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*Economic and Business Sustainability through
Innovation, Governance, and Empowering
Natural and Human Resources*

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BOOK OF PROCEEDING

The Proceeding of 2017 Mulawarman International Conference on Economics and Business: Economic and Business Sustainability through Innovation, Governance, and Empowering Natural and Human Resources

Fakultas Ekonomi dan Bisnis, Universitas Mulawarman



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Preface

On behalf of the 2017 MICEB organizing committee, I am honoured and delighted to welcome you to the 2017 *Mulawarman International Conference of Economics and Business*, in Balikpapan, Indonesia.

The main theme of our conference this year is “Economic and Business Sustainability through Innovation, Governance, and Empowering Natural and Human Resources”. A theme that reflects the current issue faced by Indonesia and respected countries in general, and East Kalimantan in particular. Our conference’s general goal is to provide a platform and facilitate the exchange of leading ideas for an effective advancement of knowledge in economics and business. Your participation in this conference is helping us achieve these goals.

We have received more than one hundred abstracts with variety of issues and topics which will be reviewed for publication with our journal partners. I am so pleased by the response considering this is our very first international conference conducted directly by Faculty of Economics and Business of Mulawarman University.

We are honoured to have and to welcome our three distinguish speakers with us in this event; Dr. Jeremy Clark from the University of Canterbury, New Zealand, Dr. David Carter from the University of Canberra, Australia and Professor Worawet Suwanrada from Chulalongkorn University, Thailand. Hearing the international perspective from these prominent speakers will be worth noting, particularly, for the development of our own institution.

To sum up, I would like express my gratitude for the generous support from our sponsors, for providing necessary funding and has made this conference possible. As a conference chair, I know that the success of the conference depends ultimately on many people who have helped us in planning and organizing this conference. I wish to thank all organizing committee members who have worked hard for the details of important aspects of the conference programs, including the pre-workshop.

Enjoy your participation in the 2017 MICEB and have a memorable time visiting East Kalimantan. Thank you very much.

I am looking forward to seeing you in MICEB in the near future.

With warmest regards
Felisitas Defung.,Ph.D
2017 MICEB Conference Chair

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The Impact of Economic Turbulence on Local Bank Efficiency: Does Common Wisdom Hold?

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Abstract— Common theory suggests that banking performance is positively related to economic growth. This common wisdom in this paper is further tested by investigating whether economic turmoil has a meaningful impact on local bank technical efficiency. This study uses Regional Development Banks (RDB)-data in Indonesia as a case study during 2005 to 2015. The analysis is conducted using two stage approaches in which Data Envelopment Analysis (DEA) is used in the first stage, whilst in the second stage pooled OLS regression is employed. The findings show that most of local banks are technically inefficient throughout the period of analysis. Furthermore, the results indicate that crisis tends to have a significant effect, while the rest of the variables show various level of magnitude on local bank efficiency.

Keywords: efficiency, data envelopment analysis, banks

I. BACKGROUND

Regional Development Banks (RDB) – known as *Bank Pembangunan Daerah (BPD)* in Indonesia –, have been increasingly pivotal to strengthen local economy in respected region (or provinces) which in turn, influences the national economy as a whole. Theories tend to dictate that the financial institution's performance is positively related to the economic growth ([21] [20]). Similarly, when the local economy performs well, the banking sector, especially those that operated in the respected region will automatically affected. This is because the turnover of the economy will boost the financial activities then increase revenue of financial institution, including banks. The relationship and the effect also can run vice versa.

This paper examines the efficiency of Regional Development Bank group, consists of 26 banks) in Indonesia during the period of 2005 to 2015. A nonparametric technique using data envelopment analysis (DEA) is employed to analysed the 26 RDBs.

Research shows that, the efficiency of regional development banks of Indonesia mostly falls behind compare to its counterpart such as state banks, private national banks and foreign banks (see [16] [10], [15]) These results have drawn some serious concern due to the authority and 'privilege-status' that this group held in the industry. For instance; firstly, this group ranks third in the whole banking industry in Indonesia for holding third party fund or public fund ([16] and [15]). Secondly, RDB is generally, by default, given an authority to hold and manage local government budget fund in their respected region. Thirdly, historically, none of the bank from this group have been closed by the government due to their poor performance.

Questions about the underperformance of RDB compare to its counterpart domestic banks such as national-non-foreign-exchange banks is critical to observe. This study is going to analysis whether economics condition, either at the national level and local level, able to explain the cause of variation in RDB efficiency. Moreover, considering the world economy nowadays is connected due to rapid development in information technology, the analysis also includes the turbulence in recent world economy.

A number of empirical studies on bank efficiency and productivity present various result, however research related to the Indonesian case is relatively few, particularly concerning the RDB group. Some studies scholarly studies in Indonesia case such as [24], [17]; [11] and [22].

The rest of this paper is organized as follows: the next section present data and methodology in section 2. Section 3 presents the empirical results

and discussion for first stage and second stage. Section 4 concludes the article.

II. DATA AND METHODOLOGY

An easy way to comply with the conference paper formatting requirements is to use this document as a template and simply type your text into it.

The data set consists of 10 (ten) annual observation during the period of 2005 to 2015 for each Regional Development Bank. This study includes the 26 RDBs in Indonesia and data is collected from the individual RDB financial statement report published by the Indonesian Central Bank (*Bank Indonesia*).

Specifying the inputs and the outputs variable to calculate technical efficiency is very critical on the outcome ([8] and [27]). Two popular methods in banking efficiency study that common to set the inputs and outputs are intermediation approach and production approach ([4]). The intermediation approach considers mainly on the role of banks in channelling the funds from depositors to borrowers, whilst production approach focuses on production centre for depositors and borrowers. Following Berger and Humphrey [4], this study use intermediation approach to determine the variables¹.

We select three variable inputs and two variable outputs. The three inputs are deposit, employee expenses and operational expenses, while the two outputs are loan and operational revenue. The relative efficiency of bank then calculated using DEA method. The DEA method was pioneering by [13], which further developed by [6], for CRS assumption [2] for VRS assumption.

The input-oriented DEA is employed as follows:

$$\text{Min}_{\theta, \lambda} \theta,$$

$$\text{Subject to } -y_{ti} + Y \lambda \geq 0, \quad \theta x_{ti} - X \lambda \geq 0,$$

$$11' \lambda = 1, \quad \lambda \geq 0$$

where $11'$ is an $I \times 1$ vector of ones. The scale efficiency is then obtained by using the fraction between TE CRS and TE VRS.

Once bank efficiency scored is obtained, the next step is to explore the variables that possibly determine the variation in the efficiency measure. [19] argues that external factors cannot be

accommodated directly in the DEA, they are commonly included indirectly through the so called "second-stage analysis". The external factors are important in explaining the variation in the efficiency score. Methods that commonly used to be employed in the second stage namely Tobit model ([18], [10], [5]) and ordinary least square (OLS) ([26] [1]). Following [23] this study uses OLS as below:

$$Eff_{ft} = f(X_{Qft}, Z_{Kt}, Y)$$

Where Eff_{ft} is the input-oriented technical efficiency of f -th banks in t -th time period; X_{Qft} is the set bank-specific variables; Z_{Kt} is the set of macroeconomic factors (K) and Y represents crisis. The main objective is to investigate the impact of economics turmoil which represented by CRISIS a dummy variable for 2008 and 2009 = 1 otherwise = 0, GDP growth (DGPgr) represents national economic growth, GDRP growth (GDRPgr) represents local economic growth and annual rate of inflation (INF). In addition to the external factors include four bank-specific variables namely return on assets (ROA), net interest margin (NIM), non-performing loan (NPL) and a natural log of assets to represent bank's SIZE.

III. EMPIRICAL RESULTS AND DISCUSSION

A. First stage analysis

Table 1 summarizes the average of technical efficiency of the individual RDB score during the 2005 – 2015 periods. The mean score is presented under each assumption used, CRS, VRS and SE. The score of technical efficiency ranges from 0 to 1 which represents the lowest to the highest efficient banks, accordingly. The results indicate that the bank relative efficiency mostly lies below the efficiency frontier ranging from the lowest (0.76) to the highest (1). With regard to the assumption of return to scale, the result of VRS is shown to be consistently higher compare to CRS.

The variation of efficiency among the RDB is relatively random, in which there is no specific pattern regarding to the region of RDB with its performance. For instance, there are two banks, RDB of *Kalimantan Timur* and RDB of *Sulawesi Barat*, that are constantly reached the efficiency frontier with the highest score at 1 or 100%

¹ Intermediation approach introduced by [28]

efficient, meaning that these banks are able to minimize the use of input to produce the output. Both of the banks are operated outside *java* which has been known as a more developed region than other. On the other side, the lowest score is shown for RDB Papua. Surprisingly, the RDB of Jakarta is only slightly above the lowest which the score 80% and 88% for CRS and VRS, accordingly. Similar score appears for RDB of *Sumatera and Belitung*.

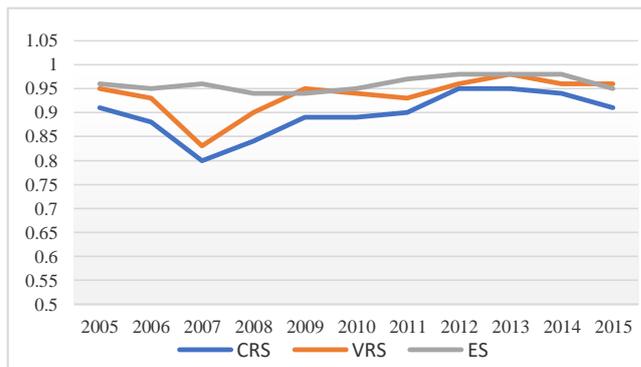
TABLE 1
AVERAGE TECHNICAL EFFICIENCY OF RDB DURING 2005 – 2015

NO	BANK	CRS	VRS	SE
1	BPD Aceh	0.85	0.89	0.95
2	BPD Bali	0.98	1.00	0.98
3	BPD Bengkulu	0.87	0.91	0.96
4	BANK DKI (Jakarta)	0.80	0.88	0.90
5	BPD Jambi	0.94	0.97	0.97
6	BPD Jawa Tengah	0.83	0.97	0.85
7	BPD Jawa Barat dan Banten, Tbk	0.97	1.00	0.97
8	BPD Jawa Timur	0.88	0.97	0.91
9	BPD Kalimantan Timur	1.00	1.00	1.00
10	BPD Kalimantan Tengah	0.88	0.90	0.98
11	BPD Kalimantan Barat	0.77	0.80	0.96
12	BPD Kalimantan Selatan	0.86	0.88	0.98
13	BPD Lampung	0.96	0.98	0.98
14	BPD Maluku	0.86	0.88	0.97
15	BPD Nusa Tenggara Barat	0.99	1.00	0.99
16	BPD Nusa Tenggara Timur	0.95	0.96	0.99
17	BPD Papua	0.76	0.80	0.96
18	BPD Riau Kepri	0.88	0.92	0.96
19	BPD Sulawesi Tenggara	0.97	0.99	0.98
20	BPD Sulawesi Selatan dan Barat	1.00	1.00	1.00
21	BPD Sulawesi Tengah	0.92	1.00	0.92
22	BPD Sulawesi Utara	0.90	0.96	0.94
23	BPD Sumatera Barat	0.89	0.94	0.95
24	BPD Sumatera Selatan Dan Babel	0.80	0.85	0.95
25	BPD Sumatera Utara	0.90	0.96	0.94
26	BPD Yogyakarta	0.87	0.91	0.96

Note: BPD: *Bank Pembangunan Daerah* (Regional Development Bank or RDB), VRS: Variable return to scale, CRS: Constant return to Scale, and SE: Scale efficiency.

For the shake of brevity, Figure 1 presents the annual mean of technical efficiency for all bank under each assumption. The graph shows that although there is a significant drop in 2007 for both CRS and VRS, but the efficiency of bank run smoothly and less volatile toward the end of period of analysis. The average efficiency score for the whole industry during 2005-2015 is 90%, 94 % and 95% for CRS, VRS and SE, respectively.

Figure 1 The Average Annual Technical Efficiency of RDB 2005 - 2015



Second stage analysis

A further analysis on the determinant of efficiency is performed by using formula number 3. Table 2 reports the regression results based on three different set of external variables (three models). We separate in regression in order to accommodate and evaluate the effect of economic condition at the national and regional (provincial) level independently. All models have a good explanatory power to explain the effect of variables. The Table reveals that the effect of macroeconomics variables varies across the regression.

The impact of CRISIS tends to be negative which confirms the common expectation that economic crisis adversely affects bank performance, although the coefficients are not statistically significant, except in model 2 of CRS. This is possibly due to the scale of operation of the RDBs that mainly not engaging directly in the international transaction.

For the macroeconomics variables, the effect of national and local economic growth tends to be statistically significant with a negative causality (Model 1 and 3). The magnitude indicates that slower economic growth is more favourable of banking efficiency at the regional level. Although it is against conventional wisdom, this result confirms the finding of [9] for the RDB analysis, but run contrary with [14]. The negative significant impact on economic growth should be explained with care. The possible explanation is the economic growth might not linearly affect the efficiency of RDBs. Similar contradiction appears on the effect if inflation in Model 1 and 3. The coefficient suggests that a high inflation condition is positively associated with higher bank efficiency. This result

in contradicts with common studies in bank efficiency ([3], [12]) but it is in line with [14].

TABLE 2
REGRESSION RESULTS OF TECHNICAL EFFICIENCY – OLS

Variable	Model 1		Model 2		Model 3	
	CRS	VRS	CRS	VRS	CRS	VRS
Constant	0.9627 ^{a)}	0.7501 ^{a)}	0.7950 ^{a)}	0.7950 ^{a)}	0.9617 ^{a)}	0.7555 ^{a)}
ROA	0.0463 ^{a)}	0.0396 ^{a)}	0.0446 ^{a)}	0.0446 ^{a)}	0.0462 ^{a)}	0.0399 ^{a)}
NIM	-0.006 ^{c)}	-0,0031	-0.0074 ^{b)}	-0,0074	-0.005 ^{c)}	-0,0033
NPL	0.005 ^{b)}	0.0064 ^{a)}	0.0055 ^{b)}	0.0055 ^{a)}	0.005 ^{b)}	0.0064 ^{b)}
SIZE	-0,0057	0,0077	0,0007	0,0007 ^{b)}	-0,0057	0,0073
CRISIS	-0,0023	0,0132	-0,037 ^{b)}	-0,0375	-	-
GDPgr	-0.009 ^{a)}	-0.006 ^{a)}	-	-	-	-
INF	0.0063 ^{a)}	0.0051 ^{a)}	-	-	-	-
GDRPgr	-	-	6,32E-05	6,32E-05	-0.009 ^{a)}	-0.006 ^{a)}
INReg	-	-	-8,33E-05	8,33E-05	0.0064 ^{a)}	0.0048 ^{a)}
R-squared	0,2913	0,2535	0,1834	0,1834	0,2912	0,2509
F-statistic	16.32 ^{a)}	13.489 ^{a)}	8.921 ^{a)}	8.921 ^{a)}	19.110 ^{a)}	15.578 ^{a)}
Obs.	286	286	286	286	286	286

Note: a), b) and c) denote denote significance at the 1% level, the 5% level and the 10% level, respectively. SE is the standard error.

Turning to the internal bank specific-variables, the size of the bank does not have a meaningful effect on efficiency in all models. The rest of bank specific-variables have a convincing and statistically significant effect on bank efficiency across the models. The effect of ROA strongly suggests that a profitable bank support its higher efficiency, whilst the net interest margin ratio run contrary. Higher ratio of net interest margin tends to cause a decline in efficiency. This result supports finding of [25] in their financial efficiency case on RDB. The effect of bad loan, which represents the quality of bank assets, is opposing with common theories. The magnitude of NPL implies that a higher bad loan ratio is likely more preferable to support bank efficiency. This finding supports the claim of [9] with regard to Reginal Development Bank in revenue model.

IV. CONCLUSIONS

This study empirically investigates the technical efficiency of regional development banks group during the period of 2005 to 2015. DEA is used to obtain the efficiency score under CRS, VRS and SE assumption. The results on the first stage of analysis show that most of the RDB are technically inefficient where the measured are lied under the efficiency frontier. Two banks demonstrate their

efficiency level are consistently reached the frontier which means that they are able to minimize the utilization of inputs to produce outputs

The result at the second stage, the economics condition present various effect of RDB's efficiency. Crisis show an unfavourable effect, but the power of magnitude is meaningless. The economic growth has a very strong power on the bank efficiency although the way of causality should be interpreted with care.

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Analysis of Distribution of Bazis Scholarship Funds on the Improvement of Student Achievement

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Abstract— This research aims to analysis the effect of distribution scholarship funds at BAZIS toward increasing of student achievement in East Jakarta. The data used in this research are primary data. Population of this research is scholarship receiver from BAZIS of East Jakarta in period 2014 until 2015. Technique of sample election by randomly is called simple random sampling. Methods of data analysis is validity test, reliability test, classic assumption test, different test and multiple linear regression was processed by using SPSS 20. Based on the result of the research refer that achievement variable can be explained by distribution variable, usage pattern, controlling and gender in amount of 96,6% and the remaining 3,4% is influenced by variable outside from the research. By simultaneous obtained that independent variable have the significant effect to learning achievement. By partial that distribution, usage pattern, controlling have the significant effect to learning achievement, meanwhile gender have not the significant effect.

Keywords— scholarships, learning achievement, BAZIS

I. INTRODUCTION

Indonesia is a nation of more than half a century of independence and still has not been able to rise to a developed country with a prosperous population. With a population of more than 200 million inhabitants, and the average economic growth to reach 5.8 % per year, does not guarantee the welfare of the community.

There are still many people living under the poverty line. Based on data from the Central Statistics Agency (BPS), the number of poor in September 2014 amounted to 27727.78 million people or 10.96 % of the entire population of Indonesia. This illustrates that the government is still not really up to the implementation of programs for poverty reduction.

In the Article 34 paragraph (1) of the Act of 1945 states that “the poor and abandoned children reared by the state”. However, in reality many of the poor in Indonesia, so that the purpose of the state to achieve social justice for all Indonesian people still have not done perfectly. Talking about poverty, the facts show that although Jakarta is the capital of the

country, it does not mean he is free from the problem of poverty. Based on BPS data DKI Jakarta.

We can see Table I that these poverty figures have increased from the previous year, whereas data from LPS Until 31 December 2013 the number of rich people in Indonesia has increased.

If seen from the number of accounts that have funds above Rp 5 billion to increase almost three thousand people in a month. In November 2013, the number of account holder above Rp 5 billion of new 63,406 accounts. In December the number of account holder above Rp 5 billion has jumped to 66,567 accounts; where most rich people are residing in Jakarta. So this shows the income gap that is extraordinary. This illustrates that the great economic growth in Indonesia is not balanced with equity.

TABLE I
POOR POPULATION AND PERCENTAGE OF POOR PEOPLE
JAKARTA IN SEPTEMBER 2013 - MARCH 2014 - SEPTEMBER 2014

Month	Number of Poor	Percentage of Poor People
September 2013	371,70	3,72
March 2014	393,98	3,92
September 2014	412,79	4,09

Source: BPS Jakarta (processed)

Rich and poor problem that can lead to increasingly conspicuous social inequalities and social jealousy among the public. As for the other problems that can arise from poverty such as low levels of education, crime, delinquency, beggars, street children, prostitution and others.

Poverty is the biggest social problem faced by most people, to alleviate poverty requires cooperation from various parties, both government and society itself, because eradicating poverty is a

shared responsibility as a form of social solidarity in society.

Relating to education, a high poverty rate would not support people to get an education. To view the progress of a nation as seen also with the quality of education, because the progress of a nation is directly proportional to the quality of education.

There are still many people who have not been touched with access decides to education has been in government, illustrates that state funds budget that contains 20 % of the budget for education is still not fully realized ,there are still many children drop out of school or who no longer go to school because of school fees or tuition is very high. Though education is an investment for the future survival of the nation and state.

In 2014 the education budget to Rp 371.2 trillion, up by 7.5 % from the previous year, amounting Rp345.3 trillion, This rise is expected that Indonesian children at the age of 16-18 years and in 2020 97 % of at least a high school education, since the start of the school year 2013/2014 the government started launched a program of compulsory 12 years.

With the compulsory education to 12 years will certainly ease the burden of the public regarding the cost of education so that people do not bother with the cost of their education to their children graduated from high school (SMA), but in the world of work today most companies require education minimum Tier One (S1).

Referring to the Central Statistics Agency (BPS) in 2012, from 4.8 million the number of Indonesian students, if the count of the population aged 19-24 years, the participation rate reached 18.4 percent of the new ballpark from 4.8 million of the amount is about 6.5 percent are threatened underprivileged students who dropped out of college. To overcome this problem the Ministry of Education and Culture to provide scholarships aim at the mission reached 88 142 students in the academic year 2012/2013, the existence of the program is expected to encourage children to continue education Indonesia to S1 without worrying the cost of education.

In general that education costs in it, because it required a huge cost to get a feel of existing education and to get a good learning outcomes requires infrastructure depends on the number of

existing funds. To obtain good learning outcomes in education should pay attention needs by providing learning facilities and a conducive space, providing books and stationery and other learning facilities, so that the study results obtained will be optimal. To reduce the constraint on one of them by way of scholarships.

Recognizing the importance of education many institutions that fossilized government in providing funds for education in the form of scholarships for children who excel, one of the government agencies are Infaq Amil Zakat and Sadaqah (BAZIS).

In accordance with law number 38 of 1999 on the management of zakat, institutions are given the mandate to manage zakat is Amil Zakat agency (BAZ) and Amil Zakat Institution (LAZ), Amil Zakat Agency is an institution of tithe management by the government. While the Institute of Tithe is tithe management institutions established by society.

Bazis DKI also having an educational program in the form of scholarships for children of achievement however came from the poor. By providing scholarships in the form of pocket money, is expected to help the children to stay in school and go on to college in order not to drop out of school, most of the scholarship funds received by the student comes from tithe, infaq and alms (ZIS) that is given by people who are able (muzaki) to tithe amil and channeled back to the (mustahik) people in need.

The presence of BAZ and LAZ can help governments to attract and trust people to give their tithe to the institutions that people can trust, because most of the work program contained in BAZ and LAZ is funded from the tithe, alms, infaq and society. So people need once a reliable agency and have a professional performance and the most important thing is the mandate of tithe institution, professional, and transparent in managing tithe funds that have been in mandated by the public.

Indonesia is a country with a predominantly Muslim population, with the vast majority of the population is Muslim but the income gap that occurs should not be too large, because the religion of Islam requires its adherents have social sensitivity and solidarity to come to think about others and has a social obligation to improve the welfare of society. Through the pillars of Islam we

are obliged to carry out the tithe, which tithe it could be the solution chain breaker gap between the rich with the poor. Origin everyone dutifully perform its obligations in tithe, but in fact the potential zakat with zakat revenues received by amil zakat institutions in Indonesia is vastly different. This imbalance could have occurred because many people are not aware of the importance of the tithe, even though tithe same when we realize the religious teachings of Islam about ZIS, we also can improve the lives of the poor and improving the general welfare. The tithe and donations not solely vertical worship the almighty, but horizontally can give a positive effect on social life in society.

Bazis DKI Jakarta as tithe amil first government agency in Indonesia had a significant impact, especially for the people of Jakarta, because Bazis DKI continues in its efforts to help the community by providing assistance to the people of Jakarta with programs that is expected to help ease the burden on society.

Through a decree for the provincial governor of Jakarta No. 121 of 2002 on the management pattern of ZIS BAZIS Jakarta provincial prioritize the following objectives. Firstly, to improve services for people in regular tithe, donations, and alms accordance with the guidance of religion. Second, increase the function and role of religious institutions in an effort to realize the people's welfare and justice social. Lastly, the third to increase the effectiveness and efficiency of tithe, donations, and Sadaqah.

The tithe can be an alternative economic equality if managed properly. He is a great potential that has not been dug to the fullest. Can imagine, if the consciousness of paying zakat has been thorough among Muslims, it will be very much the funds collected that can be done to build various facilities related to the economic improvement of the people.

Similar studies have been conducted in 2012 by [6] discusses the influence of the use of scholarship with the learning outcomes of students majoring in civil engineering FT - UNP. Based on these results can be deduced that there are significant scholarships to the learning outcomes of students in a category is in use was and the average GPA of students having received scholarships at a value

higher than the average student before receiving a scholarship in 2012.

The difference between this study with previous research is located in the area of research, the authors chose research in East Jakarta with the object of research is the students receiving the scholarship fund Bazis.

Based on the description above, the authors are interested in conducting research on the body tithe amil, donations and charity (BAZIS), which so far has provided aid in the form of scholarships to students especially in East Jakarta. Therefore, the title of this research is, analysis of distribution of funds scholarship Bazis the improvement of student achievement (Case Study in East Jakarta area).”

II. METHODS

A. *Research Scope of*

Variables used consisted of five variables, namely,. Learning achievement is the dependent variable. then the independent variable, namely the distribution of ZIS funds, scholarships and controlling utilization patterns, as well as a dummy variable that is gender.

B. *Determination Technique Sample*

Method of determining the sample used in this study is simple random sampling. Reference [7]-[8] in a random sampling of each member of the population has the possibility and the same opportunity to be elected as members of the sample.

C. *Data Collection Techniques*

Data were collected by using primary data by distributing questionnaires

D. *Technical Analysis*

- 1) *Descriptive Statistics*: Reference [5] descriptive statistics is a statistical portrait of the phenomenon or the characteristics of the data. Characteristics of the data illustrated a characteristic distribution.
- 2) *Validity and Reliability*: Validity test used to measure whether or not a legitimate or valid questionnaires. A questionnaire is said to be valid if the questions on the questionnaire were able to express something that is measured by the questionnaire In other words, the validity test used to measure whether the questions in the questionnaire that we have made can measure what we want to measure.

Reference [4], criteria for testing the validity of the test is as follows:

- If the count $r > r$ table (test 2 sides to 0.05), the item question items correlated significantly to the score or the total value (declared invalid).
- If the count $r < r$ table (test 2 sides with 0.05), then the items question did not correlate significantly to the score or the total value (declared invalid).

3) *Methods Hahslm*: Hahslm method [9] is a method genuine of Islam as derived from [3] that God provide seven Quran, which translates into factorization Hahslm 7-2-3-1-9 pattern.

Formula: $H = ah (slm)$

Where:

H = the independent variable

a = index variables (test F)

h = variance (+ / -)

s = variable (test T)

l = absolute value (test R)

m = weight of

The existing economy knows only material issues only. In conventional economics is not like that. Every economic activity is certainly going to impact a variety of other sectors. Picture of a two-dimensional mapping of economic concepts in general are as follows:

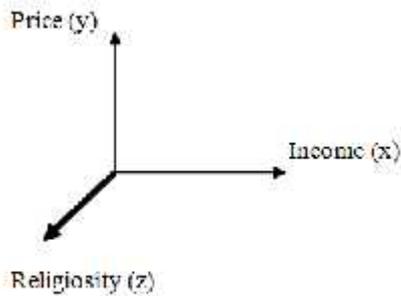


Fig. 1 Two-dimensional mapping of economic concepts

Furthermore, the economic concept of three-dimensional derived concept Hahslm [9], in this concept every economic activity that is to be in accordance with the instructions of Allah and everything done should have a value of worship to be always in ridha God.

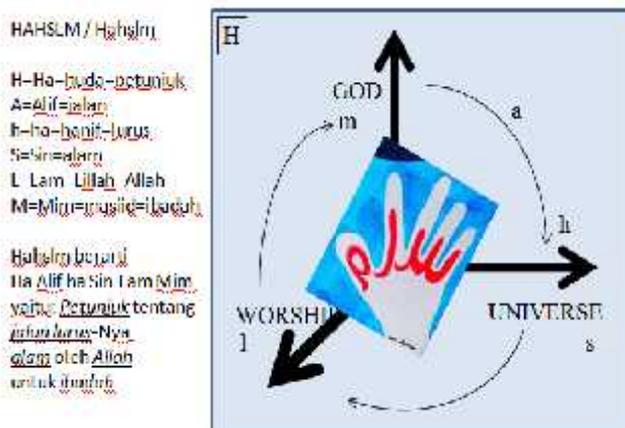


Fig. 2 HAHSLM

• Test Formulas

The test formula proposed is:

$$H = A + h (S + L + M)$$

• Test Table

Test table is done to seek the legal basis of the revelations about the application variables in the test formula. The dependent variable (H^*) and independent variables (A, H, S, L, M). These variables are essential in the operation of the test of Table II.

TABLE II
DEPENDENT VARIABLE and INDEPENDENT VARIABLES

H	A	H	S	L	M
Result	Significance	+ / -	Variabel, sub-variabel	Absolute value	Weight

• Test Causality

Causality test illustrates the relationship between the dependent variable with the independent variable. In the diagram below can be seen the relationship between the dependent variable as a result of the independent variables that are part of the study.

Diagram Causality

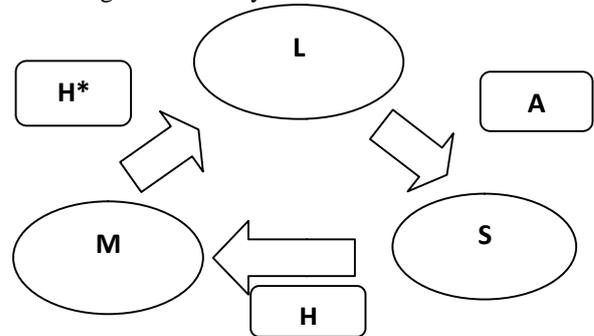


Fig. 3 Diagram Causality

• Test Curve

Curves Test was conducted to determine the balance between the dependent variable with the independent variable. The balance between these variables is determined by the variable aspects.

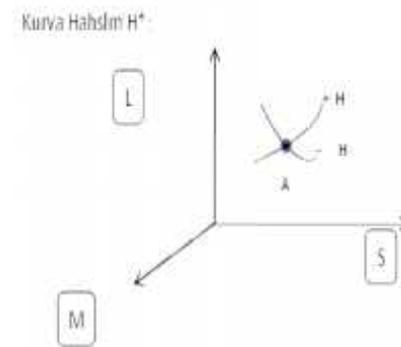


Fig. 4 Test Curve

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
prestasi_belajar	50	21	75	38.68	4.331
perdistribusian	50	23	45	33.10	4.375
polo_pemanfaatan	50	29	45	37.10	3.735
pengontrolan	50	10	35	23.08	3.920
perje	50		2	1.70	1.08
Valid N (listwise)	50				

No	Sub variable	Number of Items	Valid	Invalid	Number of Instrument
1	Learning achievement	10	9	1	7
2	Rationing	10	9	1	9
3	The pattern of utilization	10	10	-	-
4	Controlling Amount	10	8	2	2 and 5
		40	36	4	-

- 2) *Reliability Test*: Reliability test results shows that the value of Cronbach Alpha () from all the variables is greater than 0.70 and this result can be said to be reliable.

TABLE V
THE RELIABILITY TEST

NO	Variable	Cronbach Alpha	>	Standar Cronbach Alpha	Result
1	Learning achievement	0,886	>	0.70	reliable
2	Rationing	0,884	>	0.70	reliable
3	The pattern of utilization	0,878	>	0.70	reliable
4	Controlling	0,792	>	0.70	reliable

Source: Primary data were processed in 2015

IV. DISCUSSION

A. Classical Assumption Test

A model is said to be good for prediction tool if it has the properties are not biased regression analysis of correlation requires various assumptions so the model can be used as a good predictor. Thus, to take measures that include classical assumption are:

1. Normality Test

This research is using statistical test by Kolmogorov-Smirnov test. Based on the table shows that the value of K-S in Asymp Sig. (2 tailed) is 0,634 which is greater than 0.05 can be deduced from the calculation of normal distribution of data normality test. Based on residual normality test results can be seen from the graph P-P Plot normal in figure 4.1 Normal P-P Plot can be said to be normally distributed as dots spread around the diagonal line.

2. Multicolinierity Test

In the table multicolinierity test results through value Tolerance and his opponent it appears that the value of the variance inflation factor (VIF) in four independent variables no more than 10 and Tolerance value no less than 0.10. Thus the results of the correlation between the independent variables there is no multicollinearity.

3. Heteroskidastity Test

The results of heteroskidastity test that the dissemination of the data are above below zero. And the data do not form a particular pattern so that it can be concluded it doesn't have heteroskidastiity symptoms.

B. MULTIPLE LINEAR

C. REGRESSION TEST (OLS):

Based on the results of the regression analysis, it can obtain a regression line as follows:

$$Y = -5,956 + 0,187+0,750+0,252+0,421 + e$$

1. Partial Test (Uji-t)

Partial test is used to determine the effect of each independent variable on the independent variable. To compare the value of significance with a significance level of 0.05 four variables have a significant influence on learning achievement (Y). T-table value for n 50 is equal to 2.009, the results of the t test can be seen from the following table:

2. Fisher Test (Uji-F)

The F test can be seen in the table ANOVA of the results of multiple linear regression. By using a sample of 50 and 95% confidence level the importance of the F table value is 2.30. Based on the results of the calculations simultaneous test (F-statistic), because F count > F table 349,130 > 2,30 with significance value 0,000 which means below the 0.05 significance value. So that means the independent variable distribution, utilization pattern, controlling and gender simultaneously (together) had an influence on learning achievement.

3. Determinant Coefficient Test (R2)

The coefficient of determination (R2) was essentially measure how far the ability of the model to explain variations in the dependent variable [16]. The value of Adjusted R-squared (R2) shows that the influence of the independent variables on the dependent variable is equal to 0.966 or 96.6%. Getting closer to 100%, the models will get better. In this research means that there are other factors that influence learning achievements that have not been included in the regression model, is equal to 100% - 96,6,% or equal to 3,4%.

4. Different Test (t-test)

Paired sample statistics determining a summary of the average and standard deviation of two comparisons. Before accepting BAZIS scholarship, the average Achievement Index of students at 3.3402 Meanwhile, after receiving a BAZIS scholarship , the average Achievement Index of students increased to 3.4800, the average difference of Achievement Index before and after receiving BAZIS scholarship is -0.13980. Then the conclusion is there was an increase Achievement Index of 0.1398.

V. CONCLUSIONS

Based on the results of multiple linear regression (OLS), distribution, utilization pattern, controlling and gender on learning achievement that has been

made by researchers in the previous chapter, the researchers concluded:

Based on partial test using t test of the factors that influence can be summarized as follows: BAZIS scholarship distribution variables significantly influence student achievement of scholarship recipients with significant level is 0.000. Patterns of utilization variable of scholarship BAZIS significant influence on student achievement scholarship recipients with significant level is 0,000. Controlling of utilization variable of scholarship BAZIS significant influence on student achievement scholarship recipients with significant level is 0,000. Gender variable BAZIS scholarship recipients does not significantly affect learning achievement with a significant level was 0.099.

Based on the simultaneous testing using F-test, distribution variable, utilization pattern, controlling and gender together have a significant impact on learning achievement with significance of 0.000 and F statistic amount $349,130 > F$ table 2,30.

Based on the coefficient determination test shows that the value of Adjusted R Square 0.966 it shows that variations dependent variable (the learning

achievement) together able to be explained by variations in the independent variables (distribution, utilization patterns, controlling and gender) amounted to 96.6% while the remaining 3.4% is explained by other variables outside variables studied.

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Tax Evasion: Is It Ethical or Unethical? (Based on Samarinda Taxpayers' Perception)

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Abstract— Tax evasion is an active business taxpayer in terms of reducing, eliminating, illegal manipulation of the tax payable or not to pay tax payable as appropriate. This action is believed to be influenced by two factors, namely as tax fairness and compliance costs. If the tax fairness has been applied properly, then the taxpayer will be less likely to commit tax evasion and when the cost of compliance is too high, then the taxpayer will tend to evade taxes. Theoretically this study is expected to enrich and give some empirical evidence about factors that influence the adoption of taxpayers perceive towards tax evasion action, so it can be useful for academics, practitioners and policy makers. The population of this study are the individual taxpayer that spread across the Regional Office of Directorate General of Taxation in Samarinda. The sampling technique in this study is purposive sampling with any criteria individual taxpayer that have freelance work of 60 respondents. Freelancer work is the work performed by an individual who has special skills to earn income which is not bound by an employment relationship, such as lawyers, accountants, architects, sportsmen and the like. The analysis of research data on this study using PLS (Partial Least Square). The main findings of the study provide information that: (1) tax fairness has positive influence on taxpayer perceive towards tax evasion action, and (2) compliance cost has positive influence on taxpayer perceive towards tax evasion action.

Keywords— compliance cost, tax evasion, tax fairness, taxpayers perceive.

I. INTRODUCTION

Many cases of tax evasion have been occurred in large institutions and individuals, cause enigma whether tax evasion is ethical or unethical to do? The public's view of something ethical or unethical for a variety of reasons according to their perspectives view ([19]). Seeing from the various scandals the tax evasion act would be considered to be an ethical act due to poor bureaucracy and a lack of legal awareness of the taxpayer against such action. As [16] explains that tax evasion is considered a right derived from taxes, government corruption, and no rewards for taxes paid, resulting

in a lack of income tax revenues that lead to a crisis of public trust in the institution concerned in paying taxes. Meanwhile, according to [14] states that it is unethical to avoid taxes when the results in people who do not avoid taxes have to pay more. In other words, there are some moral obligations to other taxpayers even if there is no moral obligation to the government.

The International Tax Compact (2010) explains there are various reasons taxpayers perform tax evasion and tax evasion. One of the reasons is tax fairness and compliance cost. A study on the development of taxpayer's perception to tax evasion by [18] in Hong Kong and America, one of their main findings is that tax evasion will be reduced if taxes has been applied fairly. Similarly, the research result done by [12] in Nigeria explain, on condition that the tax paying populace continues to perceive the tax laws as unfair (especially to the law and middle class) taxpayers may not be motivated to faithfully pay their taxes then tend to evade tax.

Studies on tax evasion have been also conducted in Indonesia for example [13] in West Surabaya), and [12] in Singaraja. Both studies have decided to analysis the correlations between compliance cost and tax evasion, then findings the high level of compliance costs can lead taxpayers reluctant to pay taxes, so compliance cost can be a thing that inhibits or supports the behavior of taxpayers to do tax evasion.

Hence, this study will include tax fairness, compliance cost, on tax evasion as the variable. The main different between current study and prior tax

evasion studies in the past study is the different city (sample), different independent variable, and different year. This study has chosen Samarinda as the city (sample), tax fairness and compliance cost as dependent variable, and been examine the study at the year of 2017.

II. REVIEW OF LITERATURE

A. Theory of Perception

Perception arises from several factors. Factors that affect perceptions according to [9], is the first experience of the past (formerly) can affect a person because humans will usually draw conclusions similar to what he saw, heard, and felt. Both desires can influence a person's perception of making decisions. Humans tend to reject offers that do not match what they feel. Third experience from friends, where they will tell the experience that has been experienced. This obviously affects one's perception.

In addition, according to ([25]: 141) perception generally occurs due to two factors, namely internal factors and external factors. Internal factors come from within the individual, such as attitudes, habits, and will. While external factors are factors that come from outside the individual that includes the stimulus itself, both social and physical.

B. Theory of Planned Behavior

This theory of planned behavior can be attributed to the emergence of an individual's behavior determined by the individual's intentions and motivations. Meanwhile, according to [2], the emergence of behavioral intention is determined by three determinants: 1) Individual Belief (Behavioral beliefs), which is a belief of the individual will result from a behavior and evaluation of the result (beliefs strength and outcome evaluation) whether the behavior is positive or negative. 2) Normative beliefs, a belief about the normative beliefs and motivation to comply, which references such as family, friends, superiors, or tax consultants to approve or refuse to do so a given behavior. 3) Confidence in Control Beliefs, which is a belief about the existence of things that support or inhibit the behavior that will be displayed and the

perception of how strong things that support or inhibit its behavior (perceive power).

C. Perception of Tax Evasion

Perception of tax evasion arise from the experience felt by the taxpayer itself, from the will or the desire of the taxpayer in conducting tax evasion to the taxation of Indonesia which makes the perception that the action of tax evasion is a right thing to do, regardless of the consequences that taxpayers will be able to perform when tax evasion. In this case the individual will mean tax evasion is unethical, sometimes ethical, or even ethical ([16]).

Tax evasion is an intentional payment of less tax than what the law requires ([7]). Every taxpayer wants a tax rate that is as low as possible. Tax evasion is influenced by the attitude of the taxpayer in fulfilling his tax obligations. So, it can be understood, whether the taxpayer has a good behavior or deviate from the fulfillment of tax obligations. Tax evasion is indeed an unethical thing to do unless the taxpayer feels that the tax evasion treatment is not detected by the tax apparatus or the sanction given is smaller in magnitude than the benefit. In addition, if there is imposition of taxes that are not in accordance with the ability of the taxpayers themselves and there are costs that according to the taxpayer is something that burden them in fulfilling its tax obligations, then embezzlement will be considered a good thing (ethical) by the taxpayer.

D. Tax Fairness

According to [15] in accordance with the objective of law, namely to achieve justice, legislation and implementation of the collection should be fair. As research conducted by Etzioni [8] find tax evasion arises from the unfair tax federal felt by taxpayers. Same went to McGee's research ([16]) poses a view of tax evasion where, according to his research, embezzlement is an unethical behavior due to unfair taxes felt by some taxpayers. Syahrani and Pratomo [22] conducted in Bandung showed that the negative influence of tax fairness on the taxpayer's perception of tax evasion ethics. In addition, McGee, Ho, and Li [18] research resulted that the fairness variable has a strong influence on tax evasion ethics. The reasons that

support this view are that every society has an obligation and a right to its country to pay taxes. Where the obligation is to make tax deposits and it is fair to take the benefit from the deposit.

The tax evasion behavior of an individual taxpayer concerning tax fairness may be attributed to the theory of perception. This theory is analogized that tax evasion behavior is influenced by the paradigm of benefits and cost of each action selected taxpayer. When an individual taxpayer feels that the rate charged has been applied fairly to each individual with the same income, it will indirectly reduce the individual's desire to evade tax, or to be non-compliant in paying taxes or reporting the tax return. Based on the above explanation it can be concluded the higher the prevailing fairness then the taxpayer's perception of tax evasion is getting lower. Based on the description, the researcher took the first hypothesis is:

H1: Tax Fairness negatively affects the taxpayer's perception on the tax evasion.

E. Compliance Cost

Compliance cost or tax compliance fee is the amount of expenses incurred by individual taxpayer in carrying out various tax payment/deposit activities ([6]). As the research conducted by [13] conducted in West Surabaya shows that there is a positive influence of compliance cost to taxpayer perception on tax evasion. Sariyani, Wahyuni, and Sulindawati [21] studies conducted in Singaraja produce variable tax compliance costs have a positive influence on the taxpayer's perception of tax evasion ethics. The reasons that support this statement is that every taxpayer in fulfilling his tax obligations will sacrifice the cost of doing his obligations. So, these costs will be burdensome to them.

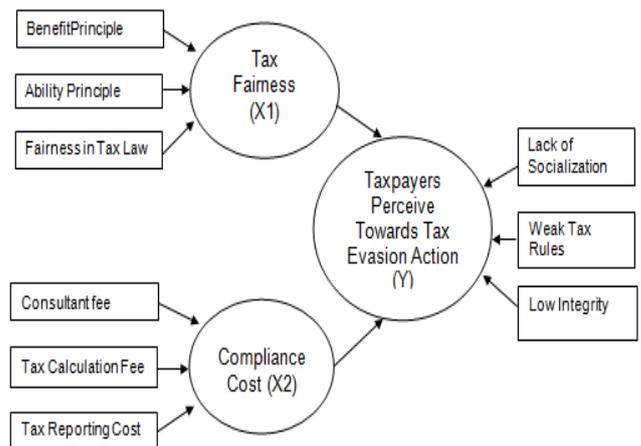
The tax evasion behavior by an individual taxpayer regarding compliance costs here can be attributed to the theory of planned behavior. In the theory of planned behavior, explaining that the existence of certain things can support or inhibit one's behavior. In fulfilling its obligations and taxation rights, the taxpayer issues a fee. Expenses incurred should not burden taxpayers and not a taxpayer inhibiting factors in fulfilling its tax obligations. Based on the above description it is

concluded, the higher the compliance cost, the taxpayer's perception of tax evasion is also higher. Based on the description, the second hypothesis is:

H2: Compliance Cost positively affects the taxpayer's perception of tax evasion.

III. RESEARCH METHODOLOGY

Variable Perceptions of Taxpayer for Tax Degradation Measures in this study is allegedly influenced by the variable of Tax Fairness and Compliance Costs of the Taxpayer perceived itself. The framework model of the research concept is referred to as the following figure:



Picture 1. Research Model Concept

Each indicator has one question. Furthermore, each indicator is measured using the Likert scale with the lowest score of 1 (Strongly Disagree), 2 (Disagree), 3 (Hesitant), 4 (Agree), and the highest 5 (Strongly Agree). The higher the number score indicates that the higher the level of tax evasion by taxpayers. This research uses quantitative approach through survey type confirmatory research method based on data collection through questionnaire ([11]: 45).

The questionnaire of this study is based on past study and researcher make a development of the questionnaire. Tax fairness is based on the study conducted by [17]. Compliance cost is based on the study conducted by Sanford [20].

A. Sample and Population

Population in this research is individual taxpayer registered in KPP Pratama Samarinda City. The sample is part of the number or characteristic possessed by the population. Because the research

population was too large, samples were taken using Hair et al. with a maximum of 60 respondents [2], In this research, the researcher uses purposive sampling, that is the sample chosen based on the researcher's assessment that the respondent is the best party to be used as the research sample ([10]:68). Sample criteria that researchers formulated in this study are: 1) Individual taxpayers registered in KPP Pratama Kota Samarinda. 2) Individual taxpayers who have a freelancer work. 3) An individual taxpayer who have a freelancer work of more than three years.

B. Data Analysis

1. Measurement of Outer Model in this research apply:

- Validity Test is used to measure the validity or validity of a questionnaire, ie a questionnaire able to reveal something that will be measured by the questionnaire ([11]: 58). Researchers will test the reliability of items on each construct through construct validity testing using SmartPLS ver. 3.0 M3, namely convergence validity test and discriminant validity test. Hartono and Abdillah ([11]:71) suggest that the result of cross loading is be consider sufficient if the level is ± 0.05 .
- Reability Test is a tool for measuring a questionnaire that is an indicator of a variable or construct. Reliability items are tested by looking at Alpha Coefficients by conducting Reliability Analysis with SmartPLS Ver 3.0 M3.

Hartono and Abdillah [11] suggested that the test of the validity of all constructs in the early stages of the study can also be seen from the value of outer loading with a minimum level of ± 0.30 and the rule of thumb usually used to make the initial examination of the factor matrix is ± 0.30 is considered to have met the minimum level, for loading ± 0.40 is considered better, and for loading more than 0.50 is considered to be significantly practical. The value of reliability that is considered sufficient is ± 0.05 and composite reliability is considered better in estimating the internal consistency of a construct.

2. Measurement of Inner Model in this research apply:

- R2 Test is used to measure the level of variation of change of independent variable to dependent variable. The higher the value of R2 means the better the prediction model of the proposed research model.
- Path coefficient Test shows significant level in hypothesis testing. The path coefficient score shown by the T-statistic value, should be above 1.96 for the two-tailed hypothesis, and above 1.64 for the one-tailed hypothesis. When the t-statistic value is more than 1, 96 (two tailed) or 1.64 (one tailed) then the research result is acceptable, but if the t-statistic value is below that number, the result is rejected.

IV. RESULT

A. Outer Model Result

TABLE 1
VALIDITY TEST

	Compliance Cost (X2)	Tax Fairness (X1)	Tax Evasion (Y)
X11	0.486	0.966	0.390
X12	0.443	0.862	0.210
X13	0.512	0.948	0.415
X21	0.879	0.506	0.389
X22	0.875	0.458	0.349
X23	0.839	0.391	0.433
Y11	0.394	0.298	0.837
Y12	0.448	0.343	0.919
Y13	0.271	0.328	0.717

The result of validity convergent test shows the outer loading $>0,5$ which means validity convergent has meet the requirement. Validity discriminant factor indicates the loading factor of each measurement block shows bigger value compare to other block, which means it meets the discriminant validity.

TABLE 2
REABILITY TEST RESULT

	Cronbach's Alpha	rho_A	Composite Reliability	AVE
Compliance Cost (X2)	0.831	0.836	0.899	0.747
Tax Fairness (X1)	0.921	0.993	0.948	0.858
Tax Evasion (Y)	0.768	0.799	0.867	0.687

The result of reliability test indicates that the composite value reliability and Cronbach alpha $>0,5$, which shows that the variable has higher reliability.

B. Inner Mode Result

TABLE 3
R SQUARE

	R Square
Tax Evasion (Y)	0.238

R Square (R^2). R^2 value of taxpayer perception on tax evasion act as seen in table 4.8 is 0.238. This explains that the taxpayer's perception constructs for tax evasion actions can be explained 24% through the construction of tax justice and compliance costs. This proves that the prediction model has been exact to explain the level of variation of the change of the independent variable to the dependent variable.

TABLE 4
PATH COEFFICIENTS RESULT

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)
(X2) - > (Y)	0.349	0.361	0.110	3.158
(X1) - > (Y)	0.206	0.207	0.098	2.092

Based on Table 4 above, it can be concluded that all hypotheses have been accepted because the value of t-statistics is more than the rule of thumb one tailed is >1.64 . The following is a description of hypothesis testing of each construct in the taxpayer's perception model of tax evasion. Hypothesis 1 (H1). H1 states that tax fairness negatively affects the mandatory perception of tax evasion. The test findings in Table 4 above shows that the t-statistics value for the first hypothesis is 2.296 (> 1.64), with a positive directional coefficient of 0.206 so it can be concluded H1 = Rejected.

The findings of the first hypothesis testing show that tax fairness does not affect the perception of taxpayers in doing tax evasion as a bad behavior (unethical). This result is aligned with the finding of [1] and [5] which states that tax fairness is not the cause of tax avoidance. However, it is not in line with the result of [22] and [17] that argue if taxation has been well implemented, then tax payers will not encourage to do tax avoidance.

Hypothesis 2 (H2). H2 states that compliance costs have a positive effect on the taxpayer's

perception of tax evasion. Test results in Table 4.9 above shows that the value of t-statistics for the first hypothesis is 3.063 (>1.64), with a positive directional coefficient of 0.349 so it can be concluded H2 = Accepted.

The result of the second hypothesis test shows that compliance cost influence taxpayer perception in doing tax evasion as good behavior (ethical). This result confirms the finding of Kurniwati and Toly [13], Sariani dan Sulindawai [21], Andrayuga, Sulindawati, dan Sujana [4], which claim that the higher the compliance will burden the taxpayer so that tax evasion will be higher

V. CONCLUSIONS

Based on the data that has been collected and the tests that have been done to the problem using Partial Least Square (PLS) analysis tool, the following conclusions are taken; Tax Fairness Does Not Affect Against Taxpayer's Perception on Tax Evasion.

The results found that the results did not match the development of the hypothesis. This is because the obligation to pay taxes is an absolute obligation of individual taxpayers, so that when fair or not the applicable tax treatment is not a matter that affects individual taxpayers in tax evasion. In addition, the many cases of tax evasion will make the individual taxpayer as a critical individual to think better not to pay taxes than corrupt tax money, so tax evasion is considered good behavior (ethical). Compliance Cost Affects Against Taxpayer's Perceptions of Tax Evasion.

The results of this study found that compliance costs affect the taxpayer's perception of tax evasion. The results of the study found that the results of the study were in accordance with the development of the hypothesis. This is because half the taxpayer's condition of an individual cannot or cannot afford to pay other fees such as fees to pay tax consultants, fees to calculate taxes and fees for reporting taxes in addition to fees to pay his taxes. It could be that the cost has exceeded the ability of individual taxpayers, but it can also be taxpayers of individuals who cannot afford to meet the obligations of taxation due to difficult administration.

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Business Approach Using Ecoefficiency Concept in Enhancing Competitive Advantage Based on Green Product Efforts

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Abstract— This study aims to determine the business approach by using the concept of ecoefficiency in increasing competitive advantage based on the efforts of green product. The amount of industrial increase is proportional to the amount of increased pollution generated from industrial production processes [1]. We intend that the use of the concept of ecoefficiency is capable of producing environmentally friendly products and in addition to creating a competitive advantage for the company. The method used is qualitative case study, validity of data using triangulation test for cross check between interview result, observation, and documentation with supporting theory. The analytical tools used to test the prevalence of data are data reduction, data presentation, and conclusions. This study found that the business approach used is business strategy cost leadership. In the calculation of ecoefficiency, the resulting ratio is greater than 1, indicating that the company is efficient in production, and environmentally competitive. The results of the analysis are supported by the wastewater treatment system (IPAL) used by companies to reduce the impact of waste generated. The entire company has cleaned and environmentally friendly products with the concept of ecoefficiency in increasing the company's competitive advantage.

Keywords— ecoefficiency, competitive advantage, green product

I. INTRODUCTION

Today, most of the world's industries are turning to a green economy, an environmentally friendly and efficient economy in the use of natural resources. In Indonesia, people's consumptive behavior will affect the increasing needs of goods and services. Competition in the industrial world is required to gain a large profit by the use of small resources. This competition makes the business enterprise must have a competitive advantage from its competitors. The main change in the business environment is the increased customer expectations of product functionality and quality [2].

In the last twenty economic development in Indonesia leads to industrialization. There are

approximately 30,000 industries operating in Indonesia from year to year has increased. The amount of industrial increase is proportional to the amount of increased pollution generated from industrial production processes [1]. DeSimone and Popoff [3] introduces the concept of ecoefficiency as an idea that is an effort to improve the efficiency of the company by minimizing the output of waste through the production process or environmental clean technology. Huppess and Ishikawa [4] provides the argument that ecoefficiency produces environmental intensity and environmental productivity in the field of value creation, and the cost of environmental improvement and environmental cost effectiveness in the area of environmental improvement actions.

Increasing ecoefficiency becomes one of the company's strategy in order to compete with competitor company and besides able to increase company's profit [5]. An action to protect the environment by a company can create a good image of the company and be able to increase sales [6]. Lay and Panjaitan [7] said that the results of the calculation of ecoefficiency is expected to be a consideration for companies to be able to begin to reduce the impact on the environment when making the existing production process. Environmental issues become important for companies to get a good image of the community [8].

Green product has a positive impact on the environment and is expected to be a competitive advantage for the company. According to Albino, Balice [9] a product is said to be a green product when, when the production process, the use of materials, disposal, and environmental and social

performance have been integrated to create green products. The characteristics of green products are recycled goods, recyclable or reusable, efficient, environmentally friendly packaging, green labeled (labeled), rentable or loanable, and certified [10]. The concept of eco efficiency meets the criteria in the manufacture of environmentally friendly products by processing the net production process based on superior product quality.

World Business Council of Sustainable Development [11] states that companies implementing the concept of ecoefficiency intend for several reasons, such as record the performance and progress of the company; identify and prioritize opportunities for growth; and identify cost savings and other benefits associated with ecoefficiency. There are two contributions in this study, firstly, providing knowledge of the implementation of the concept of ecoefficiency that links between an economic and ecological point of view on a firm's business strategy. Second, to provide knowledge that in the application of this concept of ecoefficiency can increase the company's competitive advantage based on the efforts of green product.

In the next section of this paper discuss the study of research literature, the three describe the methods used in the study, the four describe the results of analysis and discussion and the last section describes the conclusions of this study.

II. LITERATURE REVIEW

A. Environmental Accounting

Environmental accounting is a term that seeks to group financing by companies and governments in environmental conservation into the company's environmental and business practices posts. Gale and Stokoe [12] states that financial environment accounting emphasizes the analysis and reporting of components of costs and obligations related to environmental issues. These environmental conservation activities will ultimately emerge environmental costs that must be borne by the entity.

Environmental accounting can also be analogous to a quantitative measurement framework for environmental conservation activities conducted by companies or organizations [1, 13]. Reporting

environmental costs allows stakeholders to have a motivation to identify ways that reduce environmental costs to improve environmental quality.

B. Ecoefficiency Concept

Ecoefficiency is a tool used to add value to products with environmental impact reduction [7, 14, 15]. The purpose of implementing ecoefficiency include customers wanting cleaner products, ie products manufactured without damaging the environment and the use and disposal of environmentally friendly; employees prefer to work in companies that are environmentally responsible, and generate greater productivity; companies get external benefits with environmental responsibility; good environmental performance generates significant social benefits; improving environmental performance can inspire managers' desire to innovate; and reduction of environmental costs can maintain or create competitive advantage [16].

In the research Lay and Panjaitan [7] ecoefficiency brings two eco concepts of ecology and economy. That is, ecoefficiency connects the value of a product or service to the resulting environmental impact. The ecoefficiency equation as follows :

$$\text{Ecoefficiency} = \frac{\text{Value of the product}}{\text{Cost} + \text{Environmental cost}}$$

In the calculation of ecoefficiency, if the resulting ratio is > 1 (greater than 1) then the company can be said to have been efficient in production and environment. While the resulting ratio < 1 (less than 1), then the company has not been efficient in production and environment [7].

C. Environmental Management Accounting

Environmental management accounting is integral in corporate management. Environmental management accounting itself is the process of identifying, collecting, estimating, analyzing, reporting and transmitting information on information based on material and energy flows; information based on environmental costs; and other measurable information formed by an environmental management accountant for corporate decision-making [17]. Schaltegger and

Burritt [18] *environmental management accounting* (EMA) is an environmental management and economic performance through the development and implementation of accounting systems related to the environment and its practices appropriately.

Singgih [19] states that five combinations of approaches are comprehensive: reduce and prevention for waste; demand side management; design for environment; product stewardship; and full costing accounting. Burritt, Hahn [20] integrating two environmental components namely monetary environmental management accounting and physical environmental management accounting.

