POTENTIAL IMPACTS OF REDENOMINATION: A BUSINESS PERSPECTIVE

Bulan Prabawani♣
Diponegoro University

ABSTRACT

Redenomination discourse has been prominent in Indonesia recently. However, it takes "guts" of the Indonesian government to implement. Redenomination potentially strengthens exchange rate and reveals real economic conditions, but it also leads to hyperinflation. Addressing this issue, this study surveyed 161 business people (the owners and managers) in Indonesia from a variety of industries of various scales in order to explore potential impacts of redenomination from a business perspective. A six-scale measure was used in the questionnaire to avoid the central tendency. This study indicates that a strong comprehension of the redenomination policy appears to be a major success factor of redenomination in Indonesia, with business readiness being an intervening variable. An understanding of redenomination significantly affects business readiness to survive with redenomination. Furthermore, the business readiness significantly affects perceived macro and micro impacts of redenomination. At the macro economy level, business people assess that the Indonesian economy would be better in terms of price and exchange rate. At the level of the micro economy, business people assess that redenomination facilitates simpler recording of financial transactions and encourages more dynamic business and increased productivity.

Keywords: Redenomination; Potential Impacts; Business Perspective.

1. INTRODUCTION

Research on redenomination has been carried out using both positivistic and phenomenological approaches and involved various different countries, such as Romania and Turkey (Ioana, 2009), Ghana (Dzokoto et al., 2010), Italy, France, Spain, and Germany (De Santis, 2015). In Indonesia, research on redenomination has been conducted by Lianto and Suryaputra (2012), Purwana et al. (2012), Pambudi et al. (2014), and Prabawani and Prihatini (2014). However, research on redenomination in Indonesia typically focused on the individual perspective; e.g. Lianto & Suryaputra (2012) and Purwana et al. (2012). The sample sizes were also relatively small. For example, Lianto and Suryaputra (2012) only involved 100 people who understand the redenomination program. Purwana et al. (2012) analysed 90 middle-lower income people in Jakarta. Other works have primarily approached it from the perspective of macro economy, for example, Ozdemir (2008), Ioana (2009), and Pambudi et al. (2014). Thus, there is still a lack of research that provides a model explaining relationships among different variables related to redenomination from business views. Therefore, this study explores the potential impact of redenomination from a business perspective, involving 161 companies; varies

---
♣Corresponding author: Department of Business Administration, Social and Political Sciences Faculty of Diponegoro University, Jl. Prof. Soedarto, SH Tembalang, Semarang 50275, Indonesia. Email: bulan@undip.ac.id

from small to large sized firms. The firms vary from non-financial service sector to food processing and mining. In addition, the study involves parameters which are not merely macro parameters, but also micro parameters, such as business growth and readiness.
This research explores potential impacts of redenomination from the viewpoint of Indonesian business people, which is important for policy implementation, as business actors have a significant influence on enforcing the economic and political stability. This is an exploratory study which the result will propose models that highlight potential impacts of redenomination. The first model reveals the potential impact of stability on the economic and business condition. The second model describes the impact of the economic and business condition, also business actors' comprehension towards Indonesian macro economy and micro economy of the firms, with business readiness as the intervening variable. The models are essential for the especially Indonesian government to create proper approach and policy to avoid the potential negative impact of redenomination.

2.   LITERATURE REVIEW

Several studies have been conducted in relation to redenomination. Mosley (2005) mentioned that inflation is the main consideration in making a policy on redenomination, after examined the economic condition of redenomination in several countries. Other considerations have included politics and political structure, timing frame, government's ideology and social heterogeneity. Using 33 countries including Indonesia as samples, Ozdemir (2008) found that a country's credibility influences currency crisis and a country with high corruption index also have higher volatility to a crisis. Similar to Mosley (2005), Ioana (2009) found that, in Romania and Turkey, redenomination is important in providing psychological influence both nationally and internationally. In the long and short terms, redenomination is essential to be a reformation medium and an economic restructuration. Ioana (2009) added that the right time for redenomination is when inflation has a negative trend and under controlled. In contrast, if these prerequisites were not met, redenomination policy would be futile and risky. At the research, Ioana (2009) used indicators of consumer price index, purchasing power, currency rate, and weighted average expense of deposit to measure economic stability. In Turkey, consumer and business confidence are also important factors to consider.

