Sustainability of Business Tendency Index: Case Study in 2015-2019

Siti Marti'ah[1], Berta Dian Theodora[2]

[1]Universitas Indraprasta PGRI
Jl. Nangka Raya No.58, Jakarta, Indonesia

[2]Universitas Indraprasta PGRI
Jl. Nangka Raya No.58, Jakarta, Indonesia

Abstract
The business world needs information related to the development of business activities and information with early indicators provided by BPS including the Business Tendency Index (Indeks Tendensi Bisnis/ ITB) and Consumer Tendency Index (Indeks Tendensi Konsumen/ITK) which are available in the short term (quarterly). This research is a quantitative approach using secondary data accessed from the Indonesian Central Bureau of Statistics (BPS). The research data sample is the business tendency index for a period of 5 years, namely 2015-2019 with quarterly data. Researchers use descriptive statistical analysis to describe the data. The existence of ITB helps to see development trends throughout the year and assess the patterns that are formed, the increase and decrease in the value of the index is seen to follow seasonal factors, especially in the agriculture, fishery, livestock sector and there are sectors that experience increases every year including the financial sector, real estate and corporate services.

Keywords: Sustainability, Business, Tendency Index

1. Introduction
The business world, the central government and local governments need information about economic conditions in order to plan product supply and investment needs for the business world as well as development plans for the government. The Statistics Indonesia (BPS) provides various information with various indicators, including index of leading indicators and prompt indicators and so on. The business world needs information related to the development of business activities and information with early indicators provided by BPS including the Business Tendency Index (Indeks Tendensi Bisnis/ ITB) and Consumer Tendency Index (Indeks Tendensi Konsumen/ITK) which are available in the short term (quarterly). ITB will assist the business world in forecasting business and consumer conditions in the coming months. Research cannot collect data during a pandemic, the pattern formed will be different considering that the government has issued regulations restricting economic activity. The aim of this research is to discuss the sustainability of the Business Tendency Index (ITB) before the pandemic. Research result can help the business world to understand business patterns of Indonesians.

BPS calculates the Business Tendency Index by conducting a Business Tendency Survey (Survei

Tendensi Bisnis/ STB) and serves as an indicator in providing information related to business and economic conditions in the short term (quarterly). STB is a survey on the development of the ongoing business for three months and will be compared with the business in the previous three months and takes into account the prospects for the next three months. The business tendency index (ITB) consists of the Current Indicator Index and the Future indicator index. The variables used when determining ITB, precisely the current indicator index (Indeks Indikator Kini/ IIK), are business income, use of production capacity and average working hours. The variables used in determining the future indicator index (Indeks Indikator Mendatang/ IIM) are orders from within the country, orders from abroad, current selling prices and orders for input goods.

2. Method
This research is a numerical data or quantitative approach with data collection using secondary data methods. The data is sourced from the result of publications conducted by the Indonesian Central Bureau of Statistics (BPS). This research uses descriptive statistics, namely statistics used to analyze data by describing the data that has been collected. The data collected applies to the public or generalizations.

This research uses business tendency index data in Indonesia and the sample research data is the business tendency index for 2015-2019 or within a periode of 5 years. The business tendency index data published by BPS is quarterly data based on business sector field so that the total research data is 340 samples. Researchers used descriptive statistical analysis to describe the data using mean calculations and changes and given an explanation.

3. Result
3.1 Change in The Calculation of Business Tendency Index
The calculation of business tendencies has changed since the calculation was carried out by BPS. Changes to the business tendency index calculated using the Business Tendency Survey (STB) have changed 5 times: (BPS.2020)
   a. The 1995-1998 period was collected every 4 months, which means 3 rounds were carried out within one year of calculation. The STB was carried out for the manufacturing sector in Jabodetabek with an estimated sample of 100 businesses
   b. Period 1999 – tw. I-2002 is collected every 3 months which means 4 rounds are carried out within one year of calculation. STB is carried out for all sectors (except Agriculture, Forestry and Fisheries) with the middle to upper business category in the Jabodetabek area
   c. During the 2002-2003 period changes in the expansion of business scope, the sample became around 1,100 companies in the Greater Jakarta area and big cities in Indonesian provinces
   d. The 2003-2014 period changed the number of samples to around 2,000-2,500 companies covering nine sectors or business fields. Sample areas are located throughout Indonesia with the assistance of Bank Indonesia through its representative offices and the Provincial BPS
   e. In 2015-2019 the coverage of STB reached a sample of 10,000 companies for all provinces in Indonesia or around 2,500 per quarte.