D. Relation of ecoefficiency concept, competitive advantage and green product

Ecoefficiency helps companies, individuals, governments or organizations become more sustainable. Ecoefficiency is expected to achieve cost efficiency and environmental benefits. This environmental approach will increase competitive advantage. According to Ikhsan [21] states that the external function of environmental accounting provides the authority for the company to influence the decision-making of stakeholders, such as customers, business associates, investors, local residents as well as administrative sections. And an important factor to note is the disclosure of the results of environmental conservation activities in the form of accounting data.

Increasingly fierce business competition makes enterprise management must think hard to find the right way to survive and at the same time succeed in achieving corporate goals such as profit, market share, growth and others [22]. Porter [23] states that the main function of management is related to strategy of establishing and communicating the unique position of the company, making trade off, and trying to create conformity in various activities.

Implementation of the strategy theory put forward by Barney [24] has three competitive position of the company, namely competitive advantage, competitive parity, and competitive disadvantages. Companies that have a cost strategy in their environment indirectly have cost competitive advantage because the company has a management strategy in its environmental policy,

which will have an impact in determining the cost per unit of products produced by the company. Reduced sales costs from environmental impacts will be lower than sales of product costs that do not subtract at all. It can be the company's competitive advantage based on the efforts of green product.

III. METHOD

A. Research approach

This research uses qualitative approach of case study. Is a research that intends to understand a case or phenomenon experienced by research subjects such as behavior, perception, motivation, action and others holistically by way of describing in the form of words and language, in a special context that is natural by utilizing various scientific methods [25].

B. Data collection

Technique of collecting data in this research is done by using method of observation, interview, and documentation [26].

C. Test data validity

Validity test is an effort to increase the degree of data trust [25]. In this research using triangulation test, that is using triangulation theory for *cross check* between interview result, observation, and documentation with supporting theory.

D. Data analysis technique

Technical analysis used in business approach using ecoefficiency concept in increasing competitive advantage based on green product effort that is data reduction, display data, and data conclusion drawing / verification [27].

IV. RESULT AND DISCUSSION

A. Corporate business approach

Companies implement business strategy on one of the strategic management concepts of cost leadership, cost leadership business strategy focus to gain profit by reducing economic cost under all the competitors [24]. The result of triangulation shows that the company considers the approach to the employee for the purpose of the production activity can be achieved. The company has the power to determine the selling price, because the other competitors will not raise the selling price before the company makes a decision.

The company provides good employee benefits to maintain product quality. In addition, the company recruit employees to the community around the company's environment. It shows that the company's business approach implements human resource management, production and marketing approaches.

B. Ecoefficiency concept company

The concept of corporate ecoefficiency is indicated by the use of production raw materials such as fresh fish, vegetables and flour. The raw materials do not cause the impact of hazardous production that can pollute the environment. In addition, the company uses Waste Water Treatment Installation (WWTP) to minimize wastewater into waste that is not harmful to the environment. In addition, the company provides training to employees to improve the competence of each employee.

The ratio of ecoefficiency is obtained from cost and sales data, this ratio is calculated by dividing net sales by total expenditure including environmental costs. Based on the calculation, the net sales value for January is Rp. 512.412.000, while the cost incurred is Rp. 399.179.981. The results of the calculation as follows:

$$Ecoefficiency = \frac{\text{Value of the product}}{\text{Cost + Environmental cost}}$$

$$Ecoefficiency = \frac{Rp\ 500.257.000}{Rp\ 376.440.995 + Rp\ 22.738.986}$$

$$Ecoefficiency = 1,25$$

The result obtained is 1.25 in January, while the calculation in February is as follows:

$$Ecoefficiency = \frac{\text{Value of the product}}{\text{Cost + Environmental cost}}$$

$$Ecoefficiency = \frac{Rp\ 571.547.000}{Rp\ 387.551.700 + Rp\ 24.849.875}$$

$$Ecoefficiency = 1,39$$

The result obtained was 1.39 in February and increased from the previous month. From the results obtained can be shown that the company is efficient in the field of production and environment.

TABLE 1.

CALCULATION OF ECOEFFICIENCY RATIO OF PT. INDO LAUTAN MAKMUR SIDOARJO FROM JANUARY TO FEBRUARY 2015

URAIAN	January (Rp)	February (Rp)
<i>Cost + Environmental Cost</i>		
Environmental cost	22.738.986,00	24.849.875,00
Cost	376.440.995,00	387.551.700,00
Total cost	399.179.981,00	412.401.575,00
<i>Value of the product</i>		
Sales	512.412.000,00	594.813.000,00
Sales cost	(12.155.000,00)	(23.266.000,00)
Net sales	500.257.000,00	571.547.000,00
<i>Ecoefficiency</i>	1,25	1,39

Source: Processed data (2015)

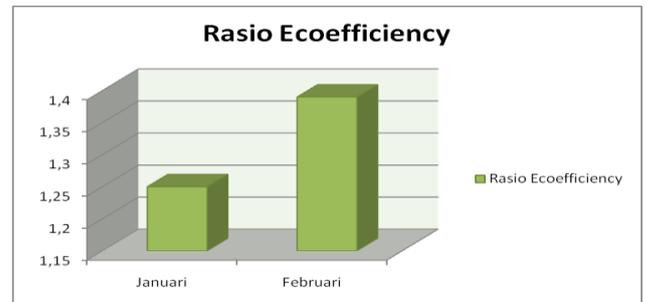


Figure 1. Comparison of ecoefficiency ratio from January to February

The ratio of ecoefficiency generated by the company in January - February is greater than 1, this indicates that the company's production process can be said both in ecology and economy because the company produces a small production cost and get high net income. The Company is able to provide customers with a clean product without any environmental damage and the use or disposal of the product is environmentally friendly. In addition, cost reduction from production and environmental processes can create or maintain competitive advantage.

Finally, using the concept of ecoefficiency the company can create environmentally friendly products and deliver more value as a competitive advantage of the company.

C. Competitive advantage based on green product effort

Competitive advantage based on the efforts of green product to form the public trust to the company because the products produced in accordance with the needs of today's society. In production, the company provides environmental conservation by reducing the impact of waste generated, and hence the company has a good image of the consumers.

Companies are required to be a business unit that has unique characteristics of its competitors, uniqueness owned such as using cheap raw materials but still maintain the authenticity at the time of production; little mixed materials used; and no preservatives. The company sells products at affordable prices, this causes the company to have consumer confidence and become a company with cost leadership business strategy in its field.

The company's human resource management shows high attention to employees, and rewards every employee who has competence and achievement in work. In addition, the company provides specialized training to employees to improve their skills and increase their knowledge and understanding of the company's activities so as to create employee productivity to obtain high quality products at affordable prices. The company is still dependent on the wastewater treatment system installation which is one of the company's environmental conservation systems, but there is still a little air pollution resulting from the company and the company still strives to minimize the impact.

V. CONCLUSIONS

From the results of research and discussion obtained, the company shows the business strategy used is cost leadership and use the concept of ecoefficiency to enhance the company's competitive advantage through the efforts of green product. The company's business approach includes the management of natural resources, human resource management, and prevention of the impact of waste generated by the company.

The concept of ecoefficiency used by the company through the price of cheap raw materials. In addition, the raw materials used are environmentally friendly products, it is also supported by the value of the ecoefficiency ratio of the financial statements of the company shows efficient in production and environment. In addition, the company's success in achieving business sustainability is with the team's solidity within the company consisting of leaders and employees, so that the work environment created creates a kinship atmosphere that is mutually understanding and understanding.

In conclusion, the results of this study provide an explanation that the use of the concept of ecoefficiency can enhance the company's competitive advantage, in addition the company can also create products that are environmentally friendly. Michael Porter's other business strategy can certainly be a future research with the impact of applying the concept of ecoefficiency.

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The Effect of Investment Decisions, Funding Decision and Dividend Policy on Company Value Study on Manufacturing Company Listed in Indonesia Stock Exchange Period 2009-2013

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Abstract— The study aims to examine the influence investment decisions, financing decisions and dividend policy on the value of the firm either simultaneously or partially. The data used in this study are annual report companies on period 2009-2013, and dividend payment's information in IDX statistic. The population are all listed manufacturing companies in Indonesian Stock Exchange and twenty samples were selected by judgment sampling technique for period of 5 years (2009-2013). The analysis procedure were descriptive analysis and multiple linear regression analysis. The study showed that investment decisions, financing decisions and dividend policy simultaneously have a significant positive effect on firm value. Partially investment decisions and funding decisions do not have a significant positive effect on firm value, while the dividend policy has a significant positive effect on firm value.

Keywords— investment decisions, financing decisions, dividend policy, firm value

I. INTRODUCTION

In investing in the manufacturing sector consideration should be given to the level of returns to the investment and the level of risk to be borne (the risks) of the effect on the investment [20]. Investors certainly expect a higher rate of return than the level of risk to be borne, but in reality it does not always happen that way. The higher the level of risk borne the higher the rate of return obtained. But currently there are still few investors who are risk lover or love seeker.

The company's goal is to maximize shareholder value and company value. These goals can be achieved by making the right financial decisions. Reference [18] the financial function includes three major decisions that must be taken by the company,

namely investment decisions, funding decisions, and dividend policy. The three decisions are mutually connected because investment decisions can be made if supported with sufficient funds, while to get the funds need to be made an appropriate funding decisions and in accordance with the conditions of the company and influenced by the dividend or stock buyback policy.

Signalling theory suggests that investment spending by firms gives a positive signal, especially to investors and creditors that the company will grow in the future. This shows that the influence of investment decisions on corporate value tends to be positive.

Based on the results of research conducted by [5], [14]-[15] show that investment decisions have positive and significant impact on firm value. This indicates a direct relationship between investment decisions and firm value.

The next decision is the funding decision. The funding decision is a decision on finding the source of funds to finance the investment and determining how much the composition of the funding source will be used. Funding comes from within, such as retained earnings, own capital, and cash, and some from external sources such as debt and equity. The purpose of funding is to fund investments. Reference [11] said that the addition of debt will increase the value of the company, meaning that if a company owes the value of the company will be high.

According to Static Trade off Theory estimates that the target debt ratio will vary from one company to another. Companies with tangible and secure assets and taxable profits that must be protected should have high target rates. Unprofitable companies with intangible assets at risk should only rely on equity financing [3].

Based on the results of research conducted by [5], [15] show that funding decisions have positive and significant impact on firm value. In contrast, a study by [14] suggests that funding decisions negatively affect insignificant value to the firm. This indicates that the effect of funding decisions on corporate value varies.

Another decision is dividend policy. The dividend policy is a policy of how much of the proportion of profits to be distributed to shareholders of both ordinary shareholders and preferred shareholders. For preferred shareholders, the proportion is the same for each period and takes precedence over the common shareholders. In contrast, for ordinary shareholders the proportion is adjusted for the remaining profits earned by the company and distributed after the preferred shareholder, but the common shareholder has special right, one of them shall vote in the General Meeting of Shareholders (AGM) not owned by the preferred shareholder. The purpose of dividend payout is to improve performance and motivate stakeholders thereby increasing the value of the company.

According to client effect theory, there are two groups of shareholders who have different preferences about the dividend policy of the company [1]. The first group is a group of shareholders who prefer a high dividend payout ratio and the second group is a group of shareholders who prefer to hold some of the net income. This suggests that the effect of dividend policy on corporate value also depends on the group of shareholders.

Based on the results of research conducted by [15] shows that dividend policy has a negative effect on company value. In contrast, research conducted by [14] shows that dividend policy has a positive and significant effect on firm value. This shows that the effect of dividend policy on corporate value still varies.

Based on some research above, researcher want to research about influence of decision, and policy of dividend to company value either partially or simulant. This is done to examine the effect of decisions, funding decisions, and dividend policy on corporate value either partially or simultaneously.

Corporate value is often associated with the value of the company's stock. A company can be said to be good if it has a good value also including the performance of the company. When the value of the company's stock is high, it can be pointed out that the company has a good value. The company's goal is to increase the prosperity of shareholders. Company value can also be defined as the fair value of a company that describes the perceptions of investors to the issuer in question. If the value of a company's stock is high then investors' perceptions of the firm will be high too, and do not hesitate to invest the funds in the company with its considerations. But if the value of the company's stock is low then the perception of the investors will be negative and the possibility to withdraw its investment will be very likely to happen. High stock values indicate that the company has high profits and good performance.

According to [18] the management can be considered as an agent of the owners of the company, namely shareholders. Shareholders will delegate decision-making authority to the management. In order for the management to make optimal decisions on behalf of the shareholders, they not only get the right incentives, but they will be monitored as well. Supervision can be done through various methods such as agent bonding, auditing financial statements, and explicitly limiting management decisions. Creditors oversee the behavior of management and shareholders by imposing a guarantee agreement on a loan agreement between the borrower and the lender.

One of the indicators that can affect the value of the company is the price earning ratio (PER). According to [15], PER is a ratio that measures how big a bandwagon is between the company's stock price and the shareholder's profit.

Investment decisions are one of the decisions that financial managers must take to allocate existing funds to make a profit in the future.

Investment can come from within and outside the company. Investments from within the company include cash, securities, accounts receivable, inventories, prepaid expenses (pre-paid rent), and other short-term investments. This investment lies in current assets in the company's balance sheet. In contrast, outside investments include equipment, land, buildings, machinery, vehicles, and other long-term investments. This investment lies in fixed assets in the balance sheet. The investment decision is on the left side of the balance sheet report.

According to the signaling theory put forward by Michael Spense in his 1973 article. The theory suggests that investment spending positively signals future growth, thereby increasing stock prices as an indicator of corporate value.

Investment decisions can be measured by the Total Asset Growth (TAG) indicator. The greater the asset expected the greater the operational results generated by the company [2]. Increased assets followed by increased operating results will further increase the confidence of outsiders of the company.

The funding decision is the next decision that financial managers must take to fund investments made by the company. In this decision, financial managers are required to consider and analyze the sources of funds to finance these investments. In this decision financial managers must understand exactly what proportion, composition, combination, and efficiency of financing required by the company. This decision lies on the right side of the balance sheet report, such as current liabilities and long-term liabilities. Current liabilities include trade payables and other short-term liabilities. Long-term liabilities include bank loans, issue of bonds and bonds, and other long-term liabilities.

According [11] point out that the traditional approach opinion is incorrect. Reference [11] indicates the possibility of arbitrage process that will make the stock price that does not use debt or that use the debt eventually the same. Thus, reference [11] indicates that in the state of perfect capital markets and no taxes, the funding decision becomes irrelevant. This means that the use of debt or equity will have the same effect on shareholder wealth [17].

Funding decisions can be measured by the ratio of DER (Debt to Equity Ratio), the ratio to measure

how the company uses the source of funds from debt and reflect the ability of the company to pay liabilities in the long term. The higher the debt the greater the financial risk of the company.

A. Dividend Policy

The dividend policy is the final decision of the financial manager to determine the proportion of earnings distributed to shareholders in the form of cash dividends, the proportion of profits that may be payable for the company's capital (retained earnings), dividends in the form of stock dividend (common stock & preferred stock) stock split, and stock purchasing back together, these decisions aim to improve the prosperity and performance of shareholders.

According to [4] that the theory of dividend policy there are 3, namely dividend irrelevance theory, bird in the hand theory and tax preference theory. Dividend Irrelevance Theory is a theory which suggests that investors do not care about the size of the dividend given by the company to the shareholders. Bird In The Hand Theory by [11] is a dividend policy that can have a positive effect on stock market prices.

The dividend policy can be measured by the DPR (Dividend Payout Ratio) indicator, that is the ratio to measure the amount of dividend to be distributed to the shareholders of the company.

B. The Effect of Investment Decisions on

Corporate Value An investment decision is a decision a finance manager must take to allocate the available funds so as to generate profits in the future. Investment decisions will have a positive effect on the value of the firm if the manager can allocate these funds appropriately across a variety of company assets that support, resulting in future profits and increase the value of the company, and vice versa. However, investment decisions will negatively affect the value of the company if the manager also allocates funds to assets that do not support its operational activities, so that will bring future losses and lower the value of the company.

According to Signalling Theory states that the effect of investment on the value of the company is positive because the investment spending made by the company gives a signal, especially to investors

and creditors that the company will grow in the future.

Based on the results of previous research that is [12], [20], [14], [13] obtained the conclusion that investment decisions have a significant positive effect on the value of the company. This means that with increased investment by the company, it will result in increased value of the company.

Hypothesis 1: There is a positive influence of investment decisions on firm value.

C. The Influence of Funding Decisions on Corporate Value

The funding decision is the next decision a finance manager must take to fund investments made by the company. Funding decisions will have a positive effect on the value of the company if the proportion of debt increases then the available operational fund increases, if the debt is managed properly it can increase the company's profit so that the company's performance will be high. If the company's performance is high then it will raise the stock price, so the company's value will increase. But funding decisions will have a negative effect if the proportion of debt is very large, resulting in higher interest costs and lower profits and the value of the firm will also decrease.

According to Static Trade off Theory [20] states that the increase in debt will be useful if it can increase the value of the company. This means that the addition of debt has not reached the optimal limit of the amount of debt that can cause the company's value is maximized.

Based on research result [14] got conclusion that funding decision have negative effect not significant to company value. This means that the low Debt to Equity Ratio in the company has no effect on the value of the company. However, in the results of research [20] found the conclusion that funding decisions will only affect the value of the company if the funding decision can reduce corporate risk. This means that funding decisions can result in greater benefits than losses incurred by the decision, thereby increasing the value of the firm. while in the results of research [12]-[13] obtained the conclusion that funding decisions have a significant positive effect on the value of the company. This means that an increasing

variable of funding decisions will result in increased corporate value. Hypothesis 2: There is the effect of the funding decision on the firm's value.

D. The Effect of Dividend Policy on Corporate Value

The dividend policy is the final decision a finance manager must take to determine the proportion of earnings distributed to shareholders aimed at increasing the wealth and performance of shareholders. The dividend policy will have a positive effect if the dividends are distributed high then the stock price will increase, so the value of the company will increase. However, the dividend policy will have a negative effect if the profits earned by the company are mostly used for dividend distribution, it will likely reduce the retained earnings as additional funds for capital turnover of the next period, resulting in lower profits and the company's value will decrease.

According to Bird In The Hand Theory, dividend policy can have a positive effect on stock market prices. This means that the dividend distributed by the company gets bigger, then the stock market price of the company will be higher and vice versa. In contrast, according to Tax preference theory states that dividend policy has a negative effect on the stock market price of the company. Based on the results of previous research that is [20] obtained the conclusion that the dividend policy does not significantly affect the value of the company either directly or indirectly. This means dividend policy only changes the timing of dividend payments in such a way that the total cash flow to be received in the future will remain the same.

However, based on the results of previous research that is [12]-[14] got the conclusion that dividend decision have a positive effect significantly to company value. This means that the greater the dividends are distributed, the company's performance will increase which will also increase the value of the company. Hypothesis 3: There is a dividend policy influence on firm value.

The framework underlying this research can be described as follows:

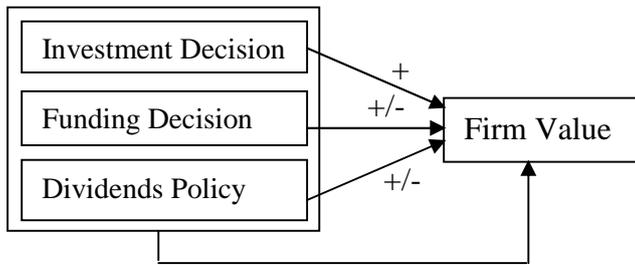


Fig. 1 Framework

II. METHODS

The population used in this study is a company listed on the Indonesia Stock Exchange in the period 2009-2013. Sampling technique used is Judgment Sampling. Judgment Sampling is one type of Purposive Sampling in addition to Quota Sampling where the researcher chooses a sample based on research on some characteristics of the sample members that are adjusted for research purposes [10]. Sampling with the following criteria: manufacturing companies listed in the Indonesia Stock Exchange (IDX) for the period 2009-2013, have full annual financial statements for the period 2009-2013, have positive equity, have information on dividend distribution, and not conduct corporate action. Companies that meet the above criteria during the period of 2009 to 2013 as many as 20 companies.

This study takes samples on companies listed on the Indonesia Stock Exchange period 2009-2013 with criteria that have been previously noted. The data used in this study is quantitative data using secondary data because the data obtained derived data from the company. The data used are annual stock price data, complete annual financial statements, and dividend distribution information as well as corporate action actions obtained from Indonesia Stock Exchange (IDX) and IDX and e-stock exchange for corporate action information.

The research variables used in this study are firm value as dependent variable, as well as investment decision, funding decision and dividend policy as independent variable.

Corporate value is a company's performance that is reflected by the stock price formed by demand and supply in the capital market reflecting the public opinion about the company's performance. Company value can be measured by using Price Earning Ratio (PER) formula:

$$PER = \frac{\text{Harga Saham}}{EPS}$$

Information :

EPS = net income per number of shares outstanding

PER = comparison between the stock price of the company and the profit earned by the shareholders

Investment decisions are the decisions that financial managers must take to allocate company funds in various assets to make a profit in the future. Investment decisions can be measured using the formula Total Asset Growth (TAG):

$$TAG = \frac{TA_t - TA_{t-1}}{TA_{t-1}}$$

information:

TA_t = Total asset year of research

TA_{t-1} = Total assets years before the study

TAG = Asset growth during the study period

The funding decision is the next decision a finance manager must make to finance investments made by the company. Funding decisions can be measured using the Debt to Equity Ratio (DER) formula:

$$DER = \frac{\text{Total Kewajiban}}{\text{Total Modal Ekuitas}}$$

Information:

DER = use of financial resources from debt and reflection of the company's ability to pay its long-term liabilities

The dividend policy is the final decision a finance manager must take in determining the proportion of profit distributed to shareholders aimed at increasing the shareholder wealth and performance in the form of cash dividends, the proportion of earnings that may be payable for the company's capital, dividends in the form of dividends stocks, stock splits, and stock purchases back together. The dividend policy can be measured using Dividend Payout Ratio (DPR):

$$DPR = \frac{DPS}{EPS} \times 100\%$$

Information:

- DPS = dividends paid per number of common shares outstanding
 EPS = net income per number of shares outstanding
 DPR = dividend to be distributed to shareholders

To examine the effect of investment decision, funding decision and dividend policy on firm value, multiple linear regression model (MRA) is used. The following is a multiple linear regression equation: $PER = 9,123 + 8,961 TAG - 0,905 DER + 10,304 DPR + e$

TABLE I
DESCRIPTIVE STATISTICS

	Minimum	Maximum	Average	Standard Deviation
PER	0,11	80,00	13,5794	11,06620
TAG	0,002	0,55	0,1300	0,10079
DER	0,10	8,44	0,8310	1,03968
DPR	0,02	1,74	0,3924	0,32243

Source: Data processed

III. RESULTS

Descriptive analysis is used to explain the relationship of independent variables, namely investment decisions, funding decisions, and dividend policy on the dependent variable that is the value of the company in accordance with its operational definition.

In Table I above it can be seen that the average PER is 13,5794, meaning that the average PER is 13,5794 times EPS. The highest PER in the research period was achieved by PT Sumi Indo Kabel Tbk (IKBI) in 2009 which is 80 times. This means that IKBI has been able to convince investors that the company has good prospects in achieving its goals. However, the lowest PER in the research period was achieved by PT Multi Bintang Indonesia Tbk (MLBI) in 2010 at 0.11 times, which means that the company is less able to convince investors about the prospect of the company in achieving its objectives.

In table 1 it can be seen that the average TAG in this study period is 0.13. This means that the average growth of the company's assets is 0.13 times the total assets of the previous year. The highest TAG in the study period was achieved by PT Multi Bintang Indonesia Tbk (MLBI) in 2013 of 0.55, which means that the growth of PT Multi Bintang Indonesia Tbk's assets amounted to 0.55 times the total assets of the previous year. However the lowest TAG in the study period was achieved by PT Merck Tbk (MERK) in 2010 of 0.002 which means that the growth of PT Merck Tbk assets in 2010 amounted to 0.002 times the total assets of the previous year.

In Table I it can be seen that the average DER in the study period is 0.8310. This means that the average company uses the source of funds from debt and reflects the ability of the company to pay its liabilities in the long run of 0.8310 times

the total equity. The highest DER in the study period was achieved by PT Multi Bintang Indonesia Tbk (MLBI) in 2009 of 8.44 times the total equity which means that the company has not been able to pay its obligations in the long term. However the lowest DER in the study period was achieved by PT Mandom Indonesia Tbk (TCID) in 2011 amounting to 0.11 times the total equity which means that the company is able to pay its obligations in the long run.

In Table I it can be seen that the average of the House of Representatives is 0.3924 means that the average company is able to distribute dividends to shareholders of 39.24%. The highest DPR in the study period was achieved by PT Sumi Indo Kabel Tbk (IKBI) in 2013 at 1.74 which means the company is able to distribute dividends to shareholders of 174%. It can be seen that the lack of dividend payments of 74% can be taken from the previous year's earnings, but not every year the company can do it because the retained earnings of the company each year is not always as great. Conversely, the lowest DPR in the research period was achieved by PT Goodyear Indonesia Tbk (GDYR) in 2009 of 0.02 which means that this company is only able to pay dividends to shareholders of 2%.

IV. DISCUSSION

The result of TAG hypothesis test shows that there is positive influence of investment decision to firm value by using price earnings ratio but not significant. The insignificant results occur because the asset growth exceeds the optimal limit so that the company feels burdened with the costs incurred. These results are in contrast to the signalling theory that states that investment decisions provide a positive signal on the value of the company. Optimal assets will produce a positive NPV, so as to increase stock prices, but excessive assets will impact on costs that do not support the company's operational activities. This can cause the company's profit to decrease, so the company's value also decreases. Thus, investment decisions in the form of additional assets have not been able to increase the value of the company.

This study supports [16] study which states that investment decisions as measured by TAG have a negative and insignificant effect on firm value as measured by PBV. But this study does not support the results of [5] study which states that stock prices can be significantly affected by TAG.

In contrast to TAG hypothesis test results, DER hypothesis analysis results show that there is no significant negative effect on firm value. An insignificant result occurs because the use of debt exceeds the optimal limit so that the company feels burdened with interest costs. The results of this study in accordance with the trade off theory which states that if the debt used exceeds the optimal limit will result in companies feel burdened with interest costs, so it will reduce the profits earned and feared the value of the company to be not maximal due to reduced creditor trust. This theory states that the balance between financial distress and tax savings as a result of high use of debt makes the value of the company is not affected by the debt policy. Thus the funding decision does not affect the value of the company.

This supports the results of research [14] which states that the high low DER in the company will not affect the value of the company. But this study does not support the results of research [5] which states that with increasing DER then the stock price will increase as well.

In contrast to the results of TAG and DER hypothesis testing, the results of hypothesis analysis of House of Representatives shows that there is a significant positive effect on the value of the company. This happens because the dividend payout can reduce the uncertainty faced by investors. The more investors who invest in the company, then other investors will be interested to participate in investing because they think that they will feel lucky if they invest in the company. Investors are more pleased with dividends that definitely benefit them than capital gains that are not yet in their favor. Thus the dividend-sharing policy can increase the value of the company.

This study supports the results of [14] study which states that there is a positive and significant influence between the dividend policy as measured by the Dividend Payout Ratio against the value of the company as measured by Price Book Value. However, this research does not support the results of [15] studies which conclude that dividend policy has no significant positive effect on firm value.

V. CONCLUSIONS

Based on the result of hypothesis testing and analysis, it can be concluded that simultaneously there is positive influence of investment decision, funding decision and dividend policy toward company value listed in Indonesian Stock Exchange, meaning investment decision, fund decision and dividend policy can influence the company value.

Based on the results of the hypothesis analysis can be concluded that partially there is a positive influence is not significant investment decisions to the value of the company, which means that investment decisions separately not so affect the value of the company. Based on the results of hypothesis analysis can be concluded that partially there is no significant negative influence of funding decisions on corporate value, meaning that funding decisions separately does not affect the value of the company. Based on the results of hypothesis analysis can be concluded that partially there is a significant positive influence of dividend policy on corporate value, meaning dividend policy can separately affect company value.

Limitations in this study are simultaneous contribution of independent variable to very small dependent variable that is 9,6%, sample of company used during research period that is 20 companies listed in Indonesia stock exchange, and only use TAG ratio as investment decision instrument and only using the DER ratio as a funding decision tool.

Based on the results and limitations of the study, the suggestions that can be given to (1) company management should pay attention to the issue of dividend policy because in this study showed significant results in increasing the value of the company. (2) Further researchers should be able to increase the number of samples of companies to be investigated; the researcher can use other measuring tools for investment decision variables such as net present value to be more visible whether the investment is giving profit or loss.

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Allocative Efficiency Model of Shrimp Culture Enterprise Input in Muara Badak Regency, Kutai Kartanegara

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Abstract— The aim of this study is analyzing allocative efficiency on production factors usage on shrimp culture enterprise and analyzing the revenue of shrimp enterprise in Muara Badak Regency. The study used Cobb-Douglas Production function analysis by using Multiple Regression Analysis. Net Product Marginal was used to know allocative efficiency. The analysis result showed that NPMx/px value [ki] of seeds and fertilizer variable was greater than 1, 4.65 and 3.13 respectively. Allocatively, production factors which are used on pond culture enterprise in the location of study was not efficient yet. In order to increase production and revenue, it is needed to do an optimum addition on seed and fertilizer inputs. For seeds, it needed an addition about 22.000 tails per hectare and 11 kg additional fertilizer for each hectare. Economically, this enterprise was reasonable to be undergone based on RCR indicator 2,35 point. It means that the benefit of pond enterprise in Muara Badak Regency is 2,35 bigger than its cost. We recommend to optimize production cost by maximizing the usage and process of production cost precisely.

Keywords— Allocative Efficiency, Pond, Shrimp, Muara Badak

I. INTRODUCTION

A. Background

Basically, fishery development is people effort to gain the benefit from natural resources of fishery; culture enterprise is one of such effort. The main principle of improving pond enterprise productivity is appropriateness in management. Such management including on how fish farmer uses their capability to coordinate production factors usage wisely and be able to produce as it expected. Efficiency, productivity, and economic activity measurement are highly important as indicators between differences of input have been used and outputs have been generated.

Efficiency concept is emerged based on the assumption of ‘the resources for fulfilling human desire is unlimited’, thus it is encouraged to produce the largest output with the smallest input.

Shrimp pond enterprise is one of fishery resources usage in Muara Badak, Kutai Kartanegara Regency related to community economic activity.

Efficiency, productivity and economic activity measurement is very important to indicate the gap between input and output. The process of input allocation (production factors) to maximize production can be attempted through deciding what are the steps which will be considered to gain optimum economic efficiency, that eventually will improve fish farmer revenue.

B. The aim of study

- To analyze allocative efficiency of production factors usage on shrimp culture enterprise in Muara Badak, Kutai Kartanegara Regency.
- To analyze shrimp pond fish farmer revenue in Muara Badak, Kutai Kartanegara Regency.

C. Study benefit

The study result is expected to be one of the breakthrough on sustainable shrimp pond enterprise productivity enhancing in term of allocative efficiency in Muara Badak, Kutai Kartanegara Regency.

II. RESEARCH METHODOLOGY

A. Sampling Method

The population in this study is all of fish farmers who live in the research location. Furthermore, either sampling method or respondent samplings were purposive sampling. It defines as unrandomized sampling based on some consideration where chosen sample is fish farmer

who have productive pond, through direct interview technique.

Efficiency test is used to find whether input or production factors used in shrimp pond culture in Muara Badak, Kutai Kartanegara were efficient or were not efficient yet. Term of efficiency used in this study define as allocative efficiency (price). Efficiency is a process of using smallest input to to gain the biggest products. Price efficiency is reached if there is an equal ratio between marginal productivity value (NPM_x) and input cost (P_x) [7]. Mathematically can be wrote down as follow:

$$NPM_x = P_x \text{ atau}$$

$$NPM_x/P_x=1$$

$$bY P_x/x=P_x \text{ atau } bY P_x/(x.P_x)$$

Which is:

b = elasticity

Y = production

P_y = product price of Y

X = production factors numbers

P_x = X production factors price

If $NPM_x/P_x > 1$ so input usage did not efficient yet. To be efficient, input x should be added $NPM_x/P_x < 1$. Thus, x usage input does not efficient. To be efficient, x input should be lessened. Price efficiency could be reached if the ratio of marginal productivity value of each input (NPM_{xi}) and it input price (V_i) or “ki” is equal to 1 [9]. This condition prerequisite the equality between NPM and production factor price.

2. Revenue Analysis

A. Cost Analysis

In the analysis of variabel cost –including seeds, pestiside, and labour-, total cost is the sum up of fixed and variable cost. Mathematically could be revealed as follow:

$$TC = FC + VC$$

Which is:

TC = Total Cost

FC = Fixed Cost

VC = Variable Cost

B. Revenue

Revenue is all kinds of revenue which have been accepted from product selling. Those statement could be determined in this formula:

$$TR = P \times Q$$

Which is:

TR = Total Revenue (Rp)

P = Product price (Rp)

Q = Quantity of product

3. Revenue

The revenue of shrimp pond enterprise is defined as the gap between crude shrimp pond enterprise revenue and total expenses of shrimp pond enterprise. The revenue could be formulated as follow:

$$\pi = TR - TC$$

Which is:

π = the revenue of shrimp pond enterprise (Rp)

TR = Total Revenue (Rp)

TC = Total Cost (Rp)

RC Ratio analysis

RC ratio analysis (Revenue Cost Ratio) is a comparison between total revenue and total production cost, mathematically:

$$RC \text{ ratio } TR/TC$$

Such analysis shows the rate of economic efficiency of shrimp pond enterprise. This efficiency criteria will be reached if:

RC ratio > 1 means the shrimp pond enterprise is beneficial

RC ratio = 1 means the shrimp pond enterprise is both beneficial and lose

RC ratio < 1 means the shrimp pond enterprise is lose

III. RESULT AND DISCUSSION

A. The Overview of location of study

Muara badak is one of local government administration under Kutai Kartanegara Regency. Its area covers 1.045 km² in the hill and mountain area on the elevation of 2.000 m sea surface.

- The Northern area is boardened with Kecamatan Marang Kayu
- The Eastern area is baordened with Selat Makassar

- The Southern area is boardened with Kecamatan Anggana
- The Western area is boardened with Kecamatan Tenggara Seberang

Muara Badak's climate is affected by high rainfall of wet tropic climate. The highest number of rainfall is 168 days (46%) or 1.687 mm in a year.

B. Fish farmer Household Profile

Muara Badak is located in 1170 07' – 1170 32' of Eastward and 00 11' – 00 31' Southward position, in the Eastern of Kutai Kartanegara Regency. Generally, Muara Badak people's economic activity is fish farmerman and pond fish farmer. Speed boats are the main vehicle which is used to access sea and pond. Total number of fish farmer household is 1.457. Meanwhile, pond fish farmer household number is 1.766 and 270 of pool household.

There are 8 type of catching tools that are trammel net, trawl, gillnet, *rakkang*, *rawai*, *bentang/original rawai*, *julu*, *pancing* and *jala*.

Coverage area of productive pond culture is 4.808,80 ha with 5.412 ton of total production. Whereas, production of sea fish and pond culture is 8.428,70 ton and 63,22 ton, respectively. In detail, Muara Badak's household condition illustrate in the table 1.

TABLE 1.
THE PROFILE OF CATCH AND CULTURE FISH FARMER
HOUSEHOLD ON MUARA BADAK

Fish farmer Household	Total
The amount of boat	
1. Boat without engine	326 unit
2. Boat with engine	577 unit
3. 3.0 – 5 GT	1.531 unit
4. 5 – 10 GT	-
Catch fish production	8.428,70 ton
Fish culture production	
• Pond	5.412 ton
• Pool	63,22 ton

Source : BPS Kabupaten Kutai Kartanegara, 2016.

C. General Condition of Pond Productivity

Pond is a main type of Mangrove land using. The rate of pond productivity of one pond to another pond can be different, its depend on production input such as the density of deployment, fertilizer amount and toxin.

The efficiency of production inputs usage in the shrimp pond led to optimization on shrimp growth.

Thus, it will be gained maximum yield. However, in the fact fish farmers often use some production input in a certain amount based only on habitual factors. They don't really consider about input usage proportion, input prices, and marginal product yielded.

There are two methods of input using by fish farmer, shrimp monoculture enterprise and shrimp and milk fish (*Channus channus*) policulture enterprise. The main type of shrimp is lobster, while spot shrimp is natural shrimp which is produced as the time of inducing water into pond, instead of deployment yield. Such spot shrimp is beneficial as an addition income for fish farmer.

D. The Function of Production Analysis

Determinant coefficient indicator (R²) use to assess whether Cob Douglas model which have been developed is fit enough for forecasting instrument (goodness of fit). Analysis result showed that the average values of production function determinant coefficient is 0,556, it means that the seed deployment density, the amount of fertilizer and toxin can describe for 55,6% shrimp pond production variation in the location of study, whereas 44,% of the rest factors is caused by another factors which have not been included in the model.

The result of multiplied linear regression is intended to grasp the effect of independent variable to the yield of lobster production in Muara Badak, Kutai Kartanegara Regency. It can be seen in Table 2.

Regression analysis result can be formulated in the following formulation:

The coefficient of fertilizer factor is 0,115, it means that the inclining of fertilizer usage for 1% will increase the yield for 11%. Toxin factor do not significantly influence on production yield. Those are based on the indicator of value's significance which is greater than 5%. Regression coefficient value of toxin usage is -0,013, it means that the increasing of toxin usage allocation for 1% will decrease the amount of production for 13%. The result of partial test indicate that seed and fertilizer factors influence significantly on yield of production which can be seen on the significance's value under 0,05. Regression coefficient value of

seed is 0,333, which show that the increasing of 1% fertilizer usage will increase the yield for 33% and conversely. It was based on the assumption of no factors will be changed.

Regarding to the result of profiling test (F-test) with 95% trust interval, the result is 12,946 on 0,00 significance level, it means that seeds factor, fertilizer and toxin influence simultaneously on the shrimp production yield in Muara Badak. It can be seen in the table 3.

E. Allocative efficiency analysis

Efficiency test is used to see whether input or production factor which is used by shrimp pond enterprise in Muara Badak have been efficient or have not been efficient yet. Allocative efficiency is one of assessment type which can be used to know that efficiency.

Allocative efficiency of production factors usage on pond enterprise can be known through calculating the ratio of marginal product value and individually production factors prices. To analyze efficiency of individually production factors usage using regression coefficient value of Cobb-Douglass production function will emerge three possibilities, which are:

- If the efficiency value is more than 1, mean that maximum efficiency has not achieved yet, thus production factors usage need to increase to reach efficient condition.
- If the efficiency value is equal to 1, thus pond culture activities have reached efficient level.
- If efficiency value least than 1, mean that pond culture activity has not reached efficient level, thus production factor usage should be decreased to reach efficient condition.

Regression analysis results show that toxin variable does not significantly affected on production yield. Seeds and fertilizer variable significantly affected to analyzed production. In the allocative efficiency analyze, analysis will be only conducted on variable which have a significant impact. The result of allocative efficiency analysis on production factors demonstrated in the table 4.

The value of k_i on fertilizer usage were greater than 1, that is 3,13, its be shown on table 5.3, mean that 1,26 kg fertilizer usage per acre were not efficient yet. To gain optimum fertilizer usage, it is

need to add fertilizer usage, thus can increase fish farmer revenue. Based on analysis, optimum fertilizer usage is 11 kg per acre. Enhancement of pond productivity and nature seeds usage are the methods which can be done to increase production.

F. Revenue Analysis

[7], point out that revenue is the lag of total revenue and total expenses. Until today, pond is perceived as a main livelihood for the society of Muara Badak and around. The pond scale which are possessed by fish farmer household in this area is varied, it is range from 2 to 10 acres.

According to survey results, the majority of fish farmer around Muara Badak have a quite good production yield. It is proofed by the measurement results of the acquired production yield and the expensed cost. Based on survey and analysis results there are some fish farmer who have quite high profitability value, that is Rp. 6.408.066 per acre annually or Rp. 2.136.022 per acre per production period.

According to analysis results, profit value, which has been acquired from this activity, is Rp. 3.684.402/ha/year or Rp. 1.228.134/ha/production period. This profit is acquired by lessening revenue value with operational cost as along as production process. Such analysis results illustrate pond enterprise in this area is assured prospect as a local livelihood. This calculation could illustrate the cost and production of pond enterprise in Muara Badak, as be shown in the table 5.

The high rate of dollar currency to rupiah influence directly to the increasing of shrimp price and the stability of shrimp demand in the international market. It makes such aquaculture enterprise remain as one of main livelihood for local people, with no consideration to some factors such as education, skill and knowledge level and also some problem which are faced in the pond culture enterprise due to its high-risk level to the death, such as illness, pest and weather.

G. Revenue Cost Ratio (RCR) Analysis

[7] said that RCR is a measurement tool to know whether enterprise is profitable or not. RCR analysis is an analysis mean to know relative benefit of an enterprise in the production period to

the cost utilized in such activity. An enterprise could be interpreted as feasible if RCR is bigger than 1 ($RCR > 1$). This illustrate that the higher is the RCR value, the higher is the benefit level of enterprise. The RCR value of shrimp pond enterprise in Muara Badak is 2,35. Its mean that this enterprise is feasible to run regarding RCR criteria > 1 , in other words, the benefit of pond culture enterprise in Muara Badak which have accepted is 2,35 times bigger than its cost.

IV. SUMMARIES AND SUGGESTION

Simultaneously, seeds factor (benur), fertilizer and toxin are significantly influenced on production yield. However, parsially seeds and fertilizer usage factors or variables influenced significantly on pond culture enterprise yield, while toxin factor is unsignificant.

The result of allocative efficiency test demonstrated seeds and fertilizers factors is inefficient yet. Therefore, it is need to add both seeds or fertilizer in each acre.

Muara Badak's Ponds productivity value is 17.66, it is smaller than national standard productivity.

It is known that the result of pond culture enterprise in Muara Badak economic test is quite beneficial and feasible to run based on RCR indicator.

SUGGESTIONS

To increase the income, it is needed to optimalise pond culture enterprise by fish farmer through maximalizing usage and good management of production factors used.

The effort to increase pond productivity can be done through knowledge and skill enhancement for fish farmer.

It is needed a cooperation and synergic collaboration based on beneficial partnership principles in terms of providing production input, product marketing, financial and investment strengthening. Thus, fish farmer can work harder and diligently.

Government intervention is required to concern in supporting guidance and regulation. Therefore, fish farmer welfare is becoming true through increasing pond culture enterprise production and income.

TABLE 2. ESTIMATION RESULT AND REGRESSION TEST OF SHRIMP POND CULTURE ENTERPRISE FACTORS IN MUARA BADAK, 2016

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	10,174	1,754		5,800	,000
	(SEEDS)	,333	,127	,350	2,612	,014
	(FERTILIZER)	,115	,031	,494	3,748	,001
	(TOXIN)	-,013	,016	-,099	-,794	,433

TABLE 3.

THE RESULT OF ANALYSIS OF VARIANCE

	<i>Df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	3	10,335	3,445	12,946	,000(a)
Residual	31	8,249	,266		
Total	34	18,584			

a Predictors: (Constant), TOXIN, FERTILIZER, SEEDS

b Dependent Variable: Y

TABLE 4.

THE ESTIMATION OF ALLOCATIVE EFFICIENCY VALUES OF SHRIMP POND CULTURE ENTERPRISE PRODUCTIONS FACTORS IN MUARA BADAK, 2015

Variable	biX	Y	PY	x	Px	PMx	NPMx	NPMx/Px
Seeds	0,333	17,66	216.667	7835	35	0,0075	162,74	4,65
Fertilizer	0,115	17,66	216.667	1,26	11	1,32	349,229	3,13

Source. Processed data, 2016

TABLE 5.
ECONOMIC DETAIL OF SHRIMP POND ENTERPRISE

Description	Unit/Ha/Mp
Shrimp average cost	Rp. 216.667
Production	17,66 kilogram
Revenue	Rp. 2.136.022
Production cost	Rp. 907.888
Benefit	Rp. 1.228.134
RCR	2,35

Source. Processed data, 2016

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The Influence of Variable to Taxpayer Compliance Agency

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Abstract— The population of this study is the taxpayer of the registered entity in the Tax Office. The sample of research is 100 respondents. The results showed that the Application of Modernization of Tax Administration System, the awareness of taxpayers have a significant positive influence on taxpayer compliance, while the financial condition has no significant influence on taxpayer compliance. Financial Condition cannot moderate the relationship between Application of Modernization of Tax Administration System to Taxpayer Compliance, and Financial Condition also cannot moderate the relationship between Taxpayer Awareness to Corporate Taxpayer Compliance.

Keywords— application modernization, tax administration system, taxpayer awareness, financial condition taxpayer, taxpayer compliance.

I. INTRODUCTION

Government revenue in domestic revenues and revenues receipts from abroad include loans and foreign aid. Government revenue derived from domestic revenues is tax. Taxes as a source of State revenue, the government continues to make efforts to increase tax revenue. One attempt to extend the subject of the tax or more often referred to as the taxpayer. Extensification is an effort to increase income tax article 1 verse 1 of [36] states that it is a mandatory contribution to the state owed by an individual or a legal entity with the same interests for the welfare of the people.

In the taxation levy in Indonesia currently embraces a system in which it is obliged to be given a trust to calculate itself the amount of tax payable, then cut by the other party, and pay a large tax already decided by another party, to be paid and reported to the Tax Office in accordance with provisions which have been stipulated in the applicable regulations. This system is one of the government's efforts to give confidence to the public widely against the transparency of taxation. The government believes this can increase the sense of obligatory responsibility towards taxation.

However the fact is different when the Minister of Finance recorded tax revenue in 2014 reached only 773.343 trillion or still far from the target in 2014 state budget of 1,072, trillion [7].

Data of the Directorate General of Taxes is able to collect tax realization of 94.37% in 2012 835,255.12 with realization of 2013, realization of tax receipts amounting to 916,299.57 from the state budget of 995,213.90 with a percentage of 92.07%. However, in 2014, the Directorate General of Tax only collects revenues of 773,343.68 below from the 2014 APBN of 1,072,376.37 with a percentage of 72.11%. This situation is called Tax Shortfall in 2014 due to slowing economic growth, weakening imports, and falling prices on palm oil in International markets [7]. Aligned with the problems that occur to the level of taxpayer compliance, one of which is the corporate taxpayer in submitting the Notice, proven in 2014-2015, the Tax Office Pratama Balikpapan launching tax compliance level of the sector of business entities registered in the Tax Office Pratama Balikpapan experienced a significant decline in the delivery of the Notice.

Amidst the increasing burden of state revenue security and the low level of public confidence in the tax system, the government needs to undertake a comprehensive reform in taxation. Without a fundamental strategy, it is feared there will be a decrease in compliance pay taxes, so it can disrupt the stability and sustainability of state finances. One of the concrete steps taken by the Directorate General of Taxation to optimize the funds from the tax sector by conducting a program change (change program) or reform of the tax administration system that can briefly be called modernization. Modernization in the field of taxation is marked by the establishment of the vision of the Directorate

General of Taxes is a model of public service that organizes systems and management of world-class taxation is trusted and proud community.

One of the changes made in the modernization of tax administration system is to improve the quality of service by improving the business process that is utilizing business process and information and communication technology by applying transparent and accountable good governance, one of them by applying electronic system or e-system [8]. Implementation of e-system is a tax administration system that uses modern technology today. E-system is expected to provide convenience and convenience for taxpayers in preparing for taxation duties performed electronically through a real time online system to the Directorate General of Taxes via the internet on the website of the Directorate General of Taxes or through Application Providers that have been appointed by the Directorate General of Tax. The application of modernization of the tax system is expected to increase awareness of taxpayer compliance in performing its tax obligations by providing convenience, convenience, effective and efficient in the delivery of tax administration. Taxpayer awareness is a condition when the taxpayer has known, understood and implement the provisions of taxation correctly. With the awareness of the taxpayer and supported by the implementation of e-system that provides easiness in tax administration, taxpayers are expected to perform the obligation to pay taxes voluntarily without any coercion. Directorate General of Taxes states that raising taxpayer awareness is the main challenge of DGT, because to build awareness and voluntary care of taxpayers need to underlie the idea that the awareness of paying taxes must come from themselves and of course the Directorate General of Taxation needs to make changes or in other words to reform the service in order to provide awareness and improve taxpayer compliance (tax.go.id/increase_awareness). Reform or often called modernization is the right strategy to increase awareness of taxpayers in order to achieve the target of tax revenue realization. In making tax payments, taxpayers, especially the body must pay attention to the company's financial condition. Financial condition is the company's financial capability as reflected by its cash flow.

From the research that examines the relationship between taxpayer compliance with some variables that can state that the relationship can be moderated by several variables such as financial condition, indicating that the financial condition can moderate the relationship of one's commitment. The implication is that the burden of a company that is the responsibility of the company may moderate the firm's commitment to pay its obligations including tax payments.

Article 1 of [36] concerning the definition of taxation reads that tax is a compulsory contribution to a country owed by an individual or a coercive body under the Act, without being directly compensated and used for the purposes of the state for the maximum amount, great prosperity of the people [1], taxes are contributions to the state (which may be enforced) owed by those obliged to pay according to the rules, with no immediate return, which may be appropriately appointed, and whose use is to finance general expenses relating to the task of the state to organize the government. Taxes are achievements to governments owed through common norms, and which can be imposed, without any contracts [1].

Reference [11] argues that taxes are unilaterally enforced achievements by and owed to the authorities (according to norms he sets out in general), in the absence of contracting and solely used to cover general expenses. Reference [15] said tax is the contribution of the people to the state treasury under the law (which can be enforced) with no direct lead service (contra).

Reference [11], [15] offer tax collection system as official assessment system, self assessment system and with holding system, namely: The Official Assessment System is an authorized tax collection system to determine the amount of tax payable by the taxpayer according to the applicable tax laws. Self assessment system is a tax collection system that gives authority to the taxpayer to determine for themselves the amount of tax payable. Taxpayers calculate, calculate, pay and self-report the amount of tax payable.

With holding system is a tax collection system that authorizes third parties (not tax authorities and not taxpayers concerned) to determine the amount of tax payable by the taxpayer.

As a form of appreciation for public participation, the Directorate General of Tax always strives to provide efficient, professional and fair services in the administration of tax administration. Since 2002, the Directorate General of Taxation has launched a tax reform or reform program commonly referred to as modernization, in accordance with the issuance of [23]. The soul of this modernization program is the implementation of good governance, namely the implementation of transparent and accountable tax administration system, by utilizing reliable and up-to-date technology information system. Understanding of the modernization of taxation is one of the fundamental changes made by the government in the field of taxation. Modernization of tax administration system aims to increase one's independence in financing development, in the sense to improve taxpayer compliance. It is intended that the government wants to more direct the potential sourced from within the country, especially by increasing state revenues through the tax sector.

Reference [30] discusses the implementation of modern tax administration system is a positive indication from the government to jointly with the taxpayer society manage tax effectively and efficiently. In the modernization that utilizes information technology, the Directorate General of Taxes roll out the application of tax administration using e-system. E-system is one of the modernization of taxation that facilitates the administration of taxation, using technology and delivery of administration through the on-line system. E-system of taxation is made in the hope to facilitate taxpayers to carry out its tax obligations. E-system can be divided into several types, e-registration and e-filing.

Reference [11] argues e-registration is one of the implementation of e-system that facilitates registration of Taxpayer Identification Number (NPWP) on-line based on technology. Registration of Taxpayer Identification Number on-line facilitates taxpayer in making NPWP, without having to come directly to the nearest Tax Office. Taxpayer Identification Number is a means of tax administration that has a function as a self-identification or can be said to be the identity of the taxpayer and also maintain compliance in tax

payments that are supervised by the part of a tax administration. Someone who already has NPWP will be more easily detected by the Directorate General of Taxes.

Reference [4] describes e-filing is an annual electronic delivery notification (SPT) which is conducted on-line in real time through the website of Directorate General of Taxes at (www.pajak.go.id) or provider Application Services or Application Service Provider. The use of e-filing has been regulated by [20], where the use of e-filing is the way of delivering the SPT on-line with forms 1770S and 1770SS. The application of e-filing as a step in the modernization of the tax system in Indonesia is expected to provide excellent service to the public so as to improve the ease of reporting taxation and improve taxpayer compliance.

In a large Indonesian dictionary of 2015, conscious words have the meaning of convergence and understanding, in the sense that consciousness is a state of understanding of things felt or experienced by a person will be the values contained in man about the existing law [13]. Literally, consciousness is the same as introspection. Reference [12] describes the motive of consciousness is the process of thinking that is done by an individual to a situation, in obligations or decisions.

In the Indonesian language dictionary 2015, the word condition has a state meaning [13]. As for the word finance which means something that is related to money, in other words the financial condition is a financial condition of a person or organization seen in the records of his financial statements.

Reference [29] states financial statements are prepared for the purpose of providing information pertaining to financial conditions, performance and a change in the financial position of the enterprise that benefit a large number of users in economic decision-making. In addition to these objectives, financial statements also show what has been done by the management or describe the responsibility. Meanwhile, liquidity is an ability owned by the company in fulfilling its short-term obligations. In other words, it can be said that the definition of liquidity in the mean as a comparison between current assets with current liabilities. In this case the company should pay attention to whether the

company at any time can meet the payments that are the responsibility of the company. A company can fulfil its financial obligations if the company makes a profit, so that the company is able to demonstrate the ability of the company to meet all financial obligations and the company's financial condition can be viewed in the cash flow statement, useful for assessing the company's need to use the cash flows [29].

Reference [13] obedient which became the basic word of obedience, meaningful obedience, always submissive. So taxpayer compliance can be interpreted as submissive, obedient and obedient taxpayer in implementing taxation rights and obligations in accordance with applicable laws and regulations. Reference [17] defines taxpayer compliance are tax compliance in its most simple form is the relative taxpayer comply with the tax law. However, like many such concepts, the meaning of compliance can be seen as a comparative study of the results of the society as reflected in the tax police.

Based on the definition of taxpayer compliance above, it can be concluded that compulsory compliance is compulsory taxpayer and discipline in implementing the rights and obligations of taxation in accordance with the provisions of applicable tax laws.

There are six hypotheses as below:

- H1: The application of modernization of tax administration system has a positive effect on corporate taxpayer compliance in Tax Office Pratama Balikpapan.
- H2: Taxpayer awareness has a positive effect on taxpayer compliance in Tax Office Primary Balikpapan.
- H3: The financial condition has a positive effect on taxpayer compliance in Tax Office Primary Balikpapan.
- H4: The application of modernization of tax administration system, Taxpayer Awareness, Financial Condition simultaneously effect to taxpayer compliance
- H5: Financial conditions moderate the relationship between the modernization of the tax administration system to taxpayer

compliance bodies in the Tax Office Pratama Balikpapan.

- H6: Financial conditions moderate the relationship between the taxpayer's awareness of taxpayer compliance at the Tax Office Primary of Balikpapan City.

II. METHODS

This research is conducted quantitatively that is research which is used to research in certain population or sample and data collection using research instrument, with descriptive research design, such as knowing how much relation of a variable [32].

The population is a generalization region consisting of objects or subjects that have certain qualities and characteristics determined by the researchers to be studied and then taken the conclusion. Population in this research is corporate taxpayer. Whereas, the sample is part of the number and characteristics possessed by a population. The sampling technique used in this research is incidental sampling [32]. To decide the sample in this study, Slovin formula is applied [35], which is as many as 100 samples.

A. Hypothesis testing

1) *Multiple Linear Regression*: multiple linear regression is an observation caused not only by one variable, but by several or even many variables. Here is the multiple linear regression equation [35]:

$$Y = a + bX_1 + b_2X_2 + b_3X_3 + e$$

Information :

Y: Taxpayer Compliance

a: Constants

X1: Application of Modernization of Taxation System

X2: Taxpayer Awareness

X3: Financial Condition

2) *Moderated Regression Analysis (MRA)*: Moderated Regression Analysis (MRA) used an analytical approach that maintains the integrity of the sample and is the basis for controlling the effect of moderating variables [10]. Here is the regression equation to determine the type of variables moderated by the research regression model as follows:

$$\text{Regression Model I: } Y = a + b_1X_1 + b_2Z_1 + b_3X_1 * Z_1 + e$$

$$\text{Regression Model II: } Y = a + b_1X_2 + b_2Z_1 + b_3X_2 * Z_1 + e$$

Information :

Y: Taxpayer Compliance

a: Constants

X1: Application of Modernization of Taxation System

X2: Taxpayer Awareness

Z1: Financial Condition
 X1 * Z1: Financial Condition Moderator Modernization System Perpajakan
 X2 * Z1: Financial Condition Moderating Taxpayer Awareness

III. RESULTS

A. Validity test

The criteria used in determining the validity of the question used in this study by adjusting the number of results of the questionnaire so that it can $r_{table} = 0.195$. If r_{count} is greater than r_{table} and the value of r is positive, then the statement item is considered valid. From the Validity test obtained each variable is Valid, r_{count} is greater than r_{table} .

B. Test Reliability

Test reliability is done to determine whether the measuring tool that has been designed in the form of questionnaires reliable, to see whether or not a measuring tool used statistical approach, namely through the coefficient of reliability and if the reliability coefficient > 0.60 then the whole question is declared reliable.

C. Coefficient of Determination

Coefficient Determination known by the value of R Square obtained by 0.364 or 36.4%. This figure provides evidence that corporate taxpayer compliance is influenced by the application of modernization tax administration system, taxpayer awareness and financial condition of 36.4% while the rest of 63.6% influenced by other variables outside this study.

D. Hypothesis testing

The application of modernization of tax administration system (X1) to taxpayer compliance (Y) has a significant level of $0.015 < 0.05$, proving the application of modernization tax administration system has a significant effect on taxpayer compliance bodies. This research is similar to research conducted by [14] which states the application of modernization of tax administration system to taxpayer compliance agency. The better the application of modernization in the tax administration system, the higher the level of taxpayer compliance. The application of modernization of tax administration system has an effect on taxpayer compliance because it gives

easiness in the delivery of tax administration so that it will improve taxpayer compliance.