Previous studies tend to only use macro economy indicators as parameters that affect the success of redenomination. Meanwhile, the Indonesian people are heterogeneous and disperse across the country. These will make Indonesia be more vulnerable and there would be disinformation potency. This, in turn, will be an essential factor affecting the redenomination success, which will ultimately affect the macro parameters as well, they are economic growth and inflation (Prabawani & Prihatini, 2014). The people's spending behaviour potentially influences inflation. Raghubir and Srivastava (2009) explained that spending would be smaller when the currency denomination is large, compared to the smaller denomination. People have more consideration while spending their large nominal money, which is called the "denomination effect." Moreover, people use a large nominal as self-control in spending. Hence, nominal is a psychological matter that has a role in spending decision. Dzokoto et al. (2010) examined redenomination effect in Ghana, an emerging country in Africa. The result shows that redenomination has an implication on self-worth determination, price increase, behavioural change, and generosity. Money

illusion has occurred in Ghana, causing prices of products and services to appear cheaper. Further, they found that Ghanaians who assume that the old Cedis has the same value relative to the new Cedis in 2007 are those who have obtained a relearning-rescaling approach from the education sector. The new Cedis is even assumed to be bringing a positive image for the country.

However, research of Raghubir & Srivastava (2009) and Dzokoto et al. (2010) were conducted on individual's perspective in which people as a consumer of goods and services. The denomination effect is not the case for business entities because they do not use financial transactions in cash. Moreover, in contrast to experimental studies by Raghubir and Srivastava (2009), this study used a survey with respondents' perception as the data. The population of the research Raghubir and Srivastava (2009) was an individual behaviour, so the spending decision could be made quickly and simple. This is relevant to the theory Psychology of Money Furnham and Argyle (1998 in Purwana et al., 2012) implies that the individual consumer behaviour may be irrational when associated with the use of money and faith. Meanwhile, an experiment is difficult to be performed on business entities that involve collective and comprehensive decisions. Firms tend to be very careful and use a rational approach in the firm expenditure, as they have more mature consideration and preparation to cope with redenomination. Moreover, the spending behaviour will be relatively different among firms that have different business nature. To that end, an experimental study is not an option for this study. Hence, the business plan to cope with redenomination is one approach that can be used to describe the real event of redenomination.

In the context of Indonesia, Lianto and Suryaputra (2012) analysed 100 respondents who comprehend about redenomination using Structural Equation Modelling. They found that redenomination is desired by the people to raise the country's credibility. However, Purwana et al. (2012), who assessed the potential impact of redenomination from 90 people of the middle-lower income community in Jakarta, showed that people from Jakarta, who are more educated than other areas in Indonesia, experiences money illusion. There is no change in the shopping pattern, but the spending is higher. Similarly, the study of Pambudi et al. (2014) involving 30 countries using historical data showed that there is no difference in the society's consumption pattern, but people have doubts about their government's ability to control hyperinflation of post-redenomination. Hence, there could be different impacts of redenomination across countries.

Prabawani and Prihatini (2014), who conducted a case study involving in-depth interviews with Indonesian business people from a variety of industries and scales, found that redenomination would enhance economic growth if it were implemented with proper socialization and avoided political interest. Bhattacharyya and Resosudarmo (2015) have also proved that the Indonesian mining industry is controlled by political interests, thus unable to reduce poverty and inequality in 26 provinces in Indonesia between 1977 to 2010. Hence, a good planning of redenomination implementation should be able to avoid people's psychological shock. Moreover, De Santis (2015) in his research in Italy, French, Spain, and Germany, revealed a potential systemic risk if redenomination is not implemented carefully.

A number of redenomination quantitative-research studies have been done with diverse statistical tests. Hardiyanto and Daulay (2013) and Purwana et al. (2012) used survey data to be processed by descriptive analysis. While Raghubir & Srivastava (2009) used a t-test to test for differences between groups, as well as logistic regression test to test the effect on purchasing decisions denomination in which the data is categorical. Mosley (2005) used survival analysis with time as a control variable to assess whether or not the redenomination is an urge. But, previous studies have not provided a model to explain the relationship between constructs. Meanwhile, the potential impact of redenomination from a business perspective needs to be studied comprehensively using either a macro or micro parameters. Therefore, this study produces two models. The first model describes how the influence of stability on the economic and the business conditions. The second model explains the effects of the economic and business conditions, as well as an understanding of the business people on redenomination towards their readiness to face the redenomination, and to the potential of macro and micro impacts perceived by business people.

