median 0.003842, and LQ45 has median 0.003722. Table 1 shows the condition of crisis period. KOMPAS 100 return has the bigger value in skewness compared with other variable in after crisis conditioning.

### 4.3 Hypothesis Summary

**Table 9. Hypothesis Summary**

<b>Economic Condition</b>	<b>Hypothesis</b>	<b>Alfa = 5%</b>	<b>Level of Significant</b>
<b><i>Crisis</i></b>	<b><i>Gold as a better investment in crisis condition compared</i></b>		
	GOLD-LQ45	H <sub>1</sub> : Not Rejected	0.017**
	GOLD-JII	H <sub>1</sub> : Not Rejected	0.041**
	GOLD-KOMPAS100	H <sub>1</sub> : Not Rejected	0.021**
<b><i>After Crisis</i></b>	<b><i>Stock as a better investment after crisis condition compared</i></b>		
	GOLD-LQ45	H <sub>1</sub> : Not Rejected	0.000***
	GOLD-JII	H <sub>1</sub> : Not Rejected	0.001***
	GOLD-KOMPAS100	H <sub>1</sub> : Not Rejected	0.000***

Level of Significant:

1% = \*\*\*

5% = \*\*  
10% = \*

#### 4.4 Conclusion

According to the result, first gold as a better investment choice in crisis condition, based on the research of return base on daily of stock (LQ-45, JII, KOMPAS 100) and world pure gold price 24 carat, the period from October, 06, 2008 until July, 27, 2009. Each of variable (LQ-45, JII, KOMPAS 100, GOLD) researcher use 700 samples, LQ-45: 175 samples, JII: 175 samples, KOMPAS 100: 175 samples, GOLD: 175 samples. In this research, researcher used Analysis of Variance (ANOVA), t-test (paired-sample t-test), stationrarity test using Augmented Dicky Fuller method, and normality test using Jarque-Bera test.

Normality test shows that the data of LQ-45, JII, KOMPAS 100, GOLD in crisis period from October, 06, 2008 until July, 27, 2009, about 700 samples total, shows for each LQ-45, JII, KOMPAS 100, GOLD is not normally distributed data, and the researcher used the Central Limit Theorem to normalize the data distribution, and the result of the data normally distributed. Therresult from ANOVA test in crisis period show the mean of return stock (LQ-45, JII, KOMPAS 100), show the negative value, and gold return in crisis period show the positive value, ANOVA test sig show 0.039 = significant. t-test, paired sample test sig (2-tailed) show the number between GOLD-LQ45: 0.017, GOLD-JII: 0.41, GOLD-KOMPAS100: 0.21, the value < 0.05 = significant. And the result proves gold as a better investment in crisis condition compared to the stock (LQ-45, JII, KOMPAS 100). As a result form  $H_1$ : not rejected.

Second conclusion stock ( LQ-45, JII, KOMPAS 100 ) as a better investment choice in after crisis condition, based on the research of return base on daily of stock (LQ-45, JII, KOMPAS 100) and world pure gold price 24 carat, the period from February, 01, 2010 until November, 22, 2010. Each of variables (LQ-45, JII, KOMPAS 100, GOLD) researcher used 700 samples, LQ-45: 175 samples, JII: 175 samples, KOMPAS 100: 175 samples, GOLD: 175 samples. In this research, the researcher use Analysis of Variance (ANOVA), t-test (paired-samples t-test), stationrarity test using Augmented Dicky Fuller method, and normality test using Jarque-Bera test.

Normality test shows that the data of LQ-45, JII, KOMPAS 100, GOLD in crisis period from February, 01, 2010 until November, 22, 2010, about 700 samples total, shows foreach LQ-45, JII, KOMPAS 100, GOLD is not normally distributed data, and the researcher use the Central Limit Theorem to normalize the data distribution, and the result of the data normally distributed. The result from ANOVA test after crisis period show the mean of return stock (LQ-45, JII, KOMPAS 100) show the positive value, and gold return after crisis period show the negative value, ANOVA test sig show 0.001 = significant. t-test, paired samples test sig (2-tailed) show the number between GOLD-LQ45: 0.000, GOLD-JII: 0.001, GOLD-KOMPAS100: 0.000, the value < 0.05 = significant. So the result proves stock (LQ-45, JII, KOMPAS 100, GOLD) as a better investment after crisis conditioning compared for gold investment. as a result from  $H_1$ :not rejected.