IV. DISCUSSION

Taxpayer awareness (X2) on taxpayer compliance (Y) shows that the consciousness of taxpayers has a significant level of $0.000 < 0.05$, proving that the consciousness of taxpayers has a significant influence on taxpayer compliance. The results of this study is similar to the research conducted by [33] which states the consciousness of taxpayers have a significant effect on corporate taxpayer compliance. The higher the awareness of the taxpayer, the higher the taxpayer compliance. Awareness of taxpayers affect taxpayer compliance because if the taxpayer aware of the importance of his pay taxes for the development of the nation so that will be able to improve taxpayer compliance.

The company's financial condition (Z) on corporate taxpayer compliance (Y) shows that the company's financial condition has a significant level of $0.856 > 0.05$, proving that the financial condition has no significant effect on corporate taxpayer compliance. The results of this study are different from the research [18] states that the financial condition affect the compliance of corporate taxpayers. The company's financial condition has no significant effect on taxpayer compliance because the company will still carry out its tax obligation even though the company's financial condition is unstable although it has to sacrifice the company's cash flow because the taxes arise as a result of an activity that result in taxes.

Between the results obtained significance value $0.000 < 0.05$ which means that the implementation of the modernization of tax administration system, taxpayer awareness of and financial condition together significantly influence the compliance of tax agency. The results of this study support research conducted by [14, [18], [33].

Interaction test result between modernization of tax administration system with financial condition (X1 * Z) shows interaction result has value of significant level equal to $0,859 < 0,05$, proves that financial condition cannot moderate relationship between applying modernization of tax

administration system to taxpayer compliance body. The results of this study differ from the research [2]-[3], [16] state that the financial condition can moderate the relationship of the tax system to taxpayer compliance. Financial condition cannot moderate the relationship between X1 to Y because if the unstable financial condition does not affect the use of modernization tax administration system that can impact on taxpayer compliance level.

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The result of interaction test between taxpayer's consciousness and financial condition ($X2 * Z$) shows interaction result has significant level value equal to $0,673 > 0,05$, proves that financial condition cannot moderate the relation between taxpayer awareness to taxpayer compliance. The results of this study differ from research [2]-[3], [16] stating that financial conditions can serve as moderating variables. Financial condition cannot moderate the relationship between X2 to Y because if the unstable financial condition does not affect the awareness of taxation that can improve taxpayer compliance.

The result of interaction test between taxpayer's consciousness and financial condition ($X2*Z$) shows interaction result has significant level value equal to $0,673 > 0,05$, proves that financial

condition cannot moderate the relation between taxpayer awareness to taxpayer compliance. The results of this study differ from research [2]-[3], [16] state that financial conditions can serve as moderating variables. Financial condition cannot moderate the relationship between X2 to Y because if the unstable financial condition does not affect the awareness of taxation that can improve taxpayer compliance.

V. CONCLUSIONS

The application of modernization of tax administration system affect the compliance of corporate taxpayers. The application of modernization of tax administration system has an effect on taxpayer compliance due to giving easiness in the delivery of tax administration so that it will improve taxpayer compliance.

Taxpayer awareness affects the compliance of corporate taxpayers. Awareness must affect taxpayer compliance because taxpayers are aware of their tax obligations primarily to build the State. The company's financial condition affects taxpayer compliance is not significant, because if the financial condition of a company is not stable, then the company will still carry out its tax obligations.

That the application of modernization of tax administration system, awareness of taxpayers and financial condition affect taxpayer compliance. Based on the moderating interaction test that the financial condition cannot be said as a moderating variable that can strengthen or weaken the relationship between variables that is the application of modernization of tax administration system to taxpayer compliance agency.

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The Importance of Teacher Performance: Case Study of Elementary School in West Balikpapan

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Abstract— Improving and maintaining qualified teachers is very important to provide quality education in schools, especially in primary schools. The quality of teachers is seen from teacher performance that is influenced by compensation, work environment, and work motivation. Teachers' performance can produce quality students, making it easy to pursue a quality secondary school. Effective and efficient teaching and learning process can produce high achieving students. Therefore, it is important to consider all the factors that affect the performance of teachers. This study aims to review the effect of these factors to assess teacher performance. The method used to determine the sample is proportional random sampling. This study used 88 teachers were who samples from 20 public elementary schools in West Balikpapan. The result of the research is compensation, work environment, work motivation has a significant and proven effect that work environment has dominant influence to teacher performance.

Keywords— performance, compensation, work environment, work motivation, primary school.

I. INTRODUCTION

In Indonesia, teachers get the title of a hero without services. The Government of Indonesia has issued the Constitution of the Republic of Indonesia No.2 of 1989 article 4, which is about National Education function to develop the ability and form the character and civilization of dignified nation in order to educate the life of the nation, aiming for the development of the potential of learners to become human beings who believe and trust in God Almighty, noble, healthy, knowledgeable, capable, creative, independent, and become a democratic, responsible citizen. To achieve these educational granules needs to be preceded by an adequate educational process. The effort to form and develop the ability of learners needed Human Resources (teachers), namely to foster and develop a better school education.

Satisfied teachers are generally more productive and may influence student achievement [15]. Furthermore, if teachers are satisfied with their work, they will develop and maintain a high level

of performance. Teaching and learning process becomes more efficient and effective so that it can produce students who have high competitive [44].

Meanwhile, reference [25] in his research on job satisfaction recommends that the salaries of workers should be paid immediately and the promotion of workers should be in accordance with the raise they receive. Therefore, job satisfaction through financial rewards has a greater impact or effect on nonfinancial benefits on the performance of primary school teachers.

On the other hand, [14] argues that performance is output. According to him to gives awards to members of an organization, then the need for a provision for performance criteria. Similarly, [4] say that performance is a result achieved among staff. While [9] says that staff performance is behavioral and should be distinguished from the results because they can do it.

Based on some of these research results, the teacher performance study that is influenced by compensation, work environment, work motivation is still relevant to be studied. The performance of elementary school teachers is an early milestone for learners to move to a higher school level, after elementary school.

A. Performance

Based on the above background, it can be said that performance is the result of work or output that can be quantity and quality. Reference [7] asserts that performance means both behavior and outcomes. The results in their right are the mental and physical products that are applied to the tasks. On the other hand, [46] states that staff performance leads to the conclusion that when managing the performance of teams and individuals it should first be taken into account regarding behavior (input)

and output (output). This model is called a mixed model.

Teacher performance is to be improved, in accordance with the increase in compensation. Direct or indirect compensation greatly affects teacher performance. In this case, it is very important to state that well-regarded teachers feel valued by the government. Reference [19] states that an employee (teacher) is adequately compensated for his efforts and training is really encouraging for greater performance.

Training for teachers will enhance the ability and character development. This is consistent with the results of research in Kumbaya-Kyabakuzza Division in particular and Uganda in general, which is similar to the findings of [47] in Ghana which concludes that the teacher's morale is very high.

Therefore, if teachers are involved in the right decision-making processes, and be able to reflect and change their situation (primary school students), they must have the skills necessary to in still the appropriate knowledge and manage their abilities in the classroom and understand their role in the community large. Usually, they are highly motivated and student achievement tends to increase.

Along with the improvement of teacher performance should be balanced also with the development of professional attitude sustainable. The need for training improved teachers' capacity and development. And this process should continue to be done because the development and improvement of teachers' ability is a process. This is in accordance with the results of research [30], in Nigeria that pays benefits and some non-financial rewards from employee recognition and conducive employment will improve employee performance positively and significantly related to teacher performance. While on the other hand, [9] describes the performance differences of employees of the organization. When conceptualizing an employee's performance, one must first distinguish between the behavioral aspects of the action and the aspects of the performance outcome.

B. Compensation

Compensation is the output and the benefit that employee receives the monetary exchange for the

employee's to increase the performance [30]. In many sectors, pay-based performance improves business, output, and more, while the desired result is. However, compensation schemes for teacher salaries are often criticized for their poor performance. While in the other sector, reference [17], [26] concluded that wage incentives increase the worker and employee output by aligning the interests of workers and employers, providing information on the most valuable aspects of employee work, and motivating workers to give maximum effort.

While the results of the study [18] shows evidence from Israel and India that shows that teachers' structured salary incentives with the right program can be beneficial to students. However, despite expenses greater than \$ 40 million, in the first 2 years, NYC bonus programs did not improve student achievement. While [22] concludes that it is consistent with the prediction that group-based incentives are facilitated by the potential for free rises when payments depend on the actions of a large number of workers.

Some features of the education sector make it difficult to pay for teacher performance. First, pay performance is most effective when the entrepreneur can measure the output of the worker or if the effort and productivity are observed very closely. Expensive teacher monitoring and measuring individual teacher contributions to student achievement are difficult. Secondly, although education is complex and teachers should allocate their efforts to some activities, while teacher salary incentives are often linked to single performance measures (eg, student test scores), which can lead teachers to strive for more useful classroom activities [22].

Although on the other hand, [36] found that financial rewards are not the most motivating factor and financial incentives have a de-motivating effect among employees. Reference [28] stresses the financial incentives were very effective in motivating employees. Similarly, [34] concludes that financial incentives (the dimensions of pay satisfaction) have a significant effect on employee performance. However, it is important to note that in applying financial and non-financial rewards to

workers, effective managers must understand the problem as a matter of need.

C. Work Environment

The work environment is the whole tooling and material tools encountered in the surrounding environment where a person works, as well as the arrangement of his work either as an individual or as a group [42]. Someone who works as a teacher let alone in primary school must know the school environment. Schools provide a natural environment for children to learn and practice a variety of skills. The experience of students in social interaction at school provides an important thing for future leaders. Students who become leaders in the classroom can have a strong influence on classroom and school life. School tasks facilitate the students' need to become a leader.

The atmosphere or climate in the classroom where students tend to feel more comfortable and better to optimize their learning opportunities given by teachers during their first year at school [5] and in their childhood [32]. Previous research on children has been identified as a leader by colleagues, teachers, or observers who have several characteristics. Most of these children are socially popular: their peers choose them as friends [10], [21], [18].

Thus, child leaders also tend to be very friendly and popular, the leadership qualities that teachers identify children in primary school, and this study also examines the socio-emotional characteristics of these children [10]. A conducive working environment is at the heart of nonfinancial rewards for employees (teachers). It has long been recognized by private sector employees and the public sector. According [3], a conducive working environment is usually the workplace of office staff and staff activities, organizationally.

D. Motivation

Motivation is a term used to describe such processes, both instinctively and rationally, in which people seek to satisfy their basic needs, perceived needs and personal goals can trigger performance [11]. While [32] defines motivation as a socially studied social behavior pattern that grants situations, needs, desires, mechanisms, and outcomes. However, on the other hand [41] states

that motivation is a human psychological characteristic that contributes to one's level of commitment. Employee motivation is critical to the organizational effectiveness and is a performance predictor.

Teachers are assessed for their professional competence. In the teaching profession, teacher positions give them recognition of their abilities and achievements. While the power of recognition can give an impetus to employees in the community, the effects are not measurable on their own without paying something. Intrinsic rewards and extrinsic rewards are usually correlated. However, it does not directly show the relationship between the admiration of the workers and their willingness to work if their salary is not good enough.

Therefore there is no value of intrinsic rewards such as acknowledgment, admiration, and authorization when there is no extrinsic reward [21]. Teacher's motivation relates to goals and behaviors, performance and attitudes directed towards job goals [35].

Intrinsic motivation is defined as the doing of an activity for its inherent satisfaction rather than for some separable consequence. When intrinsically motivated, a person is moved to act for external challenges, pressures or rewards [37]. Intrinsic motivation refers to motivation to engage in the activity because it is fun and satisfying to do. Intrinsic motivation is based on the innate need for competence and self-determination. They hypothesize that when people are free to choose activities, they will look for interesting situations where they can rise to the challenge of promising activities.

The entire construct of intrinsic motivation illustrates the natural tendency for assimilation, mastery, spontaneous interest, and exploration that is essential for cognitive and social development. And that is the main source of pleasure throughout life [12]. This is because humans are freely endowed with intrinsic motivation. Intrinsic rewards produce the great performance. This embedded award creates a good role model and communication standard.

Extrinsic motivation rewards can be attributed to extrinsic motivation. This motivation is caused by the external factor that is financed. Incentives and

rewards have become a subject of debate, whether they really employ employees or simply move them to work. If teachers are satisfied then they should be committed and engaged in their work [43]. Stress work, unfriendly, incompetence in the classroom and not conducive to work, this condition can be a growing problem for teachers to remain motivated in the teaching profession [15].

Skilled employee skills become inadequate, if they are not motivated to perform well in their work. When appropriate psychological states are provided to employees, it helps to improve the work of high motivation and job satisfaction, and this parameter depends on job characteristics. Motivate employees or simply move them to work. Reference [37] argues that extrinsic motivation is the achievement of a separate outcome from the performance. Extrinsic motivation encourages staff to complete their tasks in order to receive rewards. In another environment, awards motivate people to do so. These factors have conducted on the influence of intrinsic and extrinsic motivation factors to assess teacher performance. The dimension to intrinsic motivation is satisfaction derived from teaching, recognition, enjoyment of teaching, career development, challenging nature and competitive teaching, teaching as a goal in life and control over others. On the other hand, extrinsic motivation mainly includes awards that are applied externally as salary or wages, free accommodation, educational progress in paying premiums, meals, additional payments in case of financial problems, paid leave and free medical assistance. The existing literature has identified key influencing factors such as working conditions, administrative support and student behavior affecting teacher performance and teacher retention.

II. METHODS

This research uses descriptive correlation design. The descriptive section presents the characteristics of teachers, as well as their performance appraisal on different aspects of age and length of work. Correlation is used to find out the relationship variable dependent (performance) and independent (compensation, work environment, work motivation). The number of samples in this study is 88 teachers. Data were obtained by spreading the

questionnaire and then analyzed using multiple linear regression.

Indicator for performance is quality and quantity of work, discipline, cooperation, creativity, personality. Indicator compensation is salary, allowance, insurance, award charter, promotion. Indicator work environment is the work structure, work responsibilities, attention and support leaders, inter-group cooperation, communication smoothness [42]. Job motivation Indicator is salary, supervision, policy and administration, working relationship, responsibility, [42]

Data collection techniques used were obtained by way of questionnaires, interviews, and observations. Questionnaires with the closed answer with answer choices from 1 to 5. In this research used a Likert scale, with confidence level 5%.

III. RESULTS

Table I shows that the age of productive teachers between the ages of 31 years - 35 years is 22.7% and aged between 36 years - 51 years 35 by 64.8%. The age of the teacher relatively young in educating students are the elementary school. However, with the level of education, skills and knowledge possessed, these elementary school teachers can work well and have high performance. The results of this study are consistent with the results of the study [44] that most 31-40-year old teachers in the Cotabato City Division perform high performance. It can be said that in terms of age, the two studies have many similarities.

TABLE I
CHARACTERISTICS OF RESPONDENTS BY AGE

No	Age	Total	
		Frequency	Percentage
1.	26-30	11	12,5%
2.	31-35	20	22,7%
3.	36-40	22	25%
4.	46-50	10	11,4%
5.	51 up	25	28,4%
Total		88	100%

Source: Primary data questionnaire.

TABLE II
CHARACTERISTICS OF RESPONDENTS BASED GENDER

Gender	Total	
	Frequency	Percentage %
Female	56	63,6%
Male	32	36,4%
Total	88	100%

Source: Primary data questionnaire.

TABLE III
CHARACTERISTICS OF RESPONDENTS BY EDUCATION

No	Education	Total	
		Frequency	Percentage%
1.	S1	86	98%
2.	S2	2	2%
Total		88	100%

Source: Primary data (Questionnaire), processed (2016)

TABLE IV
MULTIPLE LINEAR REGRESSION TEST RESULTS

	Regression coefficients	T-counting	Sig	Information
(Constant)	4.837	2.093	0.039	Significant
Compensation (X1)	0.217	2.173	0.033	Significant
Work Environment (X2)	0.311	5.177	0.000	Significant
Motivation (X3)	0.264	3.807	0.000	Significant
R = 0.700		t table = 1,99		
R Square = 0,489		F table = 2,71		
Adjusted R Square (R ²)=0,471		Sig. F = 0,000		
Durbin-Watson = 1,505		f _{count} = 26.841		

Table II shows that the respondents in this study were 63.6% were female and 36.4% were male. Thus it can be said that elementary school teachers in West Balikpapan area are dominated by female teachers. The results of this study have similarities with the results of research [44] in the Cotabato City Division is a female teacher. So it can be said that both of these studies concluded the same findings that elementary school teachers in West Balikpapan neighbourhood dominated by women.

Table III shows that elementary school teachers in West Balikpapan 98% have undergraduate degrees and 2% have master degrees and meet the criteria as primary school educators. With the level of education that undergraduate, teachers can

provide the maximum learning, in accordance with the ability of elementary school students in the learning process. The results of this study have similarities with the results research [44] that teachers in the Cotabato City Division have held bachelor and master degrees.

Thus, it can be concluded that primary school teachers in the western Balikpapan area have met the criteria and are supposed to have high levels of performance.

Table IV shows the test results to predict how far the influence of compensation variable, work environment and work motivation on teacher performance, either simultaneously or partially.

The analysis (ANOVA) indicated that the influence of all variables i.e., compensation, work environment and motivation to teacher performance was significant 0.000 or less than $\alpha = 0.05$ (<5%), with value $F = 26.841$, while value $df = 84$, -F approach that can be used (same as t-test) by looking at probability or significant level. Testing simultaneously (Test F) can use F counting and F table, that is $F_{counting} = 26.841$ bigger than $F_{table} = 2.71$. It can be concluded that the compensation, work environment and motivation simultaneously (together) have an influence on the performance of elementary school teachers in the area of SDN West Balikpapan.

Compensation has a positive and significant effect on the performance of civil servant teachers, this is evidenced by the value of t count $2.173 > t_{table} 1.99$. In accordance [30] provides their own support for the findings when they found that financial incentives (the dimension of payroll satisfaction) have a significant effect on employees. On the other hand, [36] finds that financial rewards are not the most motivating factor and Financial, is incentives have a de-motivating effect among employees. While [28] stressed that financial incentives are very effective in motivating employees.

The work environment has a positive and significant effect on the performance of elementary school teachers, as evidenced by t count $5.177 > t_{table} 1.99$.

Motivation has a positive and significant effect on the performance of elementary school teachers, this is evidenced by t count $3.807 > t_{table} 1.99$. In

accordance with the results research of [44] that the majority of teachers are somewhat satisfied with the following aspects: school policy, interpersonal, interpersonal relationships, opportunities for promotion and growth, working conditions, self-employment, achievement, recognition, and responsibility.

The results of the SDN teacher's performance in this western Balikpapan that teachers have a high ranking performance in their competence that creates an environment that promotes justice, keeping the classroom environment safe and conducive to learning, communicating expectations higher learning to each learner, establishing and maintaining a consistent standard of learners' behavior and creating a healthy psychological climate for learning.

IV. DISCUSSION

Technical analysis used to validate the results of research by using F Test at the confidence level 95 $\alpha = 0.05$ degree of freedom $(df_2) = n - k = 88 - 3 = 85$, then obtained F table = 1.99 and the simultaneous correlation (R) of 0.700 R square of 0.489 and Adjust R Square 0.471, this means the contribution of compensation, work environment, work motivation to the performance of the highest elementary school teachers is 70%.

Overall compensation, work environment, and work motivation partially indicate that the three independent variables have a significant influence on the performance of elementary school teachers in West Balikpapan area. And have a strong relationship. The results of this study have similarities with [22] that there is a strong relationship between the motivation and performance of teachers in Kenya who have a certificate of basic educators.

It is important to maintain quality and qualified teachers to provide high-quality education in schools [23].

Partial compensation contributes to the performance of West Balikpapan public elementary school teachers. However, other researchers argue differently for example empirically still lacking the empirical evidence demonstrated [40] asserts that nonfinancial rewards in Indonesia a conducive

working environment could be a greater impact on job satisfaction and motivation than financial rewards. It is important to note that in applying the financial and non-financial rewards to the workers, effective managers must think as a matter of need. Compensation may reduce teachers' intentions to move to other schools, as many studies find that low salaries are the main predictor of teacher earnings [27]. Other studies recommend high teacher salaries as an effective strategy to reduce teacher income problems [31].

Partial working environment contributes to the performance of West Balikpapan public elementary school teachers. School facilities also include school buildings such as classrooms, libraries, laboratories, workshops, and libraries. And others include teaching aids, chairs, is tables. However, [2] argues that the quality of education has direct relevance to the availability or lack of physical facilities and the overall atmosphere. However, there are also schools according to [22] that teaching/ learning facilities in their schools are not enough. a comfortable working environment can ensure employees are eager to work [33]. This indicates that the employee has a big responsibility so that it can improve its performance. Employee delight and employee fit with company rules reflect a comfortable working environment. It can improve the employee's performance [34] this is because to achieve success an organization must answer the needs of employees, especially aspects of quality of work life and other factors that can impact on the performance of the work. Aspects of the quality work environment and other factors that can impact on employee performance. Environmental theory describes the relationship between the quality of work environment and performance. According to this theory, individual behavior is influenced by how one perceives and reacts to that environment. Partial compensation contributes to the performance of West Balikpapan public elementary school teachers. However, other researchers argue differently for example empirically still lacking the empirical evidence demonstrated [30] asserts that nonfinancial rewards in Indonesia a conducive working environment could be a greater impact on job satisfaction and motivation than financial

rewards. It is important to note that in applying the financial and non-financial rewards to the workers, effective managers must think as a matter of need. Compensation may reduce teachers' intentions to move to other schools, as many studies find that low salaries are the main predictor of teacher earnings [17]. Other studies recommend high teacher salaries as an effective strategy to reduce teacher income problems [24]. This is confirmed in Vroom's expectation theory [44] that performance depends not only on the amount of effort given but also on the influence of the person's ability intervention and its nature. The relationship between effort and performance is mediated by the abilities and characteristics of the individual (including personality and competence). Thus, it can be said that the work environment affects the performance of public elementary school teachers in the western city of Balikpapan. This has been proven by some of the previous researchers on the work environment. Generally, social information-processing theory supports the idea that the environment does have an effect on attitudes, behaviors, and work and employee satisfaction that ultimately improve performance [1]. While the results aspect refers to the consequences and results of individual behavior and can be influenced by environmental factors [8].

The level of motivation is inherent in setting their own targets and trying to achieve them. Motivation is probably the most important factor that can be targeted by educators improving interdisciplinary theory learning has been widely postulated to explain motivation. While each of these theories has some truth, no single theory seems to adequately explain all human motivations. In accordance with McGregor's theory [41] work motivation is the assumption that people are not naturally lazy and just after work breaks. Therefore they exercise self-direction and control the commitment to the goals they have set themselves. Therefore, the head teachers of public elementary schools can effectively apply this theory in enabling teachers to share lessons democratically; can lead to the possibility of creating work environments that create high-motivation potential teachers for their own good, learners, and the whole school [33]. On

the other hand, [30] concluded that the performance of elementary school teachers in Kimaanya Kyabakuzza Division, Masaka district, showed that teacher performance was quite good despite the fact that their motivation was inadequate. Intrinsic Motivation. There is a positive significant correlation between intrinsic motivations on teacher performance. While not every teacher is motivated by the same factors, focusing on the list of motivating programs can help. Head teachers have plans that can cover everything from monetary incentives to rewards and recognition, development programs that support work-life balance, just to create a pleasant office environment [5]. On the other hand, master plays an important role in providing education to students. Therefore, every school is trying to recruit good people. And the qualified faculty is who can provide education qualified. Reference [29] argues that both intrinsic and extrinsic motivations lead the superior performance of teachers. Motivational factors such as benefits, salary and recognition and others have a positive impact on their satisfaction that also results in their effective performance. According to [6] facilities refer to the teacher's physical workplace and available resources. According to many studies, the facility has been linked to teacher career paths.

The term extrinsic motivation refers to the performance of an activity to achieve some segregated results and thus contrasts with the intrinsic motivation that refers to engaging in activities for the inherent satisfaction of the activity itself. Extrinsic motivation is the action taken to achieve it at the end of the instrumental, such as getting a reward or avoiding a punishment. This type of extrinsic motivation does not necessarily imply a reduction in self-esteem in the conduct.

V. CONCLUSIONS

Based on the results of research and discussion that the performance of civil servant teachers in the Regional Environment SDN West Balikpapan, it can be concluded that the independent variables that include compensation, work environment, and work motivation together significantly influence the performance of civil servant teachers in the Regional Environment SDN West Balikpapan.

Partially proven to be true, that the compensation variables have a positive and significant effect; that the work environment variable has positive and significant effect; that the variable of Work Motivation has positive and significant influence. And work environment variables have a dominant influence on the Performance of civil servant teachers in the Regional Environment SDN West Balikpapan. However, ultimately it is only quality teaching and teacher commitment that can produce good student quality, contributing to the State of Indonesia especially the western Balikpapan area for the future.

Intrinsic and extrinsic motivation leads to superior performance of teachers. Motivational factors such as benefits, salary and recognition and others have a positive impact on their satisfaction that also results in their effective performance.

Human capital, especially teacher quality, is believed to be one of the most important inputs into education production. The teacher's contribution to producing good quality from students cannot be ignored. Thus it is important for every school to keep qualified teachers.

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The Relationship between Economic Growth, FDI, Trade, Labor, Capital Formation in Indonesia

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Abstract— This paper aims to examine the relationship between foreign direct investment, trade, labor, capital formation and economic growth in Indonesia. The study is conducted by establishing annual time series data covering period of 1985-2015 and examine using autoregressive distributed lag (ARDL). The ARDL bound test approach for cointegration reveal that there are three proposed model of cointegration among variables specifically when direct investment, trade, and capital formation as dependent variables. The long-run test associated with the cointegration model confirming at least two variables are significantly affect the dependent variable in each cointegration model. The result of error correction term indicates that there is uniformity of convergence towards the equilibrium point in the long-run term for all three models.

Labor confirmed as the important indicators to attract foreign direct investment and to improve production scales for trade activities. The study also found that foreign direct investment is the main contributor in capital formation injection. The study suggests that the policy and government efforts to build competent human capital as preparation for future generation is widely believe a wise option. Investors pro-policy and liberalization should be promote continuously to open more gate for new investors in establishing business in Indonesia. Simultaneously, the technological spill over derive from FDI can be absorb and adopt by the local labor force.

Keywords— economic growth, FDI, trade, labor, capital formation

I. INTRODUCTION

During the past three decades, international trade and foreign direct investment (FDI) have become increasingly important factors in the economic growth process. As the economic literature, endogenous growth model, proposed that technological spill over and externalities is the primary contributor of economic growth. There are few channels of technological spill over in the host country, including international trade and foreign direct investment as for the example. The economic theory explained that FDI enhances economic growth through capital accumulation and transfer of technology augments the stock of knowledge in the recipient country through labor training and skill

acquisition, new management practices and organizational arrangements [7]. The technological spills over from advanced to lagging countries from the flow of FDI is encourage a country in the adoption of superior technology, transferring knowledge from foreign entities to the local firm. As a result, it is aim to improve the productivity, minimize the waste from existing resources, and increase the export capacity. As the business scales growing and the FDI inflow fluidly coming to the host country, the creation of new jobs is able to bring the unemployment number down.

International trade also plays the role of upgrading skills through the important and adoption of superior production technology and innovation. A recent study from [2] that multinational trade serves as transmission belt to transferred the technological knowledge from the develop to developing countries. The exporters may gain knowledge transfer either by acting as subcontractors to foreign enterprises or through international markets competition which gives the opportunity to learn developed production technology and excellent innovation to be imitated or adopted.

The process of multinational trade is will only happen through the liberalization of trade openness. The preposition that trade openness impact positively on economic growth is supported by [16], [13]; they stated that countries that more opened to the rest of the world would be positively and significant leading mainly due to the accumulation of physical capital and technological transfer. In view of comparative advantage theory of Hecksher-Ohlin, openness can be beneficial in improving economic performance of a country. Other fact, openness will enhance the capital inflow to a

country and thus will accelerate capital accumulation and transfer technology which is considered the main components in strengthening the economic growth as defined by endogenous growth theory. In brief, the process of trade liberalization not only increases trade but also foreign direct investment. In order to improving trade performance internationally, the investment is which is absolutely necessary.

In sum, both FDI inflows and trade openness promote economic growth have been widely recognized as a very important factors in the economic growth process, however, the effect of FDI, trade and technological spill over may vary from country to country and it is also depends crucially on the stock of human capital and their absorptive capacity in the host country. It is expected that a nation can generate profits that can accumulate income and capital formation value. Capital formation is used as a fund for national development programme in the country. Therefore, the vicious cycle of poverty can be broken and economic development can be improved.

Endogenous model is develop based on the underlying fact that the previous neoclassical model is only reporting the impact of technological progress on economic growth, but does not able to explore the determinants of technological progress. The new growth theory after awhile established exploring the determinants and impacts of technological progress. It focused mainly on incentives that drive innovation, invention, and creation as a main engine of growth. The main difference between the neoclassical theory and the new growth theory is the technology function. While the former assumes technological progress to be exogenous, the latter recognizes technological progress as a form of investment spill over arising from different inputs. The main implication of the endogenous growth theory is that policies which induce international trade, competition, change and innovation will promote growth. Conversely, policies which have the effect of restricting or slowing change by protecting or favouring particular existing industries are likely to slow growth over time [2].

Since the endogenous growth explains the endogeneity of technological progress which can

driven from many different sources, the technological progress is not represent by a single constant rate parameter anymore in the production function assumption. It is leading to modification of the production function which is differ based on the researcher model and assumption. There are several theory proposed the sources of technological spill over, such as science [25], human capital [18], human capital [10], foreign direct investment [27]. All of those technological progress model have calibrated [16] model that assume endogenous technological progress is the main engine of economic growth in long run and diffuse the technology in economic models of endogenous growth.

As the different concept behind neo-classical and endogenous growth model, some theory that explain foreign direct investment and international trade relationship with economic growth as well contrasting each other. According to the neo-classical models, it is confine that FDI can only affect growth in the short run because of diminishing returns of capital in the long run. The endogenous model on the contrary made it possible to modelling FDI as promoting economic growth even in the long run through the permanent knowledge transfer that accompanies FDI. As an externality, this knowledge transfer, with other externalities, will account for the non-diminishing returns that result in long run growth [7]. Hence, if growth determinants, including FDI, are made endogenous in the model, long run effects of FDI will follow. A particular channel whereby technology spills over from advanced to lagging countries is comes along with the flow of FDI [4].

The empirical literature studying the impact of FDI in Indonesia show that FDI inflows has positive impact towards the GDP value. Using single regression model covered 30 years period from 1970 to 2000, [23] identify that the increase of FDI value will be followed by the improvement of Indonesia's GDP. Other study from developing country, Nepal, also similarly found that foreign direct investment have dynamic positive significant effect to promote economic growth. The author implies that least developed country should reduce barriers of investment to attract foreign investors and promote economic growth [19].

The new growth theory also concern regarding the degree of trade openness regulation. According to economic theory, this restrictiveness, this lack of trade openness, will have an economic effect of slowing economic development/growth. Conversely, trade openness will have an economic effect of increasing economic development and growth. Reference [21] proposes an idea that less-restricted policies of trade are a window to open access with the outside world. Buckley explained that open regulation in developing country is likely stimulate intense trading activities, given access of market entry for international exporters. Trade is well known as important determinant of technological transfer and opportunity to explore new production technological knowledge [15]. Reference [15] explained that technological progress happen through upgrading skills and adoption of superior production technology. The new technology adoption by domestic firms aims to brings benefits including existing resources efficiently, increasing the range and quality of intermediate goods, create new variation of products. In the long-run, trade can enhances capital accumulation as the increases of level of exports.

However, the empirical evidence shows an opposite result. Reference [24] examines the impact of financial and trade openness towards Indonesia economy. Using secondary data from 1980 to 2005, [24] discover that adapting open economy give a drawback to the local economy. Trade openness lead to weaken competitiveness of Indonesian products relatively to foreign products. The increase number of imported product will affect the demand of local product and at the end the local firm's output is plummeted. Financial openness leads to vulnerable capital reversal which endanger economic performance. The author identify that high demand of import commodities cause high demand of foreign currency which is weaken the rupiah. As a result, the rupiah exchange is weaken from time to time. It is also cause capital unbalance since the rising value of import is not compensated with an increasing number of exports. Similar study done by [3] which examine the linkages of FDI, trade openness, capital formation and economic growth in Bangladesh from 1986-2008 also obtained that trade openness has negative

significant effect by diminishing the rates of economic growth.

There are several strong opposite theory regarding the interaction between trade and FDI. Reference [7] study concludes that trade and FDI interaction can affect negatively, however this phenomenon vary from country to country. According [12], FDI and trade has sub-tutionary relationship, which means one variable rising can cause the downfall of another one. Trade define as less riskier option for marketing products in new country while contractual strategies is way more complicated and highly dependent on the host country condition including politics, safety, inflation, bureaucracy, and many more. However, many studies argue that FDI and trade has complimentary relationship, which explained that export drives inward FDI and inward FDI drive technological spill over and push export level, this cycle will likely continue repeatly as follow [1].

Reference [17] examines the relationship between International trade and FDI in Indonesia which is cover from 1996 until 2014. The study identify that there is two ways relationship between FDI and trade where the value of FDI affecting the value of trade. In short-term, FDI affect trade negatively while in the long-run FDI is positively increase the value of trade.

As regards the connection with capital formation, [5] mention that capital formation is an indispensable thing for any country to become self sufficient and less dependent of foreign resources, expansion of job opportunities, make better use of natural resources, obtain high quality goods, and in the long-run brings economic growth with major increasing in living standard of the people. Reference [14] vicious cycle of poverty model also attempts to explains the state of affairs of capital formation effect on economic development. The circle perpetuates that low income will cause low savings, low investment, capital deficiency and low productivity. Basically, in an economy, investment does not depend only on saving, but also on ability to invest and willingness to invest. This circle will repeatly over, the chain can only be break by finding a breakthrough [14].

The concept of capital investment is also really important to transformed the labor force into human

capital with effective inputs of education, health and moral values. The transformation of raw human resource into highly productive human resource with these inputs is the process of human capital formation. The problem of scarcity of tangible capital in the labor surplus countries can be resolved by accelerating the rate of human capital formation with both private and public investment in education and health sectors of their national economies. The tangible financial capital is an effective instrument of promoting economic growth of the nation. The intangible human capital, on the other hand, is an instrument of promoting comprehensive development of the nation because human capital is directly related to human development, and when there is human development, the qualitative and quantitative progress of the nation is inevitable [20].

As widely believe that FDI and trade stimulate positive contribution to the growth and improve the standard of living condition or income level, some economist reject the idea by arguing that the increase of income level can create a drawback in the economy and make a bubble burst of worst economic shock transaction. In short time-series, demand of consumption is tremendously rising which is later affected the products allocation between the local and international market [8]. The exchange rate can be affected from the volatility of import value [24]. This is explained in the new growth theory that GDP measurement is not the stand alone factor which affects growth and social progress.

Economic theory and empirical evidence may have contrasting result which is can be an important sources and fact of the truth condition in the surface. It is an valuable sources as a contribution of the existing theory by testing and comparing with the empirical evidence gather from the past events.

II. METHODS

Issues examined in this study is limited to the annual time series data on economic growth, FDI, trade, labor and capital formation covering the year 1980–2015 in Indonesia. Gross domestic product (GDP) per capita is taken as economic growth indicator. Data taken from IMF World Economy Outlook. Foreign direct investment (FDI) net

inflows is measured as percentage of GDP value in the consecutive year. Data resources taken from World Bank. Trade openness measured by percentage of total sum of export and import value from GDP. Data set is taken from Indonesia's Central Bureau of Statistics. Labor measured by the total labor force with assumption of million people is equal to 1. Data also taken from Indonesia's Central Bureau of Statistics. Capital formation is measured by Gross Fixed Capital Formation (GFCF) value as percentage to the GDP value. GFCF data gather from Bank Indonesia. All data used in this study is expressed in current US dollar denomination.

The model developed in this study underlying from Cobb-Douglas production function as follow :

$$Y_t = AK L^{-1} \quad (1)$$

where, Y is the gross domestic product in an economy in a given period t, and K and L are gross fixed capital formation and labor force as factors of production during the same period t. According to the endogenous growth model, the technological progress, A, is augmented from foreign direct investment and trade openness factors. The function is modified as follow :

$$Y_t = K^1 \cdot L^2 \cdot F^3 \cdot T^4 \quad (2)$$

where, Y is the gross domestic product and K, L, F, T represent gross fixed capital formation, labor force, foreign direct investment, and trade openness.

The equation 2 can be rewritten in logarithm natural form as follow:

$$\ln Y_t = \ln(K_t)^1 \cdot \ln(L_t)^2 \cdot \ln(F_t)^3 \cdot \ln(T_t)^4 \quad (3)$$

then subtracting the log squared as dependent parameter in front of variables.

$$\ln Y_t = 1 \cdot \ln(K_t) + 2 \cdot \ln(L_t) + 3 \cdot \ln(F_t) + 4 \cdot \ln(T_t) \quad (4)$$

In capturing this variables outside the variable, the error term and constant is included in the form, the equation can be written as follow :

$$\ln Y_t = \alpha + 1 \cdot \ln(K_t) + 2 \cdot \ln(L_t) + 3 \cdot \ln(F_t) + 4 \cdot \ln(T_t) + \epsilon_t \quad (5)$$

where, Y represent GDP per capita, F for FDI over GDP in percentage, T is degree of trade openness over GDP percentage, K is the gross fixed capital formation over GDP percentage, and L is the

total labor force. The expected signs of the parameters are: $\beta_1 \neq \beta_2 \neq \beta_3 \neq \beta_4 \neq \beta_5 \neq 0$. The error-term (ε) is assumed to be independently and identically distributed. The subscript (t) indexes time.

The study proceeds from the stationarity test of time series data using unit root test with a model ADF test, Phillips-Perron test, and Dickey-Fuller test. The unit root test suppose to determine the stationary rate level or lag level of variables. If variables is found non-stationary at zero level difference, the test is re-conduct integrated in order one to induce stationarity. In second step, the presence of cointegration is determine using autoregressive distributed lag (ARDL) bound test. The granger causality is run after to analyze the presence of long-run cointegration amongst the variables. The short-run equilibrium and long-run convergency is construct using vector error correction model by adding error correction term.

The ARDL model that used in this study is expressed as follows:

$$D(\ln(Y_t)) = \alpha_0 + \beta_1 \ln(Y_{t-1}) + \beta_2 \ln(K_{t-1}) + \beta_3 \ln(L_{t-1}) + \beta_4 \ln(F_{t-1}) + \beta_5 \ln(T_{t-1}) + \sum \alpha_1 D(\ln(Y_{t-1})) + \sum \alpha_2 D(\ln(K_{t-1})) + \sum \alpha_3 D(\ln(L_{t-1})) + \sum \alpha_4 D(\ln(F_{t-1})) + \sum \alpha_5 D(\ln(T_{t-1})) + \varepsilon_{1t} \tag{6}$$

Sign of D is meaning of the data is integrated in the next level order and all taken to one year period before the consecutive related year.

$$D(\ln(Y_t)) = \alpha_0 + \beta_1 \ln(Y_{t-1}) + \beta_2 \ln(K_{t-1}) + \beta_3 \ln(L_{t-1}) + \beta_4 \ln(F_{t-1}) + \beta_5 \ln(T_{t-1}) + \beta_6 ECT_{t-1} + \sum \alpha_1 D(\ln(Y_{t-1})) + \sum \alpha_2 D(\ln(K_{t-1})) + \sum \alpha_3 D(\ln(L_{t-1})) + \sum \alpha_4 D(\ln(F_{t-1})) + \sum \alpha_5 D(\ln(T_{t-1})) + \sum \alpha_6 D(\ln(ECT_{t-1})) + \varepsilon_{1t} \tag{7}$$

The error correction term (ECT) is added to the parameter as resulted to motion the short-run dynamic coefficient is associated with the long-run relationship obtained.

III. RESULTS

A. Unit Root Test Result

The result of the stationary test given on Table I. Maximum of 1 Schwarz Information Criterion (SIC) lag length is used based on the log likelihood determination. The unit root is tested using augmented Dickey Fuller (ADF) test, Phillip-Perron (PP) test, and Dickey-Fuller generalized least square (DFGLS) de-trending test. The result show that all variables are not stationer at zero level difference.

TABLE I
UNIT ROOT TESTS AT LOG LEVELS OF VARIABLES

Variable	ADF test		PP test		DFGLS test	
	t-stats	Critical value at 1%	t-stats	Critical value at 1%	t-stats	Critical value at 1%
ln(Y)	-0.19	-3.63	-0.09	-3.64	-0.21	-2.63
ln(K)	-1.62	-3.63	-1.41	-3.64	-1.49	-2.63
ln(L)	-1.40	-3.62	-1.49	-3.64	-0.22	-2.63
ln(F)	-2.38	-3.63	-2.16	-3.64	-2.35	-2.63
ln(T)	-3.56	-3.62	-3.63	-3.64	-3.61	-2.63

Since the stationarity not yet realized, it is necessary to re-conduct the test (ADF test, Phillips-Perron test, and Dickey-Fuller test) which applied to the first difference to induce the stationarity circumstances of the data series. The final result given on the Table II shows that the null hypothesis of non stationary for all variables used in this study was rejected. Therefore, it is essential to conclude that all variables was integrated in order one or can be written as I (1).

TABLE II
UNIT ROOT TESTS ON FIRST DIFFERENCE AT LOG LEVELS OF VARIABLES

Variable	ADF test		PP test		DFGLS test	
	t-stats	Critical value at 1%	t-stats	Critical value at 1%	t-stats	Critical value at 1%
ln(Y)	-4.09	-3.64	-4.07	-3.64	-4.13	-2.63
ln(K)	-4.05	-3.64	-4.01	-3.64	-3.51	-2.63
ln(L)	-6.15	-3.64	-6.14	-3.64	-5.68	-2.63
ln(F)	-5.10	-3.64	-5.08	-3.64	-5.16	-2.63
ln(T)	-8.67	-3.64	-9.36	-3.64	-8.44	-2.63

B. Cointegration Result under Autoregressive Distributed Lag (ARDL) bound test.

The bound test based on F-statistics was conducted under assumption on null hypothesis of no integration. The short span data was tested using Akaike information criteria (AIC) with maximum order 3 for conditional ARDL vector error

correction model. The variable consider as dependent variable upon ARDL-OLS regression test. Table III show the result of F-statistics, the null hypothesis of no regression is rejected only if test stat value exceeds the 1% upper critical value.

Based on the analysis result it is found out that the gross domestic product, trade, and gross fixed capital formation F value stats exceed the 1% upper critical bound which indicates that there are long-run relationship among variables when foreign direct investment, trade, and gross fixed capital formation are the dependent variable.

TABLE III
ARDL BOUND TEST

Dependent variable	AIC lags	F-statistic	Decision
$F_Y (Y/F,K,L,T)^a$	3	2.39	No cointegration
$F_F (F/Y,K,L,T)^b$	2	5.27	Cointegration
$F_K (K/Y,F,L,T)^c$	3	6.37	Cointegration
$F_L (L/Y,K,F,T)^d$	3	1.77	No cointegration
$F_T (T/Y,K,L,F)^e$	3	16.13	Cointegration
Lower-bound critical value at 1%		3.74	
Upper-bound critical value at 1%		5.06	

^a F_Y is gross domestic product as dependent variable

^b F_F is foreign direct investment as dependent variable

^c F_K is gross fixed capital formation as dependent variable

^d F_L is labor force as dependent variable

^e F_T is total trade as dependent variable

Once cointegration is established, the conditional ARDL can be estimated. There are three cointegration models that examine based on the cointegration results in previous bound test. The three models are listed below:

- FF (F/Y,K,L,T), a condition when foreign direct investment prevail as dependent variable
- FT (T/Y,K,L,F) , a condition when trade prevail as dependent variable
- FK (K/Y,F,L,T) , a condition when capital formation prevail as dependent variable

The ARDL long-run causality test is conducted separately for every each cointegration model, which is a condition when only one dependent variable in act while the others are plot as independent variables. Three different and separate result expected to be uncover in this part.

IV. DISCUSSION

Table IV presents result of long-run causality test for each cointegrated model. Clearly, these tests indicate the presence of a long-run equilibrium relationship among variables, which at least two variables significantly affect the dependent variable.

From the result obtained in the table IV, it can be identify that the sign of positive (+) and negative (-) on the coefficient number was given to prescribed whether the significant variable has signed positively or negatively impacted to the dependent variable. While the t-statistics probability was used to determine the degree of partial significance of independent variable impacted the dependent variable in the long term. As a regards to the causal effect, unidirectional causal flow is evidence between at least two independent variables and one dependent variable.

Result from first model cointegration indicate that FDI is positive significantly affect by labor while trade is negative significantly affect FDI. It is clearly seen that demographic bonuses and low wages condition in Indonesia is currently the main attraction for foreign investors. Trade possibly become the substitution option to FDI when the trade of cost is exceed the trade of investment. Furthermore, the investors also did not able to see other favourable reason to invest in Indonesia including the market size. As the FDI value increasing, it is does not affect the trade value and vice versa.

The second cointegration model identify that labor positively significant while GDP is negative significant to the trade. Large labor force size may beneficially for a country to accelerate and expand the production capacity. The excess production can be shipped for export. On the other side, GDP is influenced negatively possibly due to the short reaction of new living standard and change consumption behaviour which create a tremendously rising of demand. A consecutive trend of rising in consumption can cause such a sufficiency policy from the government by implementing restricted quotas of import and export.

Third model identified that FDI, and capital formation jointly affect capital formation. FDI is

positive significant to capital which possibly due to a great contribution in expanding the capital formation. By contrast, trade is negative significant to the capital formation may due imbalance number of import-export earnings which cause persistent negative trade balance. A severity of economic fluctuations in countries dependent on import create difficulty of obtaining finance and lead to chronic diminishing of national resources and financial instability.

All the R-squared coefficient confirmed the robustness of the model. The F-statistics indicates a strong feedback effect runs within the model particularly independent to dependent variable.

TABLE IV

ESTIMATED LONG-RUN COEFFICIENTS USING ARDL APPROACH

Variable	Model 1 $F_F (F/Y,K,L,T)$	Model 2 $F_T (T/Y,F,K,L)$	Model 3 $F_K (K/Y,F,L,T)$
Constant	2.9992 (0.4863)	26.495 (0.0678)	38.471 (0.0001)
ln(Y)	-0.0001 (0.7447)	-0.0093 (0.0001) ^a	-0.0003 (0.2167)
ln(K)	0.0692 (0.5264)	-0.5190 (0.2666)	-
ln(L)	0.0387 (0.1002) ^c	0.4523 (0.0001) ^a	0.2038 (0.1384)
ln(F)	-	2.0051 (0.1181)	2.827 (0.0024) ^a
ln(T)	-0.1647 (0.0062) ^a	-	-0.6628 (0.0249) ^b
R-square	0.817	0.901	0.792
F-statistics	13.975 (0.000001)	11.761 (0.000003)	6.365 (0.000157)
DW-statistics	1.773	1.750	2.332

Notes :

numbers stated above are the coefficients and number in the bracket are probability of t-statistics

^a significant at 1% level

^b significant at 5% level

^c significant at 10% level

C. Short-run Equilibrium Test under Vector Error Correction Model

Error correction model is established to analyze the error correction terms (ECT) as a determination point of long-run convergency runs in the process. The regression for the underlying ARDL fits very well and the model is globally significant at the 5% level. Negative coefficient of error correction term confirmed that all three models show uniformity of convergency to the equilibrium point in the long-run term. Speed of convergency is categorized in

rapid medium point which implies the convergency process in the system happen in the mean time of 2-10 years. The result of vector error correction model test is shows in the Table V.

TABLE V

VECM MODEL ESTIMATION USING ARDL APPROACH

Variable	Model 1 $F_F (F/Y,K,L,T)$	Model 2 $F_T (T/Y,F,K,L)$	Model 3 $F_K (K/Y,F,L,T)$
Constant	-0.3564 (0.1649)	-1.7621 (0.5569)	0.9134 (0.3175)
ln(Y)	0.0008 (0.1809)	-0.0175 (0.0019) ^a	-0.0022 (0.0681) ^c
ln(K)	0.0681 (0.4692)	-0.5638 (0.0108) ^b	-
ln(L)	0.1416 (0.2618)	1.0763 (0.1815)	0.5834 (0.0533) ^c
ln(F)	-	5.8451 (0.0001) ^a	0.6802 (0.1129)
ln(T)	-0.0591 (0.0268) ^b	-	0.0596 (0.1752)
ECT	-0.6230 (0.0169)	-0.4596 (0.0092)	-0.2922 (0.0413)
R-square	0.7704	0.9465	0.8900
F-statistics	4.7543 (0.001903)	12.8004 (0.000016)	4.2597 (0.011572)
DW-statistics	1.7816	2.2975	2.7862

Notes :

numbers stated above are the coefficients and number in the bracket are probability of t-statistics

^a significant at 1% level

^b significant at 5% level

^c significant at 10% level

D. Serial Diagnostic Test

TABLE VI

SERIAL DIAGNOSTIC TEST

	Model 1 $F_F (F/Y,K,L,T)$	Model 2 $F_T (T/Y,F,K,L)$	Model 3 $F_K (K/Y,F,L,T)$
	X^2 Statistic (probability)		
Breusch-Godfrey	16.538 (0.167)	13.353 (0.770)	17.907 (0.528)
White test	11.964 (0.533)	14.052 (0.725)	15.860 (0.666)
Jarque-bera	1.793 (0.407)	0.773 (0.679)	0.320 (0.851)
Ramsey RESET	27.055 (0.672)	34.195 (0.455)	31.185 (0.762)

Notes :

numbers stated above are the coefficients and number in the bracket are probability of t-statistics

All three models are passes all diagnostic tests against serial correlation (Durbin Watson test and

Breusch– Godfrey test), heteroskedasticity (White heteroskedasticity test), and normality of errors (Jarque–Bera test). The Ramsey RESET test also suggests that the model is well specified. CUSUM and CUSUMSQ tests are applied to assess parameter stability. The results from all three models indicate the absence of any instability of the coefficients because the plot of the CUSUM and CUSUMSQ statistic fall inside the critical bands of the 5% confidence interval of parameter stability.

is tested using VECM. The important implication of this study due to the fact of possible interrelations among variable that trigger a long-term positive effect towards economic growth. The result shows evidence of unidirectional relationship among variable.

As a result, labor has positive influenced to the trade and FDI which taken its as the ultimate significant factor in pushing entry of FDI in Indonesia for the past decade. A competitive and skilled labor force is an important matter that must be maintain to preserve the continuity of inward FDI in the future and beat the competition with fellow ASEAN countries as well to be reserve as prosper country for investment. The size and skills of labor also play critical role to attain desired output level and productivity. The vicious cycle of dependency on imported products can be cut off while on the other hand export product variety and volume can be boost with a greater human capital. Improvement of labor force capability is the key to maintain the sustainability of forward FDI and trade.

Government efforts to improve the quality of labor force that have been implemented in recent years deserve appreciation and endless support by promoting and establishing vocational school both in city and rural area is an alternative policy to equip societies with special abilities for expanding employment, producing high quality manufacturing, and preparing new generation to be ready for Indonesia’s future economy. Moreover, vocational school aims to educate societies in rural area which still has poor education facilities, thus, knowledge inequality gap can be minimize over the time. Simultaneously promoting and investing human capital based on the demands of the labor market in Indonesia allow better social and economic result in the future.

With greater specialization, it is possible to discover a new technique to process domestic resources across sectors which lead to rapid product introduction. Encouragement of the creation of import product substitution by producing locally with own resources. Decrease the waste of resources.

FDI also revealed as the important contributor on capital formation. Issuing a more investor-friendly

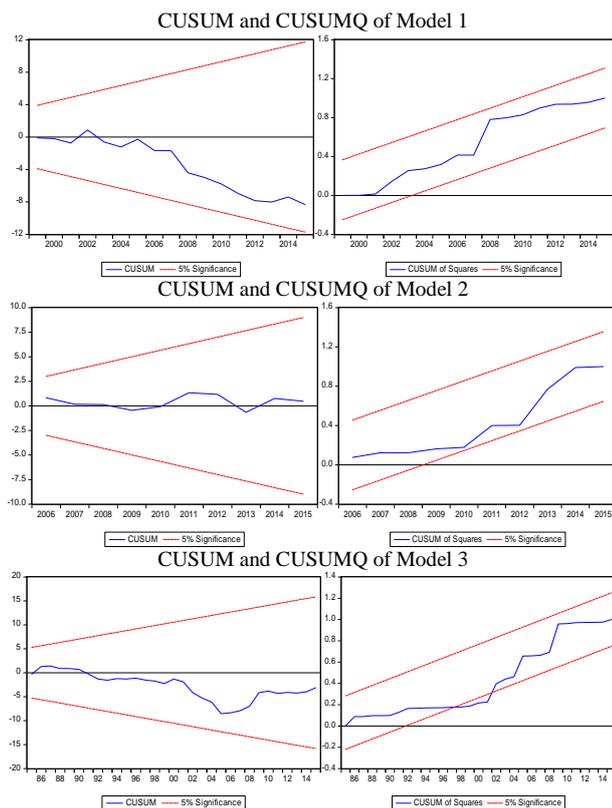


Fig.1. Parameter stability test

V. CONCLUSIONS

The study examine dynamic causal relationship among FDI, trade openness, capital formation, labor, and GDP per capita in Indonesia. ARDL model is used to identify the cointegration possibility and finding the interrelation among variable in the long-run. The long-run convergency

investment policy is one of the way to open the gate for new investors establish business in Indonesia. The government's pro-investors scheme that opened more sectors to foreign capital is expected to continue. Follow-up action including engagement of investors and local firms working together agreement with local industry is expected to create social economy's sustainable development condition rather than depends only from the capital injection inflow from FDI. Simultaneously, the spill over of technology from FDI can building more competence human capital in the nation.

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Offshore Safety Culture Assessment

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Abstract— Safety culture is not easy to define since it consists of beliefs and assumptions of every worker shared at the organization. What is the safety culture implied at the drilling and work over offshore operation? Using the Westrum model for safety culture (pathological, reactive, calculative, proactive, and generative), at what stage of safety culture does the drilling and work over offshore operation work? This paper studies the level of safety culture using the survey was based on the Loughborough University Safety Climate Survey (LSCAT) which identified four areas: organizational context, social environment, individual appreciation, and work environment. Method: the assessment will measure the prevailing safety culture from these data: employee attitude surveys also referred to as the safety climate questionnaire; face to face interviews; focus discussion groups; structured observations in the form of behavioral observations and situational audits to explore the effectiveness of the safety management systems. The assessment was conducted to 167 respondents from office personnel and field personnel. Results: on average, drilling and work over operation safety culture profile standard at 8.3 points (excellence level) or at generative level, with seven of the nine dimensions are rated as excellence and two dimensions are rated as strong. Discussion: seven of the nine dimensions which are rated excellence are: management commitment, communication, priority for safety, supportive environment, involvement, personal priorities and need for safety, personal appreciation of risk. Two dimensions which rated strong are: work environment and safety rules and procedures. Impact on Industry: drilling and work over is considered as high-risk industry, the understanding of it safety culture and how to achieve high safety level can be shared across the industry for learning experience.

Keywords— Safety culture, Organization culture, Offshore, Drilling, Work over.

I. INTRODUCTION

Occupational Health and Safety (OHS) is integral part of the business now days. Business objectives typically state and define underlying organizational “values” and quality factors such as safety, rework, environmental soundness, and customer satisfaction [1]. Business side of the objectives may be stated in terms of productivity, costs, or profits, while safety objectives can be stated in terms of losses, accidents, safe behaviors, or increased costs [1].

To achieve it safety objectives, a structured OHS Management System (OHS-MS) which consist several elements is implemented. However, the implementation of OHS-MS has tended to be mechanical, setting and meeting minimal requirements, but not going further [2].

Implementation in the form of ticking-off that the activities have been done is by no means necessarily equivalent to proving the existence of a Health Safety and Environment (HSE) culture and is certainly not a guarantee for good HSE performance [4].

In highly hazard industry such as oil and gas industry, that level of practice is unacceptable. [5] mentioned several offshore work characteristics causing it to be considered as high-risk industry: isolated work area, major hazard potential (fire and explosion), 12 hours per day shift pattern, multiple exposure (e.g. hazardous material, noise, vibration, heat, manual handling), and environmental condition.

The implementation of HSE MS needs to support by a good safety culture at the organization. The health and safety culture can be defined as an aggregation of beliefs, attitudes, and values that contribute and facilitate hygiene behavior and environment in a business setting [6].

An organization displaying a positive safety culture would be characterized by communication based on mutual trust, shared perceptions of the importance of safety, and confidence in the effectiveness of their safety barriers.

Currently, there are plenty of tool that can be used to assess safety culture. To name few, there are: Loughborough Safety Climate Assessment Toolkit (LSCAT), Safety Health of Maintenance Engineering (ShoMe) Tool, Safety Culture Toolbox,

HRMI Safety Culture Inspection Toolkit, RSSB Safety Culture Improvement Toolkit, Multilevel Safety Climate (MSC) Scale (Organizational and Group-level Safety Climate), Offshore Safety Questionnaire (OSQ) Offshore Safety Climate Questionnaire (OSQ99), Commercial Aviation Safety Survey (CASS), Norwegian Offshore Risk and Safety Climate Inventory (NORSCI), Nordic Occupational Safety Climate Questionnaire (NOSACQ), HSL Safety Climate Tool (SCT), Safety Awareness Questionnaire (SAQ) (Arbeitsfähigkeit und Umgang mit Sicherheit), and Organizational and Safety Climate Inventory (OSCI).

There are also 3 pragmatic normative approach to assess safety culture: Hearts & Minds Program/Toolkit, Safety Culture Maturity Model (SCMM), and Safety Culture Indicator Scale Measurement System (SCISMS) [7].