2.1.   Model 1

Stability is a necessary situation in the area of economy, politics, culture, social dynamics, and security to ensure that government policies and programs could be implemented and the social activities could run well. It is the ability of government agencies in controlling and developing a country or a state to be able to make changes without causing significant fluctuations or upheavals in the society. Despite the debate about its relevance to the current conditions in Indonesia, there are three important indicators of stability; they are stability in politics, security, and economy. (Djojohadikusumo, 1985; Kartasasmita, 1996). These are embedded within the concept of *Trilogi Pembangunan* (the trilogy of development), which was created by the New Order Government of Indonesia. Recognizing the importance of national stability, there are currently various institutions at a global scale, such as Fund for Peace (FFP), which publish Fragile States Index (FSI). This index is useful as a reference to a country's stability. According to the FFP (data in 2016), Finland is the most stable country, while Sub-Saharan African and South Asian countries are states of high alert in 2016. Indonesia is in the elevated warning category (Fund For Peace, 2016).

Stability is important because it is arguably the basis of economic development. This has been proved by the research of Rotunno (2016), which examined the relationship between political stability and policy reform. The result shows that the countries signing the free trade agreement (FTA) are those that are politically unstable. The political instability here means that the government's decision is heavily influenced by public pressures. Meanwhile, the decision to participate in the FTA has brought a significant fundamental impact on the business and economic conditions of a country.

Economic condition is a situation in which an economy in a certain period runs towards a better, stable, or worse situation. The economic condition shows macro indicators of a country's economy. As this economic condition is important to represent a country's condition, the World Economic Forum (WEF) puts economy as one pillar of the Global Competitiveness Index (Sala-i-martin et al., 2008). The indicators to measure a country's

economic condition are economic growth, inflation, exchange rates, interest rates, and gross domestic product, and unemployment rate.

The business condition is a situation in which a business in certain period runs towards a better, stable, or worse situation. This variable assesses economic enterprises at the micro scale. The indicators to assess business condition are more diverse than economic condition. To measure a business financial performance, for example, a business can be assessed using cash ratio, net profit margin, return on investments and return on assets. In terms of marketing, a business can be reviewed from the achievement of sales' targets, market share, and sales growth. However, the overall performance of the business can be evaluated using operating revenues, production capacity/services, and total employment.

2.2. Model 2

In addition to the perception of business people about the economic and business conditions in recent times, the variables that also affect the success of redenomination program in Indonesia is the business comprehension about the program (Hardiyanto & Daulay, 2013; Priyono, 2013). Dissemination of the discourse by the Indonesian government is limited (Priyono, 2013). Occasional discussions have been carried out on national televisions and several seminars, involved governments, civil society, and businessmen from various sectors, however, the discourses do not occur continuously (Prabawani & Prihatini, 2014). Meanwhile, business understanding about the program is important to avoid misunderstanding. Redenomination might be understood as "*sanering*," which can arguably cause a significant economic turmoil. All three variables above can affect the readiness of businesses to cope with redenomination.

Business readiness in this research is defined as the willingness of business actors to do something in relation to the redenomination discourse. Readiness is essential as a form of businesses' attitude and interpretation with regard to redenomination. When they understand the design of redenomination, they will have more preparation to cope with redenomination. Business readiness is embodied in the forms of activities, strategic changes, and activity plans.

A macro impact is a potential macro impact perceived by business actors when redenomination is applied. At the macro level, redenomination may make prices appear to have lower value, embedded in the idea of *money illusion* (Dzokoto et al., 2010). Redenomination may also make currency look more stable; larger nominal value may make the ups and downs towards the dollars seem significant compared to smaller nominal value. In addition, a large nominal exchange rate does not reflect Indonesian actual economic fundamentals. Thus, redenomination could also potentially create a better economy.

At a micro level, redenomination may make business more dynamic and productive. This is because of market psychology that small nominal makes prices seem cheaper. Business will be more dynamic because of changes in consumer spending behaviour. There may be a tendency for consumers to consume products and services more frequently. Moreover, redenomination facilitates a process of accounting records to be more concise to avoid input errors.

3. METHOD

3.1. *Sampling and Procedure*

Using convenience sampling, 161 respondents (i.e. business owners/managers) were recruited to participate in a survey. Most respondents have obtained a bachelor's degree, with some holding a postgraduate degree. Hence, the information they provide is valid as they were assumed to have sufficient knowledge to answer the survey questions and to explain their own business operation. The chosen businesses were firms of various industries and of various scales (see Table 1), from small to large firms in Indonesia. A total of 93.2% of the firms was micro, small, and medium firms while the remaining 6.8% were large firms. This corresponds to the Indonesian business profile in which more than 99% are micro, small, and medium-sized firms (Indonesian Central Bureau of Statistic, 2015). The survey was distributed in four cities and regencies in Central Java (Jepara, Pekalongan, Semarang, and Surakarta). This distribution is essential to represent Indonesian businesses, thus the generalization of the research findings (Cooper, D. R., & Schindler, 2013). In addition, this study also identifies the frequency of the businesses in using the Indonesian currency (i.e. Rupiahs) within their business transaction (see Table 2). The data reveal that 87.0% of the respondents use Rupiahs for their trading transaction.