3.2 Business Tendency Index Calculation Method

In 2019 the Business Tendency Survey (STB) was carried out in 34 provinces and carried out quarterly, namely in March, June, September and December. The distribution of the sample companies is divided into 17 categories of business fields with the samples used sourced from the directory of medium and large companies as a result of the 2016 Economic Census and the grouping of samples for each province takes into account the economic contribution of each province (GRDP) to the national economy (GDP).

The business field categories (especially for medium and large companies) consist of seventeen (17) business field categories, namely:

1). Category A consists of Agriculture, Forestry and Fisheries
2). Category B consists of Mining and Quarrying
3). Category C consists of Processing Industry
4). Category D consists of Electricity and Gas Procurement
5). Category E consists of Water Supply
6). Category F consists of Construction
7). Category G consists of Wholesale and Retail Trade, Car and Motorcycle Repair and Maintenance
8). Category H consists of Transportation and Warehousing
9). Category I consists of Provision of Accommodation and Food and Drink
10). Category J consists of Information and Communication
11). Category K consists of Financial Services and Insurance
12). Category L consists of Real Estate
13). Categories M and N consist of Corporate Services
14). Category O consists of Government Administration, Defense and Compulsory Social Security
15). Category P consists of Education Services
16). Category Q consists of Health Services and Social Activities
17). Categories R and S consist of Other Service Activities.

The Business Tendency Index is a composite index which is a weighted average of several component indexes. ITB is measured by two approaches, namely Current Indicator Index (Current ITB) and Future Indicator Index (Upcoming ITB). ITB Now describes business conditions in the current quarter. Meanwhile, Upcoming ITB describes predictions of business conditions in the coming quarter. ITB data is presented in the form of Current ITB and Future ITB. Apart from the national level, Current and Future ITB are also presented for each category of business field.

Calculation of Current ITB and Future ITB use the following formula:

$$IIK_i \text{ or } IIM_i = \frac{\sum(w_j x Iv_j)}{\sum w_j}$$

explanation:

IIK_i : the current indicator index category-i

IIM_i : future indicator index category-i

Iv_j : the index value of the jth variable
j : variables forming IIK or IIM
i : category of business field-i
w_j : weighting the jth variable

4. Discussion

One of the causes of the economic slowdown in 2015 on the production side was the delay in the planting period, the decline in crude oil and coal production. Meanwhile, on the demand side, there is a setback in construction realisation due to slowing infrastructure spending. The expenditure side was affected by the slowdown in household consumption and slowing government consumption, especially in capital expenditures, especially in the infrastructure sector. If viewed based on business fields, in quarter 1-2015 there was a decrease in 10 business fields and an increase in 7 business fields. Changes were felt in the second quarter of 2015 when there was an increase in 16 business fields and only one business sector experienced a decline, until at the end of the third quarter of 2015 businessman were more optimistic as seen from the ITB figure increasing to 106.04. The year 2015 ended with the condition of ITB declining at 103.72 with 6 business fields experiencing a decrease.
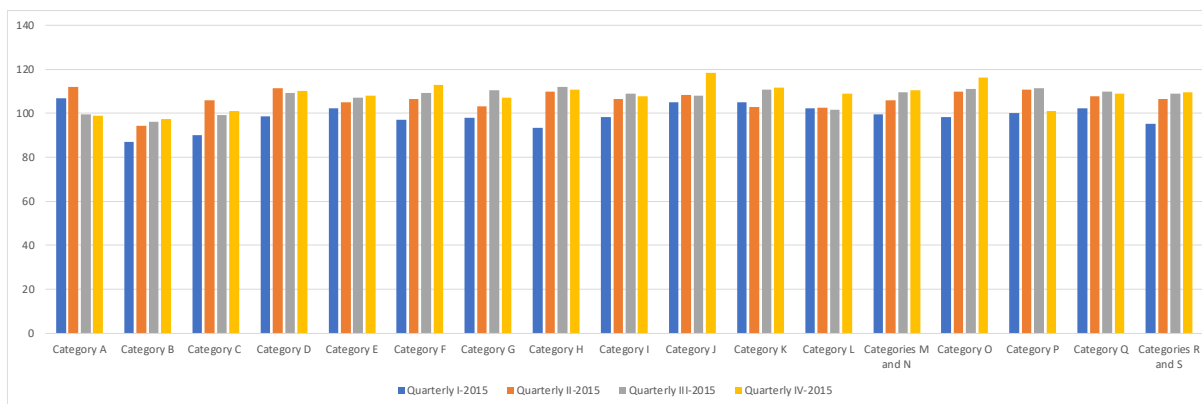