The Hearts and Minds toolkit was developed by Shell E&P, based upon 20 years of university research, and are being successfully applied in both Shell and non-Shell companies around the world. Hearts and Minds use a range of tools and techniques to help the organization involve all staff in managing HSE as an integral part of their business. Collectively, these tools and techniques are known as the Hearts and Minds Toolkit [9].

LSCAT (Loughborough Safety Climate Assessment Tool) as developed by Loughborough University. Compared to the Hearts and Minds toolkit it is somewhat “old school” but remains an effective approach. The LSCAT was initially designed for use in the offshore oil industry.

This tool is based on a systems approach to organizational culture and is a multi-method package that provides a range of individual tools to help investigate culture from a holistic perspective incorporating elements of organizational structure, organization and behavior.

The LSCAT measures the responses across nine dimensions which are organized under three headings: organization system and environment; organization system and work groups; and organization system and Individual and work groups. The nine dimensions measured by the tool are: management commitment, work environment, safety rules and procedures; supportive

environment, involvement, communication, personal priority and need for safety, personal appreciation of risk, and priority for safety. These may be loosely grouped into the following four areas: [10]

A. Organizational Context

- Management Commitment - Perceptions of management’s visible commitment to safety issues
- Communication - The nature and efficiency of safety communications within the organization
- Priority for Safety - The relative status of safety issues within the organization
- Safety Rules and Procedures - Views on the effectiveness and necessity of rules and procedures

B. Social Environment

- Supportive Environment - The nature of the social environment at work, and the support derived from it
- Involvement - The extent to which safety is a focus for everyone and all are involved.

C. Individual Appreciation

- Personal Priorities and Need for Safety - The individual’s view of their own safety management and need to feel safe
- Personal Appreciation of Risk - How individuals view the risk associated with the work they do and finally.

D. Work Environment

- Physical Work Environment - Perceptions of the nature of the physical environment.

Measuring safety culture using a standard tool offers a pragmatic approach to provide information on existing safety culture as it focuses on the workforce’s current perceptions of safety in relation to management support, supervision, risk-taking, safety policies, safety practices, trust and openness.

II. METHOD

This research uses cross sectional approach where data are collected in specific single point time.

The safety culture survey was based on the Loughborough University Safety Climate Survey (LSCAT) which identified four areas:

organizational context, social environment, individual appreciation, and work environment.

The assessment will measure the prevailing safety culture from these data: employee attitude surveys also referred to as the safety climate questionnaire; face to face interviews, focus discussion groups; structured observations in the form of behavioral observations and situational audits to explore the effectiveness of the safety management systems.

The use of focus groups, behavioral observations and audits are appropriate techniques to seek additional information related to culture following the application of the questionnaire.

The assessment was conducted to 167 respondents from field personnel on offshore drilling & work over operations and office personnel located at East Kalimantan, Indonesia.

The questionnaire itself contains 43 items that ask the workforce to rate their agreement or disagreement with a range of statements about OHS within their work area.

III. RESULT

On average, drilling and work over safety culture profile stands at 8.3 points (excellence level) – Green Flag.



Fig. 1 Drilling and work over safety culture profile

Seven of the nine dimensions are rated as excellence. Work environment (7.9 of 10.0) and safety rules and procedures (7.6 of 10) are rated as strong.

Work Environment questions in scored as follows:

- I always have enough time to get the job done safely: 167 of 167 agree or strongly agree
- This is a safer place to work than other places I have worked: 8 of 167 disagree or strongly disagree
- Operational targets rarely conflict with safety: 71 of 167 disagree or strongly disagree
- Sometimes conditions here prevent me from working safely: 34 of 167 agree or strongly agree
- There are always enough people available to get the job done safely: 3 of 167 disagree or strongly disagree
- I can always get the equipment I need to do the job safely: 0 of 167 disagree or strongly disagree.

Summary of the drilling and work over on work environment:

- All believe they have adequate time to get the job done safely. There are no time pressures.
- 5% believe that KLO is a more dangerous place to work than other places they have worked
- 43% believe that Operational targets conflict with Safety
- 20% believe that at times conditions in the workplace prevent them from working safely
- 2% believe that there are at times insufficient people to do the job safely
- All have a positive or neutral view about being able to obtain the right equipment to do the job safely.

Safety rules and procedures questions scored as follows:

- Some safety rules and procedures do not need to be followed to get the job done safely: 25 of 167 agree or strongly agree
- Some safety rules and procedures are not really practical: 25 of 167 agree or strongly agree

- Sometimes it is necessary to do things in an unsafe way to continue production: 17 of 167 agree or strongly agree.

Summary of the drilling and work over on safety rules and procedures:

- 15% believe that some safety rules and procedures do not need to be followed to get the job done safely
- 15% believe that some safety rules and procedures are not really practical and
- 8% believe that at times it is necessary to do things in an unsafe way to continue production.

IV. DISCUSSION

International Association of Oil and Gas Producer (OGP) use model developed by Westrum that define safety culture maturity model into 5 level: [12] [11]

- Pathological organization believes that individuals, typically at lower levels, cause accidents. They implement only what is mandatory
- Reactive organization consider HSE important but believe that most problems lie within the lower levels of the workforce
- Calculative organization believe in the value of systems in managing HSE performance and the use of a large number of tools and training
- Proactive organization consider HSE a fundamental (“core”) value and leaders at all levels genuinely care for the health and wellbeing of the staff and contractor
- Generative organization has a high degree of self-sufficiency and strives to understand their entire operating environment.

A simple system rating developed for this research

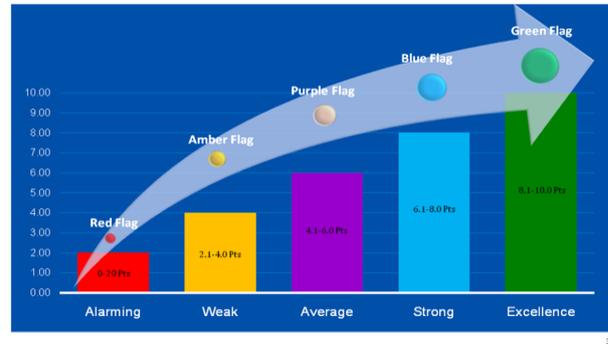


Fig. 2 System Rating

TABLE I

System Rating

Flag	Score	Description
Red (alarming)	0 – 2.0	Safety value is not internalized within the individual, group or in the wider organization. Workforce is disengaged with the safety effort. Need serious effort to internalize safety value to all employee
Amber (weak)	2.1 – 4.0	Safety value is reactive. Management or individual acts decisively in safety matters only after incident have occurred
Purple (average)	4.1 – 6.0	Worker involvement toward safety is increasing and a clear safety culture is appearing in area of organization. The worker involvement in seen both by worker and management as an important thing to achieved good safety performance
Blue (strong)	6.1 – 8.0	Safety value are strong. Organization wide there is active attention, care and action, in preventing workplace incidents. Workforce and management are found to be working in partnership to improve safety
Green (excellence)	8.1 – 10	Safety value is internalized in every individual, group, and wider organization. Organization continues to invest in safety not only in the workplace but at home as well. Workforce is found to be leading the safety improvement effort.

As surveyed, overall drilling and work over is at the top of safety culture level as it received 8.3 points or green flag (excellence level).

Seven of the nine elements are rated as excellence. They are: commitment management; communication; priority for safety; supportive environment; involvement; personal priorities and need for safety; and personal appreciation of risk.

Management at office and on site are considered committed to HSE. Management commitment can be form as visible leadership to worker and provide example of safety practice, provide adequate resource allocation (time, money) to implement safety, participate at safety meeting, and make safety priorities. [13]

Two elements are rated strong. They are: work environment and safety rules and procedures. Even though, the result is considered still favourable.

Understanding which element where improvement opportunity occurred is a good starting point to allocate focused resources to create effective and efficient steps to improve company's HSE performance, and can be source of reference to develop further targeted HSE program.

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The Divorce Phenomenon of Young Couple: Challenges to Achieve Qualified Human Resources (A Case Study in Cilacap Regency, Central Java)

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Abstract— Family is the core of society. A qualified family will create qualified human resources needed to conduct development. Thus, family development must be the concern of every party. The anxiety for this matter is really needed because of the increasing number of divorce in all regions, including in Cilacap Regency. In fact, the number of cases in this regency is the highest in Central Java. Therefore, this research aims to figure out further the phenomenon of divorce in this Regency in 2016, and also how the government tries to prevent it so far. The approach of this research is a mix method between quantitative and qualitative. The first research question was analyzed from secondary data of couple who had been divorced in Cilacap Religious Court in 2016 with the number of 5721 couples. Sample are taken at 5 percent of the total population of 286 people selected by random sampling technique and then analyzed by descriptive statistics. The second question was answered through primary data collection with interview techniques to a number of officials in agencies related to family development. This data is then analyzed by interactive model. Data triangulation is done by combining several sources.

The results drawn from conclusion are: firstly, the couples' profiles were dominated by productive age of 30-39 years, from the poor (labor) to the 5-10 year marriage period. Secondly, there is no local government agency that specifically has the function to prevent the divorce process and to do the mediation. Moreover, PKK, which is the largest and widest network of family development organization, does not include divorce prevention and solution as their programs. From the results of this study, it is recommended that these institutions must be more concern on divorce programs as divorce often happen in the society. One of the efforts is to improve coordination and cooperation between agencies. This includes Religious Courts which takes care of the divorce process; thus, they have complete data of divorced couples which then can be used for mapping the phenomenon.

Keywords— young couple divorce, family resilience, PKK

I. INTRODUCTION

The urgency to continue family development has been regulated through [10] on Population and Family Development. This law stated that national development covers all dimensions and aspects of life including population and family development in order to realize a just and prosperous society according to Pancasila and the 1945 Constitution. Hence, family development is going to contribute to realize the society.

The importance of building qualified family is because family is the core of society. It provides various roles that cannot be replaced by any institution. If these strategic functions work well, qualified human resources are the result, and they are also going to contribute greatly to the ongoing development in various fields.

In the reality, today, the quality of family in almost all regions in Indonesia tends to decrease. This happens in the same time when many families where most of them are couples of productive age (15-64 years) experience divorce.

Central Java is one of three provinces where in recent years; the number of divorce cases is the highest in Indonesia. Other provinces are West Java and East Java. Furthermore, in 2015 the percentage of divorce in Central Java is the highest compared to previous years which is 20.23 percent, although the number of cases decreased.

TABLE I
THREE PROVINCES with HIGH NUMBER of DIVORCES in INDONESIA
in 2012-2015

Province	Year			
	2012	2013	2014	2015
East Jawa	91.449	85.484	89.406	87.149
Jawa Tengah	73.351	70.769	72.560	66.548
Jawa Barat	63.139	60.160	65.848	70.267
Indonesia	346.480	324.247	344.237	347.256
% Jawa Tengah	18,22	18,55	19,13	20,23

Source: [2]-[3]

Among cities in Central Java, Cilacap regency is the region with the highest number of divorce cases since 2013. If in 2013 the number was 4,956 cases, in 2015, it increased to 5,519 cases [4]. The condition continued until 2016 with 5,553 cases which is 7.78 percent of the total cases in Central Java [7].

TABLE II
THE FIVE HIGHEST REGENCY in CENTRAL JAVA DEALING with
DIVORCE in 2013 – 2015

Rank	Year					
	2013	Total	2014	Total	2015	Total
1	Cilacap	4956	Cilacap	5661	Cilacap	5519
2	Brebes	4430	Brebes	4766	Banyumas & Purwokerto	4795
3	Banyumas & Purwokerto	3437	Banyumas & Purwokerto	4744	Brebes	4714
4	Purwodadi	3360	Slawi	3586	Pemalang	3584
5	Slawi	3140	Pemalang	3582	Slawi	3441

Source: [20]

In Cilacap Regency Religious Courts, divorce is the highest cases each year with more than 90 percent. Most of the cases are propose divorce, which means the divorcee is the wife. During 2012 the number continued to increase and only slightly decreased in 2016. However, the percentage continues to rise.

Other cases in Cilacap Religious Court are marriage dispensations. This is a request to the Religious Courts to grant dispensation for the party who wants to get married but it is prohibited by the legislation because of age limitation (women are at the age of 16 year old and men are at the age of 19

year old). The number and percentage of these cases continues to grow every year. The following is the data.

TABLE III
CASES in CILACAP RELIGIOUS COURT in 2012-2016

Kinds of Divorce	2012	2013	2014	2015	2016
Propose divorce	3293	3552	4030	4096	3951
Pre-divorce	1632	1715	1854	1854	1770
Total Divorce =	4925	5267	5884	5950	5721
Marriage Dispensation	87	101	135	175	174
Others	58	68	76	176	197
Total =	5070	5436	6095	6301	6092
% Total Divorce =	97,14	96,89	96,54	97,62	93,91
% Cerai Gugat on Divorce =	66,86	67,44	68,49	68,84	69,06
% Marriage Dispensation =	1,72	1,86	2,21	2,78	2,86

Source: [21]

Based on people who get divorce each year, almost all of them are in the productive age category which is under 20 to 40 years old. This age problems experience both the plaintiff and the defendant. Therefore, this phenomenon needs to be examined further to acknowledge the factors in order to prevent divorce.

TABLE IV
THE AGE of PLAINTIFF and DEFENDANT in CILACAP REGENCY in
2014-2016

Age	2014		2015		2016	
	Plain tiff	Defe ndant	Plain tiff	Defe ndant	Plain tiff	Defe ndant
<20-30	2002	1564	1939	1580	1862	1522
31-40	2506	2533	2594	2485	2343	2276
41-50	1145	1296	1210	1373	1346	1404
51- >90	434	501	542	533	538	593
Total =	6087	5894	6285	5971	6089	5795
% age <20-30 on total =	32,89	26,54	30,85	26,46	30,58	26,26
% age <20-40 on total =	89,00	80,89	89,50	80,26	83,02	74,99

Source: [21]

The increasing number of divorce, especially in Cilacap Regency, is interesting, and it needs to be analyzed further considering the negatives and wide impacts which may cause long term damages.

Especially, since most of them are young couples whose participation in development is essential. Based on this reason, this study aims to examine deeper: (1) the profile of divorced couples in Cilacap 2016, and (2) the commitment of Cilacap Regency Government to prevent and overcome divorce.

A. Family as the Basis to Create Qualified Human Resources

The first article of the [11] on marriage states that marriage is a mental bond between a man and a woman as husband and wife in order to form a happy and eternal family (household) because of God. Marriage becomes the beginning of the realization of various family strategic functions that cannot be replaced by other institutions. National Family Planning Coordination Board (Badan Koordinasi Keluarga Berencana Nasional/BKKBN) calls those strategic functions as "8 family functions" consisting of religious, social, cultural, compassionate, protective, reproductive, socializing and educating, economical, and environmental constructing function. Family becomes the affirmation of relationship between husband and wife, procreation and legal way to do sexual intercourse, socialization and education of children, unit of naming and status, basic child care, family members' protection, recreation and emotional care, and the organization to exchange goods and services [25]. Families also play roles in the development of mega skills and moral virtues [16], [20]. In Bennett's terms [17], family is the most effective department of health, education, and welfare.

Furthermore, family becomes the most powerful institution because of its resistance [8]. A well-functioning family is an absolute prerequisite for the continuity of a society, because in family, a new generation obtains values and norms which are in line with the expectations of society. The family participates in creating social capitals, which are a prerequisite creation of civil society [6]. Without social capitals, there would be no civil society, and without civil society there would be no democracy [6].

If these strategic functions can be accomplished, it will form a quality family. According to [10] on

Population and Family Development, a qualified family is a family formed based on a legal marriage, and it is characterized by prosperity, health, advance, independence, an ideal number of children, future-orientation, responsibility, harmony and caution to God.

As a family is the core of society, the formation of a qualified family will create qualified human resources needed for development. Human resources have two definitions. First, human resources (HR) in the definition of work or service business reflect the quality of business provided by a person within a certain time to produce goods or services. Second, human resources are a human being able to work to provide services or business. Physically, the ability to work is measured with age. In other words, people in working age are considered capable of working. This working age group is called by manpower.

Besides, human resources can be seen from two aspects, namely, quantity and quality. Quantity concerns on the amount of human resources (population) which has less contribution in development compared with the quality aspect. Moreover, the existence of quantity without quality will be a burden for nation's development. The aspect of quality is about the ability on both physical and non-physical (intelligence and mental).

B. Roles Division in Household

Family's effort to produce qualified human resources depends on the optimization of cooperation between husband and wife according to their roles. In Indonesia, the division roles in family generally refers to article 34 of [11] which states that husband is the breadwinner, while wife is the housekeeper.

In reality, division of roles can be exchanged as a result of a dynamic society. Therefore, the more appropriate term is gender division.

Currently, there is a gender role shift in which the economic role is dominantly run by the wife. The husband is not the main breadwinner anymore as their wage is only the additional income for the family. This is due to the husband being unable to work fully and can only be a regular employee or even unemployed. Reference [14]-[15] in

Purbalingga believed that the condition happened because of employment opportunities for women to work in companies of false eyelashes and hair. This brings up the local term "*pamongpraja*" which is an extension of "*papa momong mama kerja*" (the husband takes care of household, while the wife works) and "*ternakteri*" (*nganter anak nganter istri*/ the husband escorts children and the wife). The term proves that the husband dominant role is as "spouse companion". This gender status also causes the family's function not maximum. For example, the parenting function is mostly run by grandmothers. As a result, the health of the child becomes less since the child is lack of control for food intake. The wife bustling activity to reach the target of making eyelashes or wigs also reduces the affection between husband and wife; thus, it can be found some cases of infidelity or even divorce in the family of hair factory workers in this city.

C. *The Impact of Divorce*

Divorce is breaking marriage bond due to several things such as death or domestic conflicts. It is proven that divorce caused by domestic conflicts has multidimensional impacts, negative ones. Studies in the United States argues that nearly half of the marriages which experience divorce result in the vulnerability of economy of not only the family but also the society [13]. For women, after divorce, the living standard goes down around 30 percent, while for men; it falls by 10 per cent [21]. Reference [23] studies also strengthened the finding by saying that women and children are more suffer in the economical aspect as the result of divorce, whereas men experience less economic impacts. A more comprehensive study in the United States is demonstrated by [5], which states that divorce does not only affects the family (especially children), but also the local community and even local government. In health, divorce lowers the health of children which ultimately affect their life expectancy. It also affects behavior, emotion, psychology and even the possibility of committing suicide. Another impact is it can significantly increase crime, violence, neglecting and drug abuse. Finally, all of these things increase the Government's costs to overcome them.

Meanwhile, a study in Australia done by Population and Urban Research Center of Monash University found that divorced family is a fundamental cause of poverty in a country [21]. Thus, there is a strong relationship between single-parent families with poverty [1].

The results of studies in several places, namely, in Japan [24], America [9], and Iran [12], [22] emphasize that economic factors such as low income is one of the causes of divorce. Reference [9] clarified the phenomenon by researching divorce among young couples.

II. METHODS

This research used mixed method which is a combination of quantitative and qualitative methods. The first research objective was achieved by analyzing the secondary data of divorce cases that had been given by the Cilacap Religious Courts in 2016. Out of 5721 cases, 5 percent (286 cases) were randomly assigned. The second research objective was achieved by interviewing a number of officials in several agencies that have the tasks and functions to empower community and family. The second objective was also supported by related secondary data.

The validity of data was done by combining all data obtained from various data sources. Secondary data were then analyzed with descriptive statistics, while primary data were analyzed by qualitative analysis with interactive model analysis technique strengthen by gender perspective.

III. RESULTS

The data collected in this study were taken from the original data file of divorce cases that had been given by the Cilacap Religious Court Clerk. The supporting data were taken from the data information displayed on the institution website (www.pa-cilacap.go.id) and from direct interviews with those who got divorced in 2016.

In 2016, there were 6,092 divorce cases submitted to Cilacap Religious Court. From 6,092 cases, 5,721 cases (93.91 percent) are decided. Most of

them (3,951 cases or 69.06 percent) are propose divorce, while the rest are pre-divorce. In total of 5,721 cases, five percent (286 cases) were randomly assigned to the following descriptions.

From 286 cases, most of the cases were *cerai gugat* (55.94 percent), which means the divorcee are the wives. The rest (44.06 percent) are *cerai talak* which means the husbands divorce the wives. The case happened in almost all sub-districts in Cilacap Regency with the highest number of cases is South Cilacap, followed by Kesugihan, Majenang, Wanareja and North Cilacap. South Cilacap is a coastal area where many of its citizens work as fishermen, while other sub-districts are agrarian areas that most of its citizens as farmers.

TABLE V
5 SUB-DISTRICTS with HIGH DIVORCE CASES in 2016

Sub-District	Plaintiff	Defendant
Cilacap Selatan	23	24
Kesugihan	21	22
Majenang	21	22
Wanareja	19	17
Cilacap Utara	18	11

Source: processed from the primary data

Divorce in Cilacap in 2016 almost entirely happened to the productive age population which the youngest age was 18 years. Among the plaintiffs, the average age was 35.59 years, while among the defendants the average age was 36.54 years

TABLE VI
AGE of PLAINTIFF and DEFENDANT in 2016

Age	Plaintiff	Defendant
< 20	3	2
20-29	74	66
30-39	125	118
40-49	56	70
50-59	20	20
> 59	5	7

Source: processed from the primary data

The age of marriage ranges from 0 - 42 years with the average age of marriage 10.80 years. Most of them divorced at very young marriages under 5 years (34.27 percent), followed by 6-10 years (25.17 percent), and 10-15 years (14.34 percent).

TABLE VII
AGE of MARRIAGE of DIVORCE COUPLE in 2016

Age of Marriage (year)	The Number	%
0-5	98	34,77
6 - 10	72	25,17
10 - 15	41	14,34
16-20	38	13,29
21-25	20	6,99
26-30	8	2,80
>30	9	3,15
Total	286	100,00

Source: processed from the primary data

Both plaintiff and defendant are mostly from poor families. This can be seen from the type of work they have since mostly, they are laborers. Other types of work are from private sectors and housewives.

TABLE VIII
JOBS of PLAINTIFF and DEFENDANT in 2016

Job	Plaintiff	Defendant
Private sector, entrepreneur, nurse, security guard, driver, trader	69	62
Housewife	60	63
Laborer (laborer, housemaid, daily laborer)	122	138
Civil Servants (PNS, police, retirement, teacher, village officer)	11	5
Indonesian migrant workers (TKI)	3	0
Farmer	18	15
Fisherman	3	2
Not answer	0	1

Source: processed from the primary data

The data do not inform the level of education. However, from the data on job it is found that the most occupation conducted is as laborers. Therefore, it can be estimated that their level of education is generally also low.

Other information that is not visible from the sample data is the factor causing the divorce. However, this information can be found from [19]. From the data on this website, it appears that the biggest factor causing their marital failure is the absence of responsibility of the couple (32.96 percent). The next most contributing factors were economic problems (31.28 percent) and disharmony (27.05 percent) [19].

The absence of responsibilities usually occurs since one party (usually husbands) works out of town (some are abroad as Indonesian Migrant

Workers) for several years without providing the non-economic needs. For economic factors, this generally proposed by wives because the husbands are not/less able to meet their living needs. This condition emphasizes the founding that the majority job of the population in the three sample regions is as laborers.

From the description above, it can be concluded that most divorces in Cilacap are those who are young and also with young marriage age. Most of them come from poor families who later become the most contributing factor of divorce.

IV. DISCUSSION

A. Commitment from Cilacap Regency Government to Overcome Divorce on Young Couples

From the description of divorce profile in 2016, it appears that young couples dominated the case of divorce in that year. In fact, as part of the productive age group, they are actually very potential to develop their regions. Hence, it is essential to study how Cilacap Regency gives its attention on the issue.

Strategic policies from Government of Cilacap Regency can be seen from the Regional Medium-Term Development Plan (*RPJMD*) of Cilacap District in 2012-2017 which sets the Vision: "To become equally Prosperous Regency ". This vision is translated into six missions, three of them are related to economic issues, namely: (1) Developing Economy Based on Local and Regional Potential through Agricultural, Marine and Fishery, Tourism, Trade, and Industry with Its Emphasizing on Increasing Community Income and Creating Employment, (2) Empowering Community and All Local Economic Strengths, especially Micro, Small and Medium Enterprises (SMEs) and Cooperatives, Creating and Developing Markets for Local Products, and (3) Equalizing and Balancing Sustainable Development to Reduce Intergovernmental Disparity by Considering Environmental Aspects in Using Natural Resources Rationally, Effectively and Efficiently.

These three missions show Cilacap Regency commitment to improve the welfare of community. Most of the commitments are actualized, and these

can be seen from programs of related agencies. There are two agencies in Cilacap Regency that have duties and functions related to family economic development. The agencies are: (1) *Bapermas, PP, PA, KB*, and (2) Social, Manpower and Transmigration Service.

Bapermas, PP, PA and *KB* were established based on the Regional Regulation of Cilacap Regency No.14 of 2010 on Organization and Working Procedures of Regional Technical Institute and Cilacap Civil Service Police Unit. This institution has 21 main tasks given by the Regent and translated into four functions, such as: formulating technical policy on developing community and village, empowering women, protecting children, and carrying family planning; supporting local government organization on developing community and village, empowering women, protecting children, and carrying family planning; guiding and applying work on developing community and village, empowering women, protecting children, and carrying family planning; implementing other tasks assigned by the leader which are in line with main tasks and functions.

The vision of the institution is "to create an independent institution which is gender responsive with balanced population". To realize this vision, a mission is defined as follow: developing institution, community participation, people economy, and appropriate technology; utilizing resources to improve facilities, infrastructure, sanitation, clean water and environmental village settlements; empowering women with gender insight; improving the quality of life, the fulfillment of children's rights and the protection of children; improving the implementation of Family Planning and Family Welfare programs in order to achieve a satisfactory and prosperous family; and providing micro-family data and information for development management, especially for empowering poor families.

From the Missions, it can be seen that the institution has a commitment to develop the people's economy and at the same time, the institution also creates a happy and prosperous family. If this mission is carried out properly, then this can be the prevention of family divorce due to economic problems.

In carrying out its mission, in 2016 Bapermas, PP, PA and KB set nine strategic objectives as follows: developing the capacity of village government workers; increasing service to the community; increasing community empowerment for development; increasing the active role of rural economic institutions; increasing function of rural infrastructure and quality of houses; realizing government programs and government policies on gender responsive; increasing protection and fulfillment of rights to women and children; increasing guidance, infrastructure, promotion and operational of family planning program; providing valid data and information on population and family planning program.

In reality, even though the Institution's Performance Report (LKj IP) in 2016 is performing well, there are no programs specifically aimed at saving a "vulnerable couples" from divorce because of economic factors.

The actual strategic objectives that are relevant and can prevent those problems are Strategic Objectives number 3 and 4. Strategic objectives 3 is achieved through two programs: rural empowerment program and community participation in village development. There is allocated funds which is Rp583,192,225, - from the budget of Rp 650 million or 92.27 percent of the target (Bapermas, PP, PA, KB, 2016). The fourth strategic objective (increasing the active role of rural economic institutions) is achieved through the Progress of development of rural economic institutions and programs to increase community participation in building villages. The use of funds reaches 90.07 percent of the target of Rp215 million; therefore, the achievement is very high (Bapermas, PP, PA, KB, 2016).

Other institutions related to the family economy are Department of Social Affairs, Manpower and Transmigration. These institutions have main duty to assist the Regent in carrying out government affairs and assistance in the field of social, manpower and transmigration. Their vision is "the realization of social welfare, productive and competitive labor in Cilacap Regency, and prosperous transmigration society".

There are eight strategic objectives in which four are closely related to the prevention of divorce

among productive ages. The strategic targets are: (1) implementing empowerment and development of social welfare problem (PMKS), (2) implementing social services and rehabilitation of PMKS, (3) implementing activities to improve the quality and productivity of labor and employment, (4) creating harmonious industrial relations by increasing labor protection and supervision.

From a number of strategic objectives, in its implementation in 2016, the realizations of its achievements vary greatly, from 1.55 percent to 125.31 percent with average achievement of 64.48 percent which shows low performance. The lowest achievement (1.55 percent) is the empowerment and development program for PMKS. The highest achievement, 125.31 percent, is Employment Absorption Program (employment dynamic) (Social Service, Manpower and Transmigration of Cilacap Regency, 2016).

According to an officer of Social Service, Manpower, and Transmigration; the low percentage of district-level PMKS; which received social empowerment programs through Economic Cooperation Program (KUBE or Kelompok Usaha Bersama) or other social groups, and Registered Work Seeker; was because the limitation of resources. Half of 72 employees (30 people) with S1 degree and seven people with S2/Magister are not able to perform the task optimally. This condition is considered to be one of the causes of many poor families (especially husbands) who do not get the benefit of the program. As a result, their economies are disrupted and this has triggered many cases of divorce. This condition indicates that they are not sensitive on divorce issues in the region.

The un-sensitivity to the situation of decreasing family resilience in Cilacap is also experienced by several other officials. As a result, the programs that have been implemented have not been focused on efforts to handle it.

V. CONCLUSIONS

The profile of divorced couples in Cilacap, 2016, is marked by the dominance of productive couples who are underprivileged families. Hence, the economic problems trigger the divorced. In reality, there is no program which has been specifically

targeted to prevent and solve divorced since there are still many officials who do not understand the necessary of the programs.

It is recommended to the local government to synergize inter-agency programs to generate a focused and sustainable form of activities and budgets to cope with divorce among young couples.

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The Influence of Experiential Marketing, Service Quality on Customer Loyalty and Satisfaction at the Pizza Hut Restaurant in the Tunjungan Plaza Surabaya

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Abstract— This research aims is to understand and to analyze how experiential marketing, service quality influence to customers loyalty satisfaction at the The Pizza Hut Restaurant in the The Tunjungan Plaza Surabaya. Previous studies show there is a positive influence between the experiential marketing to service and customer satisfaction. As experiencing from evident that customers constantly come to the The Pizza Hut Restaurant every day, especially on the day of the weekend. Other factors may be affecting to customers who enjoy the service in this restaurant, such as restaurant environment, facilities, and life style. However, it does not clear how frequency will show the level of customer satisfaction. This research uses quantitative approach and uses a questionnaire to collect data. There are 150 questionnaires returned, the results obtained by researchers in obtaining the most is a civil servant class of income above 3 million-5 million and staying in Surabaya and aged 17-25 years followed by male gender.

Results show that the quality of the Pizza Hut service is good enough and marketing has effect to customers. As a result, customers come to the restaurant frequently. It can be seen that there is a positive effect between experiencing of service and loyalty customer.

Keywords— experiential marketing, service quality, customer loyalty, satisfaction

I. INTRODUCTION

The development of culinary business today can be said very rapidly. Many fast food restaurants offer a variety of food with their own characteristics so culinary enthusiasts are interested to try it. In order for customers to be loyal usually restaurants are also equipped with a comfortable sushi loyal restaurant is usually also equipped with comfortable environment, such as comfortable room, music and wi-fi service smoothly. The concept of experiential marketing states that in order to approach, gain and retain loyal customers, producers through their products need to bring unique, positive and memorable experiences to consumers [6]. In the

culinary business a positive experience must be supported with good service quality, so that customers are satisfied and loyal.

Therefore the role of experiential marketing, service quality, satisfaction and loyalty need to be considered, in order to be able to maintain its position in the current competition.

According to [3] experiential marketing is one of the usual marketing activities undertaken by business people to attract consumers through their emotional side. The era of increasingly fierce business competition companies need to see opportunities by presenting uniqueness that differentiates with competitors. Reference [3] mentions that experiential marketing is a business that is used by companies or marketers to package the product so as to offer an emotional experience to touch the hearts and feelings of consumers

Customer loyalty (loyalty is the result of a consumer's satisfaction due to using a product or service from a company. Usually consumer loyalty occurs if the consumer is satisfied with the product or service so that the consumer has an emotional bond with the company Another aspect of loyalty is where the consumer is ready to recommend the company to friends, family members and colleagues-it is this emotional bond that makes consumers loyal and driven to continue doing business with companies and make recommendations [2].

Reference [2] suggests there are various things that can be categorized as consumer loyalty, such as repeat purchase, recommend products, ignoring a competitor's product. Reference [2] also said that

satisfied consumers will more tell a positive experience to others and recommend the company. This is because experiential marketing seeks to create a positive experience for consumers after consuming products or services that can be used as a reference for marketers to predict consumer behavior in the future in the form of repeat purchase. As a result, the quality of good service will impact on the satisfaction in the future. Then, consumer satisfaction and consumer loyalty are integral aspects. Consumers will feel loyal to a product or service when consumers already feel the satisfaction of a product and service [4].

II. METHODS

This is a quantitative research approach and a causal research by using hypothesis. Causal research is useful for measuring relationships between research variables in experiential marketing, service quality, customer loyalty and customer satisfaction are useful for analyzing how a variable affects other variables [2].

A. Identify Variables and Variable Measurement

There are three kinds of variables: exogenous variable, intervening variable and endogenous variable. Exogenous variables are experiential marketing (EM) and service quality (SQ). Whereas, intervening variable is customer satisfaction (CS), and endogenous variable is customer loyalty (CL).

Likert scale is a method that measures attitudes by expressing agreement or disapproval to certain subject, object or event. Method of measurement of variables used in this research is Likert Scale 5 points in the questionnaire.

The type of data used in this study is quantitative data, ie data in the form of numbers indicate responses or assessments of respondents. Sources of data in this study is primary data obtained directly from the object of research that is at the The Pizza Hut Restaurant in Surabaya who was elected to respondents in this study

The tool used to collect data in this study is a questionnaire. While the method of data collection is survey, that is by distributing questionnaires directly to consumers who visited The Pizza Hut Restaurant tunjungan plaza in Surabaya. The

number of samples in this study amounted to 150 samples.

To process the data obtained then the use of analytical techniques Structural Equation Modeling (SEM) using LISREL 8.70 program for model formation and hypothesis testing. SEM is a collection of statistical techniques that can be used to analyze research problems that have a relatively complex set of relationships with statistical testing simultaneously.

III. RESULTS

Characteristics of 150 respondents can be explained from the sex, domicile, age, employment and income (allowance) per month.

Table I shows the number of female respondents (51.3%) more dominant than the male respondents(48.7%)

TABLE I
CHARACTERISTICS of RESPONDENTS BASED on GENDER

Gender	Frequency	Percentage(%)
Men	73	48.7
Women	77	51.3
Total	50	100

Table II shows respondents who are domiciled in Surabaya (59.3%) and outside of Surabaya (40.7%). The assessment on location is important to understand factors that influence customers to visit the place and what is motivation on it.

TABLE II
CHARACTERISTICS of RESPONDENTS by DOMICILED

Domain	Frequency	Percentage (%)
Surabaya	89	59.3
Outside Surabaya	61	40.7
Total	150	100

TABLE III
CHARACTERISTICS of RESPONDENTS by AGE

Age	Frequency	Percentage (%)
17-25	79	52.7
26-35	48	32.0
36-45	13	8.7
46-55	6	4.0
56	4	2.7
Total	150	100

Table III shows the number of dominant respondents aged 17-25 years (52.7%). This is because the majority of consumers of the Pizza Hut in The Tunjungan Plaza Surabaya are young people with high consumption of food and tend to like western-style food such as pizza. Table IV show that respondents in this study who work as a student is the largest (58.0%) respondents and respondents who work public servants are the fewest respondents in this study at 11.3%

TABLE IV
CHARACTERISTICS of RESPONDENTS BASED on PROFESSION

Profession	Frequency	Percentage (%)
Student	87	58.0
Employees	25	16.7
Servant	17	11.3
Entrepreneur	21	14.0
Total	150	100

Table V shows that the characteristics of respondents who have the highest income is Rp 1,000,000-Rp 3,000,000 (56.7%) this is related to the dominant profession of respondents in this study are students, where most of the income (allowance) from parents

TABLE V

Percent	Frequency	Revenue (%)
Rp 1,000,000-Rp 3,000,000	85	56.7
Rp 3,000,000-Rp 5,000,000	42	28.0
Rp 5,000,000	23	15.3
Total	150	100

CHARACTERISTICS of RESPONDENTS by REVENUE (MONTHLY)

Experiential marketing (X1) has a positive effect on customer satisfaction (Y1). Thus support the

hypothesis 1. It explains that increased experiential marketing will make consumers become satisfied. This means that pizza pie restaurant in the Tunjungan Plaza Surabaya is able to fulfil the wishes and expectations of consumers

Service quality (X2) has a positive effect on customer satisfaction (Y1). Hence, this is supporting hypothesis 2. This means that the performance of pizza pie restaurant in the Tunjungan Plaza Surabaya serving food and drinks on time. The quality of services provided also meets the expectations of consumers, therefore, consumers are satisfied

Customer satisfaction (Y1) has a positive impact on customer loyalty (Y2). Thus, this is supports the hypothesis 3. This is because satisfied consumers will lead to loyalty. Consumers are satisfied that the Pizza Hut Restaurant in the Tunjungan Plaza Surabaya is able to meet their expectations so that consumers will do re-buying or repurchase later on. This can be based on two factors: positive experience in perceived consumers and the performance of employees who are able to meet the expectations and desires of consumers which means, if satisfaction has increased the loyalty of consumers

Experiential marketing (X1) has a positive effect on customer loyalty (Y2). This supports hypothesis 4. It means the positive experience felt by consumers is able to make consumers become loyal to the Pizza Hut Restaurant in the Tunjungan Plaza Surabaya. Loyal attitudes in the show the consumer is to make a re-purchase and recommend the restaurant to friends and even relatives.

Service quality (X2) has no effect on customer loyalty (Y2). This is based on the quality of service that employees provide to consumers not entirely persistent consistently, meaning that consumers feel the service provided by employees can change at any time. This makes consumers feel disappointed towards employees who make consumers becoming disloyal.

Experiential marketing (X1) does not affect customer loyalty (Y2) through customer satisfaction (Y2). This is because consumers in fact just feel curious or just dabble the existing products in The Pizza Hut Restaurant in the Tunjungan Plaza Surabaya. Minimal experience of a product cannot

lead to loyalty due to the absence of a definite satisfaction in measuring the most favourable menu from the consumers after consuming products that disappointed to employees who make consumers becoming disloyal

Relationship between service quality (X2) to customer loyalty (Y2) through customer satisfaction (Y1) has a positive effect. This supports the hypothesis 7 that consumers who are happy with the performance of employees will feel satisfied and lead to customers' loyalty. This means service quality can improve customer loyalty, only if satisfaction can be experienced by consumers directly.

IV. DISCUSSION

Variable experiential marketing has a positive influence on customer satisfaction. This is because the The Pizza Hut Restaurant in the Tunjungan Plaza Surabaya able to meet the wishes and expectations of consumers. Experiential marketing has a major influence that the offer of new products in the restaurant offer able to make consumers want to try it. This shows that experiential marketing is not only offers features and benefits of a product but it is also to win the hearts of consumers.

Variable service quality has a positive influence on customer satisfaction. This is because the performance of The Pizza Hut Restaurant in the Tunjungan Plaza Surabaya serves food and drinks on time in service according to the results of this research.

Variable customer satisfaction has a positive effect on customer loyalty. This is because consumers who feel satisfied later will lead to loyalty [1]. Consumers are satisfied because pizza pie restaurant in the Tunjungan Plaza Surabaya able to meet their expectations so that consumers will do rebuying or repurchase later in accordance with the results of this research.

Variable experiential marketing has a positive influence on customer loyalty, this is because the consumer positive experience is felt by consumers able to make consumers loyal to the Pizza Hut Restaurant in the Tunjungan Plaza Surabaya. Loyal attitudes in the consumer show is by repurchase and

recommend restaurant friendship and even relatives according to previous research results

Variable quality of service does not influence to Customer loyalty (consumer quality). This is based on the quality of service that employees provide to consumers does not completely survive consistently, meaning that the service provided by employees can change at any time. Employees who initially respond quickly become less responsive when the situation in a busy restaurant according to [5] where the causal relationship of the quality of service does not significantly affect consumer loyalty

V. CONCLUSIONS

Even though level of customers who come to the restaurant frequently cannot reflect to customers loyalty, however, this study shows interesting results, such as customers satisfaction on employee service is one of reason they will come frequently beside environment of restaurant as a factor that supporting this research. This is because there is a positive effect between experiencing of service and loyalty customer.

There are some limitations in this research that future researchers need to consider to look at wider such as the object of research, the number of respondent, and the aspects of research as well.

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Analysis of Investment Opportunity Set to Construction Companies Registered in IDX

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Abstract— The purpose of the company is increasing the value of the company so as to provide prosperity for the owners or shareholders. Construction companies are expected to be investments that provide benefits to shareholders. Investors expect return on investment in dividends. This study aims to analyze the effect of investment opportunity set on the dividend policy of construction companies listed on the Indonesia Stock Exchange. The Investment Opportunity Set describes the breadth of investment opportunities for construction companies. Companies with high growth are often said to have high investment opportunities (IOS). This motivates the managerial side reinvesting in large amounts. This research is explanatory research. The sample of study was 14 construction companies listed on the Indonesia Stock Exchange with secondary data in the form of time series data of 2010-2016. The variables used Investment Opportunity Set and Dividend Policy. The Investment Opportunity Set variable was measured by Capital Expenditure to Book Value of Asset Ratio (CAPBVA), Earning Per Share (EPS) and Market Value Assets to Book Value Assets (MVA / BVA) indicators. The Dividend Policy variable was measured by Dividend Payout Ratio (DPR) indicator and Dividend Per Share (DPS) indicator. Data analysis used Structural Equation Modelling (SEM) approach using SmartPLS 3.0 program. Based on the result, IOS had a positive and significant influence to dividend policy of Construction Company listed in Indonesia Stock Exchange. Furthermore, IOS to dividend policy was equal to 0,267 with positive direction and result of research showed p-value 0,001. This means that the greater the IOS of construction companies listed on the Indonesia Stock Exchange had a positive and significant impact on the company's dividend policy.

Keywords— Investment Opportunity Set, Dividend Policy, Construction Company

I. INTRODUCTION

Construction companies require substantial funds to run the company's activities, funds derived one of them comes from corporate profits. After making profit, the company must decide what to do with the money it generates. The company can make the decision namely; expanding or sharing the profits with the shareholders as dividends, in which these two decisions are the opposite objective. Therefore, dividend policy becomes important because the company must make decisions relating to

investment activities appropriately for the maximization of profit and value of the company. The dividend payout is largely influenced by the behavior of investors who prefer high dividends resulting in lower retained earnings. Investors assume that the current received dividend becomes more valuable compared to the later acquired capital gains. On the other hand, the management holds cash to pay off debts or increase investment. Therefore, management needs to create an optimal dividend policy to maximize corporate value.

The optimal dividend policy is a dividend policy that creates current dividend balance and future growth so as to maximize the company's stock price [6]. Companies, that do not have the funds, must issue dividends for investment needs so require additional capital is to issue new shares or lend to other parties [34]. According to [20], dividend is one of the investment attractiveness for investors in the primary market and secondary market. In paying out dividends, the company may apply one of the four types of dividend policies. First, it consists of a stable dividend policy. Second, the dividend policy consists of the determination of the minimum amount and external dividends. Third, the dividend policy consists of the determination of a constant dividend payout ratio. Fourth, it consists of flexible dividend policy.

The dividend policy of a company has an important impact on the people involved [19]. Dividends represent the rate of return on their investment for shareholders. In addition, dividend can be a signal about the cash adequacy of a company to pay interest or even pay off the loan principal for lender. For the dividend management is the cash outflow that reduces the company's cash.

According to [24], dividend policy of company involves two parties of interest and conflicting,

namely the interests of the company with retained earnings and the interests of shareholders. In addition, the interest of a bondholder may also affect the amount of dividends paid. The dividends paid in to the shareholders depend on the policies of each company, thus requiring better consideration of the company's management. The dividend policy essentially determines the share of profits to be distributed to shareholders.

Dividend policy is a difficult decision for the company management. The dividend distribution on one side will meet the investor's expectation to get the return as a result of his investment, while on the one hand the dividend distribution is expected not to threaten the company's survival. Company management should be able to make an optimal dividend policy means that the policy should result in a balance between the interests of shareholders through dividends and corporate interests in terms of growth. The dividend payout decision is one of the most difficult considerations for the company, since it can hamper the growth and survival of the company [11]. The availability of future investments or better known as the Investment Opportunity Set (IOS) is considered as a factor influencing the company's dividend policy. According to [24], if the company's investment opportunities are many in number, the percentage of profit paid by companies will tend to be zero. On the other hand, if the company does not find a lucrative investment opportunity, the dividend will be paid 100% of the profit.

Dividend policy becomes so important because the company must make decisions relating to investment activities appropriately for the maximization of profit and value of the company. The dividend payout is largely influenced by the behavior of investors who prefer high dividends resulting in lower retained earnings. Investors assume that the current received dividend becomes more valuable compared to the later acquired capital gains. On the other hand, the management holds cash to pay off debts or increase investment. Therefore, management needs to create an optimal dividend policy whereby the policy creates a balance between current dividends and future growth in terms of corporate value maximalization.

According to signalling theory, investment spending gives a positive signal about future growth of the company, thus increasing the stock price used as an indicator of corporate value [26]. Decisions concerning investment will determine the source and form of funds for its financing. The problem that must be answered in funding decisions related to the source of funds is whether internal or external sources, the amount of debt and capital itself, and how the type of debt and capital will be used, given the financing structure will determine the cost of capital which will be the basis of determining the required return desired [26]. Such conditions can determine an IOS of a company [29]. Companies with high IOS tend to pay lower dividends than companies with low IOS or in other words high IOS in the future to make the company said to have high growth rates [23]. Investment Opportunity Set is an investment opportunity whose amount depends on the expenses set by management in the future, and is an investment that is expected to get a greater return.

Companies with a high investment opportunity set rate will have the ability to generate higher profits. Thus, the market will give a bigger response to the company that has the opportunity to grow. The high market response to earnings indicates that the company has a good profit quality [40]. The value of the firm formed through the stock market value indicator is also strongly influenced by investment opportunities. In general, IOS describes the breadth of opportunities or investment opportunities for a company but depends on the choice of corporate spending for the future [3].

Based on the description above this study aims to analyze how the influence of investment opportunity set against dividend policy of construction companies listed on the Indonesia Stock Exchange.

II. LITERATURE REVIEW

A. *Investment Opportunity Set*

Investment opportunity sets play a very important role in corporate finance related to achieving company goals. The value of the company depends on the value of the assets owned and the investment opportunities not only physical, but also opportunities that provide benefits for the company.

The Investment Opportunity Set describes the breadth of opportunity or investment opportunity for a company, but it is highly dependent on the choice of corporate expenditure for the future in the future [27], [5], [30]. Thus, the Investment Opportunity Set is unobservable, so we need to select a proxy that can be associated with other variables in profitability [1].

Investment opportunity set as one of the indicators for investors to know the company possibility of growing or not. Investment opportunity sets have an effect on the company's decision to invest. The more proxy investment opportunity sets that determine the group or characteristics of the firm, the less an error in determining the classification of the growth rate of the firm. Therefore an investment opportunity set requires a proxy that implies the asset value of the book value of the asset and the equity and the value of the opportunity for the company in the future.

Investment Opportunity Set is the availability of future investment alternatives for the company [13]. IOS is an investment decision that is a combination of assets in place and investment options in the future. Sri [32] stated that investment opportunity set is a combination of assets owned and investment choices in the future with a positive net present value. This study uses a single proxy based on the price of Market to Book Value of Equity Asset (MBVA). Keown et al. [17] states that when the company's investment opportunities go up, the dividend payout ratio should drop. There is an inverse relationship between the amount of investment and the dividend payout ratio. The research results of [28] and [7] stated that the investment opportunity set had a positive and significant effect on the dividend policy. According to [7], the company's investment provides a good profit rate so that the company can distribute high dividends.

According to [8], IOS is the value of a company whose size depends on future management-defined expenditures, which are currently investment choices that are expected to result in greater returns. Investment Opportunity Set (IOS) is a combination proxy of corporate growth [31]. The IOS score is calculated by a combination of the proxy type sharing that represents the value of the on-premises

assets and the future growth value of the firm. According to [27] and [16], IOS is a combination of the value of on-premises assets and future opportunity value. The indicators used to measure investment opportunity sets are as follows:

1) *Earnings per share / price ratio (E / P)* : Earning per Share or ratio per share to the stock market price is an IOS that describes how much earning power owned by the company. The greater the level of the company's ability to generate profits, the more attractive the companies invest. This has a positive impact on stock returns. Earnings per share / price ratio (E / P) is calculated based on the following formula:

$$E/P = \frac{\text{Earning per share}}{\text{price ratio}}$$

Note:

Earnings per share: The net income of the company is divided by the number of shares outstanding

Stock closing price: Year-end closing price.

2) *Capital expenditure to book value of asset ratio (CAPBVA)*: Capital expenditure to book value of asset ratio (CAPBVA) is used to see the amount of additional capital flows of the company. With this additional capital stock the company can utilize it for additional investment of productive assets, so that potential as a company grows. Therefore, the higher the ratio of MVA / BVA, the higher the investment opportunity owned by the company relating to the asset in place of Capital expenditure to book value of asset ratio is calculated based on the following formula:

$$CAPBVA = \frac{\text{Additional capital Flows of the company}}{\text{Total Asset}}$$

Note:

Additional Fixed Assets: Decrease of assets of the year concerned with the previous year.

Total Assets: Total company wealth

3. *Market Value Assets to Book Value Assets (MVA / BVA)*: Market to Book Value of Asset is an IOS proxy based on price. This proxy is used to measure the growth prospects of a company. It is based on the number of assets used in running their business. For investors, this proxy is taken into consideration in assessing the condition of the company. The higher the MV / BVA the greater the asset the company uses in its business, the more likely its share price will increase, the stock return will increase. The formula used is as follow:

$$MVA/BVA = \frac{\text{Total asset} - \text{Total Equity} + (\text{outstanding shares} \times \text{Closing stock price})}{\text{Total Asset}}$$

B. Dividend Policy

Dividend policy is a financial activity related to the distribution of profits obtained by the company. Up to now there is an opinion that the dividend policy is part of the funding decision. The dividend policy concerns the decision whether the profits earned by the company should be distributed to the shareholders in the form of cash dividends and the repurchase of such shares or profits should be withheld in the form of retained earnings for future investment expenditures. If the finance manager decides to distribute the profits earned in the form of dividends, then the dependence on external funding sources becomes even greater. If the financial manager considers that the company has an unfavorable financial leverage, then the profit should be retained to improve the company's capital structure [39].

The company must determine the appropriate dividend policy to deal with the problems caused by the dividend. Each company sets different dividend policies. Companies need to make a policy about the amount of profit that will be distributed to shareholders or commonly called Dividend Payout Ratio. The dividend payout ratio determines the amount of profit that can be held in the company as a source of funding. Holding current profits in larger amounts within the company means less money will be available for current dividend payments [14].

The dividend policy is a policy to share the profit to shareholders to be distributed in the form of dividends and the amount of retained earnings for the needs of business development [9]. The dividend policy should be formulated for the two basic objectives namely; maximizing shareholder wealth and sufficient financing. The two objectives are interconnected and must meet various legal, contractual, internal, growth, owner-related and market-linking factors that limit policy alternatives.

Handayani [10] argues that the purpose of dividend distribution is maximizing the prosperity of shareholders and showing the company's liquidity. The dividend payout is expected to be an indicator that the firm's performance is able to cope with the economic turmoil as well as give results to investors. Some investors will view the dividend risk lower than capital gain. Furthermore, it meets

the consumption needs of shareholders. Dividend is used as a communication tool between managers and shareholders. The overall information about the company's internal condition is often unknown to investors so that through the company's growth dividend and the company's prospects can be known.

According to [18], [21], and [30], dividends are the share of profits distributed to shareholders. There are two types of dividends, which are preferred stock dividends paid in fixed amounts, and the common stock dividends paid to shareholders if the company makes a profit. Thus the amount of dividends paid will increase the value of the company or stock price. Dividends paid to shareholders are subject to the policies of each company, requiring more serious consideration of the firm's management. Dividend policy plays an important role in determining corporate value. Stockholder (dividend shareholder) views dividends as a signal of the company's ability to increase revenue ([22], [12] and [2]). The indicators used to measure dividend policy are following:

1) *DPR (Dividend Payout Ratio)*: Dividend payout ratio is the dependent variable of the research. Payout ratio dividend is something that is determined by the company to pay dividends to shareholders every year based on the small earnings after tax and measured by the ratio scale. Dividend payout ratio is calculated based on the formula:

$$\text{Dividend Payout Ratio} = \frac{\text{Dividend Per Share}}{\text{Earning Per Share}}$$

2) *DPS (Dividend Per Share)*: Dividend per Share is the total of all cash dividends distributed to shareholders compared to the number of outstanding shares and measured by the ratio scale [38]. Dividend Per Share (DPS) is measured by the following formula:

$$\text{Dividend Per Share} = \frac{\text{Cash Dividend}}{\text{The number of outstanding shares}}$$

III. RESEARCH METHOD

A. Research Design

Design of the study will be explained about the first step to the end of the procedure of doing this research form objective, effective, valid, and efficient process and results. This research has a purpose to get empirical evidence of Investment Opportunity Set (IOS) influence on dividend policy of construction company listed in Indonesia Stock

Exchange. Based on the purpose of the research, this research includes explanatory research, which will explain the causal relationship between the independent variables to the dependent variable reinforced by the moderator variable through hypothesis testing [33].

B. Population and Sample

The population used in this study is all construction companies in Indonesia, while the sample in this study is 14 (fourteen) construction companies through the analysis of secondary data in the form of time series data in 2010-2016.

C. Data Analysis

Data analysis of the research uses Partial Least Square (PLS). PLS is an analytical tool that allows researchers to get the value of latent variables for prediction purposes. The orientation of PLS analysis shifts from testing the causality / theory model to the component based predictive model. PLS has the advantage of being able to estimate large and complex models with hundreds of latent variables and thousands of indicators.

The analysis model of all latent variables in the PLS consists of three sets of relationships: inner model that specifies the relationships between the structural model, outer model that specifies the relationship between the latent variables with the indicator or the variables of the manifest (measurement model), and weight relation where the case value of the latent variable can be estimated. Without loss of generalization, it can be assumed that latent variables and indicators or manifests of variables on the zero mean scale and variance units are equal to one so that the constants parameter can be omitted in the model.

IV. RESEARCH AND DISSCUSION

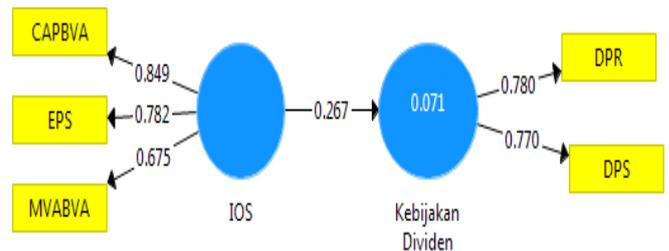
Analysis of the structural models of the research formed is done with regard to the values or numbers coefficient of the relationship that emerged from each model. Full Structural Equation Model (SEM) analysis intended to test the model and hypothesis developed in this study. Model testers in Structural Equation Model are done by significance test of causality through path coefficient. Equation Model (SEM) analysis intended to test the model and

hypothesis developed in this study. Model testers in Structural Equation Model are done by significance test of causality through path coefficient.

A. Outer Model Testing

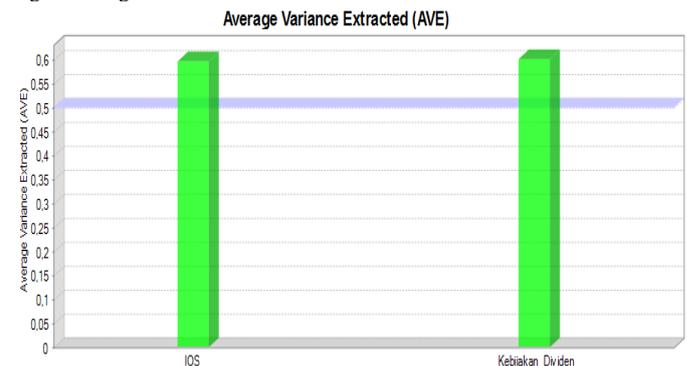
With the help of SmartPLS Version 3 software, the results of research data are processed which results are as follows:

Fig. 1 Structural Equation Modelling (SEM) with PLS



Based on the image above, it is known that there are all indicators whose value is above 0.5 (factor loading), so that all indicators are passed for analysis [15]. In addition, the value of loading factor, convergent validity can also be seen from Average Variance Extracted (AVE). In this study the AVE value of each construct is above 0.5. Therefore, there is no convergence problem of validity in the model under test.

Fig. 2 Average Variance Extracted



Due to the absence of convergent validity problem, the following tested is the problem related to discriminant validity. Discriminant validity can be tested by comparing the AVE quadratic root values with correlation values between constructs or by looking at cross loading values in each variable.

TABLE I.
CROSS LOADING

	IOS	Devidend Policy
CAPBVA	0,849	0,225
DPR	0,209	0,780
DPS	0,205	0,770
EPS	0,782	0,154
MVABVA	0,675	0,220

From the table above, it is seen that the value of loading indicator that make up the construct (variable) is bigger than the other cross loading value, so this research model can be said free from discriminant validity problem. To ensure that there are no measurement-related issues then the final step in the outer model evaluation is to test the unidimensional of the model. The unidimensional test was performed using composite reliability and alpha Cronbach indicator. For both these indicators the cut-off value point is 0.5.

TABLE II
COMPOSITE RELIABILITY AND CRONBACH'S ALPHA

	Composite Reliability	Cronbach's Alpha
IOS	0,815	0,660
Kebijakan Dividen	0,751	0,733

From the table above, it appears that both the overall composite reliability value of the construct is above 0.5 and the value of Cronbach's alpha is above 0.5, except liquidity and profitability, so it can be said that no reliability problems / unidimensional found in the model in this research

B. Inner Model Testing

After the estimated model meets the Outer Model criteria, the next test is structured model (Inner model). SmartPLS 3 calculation results related to R Square values are as follows.