Table 1: Number and Percentage of Businesses based on Industries and Scales

	Number	**Percentage (%)**
Business Type		
Chemical/textile/garment	30	18.6
Wooden/furniture	23	14.3
Farming/plantation	3	1.9
Mining/oil/energy	2	1.2
Food/processing	13	8.1
Trading	36	22.4
Telecommunication/technology	11	6.8
Education/training	11	6.8
Transportation	8	5.0
Financial service	3	1.9
Non-financial service	18	11.2
Total	161	100.0
Business Scale		
Large	11	6.8
Medium	26	16.1
Small	54	33.5
Micro	70	43.5
Total	161	100.0

Table 2: Frequency of Using Indonesian Currency (i.e. Rupiahs)

Rupiah frequency		
Always	140	87.0
Often	17	10.6
Rarely	4	2.5
Total	161	100.0

3.2. *Measures*

This is an exploratory study in which previous research providing relevant indicators for the models are limited. Thus, the research indicators are adapted from previous research, expert opinion, and discussion which were the results then adjusted with Indonesian context such as nation fundament; that is the trilogy of development. The latent variables of this research are Stability, Economic Condition, and Business Condition, Comprehension, Readiness, also Macro Impact, and Micro Impact (see Table 3 and Table 4 for the research indicators and question items for each variable, respectively).

Table 3: Research Indicators

Stability	*Readiness*
Growth	Needed
Politic	People readiness
Price	Special preparation
	Strategic change
Economic condition	Market response
Currency stability	
Confidence rate of better economy	*Macro impact*
	Cheaper price
Business condition	Better economy
Sales growth	Better currency
Confidence rate of better business performance	
	Micro impact
Comprehension	Easier record
Government plan	Active spending
Denomination change	Productive business
Value change	
Sanering difference	
Impact possibility	
Phases	

This research applies six scales to all measures to assess respondents' agreement towards the statement at the questionnaire. Six-scale measures (applicable to all) were used in the questionnaire to avoid central tendency (Kulas & Stachowski, 2009). At the end, respondents were asked to assess their consent about potential impact(s) of redenomination in Indonesia.

Table 4: List of Question Items for Each Variable

Variables	Questions
National Stability	Indonesia has positive growth.
	Prices of goods and services in Indonesia are stable.
	The Indonesian national politics goes well.
Economic Condition	Indonesia has stable currency
	I believe the Indonesian economy would be better in the following years
Business Condition	My business has positive growth in the recent years
	I believe that my business would perform better in the following years

Table 4: List of Question Items for Each Variable (con't)

Variables	Questions
Comprehension	Redenomination would make Indonesian economy be better.
	I know the redenomination phases.
	I know the government plan to implement redenomination.
	I know the difference of redenomination with sanering.
	Redenomination will change the spelling of Rp1,000.- to be Rp1.-
	I know that redenomination does not change the value of money.
Readiness	Redenomination is needed in Indonesia.
	My business has special preparation to cope with redenomination.
	Indonesian people are ready to cope with redenomination.
	I plan to change my business strategy when the redenomination is applied.
	My business would be waiting for the market response towards redenomination.
Macro impact	Redenomination would make prices are cheaper.
	Redenomination would make Indonesia have a better currency.
	Redenomination would make Indonesia has a better economy.
Micro impact	Redenomination would make my business be more dynamic as prices seemed cheaper.
	Redenomination would make my business be more productive.
	Redenomination would make my business to have an easier accounting record.

National stability. National stability is measured using the confidence level of business actors to the Indonesian economic growth (growth), changes in the market products and service prices (price), and their assessment of the political stability in the country (pol). So, there are elements of economic and political stability that make up national stability.

Economic condition. Given that the majority of Indonesian businesses are small and medium businesses of which the key persons have lower levels of education and have limited knowledge about the economy, the indicators of this variable are designed to be simple. They are currency (currency) and the business confident of Indonesian economy within certain of period (ecoconfi).

Business condition. The business condition is also measured using general indicators. They are sales growth (sales_gwt) and the confidence of business people towards their own business within a certain period (busconfi).