Figure 1. Quarterly ITB by Sector/ Field of business in 2015

However, optimism was maintained, triggered by the issuance of the economic policy package volume 1-2015 on 9 September 2015 which contained increasing industrial competitiveness, accelerating national strategic projects and encouraging investment in the property sector. Then it continued with the economic policy package II-2015 on 29 September 2015 which focused on trimming licensing procedures in the business world in order to attract investors to invest. The economic policy package III-2015 was issued with contents focused on reducing tariffs (price) and simplifying hold permit procedures.
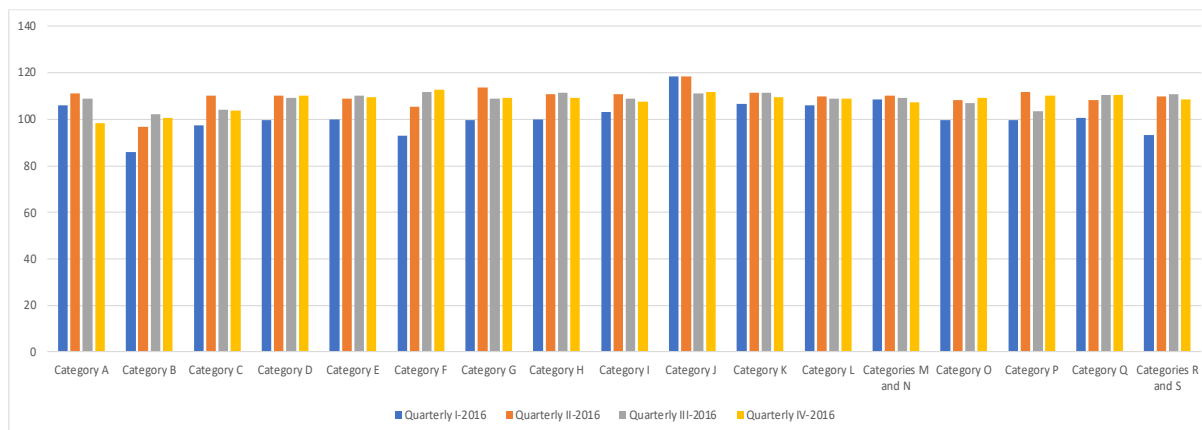
Figure 2. Quarterly ITB by Sector/ Field of business in 2016

At the beginning of 2016, businessmen felt stagnant in the economic sector, as seen in the first quarter of 2016 the ITB number was at 102.89, an increase of only 0.12 from the fourth quarter of 2015. The increase began to occur in the second quarter of 2016 where there was an increase in almost all business fields except mining and quarrying. Business conditions in the third quarter of 2016 improved but the optimism of entrepreneurs was lower than the previous quarter, this was triggered by spending cuts in the remainder of the 2016 budget period. This decline in optimism was seen in the ITB figure in the fourth quarter of 2016 where the index number fell from the previous 108, 22 to 105.18 nationally.
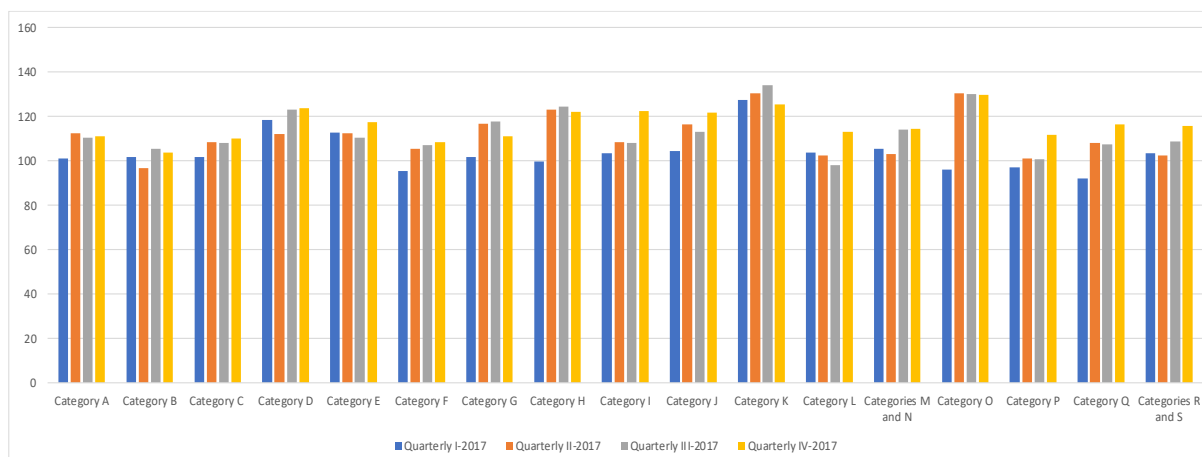