TABLE 3.
R SQUARE

	R Square
Devidend Policy	0,071

Data Source: Research Results, SmartPLS Output, 2017.

Based on the above table it is known that the value of 0.071 for the construct of dividend policy means that the investment opportunity set is able to

explain the dividend policy variant of 7.1% assuming no other variables. Furthermore, the structural model equation obtained from SmartPLS calculation is as follows:

TABLE IV
PATH COEFFICIENTS (DIRECT EFFECT)

	Original Sample	Sample Mean	Standard Dev.	T Statistics	P Value
IOS → dividend policy	0,267	0,317	0,079	3,386	0,001

Table 4 can create a structural equation model of investment opportunity set influence on dividend policy, that is:

$$Y = \alpha_1 X$$

$$Y = 0.267 X$$

Some things that can be explained from the structural equation of the model visible effect of investment opportunity set on dividend policy is equal to 0.267 with the direction of positive influence by assuming other variables are constant. Besides, the result of the research shows that p-value 0,001 is smaller than 0,05 with T-statistic value 3,386 bigger than value of T-table 1,97. This means that investment opportunity sets have a positive and significant effect on the dividend policy of construction companies listed on the Indonesia Stock Exchange. This means that the greater investment opportunity set of construction companies listed on the Indonesia Stock Exchange has a positive impact on the company's dividend policy. This indicates that the increased IOS value will lead to increased dividend payouts. The results of this study indicate that the investment made the company provides a good level of profit so that the company can distribute a high dividend. In addition, management may want to show the company the company a good company with high investment opportunities will make investors interested in investing or financing opportunities. Thus the company can earn profits are also large and the greater the profits earned company then the greater the dividends paid to shareholders.

Generally, investors prefer stable and constant dividend payouts, as the volatile payments of dividends will lead to the misinformation of information and may dispel investor calm. The dividend payout is attributed to the profits earned

by the company and the amount available to the shareholders. The amount of funds distributed as dividends or reinvested is not the same as profit after tax. Funds obtained from the results of operations during one period are the amount of profit after tax plus depreciation. It does not mean that the funds can be distributed as dividends. This is because the company will not be able to make replacement of fixed assets in the future if all the funds are distributed as dividends.

According to [37] if the company has any remaining earnings after financing all reasonable investment opportunities, this profit is then distributed to shareholders in cash dividends. Otherwise, the company will not pay dividends. When the dividend policy is treated as a mere funding decision, cash dividend payments are a passive residual. The percentage of profit paid as dividends will fluctuate over time following the fluctuations in the number of acceptable and available investment opportunities for the company. High corporate growth rates in the future are usually followed by a decrease in cash dividends. Companies with high growth are often said to also have a high investment opportunity (IOS). This motivates the managerial side to reinvest in large amounts. Increasing the growth of the company, the opportunity invests higher. This affects the amount of dividends to be paid to the shareholders, as the profits earned by the company will generally be withheld to invest. Rizal [25] stated investment opportunity or investment opportunity set describes the breadth of opportunity or investment opportunity for a company. According to [6], for one year the company may pay zero dividends because the company needs money to fund good investment opportunities but in the next year the company may pay huge dividends because of poor investment opportunities and not have to withhold a lot of money.

V. CONCLUSIONS AND SUGGESTIONS

Based on the results of research, it can be concluded that the investment opportunity set has a positive and significant effect on the dividend policy of construction companies listed on the Indonesia Stock Exchange. This means that the greater investment opportunity set of construction

companies listed on the Indonesia Stock Exchange has a positive impact on the company's dividend policy. Therefore, there are several suggestions that can be given through the results of this research either to the company, investors or for further research development. First, the value of R square was relatively small then for further research need to examine other variables that affect the company's dividend policy. Second, the company should increase the company's profit because with high profits investors will be more interested to invest funds. Last, further research is expected to investigate deeper not limited to the variables that have been studied, but need the addition of other variables and is expected to use a wider range of research objects.

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Exploring the Impact of the State of Family Towards Life Quality of the Youth Using Structural Equation Modelling-Partial Least Square

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Abstract— The main objective of this study is to explore the quality of youth in East Kalimantan Province, Indonesia. Using survey data the study sets out four variables i.e. quality of the youth that is reflected by indicators related to drug abusive behaviour and youth educational level; indicators represent the role of family of the youth; knowledge regarding the healthy and responsible way of life; and indicators to reflect variable of economic status of the family. Research problems in the study are: first, to determine whether the role of the family are significant in explaining the life quality of the youth; second, to discover if knowledge regarding healthy way of life are significant towards the youth' quality of life; and third, to figure out the impact of economic status towards the life quality of the youth. This study uses annual data on youth in East Kalimantan Province since 2010-2015 published by National Family Planning Coordinating Board (BKKBN), Indonesia. The hypothesis developed in the study were tested using Variance-Based Partial Least Square (SEM PLS), and the result showed that weighted indicators in variables are valid and reliable with the goodness of fit accounted for 0.98.

Keywords— youth, quality of life, structural equation modeling, partial least square

I. INTRODUCTION

The awareness of enhance human resources quality in Indonesia has grown rapidly during the past two decades which is reflected in programs and budget allocation of government spending related to investment in human capital. Most programs are intensified on the young and adult population ranging from education and health to social security that has broader population coverage.

The process of preparing human resources begin from assuring the life quality of the youth, which is by definition, determined as those who are in 0-25 years old. In Indonesia youth population accounted for 37.4%, whereas in East Kalimantan it is 47% of total population. Based on [1] report the highest young population are in between 15 to 25 years old, or 27% of total population. Refer to high population share of the youth and the urgency of preparing high quality of human resources, it is highly

necessary to prepare the human resources especially among the youngest.

Numerous economic theories and model stated that there is a significant relationship between education and health throughout economy of a country. Reference [5] has shown the connection between education and economic growth which is suggest educational attainment in the production function. However, [2] proved that Phelps model only adequately replicate poverty traps in less developed countries whilst in the 'rich' countries the approach does not satisfactorily explain the relationship dynamics. Reference [4] demonstrated that Solow Model used education capital as a production factor explained the variation of per capita real income. Reference [3] exploring multivariate time series techniques found significant and positive effect of accumulation of human capital towards economic growth rate in the long run. Health is also considered as an equally important factor as human capital in explaining economy. Health can directly augment labor force productivity in terms of physical capacity and mental aptitude.

II. METHODS

A Structural Equation Modelling (SEM) Techniques

There are two different approaches used in Structural Equation Model [6]:

- Covariance Based Structural Equation Modeling (CB-SEM)
- Variance Based Structural Equation Modeling (VB-SEM) referred as Partial Least Square Structural Equation Modeling (PLS-SEM)

Theoretically CB-SEM develop matrix that minimize the difference between theoretical

covariance matrix and estimated covariance matrix, which resulted in obtaining goodness of fit that imply correlation matches the observed. Whilst the PLS-SEM is aimed to maximizing the explained variance of the dependent latent construct, and maximize prediction rather than goodness of fit.

As stated beforehand PLS-SEM is a multivariate method for specifying and estimating models of linear relationships between exogenous latent variables and endogenous latent variables. Some of the benefit using this method is it does not require a lot of assumption nor samples. Furthermore, the data collected is analyzed using smart PLS v.2.0 software.

III. RESULTS

Data used in this research is mainly from Indonesian Demographic and Health Survey, Teen Health Survey, East Kalimantan in Figures, and other relevant publications in various edition. Information employed are the number of incidence of drug abusive behaviour of the youth, youth educational level, percentage of youth that are aware of the role of family in life, percentage of youth in knowledge regarding health and responsible way of life, economic status of the family. Research problems in the study are: first, to determine whether the role of the family is significant in explaining the life quality of the youth; second, to discover if knowledge regarding healthy way of life are significant towards the youth' quality of life; and third, to figure out the impact of economic status towards the life quality of the youth. Figure 1 shown data input from SmartPLS software, the yellow rectangle manifest thirteen variables, where the blue round shape represent endogenous latent variables. The path diagram of the model is constructed as follow:

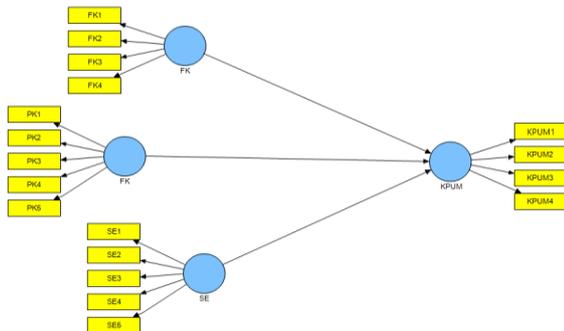


Fig. 1 Path diagram of the model

The latent variables and indicators explored in the model are listed in Table I below:

TABLE I
LATENT VARIABLES AND INDICATORS

Quality of the youth	KPUM (Y)
Primary Education	KPUM1
Middle Education	KPUM2
Higher Education	KPUM3
Drug Abuse amongst Youth	KPUM4
Role of the family	FK (X1)
Physical	FK1
Mental	FK2
Social	FK3
Spirituality	FK4
Health Knowledge	PK (X2)
Menstrual Cycle	PK1
Contraception	PK2
Anemia	PK3
HIV/AIDS	PK4
Drugs abuse	PK5
Economic Status of Family	SE (X3)
Lowest level	SE1
Low level	SE2
Middle level	SE3
Higher level	SE4

A. Measurement Model (outer model)

Convergent validity of construct is assessed based on item reliability (loadings), composite reliability (CR) and Average Variance Extracted (AVE) value. Smart PLS has calculated of the value in Figure 2.

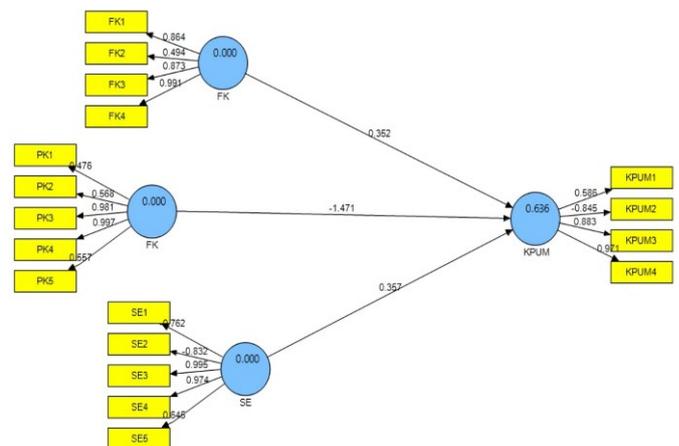


Fig. 2 PLS Model Result

TABLE II
CONSTRUCT VALIDITY OF MODEL

Construct	Factors	Loadings	AVE	CR
FK	FK1	0.866881	0.687403	0.893114
	FK2	0.498284		
	FK3	0.875694		
	FK4	0.991466		
KPUM	KPUM1	0.495079	0.668555	0.657976
	KPUM2	-0.79394		
	KPUM3	0.919676		
	KPUM4	0.976207		
PK	PK1	0.478878	0.565427	0.855644
	PK2	0.5707		
	PK3	0.981924		
	PK4	0.997046		
	PK5	0.560214		
SE	SE1	-0.76305	0.725809	0.431585
	SE2	-0.83138		
	SE3	0.995065		
	SE4	0.973917		
	SE5	0.645708		

Figure 2 and Table II show the detail of parameters calculated for assessing the measurement model which is discussed as below:

KPUM: loading value for the entire variables vary with one factor loading value 0.49 which is below 0.5. The value of AVE and CR are 0.68 and 0.65 respectively which below the cut-off value.

FK: this construct shows that one factor (FK2) has loading value below 0.7. However other factors in the construct have higher value than 0.7. The value of AVE and CR show slightly below the cut off point 0.7 which are 0.68 and 0.89, respectively. In general it means the factors has good reliability.

PK: there are three factors in this construct that show slightly less than 0.5, which are PK1, PK2, and PK5. Whereas the value of other two factors are 0.98 and 0.99, respectively. The AVE and CR value of PK are 0.56 and 0.85, respectively.

SE: four out of five factors in the construct showed higher value than cut off point, but factor SE5 somewhat lower than the requirement point. The AVE and CR value for this construct are 0.72 and 0.43.

B. Structural Model (inner model)

Structural model evaluated by assessing the goodness of fit and research hypotheses in the research. According to Urbach & Ahleman (2010) two of criterias are:

1) *The coefficient of determination (R2):* Chin (1998) suggested that the explanatory power is considered substantial, moderate, and weak if R square is approximately around 0.67, 0.33, and 0.19 respectively. Calculation showed that R2 of this study is 0.72 which is substantially powerful;

2) *Path coefficient:* Observing the direction and significance of path coefficient allow us to test the hypotheses. This test can use bootstrap procedure in Smart PLS and result of R2 of this study is 0.72, whereas result of bootstrapping calculation of this study can be seen in figure 3.

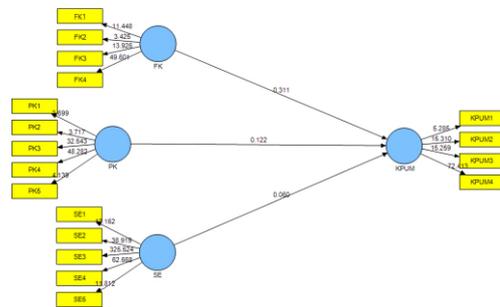


Fig. 3 Bootstrapping Result

C. Second Model

Based on the loadings of factors and t statistic it is known that there are no exogenous latent variables significantly explain the endogenous latent variable. Therefore, the second phase calculation should be done by omitting factors that has loading value lower than 0.7. Calculation output is presented in Figure 4.

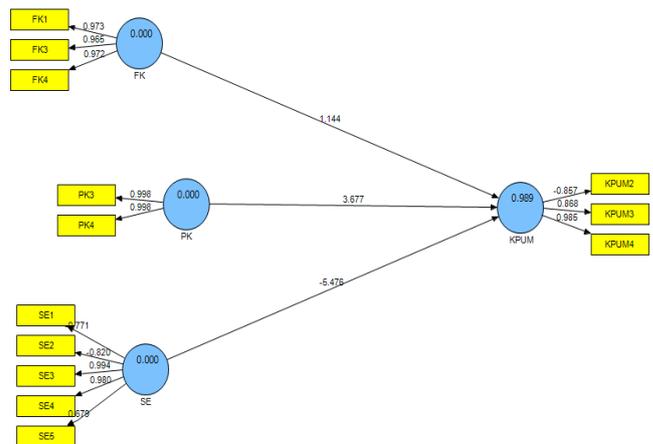


Fig. 4 PLS Model (omit) Result

IV. DISCUSSION

Several indicators of each construct have been omitted due to its value does not meet the cut off point. In KPUM, indicator KPUM1 that represent incidence rate of drug abuse in youth has been removed from the calculation. In result, all three indicators showed higher loadings around 0.89. Within FK construct there is one indicator has been eliminated from the calculation. It resulted 0.98 loading point, which is higher compare to the previous model. The third exogenous variable is PK that consist of four indicators, and denote knowledge of health amongs teen. We have to eliminate two of indicators in the construct because of its lower loadings. After removing those two the value of loading is significantly higher and counted as 0.98. Last construct of indicators employed in this study is symbolized as SE, represent level of economic status. Previous result of SmartPLS showed that there is no indicator of construct necessarily be removed from model. The result showed four out of five indicators have loading values higher than cut off point 0.70. However, loading of indicator SE5 is below the cut off point and should be cautioned.

Compare to the first model, the second one has a better value of R2 (0.98), which based on [7] work, is substantially powerful in explaining the model. Path coefficients of the model can be examined in Table III, and t statistic of each indicators in the construct is presented in Figure 5.

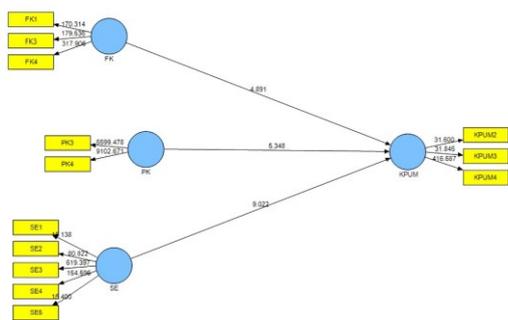


Fig. 5 Bootstrap (omit) Result

T test for each variable is calculated from coefficient in original sample divided by its standard error. Using 95% level of confidence it is known that that all of exogenous latent variables is

significant in explaining endogenous latent variable. Furthermore, bootstrap result for each indicators in the developed construct is provided below:

TABLE III
PATH COEFFICIENT OF STRUCTURAL MODEL

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics (O/STERR)
FK -> KPUM	1.144379	1.15765	0.233958	0.233958	4.891386
PK -> KPUM	3.676511	3.6801	0.687495	0.687495	5.347689
SE -> KPUM	-5.47583	-5.4979	0.606939	0.606939	9.02204

V. CONCLUSIONS

This study focused on the assessing factors affecting quality of the youth in East Kalimantan Indonesia. The quality itself consist of four factors whereas the three exogenous latent variables contain four and five factors respectively. However after evaluating result of SmartPLS calculation the original model do not meet the criteria required. Consequently, some of indicators in the construct have been removed and recalculated to encounter the problem. Based on the output of second model it is concluded that:

- Role of the family is significant in explaining the life quality of the youth;
- Knowledge of the youth regarding healthy way of life and responsible way of living are significant towards the youth' quality of life;
- Level of economic status of the family is significant on the life quality of the youth

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Relative Short-Term Persistence and Absolute Short-Term Persistence of Islamic Mutual Funds in Indonesia

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Abstract—The development of Islamic mutual funds in Indonesia is quite rapid, but unfortunately there is currently no Islamic/sharia mutual fund investment model that helps investors choose the right sharia mutual funds. Therefore, we conduct a study to find investment model of Islamic mutual fund in Indonesia. The first step in creating a mutual fund investment model is to test the persistence level of Islamic mutual fund performance. In this study, we tested the relative short-term persistence and absolute short-term persistence. Relative persistence is done by looking at whether the existing funds in the top five in a given month remain in the top five in the following months. Absolute persistence is tested with the Autoregressive Moving Average (ARMA) time series model. By using Sharia mutual fund samples from 2010 to 2016 this study found the following three points. First, stock mutual funds and mixed mutual funds have relatively high relative-short-term-persistence in the early period of the research year (2010-2012) but then decline thereafter but fixed income mutual funds have an up-and-down pattern of persistence. Second, in general, stock mutual funds have the highest relative-short-term -persistence, followed by mixed mutual funds, and fixed income mutual funds. Third, judging from absolute-short-term -persistence, only fixed income mutual funds have persistent performance. The results of this study are expected to contribute to the study of Islamic investment, especially in order to find a model of investing in Islamic mutual funds.

Keywords—sharia mutual funds, short-term performance, persistence, relative performance persistence, absolute performance persistence

I. INTRODUCTION

Mutual funds are professionally managed financial investment products. This product is suitable to be an option for investors who do not have much knowledge about the capital market or investors who do not have time to observe the development of the capital market. In Indonesia, there are mutual funds in accordance with sharia. Sharia mutual funds in Indonesia has existed since 1997. This is marked by the launch of Danareksa Syariah on July 3, 1997 by PT. Danareksa Investment Management. The development of

Islamic mutual funds in the last twelve years is quite rapid. The growth of Islamic mutual funds is higher than that of conventional mutual funds. The proportion of Islamic mutual funds to the total number of mutual funds is always increasing from year to year. It is also found in the proportion of Net Asset Value (NAV) of sharia mutual funds

Why Sharia Mutual Fund is growing rapidly in Indonesia? The rapid growth of this mutual fund could be because mutual funds can manage large enough funds to diversify their investments well, which is difficult for individual investors with limited funds. Because the funds are large, then mutual funds can perform block sale transactions that have lower transaction costs. The development of Islamic mutual funds in Indonesia can also be due to the performance of Islamic mutual funds over the years. If the proportion of NAV of Islamic mutual funds has a tendency to increase, it can be interpreted that Islamic mutual funds generally provide higher returns than conventional mutual funds. However, a number of previous studies that compare the performance of Islamic mutual funds and conventional funds do not support it. Reference [5] found that in the 2008 crisis period, conventional mutual funds performed better than market performance while Islamic mutual funds were lower than market performance. Meanwhile [3] found that conventional funds are better than Islamic mutual funds for stocks and mixed mutual funds, while for fixed income mutual funds Sharia mutual fund performance is better. Only reference [8] found that the performance of Islamic mutual funds is better than the performance of conventional mutual funds. From a number of studies it is seen

that the performance of Islamic mutual funds is not always better than conventional mutual funds.

Comparison of the performance of Islamic mutual funds and conventional funds in a number of countries also vary. In Saudi Arabia, [2] found no difference in performance between sharia and conventional mutual funds. In Malaysia, [11] found that Sharia mutual funds perform better than conventional mutual funds in bearish periods and in bullish periods sometimes sharia mutual funds are better but sometimes better conventional mutual funds. In international mutual funds samples, [4], [1] found no difference between the performance of sharia and conventional mutual funds. While [8] found that the performance of Islamic mutual funds is lower than conventional mutual funds. While sharia mutual funds perform better than their international counterparts.

If the performance of sharia mutual funds cannot be used as an advantage then another argument is needed to select it. For Muslim investors, the reason for halalness can be used as a reference. Even if the performance or return received is lower than the conventional they will still choose the sharia. This argument also applies to investors who choose shares of companies with social concerns. Although the stock return in the socially responsible investment (SRI) index is not superior to the company's stock in general, even according to [9] findings the return is lower, stocks in the SRI index are still growing. Another reason is to diversify investments because there are superior Islamic Shari'ah findings at bearish market conditions, such as [11]. If the reason for choosing a sharia mutual fund because of halalness or for diversification of investment, then the problem is how to choose the best of existing Islamic mutual funds.

Reference [7] argues that the rapid development of mutual funds in America because of the persistence of mutual funds performance. If mutual funds have persistent performance then investors will be easier in choosing mutual funds. If the performance of mutual funds is persistent, then investors simply choose mutual funds that perform well in the previous period and will get a good return also in the future. Reference [7] found a persistence of mutual fund performance in the period 1985-1994 in the United States. Meanwhile

[7] also found persistence performance in the period 1974-1984. Conventional mutual fund performance persistence test in Indonesia has been done by a number of researchers. Reference [3] using data from 2006 to 2011 found no mutual funds with persistent performance for 5 consecutive years but found persistence in the shorter term when using Jensen index and Sharpe index but never persistent when using Treynor index. Meanwhile, [5] found a persistence of mutual fund performance for the period of 2008-2012. Thus, whether or not the persistence of performance of mutual funds in Indonesia is not conclusive

Until now we have not found any research on the persistence of Islamic mutual funds in Indonesia. At the international level, the study of the persistence of Islamic mutual funds is also limited as stated by [10] when reviewing the performance of Islamic mutual funds. Using Sharia mutual fund data from the Dow Jones Islamic Index from 1999 to 2011, [10] found no persistence of Sharia mutual fund performance. But their persistence test is relatively limited because it only compares the recession and expansion periods according to the business cycle of the company.

This research will make investment model of sharia mutual fund in Indonesia. The number and growth of Islamic mutual funds justifies the importance of the Islamic mutual fund investment model. Sharia mutual fund investment model will be relatively easy to make if the performance of Islamic mutual funds in Indonesia is persistent. Therefore, this research begins by testing the persistence of Islamic mutual funds in Indonesia. Persistence testing can be done for the long term or short term. This study chose to test the short-term persistence of both absolute and relative persistence.

An easy way to comply with the conference paper formatting requirements is to use this document as a template and simply type your text into it. Sharia mutual funds are mutual funds that invest their funds into securities in accordance with Islamic law. The types of Islamic mutual funds offered are the same as those offered by conventional mutual funds including stock mutual funds, fixed income, mixed, money markets, protected, and indexes. However, not all securities may be included in the portfolio of Islamic mutual

funds. Sharia equity mutual funds only include Sharia stocks listed in the List of Sharia Securities in Indonesia Stock Exchange as an option. Sharia fixed income mutual funds only include sukuk or sharia bonds as an option. While money market mutual funds only include money market products from sharia banking.

In addition to the choice of securities, Islamic mutual fund companies also have a Sharia supervisory board. To ensure that securities included in the portfolio are in accordance with the sharia, Sharia mutual fund investment options should be screened and approved by the Sharia Supervisory Board. Shari'a regulatory and supervisory rules are binding for mutual fund companies and investment managers will be assessed by the Sharia supervisory board periodically.

The role of Sharia supervisory board may differ from one mutual fund to another. In addition to the role of endorsement, the sharia supervisory board also has a number of other roles. Among others are; studying prospectus, constitutional documents and each major agreement; advise managers regarding compliance with sharia; as well as preparing annual sharia audits and issuing reports to investors.

The performance of mutual funds is generally measured by the development of Net Asset Value (NAV). As with stocks, if we want to compare the performance of mutual funds with each other, then NAV needs to be expressed in the form of returns within a certain period. Investment performance should not only pay attention to the return but also the risks. Measures of mutual fund performance that consider returns and risks include Sharpe Measure, Treynor Measure, and Jensen Measure. The latest measures have used a number of risk factors to eliminate the effect of these factors in the performance of mutual funds. Thus, performance change is entirely seen only from the ability of investment managers in managing funds. Reference [10], for example, include four factors: market premium, size factor, value factor, and momentum factor as a mutual fund performance controller.

Research on the performance of Islamic mutual funds generally compare the performance of Islamic mutual funds with a benchmark. The first benchmark to be used as a benchmark is market

performance. Market performance refers to Islamic stock indexes such as the Jakarta Islamic Index (JII) and the Dow Jones Islamic Market Index (DJIM). For example, compared the performance of Islamic mutual funds with market performance during the financial crisis of 2008 and found that the performance of Islamic mutual funds at that time was lower than the market performance. At a global level, Islamic mutual funds perform better than their international counterparts.

The most widely used comparator in Islamic mutual fund research is conventional mutual funds. The comparison results are quite diverse. In Indonesia, mutual funds are better for stocks and mixes, but Islamic mutual funds are better for this type of fixed income, and sharia mutual funds better performance and no difference in performance between sharia and conventional mutual funds. In Malaysia, [11] found that Sharia mutual funds performed better than conventional mutual funds in bearish periods but in bullish periods sometimes sharia mutual funds are better but sometimes better conventional mutual funds. At the international level, [4], [1] found no difference between the performance of sharia and conventional mutual funds. While [8] found that the performance of Islamic mutual funds is lower than conventional mutual funds.

Some investors choose to invest in mutual funds because they do not have the ability or do not have enough time to invest directly into securities. Another reason is because mutual funds are managed by investment managers who do have expertise in investing in securities. However, the capability of investment managers in each mutual fund company is of course different and this will have an impact on the performance of mutual funds. If the performance of each mutual fund is different, what is the strategy for choosing Islamic mutual fund?

The basic strategy of choosing a mutual fund, as with investments in general, is tailored to the risk profile of the investor. Investors who have a risk profile tend to choose the security of funds then the choice of mutual funds are fixed income funds, money market or protected. If the risk profile is moderate, they can choose a mixed mutual fund or index. If investors have risk profiles tend to like

risk then they can choose stock mutual funds. This is the strategy of choosing a mutual fund based on the type of mutual fund. After determining the type of mutual fund then the investor must decide which mutual fund products should be selected.

The most frequent assessment of mutual fund selection strategy is the assessment of mutual fund performance persistence. If the performance of mutual funds is persistent, then the strategy of choosing a mutual fund is based on its performance in previous periods. Mutual funds selected are mutual funds that in previous periods perform best. Reference [7] argues that this performance persistence is what causes the rapid growth of mutual funds in America. He found the persistence of mutual fund performance in the period 1985 - 1994 in the United States. Meanwhile [6] also found persistence performance in the period 1974-1984.

Mutual fund performance persistence test in Indonesia has been done by a number of researchers. Reference [3] using data from 2006 to 2011 found no mutual funds that performed persistently for 5 consecutive years but found persistence in the shorter term when using the Jensen and Sharpe indices but never persistent when using the Treynor index. Meanwhile, [5] found a persistence of mutual fund performance for the period of 2008-2012. Thus, whether or not the persistence of performance of mutual funds in Indonesia is not conclusive.

The persistence test of Islamic mutual fund performance as well as the strategy of Sharia mutual fund selection is still not done much by the researcher. The authors only found the results of research by [10]. Using Sharia mutual fund data from the Dow Jones Islamic Index from 1999 to 2011, [10] no persistence of Sharia mutual fund performance. But their persistence test is relatively limited because it only compares the recession and expansion periods according to the business cycle of the company.

II. METHODS

The population of this research is sharia mutual fund in Indonesia. The study sample is all sharia mutual funds offered from 2010 until 2016. Relative short-run persistency test is done with the

following steps. First, rank the performance of each type of sharia mutual fund each month based on its performance. The types of mutual funds analyzed are stock mutual funds, fixed income mutual funds, and mixed mutual funds. Second, take the top five mutual funds on each type of mutual fund in each month. Third, analyze persistence by seeing if the best five-month funds remain the best five in the following months. The absolute short-term persistency test is performed using an autoregressive moving average (ARMA) model. Performance of a mutual fund is persistent if the AR coefficient is significant positive.

III. RESULTS

A. Performance of Sharia Mutual Funds in Indonesia

Investors can monitor the progress of funds invested in mutual funds through Net Asset Value (NAV) information announced every day. By comparing NAV when buying with NAV at the moment, investors can calculate the return of mutual funds. Table I below informs the average monthly return of funds during 2010 - 2016.

TABLE I
AVERAGE MONTHLY RETURN of MUTUAL FUND 2010-2016

Year	Average Monthly Return (%)		
	Stock Mutual Funds	Fixed Income Mutual Funds	Mixed Mutual Funds
2010	2.467857	0.859802	1.816885
2011	0.054167	1.341429	0.27369
2012	0.703438	0.651548	0.598512
2013	0.277302	-0.02286	0.244529
2014	2.216374	0.604643	1.693546
2015	-1.28472	0.171079	-0.76918
2016	1.936961	0.544019	1.090433
Mean	0.910196	0.592809	0.706916
SD	1.263805	0.413105	0.840464

From Table I above shows that stock mutual funds have the highest average return, followed by mixed mutual funds, and the lowest is fixed income mutual funds. This result is in accordance with the investment rule that the higher the risk of an investment the higher the return. Shares are

securities with a higher risk than bonds. While mixed mutual funds consist of stocks and bonds so the risks are in the middle. The high risk of equity funds is also supported by empirical facts where the standard deviation of stock funds is also the largest, followed by mixed mutual funds, and the lowest standard deviation is fixed income mutual funds. Although in general, stock mutual funds provide the highest return, but this is not always the case every year. From the table above, it can be seen that in 2011 and 2015, stock mutual funds earned the lowest returns and fixed income mutual funds earned the highest returns. The findings in 2015 may be due in that year the stock market conditions are declining so that both equity and mixed mutual funds returns are negative. But for the low return of stock mutual funds in 2011, the author has not been able to analyze the cause.

IV. DISCUSSION

The short-term relative persistence test is done by looking at whether the best five-month fund remains within the best five in the following months. Table II below is a summary of the relative persistence levels of stock fund performance for the next one to six months.

TABLE II
SUMMARY of SHORT TERM RELATIVE PERSISTENCE TEST
RESULTS for STOCK MUTUAL FUNDS

Year	Persistence Level After					
	Months					
	1	2	3	4	5	6
2010	0.85	0.8	0.85	0.85	0.8	0.7
2011	0.8	0.7	0.7	0.7	0.65	0.75
2012	0.8	0.75	0.85	0.8	0.7	0.7
2013	0.5	0.45	0.5	0.3	0.3	0.3
2014	0.5	0.35	0.35	0.35	0.3	0.35
2015	0.4	0.15	0.25	0.35	0.25	0.1
2016	0.3	0.15	0.3	0.35	0.2	0.25

From the first row of Table II above it appears that in 2010, the performance of stock mutual funds has a fairly high persistence. The best five-month fund (in this study consists of January to April), 85% of which are still in the top five in the next

month. For the next 2 months persistent period is 80%, 3 and 4 months later persistence rate rose again to 85%, next 5 months persistence rate is 80%, and 6 months later still 70%. In 2011, persistence levels were still high despite a slight weakening. In 2012, persistence levels increased again as of 2010. However, persistence declined in 2013 and subsequent years and the lowest persistence rate occurred in 2016.

Table III below is a summary of the persistence level of fixed income mutual fund performance for the next one to six months.

TABLE III
SUMMARY of SHORT TERM RELATIVE PERSISTENCE TEST
RESULTS for FIXED INCOME MUTUAL FUNDS

Year	Persistence Level After					
	Months					
	1	2	3	4	5	6
2011	0.625	0.5	0.5	0.438	0.5	0.563
2012	0.5	0.563	0.625	0.563	0.5	0.563
2013	0.438	0.625	0.625	0.5	0.438	0.438
2014	0.625	0.625	0.563	0.563	0.75	0.5
2015	0.625	0.625	0.5	0.438	0.563	0.625
2016	0.375	0.375	0.813	0.563	0.5	0.438

From Table III above it appears that in general the persistence level of fixed income mutual funds is lower than the persistence level of stock funds. In the first month, the highest persistence rate was only 62.5%. The pattern of inter-year persistence found in stock funds is not found in fixed income mutual funds. Indeed there is a decrease in persistence in 2012 and 2013 but then rise again in 2014 and 2015 before then down again in 2016. In 2016, the persistence rate is the lowest.

Table IV below summarizes the persistence rate of mixed mutual fund performance for the next one to six months.

TABLE IV
SUMMARY of SHORT TERM RELATIVE PERSISTENCE TEST
RESULTS for MIXED MUTUAL FUNDS

Year	Persistence Level After					
	1 mth	Year	1 mth	Year	1 mth	Year
2010	0.7	0.8	0.8	0.7	0.8	0.7
2011	0.75	0.65	0.65	0.65	0.6	0.75
2012	1	1	0.9	0.8	0.7	0.65
2013	0.7	0.55	0.55	0.35	0.3	0.3
2014	0.4	0.35	0.25	0.4	0.45	0.45
2015	0.3	0.25	0.3	0.25	0.45	0.35
2016	0.2	0.2	0.35	0.35	0.35	0.2

From Table IV above it appears that mixed mutual funds have an annual persistence pattern similar to stock funds. Like stock mutual funds, mixed mutual funds have high persistence at the beginning but then persistence levels fall in the following years. If stock mutual funds start falling from 2013, mixed mutual funds begin to fall in 2014. In addition, the mixed mutual fund's persistence rate is generally lower than stock mutual funds, although in 2012 the mixed mutual funds in the first two months were perfectly 100% persistent. As with the other two types of mutual funds, the level of persistence of mixed funds is at its lowest level in 2016.

The persistence test by looking at whether the best-performing mutual fund remains at the top 5 in subsequent periods is called a relative persistency test. In addition to the relative persistency test, there is also an absolute persistence test by using time series autoregressive moving average (ARMA) analysis or similar models. The test results used here only from the autoregressive side and the summary of the results are in Table V below.

TABLE V
SUMMARY of AUTOREGRESSIVE TEST RESULTS from MONTHLY
MUTUAL FUND RETURNS

Year	Persistence Level After					
	1 month	Year	1 month	Year	1 month	Year
2010	0.7	0.8	0.8	0.7	0.8	0.7
2011	0.75	0.65	0.65	0.65	0.6	0.75
2012	1	1	0.9	0.8	0.7	0.65
2013	0.7	0.55	0.55	0.35	0.3	0.3
2014	0.4	0.35	0.25	0.4	0.45	0.45
2015	0.3	0.25	0.3	0.25	0.45	0.35
2016	0.2	0.2	0.35	0.35	0.35	0.2

Absolute persistent mutual fund performance is characterized by a significant positive autogression coefficient. If the coefficient is positively significant meaning good performance in a period will be followed by good performance also in the future. From the table above it appears that only fixed income mutual funds are performance persistent, even the persistence level is perfect. There are 7 mutual fund samples analyzed and all of them have significant positive autoregression coefficients. Stock mutual funds have a sample of 14 mutual funds and none of them are significant persistent. While mixed mutual funds have samples of 11 mutual funds and only one (9%) are persistent.

V. CONCLUSIONS

Using sharia mutual funds in Indonesia from 2010 to 2016, this study finds the following points. First, the short-term persistence of stock and mix mutual funds is quite high at the beginning of the research year (2010-2012) but then declines thereafter but fixed income mutual funds have a pattern of persistence up and down. Second, in general, stock mutual funds have the highest short-term persistence, followed by mixed mutual funds, and fixed income mutual funds. Third, judging from the absolute short-term persistence, only fixed income mutual funds whose performance is persistent and even of perfect persistence. The results of this study are expected to contribute to the study of Islamic investment, especially in order to find a model of investing in Islamic mutual funds. The existence of sharia mutual fund investment model will help investors in choosing the right sharia mutual fund.

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Exploring the Role of Islamic Work Ethics for Organizations in Indonesia

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Abstract— Management as a science used in organizational operations, especially in the human resources management. Through management, the goals of the organization are planned, organized, actuated and controlled so the results are expected to meet expectations. In practice, humans as the subject as well as the object of human resources turned out to do a lot of negative behavior that affect the work. Ethics is an important thing in society including for the organization because it contains values that will encourage a person to work optimally and always accompanied by an umbrella of conscience. The result of the study is a conceptual framework to provide an understanding of the use of Islamic work ethics for organizations in Indonesia which the population majority are Moslems. Islamic Work Ethics is the answer that can be used to guide the positive behavior of workers. Furthermore, Conceptual framework, theoretical and practical implications which proposed in the present study will be used as future references for those who are interesting in the work ethics, human resource and its relationship related existing variables.

Keywords— islamic work ethic, human resources, organization

I. INTRODUCTION

Ethics is an important thing in society including for the organization because it contains values that will encourage a person to work optimally and always accompanied by an umbrella of conscience. Ethics generally denotes a standard of morality in a society where each individual learns to distinguish what is right and what is wrong [1]. According to [2] work ethic is important because employee behavior greatly contributes to the success of an organization in the global market. Work ethics has a good impact on individual behavior in work because it can provide a stimulus for a positive work attitude.

Indonesia is a predominantly Muslim country. As a country with the population majority is Islam, of course, the majority of existing labor adheres to the same religion. This condition causes the principles of Islamic teachings are widely adopted in the context of work place, including work ethics in Indonesia.

Islamic Work Ethics refers to the moral standards of work carried out by a Muslim employee so as to

produce a positive performance against the organization or company. Islamic work ethics encourages the emergence of cooperation, guidance, equality, unity and spirituality in the workplace [3]. Furthermore, according to Danhauser in [3] stated that the practice of Islamic Work Ethics in the workplace will create creativity, honesty and trust.

Discourse on work ethics based on beliefs is important given the emergence of negative behaviors when carrying out professional work. Behaviors such as non-discipline, dishonesty, injustice, administrative accountability, neglect, and other negative behaviors provide evidence that behavioral issues arising from members of the organization will cause major problems if not resolved soon [4].

One of the most obvious evidence is when one of the big companies in America, Enron corporation, bankrupt. It turns out Enron bankruptcy is derived from the occurrence of moral hazard behavior including the manipulation of financial statements to record a profit of 600 million US dollars when the company suffered losses. The manipulation of profits is due to the desire of the company to keep investors interested. An American Senator, Levin, eloquently commented on the incident "What is happening in Enron is not a failure of rules and laws, it is a failure of corporate culture, failure of values, heart failure" [5].

The above events serve as an indisputable example that not enough organizations or companies have human resource assets but more importantly have ethical human resources. Therefore, the management of ethical human resources requires treatment that is not easy to even be considered carefully. A complex problem often encountered by leaders in organizations or companies is how to keep members' behaviors in line with expectations.

Therefore there is one big question related to the problems that arise. What are the worker's standard characteristics of work behavior that are capable of eliminating or at least minimizing the negative behaviors mentioned earlier? This paper attempts to offer an Islamic Work Ethics utilization solution that can be used in order to manage human resource issues so that it can be used in order to guide the positive behavior of workers especially in Indonesia.

Discussion about ethics has become an issue of interest in recent years. This issue is in the spotlight due to the emergence of heated debates among the experts [6]-[9]. According to [10] several factors that become controversy are: 1) The existence of various opinions related to the philosophical basis of ethics. 2) Absence of standard to determine what is meant by ethical action. 3) Violations of ethics in the business world still happens a lot.

Although still a controversy, the issue of ethics still received widespread attention from researchers. Books, journals and articles keep popping up. Even one of the clusters of ethics that is business ethics to be his own courses in several colleges of economics and business. This indicates that the discussion of ethics is always interesting to study.

Study on ethics is an interesting study for researchers. Reference [11], stated that work ethics has a relationship with job satisfaction, reference [1] states that work ethics is related to employee performance, and [12] stated that work ethics influences employment decisions. Several other studies linked work to religious values. Reference [13]-[20] examined the protestant work ethics (PWE). There are also studies linking work ethic with Confucian culture [21]-[24].

The study of work ethics associated with religious values has long been in demand by western and eastern researchers. In various studies of religious anthropology conducted, can be found a positive correlation between religious values with work ethics. Reference [25] found that the Protestant work ethic has produced the concepts of simplicity, individualism, discipline and hard work. Similarly, the Confucius work ethic proved able to encourage economic growth of the South Korean nation, dubbed the economic miracle [24].

So what about the Islamic work ethic? Basically, Islam's view of work ethic has in common with

other religious teachings. However, Islam has a principle of typical work ethics that distinguishes it from other teachings. Islamic work ethics emphasizes more intentions than merely results Yousef in [25].

Thus, from the literature obtained, it is assured that the talk of work ethics will always be related to the values of religiosity possessed by a person. This becomes relevant, given how a person's view of what he is doing is strongly influenced by his basic beliefs.

The definition of Islamic work ethics itself can be understood from Beekun's explanation in [26] which stated that the Islamic work ethic is a collection of work related to moral principles and values that distinguish between right and wrong in the Islamic context. This definition provides an explanation that Islamic work ethic values encompass all dimensions of life including work within an organization [3].

Islamic work ethics is an orientation that shapes and influences the involvement and participation of followers in the workplace. Islamic work ethics is built on four basic concepts, namely business, competition, transparency and moral responsibility. Enterprises are considered as the basic ingredients in serving oneself and others. Every individual must compete fairly and honestly and work with good intentions. Trade and transactions must occur in an environment of mutual openness and trust, therefore, transparency determines moral responsibility. Moral behavior is an essential prerequisite for maintaining economic prosperity and the business community [27].

Although there are differences in basic principles, especially on the basis of reference or source, normatively, the Islamic Work Ethic is not much different from the Protestant Work Ethic. Some values such as hard work, responsibility, honesty, justice, loyalty to superiors are also found in the Islamic Work Ethic. Reference [28] points out other values of Islamic Work Ethics such as positively oriented towards work and balancing between individual and social life.

The first identification of Islamic Work Ethics put forward by [29]. Furthermore, research on Islamic Work Ethics was developed by [30]. From the results of development through factor analysis

based on the scale made by Ali on the Islamic Work Ethics, Saad identified that the Islamic Work Ethic has three main dimensions, namely Personal and Organizational Obligations, Personal Investment and Dividends and Personal Effort and Achievement.

Furthermore Saad explains what is meant by the dimension of Islamic Work Ethics Individual and Organizational Obligations is a mental attitude or a Muslim's way of looking at, perceiving, appreciating and appreciating a work's value is an obligation, Individuals or as members of the organization.

This dimension is closely related to the level of a Muslim's belief in the truth of his Islamic teachings which states that the work he does is always interpreted as a form of worship. A Muslim who believes that the work he does is an obligation, the implications of the attitude that arises are to have a dedication to his work, happy to cooperate with others and so forth.

Furthermore, the dimensions of Personal Investment and Dividends are a mental attitude or a Muslim's way of looking at, perceiving, appreciating and appreciating a value of work that is done is an investment and therefore will bring A valuable outcome for himself. Some attitudes that represent this dimension for example, work means self-respect, work gives an opportunity for someone to become independent and so on.

Then the last dimension of Islamic Work Ethics is personal effort and achievements. This dimension has a sense as a mental attitude or a way of a Muslim in looking at, perceive, appreciate and appreciate a value of work done is a series of efforts that must be realized for the expected goal can be achieved.

This dimension believes that the work done by a Muslim is a logical consequence that must be borne as a concrete manifestation of the desire to achieve the expected goal. A Muslim who has this belief will always try to adjust the expected goals with the efforts he undertakes. Some attitudes that represent these dimensions include working hard, working according to the time set, confident and so forth.

Islamic work ethics sees the goal of working not as a mere completion of work, but to encourage personal growth and social relations [31]. This is

important because it not only benefits the individual who holds the principle, but the Islamic Work Ethics also has an impact on the environment as a whole.

Reference [32] developed a multidimensional model of Islamic work ethics in order to make it more different from other work ethics. This multidimensional model is different from that developed by [28] which only divides the ethical dimensions of Islamic work based on three dimensions. From the results of the research, there are seven dimensions of Islamic work ethics: justice and fairness, work results for the Islamic ummah, cooperation and collaboration, trusteeship, work intention, work type, work as the source of ownership.

Reference [33] explains about Islamic Work Ethics dimensions as follow: 1. work Intention is the intention in doing a job; 2. trusteeship is trust which should be a part for Muslims to have a large social capital in socio-economic relations; 3. work type is choosing the right work in accordance with the capacity and not to contradict the Islamic Shari'a; 4. work results for Islamic Ummah results means working should be profitable, providing strength and potential for Muslims without harming other people; 5. justice and fairness means truth and justice in Islamic economics must provide welfare for all people; 6. cooperation and collaboration means helping each other and working together in the work will help improve teamwork and can support increased productivity in the company; and 7. work as the only source of ownership means that working is the only way to gain welfare if done in earnest and full of motivation.

The following Table I contains about Islamic Work Ethics dimensions and expected performance.

TABLE I
DIMENSIONS OF ISLAMIC WORK ETHICS AND EXPECTED PERFORMANCE

No	Dimensions	Expected performance
1	Cooperation & Collaboration	Teamwork
2	Work result for Islamic Ummah	Productivity
3	Justice and fairness	Knowledge sharing
4	Work type	Competence
5	Work as the only source of ownership	Hard work
6	Work Intention	Loyalty
7	Trusteeship	Responsibility

From Table I above we can conclude that the seven dimension of Islamic Work Ethic is a guidance to order employees in workplace, so the performance may fit with organizations expected.

The diverse dimensions of this work ethic of Islam provide evidence that Islamic teachings are very comprehensive that regulates all issues including in terms of work and work. Various dimensions of work along with its explanation also gives meaning to us that the Islamic Work Ethics can be a solution to the emergence of biases of human resource behavior. That is, socialization of Islamic work ethics can be utilized as part of the achievement of organizational goals.

Organization in the world is faced with the swift choice of use of management models derived from Europe [34] or America [35] which is not necessarily match the characteristics in certain countries including in Indonesia. Different cultural characteristics, ways of thinking, geographical background and world view have led to European or American model management unsuitable or even inappropriate to apply in the context of organizational management in Indonesia, including ethics.

Given how important ethics affect the way a person works, it is no wonder the Islamic work ethic becomes an interesting part to be studied. The study of the influence of work ethics based on religious values (Islam) has been widely practiced and found some positive behaviors such as innovative working behavior [36], organizational justice [37], innovation ability [38], organizational citizenship behavior and knowledge-sharing behavior [25].

Another positive result of what is expected of the Islamic work ethic is the emergence of organizational commitment from employees or members of the organization. Allen and Meyer in reference [39] argue that organizational commitment is a psychological expression that defines the relationship between an employee and his organization and the decision to continue or discontinue membership in the organization. In another sense the concept of commitment is a consistent behavior.

Commitment becomes important because the concerns, goals and needs of employees must have

relevance to the organization of the best employees [40]. This means that if the organization is able to produce the best employees then directly the sustainability of the organization will be more lasting. Employees will be loyal to work and have no desire to move to another organization, so in turn the organization will have employees who have enthusiasm in achieving the expected goals. In other words, the organization benefits from a committed workforce because it tends to be minimal in absence and contributes positively to organization [41]. Supporting research conducted by [41], the value of spirituality in the workplace has a positive effect on organizational commitment [42].

II. CONCLUSIONS

A complex problem often encountered by leaders in organizations or companies is how to keep members' behaviors in line with organization expectations. The key word is meticulous. It is the carefulness in managing human resources that will bring the organization to its goal. This precision also includes how the organization's leadership uses the background of beliefs to encourage positive behavior of the workers so that organizational goals can be achieved.

Understanding of the role of Islamic work ethics is actually part of the way to find ways to how the operationalization of organizations especially in Indonesia runs optimally. In the waning of religion-based worldviews in the practice of organizational life, Islamic work ethics is worthy of use as a guideline for organizations in regulating the behavior of their human resources.

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Does Job Orientation Affect the Performance of Employees: Case Study Section of Techniques distribution Local Water Enterprises (PDAM) Balikpapan City

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Abstract— Orientation to work is a job for an individual; based on their expectations are embodied in their work. Motivation is about stimulating people to action and to achieve a desired task. For organizations of all sorts to be efficient and successful, enough of every person's drives must be stimulated and satisfied to ensure effective performance. Employees, who have the motivation, orientation, and loyalty high job with a good performance for the company, can improve its service to consumers. Work orientation not only for new employees but for an old employee. Customer services conducted by PDAM Balikpapan city are closely related to performance of employees, especially employees of parts distribution techniques. The PDAM as local companies should provide the best for consumers, by providing the motivation, clear work orientation so as to improve the performance of employees. This research was conducted in order to know whether the motivation, work Orientation and Loyalty Work has influence on Employee Performance Parts The distribution of Techniques in the PDAM Balikpapan city. The results showed, simultaneously the variables Motivation, Work Orientation and Loyalty have a relationship and the influence of to variable of Employee Performance Part of Distribution Techniques the PDAM Balikpapan city, and orientation Partial Work had dominant influence on employee performance part of distribution techniques the PDAM Balikpapan this acceptable and proven because variables that have partially dominant influence on the variable portion of employee performance distribution techniques the PDAM Balikpapan city.

Keywords— motivation, orientation and job loyalty, performance, PDAM Balikpapan city.

I. INTRODUCTION

Work orientation is seen as a long-term investment of the company's long-term spending. Orientation encourage employees to improve their ability in the work. Learning orientation is the subject of intrinsic interest in a job such as face the challenges of the job [16]. Sustainable orientation will make the employees gain experience and they will be easier to adapt to the situation and field

conditions faced in their efforts including improving performance. This shows that the work orientation positive effect on performance. In conjunction with the creation of a positive image of the internal public, parts distribution techniques serve to foster the trust of employees, perform the duties and responsibilities and develop corporate social responsibility, so that will create motivation, orientation and loyalty work in improving employee performance. Trust employee of the company is dominant in the existence of a company.

PDAM Balikpapan as a public company has a fairly large number of employees. It is comparable to the role of PDAM Balikpapan as a public company that handles customer enough so that motivation, orientation and job loyalty to employee performance PDAM Balikpapan affect the continuity of the company. Employees who have the motivation and orientation of a great work and loyalty high job with a good performance for the company so that the company can improve its service to consumers. Parts distribution techniques contribute to improve motivation, orientation and loyalty as well as the performance of employees working for the company.

This research want to find out, Is simultan variable of motivation, orientation and job loyalty effect on the performance of employees and which of the variables of motivation, orientation and loyalty work the dominant influence on the performance of employees engineering parts PDAM distribution in Balikpapan

II. LITERATURE REVIEW

Learning orientation has significant influence with variable intellectual work (working smart), and the intellectual work has a positive influence on the performance of the sales force [16].

According to [3], in general there was no supervision measures had positive effect on the performance of the internal auditors, but supervision measures positive influence on work motivation. The overall results of this study indicate that supervision measures elements of leadership with participatory management style will foster motivation to work especially Intrinsic motivation thus indirectly spur job performance or the performance of internal auditors in performing its duties and functions daily. In other words, the absence of motivation in f the internal auditor works, the more obstacles to achieve the expected performance. Sunarso [17] had equations that orientation affects the performance of employees.

A. Work Motivation

Motivation in the management of human resources is shown in general and in particular subordinate. Motivation questioned how to steer the power and potential of subordinates, in order to work together productively managed to achieve and realize the intended purpose. Importance of motivation due cause, distributes, and supports human behavior, so he would work diligently and enthusiastically to achieve optimal results. According to Terry and Rue in [15] says that the motivation was "... getting a person to exert a high degree of effort ..." which means "making one's motivation to work more outstanding". Meanwhile, according to [7], motivation is the process as a first step a person to act due to lack of physical and psychic, or in other words is an impulse that is shown to meet certain goals.

1. Maslow's Hierarchy of Needs.

Abraham Maslow is among the most prominent psychologists of the 20th century and the hierarchy of needs, accompanied by the pyramid representing how human needs are ranked, is an image familiar to most business student and managers. Maslow's theory is based on a simple premise: Human beings have needs that are hierarchically ranked. There are some needs that are basic to all human beings, and

in their absence, nothing else matters. As we satisfy these basic needs, we start looking to satisfy higher-order needs. Once a lower-level need is satisfied, it no longer serves as a motivator.

The most basic of Maslow's needs are physiological needs. Physiological needs refer to the need for air, food, and water. Imagine being very hungry. At that point, all your behavior may be directed at finding food. Once you eat, though, the search for food ceases and the promise of food no longer serves as a motivator. Once physiological needs are satisfied, people tend to become concerned about safety. Are they safe from danger, pain, or an uncertain future? One level up, social needs refer to the need to bond with other human beings, to be loved, and to form lasting attachments. In fact, having no attachment can negatively affect health and well-being. The satisfaction of social needs makes esteem needs more salient. Esteem needs refer to the desire to be respected by one's peers, feeling important, and being appreciated. Finally, at the highest level of the hierarchy, the need for self-actualization refers to "becoming all you are capable of becoming." This need manifests itself by acquiring new skills, talking on new challenger, and behaving in a way that will lead to the satisfaction of one's life goals.

Two-Factor Theory

Herzberg, Mausner, and Snyderman [5] approached the question of motivation in a defferent way. By asking individuals what satisfies them on the job and what dissatisfies them, Herzberg came to the conclusion that aspects of the work environment that satisfy employees are very different from aspect that dissatisfy them. Herzberg labeled factors causing dissatisfaction of workers as "hygiene" factors because these factors were part of the context in which the job was performed, as opposed to the job itself. Hygiene factors included company policies, supervision, working conditions, salary, safety, and security on the job. To illustrate, imagine that you are working in an unpleasast work environment.

2. Work Orientation

According to [7], Work orientation: the concept formed the basis for the harmonious view of industrial relations in the small firm as orientation

to work was said to cause an individually self-selection to the small firm sector. Meaning: the attitude and behavior of employees, is a concept that can create harmony in the work and that can lead to increased performance of individual employees in a company. Meanwhile, according to [1] orientation to work is the sense of a job for an individual, based on his hope that is embodied in the work.

In general, the employees will feel a little anxious during the first days of work. At least there are three main reasons that caused the nervousness in the the first few days of work [8]:

- a. The first reason is that each new situation involving a change and the differences in some cases, will cause the new employees have to face uncertainty.
- b. Unrealistic expectations. A new employee often have unrealistically high expectations about the benefits to be obtained in the new job and this is often formed in the fact that they would earn not as they had expected originally.
- c. Which can lead to the anxiety a surprise. The surprise may occur if the expectations regarding self-employment or unfulfilled.

According to [4] said that the program the orientation provided to new employees when they first come to work at least has the objective, among others:

- a. To reduce the costs where the orientation is expected to help the new employees to quickly incharge in his work.
- b. Alleviate anxiety. Most employees experiencing anxiety when entered into the new work situation. Experience of dealing with these anxieties affect him.

Employees who choose this type of work orientation in choosing where to work, more attention to the atmosphere of work based on strong social relationships. Social relationship is meant here and *kerjasama* communication that exists between individuals both among employees within the department and between departments, is based on the experts is the reference regarding the orientation of the various ins and outs of employment and background.

3. Loyalty Work

According to [12], Human Resource Management is, within Indonesian dictionary describes an attitude is an act and so is based on the establishment, while the work is doing something,

or the way employees work in communicating to the leadership or atmosphere of employees feel *perusahaan*. *Karyawan* the profound pleasure of the work performed. Loyal is dutiful, faithful.

From the above understanding, it can be concluded: Loyalty is a tendency of employees to move to another company. If the employee worked at one company, and the company has provided facilities - adequate facilities and received by its employees, the loyalty of employees of the company will be even greater, then the resulting impulse that causes the employee doing the job becomes even harder. The facilities received by the employee so that the employee will work as well as possible and remain loyal to the company, the company should provide equal remuneration for its employees. It depends on the situation in the enterprise and the objectives to be achieved. For the company argued several ways:

- a. Sufficient salary.
- b. Provide the spiritual needs of.
- c. The occasional necessary create the a relaxed atmosphere.
- d. Put the employees in the right position. e. Providing the opportunity the employees to advance.
- e. Pay attention a sense of security for the future.
- f. Ensuring employees to have loyalty.
- g. The occasional invite employees to negotiate.
- h. Provide enjoyable facilities.

The indications decline in loyalty and work attitude the employees, among others:

- a. Down / low productivity of labor. The fall in labor productivity can be measured or compared with the previous period. Labor productivity drops can occur due to laziness or delay the work.
- b. Rising levels of absenteeism. In general, when loyalty and work attitude the employees fell, the employee will be reluctant to come to work every day. When there are symptoms of absenteeism rises must be immediately initiated research
- c. A high level of labor migration. Increased the employees turnover is mainly due to displeasure of the the employees working at the company. For that they are trying to find other work as deemed appropriate. A high level of labor migration in addition can reduce work productivity, it can also affect the continuity of the course of the company.
- d. Restlessness Loyalty and employee attitudes can lead to decreased anxiety as a leader must know that their restlessness can be manifested in the form of outright lack of work, groaning and other things.