Comprehension. Business people's comprehension is measured using their knowledge about the potential benefit of redenomination to stabilize the economy (eco_stab), the government's plan to implement redenomination (plan), the phases to implement (phases), the difference with *sanering* (sanering), the idea that redenomination is only change of currency nomination (spell), and the view that it does not diminish the value of money (value).

Readiness. Business readiness is measured by the business people's perception towards the need of redenomination for business (needed), the special preparation of business within the redenomination program (prepare), the general public readiness (ready), the strategic changes (strategy), and the preference to wait for the impact of redenomination (wait).

Macro Impact. The macro impact of redenomination is measured with using perceptions about the cheaper price of product and service (cheaper), currency stability (currency), and better economy (ecobetter).

Micro Impact. At a micro level, redenomination is argued to make business be more dynamic (active) and productive (productive), and facilitate easier and concise accounting and financial record (record).

Partial least squares (PLS) using smartPLS technique is used as the analytical tool because it is a component-based variance using the basis of ordinary least square analysis. PLS is also non-parametric which does not require the assumption of normal distribution. This is a powerful statistical tool. (Haenlein & Kaplan, 2004) PLS is used in this research because this research is developing models rather than confirming models and data (Wong, 2013) which is theory driven (Schreiber, Nora, Stage, Barlow, & King, 2006). In addition, the six-interval scale led to the normality assumption cannot be met.

4. FINDINGS

4.1. Model 1

Referring to the Table 5, the composite reliability of each variable is above 0.7. This indicates reliability of the measures (Bagozzi & Yi, 1988). All the indicators explaining the variables of stability, economic condition, and business condition are also valid (i.e. meet the convergent validity). These have been revealed by the entire factor loadings are above 0.5. These means that the respective sets of the indicators are able to explain each of the latent variables (Hair, J. F., Black, W. C., Babin, B. J., Anderson, R. E., & Tatham, 2006). In addition, all the AVE (Average Variance Extracted) values have met the discriminant validity criteria (above 0.5) (Bagozzi & Yi, 1988). These AVE values reveal that the indicators explaining the latent variable are unidimensional. Thus, this simple model explaining the influence of stability on economic and business conditions is valid. The analysis results show that the indicator factor loading of each item in the measuring model exceeded 0.5. Composite reliability of constructs ranged from 0.715 to 0.801. AVE ranged from 0.573 to 0.605. Therefore, all figures meet the conditions for convergent validity.

Table 5: Validity and Reliability of Politics and Stability, Economic Condition, and Business Condition

Latent Variable	AVE	Composite Reliability
Politics and Stability	0.573794	0.801265
Economic Condition	0.562301	0.715329
Business Condition	0.605928	0.739088

Prabawani and Prihatini (2014), using case study approach, found that redenomination has a potential to spur hyperinflation if political interests are involved in the policy formulation. This research confirms their finding. There is a strong impact of stability (i.e. politics, price stability, and economic growth) on economic condition and business condition (see Figure 1). The coefficients are 0.523 and 0.383 respectively. The influence

of stability on both economic condition and business condition is significant, with t-values of 5.51 and 5.11 respectively (both are higher than 1.96).

Figure 1: The Impact of Politics and Stability on Perceived Economic Condition and Perceived Business Condition
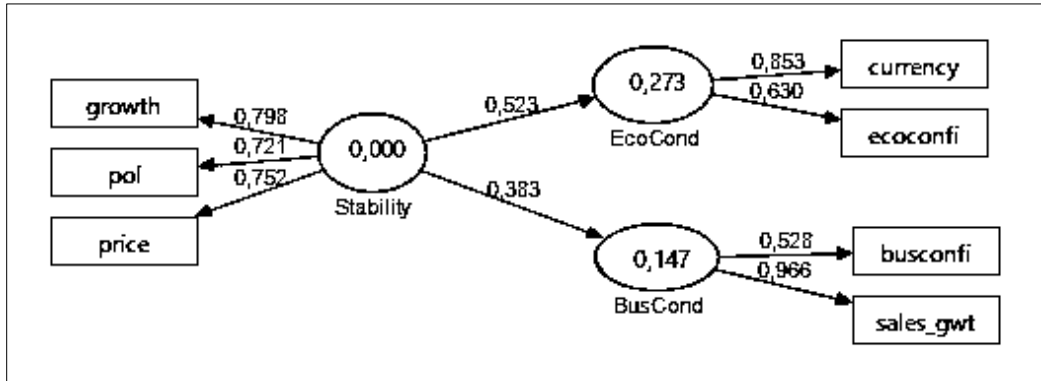
4.2. *Model 2*

Referring to Table 6, the model of this research has met convergent validity. The factor loadings for each latent variable are above 0.5. These mean that the indicators are able to explain each respective latent variable and that each latent variable is unidimensional. The discriminant validity (all the AVE values are above 0.5) as well as reliability (the composite reliability of all variables are above 0.7), are also met minimum criteria (Bagozzi & Yi, 1988).