Figure 3. Quarterly ITB by Sector/ Field of business in 2017

The year 2017 had a higher level of quarterly optimism when compared to 2015 and 2016. Business conditions in the first quarter of 2017 experienced improvement compared to the conditions in the first quarter of 2016, and this condition continued in the second quarter of 2017. Increases occurred in almost all business fields except mining and quarrying, similar conditions also occurred in 2016. Business conditions and entrepreneur optimism continued to improve, as evidenced in the third quarter of 2017 there was another increase in almost all business fields except real estate which experienced a decline. The year 2017 was closed with the condition of

the business index experiencing a decline where ITB in the fourth quarter of 2017 was at 109.7 with 5 business fields experiencing a decrease in index.
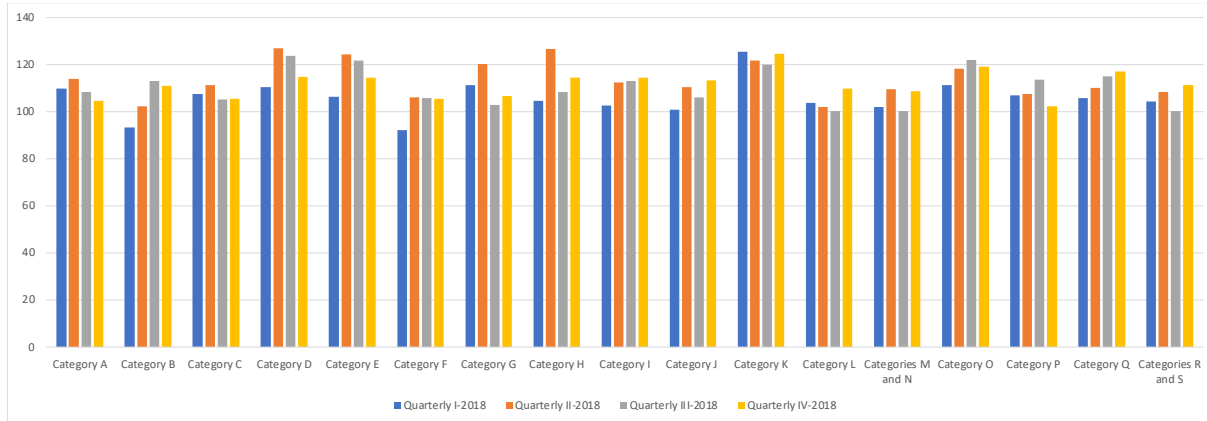