- e. The demands of that often occur. The demands of who actually is a manifestation of and dissatisfaction, which at some stage will cause the nerve to make demands.
- f. The strike. The most powerful indication of the rate of the decrease employee loyalty and attitude is a strike. Usually a company that employees already do not feel it anymore until culminated, it will give rise to a claim, and if these demands are not successful, then in general the employees on strike work.

According to [13] that the category of employees of different ages show different accents loyalty such as:

- a. Workforce over the age of fifty years show high loyalty to the organization. Possible reasons stand out is that they are already well established in his work, adequate income, allowing them to enjoy a decent standard of living which he considers. Many friends in the organization, a clear pattern of his career, did not want to move, already "too late" start a second career, and in the not too long will retire. In this company there are several permanent employees aged about 50 years and worked long enough in the company, while the contract employees are young.
- b. Workers who are in the category forties showed loyalty to careers and professions that had been practiced.
- c. Employment in the category of 30-40 years show that loyalty focused on yourself.
- d. For those younger than that, have not understood the meaning of loyalty

4. Performance

Performance refers to employee performance is measured based on the standards or criteria established companies. Understanding the performance or work performance is defined by Maier [11] as a person's success in carrying out a job. More specifically Lawler and Poter stated that the performance was "role successful achievement" by a man of deeds [9]. From these limits Moh. As'ad concluded that the performance is the results achieved according to the size of a person who applies for the job in question. While according to Russel quoted [2], the resulting performance is the outcome of a particular job function. And according to Smith W. Augt cited by [14] revealed that the performance was "the output drive from the process, human or otherwise.

III. THE RESEARCH METHODS

This research is quantitative, in which the data used is primary data is data obtained by conducting research directly to the object of research, PDAM the employees Balikpapan, 80 employees. Secondary data is data who obtained indirectly or through an intermediary medium. In this study, the statistical calculation using regression analysis model with the following equation:

$$Y = b_0 + b_1X_1 + b_2X_2 + b_3X_3$$

Remarks :

Y= Performance of employees

X₁ = Work Motivation

X₂ = Work Orientation

X₃= Loyalty Work

b₁,b₂,b₃ = Regression Coefficient

b₀ = Constant Coefficients

IV. RESEARCH RESULT

In these analyzes the techniques used is linear regression to test the hypothesis of simultaneous and partial test. Multiple regression equation results of data processing by using the questionnaire SPSS 20 and $\hat{Y} = 3,745 + 0,268X_1 + 0,252 X_2 + 0,246X_3$.

In the multiple linear regression equation calculation above it can be seen the relationship between the dependent variable (Y) with Variables (X₁, X₂, X₃) is constant, it can be seen in a positive regression coefficient means when the X direction of the change in Y, when changes is negative (-) means the relationship between X and Y change in the opposite direction.

TABLE I
RESULTS ANALYSIS

Variable	Regression Coefficient	t _{count}	t _{tabel}	r _{partial}	Sig
Constant	3,745	3,341			0,001
Work Motivation	0,268	3,434	2,014	0,367	0,001
Work Orientation	0,252	3,587	2,014	0,380	0,001
Loyalty Work	0,246	2,507	2,014	0,276	0,001
	Multiple R 19,474		0,659	F-hitung	
	R.Square 0,000	0,435	Significant		
	Adjusted R Square 2,108		0,412	Durbin-Watson	

Source of data: results the print out, the value $\alpha = 5\%$ (0,05).

The values obtained from the equation by a constant coefficient = 3.745; meaning that when all variables bebas (independent) variable work motivation (X1), Work Orientation (X2) and Loyalty Work (X3) is constant or zero, then the variable Employee Performance (Y) In PDAM Balikpapan rose by 3.745.

Variable relationship work motivation (X1) on employee performance (Y) PDAM Balikpapan look at the value of regression coefficient (b_1) = 0.268; This value indicates if the increase in work motivation variable (X1) of the unit will affect changes to the variable Employee Performance (Y) PDAM Balikpapan at 0.268; Work orientation assuming variable (X2) and Loyalty Work (X3) is constant or equal to zero.

Work Orientation Relationship variables (X2) on employee performance (Y) PDAM Balikpapan look at the regression coefficient value (b_2) = 0.252; where the regression coefficients (b_2) also shows when the variable Work Orientation (X2) changes by one unit will change the value of the variable employee performance (Y) amounted to 0.252 Balikpapan City taps assuming variable work motivation (X1) and Variable Working Loyalty (X3) is constant or equal to zero.

Loyalty Variable Employment Relations (X3) on employee performance (Y) PDAM Balikpapan look at the regression coefficient value (b_3) = 0.246; where the regression coefficient (b_3) is also shown at the time of Variable Working Loyalty (X3) changes by one unit will change the value of variable the performance of employees (Y) PDAM Balikpapan at 0.246 with the assumption that the variable work motivation (X1) and Loyalty Work (X3) is constant or equal to zero.

Simultaneous test or F-test (Fisher-Test) is a test together to test the effect of variable sigifikansi work motivation (X1), Work Orientation (X2) and Loyalty Work (X3) together have an influence on the performance of employees variable (Y). F test is done by comparing F_{count} with F_{table} .

In summary the regression results shown in Table 5.3 above, the value of $R = 0.659$ means there is a strong positive correlation between the Effect of Work Motivation, Work orientation, loyalty Work To Performance Officer and have a correlation of 65.9%, while the remaining 34.1% influenced by

other factors. From these results the coefficient of determination (R^2) of 0.435 this means that all independent variables that work motivation (X1) Work Orientation (X2) Loyalty Work (X3) have together contributed 43.5% to the dependent variable (Y) namely the employee's performance. The remaining portion of 56.5% is influenced by other factors that are not rigorous in this study.

Based on the summary of the results of multiple regression indicated that F_{count} of 19.474, while the results in the table F_{table} distribution with an error rate of 5% is equal to 2,725. This means that $F_{count} > F_{table}$ ($19.474 > 2.725$). The calculations showed that the variables work motivation (X1) Work Orientation (X2) and Loyalty Work (X3) together have positive and significant influence on the performance of employees variable (Y). The authors conclude first hypothesis in this study which states that the independent variables consist of work motivation (X1) Work Orientation (X2) and Loyalty Work (X3) jointly and simultaneously positive and significant impact on employee performance (Y) proven and acceptable.

This partial testing to see how far the influence separately of each independent variable (X) on the dependent variable (Y) based on the regression results listed in Table 5:10 t test was done by comparing t_{count} with t_{table} with an error rate of 5% which is equal to 2.014. If $t_{count} > t_{table}$ we can conclude these variables have a significant influence.

1) **Variable Work Motivation (X1)**

t_{count} for this variable by 3,434. Meanwhile the distribution of values in table 5% of 2.014. Then t_{count} (3.434) $>$ t_{table} (2.014) with a partial value of 0.367. This means that the variable work motivation (X1) has a positive influence. It is also reinforced with a significance value ($0.000 < 0.050$) means variable work motivation (X1) positive and significant impact on employee performance.

2) **Variable Work Orientation (X2):**

t_{count} for this variable by 3,587. meanwhile the distribution of values in table 5% of 2.014. Then t_{count} (3.587) $>$ t_{table} (2.014) with a partial value of 0.380. This means that the variable

Work Orientation (X2) has a positive influence. It is also strengthened by the significant value ($0,000 < 0,050$) Work orientation means variable (X2) positive and significant impact on employee performance.

3) *Variable Loyalty Work (X3):*

t_{count} for this variable by 2.507. Meanwhile the value of the distribution table 5% of 2.014. Then $t_{count} (2.507) > t_{table} (2.014)$ with a partial value of 0.276. This means that the variable Work Loyalty (X3) has a positive influence. It is also reinforced with a significance value ($0.011 < 0.050$) Working Loyalty means variable (X3) positive and significant impact on employee performance.

Based on the results of the t test above it can be concluded that the dominant variable affecting employee performance is variable Work Orientation (X2) with the greatest t_{count} (3,587), with a significance of 0.001 who is smaller than the value of the error rate of 0.050. Thus the second hypothesis in this study stated that the Work Orientation variables (X2) is the dominant variable influence on employee performance is proven and can be accepted.

80 respondents, the majority of the male gender that is 78 people or 97.5%, and the rest are female the respondents who as many as 2 people or 2.5%. Age grouping labeled with the age group 1 (20-34 years) who the result there are 11 people or 13.75%. 2 age group (35-50 years) as many as 61 people or 76.25%. 3 age groups (> 51 years) as many as 8 people or 10%.

The employees who primary school education as much as 3 people or 3.75%, junior high school education as much as 4 or 5%, educated SMA / SMK many as 64 people or 80%, educated D1 / D3 as many as 6 people or 7.5% and as many educated S1 3 people, or 3.75%.

V. CONCLUSIONS

Variable motivation, orientation and loyalty work simultaneously have a positive relationship and a significant influence on employee performance. Of the two variables that affect the performance of

employees, the dominant variable is a work orientation.

Variable work orientation should be maintained and developed a better understanding of the gift to the employees in accordance with their performance because it has a great influence on the productivity of employees of PDAM distribution techniques Balikpapan, while the variable motivation and loyalty of work should be further enhanced its position for employees to the variable is not only a complement of the management process of a company.

The need for periodic assessment process on employee performance as a measure of work orientation that is right for employees.

Needed to do internal the research further by the PDAM Distribution Techniques Balikpapan in terms of the review will increase or maintain the level of employee productivity at a level in line with expectations the company to support the company in achieving its goals. And do not rule out the possibility the company to be able to open up reviewing studies from external parties under review increased productivity of these employees.

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The Roles of Mobile Payments on Accelerated Financial Inclusion: An Evolving Framework

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Abstract— Unprecedented developments in information and communication technology have influenced business activities worldwide known as e-business. From this point, the use of mobile technology for mobile phone devices has transformed the way people to use phones profoundly. These devices are equipped with functionalities not only to phone someone else but also to surpass telephony needs, which inspire the evolution of mobile services. Mobile payments, for example, are able to reach people in remote areas and lack of financial services. This paper aims to show how the roles of development of payment systems in business communities from the beginning of the existence of payment systems to these current ones for solving business transactions. The composition of this paper is arranged into five parts. The first part demonstrates definitions of mobile payments and its ecosystems, the second one explains how the financial inclusion is conceptualised, then steps of evolutions payment systems before and after the mobile payments are introduced. The paper demonstrates the next development of payment system in the 20th century when the first credit card was introduced officially in the 1950s, then the first electronic payment via telegraph is launched. And finally, a mobile payment was offered at the first time in 1997. The fourth part explains how mobile payment have a role to accelerate financial inclusion. With mobile payments, people who have uncovered banking and other financial services could access such financial services. The last one is conclusion and implications for future research

Keywords— roles of mobile payments, financial inclusion, evolving framework

I. INTRODUCTION

Mobile financial services have become an unprecedented development of information and communication technology (ICT) and have affected business communities worldwide with their transactions via remote distribution channels. A previous channel for those activities, known as electronic business, has been explored more intensive to form its latest channel as a mobile payment [1]. This is because the use of mobile technology for mobile phone devices has transformed the way people to use phones profoundly. These devices are equipped with functionalities not only to phone someone else but also to surpass telephony needs, which inspire the

evolution of mobile services. This advancement of technology also has accelerated in mobile payments where goods and services are traded without a physical cash. The technological progress in ICT offers potential new services from the adoption of existing payment instruments to enhanced capabilities and requirements new channels of for introducing new payment system initiations[2]. One of them is a cashless payment which eliminates the usage of money as a medium of exchange for goods and services allowing an electronic transfer payment and non-electronic payment via a mobile device.

Accepting of cashless payment through mobile devices has a number advantages for consumers and retailers. Unlike traditional cash payments, the advantages of mobile payment for consumers are convenience and security, while the benefits for retailers are cost and engagements [3]. According to Greenacre in [4], mobile payments involve people using electronic money and mobile phones in which customers have to deposit some money with ‘a money issuer’ issued by non-banking institutions such as internet providers or telecommunication companies, in conversion for e-money. Hartmann in [2] defines broadly e-money as an electronic store of monetary values on technical devices that may be widely be used for making electronic payments. With the use of mobile phones, customers are able to use their e-money to trade with other customers. Customers can also convert their e-money back into regular money through agents. In some emerging market countries, mobile payments increasingly used as alternative currency that operates entirely outside the banking system. This process is minimalizing banks in the payments systems.

Meanwhile, adoption of mobile telephony to assist financial services development has spread in a number of nations both developed and developing

ones. This adoption has expanded financial services to people who live in the isolated areas to enjoy the services. In Kenya, Africa, for example, has developed M-PESA, a small-value electronic payment and store of a value system which is accessible from ordinary mobile phones [5]. This mobile payment system is adopted by 9 million Kenyan to do various financial transactions. Kenyans in remote areas, where the most of them are the poor people are helped by M-PESA to reduce potential financial exclusion in order to do banking activities such as saving, withdrawing, transferring and/or credit so on. Those practices that banking services have could be enjoyed by people who are unreachable by banking operations in the past [5]-[7].

Mobile payments are famous enough in developing countries and could be general platforms that transform entirely for economies in all countries. This kind of payment has been deployed at least 110 money mobile systems with more than 40 million users worldwide in 2013 [8]. According to Donovan [8], M-PESA is a pioneer how mobile payment used to penetrate isolated areas to obtain banking services in Kenya where in 2011 more than 20 million users with US 500 million transferred using M-PESA in six African countries.

This paper aims to show how the roles of development of payment systems in business communities from the beginning of the existence of payment systems to the current one for solving business transactions and covering unbanked people to reduce financial exclusion in developing countries in Asia, Africa, and South America. The composition of this paper is arranged into five parts. The first part demonstrates definitions of mobile payments and its ecosystems, the second one explains how the financial inclusion is conceptualised, then, steps of evolutions payment systems before and after the mobile payments are introduced. The fourth part explains how mobile payment has a role to accelerate financial inclusion. The last one is conclusion and implications for future research.

A. Conceptualizing Mobile Payments

Paying an article of good just pressing keyboard with the fingers our mobile phones; buying an electronic ticket just clicking certain menu in our gadgets are methods in which communities can pay electronically. This kind of methods is becoming more and more sophisticated leading to new choices to transferring or even depositing money [2]. Mobile phones and other communication devices offer high convenience, flexibility, and speed and lower fees than traditional payment instruments to be promised and also new ways to access accounts for using payment services. Payments initiated through mobile phones are called mobile payments. The payments made via mobile phones can be conducted to pay for digital goods delivered over the mobile phone, for goods ordered via the internet, and for goods or services bought in the physical world [9]. Mobile payments as one system to mobile phoney supply tremendous promises to facilitate the flow of money among rural and poor families at much lower costs, bringing the bank to those who unbanked in most developing countries [10].

With supporting of mobile payments system might increase economic productivity and personal convenience significantly. However, the widespread deployment and adoption of mobile payment systems need action from a complex ecosystem of organizations (e.g. mobile phone service providers, banks, retailers and others) to create a mobile payment system [10]-[11]. As an instrument of commercial or financial transactions mediated through mobile phones, a mobile payment system is able to increase global value of all commercial or financial transactions exceeding \$900 billion globally in 2016.

Implementation of the mobile payment system and deployment of its ecosystem will support installed mobile payment system to function this device in its operations. The ecosystem in mobile payment systems is *“an economic community supported by a foundation of interacting organizations and individual. This economic community produces goods and services of value to customers, who are themselves members of the ecosystem. The members also include suppliers, lead producers, competitors, and other stakeholders*

who coevolve their capabilities and roles” [10]. These mobile payment ecosystems are network organizations and individuals that must be in place for mobile payment services to take root, disseminate, and go to scale. Mobile payment ecosystem has some players who play importantly different roles. The players and their roles are:

TABLE I
THE PALYERS and ROLES

No.	Players	Assets and Capabilities	Incentives
1	Mobile Network Operators (MNO)	<ul style="list-style-type: none"> • Mobile infrastructure • Massive customer bases that include low-income segments • Strong branding • Customer trust 	<ul style="list-style-type: none"> • Acquire customers • Reduce airtime distributional cost • Capture additional revenues
2	Banks	<ul style="list-style-type: none"> • Banking licence and infrastructure • Regulatory compliance expertise • Ability to facilitate foreign exchange, clearing, and settlement 	<ul style="list-style-type: none"> • Reduce cost significantly of delivering financial services • Establish presence in new customer segments and new geographic areas • Meet service obligation and CSR goals • Capture additional revenues
3	Agents	<ul style="list-style-type: none"> • Physical points of presence • Customer trust • Knowledge of customer habits 	Earn commission on transactions
4	Retailers	Physical points of presence	<ul style="list-style-type: none"> • Reduce cost of handling cost • Reduce queues at peak times • Manage inventory more effectively
5	Regulators	Authority to impose regulations and monitor and enforce compliance	<ul style="list-style-type: none"> • Promote financial inclusion • Enable wider range of payment choices • National socio-economic development
6	End Users	Relevant needs	<ul style="list-style-type: none"> • Reduce risk of carrying cash • Increases access and affordability of payment, remittance, and other financial services

Sources: [10]

When the mobile payment system applied, there are some obstacles within the ecosystem related how this system is operating and how the interaction of players. Those are:

- users, user adoption and experience, mainly related to security, privacy, trust, fraud and risk perception. It also includes psychological inhibitions caused by the technology and new services.
- business models, business model problems arising from, restrictions and complexity,
- including obstacles to adoption and the need for an ecosystem with multiple operators and
- relations, this category also includes the remuneration and commissions of agents paid to
- re-sellers, the problem may be either the large or small amount of commission paid.
- suppliers, lack of infrastructure and service coverage (availability and capillarity); the need for new skills on the part of the agents; competition with traditional (formal and informal) service providers; and lack of banking expertise.
- price/cost, on the user side, the constraint may be the cost and price of devices and services; on the supplier side, the problem is the financial sustainability of the initiatives. This category also includes the difficulties of remaining price competitive for low-value transactions
- regulation, the need for public regulation, especially to enable innovative business models in highly regulated environments. Other restrictions and obstacles were also identified, such as conservatism (opportunities for new services, different from traditional banking services); economic constraints; and a specific market context [12].

An issue has been developed by [13] that mobile payment system could assist to reduce the poverty rate in Africa especially in Kenya and Tanzania. That ability obtained through five potential mechanisms for short, medium or long term effect of economic development, how much cost to apply this device, market agents' behaviour, price dispersion and networking of mobile phone's providers. Those are integrated to generate a complicated pathway for how mobile payment system works. To ensure integrity for payer, payee and payment system, there are major rules of thumb in designing any payment system. Those include that (i) nothing happens without authorization, and (ii) nothing happens without generating sufficient pieces of evidence. Mobile payment in mobile

money shape is the most cost-effective way to extend the reach of formal financial services, but its potential to achieve financial inclusion is to be realized. The lack of a genuinely enabling policy and regulatory framework is hindering progress in many markets. There are a number of additional problems preventing the expansion of mobile money. Firstly, low levels of financial literacy (or literacy in general). Secondly, there are commercial issues such as appropriately established distribution networks. In addition, improving the design of mobile money products as well as developing the essential technology interface needed to meet customer requirements (e.g. services available in local languages) are also considered as obstacles. From a commercial perspective, mobile money is an emerging sector and it is understandable that, at such an early stage, there are commercial issues that providers are still trying to address.

Reference [8] claims that using of mobile payment is successful due to considerable cheaper than an alternative to cash. At low transaction amount or for informal money transfer, particularly in low-income people in developing countries. Lower costs directly translate into money the poor can keep in Kenya, for example, using M-PESA compared with traditional forms of remittances. Reference [8] also states that adoption of mobile payment emerges some issues in operating. Firstly, it is about the technological issue that covers how far mobile devices technology developed through the birth of smartphone, and biometrics. Secondly, the changing role of agent network. This changing is because the mobile payment providers realise that important agents in their business model, four interlinked problems have emerged: profitability, proximity, liquidity and trust. The agent model is founded on the exchange of cash through a franchise model, so the agent's profitability is essential for success.

B. Conceptualizing Financial Inclusion

As we know, there are 2.5 billion people globally without formal banking accounts in which most in developing countries [14]. Low levels of financial inclusion represent a barrier to socio-economic development in developing countries. That is why, according to World Bank, mobile payments more

popular in developing rather than in developed ones. Adoption of mobile money or mobile payments is currently lower in more developed countries, where more people have bank accounts and the mobile phones are evolving as just another channel for payments for other purposes. In emerging countries, however, mobile money or mobile payments are being used strategically to enable people without bank accounts to conduct financial transactions. Therefore, emerging of increased unbanked people to do financial transactions in developing countries is more surprised.

Financial Inclusion (FI) is a condition in which all people have access to the financial system, not only to banks but also other financial institutions. These institutions are encouraged to increase the distribution scope of banking services to rural areas [6]. FI is more attractive to people in Africa where covering banking sector to the poor is low. The main objectives of financial inclusion are in general to serve the poor better life especially in terms of financial access. All part of the society has same chance to access financial inclusion for both bank and other financial institution to get opportunity improving their standard of living and stimulating social economic activities. The poor to be excluded from such service due to unavailability banking services; inappropriate conditions attached financial products, and self-exclusion i.e. cultural, religious, psychological barriers and mistrust [15]. Financial sector development has contributed to improving the growth process but financial services are clustered around major urban areas. There are, however, current evolutions which can foster or at least transform the situation of financial inclusion in Africa with the emergence of mobile banking and the rising economic growth in many of these countries [16]-[17].

Research finding supports the view that policies favouring financial inclusion should target certain groups of the population like women and young people. The finding also suggests mobile banking is driven by the same determinants than traditional banking in Africa. There is consequently no different pattern to explain the use of this alternative form of banking. Second, we show that barriers to financial inclusion differ with individual characteristics African countries have low financial

inclusion in comparison with the rest of the world. As financial inclusion can contribute to alleviate poverty and boost economic growth, understanding the determinants of financial inclusion in Africa is a major issue. In this paper, we investigate this question for a large sample of individuals from 37 African countries [15], [18]-[19].

Reference [15] claim that the main factors that determine FI more advanced in Africa education rate of rural people, the formal income of women, and informal credit that is easy to be accessed. Other determinants are strong motivation to save some portions of women formal income to be consumed in the future. That could enhance the capacity of the individual to improve the standard of living. Informal finance is not able to substitute formal finance in all aspect of FI in Africa. Reference [17] state African countries thank the growing mobile phone financial which is changing rapidly the way of poor people to take some benefits for accessing the financial service. Mobile phones are able to bridge the gap by enabling poor rural people to save conveniently from the comfort of their homes or the vicinity of their business sites, solving both the problems of distance and transaction costs that have hindered traditional financial services providers in the past from tapping the resources of these market segments. Use of mobile phones financial services should, therefore, be encouraged and enhanced throughout the continent.

According reference [16], globally, FI is a major policy concern for governments across the world. The lack of access to a large percentage of working age adults to the formal financial sector is a genuine global policy concern. However, other than the aspect of providing access, FI includes issues such as helping people manage their resources in a better way and building financial capabilities.

C. Evolution of Mobile Payments

The payment system has evolved from the physical of note and coins to writing checks, to transferring payment cards details over the phone or the internet. From the physical to non-physical shape of financial transaction, this evolution has involved tangible tokens of value to an exchange of information between parties in which the main goal

in the long term is to integrate all legacy payments and to provide an alternative that uses the different channels in a homogenous way [20]. There are some factors drive the evolution of mobile payment. The factors are natural adoption progression; convenience factors; social use factors; and advanced technology.

How the evolution process in payment method history by person to person is started [21]. It began in in ancient Egypt where first paper used for purchasing goods instead of barter. In ancient times, transaction whether by consumers to consumers or consumers to business were individual face to face facilitated by bartering physical goods. Later paper money was introduced as the payment method. Cash has withstood the test of time and today remains the number one person to person instrument. In the first century before Christ (BC), the first cheque is used by Romans. Although cheques have been around for millennia, they have been used for 100 years for person to person transaction, even it predominantly used for most of the 20th century by the wealthy people for the financial transaction and achieved in a peak in usage in 1990's. In 1914, first charge card was introduced by the Western Union. It was only since 1950's, payment cards have been considered and acceptable payment tool.

Then in 1918, first electronic movement of money via telegraph was used for transaction tool. Digitisation increased the size and speed of money flow of each transaction. Growth in online commerce has been a driver of online payment innovation and subsequently person to person money transfers. Paypal has led the online person to person innovation. Online person to person portals has given people the freedom to send money anytime anywhere without the need to go to a physical branch. The last one in 1997, when first mobile payment offered via short message service (SMS) in Finland in vending machines. The Early innovation of in mobile has come from developing nations where the majority of the population is unbanked. Companies like M-Pesa have facilitated person to person movement of money via stored value credit. Mobile networking operators (MNO), banks, and technology companies have been

investing heavily mobile payment to expect mobile payment development in the coming years [21].

Another approach to identifying how the evolution of mobile payment advanced toward into the 21st century is a chronological method. It was started when David Chaum created digital cash in 1983 [22]. Briefly, the evolution of mobile payment could be lined into timeline evolution.

- 1983: David Chaum, an American cryptographer, starts work on creating digital cash
- 1994: Although this is disputed, some believe that the first online purchase, a pepperoni and mushroom pizza from Pizza Hut, occurs in this year
- 1998: PayPal is founded.
- 1999: Ericsson and Telnor Mobil, mobile phones could be used to purchase movie tickets.
- 2003: 95 million cell phone users worldwide made a purchase via their mobile device.
- 2007: Both the iPhone and the Droid operating system are released.
- 2008: Bitcoin is invented.
- 2011: Google Wallet is released.
- 2014: Apple Pay is launched, followed a year later by Android and Samsung Pay
- 2020: ninety percent of smartphone users will have made a mobile payment. It is estimated that by 2017, there will be \$60 billion in mobile payment sales.

Reference [23] states that the growth of smartphone users are unavoidable and development of mobile payments are driven an increased level of adoption technology among consumers. Those could influence installation of mobile ecosystem examining the mobile payment landscape through key drivers. The key drivers assessed including broad smartphone adoption, developed financial infrastructure, and consumer interest in payment innovation. Consumers try enthusiastically digital wallets and other new technologies, even though some limitations limit the development of adoption mobile technology. Barriers evaluated include the preference for cash, security concerns, and consumer behaviour [24].

D. The Missions of Mobile Payment on Acceleration of Financial Inclusion

Adoption of mobile technology to assist the development of financial services provided through digital mobility technologies have multiple configurations, goals, and characteristics. Depending on the combination of agents, technologies and objectives, they may have banking features, which are known as mobile banking. They have transaction payment features, which are recognized as mobile payments. Finally, they may also replicate the concept of money with digital features, which is then called mobile money [25]. Empirical studies about FI remain vital, especially in developing countries like Nigeria, where little research studies have been conducted since the introduction of the Cashless economy policy. Review of the relevant literature reveals lack of comprehensive empirical research regarding the relationship between the cashless economy policy and financial inclusion in Nigeria. In this study, results showed that awareness, consumer/user value proposition, and infrastructure were found to have a strong significant relationship with FI, while business model of financial service providers did not show any significant relationship with FI [26].

Furthermore, government, as a regulator, provide all things to support information and computer technology (ICT) infrastructure and make a cooperation with cellular operators which make possible mobile phone customers can access to financial products and services. The transactions consist of business to business (B2B), person to person (P2P), business to personal (B2P), and personal to business (P2B). The services offered such as money transfers, payment of bills, government to person payments, P2P transactions, B2B transactions, B2P transactions and conversely, banking services, purchasing airtime, check balances, pay electricity bills, pay for goods and services, pay school fees, view statements, receive the salary, etc.

Cooperation is the important key performance indicator that ensures the implementation process to be successful. The synergy between stakeholders is needed such as a central bank, government institutions, public sector, microfinance, cooperatives, Customs tradition, Communities, ICT provider and society/business, and other agents. Accelerating of FI needs pillars:

society/community-private sectors, NGOs, public leaders/public sectors, information technology, microfinance and finance literacy which related to some steps namely; approach and process, main mechanisms of instruments and implementation [27]. However, there some fears of consumers related to issues of using mobile payments. The issues include security aspects, trusted providers, convenience and friendly user matters of the tool of payment [28]. The poor people who are living in rural areas are going to be covered by this payment system when those issues alongside the development of mobile networking operators' infrastructure and government regulation are solved.

II. CONCLUSION

Mobile Payment is technology breakthrough to uncover people in the isolated regions taking benefits of financial services. Mobile payment ecosystem instruments have to be harmonised to adopt mobile technology generating networking among those parts of the mobile ecosystem. The evolution of mobile payment could describe how fast system payments are changed over time. ICT technology has developed rapidly to contribute the development and transformation of payment systems particularly in developing nations both in Africa and Asia to accelerate financial inclusion (FI).

Given the absence of previous research to provide a comprehensive analysis of mobile payment and financial inclusion, this framework forms a basis for undertaking subsequent empirical research that provides cultural and social aspects in this research in the future. The next researcher should consider rapid development of ICT technology as a catalyst to speed up mobile payment system penetrating into poor people who are uncovering banking services.

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Paternalistic Leadership as a Reflection of Collectivism Culture

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Abstract— This research tries to complete transformational leadership and transactional leadership that is still controversial in some organizations. Therefore, paternalistic leadership becomes a model of leadership that is able to mediate the difference. In addition, to prove whether paternalistic leadership is still considered relevant in Indonesian environment to resolve different personalities. Paternalistic leadership consists of three leadership styles: authoritarian leadership, benevolent leadership, and moral leadership. The population in this study were all of the police officer at the Police Academy which amounted to 534 police officer. Samples taken using purposive judgment sampling method amounted to 179 police officer. Analytical techniques using AMOS 20.00 program. The result of research shows that collectivism culture has a positive influence on paternalistic leadership, collectivism culture can enhance paternalistic leadership. Paternalistic leadership has a positive influence on police officer engagement, paternalistic leadership can increase police officer engagement. Police officer engagement positively influence on police officer performance, police officer engagement can improve police officer performance. However, paternalistic leadership has no effect on police officer performance directly. Paternalistic leadership can enhance police officer performance through police officer engagement.

Keywords— Collectivism Culture, Paternalistic Leadership, Police Officer Engagement, Police Officer Performance

I. INTRODUCTION

Indonesia has a high culture of collectivism. The largest ethnic group in Indonesia is Javanese. *Bapakism* in Javanese culture is rooted in paternalism and high levels of power and authority. Indonesians are still influenced by their concern for the idea of *bapakism* that does not allow them to behave aggressively. This is similar to authoritarian leadership in Chinese culture. *Andhap ashor* shows the attitude of always respecting father figure such as teacher, manager, or boss. Subordinates recognize the rank of the boss. This is similar to moral leadership in Chinese culture. To be

respected by others, Javanese must show outward behavior (such as dressing and finishing) and inner behavior (such as how to communicate and *nrimo* at work). This is similar to the benevolent leadership of Chinese culture. Based on this explanation, Javanese culture can adopt Chinese leadership style [8], [21]. This study explains paternalistic leadership as a reflection of collectivism culture. Paternalistic leadership can enhance employee engagement because paternalistic leadership has an attitude that encourages self-reliance.

The police academy is an educational institution to produce police officers. The history of the Police Academy has undergone various organizational and domicile changes until finally settling in Semarang. Based on Presidential Skep. 253/1959, the Police of the Republic of Indonesia changed to the Indonesian Police Force, thus the State Police School in Sukabumi which was a sponsorship of the Police Inspector School in Bukit Tinggi and Jogjakarta turned into the School of Police Force. Based on Kapolri No. Skep / 389 / IV / 1999, Police Academy declared separately from AKMIL, AAL, AAU. The purpose of the establishment of Police Academy is to be able to carry out police tasks with a noble personality and a strong mental, capable of performing police duties in maintaining security and public order as well as enforce the law, and able to carry out police duties in organizing and controlling public security disturbances. To achieve this, the Police Academy requires leaders who can protect, uphold justice, become leaders in solving

problems, and become smart intellectually and emotionally.

When management practices are perceived as weak due to incorrect leadership, action is needed to impede the culture of KKN [5], [22], the frustration of colonialism [41], the loss of empathy towards others [4], and acceptance of a western context that is only on the surface [7]. To impede misleading management practices, it is necessary to apply appropriate leadership to the organization.

This research continues the previous research [23] which still requires similar research (police) in other countries then modified by research [22] which is considered relevant in Indonesia (paternalistic leadership) to solve research [39] on leadership behaviors that can be used to handle different personalities. Based on the Hofstede cultural framework, Javanese cultural characteristics were added to emphasize differences in Western leadership styles with Indonesia that were assumed to have no significant differences or were not reflected in organizational rules [21], [29]. When organizations use appropriate leadership styles then performance can be achieved [35], [42].

This research has a purpose to expand the theory so that the organization does not equate the understanding with the western cultural [12], [16]. Using the Chinese leadership style, we generalize the research question as follows:

RQ1 = In the context of Indonesia, how is the management of paternalistic leadership based on collectivism culture?

II. LITERATURE REVIEW

A. Theoretical Foundation

Leadership studies introduced in the 19th century have become increasingly controversial in the 20th century to the present. Transformational leadership is more dominant than transactional leadership. The presence of charismatic leadership derived from transformational leadership to break transactional leadership. Transformational leadership as a leadership model that is conceptualized and perfected in the context of western culture. If Indonesia wants to implement transformational leadership, it is necessary to combine it with other arrangements [7]. Transformational leadership is

believed to be able to bridge the relationship of others [18]. However, transformational leadership has not been able to cultivate coaching and mentoring in subordinates [11] and transformational leadership have weak practices in taking a smoother approach to understanding the organization resulting in discomfort [2], [40].

Using the Weberian concept, charismatic leadership is still difficult to conclude concretely and has limited phenomena, so the dark side of charisma tries to divert managerial behavior such as consideration, duty, and participation with the assumption that charismatic leaders are hard to replace. Charisma is something that is not eternal in the organization and unpredictable [3], [10], [20]. Charismatic leaders will not exist unless the community is in a chaotic situation. Charismatic leaders tend to be sensitive to subordinate emotions, so to achieve the desired goals sometimes act unfounded on the deal and even against the norm. An inconsistent charismatic leader raises the negative side of emphasizing self-service rather than group, selfish, even deceiving to control followers [27].

Negative side that can still arise with charismatic leadership, led us to adopt the paternalistic leadership commonly applied to Chinese culture. Paternalistic leadership is a consist of three leadership styles such as authoritarian leadership (the Indonesian term *Bapakism*), benevolent leadership (Indonesian term *Tepo Seliro*), moral leadership (Indonesian term *Andhap Ashor*) [8], [12]. Paternalistic leadership is the relationship of a leader with a subordinate who professionally resembles a parent by giving an example of moral action including when giving punishment [30], [34].

Paternalistic leadership is a solution to a leadership style that can be exposed to different personalities [39]. Such as authoritarian leadership consists of authoritative (focus on independence) and authority (charismatic). Benevolent leadership consists of task-oriented leadership and people-oriented leadership. Moral leadership consists of leaders who are incorruption, impartial, and magnanimity. In addition, paternalistic leadership is preferred over than transformational leadership [9].

B. Management of Paternalistic Leadership as a Reflection of Collectivism Culture

Leaders as moderator variables will succeed when they can recognize and understand cultural differences to avoid counterproductive and combine both dimensions of task and human relationships [13], [23]. Organizational culture and leadership style can complement the conceptual model of research [17].

This study was inspired by previous studies a few measurements of collectivism culture to distinguish the individualism culture [26], [28]. The reason is that the heterogeneity of organizational cultures [1] requires leaders who can play an effective role for all employees [25]. In addition, we find that it is possible that collectivist culture does not use transformational leadership. Examples found in Japan prefer transactional leadership [14].

Cultural heterogeneity can be controlled and managed, and this process is not relatively easy as it requires understanding. This is where the leader's role as a cultural architect in which leaders can keep subordinates obediently to the advice and recommendations of leaders, but on the other hand when there is no moral behavior, leadership can be derived performance [32].

To link culture with leadership, this study summarizes the cultural understanding of Hofstede (Collectivism), Trompenars (Family), and GLOBE (Institutional Collectivism, collectivism in groups). Leaders must be able to control the current culture as well as have a strong influence on the future of the organization. A leader will be a role model for subordinates when leaders use symbols as the main artefacts of organizational culture, empathetic, responsible, and award-winning [31]. Leaders need attention to how they remain in power both in task and human relationships [19].

Furthermore, leadership can affect police officer engagement. At the Police Academy, the term employee is called a police officer. The leadership role in employee engagement is still little done [6]. In addition, to examine employment engagement, previous researchers need to provide three leadership behaviors [33]. Employee engagement is a vast construction that touches almost all aspects of human resource management, so it's important to

handle it appropriately. Successful leaders will be able to grow employee engagement to support performance [24].

III. RESEARCH METHOD

In determining the sample of a selected population, we reveal how and why the sample relates to the study, identifies the sample technique, uses techniques appropriate for the study, gives an assessment of the sample and gives a conclusion [15]. The study was conducted at the Police Academy. The research population is 534. Sampling method is purposive sampling using Priority Scale List (DSP) data for 249 participants. Questionnaire survey was conducted. Seven questionnaire questions were discarded because the participants gave only partial responses. Total participants who responded 179 participants.

The instrument used in this research as follows:

1. Collectivism Culture[37]

- a. The relationship of superiors with subordinates that indicate the extent to which the boss as an example and the extent to which a formal relationship.
- b. The relationship between individuals and groups that indicate the extent to which individuals have a shame culture and the extent to which individuals hide their feelings and emotions.
- c. Decision making that indicates the extent to which individuals prioritize agreement and the extent to which individuals prioritize mutual interests.
- d. Communication that indicates the extent to which individuals avoid the word "no" and the extent to which individuals use the greeting that determines the status.
- e. A management system showing the extent to which management is undertaken by the group and the extent to which individual initiatives are given to the group.

2. Paternalistic Leadership[21]

- a. An authoritarian leadership that shows how far the leader represents authoritarianism and authority.
- b. Benevolent leadership showing the extent to which leaders use task-oriented considerations and the extent to which leaders use people-oriented judgments.
- c. Moral leadership showing the extent to which leaders are generous and the extent to which leaders are incorruption.

3. Police Officer Engagement[36]

- a. Job engagement indicating the extent to which the work situation is considered important by the police officer, the extent to which police officer participate actively in the work, and the extent of self-concept in accordance with job performance.
- b. Organizational engagement that shows how far police officer are engaged in what happens to the organization.

4. Police Officer Performance

- a. Quality of work
- b. Quantity of work
- c. On time
- d. Independence of work
- e. Work effectiveness

IV. DISCUSSION

A. Instruments Analysis

The results of the validity test show each of the indicators used to measure collectivism culture, paternalistic leadership, police officer engagement, police officer performance is valid with Cronbach alpha above 0,5. Reliability test results show all indicators of collectivism culture, paternalistic leadership, police officer engagement, police officer performance is consistent with Cronbach alpha above 0.7.

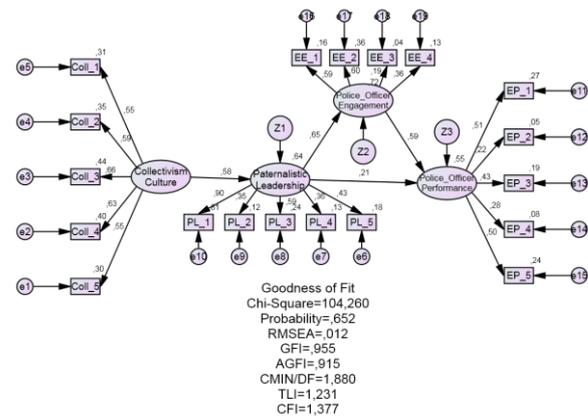


Figure 1: The full structural equation model (SEM)

Based on the result of confirmatory factor analysis, Chi - Square value 104,260 with probability 0,652; GFI parameter value = 0.955; RMSEA = 0.012; AGFI = 0.915; CMIN / DF = 1,880; TLI = 1,231; CFI = 1.377 so the model is acceptable.

Hypothesis 1: Culture Collectivism has a positive influence on paternalistic leadership.

The result of statistical test on hypothesis 1 shows the value of collectivism cultural with paternalistic leadership is 0.58 > 0.5 that means H1 is accepted.

Hypothesis 2: Paternalistic leadership has a positive influence on police officer engagement.

The result of statistical test on hypothesis 2 shows the value of paternalistic leadership with police officer engagement is 0.65 > 0.5 that means H2 is accepted.

Hypothesis 3: Police Officer Engagement has a positive influence on police officer performance.

The result of statistical test on hypothesis 3 shows the value of police officer engagement with police officer performance is 0.59 > 0.5 that means H3 accepted.

Hypothesis 4: Paternalistic leadership has a positive influence on police officer performance.

The result of statistical test on hypothesis 4 shows the value of paternalistic leadership with police officer performance is 0,21 < 0,5 means H4 is rejected.

V. CONCLUSION

Based on the analysis result, the research can be concluded. First, the results of hypothesis 1 testing show that collectivism culture has a positive

influence on paternalistic leadership is proven, the better the collectivism culture the better the paternalistic leadership. Second, the results of hypothesis 2 testing show that paternalistic leadership has a positive influence on police officer engagement is proven, the better the paternalistic leadership the better the police officer engagement. Third, the result of hypothesis testing 3 shows that police officer engagement has a positive influence on police officer performance is proven, the better the police officer engagement the better the police officer performance. Fourth, the results of hypothesis 4 testing show that paternalistic leadership on the police officer performance is not proven.

VI. CONTRIBUTION OF RESEARCH

Referring to the above research problem is "How is the management of paternalistic leadership based on collectivism culture?" The finding of this research that paternalistic leadership can be managed based on collectivism culture [12]. Cultural collectivism positively affects paternalistic leadership. This research has completed previous studies that require police research in other countries [38]. Finally, this research can complete research [39] which requires leadership for different personalities. Although paternalistic leadership has not been found to improve police officer performance directly. Paternalistic leadership can enhance police officer performance through police officer engagement.

VII. LIMITATIONS OF THE STUDY

The limitations of this study are studies that rely on perceptual data, so the facts may differ from individual perceptions. The cultural environment of police academy to some extent tend to *authorian* rather than paternalistic. It is closely related to the objective of the academy that is to educate police officers who have high discipline.

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Foreign Banks Lending During The Crisis: Do Profitability and Liquidity Matter?

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Abstract— The purpose of this study is to assess the impact of the global economic crisis in 2008-2009 on loan growth in foreign banks in Indonesia. Using Indonesian banking industry data, I constructed a panel of 1,372 bank-year observations for 98 banks in Indonesia, which includes 20 bank-year observations for foreign-owned banks. The analysis of data in this research used data panel regression method. The results show that the loan growth of foreign bank is stable during crisis because those foreign banks in Indonesia serve as more ‘crisis-mitigating impact’ for their respective parent bank. In addition, profitability and liquidity are found to weaken the effect of crisis on the loan growth, as more foreign banks being more cautious in lending during the crisis.

Keywords— component; Foreign Bank, Credit Growth, Crisis, Liquidity and Profitability

I. INTRODUCTION

The global economic crisis that occurred in 2008 and 2009 has affected the banking industry in Indonesia [1]. Based on Banking Supervision Report Year 2009, there are two important things that happen to the banking industry, especially in relation to credit growth. Firstly, credit growth slows due to the decrease of foreign currency credit. Foreign currency loans experienced negative growth of -17.4 percent. This condition happened due to the appreciation of the rupiah against the US dollar and the decline in export and import activities. Second, the growth of consumption credit and working capital has decreased. Credit growth, especially for consumption activity, has experienced the lowest point in the last 3 years. The same thing also happened in the growth of working capital credit which decreased from growth during the previous two years reached 28 percent to 2.7 percent [2].

The impact of the crisis became the object of many studies, especially those related to economics. Based on the studies conducted by [3], [4], [5], [6], [7], the global economic crisis is found negatively affected the loan growth. The finding indicates that the global economic crisis has influenced the growth of bank loan. Consequently, banks behavior is more

likely to lower its lending and that has caused the decrease of loan growth. The study conducted by [8] found the impact of the crisis on the Economic of East Asia region, during East Asia financial crisis in 1997 and the global financial crisis of 2008. There was a difference between the two crises, in which the 1997 East Asia financial crisis provided knowledge for each country to be better prepared when the 2008 global financial crisis hit, compared with crisis in 1997.

The effect of banks high profitability weakens the impact of global economic crisis on loan growth. This indicates that the behavior of banks is more likely to improve the lending. [7] suggests that the interaction of profitability with the crisis on loan growth is positive and statistically significant. As a result, increasing the profitability will weaken the impact of the crisis on bank lending. High profitability of banks during the crisis has enable banks to maintain its asset quality and earnings, as well as increasing the amount of lending. In contrast, a research by [9] argued that profitability expressed a negative sign. The study does not mean that the high profitability able to reduce the impact of the crisis on bank lending, so banks tend to decrease lending.

Several studies involving liquidity as their variable indicated that the higher the liquidity of the bank, the weaker the impact of the global economic crisis on the growth of loan. Based on [14] the need to increase the resilience of banks to liquidity risk due to the composition of the bank sourced from short-term funding sources of funding via the market is that it limits banks' ability to supply new loans during crisis. As a research conducted by [9], liquidity showed a positive effect in connection with loan crisis. This fact shows that the bank's liquidity increased during the pre-crisis. As a consequence, when the crisis hit, banks have already owned a high

supply of funds and they do not need to worry about the impact of the crisis generated, which in turn have a positive impact that will weaken the impact of the global economic crisis. This finding than become references for banks tendencies to increase its lending. However, the finding of the study is different with [4] which in contrast explained that liquidity has shown negative effect on its connection with the loan crisis. This opposing result proposed that high liquidity owned by banks are not able to reduce the impact of the global crisis on bank lending, which consequently affects the banks to more likely to lower its lending, which is in line with the declining ability of banks to meet short-term obligations.

The purpose of this study is to assess the impact of the global economic crisis in 2008-2009 on the behavior of loan in foreign banks in Indonesia. Specifically, this study focused on two main points: this study examined the foreign and joint venture banks in Indonesia. The second one, this study examined the condition of banks during crisis through the observation of interaction between profitability and liquidity variables to see how profitability and liquidity reduce the impact of global economic crisis on bank lending.

II. LITERATURE REVIEW

A. Crisis and Growth Credit

The impact of the crisis on credit growth is expected to be negative. A study by [4] suggested that the global economic crisis has significant negative effect on loan growth. This situation means that the global economic crisis has impact on the growth of bank loan. As a result of this, the behavior is more likely for banks to lower its lending so loan growth will also decrease. However, other research showed in line results as conducted by [3], [5], [6], [7] that revealed the global economic crisis has significant negative effect on loan growth, which indicates that during the crisis, banks lower their lending.

B. Profitability, Crisis and Credit Growth

Banks profitability can be measured by the ratio of return on assets. [10], [3], [5], [7], [11] describe that profitability showed positive signs. The condition indicates that during high profitability, bank is more likely to improve loan growth, which

cause the increasing percentage of returns that will be received by the bank. Some previous studies show that high bank profitability has an impact on weakening the effect of global economic crisis on loan growth. The study by [12] explains that profitability showed a negative sign for the relations with the global economic crisis lending. The study means that high profitability of bank is able to weaken the impact of the crisis on the loan behavior, so that banks tend to increase lending which would also increase the loan growth. However, different results were found in the study by [7] which claimed that the profitability showed positive signs on the relationship with loan growth during crisis. The study indicates that the increased profitability of the bank is not able to reduce the impact of the crisis on loan growth.

C. Liquidity, Crisis and Credit Growth

Banks that have higher level of liquidity will tend to increase lending. Based on previous studies, the higher the liquidity the weaker the impact of global economic crisis on loan growth. According to [4], liquidity shows a negative result on the relationship of crisis with loan growth. This finding suggests that when bank's liquidity has increased during the pre-crisis, the banks already have sufficient capital funds during crisis. Consequently, they do not need to be worried about the impact of the crisis, which would also weaken the impact of the global economic crisis on the bank concerned. It becomes a reference for bank to remain increasing its lending. But a study by [9] explained that the liquidity showed a positive and significant effect on the relationship with the loan during the crisis. This result indicates that the high liquidity owned by banks are not able to reduce the impact of global crisis on bank lending, so banks are more likely to decrease lending

III. METHOD

This study adapts the model conducted by [4], [9], [7], which examined the impact of economic crisis on loan growth. I also encounter with the crisis of liquidity and profitability. The studies also used controlled variables: deposits, size, interest rate and GDP [4], [9], [5], [7]. This study specifically examined the impact of the crisis on foreign and the joint venture banks during 2003-2012 that operationally exist with the following model:

$$GLOAN_{i,t} = \alpha + \beta_k CRISIS_t + \beta_k CRISIS \times FOREIGN_{i,t} + \beta_k CRISIS \times FOREIGN \times PROF_{i,t} + \beta_k CRISIS \times FOREIGN \times LIQ_{i,t} + \beta_k \sum Bank Specific_{i,t} + \beta_k \sum Macroeconomic_{i,t} + \epsilon_{i,t} \quad (1)$$

where the dependent variable is the CREDIT GROWTH of bank bank i in year t. CRISIS which takes the value of 1 for the years 2008-2010 and zero otherwise. CRISIS*FOREIGN is interaction of foreign with the crisis to capture the impact of foreign bank. While CRISIS*FOREIGN*PROF and CRISIS*FOREIGN*LIQ are interaction of foreign with the crisis, profitability and liquidity to capture the impact profitability and liquidity of foreign bank during crisis on lending behavior. In this model, I also include bank-specific control variables: prfotability, liquidity, capital and the size of company (SIZE). Profitability is a ratio of return to total asset; Liquidity is measured by Loan to Deposit Ratio. I use the ratio of equity to assets (EA) to proxy the capital variable. Size is measured by lognatura total asset. The variables of capital and size are expected to be positive. It means that the variables may push banks to be expansive on credit growth. During crisis, [chow] find that banks have a higher deposit base and stronger capitalization that will have a positive effect on credit growth. Reference [5], [16] found a significant positive effect on lending behavior bank. I also include macroeconomic variables interest rate, Gross Domestic Product (GDP) growth and inflation. Signs of economic

crisis can also be seen from the decline in GDP of a country. For GDP variable, [6], [15], [16], [17], found a significant positive effect that is the increasing of GDP led to the increase of lending. Interest rate is measured by average working capital loan interest rates. Studies by [5], [6] found that interest rate towards credit lending is positive. Inflation is masured by annual inflation in Indonesia.

Using Indonesian banking industry data, I constructed a panel of 1,372 bank-year observations for 98 banks in Indonesia. The sample includes 20 bank-year observations for foreign-owned banks. The analysis of data in this research used data panel regression method. Selection of data panel regression model was tested with chow test and Hausman test. As a result, PLS models, Fixed Effect or Random Effect [13].

IV. RESULT AND DISCUSSION

Table 1 provides basic descriptive statistics for all variabel. Overall the mean values of all variables are smaller than the standard deviation except variables GLOAN and PROF. The data show that the mean and the standard deviation value for GLOAN are 29.64074 and 72.91578 respectively. The maximum and minimum values of PROF is 57 and -152.990, respectively, and the standar deviation is 5.016803.

TABLE 1.
DESCRIPTIVE STATISTICS OF VARIABLES

Variabel	Mean	Median	Maximum	Minimum	Std. Dev.	Observations
GLOAN	29.64074	20.74654	1131.652	-97.4643	72.91578	1372
CRISIS	0.142857	0.000000	1.000000	0.000000	0.350055	1372
PROF	2.349168	2.330000	57.00000	-152.990	5.016803	1372
LIQ	84.90365	81.14000	620.2500	1.000000	48.72273	1372
EA	0.143682	0.115890	2.999623	-0.03702	0.131852	1372
SIZE	15.36089	15.27654	20.55603	9.875242	1.853797	1372
GDP	15.99936	14.05350	25.25501	9.227886	5.499438	1372
INF	14.97574	14.87920	20.49003	5.060000	1.915489	1372
INTR	13.85474	13.20500	18.25000	11.65750	1.808715	1372

Table 2. presents information on the degree of correlation between the independent variables used in multivariate regression analysis. Matrix shows

that in general the correlation between the explanatory variables is not strong multicollinearity problems occur.

TABLE 2.
CORRELATION MATRIX FOR THE EXPLANATORY VARIABLES

	CRISIS	ROA	LIQ	EA	SIZE	GDP	INF	INTR
CRISIS	1.000000							
PROF	0.008611	1.000000						

TABLE 2, CONT.

LIQ	0.003010	0.009023	1.000000					
SOL	0.087223	0.029051	0.200448	1.000000				
SIZE	-0.005812	0.038437	0.057979	-0.324116	1.000000			
GDP	0.242932	0.054733	-0.135589	0.013800	-0.188657	1.000000		
INF	-0.061832	0.023244	-0.085094	-0.030669	-0.153451	0.543748	1.000000	
INTR	0.135534	0.067204	-0.211830	-0.048819	-0.285645	0.661523	0.519435	1.000000

The estimation of the crisis impact on growth loan of foreign banks in Indonesia in 2003-2012 is using data panel regression. The analysis results to determine the best model for this study, was done

with chow test and Hausman test, and as it can be seen that the proper regression model are PLS models, Fixed Effect or Random Effect.

 TABLE 3.
ESTIMATIONS RESULTS OF PANEL REGRESSION

Explanatory Variables	(1)			(2)		
	Pooled OLS	Fixed Effects	Random Effects	Pooled OLS	Fixed Effects	Random Effects
Constant	30.70763***	30.70763***	30.70763***	102.2634***	101.9375***	102.8027***
CRISIS	-8.996137	-7.998542	-8.642591	-9.769500	-9.248616	-9.365776
CRISIS*FOREIGN	98.18632***	77.29695***	90.74539***	107.8490***	81.21248***	101.1102***
CRISIS*FOREIGN*LIQ	-0.439739***	-0.351197***	-0.408231***	-0.537090***	-0.358322***	-0.502233***
CRISIS*FOREIGN*PROF	-12.32779***	-10.47428*	-11.66418***	-11.50322***	-9.134181***	-10.94947***
LIQ.				0.071960*	0.237304***	0.100331**
PROF.				-0.818603	-0.430206	-0.744728
EQ				-0.263077	-44.00209**	-9.880336
SIZE				-3.570799***	-4.504421***	-3.738680***
INTR				-2.957395*	-2.560661	-2.907133*
GDP				0.763711	0.848127*	0.781480
INF				1.070874	0.939091	1.046918
R-squared	0.010468	0.119711	0.009307	0.027006	0.136889	0.024956
Adjusted R-squared	0.007572	0.049704	0.006409	0.019131	0.063025	0.017064
F-statistic	3.615118	1.709988	3.210719	3.429133	1.853258	3.162093
Prob(F-statistic)	0.006135	0.000031	0.012337	0.000101	0.000001	0.000304
Durbin Watson	1.638905	1.841377	1.712170	1.654806	1.842963	1.705954
Chow test statistic		0.0002			0.0001	
Hausman test statistic			0.7003			1.0000
Number of obs	1372	1372	1372	1372	1372	1372

The impact of the crisis on the loan behavior of foreign bank in Indonesia is presented in Table 3. Results showed the crisis has a positive sign and significant to the loan behavior of foreign banks in Indonesia. These results are in contrast to studies by [3], [5], [6], [7], which states that the global economic crisis has significant negative effect on loan growth. This means that the global financial crisis in 2008-2009 has impacted foreign banks, whereas banks behavior is to increase distributed credit because those foreign banks in Indonesia serve as more 'crisis-mitigating impact' for their respective parent bank.

The existence of a significant positive sign indicates that during the crisis, foreign banks actually increase the loan. This indicates that loan

growth is stable during the crisis because of the foreign banks' parent bank is experiencing economic contraction characterized by a decrease in loan portfolio in the home country, so that loan from parent banks channeled to the foreign banks in host country. These results are consistent with research by [5], [6], which showed that during the crisis, foreign banks increase the lending for foreign banks in host country. This suggests that subsidiaries have a crisis-mitigating impact on host economies, especially when the source of the shock emanates from the strains in the financial conditions of global parent banks.

During crisis, particularly in foreign banks, profitability and liquidity weaken the crisis influence on the loan behavior. Foreign banks during crisis

reduces the amount of outstanding loans in the event of an increase in profitability and liquidity. This shows more foreign banks cautiousness in lending during the crisis, thus increasing profitability and liquidity are not direct response by foreign banks to increase lending. These results differ from previous studies by [7], [9] that explains liquidity and profitability has positive and significant impact on the relationship with loan growth during crisis.

For the control variables, size variable showed a significant positive sign, which means an increase in total asset of banks will increase lending. This is because loan comes from deposits collected by the bank. This study is consistent with findings [6], and [16] that deposit and size variable have significant positive effect on lending behavior bank.

The interest rate variable also showed a significant negative sign. It means that interest rate did not have any effect on bank behavior in decreasing the amount of credit. This result is different with previous studies by [5], [6], and [7]. This condition happened because bank behavior experienced high interest rate to get significant profit margin. Therefore, even though Bank Indonesia has decreased BI rate, the decrease was not followed by the decrease in credit rate interest. And that is why, banks in Indonesia has the highest Net Interest Margin in Southeast Asian. Bank will increase its credit distribution to get above average profit even though BI rate is decreasing. GDP variable is positive but not significant to the behavior of loan.

V. CONCLUSION

Based on the analysis on the growth loan of foreign banks in Indonesia, it can be concluded as follows: first, the loan growth of foreign banks is stable during the crisis because those foreign banks in Indonesia serve as more 'crisis-mitigating impact' for their respective parent bank. Second, during the crisis, especially on foreign banks, profitability and liquidity weaken the influence of the crisis on the loan behavior, as more foreign banks being more cautious in lending during the crisis. For further research, there needs to be more specifications on the loan variables, for example, consumer loans, working capital or investment.