Table 6: Validity and Reliability of Business Condition, Comprehension, Economic Condition, Macro Impact, Micro Impact, and Readiness

Latent Variable	AVE	Composite Reliability
Business Condition	0.629663	0.767412
Comprehension	0.589407	0.908734
Economic Condition	0.566067	0.722915
Macro Impact	0.658619	0.851501
Micro Impact	0.653080	0.849346
Readiness	0.573751	0.870110

Figure 2 shows that business comprehension on redenomination policy has become the major variable which influences business readiness to cope with redenomination. The coefficient between comprehension and readiness is 0.588. However, the effect of business condition on business readiness is small (0.142). The economic condition even has no effect on business readiness. This study also reveals that business readiness influences their confidence on the redenomination impact. The influence of business readiness on the macro impact is 0.639, while the impact of business readiness on the micro level is 0.583. The variables of economic condition, business condition, and comprehension are able to explain the variation in business readiness as much as 41.5%,

while business readiness is able to explain variation in macro impact and micro impact as much as 40.8% and 34.0% respectively.

Figure 2: Antecedents and Impacts of Business Readiness
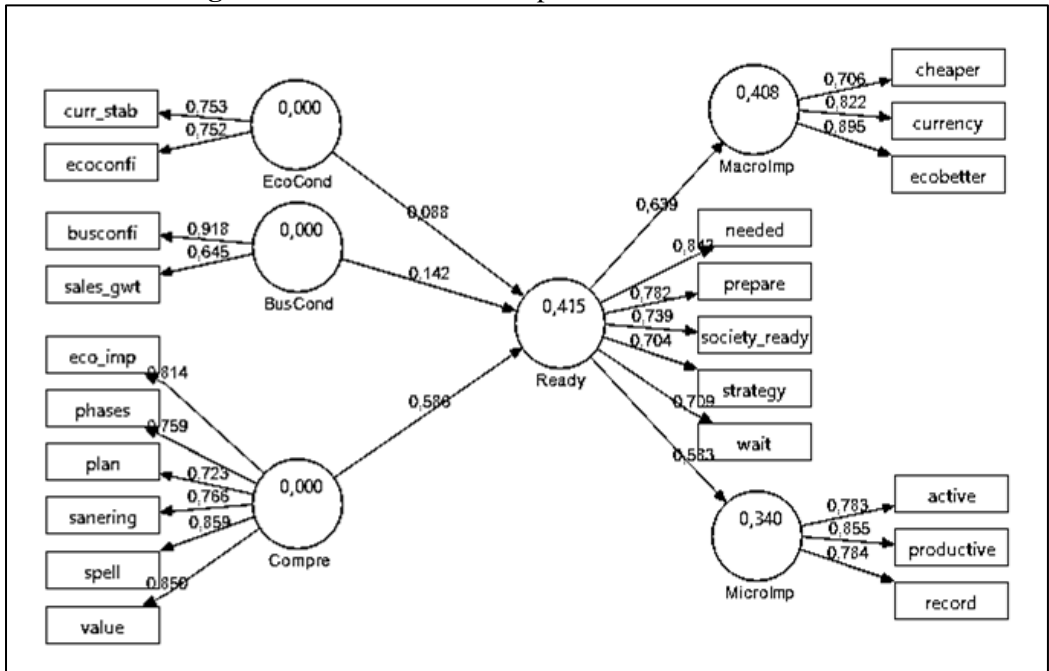
5. DISCUSSION

In contrast to the research of Mosley (2005) which revealed that economic issue is the main influencing factor of redenomination in an emerging country, this research shows that economic issue has no significant influence on business readiness to cope with redenomination. This research is relevant to the research finding of Lianto and Suryaputra (2012) that socialization is the most important variable that influences redenomination success in Indonesia. However, it does not mean that economic stability as a redenomination prerequisite could be ignored because economic psychology could potentially trigger systemic risk (De Santis, 2015). Moreover, Indonesia is in creeping inflation recently in which inflation is one digit, better than the previous years (Pambudi et al., 2014). In addition, Indonesia has positive economic growth and the people's confidence level towards the government is high.