Figure 4. Quarterly ITB by Sector/ Field of business in 2018

Enterpreneurs optimism for 2018 has increased compared to the previous year, although the ITB figure for the first quarter of 2018 has decreased from the previous quarter, namely at 106.28. Optimistic conditions continued in the second quarter of 2018 as evidenced by the improvement in business conditions in 15 business fields. Conditions in quarter III-2018 showed the optimism of entrepreneurs which had begun to decline as seen in the decline in ITB rates in 12 business fields. The year 2018 was closed with low business optimism given the stagnant conditions and decline in ITB in 8 business fields and nationally the ITB figure was at 106.45, which was down from the conditions in quarter IV-2017.
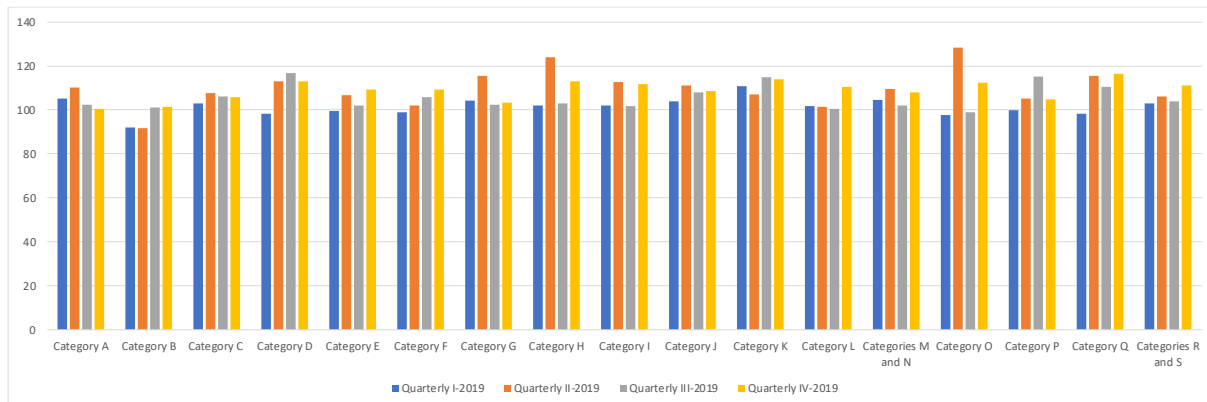

Figure 5. Quarterly ITB by Sector/ Field of business in 2019

The Year 2019 was illustrated by relatively lower business conditions and optimism when compared to conditions in 2018. The level of optimism in the first quarter of 2019 decreased compared to the previous quarter as seen from the ITB figure of 102.1, lower than the ITB in the previous quarter. However, there was an increase in optimism and business conditions when entering the second quarter of 2019. This was seen by an increase in the ITB rate in 15 business fields compared to the previous quarter. Entering the third quarter of 2019 there was another decline in the optimism of business actors, it was seen that 13 business fields experienced a

decrease in ITB from the second quarter of 2019. Business conditions and optimism at the end of 2019 were relatively low with an ITB rate of 104.79 which was lower than the previous quarter and quarter IV-2018 (y-o-y).

Conclusion

The results of research on the business tendency index which describes the economic conditions of a country/region are urgently needed by the government and the business world. When the government uses this information it will assist in development planning, while the business world can consider plans to invest or expand the market in accordance with business and consumer conditions in each region. At certain times of the year, information is obtained about the changes that have occurred so that various parties can take the necessary steps to anticipate the situation so as not to cause losses during one year of activity

References

Badan Pusat Statistik. 2015. Indeks Tendensi Bisnis dan Indeks Tendensi Konsumen. Jakarta: BPS

Badan Pusat Statistik. 2016. Berita Resmi Statistik. Jakarta: BPS.

Badan Pusat Statistik. 2016. Indeks Tendensi Bisnis dan Indeks Tendensi Konsumen. Jakarta: BPS

Badan Pusat Statistik. 2016. Laporan Perekonomian Indonesia 2016. Jakarta : BPS

Badan Pusat Statistik. 2017. Indeks Tendensi Bisnis dan Indeks Tendensi Konsumen. Jakarta: BPS

Badan Pusat Statistik. 2018. Indeks Tendensi Bisnis dan Indeks Tendensi. Jakarta: BPS

Badan Pusat Statistik. 2019. Indeks Tendensi Bisnis dan Indeks Tendensi Konsumen. Jakarta: BPS

International Monetary Fund (IMF). 2017. World Economic Outlook: Global Manufacturing Downturn, Rising Trade Barriers. Washington, DC : IMF

International Monetary Fund (IMF). 2018. World Economic Outlook: Global Manufacturing Downturn, Rising Trade Barriers. Washington, DC : IMF

International Monetary Fund (IMF). 2019. World Economic Outlook: Global Manufacturing Downturn, Rising Trade Barriers. Washington, DC : IMF

International Monetary Fund. (IMF). 2016. World Economic Outlook October 2016. IMF Publication Services. Washington, USA.

Soegiri, Hari. 2009. Prospek Indeks Tendensi Bisnis Jawa Timur. Jurnal Riset Ekonomi dan Bisnis Vol.09 No.2

Yuslin, H. 2022. Determinan Indeks Keyakinan Konsumen Terhadap Kondisi Perekonomian Indonesia. IEB Journal Vol. 4 No.1 Tahun 2022