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Assessing Factors Influencing the Purchase Decision of Cosmetics among Middle Class Female Muslims

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Abstract— Indonesia witnessed significant demographic and economic change over the past few decades. The share of women participating in formal employment continues to increase with improvement in women's access to formal education. These and other changes have influenced consumption patterns. This study investigates the effect of price, Halal labelling and product suitability to different skin types on decisions to purchase cosmetics among formally employed middle class women using female Muslim academicians as a case study. Primary data were gathered through questionnaires. Cronbach's Alpha was run to assess the reliability and validity of the study instrument. Findings show that price has no significant effect on purchasing decisions while Halal labelling and product suitability were found to significantly influence purchasing decisions.

Keywords— Middle Class Female Muslim, Halal Cosmetics, Purchasing Decision.

I. INTRODUCTION

Islam is a complete way of life in which principles and orders are clearly defined for every Muslim to follow. Halal (sanctioned by Islamic Law) is one of the principles to be ensured in the consumption, usage, or application of products. As much as guidelines for permitted food to ensure purity, cosmetics that are applied to the body for cleansing and beautifying or modifying the body should be used without harming the body and made from acceptable material. For Muslims, it is essential to ensure that cosmetic products are sharia-compliant since purity is compulsory in performing daily prayers.

The rise in awareness about Halal product has increased the demand for Halal products in today's market. The purpose of this study is to investigate the real effect of price, Halal labelling and product suitability to different skin types on purchasing decision of cosmetics among middle class female Muslims. Additionally, attempts were made to identify which of the analyzed variables affects the most.

It is interesting to analyze factors affecting consumer behavior in purchasing Halal cosmetics. The results of this research can be used to enhance the ideas, thoughts and better understanding of the influencing factors towards purchasing decision of Halal cosmetics among middle class female Muslims. With high level of education, the respondents would be more rational and caring about the importance of purchasing Halal products.

The remainder of this paper comprises of the following 3 sections: the next section addresses literature review, data collection, treatment and analysis and is followed by a section that presents and discusses findings from the study. The paper ends with a concluding section.

II. LITERATURE REVIEW

One essential factor that has been considered in many exchange relationships is price, which is the financial value that is given out in exchange for a product. Price determines what amount a buyer is willing to pay in return for the product. Price satisfaction has become an important factor which influences buyer in deciding the purchase of a cosmetic product. [1] Price satisfaction has significant influence to purchase decision. [2]

Apart from price factor, improving awareness levels about Halal products has increased their demand. Attitude towards Halal products will positively influence intention to choose Halal products. [3] Studies show that awareness and usage of Halal labelled food, cosmetics and personal care products has been increasing significantly [4][5]. Abd Aziz and Wahab, have identified knowledge, purity and safety as significant factors influencing the consumers to buy Halal cosmetics. [6]. The content or the ingredient of the cosmetic product is the most important factor

that may influence them to consume the cosmetic product. [7] Consumers identify Halal products through explicit Halal labels or logos on the package. [8] Thus, Halal certified brands of cosmetics positively influence the purchase decision [9].

It is important to analyze factors affecting consumer behavior in purchasing Halal cosmetics. There is a significant relationship between knowledge and religiosity on attitude towards Halal products [4] [10] Knowledge drives attitude of individuals to make better choices in life.[11] Improvement in knowledge about Halal products generates higher demand resulting in a growing Halal cosmetics sector and growth in revenue for producers, all other things remaining the same. Improving access to education and increase in the share of women attaining higher levels of education also contribute to the demand of safe and quality of Halal cosmetic products [12] This is in line with the finding that socio-cultural factors like behavior and believe determine the purchase decision of cosmetics products. [13]

In purchasing cosmetics, a rational buyer will consider the suitability of the product to her skin types. If a product fulfils the buyer’s expectations, she will be pleased and consider that the product is of acceptable or even high quality. If the expectations are not fulfilled, the customer will consider that the product is of low quality and discontinue the using. Product suitability of cosmetics comprises of texture, results and pleasant experience with the cosmetics.

This study examines the behavior of female Muslim academics in purchasing cosmetics. Academics were selected for the case study as a proxy of educated middle class consumers consistent with improving literacy level and consumption patterns in the country. We assumed that as an academician with high level of education, the respondents would be more rational and caring about the importance of purchasing Halal products. This study takes price, Halal labelling and product suitability to skin types as important exogenous variables (among others) that influence the decision to purchase cosmetics, the endogenous variable. Path diagram describing the effect of exogenous

variables (X1, X2, X3) to endogenous variable (Y) is presented on the diagram 1.

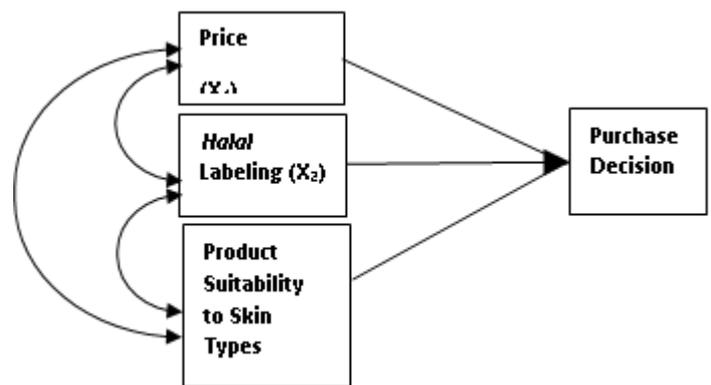


Diagram 1. Path Diagram

III. METHOD AND DATA

A. Method

Survey method was used in this study whereas primary data was collected directly. In obtaining the effect of price, Halal labelling and product suitability to skin types on the purchase decision, Path analysis method was run. Path analysis aimed to explain the real direct and indirect effect of variables as the exogenous variable and endogenous one. SPSS 16.0 was used to analyze the data.

B. Data

This study used quantitative approach based on primary data gathered through questionnaires from 53 female Muslim academicians from 7 faculties of Siliwangi University. Proportionate stratified random sampling and the Slovin formula were used in drawing respondents and determining sample size respectively. Table 1 presents an overview of sample characteristics. The questionnaire was pilot tested to ensure acceptability with respondents and efficiency in collecting data.

According to the respondents’ profiles, the study found the majority (52.83%) were above 35-year age group, 92.45% of the respondents were married, and earning a monthly income of IDR 5,000,000 to 30,000,000 (52,83%). As much as 66.04 % admitted that they used Wardah Cosmetics, 18.87 % used Viva Cosmetics, and 15.09 % used other brands like Sariayu, Revlon, La Tulipe, Zoya and Mustika Ratu.

TABLE 1.
SAMPLE CHARACTERISTICS

CHARACTERISTICS	CATEGORY	F	%
FACULTY	Faculty of Education	13	24.53%
	Faculty of Economics	13	24.53%
	Faculty of Health Sciences	10	18.87%
	Faculty of Agriculture	7	13.21%
	Faculty of Engineering	6	11.32%
	Faculty of Social and Political Sciences	2	3.77%
	Faculty of Islamic Studies	2	3.77%
	Total	53	100 %
AGE DISTRIBUTION	> 35 years old	28	52.83%
	30 - 35 years old	14	26.42%
	24 - 29 years old	11	20.75%
	Total	53	100 %
MARITAL STATUS	Married	49	92.45%
	Unmarried	4	7.55%
	Total	53	100%
RESPONDENTS EXPENDITURE	IDR.5,000,000 – IDR. 30,000,000	28	52.83%
	IDR.1,000,000 – IDR. 5,000,000	23	43.39%
	< IDR. 1,000,000	1	1.89%
	> IDR. 30,000,000	1	1.89%
	Total	53	100 %
COSMETIC BRANDS	Wardah	35	66.04 %
	Viva	10	18.87 %
	Others	8	15.09 %
	Total	53	100%

IV. VALIDITY AND RELIABILITY ANALYSIS

Prior to analyzing the data, the instrument was tested to ensure validity and reliability of test items. The validity and reliability testing results of all instrument for price (X1), Halal labelling (X2) and product suitability (X3) and purchasing decision (Y) with the standard of error, $\alpha = 0.05$. Cronbach's Alpha was used for validity and reliability tests. Cronbach's alpha assesses the consistency of an instrument's components and subcomponents. The reliability and validity testing of the instrument was done using SPSS with significance level (α) and sample size (n) of 0.05 and 53 respectively. Table 2 shows that the Corrected Item-Total Correlation for 8 items was less than the computed Cronbach's threshold value (0,297) and were excluded from the study. Table 3 shows retest results that confirm the validity of the remaining items that were subsequently used for the study.

TABLE 2.
VALIDITY AND RELIABILITY TESTS

Instrument Variable	Cronbach's Alpha	Corrected Item-Total Correlation	Conclusion
Price	0,558		Reliable
H1		0.445	Valid
H2		0.423	Valid
H3		0.483	Valid
H4		0.274	invalid
H5		0.090	invalid
Halal Labeling	0,754		Reliable
LH1		0.264	invalid
LH2		0.509	Valid
LH3		0.291	Valid
LH4		0.620	Valid
LH5		0.451	Valid
LH6		0.528	Valid
LH7		0.508	Valid
LH8		0.393	Valid
LH9		0.509	Valid
Prod. Suitability	0,848		Reliable
KePro1		0.618	Valid
KePro2		0.695	Valid
KePro3		0.753	Valid
KePro4		0.702	Valid
Purchase Decision	0,385		Reliable
KP1		0.031	invalid
KP2		0.289	Valid
KP3		0.316	Valid
KP4		0.334	Valid
KP5		0.448	Valid
KP6		0.477	Valid
KP7		0.385	Valid
KP8		-0.407	invalid
KP9		0.150	invalid
KP10		0.440	Valid
KP11		-0.153	invalid
KP12		-0.009	invalid

The reliability and validity testing were conducted through Cronbach's Alpha with the criteria that item greater than or equal as r table as the reliable condition; correlation coefficient is between indicator value greater than or equal to r table as the validity condition. In this study, $\alpha = 0.05$ and $n = 53$, thus r table is valued 0.297. The reliability and validity testing of the instrument used SPSS package version 16.0. Based on table 2, it is stated that all Cronbach's Alpha valued greater than or equal to 0.297. All of the variables have fulfilled reliability criteria. The validity testing shows that some of the Corrected Item-Total Correlation is greater than or equal to 0.297. Item H4, H5, LH1, KP1, KP8, KP9, KP11, and KP12 do not fulfil the validity criteria, as the consequence, those 8 instruments were excluded from the analysis. The following table 3 shows the results of validity and reliability retesting whereas items H4, H5, LH1, KP1, KP8, KP9, KP11, and KP12 were excluded.

TABLE 3.
VALIDITY AND RELIABILITY TEST RESULTS AFTER EXLUSION

Variable instruments	Cronbach Alpha	Corrected Item-Total Correlation	Conclusion
Price	0,723		Reliable
H1		0.532	Valid
H2		0.637	Valid
H3		0.583	Valid
Halal Label	0,759		Reliable
LH2		0.546	Valid
LH4		0.569	Valid
LH5		0.388	Valid
LH6		0.550	Valid
LH7		0.478	Valid
LH8		0.416	Valid
LH9		0.563	Valid
Prod. Suitability	0,848		Reliable
KePro1		0.618	Valid
KePro2		0.695	Valid
KePro3		0.753	Valid
KePro4		0.702	Valid

TABLE 3. CONT

Purchase Decision	0,729		Reliable
KP2		0.511	Valid
KP3		0.544	Valid
KP4		0.401	Valid
KP5		0.521	Valid
KP6		0.537	Valid
KP7		0.478	Valid
KP10		0.322	Valid

Based on table 3, all of the Cronbach's Alpha values are greater than or equal to 0.297 and the values of Corrected Item-Total Correlation are greater than or equal to 0.297, therefore, it can be concluded that all items of the research instrument are reliable and valid. Accordingly, instruments of variable Price (X1), Halal Labelling (X2), Product Suitability to Skin Types (X3), and Purchase Decision (Y) can be used for the next step of analysis.

V. RESULTS AND DISCUSSION

A. Responses on Price

To digest and analyze the respondent's answers regarding price, Halal labelling, product suitability to skin types and purchase decision on cosmetics used, the result of primary data will be discussed in this section. Respondents answers were obtained from the calculation of the interval score level for each price, Halal labelling, product suitability to skin types and purchase decision indicators. The calculation of the value for each indicator is as follow:

$$\text{Highest score} : 53 \times 5 = 265$$

$$\text{Lowest score} : 53 \times 1 = 53$$

$$\text{Items of statement criteria} = 5$$

$$\text{Interval score level} = \frac{\text{highest score} - \text{lowest score}}{\text{items of statement criteria}}$$

$$= \frac{265 - 53}{5} = 42.4$$

Thus, classification of the interval score level for each indicator of price, Halal labelling and product suitability to skin types and purchase decision is presented on table 4:

TABLE 4.
INTERVAL SCORE LEVEL

Score	Interval Score Level
53-95.35	Very Bad
95.4-137.75	Bad
137.8-180.15	Good Enough
180.2-222.55	Good
222.6-265	Very Good

Based on table 4, the indicator criteria of variable X1 (price) is shown on table 5:

TABLE 5.
INDICATOR CRITERIA OF PRICE

No.	Indicator	Targetted Score	Achieve Score	Criteria
1	Association of price to financial capability	53 X 5 = 265	234	Very Good
2	Preference to purchase the cosmetics lower price	53 X 5 = 265	159	Good Enough
3	Preference to purchase when there is discount	53 X 5 = 265	183	good
4	Preference to purchase cosmetics with flexible way of payment	53 X 5 = 265	238	Very good
5	Affordability to <i>Halal</i> labelled cosmetics	53 X 5 = 265	234	Very good
Total			1048	

Highest score of price : $53 \times 5 \times 5 = 1325$

Lowest score of price : $53 \times 1 \times 5 = 265$

Items of statement criteria : 5

Interval score level = $\frac{1325 - 265}{5} = 212$

Thus, rating classification for price is shown on table 6.

TABLE 6.
RATING CLASSIFICATION FOR PRICE IN TOTAL

Score	Interval Score Level
265-476	Very Bad
477-688	Bad
689-900	Good Enough
901-1112	Good
1113-1325	Very Good

The value obtained from analysis on respondents answer of price is as much as 1048 which represents criteria of good. This reveals that all

indicators of price of the cosmetics used are in good classification. It can be inferred that female Muslim academicians in Siliwangi University purchase the cosmetics in accordance with their financial capability, the flexible way of payment and affordability to Halal labelled cosmetics. Lower prices and discount offered do not induce the purchasing.

B. Responses on Halal Label

Based on table 4, the indicator criteria of variable X2 (Halal labelling) is shown on table 7:

TABLE 7.

INDICATOR CRITERIA OF HALAL LABELING

No.	Indicator	Targetted Score	Achieved score	Criteria
1	Understanding the label of "Halal" in general	53 X 5 = 265	257	Very Good
2	The appearance of the label "Halal" on cosmetics products	53 X 5 = 265	195	Good
3	The writing "Halal" of the label is readable	53 X 5 = 265	251	Very Good
4	The "Halal" label helps in identifying the <i>Halal</i> quality of the cosmetics product	53 X 5 = 265	242	Very Good
5	The combination of the image illustration and the writing on the label is "Halal" label which is approved by BPPOM MUI	53 X 5 = 265	241	Very Good
6	The existence of <i>Halal</i> Label on the product becomes significant consideration in the purchase decision	53 X 5 = 265	222	Good
7	"Halal" label on the packaging makes it easy in having information about the <i>Halal</i> status of the cosmetics product.	53 X 5 = 265	244	Very Good
8	The confidence that the "Halal" label is irremovable	53 X 5 = 265	225	Very Good
9	Due to its irremovable, the "Halal" label on the packaging stimulates the buyer to purchase the product.	53 X 5 = 265	228	Very Good
Total			2105	

Highest score of Halal labelling: $53 \times 5 \times 9 = 2385$
 Lowest score of Halal labelling: $53 \times 1 \times 9 = 477$
 Items of statement criteria: 5
 Interval score level = $\frac{2385 - 477}{5} = 381.6$

Thus, rating classification of Halal labelling is shown on table 8.

TABLE 8.
RATING CLASSIFICATION OF HALAL LABELING

Score	Interval Score Level
477-858.55	Very Bad
858.6-1240.15	Bad
1240.2-1621.75	Good Enough
1621.8-2003.35	Good
2003.4-2385	Very Good

The value obtained from analysis on respondents answer of “Halal” labelling is as much as 2105 which represents criteria of very good. This reveals that all indicators of “Halal” Labelling of the cosmetics used are in very good classification. It can be inferred that female Muslim academicians in Siliwangi University observe and understand the meaning of “Halal” label on cosmetic product purchased. Besides, the respondents are confident that the label is irremovable.

C. Responses on Product Suitability to Skin Types

Based on table 4, the indicator criteria of variable X3 (Product Suitability to Skin Types) is shown on table 9:

TABLE 9.
INDICATOR CRITERIA OF PRODUCT SUITABILITY TO SKIN TYPES

No.	Indicator	Targetted Score	Achieved Score	Criteria
1	The texture of the cosmetic products give delicate/pleasant feeling while used	$53 \times 5 = 265$	234	Very Good
2	The result of cosmetics present as the promise.	$53 \times 5 = 265$	214	Good
3	Having pleasant experience while using the cosmetic products.	$53 \times 5 = 265$	216	Good
4	Cosmetics used are suitable with skin types.	$53 \times 5 = 265$	224	Very Good
	Total		888	

Highest score of Product Suitability to Skin Types: $53 \times 5 \times 4 = 1060$
 Lowest score of Product Suitability to Skin Types: $53 \times 1 \times 4 = 212$

Items of statement criteria: 5

Interval score level = $\frac{1060 - 212}{5} = 169.6$

Thus, rating classification of Product Suitability to Skin Types is shown on table 10.

TABLE 10.

RATING CLASSIFICATION OF PRODUCT SUITABILITY TO SKIN TYPES

Score	Interval Score Level
212-381.55	Very Bad
381.6-551.15	Bad
551.2-720.75	Good Enough
720.8-890.35	Good
890.4-1060	Very Good

The value obtained from analysis on respondents answer of product suitability to skin types is as much as 888 which represents criteria of good. This reveals that all indicators of product suitability to skin types of the cosmetics used are in good classification. It can be inferred that the texture of cosmetic products used is suitable with skin types of female Muslim academicians in Siliwangi University, thus they experience comfortable feeling when using the cosmetic products.

D. Responses on Purchase Decision

Based on table 4, the indicator criteria of variable Y (Purchase Decision) is shown on tabel 11.

TABLE 11.

INDICATOR CRITERIA OF PURCHASE DECISION

No.	Indicator	Targetted Score	Achieved Score	Criteria
1	Purchasing the cosmetic products based on personal needs.	$53 \times 5 = 265$	240	Very good
2	Seeking for information of the products prior to deciding the purchase.	$53 \times 5 = 265$	205	Good

TABLE 11. CONT.

3	Persuade others to buy certain cosmetics.	53 X 5 = 265	155	Good Enough
4	Purchase cosmetic products of various brands.	53 X 5 = 265	142	Good Enough
5	Satisfaction on purchased cosmetics with specific brand.	53 X 5 = 265	226	Very good
6	Comparing similar typed cosmetics of various brands.	53 X 5 = 265	155	Good Enough
7	Availability of preferred cosmetics brand in any shops	53 X 5 = 265	231	Very good
8	Purchasing cosmetics only in particular shop	53 X 5 = 265	163	Good enough
9	Purchasing cosmetics on regular basis	53 X 5 = 265	215	Good
10	Purchasing cosmetics repeatedly	53 X 5 = 265	222	Good
11	Purchasing cosmetics in limited amount	53 X 5 = 265	209	Good
12	Purchasing cosmetics in relatively great amount especially for stock/inventory.	53 X 5 = 265	104	Bad
	Total		2267	

Highest score of purchase decision : $53 \times 5 \times 12 = 3180$

Lowest score of purchase decision: $53 \times 1 \times 12 = 636$

Items of statement criteria : 5

$$\text{Interval score level} = \frac{3180 - 636}{5} = 508.8$$

Thus, rating classification of purchase decision is shown on table 12.

 TABLE 12.
RATING CLASSIFICATION OF PURCHASE DECISION

Score	Interval Score Level
636-1144.75	Very Bad
1144.8-1653.55	Bad
1653.6-2162.35	Good Enough
2162.4-2671.15	Good
2671.2-3180	Very Good

The value obtained from analysis on respondents answer of purchase decision is as much as 2267 which represents criteria of good. This reveals that all indicators of purchase decision of the cosmetics used are in good classification. It can be inferred that female Muslim academicians in Siliwangi University purchase the cosmetic products on the basis of personal needs whereas the products are available in many shops, the respondent feel satisfied with the products used. Nevertheless, the respondents only buy in limited amount.

E. The Effect of Price, Halal Label, and Product Suitability to Skin Types on Purchase Decision of Cosmetic Products Used.

The discussion of the result of this study analyzes three exogenous variables. To discover the magnitude of the effect of Price (X1), Halal Labeling (X2), Product Suitability to Skin Types (X3) on Purchase Decision (Y), hypotheses testing is required. Path analysis methodology was used to construct the study's research model. Based on existing evidence, a hypothesis on the effect of price, Halal labeling and product suitability on purchasing decisions of cosmetics among female Muslim academicians was tested.

$$Y = -0,081X_1 + 0,406X_2 + 0,307X_3, R^2 = 0,417 \quad (1)$$

First step is to test the hypotheses in general:

$H_0 : R_{Y(X_1, X_2, X_3)} = 0$; there is no significant effect of overall price, *Halal* labeling and product suitability to skin types all together on purchase decision.

$H_1 : R_{Y(X_1, X_2, X_3)} \neq 0$; there is a significant effect of overall price, *Halal* labeling and product suitability to skin types all together on purchase decision

The formula used to test the hypotheses is F test formula :

$$F = \frac{(n - k - 1)R_{X_u(X_1 X_2 \dots X_k)}^2}{k(1 - R_{X_u(X_1 X_2 \dots X_k)}^2)} \quad (2)$$

The above F Test formula following distribution table *F-Snedecor* with the degree of freedom k dan $n - k - 1$. Testing criteria is rejecting the null hypothesis H_0 if $F_{\text{statistic}} > F_{\text{table}} (\alpha ; k ; n - k - 1)$.

The value of F Statistic for the first structural equation is as follow:

$$F = \frac{(53 - 3 - 1)(0,417)}{3(1 - 0,417)} = 11,683$$

Referring to F distribution, thus $F_{\text{table}}(0,05 ; 3 ; 53) = 2,78$. Since $F_{\text{statistics}} > F_{\text{table}}$, hence H_0 is rejected. Price, *Halal* Labeling, and Product Suitability to Skin Types all together has effect on the purchase decision, therefore the partial test is run.

T-test is then used for partial analysis of each sub-variables with the formula as follow:

$$t = \frac{P_{X_u X_i}}{\sqrt{\frac{(1 - R_{X_u(X_1 X_2 \dots X_k)}^2) C_{ii}}{(n - k - 1)}}} ; u \text{ and } i = 1, 2, \dots, k \quad (3)$$

Statistical test above following distribution of T with the degree of freedom = $n-k-1$ and testing criteria = reject null hypothesis H_0 if $F_{\text{statistic}} > F_{\text{table}} (\alpha ; k ; n - k - 1)$. By using statistical program SPSS 16.0, the path coefficient with the testings is presented on table 13:

TABLE 13.
PARTIAL TESTING OF PRICE, HALAL LABELING, AND PRODUCT SUITABILITY TO SKIN TYPES ON PURCHASE DECISION

Variabl e	Path Coefficie nt	t- statistic	t- table	Conclusion
PYX ₁	-0.081	-0.687	2.00	H ₀ accepted, there is no real effect
PYX ₂	0.406	3.084	2.00	H ₀ rejected, there is real effect
PYX ₃	0.307	2.203	2.00	H ₀ rejected, there is real effect

Source: data collection and analysis

By using T distribution table, $t_{(0,05/2;53)} = 2,00$. Based on the computation on table 13, it is clear that not all Tstatistics $>$ Ttable, this means that price does not indicate the real effect on purchase decision, Halal labeling and product suitability to

skin types indicate the real effect on purchase decision.

F. Hypothesis testing of Halal Labelling and Product Suitability to Skin Types on Purchase Decision.

After *trimming* and analyzing, the structural equation was formed as follow:

$$Y = 0,389X_2 + 0,342X_3, R^2 = 0,411 \quad (4)$$

First, the hypothesis was tested in overall:

$H_0 : R_{Y(X_2 X_3)} = 0$; there is no significant effect of overall *Halal* label and product suitability to skin types all together on purchase decision

$H_1 : R_{Y(X_2 X_3)} \neq 0$; there is a significant effect of overall *Halal* label and product suitability to skin types all together on purchase decision

The formula used to test the hypotheses is F test formula:

$$F = \frac{(n - k - 1)R_{X_u(X_1 X_2 \dots X_k)}^2}{k(1 - R_{X_u(X_1 X_2 \dots X_k)}^2)} \quad (5)$$

The above F Test following distribution table *F-Snedecor* with the degree of freedom k and $n - k - 1$. Testing criteria is rejecting the null hypothesis H_0 if $F_{\text{statistic}} > F_{\text{table}} (\alpha ; k ; n - k - 1)$.

The value of F statistic for the first structural equation is:

$$F = \frac{(53 - 2 - 1)(0,411)}{2(1 - 0,411)} = 17,445 \quad (6)$$

By using F distribution table, $F_{\text{table}}(0,05 ; 2 ; 53) = 3,17$. Since $F_{\text{statistics}} > F_{\text{table}}$, hence H_0 is rejected. Overall variables of *Halal* Labeling and Product suitability to skin types have real effect on purchase decision, thus partial testing can be continued.

T-test used for partial analysis of sub-variable with the formula as follow:

$$t = \frac{P_{X_u X_i}}{\sqrt{\frac{(1 - R_{X_u(X_1 X_2 \dots X_k)}^2) C_{ii}}{(n - k - 1)}}} ; u \text{ and } i = 1, 2, \dots, k \quad (7)$$

Statistical test above following distribution of T with the degree of freedom = $n-k-1$ and testing criteria = reject null hypothesis H_0 if $t_{\text{statistic}} > t_{\text{table}} (\alpha ; n-k-1)$.

The following is the testing of path coefficient.

TABLE 14.
PARTIAL TESTING THE EFFECT OF HALAL LABELING AND PRODUCT SUITABILITY TO SKIN TYPES ON PURCHASE DECISION

Variable	Path Coefficient	t-statistic	t-table	Conclusion
PYX ₂	0,389	3,024	2,00	H ₀ rejected, there is real effect
PYX ₃	0,342	2,661	2,00	H ₀ rejected, there is real effect

Source: data collection and analysis

By using T distribution table, $t_{(0,05/2;53)} = 2,00$. Based on the computation on table 14, it is clear that all $t_{\text{statistic}} > t_{\text{table}}$. This means that variable *Halal* labeling and Product suitability to skin types indicate the real effect on purchase decision. With the formula $\epsilon_2 = 1 - R^2 = 1 - 0,411 = 0,589$, meaning that the effect of other variables outside the model on purchase decision is 0,589.

Out of 3 analyzed variables price, *Halal* labeling, and product suitability to skin types, the finding reveals only *Halal* labeling (X₂) and product suitability to skin types (X₃), indicate the real effect on purchase decision (Y) of cosmetics products among female Muslim academicians.

G. Significance Testing of Correlation Coefficient between variable *Halal* Labelling and Product Suitability to Skin Types.

The hypothesis is as follow:

$H_0 : \rho_{x_i x_j} = 0$; there is no real effect

$H_1 : \rho_{x_i x_j} \neq 0$; there is real effect

T test used to examine the significance of coefficient correlation with the formula:

$$t = r \sqrt{\frac{n-2}{1-r^2}} \tag{8}$$

Statistical test above following distribution of T with the degree of freedom = n – k – 1 and testing criteria = reject null hypothesis H_0 if $t_{\text{statistic}} > t_{\text{table}}$ (α ; n-k-1).

Furthermore, the result significant testing of correlation coefficient on *Halal* Labeling (X₂) and Product Suitability on Skin Types (X₃), is as follow:

TABLE 15.

TESTING CAUSAL RELATIONSHIP BETWEEN EXOGENOUS VARIABLES

Variable	Correlation Coefficient	t-statistic	t-table	Conclusion
r x ₂ x ₃	0,537	4,55	1,98	H ₀ rejected, there is real correlation

Source: data collection and analysis

Referring to the T distribution table $t_{(0,05/2;53)} = 2,00$, and t statistic on the table 15 is greater than t-table. Thus, it can be concluded that there is real correlation between *Halal* labeling (X₂) and product suitability to skin types (X₃).

H. Contribution of Variables *Halal* Labelling and Product Suitability to Skin Types on Purchase Decision.

The following formulae used in computing the magnitude of real and direct effect, indirect effect and the effect of total exogenous variables on endogenous variable partially:

- The magnitude of direct effect of exogenous variables on endogenous variable = $P_{x_u x_i} \times P_{x_i x_j}$
- The magnitude of indirect effect of exogenous variables on endogenous variable = $P_{x_u x_i} \times r_{x_i x_j} \times P_{x_u x_j}$
- The magnitude of all of exogenous variables on endogenous variable is the sum of the magnitude of direct and indirect effect = $[P_{x_u x_i} \times P_{x_i x_j}] + [P_{x_u x_i} \times r_{x_i x_j} \times P_{x_u x_j}]$

I. Contribution of *Halal* Label and Product Suitability to Skin Types on Purchase Decision

Based on the previous calculations, it is revealed that the contribution of *Halal* labeling to purchase decision through Product suitability to skin types is valued 7,14%. This means that *Halal* label has greater direct effect on purchase decision as compared to joined with product suitability to skin types. In total, the contribution of *Halal* Label on purchase decision reached 22,27%.

TABEL16.
DIRECT AND INDIRECT EFFECT OF HALAL LABELING (X₂) ON PURCHASE DECISION (Y)

Path Analysis Interpretation	Effect	%
Direct effect to Y	0.1513	15.13%
Indirect effect through X ₃ to Y	0.0714	7.14%
Total		22.27%

The contribution of Product Suitability to Skin Types on purchase decision is presented on the table 17 below:

TABLE 17.
DIRECT AND INDIRECT EFFECT OF PRODUCT SUITABILITY TO SKIN TYPES (X_3) ON PURCHASE DECISION (Y)

Path Analysis Interpretation	Effect	%
Direct effect to Y	0.117	11.7%
Indirect effect through X_2 to Y	0.0714	7.14%
Total		18.84%

From table 17, it is revealed that direct contribution of Product Suitability to Skin Types to purchase decision is valued 11.7%, and the contribution of Product Suitability to Skin Types on Purchase Decision through *Halal* labeling is valued 7.14%. This means that Product Suitability to Skin Types has greater direct effect on purchase decision as compared to joined with *Halal* labeling. In total, the contribution of Product Suitability to Skin Types on purchase decision reached 18.84%.

Based on table 18, *Halal* Labeling and Product Suitability to Skin Types give positif contribution on purchase decision whereas *Halal* labeling give greatest contribution.

TABLE 18.
TOTAL EFFECT OF *HALAL* LABEL AND PRODUCT SUITABILITY TO SKIN TYPES ON PURCHASE DECISION

Variable	Effect (%)
<i>Halal</i> Labeling (X_2)	22,27%
Product Suitability to Skin Types (X_3)	18,84%

VI. CONCLUSION AND EXPECTED FINDING IMPLICATIONS

All other things remaining the same, price is a major determinant of demand. However, factors such as religious considerations and necessity tend to dilute the effect of price on purchasing decisions as the case in the present study. There are a couple plausible explanations on the observed limited influence of price. Firstly, price is viewed relative to income. As disposable income increases with occupation, prices of some products and services appear relatively lower. Similarly, the influence of price diminishes when products are consumed for their necessity. Grooming is an important aspect of most formal middle class occupations as academia. Furthermore, the low influence of price on consumption decisions could be attributed to

aspirational consumption. As circumstances and living standards improve, consumers tend to seek to satiate their wants formed during prior periods.

This case study also revealed that educated middle class female Muslims in Indonesia attach a higher value on religious acceptability. Religious appropriateness of products ranks higher than price in the purchasing decision matrix. Stated otherwise, consumers are willing to purchase appropriate products at seemingly higher prices. The demand for appropriate products could be attributed to awareness, either arising from access to formal education or as a result of religious campaigns. Similarly, consumers also seek products that are suitable for their respective skin types and as a result place lesser significance on price.

Findings from this study ought to be interpreted within some limitations. The study was based on a small sample, did not cover all regions of Indonesia and was limited to female Muslim academics. Notwithstanding these limitations, findings from the study are insightful and have implications for the cosmetics industry in Indonesia and countries with similar socio-demographic attributes. Improving access to formal education and the subsequent increase in female participation in formal employment improves their need and social standing that influence their consumption patterns. Producers also need to ensure that their products are acceptable in societies they operate in and are appropriately labeled and adhere to religious standards. Finally, it is critical for cosmetics producers to invest in research and development. This would ensure the production of acceptable, suitable and effective cosmetics.

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Female Labour Force Participation and Economic Development in Southeast Asia

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Abstract— The magnitude of women's role in the economy becomes a serious concern of the government in the era of the ASEAN Economic Community (MEA). This study focuses on Female Labor Force Participation and Economic Development in Southeast Asia. Using panel data period 1993-2013, this study aims to prove the U-shaped Female Labor Force Participation and Economic Development. The results prove that there is a U-shaped relationship between Female Labor Force Participation and Economic Development in Southeast Asia.

Keywords—component; Female Labour Force Participation, Economic Development and Southeast Asia

I. INTRODUCTION

In 2014, International Labor Organization (ILO) reported that in some developing countries, women still face obstacles in entering the labor market. Overall, the labor force participation rate of women reached 50.3 percent, which means that half of all working age women are working or looking for work [1]. Based on this situation, we need a positive perspective for improving the role of women. The goal is to accelerate economic growth and job opportunities that can help counteract the impact of demographic shifts and unproductive populations. Thus, a strong policy framework is needed to integrate women in the economy and reduce barriers for women to be productive.

Indeed, unknowingly, women contribute greatly to economic well-being through unpaid work, child care and household chores, which are often fixed, invisible, and yet found in Gross Domestic Product (GDP). Women's ability to participate in the labor market is limited by higher allocations over time to unpaid work. On average, women spend twice as much time on housework than men and four times more for children. This condition provides free space for male household members to participate in the formal labor force. In developing countries including Association of Southeast Asian Nations

(ASEAN), women spend about 2 ½ hours more than men on unpaid work (including nursing jobs) every day, regardless of the employment status of their husbands [2].

In the case of Indonesia, ahead of the ASEAN Economic Community (MEA) in 2015, the government declared the level of productivity and labor education in Indonesia is still very low compared to Singapore, Malaysia, Thailand and the Philippines. This condition can illustrate the readiness of Indonesian workers in ASEAN. Therefore, the Indonesian government will increase labor productivity by increasing the participation of women in employment. For 20 years, the participation rate of Indonesian women is not much moving only 50.3% meaning that every 100 women aged 15 years and over there are about 50 people who have the potential to enter the world of work. While Thailand 45.4%, Philippines 41.8%. The contribution of women was more in the sector with low added value. Yet according to the Indonesian Chamber of Commerce and Industry (Kadin), Indonesia estimates the number of workers in ASEAN will reach about 320 million in 2015. It is estimated that the increase in employment occurs in the Philippines and Cambodia, whose economic conditions are still weak. While Thailand, Singapore, Malaysia and Brunei are expected to experience labor shortages after 2015. This is because their economies are growing faster than the increase in population. As a result, with the existence of the economic community of ASEAN (AEC), it will open the business and employment opportunities for workers in Indonesia.

This study aims to examine the impact of changes in economic structure on Female Labor Force Participation in the ASEAN Region for 21

years from 1993 to 2013. The participation rate of female labor force follows a "U" shaped pattern. The first phase of employment development in the traditional sector will decrease faster than the increase in employment in the modern sector thereby reducing employment and increasing unemployment, especially among women. But at the same time the process of development also increases the family's income, thereby reducing the economic pressures that previously forced women to work. Both of these things cause women to tend to get out of economically active and cause the labor force participation rate of women to decline.

Increased economic activity will increase women's chances of having easier and better access to employment so as to encourage women to become economically active to increase women's participation in productive activities. However, the rise of female labor force participation in ASEAN region still faces various obstacles such as cultural factors, religion, family responsibilities and government policies though the government has provided various spaces for women in increasing their participation in the world of work through the improvement of education for women. This is because the participation rate of the female labor force can be an indicator of the extent to which the success of the government in providing space for the participation of gender equality and employment opportunities for women especially education and employment in the formal sector

II. LITERATURE REVIEW

Female labor force participation is influenced by various factors such as economic, social and cultural. Economic factors became one of the factors that many researchers studied in particular related to changes in the economic structure of a country. [3] and [4] which provide theoretical direction to the role of female labor force participation in economic development. The long-term relationship between the female labor force participation rate and economic development shows the U-shape. The findings of the previous studies that are U-shape relationship with economic development [4], [5], [6], [7], [8] [9], [10] and [11].

Changes in the economic structure occurring in the development process affect the female labor force participation that follows the U-shaped

pattern. U shape means that female labor force participation in early development will decrease due to the effect of industrialization. Although it will again increase in the relative amount of the service sector of the type of work that is administrative. This is because during industrialization, an increase in family income that lowers economic levels causes women to work. However, when the development reaches peak condition, what happens is the opposite of the woman is pushed to re-enter the work force due to the increase of education, wages and the desire to enjoy the results of development. Increased economic activity will expand women's opportunities to have easier and better access to jobs. As a result women become economically active and increase female labor force participation.

This research also involves control variables such as Urban Population, Unemployment and Fertility. Urban areas open up opportunities for greater employment opportunities compared to rural areas. The higher the proportion of people living in urban areas, the higher the female labor force participation. This is because an increase in economic growth will increase the availability of employment so that it will attract high levels of labor force participation including women. Results of previous studies [6], [11] [12] [13] and [14], found significant negative effects urban population on female labor force participation. While the study [15] showed a significant positive effect on female labor force participation.

The impact of unemployment on female labor force participation is negative. This means that the increasing number of unemployed job opportunities decreased so that the participation rate of female labor force will increase. So the increase in unemployment has a tendency to lower the possibility of women entering the labor market. Results [6], [11] and [16] found that unemployment had a significant negative effect on the participation rate of the female labor force.

The relationship between fertility rates as measured by the number of children born by women is negative to the female labor force participation rate. If the number of women giving birth increases, it will decrease the female labor force participation rate due to the limited time for women to access the labor market and participate in improving family

welfare. Results of the study [12], [7], [17], [11], [15] and [18] fertility had significant negative female labor force participation. While [14] found a different thing that is significant positive.

III. METHOD

The analysis of the relationship of female labor force participation and economic development is based on the research by [4] and [11] which is then formed in a model as follows:

$$FLPR_{i,t} = \beta_1 + \beta_2 LGDP_{all\ i,t} + \beta_3 LGDP^2_{i,t} + \beta_4 URBAN_{i,t} + \beta_5 UNEMPLOY_{i,t} + \beta_6 FERTIY_{i,t} \quad (1)$$

where Labor force participation rate (FLPR) is the proportion of the population ages 15 and older that is economically active: all people who supply labor for the production of goods and services during a specified period. Gross Domestic Product per capita (GDP) is gross domestic product divided by midyear Population. Urban population (URBAN) refers to people living in urban areas as defined by national statistical office. Unemployment (UNEMPLOY) refers to the share of the labor force that is without work but available for and seeking employment. Total fertility rate (FERTIY) represents the number of children that would be born to a woman if she were to live to the

end of her childbearing years and bear children in accordance with age-specific fertility rates of the specified year.

Pooled time series cross-section data are employed for 10 countries for the period 1993–2013. Southeast Asian country consists of Indonesia, Singapore, Malaysia, Thailand, Myanmar, Philippines, Brunei Darussalam, Vietnam, Lao PDR and Cambodia. The data used is sourced from Word Bank. The analysis tool used is panel data regression.

IV. RESULT AND DISCUSSION

Table 1 provides the descriptive statistics for the variables used in the study. The average FLPR for all Countries in Southeast Asian is 60,49 percent (standard deviation = 12.41). Indonesia is the country with the lowest FLPR compared to Southeast Asian Countries and Lao PDR is the country with the highest FLPR compared to Southeast Asian countries.. Average GDP, URBAN, FERTY and UNEMPLOY for all Countries are 7.55, 48.04, 2.64 and 3.68, respectively.

TABLE I.
DESCRIPTIVE STATISTICS OF VARIABLES

Countries	FLPR		GDP		URBAN		FERTY		UNEMPLOY	
	Mean	Stdv.	Mean	Stdv.	Mean	Stdv.	Mean	Stdv.	Mean	Stdv.
Brunei Darussalam	53.49	2.16	9.72	1.23	72.41	2.84	2.37	0.37	3.74	0.32
Cambodia	76.98	1.47	5.91	0.79	18.77	1.06	3.60	0.69	1.28	0.81
Indonesia	50.47	0.73	6.99	0.96	43.74	5.76	2.53	0.12	7.13	2.16
Lao PDR	78.11	1.38	6.04	0.84	25.62	6.44	4.06	0.87	1.81	0.43
Malaysia	43.74	0.87	8.35	1.05	64.67	6.54	2.57	0.55	3.30	0.39
Philippines	49.84	1.25	6.99	0.88	48.11	0.85	3.59	0.36	8.71	1.68
Singapore	53.37	3.20	10.00	1.24	100.00	0.00	1.33	0.37	3.31	0.92
Thailand	65.46	0.96	7.75	0.97	32.64	3.76	1.63	0.17	1.51	0.74
Vietnam	72.92	0.52	6.21	0.92	26.39	3.45	2.09	0.38	2.33	0.31
All Countries	60.49	12.41	7.55	1.75	48.04	25.45	2.64	1.00	3.68	2.65

Tabel 2. presents information on the degree of correlation between GDP, URBAN, FERTY and UNEMPLOY used in multivariate regression analysis. Matrix shows that in general the correlation between the independent variables is not strong multicollinearity problems occur.

TABLE II.
CORRELATION MATRIX FOR THE EXPLANATORY VARIABLES

	GDP	UNEMPLY	URBAN	FERTY
GDP	1.000000	0.056613	0.764574	-0.504872
UNEMPLY	0.056613	1.000000	0.229688	0.146851
URBAN	0.764574	0.229688	1.000000	-0.522999
FERTY	-0.504872	0.146851	-0.522999	1.000000

The results of the study as shown in Table III indicate that the relationship between economic development and female labor force participation follows the U pattern. This means that for the ASEAN region during 21 years it supports U hypothesis. This result supports previous research by [6], [11] [12] [13]] and [14]. This condition indicates that the level of participation of female labor force in the ASEAN region as a whole during the early period of development will decrease due to the effect of industrialization although it will again increase in relative amount of service sector. Particularly in the manufacturing sector, the

hypothesis U points to the withdrawal of manpower in large numbers thus increasing the availability of employment which will attract the participation rate of the female labor force.

For control variables, the impact of urban population on female labor force participation is negative and significant. The negative sign shows the higher the proportion of the population living in urban areas, the higher the participation of the female labor force. These results are consistent with the expectations and studies [6], [11] and [16] who found significant negative urban population influences on the ladder of labor force participation.

TABLE 3.
ESTIMATIONS RESULTS OF PANEL REGRESSION

Explanatory Variables	(1)			(2)		
	Pooled OLS	Fixed Effects	Random Effects	Pooled OLS	Fixed Effects	Random Effects
Constant	90.58642***	66.08179***	65.91090***	125.0897***	75.10987***	80.34715***
GDP	-4.181964	-1.819902**	-1.724429**	-12.34038***	-2.332868***	-2.554047***
GDP2	0.024645	0.135653**	0.126495*	0.870234***	0.173143***	0.186794***
URBAN				-0.384152	-0.118572***	-0.188819***
FERTY				0.601775***	-0.843329***	-1.177277***
UNEMPLOY				-1.853191***	0.140392	0.104905
R-squared	0.288302	0.984760	0.035316	0.755572	0.985490	0.134385
Adjusted R-squared	0.280650	0.983903	0.024943	0.748894	0.984413	0.110735
F-statistic	37.67348	1150.141	3.404589	113.1374	914.3076	5.682097
Prob(F-statistic)	0.000000	0.000000	0.035304	0.000000	0.000000	0.000068
Chow test statistic		0.0000			0.0000	
Hausman test statistic			1.0000			0.0000
Number of obs	189	189	189	189	189	189

This study finds that unemployment have a significant positive effect on female labor force participation. This means that the increase in unemployment will increase female labor force participation in the ASEAN region. This indicates that women still rely on income derived from their husbands or parents (men) so that when there is economic pressure, women are forced to work.

In addition, based on the results of the analysis found the relationship between fertility with female labor force participation is negative and significant. This indicates that the number of women giving birth increases will decrease the participation rate of female labor force due to the limited time for women to access the labor market and participate in improving family welfare. These results also support the study [12], [17], [11], [15] and [18] fertility have a significant negative effect on the participation rate of the female labor force.

V. CONCLUSIONS

Based on the analysis of the impact of economic structure changes on female labor force participation in ASEAN region during 1993-2013, it can be concluded and suggested as follow: Overall, there is a relationship between economic development and female labor force participation following the pattern of U in the region ASEAN within the period of 1993-2012. Therefore, it is necessary to formulate specific policies to overcome non-economic constraints such as culture that can reduce the level of women's participation in the world of work.

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The Opportunity of Intellectual Property On Small and Medium-Scale Enterprises in Malang Raya Region

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Abstract— The small and medium-scale enterprises (SMEs) has significantly contributed to economic aspect and overcoming the unemployment and employment issues in Indonesia. SMEs mainly refers to a productive business that stands alone, carried out by an individual and/or business entity with particular criteria. Malang Raya region is covering included of Batu City, Malang Regency, and Malang City and the one of an area that develops fast enough in East Java Province, including in the industrial sectors. However, the amount of Intellectual Property Rights (IPR) application was still low compared to the SMEs number. The objective of this study was to get the opportunity of IPRs potency of SMEs in Malang Raya region. In the long term it is expected to encourage the research and development program which has orientation to the IPRs of SMEs and gives an assistance to SMEs to obtain the IPRs protection. The period of data collection was from 2015 to 2016. The sample was conducted on 90 SMEs in Malang Raya region by primary and secondary data. The data was obtained by using field observation method with respondents participatory, in-depth interview, documentary, and purposive sampling to each area. The result of this study showed that most of SMEs in Malang Raya area was the industry of processed food (54.40%) with 47.77% of the market area was on national scale and 40 % was on East Java regional market and the rest was local market. The 68.89% of SMEs did not have any IPRs problem, but 31.11% of them encountered some issues, especially on the trademark. The data showed that 12.23% of SMEs in Malang Raya region have patent opportunity, 42.22% copyright, 7.78% industrial design and 91.11% trademark which was need to IPR guidance

Keywords— copyrights, IPRs, SMEs, patent, Malang Raya

I. INTRODUCTION

Micro, Small and Medium-scale Enterprises has been an important part in Indonesian economic. It is estimated that there are around 1,361,129 of small and medium-scale business in Indonesia [1]. The number of SME is bigger than the large-scale industry and it has high contribution toward the economic sector. The SME keeps growing to achieve its main goal that is to develop national economic sector. The SME is the business

enterprise of majority Indonesian and has developed in almost all parts of the nation.

The pattern of SME closely related to human life aspects, especially food, clothing and housing. SME has an active role in food sector such as agricultural-husbandry, agricultural processing, culinary, etc. The SME sector provide a great contribution in economic sector, overcome the unemployment and labor issues. Besides that, the SME has a high contribution on Gross Domestic Product (PDB) and more than half of our economic sector is supported by the SME [2]. In macroeconomics analysis, the SME has a strategic role in national income and to reduce the unemployment rate, in accordance with the Regulation no. 20 year 2008-chapter III article V which says “To increase the role of small, micro and medium-scale enterprise in regional development, creating job opportunity, income distribution, economic growth and poverty alleviation”.

There has been various problem emerged along with the vibrant attempt of the government in forming the SME. Some of the problems are: 1) the SME’s product tend to have less power in competing with foreign product, 2) SME tends to not think yet about improving its product design and marketing capability, 3) SME tends to be less innovative in product design; 4) SME is less adaptable to the increasingly dynamic market which tends to more attracted to new and innovative products; 5) SME consists of mostly home industry enterprises which have limited market network. Survey result obtained from Central Statistics Body

identifies various weaknesses and issues faced by SME based on its priority, they are: a) lack of capital, b) difficulties in marketing, c) a tight business competition, d) difficulties in raw material provision, e) lack of skill, f) lack of managerial skill, and (g) lack of managerial knowledge especially finance and accounting [3].

Currently, as the role of SME is getting more important, there is also a need to find solution in overcoming issues to handle product with less competitive value, it needs to give counselling on better product innovation so that the business people can create latest innovation. The SME is closely related to Intellectual Property Right (IPR). The IPR potential is closely related to the SME performance, however not many SME realize the advantage of IPR as a business asset. Every product resulted from the business, applied technology, design of each product, trademark application, or brand service for product marketing are all related to IPR.

Innovation skill is one of characteristics that is important in running any business [4]. Without innovation, any business will not develop as customers demand is constantly changing. Customers do not always consume the same product. They will search for another product from other companies that can fulfill their need and expectation. Therefore, companies need non-stop innovation to keep the business run well. Development in various sectors will not be achieved without any innovation culture from the society. Creativity and innovation culture will only can grow and develop well in a society that appreciate, uphold and protect the IPR. Innovation is the ability to apply creativity in solving problem and chance to improve and enrich the life [5]. Innovation is the idea, practice or object which are considered as new by other people or user unit [6]. Innovation is important because: 1). Rapid change of technology is in line with the new product release, process and service from the competitors, 2). The effect of environment change toward product life cycle is getting shorter, 3) Smart and demanding consumers in fulfilling the needs, 4) The rapidly changed market and technology makes brilliant ideas are easily being imitated, 5) Innovation can create more rapid development,

increase market segment and create a better corporate position [7].

Indonesia has signed the AFTA (Asean Free Trade Area) agreement in which all country members agreed to abolish all customs and excise. AFTA is both chance and challenge for Indonesia. As a chance, being AFTA member requires the government to protect, educate and facilitate the society in preparing themselves to face the AFTA, one of which by IPR protection for the people, especially SME. Indonesia government realizes the importance of intellectual property for the SME. Therefore, the government through various effort tries to support the SMEs to actively register to the IPR.

This study aimed at finding out the SMEs' intellectual property potential in Malang Raya region. For the long run, this activity is expected to support other IPR-oriented study in SME and to support the SME in gaining the IPR protection.

II. METHODS

This study was conducted in 2016, in Malang Raya region. Data were obtained through society who ran their business in SME scale by site inspection using survey method. There were 90 SMEs as sample taken from 3 areas, namely Malang regency of 30 SMEs, Malang municipality of 30 SMEs and Batu Administrative city of 30 SMEs. The secondary data was in the form of relevant documents, obtained from local industrial affair agency. The field observation was conducted by purposive sampling toward randomly selected industry per area with initial data obtained from the local Industrial Affair agency in each regency/municipality.

The observation was conducted in several stages, namely: 1) administrative and license preparation, 2) information on SME from industrial affair agency, 3) questionnaire design, 4) questionnaire multiplication, 5) Field survey, 6) Data analysis and interpretation, 7) Observation report. Observation survey was conducted on: 1) type of SME based on product, 2) Market area for SME's product, 3) The SME's intellectual property potential, 4) Ever / never have any issue regarding IPR, 5) The type of IPR issue(s) that ever occurred, and 6) The urgency of IPR supervision according to the SME's perception. Data were displayed in the form of

number and percentage of each parameter being observed

III. RESULT AND DISCUSSION

Table 1 shows the percentage of type of SME is Malang Raya region. The data shows that 54.44% SMEs in Malang is in the processed food industry (variety of fruity chips, tempe chips, fruit-based food, juice, grass juice, herbal product, candy, etc) and 18.89% is in the culinary field (food vendors/restaurant, café, snacks, etc). % SME that works in agricultural field reaches 11.11%. The SMEs in agricultural field includes: rice and corn fields, vegetables, fruits, houseplant, houseplant seeds and crops seeds. The SMEs that work in fashion field includes clothing store, batik store, Muslim garment, etc reaches 8.89%, while the SMEs that work in craft field reaches 6.67%.

SMEs basically refer to an independent productive business run by an individual, and/or individual entities or an agency with their respective criteria. The criteria different of small and medium enterprises is based on the net worth and annual gross sales (Regulation number 20 year 2008). The regulation clearly set the different, both from asset and revenue, of small and medium enterprises. However, in overall, the SMEs has important role in developing the national economic. SMEs in processed food and culinary is very dominant in Malang Raya region, this is due to the Malang Raya region (especially Batu administrative city) has been developing as tourism city, while Malang itself is a city of education, both reasons invite plenty tourists and university students.

TABLE I.
PERCENTAGE OF SMALL-MEDIUM ENTERPRISES TYPE IN
MALANG RAYA REGION

SME Type	Region			Malang Raya	
	Batu	Malang Regency	Malang Municipality	Total	Percentage
Processed food	18	16	15	49	54.44
Craft	1	2	3	6	6.67
Agricultural / Husbandry	2	8	-	10	11.11
Fashion	3	-	5	8	8.89
Culinary	6	4	7	17	18.89
Total	30	30	30	90	100

TABLE II.
PRODUCT MARKETING AREA OF SMALL-MEDIUM ENTERPRISES IN
MALANG RAYA REGION

Product Marketing Area	Region			Malang Raya Region	
	Batu	Malang Regency	Malang Municipality	Total	%
Malang Raya region	5	9	6	20	22.2 1
Regional (East Java)	12	8	16	36	40.0 0
National (Indonesia)	12	13	8	33	36.6 8
International	1	0	0	1	1.11
Total	30	30	30	90	100

Tabel 2 Shows the product marketing area of small-medium enterprises in Malang Raya region. From the data, it is obtained that the highest marketing area (40%) is on regional level (East Java). National marketing reached 36.68%, while the marketing in Malang Raya region reached 22.21% and the international marketing is only 1.11%

The product marketing catchment area (Tabel 2) shows that the marketing area of small and medium-scale enterprise is actually very wide. Therefore, the IPR is very necessary because when a good is sold without IPR protection, it will likely have a potential to be recognized as a product of other industry.

TABLE III.
DATA ON POTENTIAL OF EACH INTELLECTUAL PROPERTY
RIGHTS REGIME ON SMALL AND MEDIUM ENTERPRISES IN
MALANG RAYA REGION

Potential of Intellectual Property of Each Regime	Area			Malang Raya region	
	Batu	Malang Regency	Malang Municipality	Total	%
Brand	17	16	1	34	37.7 8
Patent	3	1	7	11	12.2 2
Industrial Design	1	2	4	7	7.78
Copyright	9	11	18	38	42.2 2
Total	30	30	30	90	100

Table 3 above shows the potential of each intellectual property rights (IPR) regime of SME in Malang Raya region. IPR potential in the form of

copyrights is very dominant (42.22%). Of 90 small industries surveyed, 34 industries (37.78%) have the potential for Brand registration, 11 industries (12.22%) have patent potential, and 7 industries (7.78%) have industrial design potential.

In general, IPR is divided into two categories, namely Copyright and Industrial Property Rights. Industrial Property Rights involve: Patent, Trademark, Industrial Design, Integrated Circuit Layout Design, Trade Secret, and Plant Varieties. Patent is IPR regime related to technology. Trademark is a symbol in the form of image, name, word, letters, numbers, color arrangement, or combination of those elements, which have differentiating power and is used in the trade of goods or services [8]. Industrial Design is a creation of shape, configuration, or line / color composition, or line and color, or combination of those in the form of three dimensional or two-dimensional figure that gives aesthetic impression and realized in three dimensional or two-dimensional pattern in order to generate products, goods, industrial commodities, or handicrafts [9]. Meanwhile, Trade Secret is exclusive information in technology and/or business, with economic values due to its benefit in business activities, and kept confidential by the owner of Trade Secret [10].

To determine the need of IPR protection of existing SME, then the first thing to understand is the existing potential in the SME's business activity. Globally, the potentials of IPR in SME's business activity are Copyright, Trademark/service, Industrial Design, and Patent/simple patent. Definitely, the required IPR protection is not always the same in every business activity. Copyright is significantly dominant in Handicraft, Fashion, and Processed-food Industries. The high potential of copyrights in Malang is due to the rapid growth in the area of Malang.

Various SME issues related to IPR protection, such as: 1) High IPR registration fee, either for initial registration, extension (such as trademark) or maintenance fee (such as in patent), 2) The lack of technology access in SME, so the applied technology is generally inadequate for patent registration, 3) Narrow market access, 4) Quality of human resource, not yet aware of the importance of IPR, 5) The need of serious attention of the

government and sustainable efforts to assist SME in IPR ownership and protection, 6) Unorganized and unsustainable assistance.

TABLE IV
ISSUES OF IPR IN SMALL MEDIUM ENTERPRISES IN MALANG RAYA REGION

IPR issues have ever occurred	IPR issues have not occurred yet
28 (31.11 %)	62 (68.89 %)

Table 4 shows that as much as 31.11 % small medium enterprises in Malang Raya region have ever experienced IPR issues. The issues occur mainly in trademark violation between similar companies, as much as 7.78% (Table 5). In this free trade era, intellectual right protection in SME is an inevitable need. IPR is one of the important aspects for SME to conduct business development and to provide high economic value. In the meantime, the need for IPR ownership for SME aims to prevent unhealthy competition among fellow business actors, both domestically and abroad. IPR ownership for SME is able to improve the added value, productivity, work quality, and to provide competitiveness for the SME per se.

TABLE V
TYPE OF IPR ISSUES IN SMALL MEDIUM ENTERPRISES IN MALANG RAYA REGION

Aspect	Amount (percentage)
Trademark	7 (7.78)
Patent	-
Industrial Design	1 (1.11)
Copyright	1 (1.11)
Total	10

Free competition has been widely applied both to large and Small Medium Enterprises. The impact of free trade would be significant, especially for SME. SME must have the readiness and strength to survive and compete in free trade era. SME needs not only capital, marketing, capable human resource, and intellectual property as the assets. Intellectual property right ownership is an important aspect for the strengthening of SME. SME has a choice to register or not the intellectual property of its product or service. Both aspects have their own consequences. The issue of intellectual property ownership has a practical impact for SME.