Indonesia is different from Ghana. However, both have similar characteristics; they are collectivistic and heterogeneous communities (Dzokoto et al., 2010) and have a similar political system and governance with a strong military role within (Tankebe, 2008). These have influenced the people's economic and business behavior. Hence, a relearning-rescaling approach, suggested by Dzokoto et al. (2010) as an anticipation of redenomination failure, is essential for the Indonesian people through socialization. This

has been emphasized by the current finding, showing that socialization would be an essential variable to improve business people's comprehension about the redenomination program, which would then control the potential impact of redenomination at the macro and micro level.

Socialization is found to be an important factor for redenomination in Indonesia as the society has diverse social, economic, and political settings. However, the geographical condition of Indonesia would impede information flow. In addition, the Indonesian people, especially those lacking access to education, are more likely to enjoy television and radio for entertainment (Kusumah, 2010). Thus, a business economic review is ignored and results in ignorance of the government's economic program. Communities and businesses in Indonesia are arguably the same entities since almost all business structures in Indonesia are small and medium businesses and are family firms. Therefore, a psychological shock has a major role in the management of the business (Prabawani & Prihatini, 2014). Business understanding that redenomination is merely a denomination of currency, that it is different from "sanering," that it does not change the currency value, and that it involves several phases, is important in order to avoid a rush and to maintain conducive economic atmosphere. This means that people's confidence towards the government and the timing of the program's implementation become priorities, given that Indonesians doubt the government's ability to control inflation post-redenomination (Pambudi et al., 2014).

6.   CONCLUSION

This exploratory research about the potential impact(s) of redenomination in Indonesia from a business perspective has found that perception about stability, which is theoretically a precondition to the success of redenomination, significantly and positively influences perception about the condition of Indonesian economy and business. However, perception about economic and business conditions do not significantly influence perception about business readiness to cope with redenomination. Meanwhile, perception about business readiness is a key factor in determining the success of the redenomination program at the macro and micro level. Business readiness to cope with redenomination is significantly and positively influenced by business comprehension about the redenomination program. Therefore, socialization of the program is essential. Moreover, the Indonesian business profile is dominated by small businesses. In contrast to the psychology of money theory in which individual has potential to act irrationally in redenomination, this would be different from business entities. A good understanding and confidence in the stability of economic and business conditions encourage the business to act rationally through adequate preparation to face the redenomination. To that end, governments and institutions need to ensure the stability of economic and business conditions, as well as to conduct adequate socialization. However, some limitations of this study apply, as this research sampled less than 200 individuals and used simple indicators, future studies are expected to perform confirmatory research involving larger sample sizes and more indicators and variables, including socialization, to be able to become an important reference for the government.

REFERENCES

Bagozzi, R. P., & Yi, Y. (1988). On the evaluation of structural equation models. *Journal of the Academy of Marketing Science*, *16*(1), 74–94.

Bhattacharyya, S., & Resosudarmo, B. P. (2015). Growth, Growth Accelerations, and the Poor: Lessons from Indonesia. *World Development*, *66*(1), 154–165. http://doi.org/10.1016/j.worlddev.2014.08.009

Cooper, D. R., & Schindler, P. S. (2013). *Business Research Methods* (12th ed.). Singapore: McGraw-Hill International.

De Santis, R. (2015). *A measure of redenomination risk.* ECB Working Paper No. 1785.

Djojohadikusumo, S. (1985). *Trilogi pembangunan dan ekonomi Pancasila* (The Development Trilogy and The Economic of Pancasila). Jakarta: Induk Koperasi Pegawai Negeri Republik Indonesia.

Dzokoto, V. A. A., Mensah, E. C., Twum-Asante, M., & Opare-Henaku, A. (2010). Deceiving Our Minds: A Qualitative Exploration of the Money Illusion in Post-redenomination Ghana. *Journal of Consumer Policy*, *33*(4), 339–353. http://doi.org/10.1007/s10603-010-9144-3

Haenlein, M., & Kaplan, A. M. (2004). A Beginner ' s Guide to Partial Least Squares Analysis. *Understanding Statistics*, *3*(4), 283–297.

Hair, J. F., Black, W. C., Babin, B. J., Anderson, R. E., & Tatham, R. L. (2006). *Multivariate data analysis* (6th ed.). New Jersey: Prentice Hall.

Hardiyanto, A., & Daulay, M. (2013). Analisis Persepsi Pelaku Usaha di Kota Medan terhadap Rencana Redenominasi (Analysis of Medan Business Actors against Redenomination Plan). *Jurnal Ekonomi Dan Keuangan*, *1*(4), 38–48.