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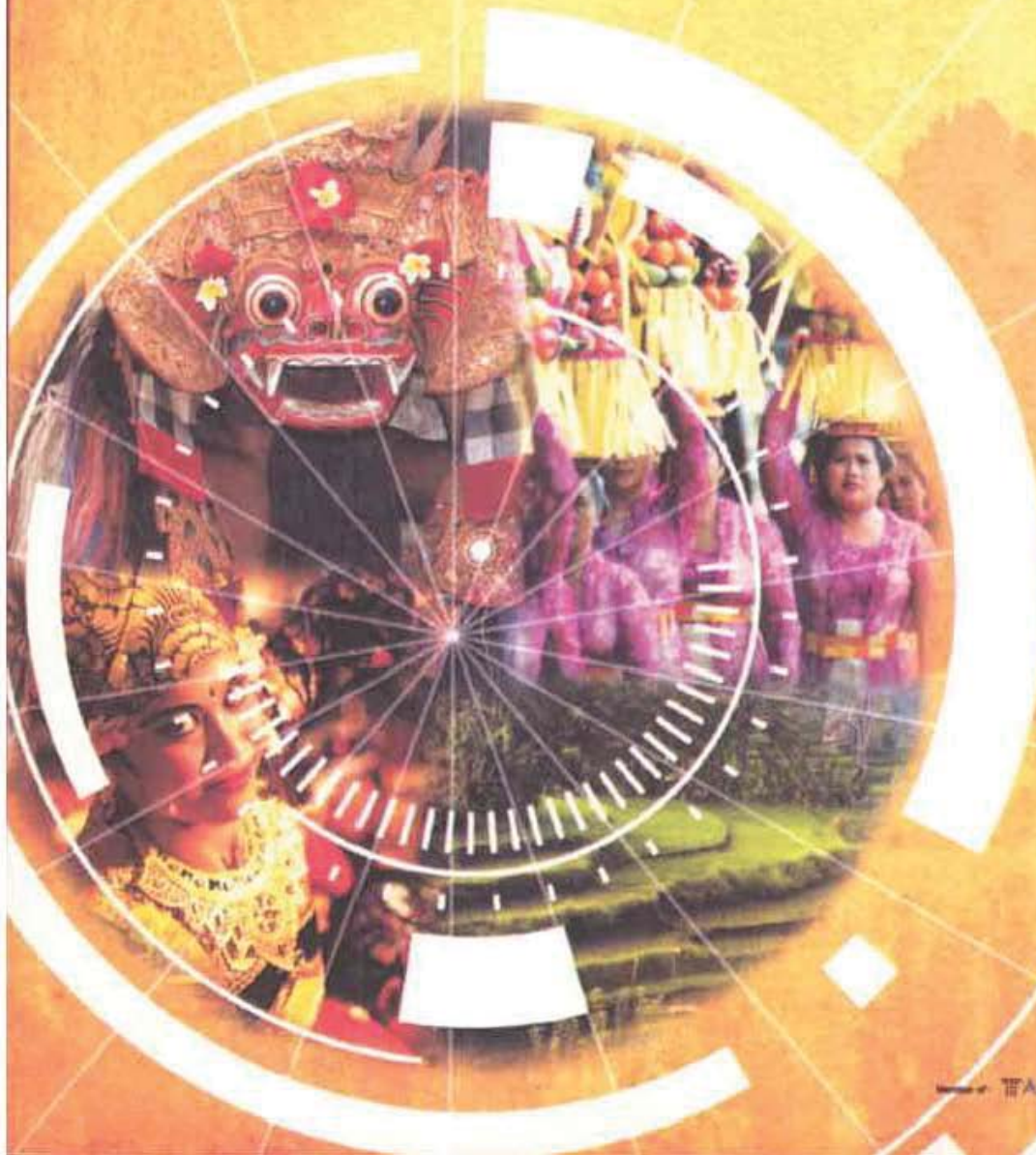
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# CHALLENGES AND OPPORTUNITIES OF THE LEADING EDGE IN WORLD CLASS SUPPLY CHAIN MANAGEMENT



PROCEEDING

THE 10<sup>th</sup> INTERNATIONAL ANNUAL SYMPOSIUM  
ON MANAGEMENT

**CHALLENGES AND  
OPPORTUNITIES OF THE  
LEADING EDGE IN WORLD CLASS  
SUPPLY CHAIN MANAGEMENT**

Bali, March 16<sup>th</sup>, 2013

Department Of Management  
Faculty of Business and Economics  
Universitas Surbaya

## **Proceeding**

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## FOREWORD

This proceeding is a compilation of papers submitted for **The 10<sup>th</sup> International Annual Symposium on Management** (Insyma) conducted by the Department of Management, Faculty of Business and Economics, Universitas Surabaya. This year's theme of the symposium is **Challenges and Opportunities of the Leading Edge in World Class Supply Chain Management**.

In this opportunity, we would like to share our grateful to the institutions (National and abroad) who send their lecturer or researcher to our symposium. This symposium is to provide a sharing forum for researcher, academics, and practitioners engaged in basic and applied research in Supply Chain Management. This theme represents an emerging and highly challenging and opportunities area of research and practice. One of the most significant paradigm shifts of modern business management is that individual business no longer compete as solely autonomous entities, but rather as supply chains. Business management has entered the era of internetwork competition. In this emerging competitive environment, the ultimate success of the single business will depend on management's ability to integrate the company's intricate network of business relationships. The supply chain is not a chain of businesses with one-to-one, business-to-business relationships, but a network of multiple business and relationships. SCM deals with total business process excellence and represents a new way of managing the business and relationships with other members of the supply chain. Successful supply chain Management requires cross-functional integration must play a critical role. The challenge is to determine how to successfully accomplish this integration.

This symposium aims to bring together different points of view from academics, business practitioners, government agencies, and international institutions with the ultimate goal to share and disseminate various ideas and practices in Supply Chain Management.

Finally, we hope that this compilation of papers, ranging from a conceptual work to an empirical research, can enrich our perspective in supply chain management and its application in creating higher level of competitiveness.

Bali, March 16<sup>th</sup> , 2013

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