Indonesian Central Bureau of Statistic. (2015). *Jumlah Perusahaan Industri Mikro, Kecil, Menengah, dan Besar (Amount of Micro, Small, Medium, and Large Firms).* Jakarta: Indonesian Central Bureau of Statistic

Ioana, D. (2005). *The National Currency Re-Denomination Experience in Several Countries: A Comparative Analysis.* International Multidisciplinary Symposium. Universitaria Simpro: Social Science Research Network.

Kartasasmita, G. (1996). *Pembangunan untuk Rakyat: Memadukan Pertumbuhan dan Pemerataan* (Development for the People: Integrating Growth and Equity). Indonesia: CIDES.

Kulas, J. T., & Stachowski, A. A. (2009). Middle category endorsement in odd-numbered Likert response scales: Associated item characteristics, cognitive demands, and preferred meanings. *Journal of Research in Personality*, *43*(3), 489–493. http://doi.org/10.1016/j.jrp.2008.12.005

Kusumah, F. A. (2010). *Motivasi dan Perilaku Menonton serta Penilaian Khalayak Terhadap Program Acara Televisi Lokal (Motivation, Watching Behaviour and Corresponden Judgement for Local Television Programs).* Indonesia: IPB (Bogor Agricultural University).

Lianto, J., & Suryaputra, R. (2012). The Impact of Redenomination in Indonesia from Indonesian Citizens' Perspective. *Procedia - Social and Behavioral Sciences*, *40*, 1–6. http://doi.org/10.1016/j.sbspro.2012.03.153

Mosley, L. (2005). *Dropping Zeros, Gaining Credibility? Currency Redenomination in Developing Nations.* Paper presented at the Annual Meeting of the American Political Science Association, Washington DC.

Ozdemir, B. K. (2008). Investigating the Influence of Country Credibility on the Chance of Currency Crisis. *International Journal of Business & Finance Research*, *2*(2), 117–126.

Pambudi, A., Juanda, B., & Priyarsono, D. S. (2014). Penentu Keberhasilan Redenominasi Mata Uang: Pendekatan Historis dan Eksperimental (Redenomination Success: Historical and Experimental Approaches). *Buletin Ekonomi Moneter dan Perbankan*, *17*(2), 167–196.

Prabawani, B., & Prihatini, A. E. (2014). Indonesian Businesses: Coping with Redenomination Policy. *Australian Journal of Basic and Applied Sciences Aust. J. Basic & Appl. Sci*, *8*(823), 245–253.

Priyono, M. M. (2013). Redenomination; Between Hope and Reality (The study of the implementation of the Redenomination in Indonesia). *International Journal of Business and Management*, *2*(4), 36–40.

Purwana, D., Warokka, A., & Buchdadi, A. (2012). Money Illusion and the Middle-Lower Metropolis: Managing the Financial Phenomenon. *The Journal of Southeast Asian Research*, *1*(1), 1–11.

Raghubir, P., & Srivastava, J. (2009). The Denomination Effect. *Journal of Consumer Research*, *36*(4), 701–713. http://doi.org/10.1086/599222

Rotunno, L. (2016). European Journal of Political Economy Political stability and trade agreements : Evidence for " endgame FTAs ." *European Journal of Political Economy*, *45*(October), 133–148. http://doi.org/10.1016/j.ejpoleco.2016.10.006

Sala-i-martin, X., Blanke, J., Hanouz, M. D., Geiger, T., Mia, I., & Paua, F. (2008). *The Global Competitive Index : Measuring the Productive Potential of Nations*. In *The Global Competitiveness Report 2007/08.* Geneva: World Economic Forum.

Schreiber, J. B., Nora, A., Stage, F. K., Barlow, E. A., & King, J. (2006). Modeling and Confirmatory Factor Analysis Results : A Review. *The Journal of Educational Research*, *99*(6), 323–337.

Tankebe, J. (2008). Colonialism, legitimation, and policing in Ghana. *International Journal of Law, Crime and Justice*, *36*(1), 67–84. http://doi.org/10.1016/j.ijlcj.2007.12.003

The Fund for Peace. (2016). *Fragile State Index.* Washington DC: The Fund for Peace.

Wong, K. K. (2013). Partial Least Squares Structural Equation Modeling (PLS-SEM) Techniques Using SmartPLS. *Marketing Bulletin*, *24*(1), 1–32. http://doi.org/10.1108/EBR-10-2013-0128