The issues above need to be solved by SME in order to survive in free trade era. SME strengthening through intellectual property ownership is required so that SME could survive and compete with other SMEs both domestically and abroad.

TABLE VI.
THE AMOUNT AND PERCENTAGE OF SMALL INDUSTRIES THAT NEED IPR ASSISTANCE IN MALANG RAYA REGION

Region			Malang Raya Region	
Batu	Malang Regency	Malang City	Total	Percentage
7	1	9	17	18.89

As much as 18.89% small medium enterprises in Malang Raya Region mentioned they need IPR assistance while the majority of SME said the contrary (Table 6). IPR protection is more indispensable for SMEs because: 1) More than 90% companies in various economic activities is SME, which significantly contributes to employees absorption, trade, investment, and economic growth, 2) SME is proven to be one of the innovation booster due to the abundant ideas that can be accommodated by IPR, 3) In economic management, related to new knowledge, intangible assets, that involves innovative ideas and centralistic information pertaining to business assets, 4) IPR is an asset with high economic value.

Generally, the outcome of this activity shows that IPR potential in small medium industries in Malang Raya region is considered high. However, the existing SME generally do not understand the importance of Intellectual Property Right registration for the company's development and sustainability. In addition to low understanding, relatively expensive registration fee and IPR benefit have not reached small industries community, thus the interest to register industrial property right is still very low. The government has attempted to raise the awareness of IPR on the importance of IPR, especially in creative industry aspect. This aims to protect IPR so that it grows rapidly.

The government, through its policies or regulations, has accommodated SME in IPR handling. IPR registration fee for SME has been set lower than non-SME businesses. The government

has also strived to provide various facilities. However, there are still many SMEs facing difficulties in IPR registration.

IV. CONCLUSIONS

The result of this study showed that most of SMEs in Malang Raya region were processed food industries (54.40%) with 47.77% of the market area was on national scale and 40 % was on East Java regional market and the rest was local market. The 68.89% of SMEs have not on IPRs problem, but 31.11% of them have the problem, especially on the trademark. The data showed that 12.23% of SMEs in Malang Raya region have patent opportunity, 42.22% copyright, 7.78% industrial design and 91.11% trademark which was need to IPR guidance.

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Human Capital Investment and Its Role in Encouraging Inclusivity in East Java

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Abstract— Currently, inclusive growth is a key issue in economic development. Inclusive growth encourages individuals to access education, health and other components that promote better living standards. In East Java, despite high economic growth, the income inequality level is also relatively high. Therefore, government intervention is needed to encourage the growth of higher quality, one of them through human capital investment. The objectives of this research are (i) to identify the relationship between human capital investment and economic growth and (ii) to analyze the impact of human capital investment on community welfare. The method of analysis used is simultaneous regression method. The findings show that human capital investment significantly affects economic growth. This means, human capital investment can be used as policy alternatives to encourage growth inclusivity in East Java. Simultaneously, the impact of social capital investment encourages the welfare of society through increased labor in the tertiary sector. The government needs to allocate human capital investment that encourages higher education and skills to compete in the labor market.

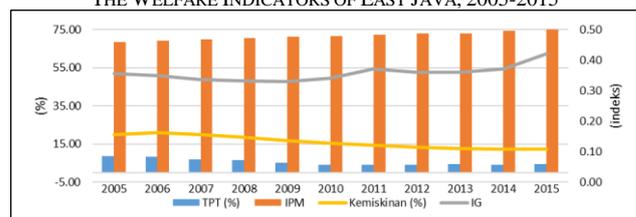
Keywords— Regional Planning, Inclusive Growth, Human Capital Investment

I. BACKGROUND

There is a debate among development planners that the government's success in promoting economic growth is often not accompanied by an increase in the welfare of the people which characterized by declining unemployment, inequality of income and poverty. Empirical studies have shown that high economic growth is followed by rising unemployment, inequality and poverty. For example, the result of the 2014 Botswana study explains that public investment allocations for education fail to reduce unemployment. The implication is that many productive aged people do not receive decent work with an inadequate standard of living. In India, the economic growth rate of 9% is not proportional to the 28% poverty reduction [14]. Other studies in the Philippines show that most people do not benefit from the rapid growth of the economy, moreover the data show that poverty and unemployment rates have not decreased significantly [9].

Regarding of how to measure the welfare? Since 2007, there has introduced a concept to measure the welfare which more comprehensive. This concept is known as inclusive growth. According to the Asian Development Bank, economic growth without equal opportunity for people to access education, health and employment will only widen the poverty gap. World Bank adds the goal of achieving inclusive growth as a policy of reducing poverty [9]. In other words, inclusive growth is expected to provide opportunities for people, especially the middle to lower community to get a good standard of living such as education, health and employment opportunities that further ensure livelihood. In the end, inclusive growth aims to reduce the gap of income inequality between communities.

FIGURE 1.
THE WELFARE INDICATORS OF EAST JAVA, 2005-2015



Source: BPS proceed, 2017

The Government of East Java has been focusing its policies to promote more inclusive growth since 2014. Nevertheless, Figure 1 above shows that development in East Java still faces a problem of the quality of economic growth that has not affected the poor. From 2005-2015, the human development index continued to increase despite not very significant. Similarly, the reduction of unemployment and poverty. However, in 2015 it was noted that the income inequality gap is widening. This indicates an increasingly severe depth of poverty.

As described in Neoclassical growth, [21] mentions the factors that determine economic growth including physical capital, human capital,

and the use of technology. The Solow growth model is based on the calculation of the Cobb-Douglas production function, $Y = f(K, L)$. Where the elasticity of output (Y) depends on physical capital (K) and human capital (L). The Solow model is widely accepted by researchers to analyze the relationship between human capital and economic growth. Nevertheless, the frame of mind is not always consistent with empirical reality in an area. Later the Solow model was developed by Lucas (1988) as an endogenous growth that provides a deeper understanding of the formation of economic growth.

This study attempts to fill the gap between Solow's growth theory and empirical studies in East Java based on two main objectives: (i) to find out the relationship between government allocation for human capital improvement and economic growth and (ii) to determine the impact of public investment allocation on the welfare indicators of the community (components of the human development index are unemployment, poverty, and income inequality).

II. LITERATURE REVIEW

The model of economic growth continues to evolve from time to time. It began with the concept of macroeconomic growth by Keynes (1936). Over the next three years, Harrod-Domar (1939) developed the investment variable as the determining factor of growth. Further in 1956, Solow introduced a neoclassical growth model and was further developed by Lucas (1988) in an endogenous growth model. As a grand theory in this study, a neoclassical growth model was developed in an endogenous growth model.

In the Solow model there are several assumptions: (i) output (Y) depends on physical capital (K), human capital (L) and technology level (A); (ii) there is a decrease in marginal return of accumulation of production factor which means there is any additional capital increase output; and (iii) factors other than capital and labor are considered not as important in the growth process. Then, per capita growth rate in the long run is determined by the rate of technology used and the rate of population growth. According to Grenade (2011), the role of government to promote

economic growth is measured through the existence of technological variables in the neoclassical model. The use of technology is described as a natural public good.

The use of technology in neoclassical models was developed with the concept of endogenous growth. The acceleration of economic growth depends on human capital investment, innovation and research and development (R & D). This indicates that the accumulation of capital and labor is important in creating growth, but it is necessary to encourage investment in increasing the productivity of capital and labor. As the development of neoclassical growth, the linkage between human capital and economic growth can create a quality economic growth. According to Romer (1994), the allocation for human capital investment versus physical capital has a spill over effect on increasing use of technology.

Several previous studies have suggested that there is a positive relationship between human capital investment and economic growth. Santos (2011) explains that there is a relation in quantity and quality of education to inclusive growth based on Solow theory. It was also found that the role of the government in allocating educational investment could accelerate inclusive growth in an area. Pritchett (2001) and Levine (2001) show that there is no significant relationship between physical capital accumulation and economic growth. Moreover, economic growth was created from an increase in investment in human capital.

Odit et al. (2010) and Safdari et al. (2010) explains that there is an effect of human capital accumulation on economic growth with the size of the ratio of highly educated population. Higher education reflects higher levels of technology use. Where, in developing countries the use of this technology does not significantly improve economic growth compared to developed countries. This is because the ratio of highly educated population is still very minimal compared to the total population. Pritchett (2001) adds that higher education will increase individual income but impact on the high supply of skilled labor which actually causes income inequality.

In the concept of inclusive growth is also explained about the relationship between human

capital and the unemployment rate. Where increases in human capital accumulation have an impact on reducing unemployment in an area (Charles et al., 2010; Mroz & Savage, 2006). Ho and Tan (2008) added that the accumulation of human capital in the form of knowledge and information transfer as well as skill enhancement will increase capacity and encourage a person to get a decent job. There is a relationship between human capital and poverty level. This hypothesis shows that the increase in human capital impacts on the increase in wages received and the impact on Azam poverty reduction (2011). One other component of welfare is income inequality. Yang et. Al (2009) explains the relationship between education inequality and income inequality in China. The inequality of education can make a person difficult to increase income, on the contrary low income makes a person more difficult to access high education.

Fontana and Srivastava (2009) examine the "four tigers" of Asia - Hong Kong, South Korea, Singapore and Taiwan - facing high economic growth with widening income inequality. With the allocation of investment in human capital, the country is not only able to reduce poverty but also increase the accumulation of physical capital. This causes the labor to be given a decent wage to improve labor productivity and a better standard of living.

III. METHODS

The approach used in this research is quantitative approach by focusing on one region (single country) that is East Java province in 2004 – 2015. This approach was chosen in order to be able to give a specific recommendation for public policies setting in order to achieve inclusive growth in East Java. While, the method of data collection is by documenting the secondary data sourced from World Bank and Central Statistics Agency of East Java Province. The method of analysis using simultaneous regression analysis with two main equations, namely:

(i) multiple linear regression to determine the relationship between investment in human capital and economic growth:

$$\log pe_t = \log pe_{t-1} + \log mod_t + \log ipm_t + \log apbdpend_t + \log apbdpk_t + e_t$$

(ii) regression analysis to find out how the impact of human capital investment on welfare:

$$P(ipm) = \log ipm_t + \log tkte_t + \log apk_t + e_t$$

Where P (IK) is an index calculated based on the actual value-minimum value) / (maximum-value minimum) of the unemployment rate, inequality and poverty.

The operational definition of the variables:

Variables	Definition
<i>pe</i>	: Total value-added of goods and services produced in an area in a given year.
<i>pelag</i>	: Total value-added of goods and services produced in an area in the previous year.
<i>mod</i>	: Capital accumulation in an area in a given year
<i>ipm</i>	: Human capital in an area in a given year
<i>ape</i>	: Government spending on education
<i>apk</i>	: Government spending on social
<i>p(ipm)</i>	: Human capital index measured by calculation (minimum value-actual) / (minimum maximum value) of unemployment rate, inequality and poverty.
<i>tkte</i>	: The number of workers in the tertiary sector (services and trades)

IV. RESULTS AND DISCUSSION

The technological variables in the endogenous growth model are defined as components that determine the acceleration of economic growth apart from the accumulation of physical capital and human capital. This study focuses on the performance of non-physical investment known as human resource investment. Human resource investment represents the amount of funds spent and the opportunity to earn an income during the investment process aimed at improving human quality. Human capital investment can be education investment, health, social security, infrastructure and so forth.

To know the existence of relationship between human capital investment with economic growth used regression analysis method at first equation. This equation is an equation based on an endogenous growth model in which economic growth is affected by the accumulation of physical capital, the quality of human capital, and the presence of technology in the form of increased

human capital investment in education and social security. Regression results show that this model has a R² (R-Squares) of 46%. This shows that the percentage of contribution of independent variables (previous year economic growth, accumulation of physical capital, human capital and human capital investment) to the dependent variable (economic growth) of 46%. This means that there are variables outside the model that are better able to describe this phenomenon.

Partially, economic growth in the previous year and the accumulation of physical capital did not significantly affect East Java's economic growth. Reinforced by previous research from Levine (2001) which explains that there is no significant relationship between the accumulation of physical capital with economic growth. Due to economic growth it is created from an increase in investment in human capital.

By including human capital investment variable in the form of government expenditure for education and social provision, it can be obtained less than 5% error rate for social expenditure and 10% for education expenditure. Where, every 1% increase on social expenditure will increase economic growth by 0.29% with the assumption of *ceteris paribus*. In contrast, the increase in education expenditures by 1% actually lowered economic growth by 0.26% with the assumption of *ceteris paribus*. This indicates that investment in human capital, especially in the field of education and health is able to encourage the acceleration of inclusive economic growth. On the contrary, the amount of expenditure in the field of education alone is not sufficient to encourage economic growth towards inclusive because the people of East Java in general have high accessibility to education.

The un-inclusivity of East Java is also seen in the first equation where the increase in human capital by 1% actually reduces the acceleration of economic growth by 6.8%. The discrepancy in the theory of human capital that promotes economic growth is explained by Pritchett (2001) that higher education will increase individual income but has an impact on the high supply of scarce labor which actually causes income inequality. Thus, East Java's current economic growth has not led to

inclusiveness because the high quality of human capital is only followed by some communities, but not equally distributed to the poor.

Variables	Coefficients	P> t	SE	R-sq	P
Model 1 : $\log pe_t = \alpha + \log pe_{t-1} + \log mod_t + \log ipm_t + \log apbdpend_t + \log apbdpk_t + e_t$					
c	7.11	**	3.29	0.46	*
pelag	0.22	0.51	0.33		
mod	0.52	0.19	0.38		
ipm	-6.82	**	3.37		
ape	-0.26	***	0.15		
apk	0.29	**	0.13		
Model 2: $P(ipm) = \alpha + \log ipm_t + \log tkte_t + \log apk_t + e_t$					
c	50.21	*	6.51	0.90	*
ipm	25.97	*	3.12		
tkte	-12.18	*	0.46		
apk	-1.25	*	12.47		

Level of significance: *) 1%; **) 5%; ***) 10%

Source: STATA 12, data proceed, 2017.

To understand how the impact of human capital investment on the welfare of the people of East Java is done by regressing the second equation. The welfare of society as measured by human capital indicates that the higher the value of p(ipm) indicates that the welfare level decreases and the lower the p value of (ipm) will indicate that the fewer people are unemployed, the lower the income inequality and the lower the number of the poor in East Java.

In line with the first equation, that the quality of human capital in East Java is not spread evenly and precisely causes the created economic growth does not lead to inclusiveness. In this equation, human capital actually widened the gap of income and poverty imbalances and also increased unemployment. This can be observed with the positive coefficient of ipm to p(ipm). That is, only a limited number of people with high levels of education, health and purchasing power enjoy growth. So, the welfare index of the community declines because many people are unemployed, poor and do not receive the appropriate wages for their livelihood.

The structural transformation that occurred in the last few years shows that prime movers or the economic propulsion sector in East Java leads to the services and trade sectors. Therefore, in the second equation is added variable of labor quantity in tertiary sector. Workforce in the tertiary sector (services and trade) assumed workers with better health, education and purchasing power compared with people working in primary sector (agriculture) and secondary sector (processing industry). The simultaneous regression results show that an increase in the number of tertiary sector workers will encourage better welfare. It is hoped that the transition of people working in the agricultural sector to the services and trade sector is accompanied by comparable wage rates that encourage the reduction of unemployment and poverty.

The impact of human capital investment on the welfare level shows that each additional 1% of human capital investment in the form of social security will reduce unemployment, poverty and income inequality by 1.25%. With the allocation of investment in human capital, the government not only able to reduce poverty but also increase the accumulation of physical capital. This is because labor is given a decent wage to improve labor productivity and a better standard of living.

V. CONCLUSION

Defining inclusive growth is the acceleration of economic growth followed by improving the quality of human resources and viable living standards to encourage development planners to develop appropriate and beneficial policies. This research is based on the theory developed by Lucas (1988) by adding the investment variable of human capital in increasing economic growth.

Regression results indicate that human capital investment, especially social budget allocation positively affects economic growth. Nevertheless, the accumulation of physical capital in East Java has no significant impact on economic growth. These findings illustrate the widening phenomenon of income inequality due to the quality of resources that are not evenly distributed. Accessibility of education, health and support of living standards is not felt by the poor.

The impact of human capital investment on public welfare is explained in the second equation. There is a positive relationship between $p(ipm)$ and ipm and the negative relationship between $p(ipm)$ and tertiary labor and apk . Simultaneously, the high quality of human resources will encourage development issues such as unemployment, income inequality and poverty. There is a need for social government budget allocation in the field of education, health, social security in order to encourage more inclusive growth.

Policy recommendations for stakeholders are human capital investment can be an alternative to accelerate economic growth in East Java. Human capital development policies can be used as key strategies in realizing inclusive growth. However, it is not enough just to increase the allocation of education but require greater fiscal space for allocation in other areas such as health and social security.

Based on the empirical findings that the more qualified human capital actually decreases the level of welfare, the second recommendation that can be given is the government needs to open employment opportunities in the tertiary sector such as services and trade. This sector is predicted to continue to grow more rapidly. The government needs to prepare human resources with higher education at the same time with a qualified skill. So it is expected that human capital investment can encourage the quality of people who are able to compete in the labor market.

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Appendix

Appendix 1. 2SLS

Two-stage least-squares regression

Equation	Obs	Parms	RMSE	"R-sq"	F-Stat	P
pe	12	5	.0280516	0.5227	1.31	0.3137
pik	12	3	.1493377	0.9127	27.86	0.0000

	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
pe					
pelag	.2267521	.3360136	0.67	0.511	-.4939253 .9474295
mod	.5221401	.38402	1.36	0.195	-.3015008 1.345781
ipm	-6.822959	3.373276	-2.02	0.063	-14.05792 .4119991
ape	-.268316	.1562651	-1.72	0.108	-.6034712 .0668392
apk	.2924802	.1300302	2.25	0.041	.0135933 .5713672
_cons	7.114771	3.297824	2.16	0.049	.0416417 14.1879
pik					
ipm	25.97744	6.510126	3.99	0.001	12.0146 39.94027
tkte	-12.18366	3.123694	-3.90	0.002	-18.88332 -5.484001
apk	-1.256618	.4647204	-2.70	0.017	-2.253344 -.2598919
_cons	50.21824	12.47518	4.03	0.001	23.46163 76.97484

Endogenous variables: pe pik
Exogenous variables: pelag mod ipm ape apk tkte

Appendix 2. 3SLS

Three-stage least-squares regression

Equation	Obs	Parms	RMSE	"R-sq"	chi2	P
pe	12	5	.0210505	0.4624	24.13	0.0002
pik	12	3	.1252511	0.9078	122.16	0.0000

	Coeff.	Std. Err.	z	P> z	[95% Conf. Interval]
pe					
pelag	-.2869095	.2126341	1.35	0.177	[-.1298457 .7036646]
mod	.6651761	.241413	2.76	0.006	[-.1920153 1.138337]
ipm	-8.875737	2.143687	-4.14	0.000	[-13.07729 -4.674188]
ape	-.4038034	.0982278	-4.11	0.000	[-.5963264 -.2112804]
apk	.385224	.0849425	4.54	0.000	[-.2187398 .5517081]
_cons	9.754114	2.10739	4.63	0.000	[-5.623705 13.88452]
pik					
ipm	23.35169	5.117257	4.56	0.000	[13.32205 33.38133]
tkte	-10.10876	2.283317	-4.43	0.000	[-14.58398 -5.633541]
apk	-1.434742	.3666868	-3.91	0.000	[-2.153435 -.7160488]
_cons	43.04202	9.397099	4.58	0.000	[24.62405 61.46]

Endogenous variables: pe pik
Exogenous variables: pelag mod ipm ape apk tkte

Factors on Mustahiq's Business Performance Through Productive Zakah at the Baznas in Kalimantan Timur Province

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Abstract— The Badan Amil Zakat Nasional Kalimantan Timur (Baznas Kaltim) is one of the institutions that play an important role in developing the economy in Kalimantan Timur Province, especially in alleviating poverty. Therefore, the Baznas Kaltim needs to give the distribution of zakat fairly to mustahiq. Mustahiq who receives zakat every year is given special coaching in developing entrepreneurship. The purpose of this study is to analyze what factors affect business performance at mustahiq in East Kalimantan baznas. This research uses the method of naturalistic-qualitative research (naturalistic-qualitative research). The study uses unstructured interviews. There were five people who became informants in this study.

This study found that entrepreneurial spirit is very helpful in motivating in business development. Financing is the most important thing in developing a business. The financing is used for operational activities mustahiq. Interestingly, many mustahiq do not need technology in developing their business because of limited skills. So that required maximum assistance from BAZNAS Kaltim. Self-motivation mustahiq in work is very important in developing themselves and their business. In the work required the application of principles of efficiency and benefits while maintaining environmental sustainability. In addition, mustahiq expected to think to get the balance between the treasures with worship. So, after successful in work mustahiq should always be grateful to Allah SWT.

Keywords—mentoring, entrepreneurship, business performance, mustahiq.

I. INTRODUCTION

Kalimantan Timur before the expansion of the region is the second largest province in Indonesia after Papua. The main driver of the province's economy is mining activities such as oil, natural gas and coal, other sectors currently being developed are agriculture, tourism and processing industries. The total population of Kalimantan Timur are 3.6 million people (BPS, 2013) with employment covering 3 main sectors, namely agriculture sector covering agricultural business field, manufacturing industry sector covering mining/quarrying, industrial, electricity, gas and water drinking and service sectors including trade, restaurant and hotel,

transportation, warehousing and communications, finance, insurance and so on.

In the effort to overcome the problem of poverty in Kalimantan Timur cannot fully expect in APBN or APBD, but also have to explore potency of other sources as mediation device such as one of them is from Zakat, Infaq and Shadaqah (ZIS) managed by the Badan Amil Zakat Nasional (Baznas) Of Kalimantan Timur, taking into account the existing potentials such as business development for communities with small and medium enterprises.

In accordance with Law Number 20 Year 2008 regarding Micro, Small and Medium Enterprises (MSMEs) is first. Micro Enterprises are productive business owned by individual business entity fulfilling the criteria of Micro Business as regulated in this Law. Secondly, Small-scale Business is a stand-alone productive economic enterprise, conducted by an individual or a business entity that is not a subsidiary or not a branch of a company owned, controlled, or becomes part of the direct or indirect business of a medium-sized or large-Criteria of Small Business as referred to in this Law. Third, Medium Enterprises are stand-alone productive economic enterprises, carried out by an individual or business entity that is not a subsidiary or branch of a company owned, controlled, or becomes part directly or indirectly with a Small Business or a large business with the amount of wealth Net or annual sales proceeds as provided in this Law.

Micro, small and medium enterprises (MSMEs) is the main sector contributing to the absorption of manpower in Indonesia. In 2013, MSMEs are able to absorb labor of 101,722,458 people or 97.24% of the total absorption of existing workforce, this

number increased by 0.02% or 2.182.700 people compared to 2012. Small business contribution was recorded as much as 99,401 .775 people or 97.22%. Approximately 99% of the total business units in Indonesia are UMKM-scale, and recorded to create employment of about 99.4 million workers. Meanwhile, large businesses absorb about 2.8 million workers (data from the Ministry of Cooperatives and Small and Medium Enterprises, 2013).

MSMEs are also considered to be very potential in increasing state revenues through taxes. The existence and role of SMEs in 2013 reached 55.21 million business units, and 99.99% of national business actors, in the national economic order is no doubt, by looking at its contribution in the absorption of labor, the formation of Gross Domestic Product (GDP)) National, national foreign exchange, and national investment. The development of the number of SMEs in the period 2012-2013 increased by 2.57% from 53,823,732 units in 2012 to 55,206,444 units in 2013. UMKM is the largest business actor with a percentage of 99.99% of the total national business actors on 2012 (UMKM Statistics, Kemenkop, 2013).

Development of Micro, Small and Medium Enterprises in Kalimantan Timur by the end of 2013 has increased considerably, Micro Business 35,339 units with an increase of turnover (in million) 52,233 (2012) to 89,935 (2013), Small Business 409,086 units with turnover of 99,140 (2012) 99,843 (2013) and Medium Enterprises 921 units with a turnover of 2,987,300 (2012) to 3,030,018 (2013). The Criteria of micro, small and medium enterprises are as follows:

TABLE I

MICRO, SMALL AND MEDIUM ENTERPRISES CRITERIA

	Micro Business	Small business	Medium Enterprises
Assets	Maximum 50 million /year	50 - 500 million/year	500 jt - 10 million/year
Revenues	Maximum 300 million/year	300 - 500 million/year	10 - 2,5 million/year
The total of employee	Under 5 person	5 - 19 person	20 - 99 person

The Muslim community which become the perpetrators of SMEs categorized as mustahiq, ie eight asnaf who are given zakat assistance by the Agency of Amil Zakat (BAZ) both productively and consumptive, while the productive assistance has a good enough potential in increasing mustahiq to turn into muzakki (giver of zakat). One of the problems in Indonesia that has not been successfully addressed by the government is the high level of poverty and the level of income gap. BPS (2016) data shows that the number of poor people in Indonesia is 28.51 million people or 11.26 percent, followed by high Gini index in Indonesia (0.41). If this problem continues to be allowed, then one of the effects of a prolonged inequality will hamper the welfare level of society.

The existence of different groups of income cannot be denied. To eliminate poverty alone quite a lot of efforts have been made, now is how to reduce and minimize the poverty rate that occurred. One of the pillars to minimize the poverty level by optimizing the utilization of productive zakat considering the amount of zakat potential in Indonesia reached Rp 217 trillion (Beik and Arsyianti, 2016). Zakat productive channeled to micro business actors is one effort for community empowerment. Currently, the contribution of micro enterprises to Indonesia's GDP reaches Rp 807.8 trillion with the number of micro business units reaching 57.1 million units (Kemenkop UKM, 2013). This shows that productive zakat funds given to micro businesses have great potential in spurring economic growth and tackling poverty and gaps.

BAZ itself has a productive zakat distribution program to several districts/municipalities in East Kalimantan Province, but the program is managed and accompanied by each regency/city BAZ and reported collectively to Baznas Kaltim. While special for Samarinda region BAZ do assistance and Monitoring directly to the mustahiq recipients (Source: interview with Mr. Iksan Baznas, januari 2015). The data owned by Baznas in Kalimantan Timur against the mustahiq area of Samarinda City who are given zakat assistance for productive use as seen in Table II Mustahiq who are given zakat assistance for productive use can be categorized as micro and small business actor only, because seen

from the criteria owned include both turnover, capital and the amount of labor is the criteria of micro and small enterprises, so this research will focus on the criteria And not on medium-sized enterprises.

TABLE II

THE TYPE OF MUSTAHIQ IN BAZNAS KALIMANTAN TIMUR SAMARINDA IN 2011-2015

No.	Type of Mustahiq	Amount	The amount of distribution (Rp)
1.	Seller of Night Market	10 Persons	20.000.000
2.	Mushrooms farmer	4 Persons	8.000.000
3.	Seller	15 Persons	15.000.000
4.	Tailor	5 Persons	10.000.000
5.	Fishermen in Mugirejo	5 Persons	12.500.000
6.	UKM Kerupuk	3 Persons	3.000.000
7.	Sembako	5 Persons	7.500.000
8.	Top up	5 Persons	5.000.000
9.	Tire Repairmen	5 Persons	7.500.000
10.	Food	6 Persons	6.000.000
11.	Motor Repairmen	2 Persons	4.000.000
Total		65 Persons	98.500.000

Source: BAZNAS Provinsi Kalimantan Timur, 2015

The Muslim population according to BPS (2014) in East Kalimantan is 3,277,332 people, or about 85.38%. This amount is not directly proportional to the amount of zakat receipts collected by zakat institutions in East Kalimantan. Whereas zakah is supposed to be a transformation between the rich and the poor, or the person receiving the zakat can turn into a charity if the zakat is managed by the institution and by the recipient or the so-called productive zakat [13].

The magnitude of ZIS should be able to increase the income and social welfare of the mustahiq if it is channeled in a more innovative way and breakthrough, therefore Baznas Kaltim undertakes the economic empowerment program of the ummah for the mustahiq, in line with his vision of being a trustworthy and professional amil in managing ZIS, as well as its mission, namely: (1) raising zakat awareness for the muzakki, optimizing the

management of trustworthy and professional ZIS. (2) increasing the status of mustahiq into muzakki through human resources improvement and human economic development program. (3) utilizing and distributing ZIS to mustahiq in a more efficient and effective manner. (4) Institutional strengthening of Regency/City Baznas in East Kalimantan. The ZIS collected by Baznas Kaltim is distributed to the poor and other asnaf, with different types of usage. ZIS accepted mustahiq poor and other asnaf used for consumptive use and productive use. The guidance program undertaken aims to improve business performance through mentoring by looking at entrepreneurial intentions and external environmental factors of mustahiq assisted.

The problem to be studied in this research is the effectiveness of productive zakat distribution as an instrument to improve business performance mustahiq. The alternative to explore the source of financing that can be done is through zakat. The ZIS collected by Baznas Kaltim is distributed and distributed to the poor and other asnaf, with different types of usage. ZIS accepted mustahiq poor and other asnaf used for consumptive purposes and productive purposes. Based on the evaluation of zakah, infaq, and shadaqah (ZIS) productive disbursements over the last few years since the inception of the related programs in 2011 to the present, efforts to improve the business performance mustahiq which further implies the increase in income, expertise, and prosperity has not achieved results the maximum. This can be seen from the failure to increase the status of mustahiq be muzakki, or in the sense that the channelling of productive ZIS has not reached its ideal destination.

Researchers want to see some problems that cause effective or not ZIS program, especially for productive ZIS, among others, quality of human resources (HR) to face external factors both competitors, technology, economy, and environment, entrepreneur spirit that is in self mustahiq receiver of zakat, and problems from the side of the mustahiq character itself.

The limitations of quality mustahiq so far both in terms of formal education and knowledge and skills are very influential on business management, so the business is difficult to develop optimally. In addition, with limited human resource quality,

business units mustahiq relatively difficult to adopt new technological developments to improve the competitiveness of products it produces because of the lack of desire to learn and use technology. Lack of information related to the progress of science and applied technology, causing the facilities and infrastructure they have also not fast growing and less support the progress of business as expected. In addition, not infrequently difficulty in obtaining a place to run his business due to the high price of rental or business premises that are less strategic. The low entrepreneurial spirit of causing mustahiq financed by Baznas may not be able to exploit the potential and not able to innovate. Entrepreneurship is a process whereby individuals pursue opportunities that are considered to be profitable. The essence of entrepreneurship is identifying opportunities, implementing and practicing them (McLelland, 1961).

The community listed as the recipient of Baznas of Kalimantan Timur is divided into several classifications, namely; consumptive and productive mustahiq. Consumptive group is not the object of this research because it is the recipient of the consumable funds. Thus, the object of the research is productive mustahiq, in terms of business development.

Several studies indicate that the entrepreneur's spirit possessed by the recipient of zakat (mustahiq) greatly affects the success of business performance (Rahman, 2011), besides that the facilitation factor is very active role toward the pity of the mustahiq (Sartika, 2008), some variables that influence the business performance mustahiq also Very determined by the external environment such as technology and government policies that overshadow (Ulfah, 2010).

Singh and Belwal (2008) in his research through focused interviews to identify problems in the UMK sector in Ethiopia found that some components of the problem include finance to establish and run, lack of entrepreneurship, management and exposure, problems in finding markets and distribution networks. Limited opportunities for promotion and participation, limited amounts of government institutional support, knowledge of technology and integration

mechanisms, and rampant corruption in the main obstacles.

Omerzel and Antoncic, (2008) model hypotheses about the relationship between entrepreneurship knowledge and performance supported or influential, thus reflecting the positive effect of entrepreneurship knowledge on all dimensions on the performance of SMEs. The study is limited to MSEs in Slovenia.

Some gaps that can be inferred from these studies are (1) it appears that there has been no specific research on the recipient of zakat and its relation to external factors and characteristics of the owner and assistance to the performance of his business; (2) all research conducted on small company (UMK) which generally have institutional ie micro business, small and not at individual effort which is micro and small; (3) there is still a difference in the concept of definition and measurement of entrepreneurship and mentoring among the research, so that it will be tried for the mustahiq group that owns micro and small business; (4) As for the research in Indonesia which specifically discuss the zakat and related to this research there are still many qualitative or theoretical studies; (5) this research will see the factor of business performance mustahiq through zakat productive.

A. Business Performance of Mustahiq

Before knowing mustahiq need to be understood first understanding Muzakki or giver of zakat. Reference [13] declares Muzakki are those who already have property or income that reaches nishab, so it is obliged to issue zakat on the property or income in accordance with the levels that have been determined by sharia in a certain time which usually counted in one year. A zakat payer is required to be Muslim and baligh or intelligent.

Mustahiq is a person entitled to receive zakat, based on the word of [1]:

1. Fakir (al fuqoro). Fakir is a very miserable person, does not work (because of certain things such as old, disabled, sick, etc.), has no treasure to fulfil the basic needs of his life such as clothing, food and boards (housing) and other essential necessities, either for themselves and their dependents.

2. Poor (al miskiina). Poor is a person who works but not enough livelihood and in a state of deprivation.
3. Amil zakat (al amiil). The definition of Amiil is (a) the person appointed or assigned by the government to collect the zakat including the depositors, the cattle herders, and the administrators; (b) the persons who are employed in the administration of zakat affairs, both collection, maintenance, administration, And utilization, and (c) the managers of zakat or as an amil zakat institution.
4. Muallaf (al muallaf). Muallaf is a new infidant who converts to Islam where his faith is still weak and also kafir who softened his heart so as not to oppose Islam.
5. Slave (arriqob). Arriqob are those who are still in bondage and seek to escape from slavery. Slaves are also interpreted with the servant who has been promised by his master will be independent if it has paid off its self-esteem.
6. People who owe (al ghorimiin). Ghorimin is a person who owes for non-immoral interests, while he cannot afford to pay for it.
7. Fighting in the path of Allah (fisabilillah). Fisabilillah is a person who strives for the defense of Islam and the Muslims (jihad)
8. Travel far (ibnusabil / traveler), ie people who travel far with good intentions and do not do immoral, who ran out of supplies, both rich and poor in his yard.

This research is focused on the poor and the poor because the form of assistance provided both consumptive and productive so far can be given to these two asnaf, and in the other six asnaf still in consumptive form such as scholarship (ibn sabil), debt payment (ghorim), Hospital financing, and food aid (muallaf).

Reference [13] states that the poor and needy are the people in need help but can keep themselves not begging. The schools differ in meaning but with the same intentions such as the Hanafi school. The poor according to the Hanafi scholars are those who have nothing, home, money and treatment. Meanwhile, according to the imam of the three schools of jurisprudence, the so-called fakir is those who do not have the proper wealth or income in fulfilling their needs, clothing, food, shelter, and all basic

necessities either for themselves or their dependent families. Poor means those who own property or income but do not meet their own needs and needs and dependents, for example ten but five or six. In the four schools it is agreed that the rich should not receive zakat.

Performance is the result or output of a process (Nurlaila, 2010: 71). According to a behavioral approach in management, performance is the quantity or quality of something produced or services provided by someone who does the work (Luthans, 2005: 165). Performance is the result or success rate of a person as a whole over a certain period of tasks compared to possible possibilities, such as predetermined work standards, predetermined targets or goals or criteria already agreed (Rivai and Basri, 2005: 50).

B. External Environment

The business environment is the dynamics of the movement of the business environment that is strongly influenced by the external environment (macro). Environmental analysis is a process of monitoring the organization's environment aimed at identifying opportunities and threats that affect the company's ability to achieve its goals. The purpose of the environmental analysis is that the organization can anticipate the environment, so it can react quickly and appropriately for the success of the organization (Dirgantoro, 2001).

The external environment of an enterprise is the factors outside the firm that affect the company's ability to operate. Some external elements can be manipulated by the company, while others require an adjustment effort from the organization. A business converts inputs into outputs in order to gain profit. The external environmental factors that influence a business according to Williams (2001: 51) are: 1) competitors, 2) economic system, 3) social system, 4) monetary system, 5) political/legal system, 6) environmental system, and 7) technology Changes.

Competitors affect the ability of businesses to generate profits, because competitors will continue to seek to gain more from each other, by differentiating their products and services, and by trying to provide better value for money. The economic system is an economic organization to

allocate scarce resources. The economy tends to go through a period of faster and slower growth. Businesses prosper when the economy is booming and living standards are rising.

The relationship between the business environment and entrepreneurship is explained by Abimbola and Agboola (2011) which suggests that the environment is covering factors such as infrastructure, community culture, economic, social, and political environment. Environmental forces have been found to inhibit or facilitate the entrepreneurial activities of any community. Gnyawali and Fogel (1994) define the external environment of entrepreneurship as "the whole socio-cultural and political economic factors that influence

II. METHODS

The study is qualitative research. There are eight informants in this study. It can be shown by the table below.

TABLE III
THE RECIPIENT OF BAZNAS MUSTAHIQ ON PRODUCTIVE ZAKAT IN 2016

No	Name	Asnaf Type	Type of business	The amount of distribution
1	Tafaquh Fiddin XXII	Poor	Cooperation	17.925.000
2	Yusuf Qordhowi	Poor	Course Place	8.500.000
3	Pre-Prosperous Family 1	Poor	Grocery	5.000.000
4	Pre-Prosperous Family 2	Poor	Grocery	5.000.000
5	Pre-Prosperous Family 3	Poor	Food	5.000.000
6	Pre-Prosperous Family 4	Poor	Food	5.000.000
7	Pre-Prosperous Family 5	Poor	Food	5.000.000
8	Kiki Fitriani	Poor	Food	2.000.000
	Total			53.425.000

III. RESULTS

From the results of the study it was found that initially one group of tafaquh fiddin and 7 recipients receiving zakat funds from Baznas were very dependent on the aid, but they were still doing the business manually without exploring more in advance of existing technology due to the limitation of resources. For instance, they do not have high education, old age, and environment that do not support the development of their business performance. In addition, it can be proved from taffaquh fiddin:

Loans from the cooperatives in the form of wheat, butter, eggs and other cake ingredients I can manage, which in a month I return on time even with the benefits to help increase cooperative funds". In addition to the cake I'm selling in front of the house, I divide the stalls and work with the company around the residence to become a provider (supplying) the cake at certain times in the company (entrepreneurship), so it helps increase my income (business performance) (taffaquh fiddin)

Based on the statement above, it can be seen that taffaquh fiddin is a poor person who got the aid from the BAZNAS but he can become productive through the aids. Mr. Yusuf Qardhawi is another informant also get aids, said:

Zakat funding aid I use to help the business that has been running the guidance of learning, before I just received tutoring at home with the help now I have a used motor to increase my income so mock, then I can also home-school students to guide them. From that result I can give infaq routine to Baznas.

Based on the statements above, it can be concluded that taffaquh fiddin and Mr Yusuf Qardhawi have a strong entrepreneurship spirit in doing the business. However, they do not have enough resources in technological, economic, and cultural factors. This is not in line with the theory that technological, economic, and cultural factors significantly influence the performance of economic enterprises (Buse & Hefeker 2007);

Socio-cultural (Shapero & Sokol 1982, Gianneti & Simonov 2003). And this is in line with previous research which states that Economic, political, technological and socio-cultural laws cannot directly influence business performance unless they have to go through entrepreneurial factors first (Wheelend, 2003), (Umar 2005).

IV. DISCUSSION

Furthermore, the results of research also found that it is very important that mentoring encourages entrepreneurship spirit in terms of improving their business performance. Indeed, the assistance or facilitator can provide the solution that will solving their problems. For instance, Pre Prosperous Family 2 stated :

I have been selling seaweeds and fish crackers, with the help of productive zakat funds I expand my business to sell bekang empek-empek typical, although many rivals but with the help of mentoring from baznas I can work with travel-travel to promote my empek-empek to the guests, so this can add to my business income, now I can add my business again by selling fish balls, I am grateful to the mentoring because I was able to use social media (online) in market my sales.

Based on the statement above, it can be concluded that mentoring has important role in guiding the poor to solve the problem in technology. In the spirit of entrepreneurship there must be trust, commitment, support of the nearest person, communication openness, incentive to seek opportunity (Wood, Mcdermot, Swan 2002). The communication between mentoring and the beneficiaries can make good communication to improve the entrepreneurship spirit.

Furthermore, the training of skills and knowledge can improve the business performance. The poor family from Samarinda is a widdow which becomes a laundry from one house to another house. Pre-Prosperous Family 5 asserted:

I am a widow which has two children. I become a laundry girl from one house to another house. The fund of Baznas which is given to me becoming a equity to make catering. They give us training how to improve the skill in financing.

Alhamdulillah ... right now, I can give infaq to BAZNAS even it is only Rp. 50.000 [per month]..

Based on the statement above, it can be drawn that training from baznas can help them in improving their business performance. This is in line with previous research that training and facilitation is the improvement of skills and knowledge, technological understanding, technical understanding, innovation, creativity, effectiveness that is needed in improving business performance (Noe, Hollenbeck, Gerhart, Wright (2003). However, several informants have not been able to maximally manage themselves to be more creative so that the mustahiq cannot be able to improve their business performance.

V. CONCLUSIONS

Based on the explanation above, it can be concluded that every business actor is required to entrepreneurial spirit, because with the spirit and creativity will greatly assist our efforts in the face of competitors and the progress of an increasingly complex era.

Furthermore, mustahiq recipients of zakat funds have not all have entrepreneurial spirit, and have not been able to use technology in order to be defeated by competitors, this is because in addition to the education is still minimal, also their understanding with the increase in living standards is also different, there are many who prefer to expect assistance rather than giving help. It can be suggested that better mentoring more intensively and done by successful entrepreneurs first, in order to stimulate the spirit and motivation mustahiq to creative and innovate in the effort.

Moreover, the aim of productive zakat should be done gradually after the aid of consumptive zakat given, because if directly given productive zakat but their primary needs have not been met then it will be spent on their stomach needs first, and productive assistance will be not exactly the purpose and purpose.

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A Dependence Level and Regional Contributions Effect on Income Level and Its Impact: A Case of Public Life Changes Patterns Kandri Agro Tourism Village, Gunung Pati Semarang

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Abstract— Kandri Village Gunung Pati, Semarang which has been designated as an area of agro tourism is one of the places for vacation. The research aimed to study the effect and the relationship between the level of dependency and contribution of the agro tourism activity toward public's income level and its impact on the pattern of changes around Kandri agro-tourism village of Gunung Pati Semarang. The research used survey method and the quantitative analysis used Path Analysis. The results showed that the dependence level of Kandri agro-tourism village was significant on income's level Kandri Village, the dependence level of Kandri agro-tourism village was significant on life changes pattern, the contribution of Kandri agro-tourism village was significant on public's income level, the contribution of Kandri agro-tourism village was not significant on the life changes pattern, mean while the income level was significant the life changes pattern. It can be concluded that the dependence level of Kandri village was significant on income levels and the pattern of life changes, Kandri village contribution was significant in the level of income but has been unable to improve the pattern of change in their life. Public income was not being much affected by their attraction Kandri village.

Keywords— Dependency Level, Regional Contribution, Income Level, Life Changes Pattern, Kandri Village

I. INTRODUCTION

The development of agro-tourism business is still proclaimed by the government for the establishment of agro tourism by determining the areas of rural areas and potential to be established as a tourist status, which is expected with the determination of the village as a tourist village area will be one of the containers for the preservation of nature awake.

Tourism village is a rural area that offers a whole atmosphere that reflects the authenticity of the countryside, both in terms of social culture, customs,

daily life, traditional architecture, spatial structure of the village and has the potential to development a various components of tourism such as attractions, eating, drinking, souvenirs, lodging and other tourist needs [1].

One important aspect that needs to get the attention of all concerned is the element of the local community. The development of agro-tourism can improve the economic downturn of the community and open access to infrastructure such as the road to the tourist area that will be the way for the community around to achieve prosperity. Agro tourism is expected to grow later the community can come to feel and contribute directly to the development of the region and freed independently.

The impact of improving human resources can be attributed to the need for increased personnel to influence the improvement of the human resource qualifications assigned to occupy an employment. The linkages between agro-tourism development and regional development include economic, social and economic infrastructure of the community ([2].

Kandri Village Area Gunung Pati Sub-district, Semarang City which has been designated as agro tourism area is one of choice place to spend vacation time. Agro-tourism related activities include the training of rice cultivation, fish farming and cooking class by taking all materials from the fields owned by the available population. The

activities contained in Kandri Village agro tourism are managed jointly by farmer groups.

This research is expected to be an evaluation material about the development of Kandri Village area as an agro tourism object in order to improve in the economic sector of the surrounding community as well as information material for the government in formulating the management policy of Agro tourism area that is siding with the public interest.

II. LITERATURE REVIEW

A. Agro Industry

Agro tourism is one of the terms used by the community to describe rural tourism, in addition to farm tourism, soft tourism and ecotourism. Agro-tourism is one of potential tourism activities to be developed with community-based development approach. The approach is aimed at increasing people's income, providing employment and also contributing to conservation awareness raising. Increased public incomes and employment are made through product and service activities related to agro-tourism [3].

The development of the tourism industry, especially agro-tourism, aims to give and increase the income of local communities. The agro-tourism development efforts consist of choosing strategic locations, providing good services, improving supporting facilities, infrastructure facilities and infrastructure improvements, safeguarding the security and safety of tourists and preserving the environment [4]. Tourism development is implemented by optimizing harmonious, harmonious and integrated resources through a comprehensive approach covering physical, economic, social, cultural and environmental aspects for sustainable development [5].

The development of agro tourism as one of the potential tourism business in Indonesia based on the concept of agriculture in the broad sense is supported by the geographic position of the equator and the various natural, biological and cultural conditions. Efforts to increase people's incomes should remain within the framework of development that ensures the conservation of natural resources. The development of agro-industry and agro-tourism should be further

improved in rural areas that are at the same time directed to overcome unemployment problems, in order to absorb the labor surplus of agricultural sector and poverty alleviation [6].

The tourism industry involves several sectors such as the economic, social, cultural, political, security, and environmental sectors that together produce the products of tourism services required by tourists. So, it can be said that tourism is a social phenomenon, economy, culture, psychology and geography [7]. Suyanti [8] argues that tourists are no longer just simply enjoy the natural beauty of tourist attractions with all the facilities of tourism. Nowadays many tourists who also want to enjoy the flexibility of travel by way of direct interaction with the environment and local communities. This change encourages the emergence of the concept of rural tourism which is marked by the emergence of tourist villages in various provinces in Indonesia.

B. Tourism Village

Tourism village is a rural area that offers a whole atmosphere that reflects the authenticity of the countryside, both in terms of social culture, customs, daily life, traditional architecture, spatial structure of the village and has the potential to develop various components of tourism such as attractions, eating, drinking, souvenirs, lodging and other tourist needs [9]. According to [10], tourist village is a village that has unique potential and unique tourist attraction, either in the form of physical characteristic of rural natural environment and socio-cultural life of society, which is managed and packed in an interesting and natural way with the development of supporting facilities in an environmental harmonious and good management and well planned so ready to receive and drive tourist visits to the village. The eco-tourism activities within the tourist village can improve the welfare and empowerment of the local community. Tourist village is defined by [11] is a form of environment that has special characteristics, both natural and cultural in accordance with the demands of tourists, where they can enjoy knowing, living and learning the uniqueness of the village with all its charm.

C. Village Tourism Development Program

In the opinion of [12] the development of sustainable tourism activities is a process and system of tourism development that can ensure the sustainability or existence of natural resources and socio-cultural life and provide economic benefits to future generations. Indicators that can be derived from sustainable characteristics include the environment. The tourism industry should be sensitive to environmental degradation such as waste pollution, garbage accumulation, and landscape damage caused by deforestation, inappropriate buildings and architecture, and unfriendly citizens' attitudes. Environmental aspects emphasize ecosystem and biodiversity conservation, waste management, land use, water resources conservation, atmospheric protection, and minimization of noise and visual disturbance.

According to [13], in order to achieve the development effort as an ecotourism object, it is important to involve local people in ecotourism activities, support of local government policy in supporting ecotourism activities about tourism objects, good management and design in accordance with the criterion of sustainability environment and in accordance with the carrying capacity of ODTWA (Nature Tourism Objects and Attraction), so that a plan that takes into account environmental sustainability, cultural sustainability, social sustainability and economic sustainability. According to [14], The fundamental limiting factor in determining the main principles of ecotourism is in the environment, society, education and experience, sustainability and management.

D. Local Community Impacts and Opportunities

Society is a collection of individuals who are living together as a big and needy unity, fulfilling the same characteristics as a group. The community around the tourist object is the people who live in the area around a tourist attraction, which has a livelihood as food traders, farmers, parking workers and others [15].

A development is said to be community oriented if the development is able to maintain three main elements of development consisting of implementing organizations development, development programs and community. The

opportunity to obtain from the impact of the development of these attractions will be more widespread. Therefore, in the implementation of a sustainable tourism strategy by prioritizing the community, in the long term it is expected that regional tourism sector can provide benefits [16].

The socio-economic condition of the society that occurs around the tourism object is the interaction between the tourists and the society as a result of the development of tourism in an area that influences the condition of the society with the indicator that there are changes of work and income, the pattern of division of labor, job opportunity and effort [17]. The development of community-based tourism activities that are closely linked to the elements and practices of local community participation in every phase of tourism development in a region, the phases of regional development planning and ideas, the phases of physical development as well as the commercialization and development of tourist areas.

E. Patterns of Community Life

People's lifestyles are not only about educational employment and family life, but also include the organization of social society, ceremonies and prevailing customs and religious life, but in a society or village there are several patterns of life. Villagers in a village are occupied by the peasants who are their main livelihood in meeting their daily needs and partly for the social good. A change that occurs in society is not solely for progress but can also lead to a setback. Sometimes the changes that occur too quickly will also have an impact on the community in which people experience culture shock in their daily lives [18].

Social change is also often referred to as social cultural change, this can happen because in general man himself is a social creature that has a culture and in social changes that occur indirectly also change the culture owned by the human, then expanded into society and finally the community also experienced a change both in terms of social and cultural. Three factors that can influence social change are the work pressure in society, the effectiveness of communication and changes in the natural environment. The causes of cultural change

are changes in the community environment, new discoveries, and contact with other cultures.

III. MATERIALS AND METHODS

This research was conducted in Kandri Village, GunungPatiSubdistrict, Semarang City on the grounds that the village has been designated as tourism village by Semarang City Government since 2012. The method used in this research is survey method with quantitative analysis using path analysis or Path Analysis. Selection of research sampling was done randomly through the availability of data and information by using 100 respondents.

Primary data obtained from the questionnaire distributed to the respondents ie the community around the Village Kandri, District of Mount Pati, Semarang City. Secondary data was obtained from the Department of Culture and Tourism of Semarang City and Central Bureau of Statistics (BPS) Central Java. Scale measurement of indicators in this study using Likert scale, ie starting from the smallest means very not agree given the value / score 1 (one) to the greatest value is strongly agree given the score / score 5 (five).

This research was analyzed by using descriptive statistical analysis procedure that is analysis by using tables, graphs, diagrams, average to describe the object under study. Qualitative descriptive analysis is used to get an explanation about the socio-economic problems of the community around agro tourism Kandri Village. Inferential statistical analysis is the analysis conducted to test the research hypothesis. In this study used path analysis to determine the influence of the level of dependence of the community on the level of income and its impact on the pattern of changes in people's lives.

IV. RESULTS AND DISCUSSION

A. *The Geographical Situation of Kandri Village*

Kandri Tourism Village is located in GunungPatiSubdistrict, Semarang City. Kandri village has an area of 357,848 ha, located at an altitude of 349 m above sea level (asl) which is classified in highland areas and has a rainfall of 810 mm / year and has an average air temperature of 28°C. The geographical boundary of Kandri Village

covers the northern borders of Sadeng Village, the south is bordered by KelurahanCepoko, the west is adjacent to JatirejoSubdistrict and Regency of Nongkosawit and Pongangan in the east. Kandri Village is divided into 4 RW and 26 RT. Kandri village there are 2 SD and there is 1 kindergarten. Kandri Village there Reservoir for irrigation facilities named Jatibarang Reservoir area of 80 Ha and there is a Goa called Goa Kreo which serve as a tourist attraction by the local community.

Kandri village distance from the district government center is 3.5 kilometers. The distance from the provincial capital is 16 kilometers. Kandri Village has 3 parks with an area of 16 m². The existing road conditions in the village of Kandri is good enough and paved. The transportation used in Kandri Village is in the form of public transportation and private vehicle. Access roads traversed by indigenous people and tourists can be skipped in both directions.

B. *The Influence of Village Tourism Addiction Level to Community Income Level*

Kandri Village with various activities that make it as tourist village significantly influence the income level of the community ($P < 0,05$). This can be because the community participates in the existing activities. The development of Kandri Village as a tourist village as a whole gives a good impact for the community. Environment in the village of Kandri also more awake cleanliness and keasriannya. People are not a few who open new business places such as opening a place to eat and also open a homestay to be a temporary residence for visitors who want to spend the night enjoying the beauty of Kandri Tourism Village. Citizens are also willing to be a tour guide to be invited to tour around Kandri Tourism Village with all its activities. Wihasta and Prakoso [19] argue that the availability of adequate facilities and infrastructures can support the development of tourist villages so that the community and stakeholders can participate and contribute and feel the good impacts of tourism village development.

C. *The Effect of Income Level of Society on The Pattern of Change of Life*

The level of community dependence on Kandri tourism area has significant effect on life changing

pattern ($P < 0,05$). People began to rely on life with the Village Tourism Kandri little by little began to change his lifestyle. Communities who were initially more passive in communicating now tend to be more active and more friendly. Martono [20] argues that lifestyle changes is actually a life style (lifestyle) that follows the pattern of development of the era, with all forms of science and technology progress. Development and change can not be dammed by anything. This is what happens in human civilization. This is certainly inevitable. Man can not escape from any advances in science and technology. Humans are basically required to be able to adapt to anyone, anywhere, anytime and under any circumstances.

D. The Effect of Income Level of Society on The Pattern of Change of Life

Based on the table, it can be seen that the income level obtained by Kandri villagers significantly influence the pattern of life change ($P < 0,05$). This is because with Kandri Village danya make people get additional income so that people who open a business or trade provide a variety of purposes needed visitors. People make various souvenirs to be made souvenirs. The development of natural tourism activities should be able to create a solid foundation of work. Appropriate direction towards the target and develop opportunities equally for the benefit of the community to meet the needs of employment and increase community incomes [21]. Increased public incomes and employment are made through product and service activities related to agro-tourism[22].

E. The Influence of Village Tourism Contribution to Community Income Level

Based on the table, it can be seen that there is a significant relationship between the contribution of Kandri Tourism Village area to the income level of the community ($P < 0,05$). This is because with the Village Tourism Kandri community no longer difficulty in making a living because it can make their own business and citizens the opportunity to trade and then sold to visitors who visit the village. The community also helped maintain the security and comfort of the village so as to make visitors want to linger to be in the sesa. The facilities and infrastructure are getting better and the roads passed

can be easily passed. Manuabu [23] states that the planning of the development of a region and the development of tourism objects are expected to be planned carefully with attention to environmental sustainability. In the absence of planning may lead to undesirable developments such as inappropriate use of spatial planning, environmental degradation, the development of unbalanced sectors of activities and the creation of social and other problems.

F. The Influence of Dependence on Pattern of Life Changes of Kandri Village People

Based on the table, it can be seen that the level of community dependence on Kandri Tourism Village has significant effect on life changing pattern ($P < 0,05$). People began to rely on life with the Village Tourism Kandri little by little began to change his lifestyle. Communities who were initially more passive in communicating now tend to be more active and more friendly. Martono (2012)[24] argues that lifestyle changes is actually a life style (lifestyle) that follows the pattern of development of the era, with all forms of science and technology progress. Development and change can not be dammed by anything. This is what happens in human civilization. This is certainly inevitable. Man can not escape from any advances in science and technology. Humans are basically required to be able to adapt to anyone, anywhere, anytime and under any circumstances.

G. The Effect of Area Contribution to Life Change Patterns

Based on the Table, it can be seen that the contribution of the region has not been able to directly affect the pattern of life change of the village of Kandri ($P > 0,05$). This is due to the contribution given by the Village Tourism Kandri the number is still relatively small so it has not been able to influence changes in community lifestyle. According[25] changes that exist include elements of cultural material and immateril by emphasizing that the great influence of the immaterial elements. Judging from the demands of the stability of life of social change experienced by society is a natural thing. In contrast, people who do not dare to make changes will not be able to serve the demands and dynamics of the ever-evolving members.

H. Relationship between Dependency Level, Income Level on Life Change Patterns

This means that Kandri Tourism Village is directly able to influence the changing pattern of community life around Kandri Village. Dependency level either directly or indirectly can influence pattern of life change of society around Kandri Village. Lopez-Guzman et al. [26], argues that the development of community-based tourism activities can create jobs and grow welfare and increase incomes for participating communities. As a tourist destination, tourist villagers should have a perception that the inhabitants are friendly to visitors as well as the diversity of ecological wealth. Community involvement and support are important factors that determine the success or failure of the development of community-based tourism activities. Efforts to increase people's incomes should remain within the framework of development that ensures the conservation of natural resources. The development of agro-industry and agro-tourism should be further improved in rural areas that are at the same time directed to overcome unemployment problems, in order to absorb the excess labor of agriculture and poverty alleviation [27]. Ekonomi activities within the tourist village can improve the welfare and empowerment of local communities [28].

V. CONCLUSION

The result of this research can be concluded that the dependency of Kandri Village area influence to income level of Kandri Village, Kandri Village dependency influence to changing pattern of life of Kandri Village, Kandri Village contribution influence to income level of Kandri Village, to the pattern of life change of Kandri Village and income level have an effect on to change pattern of life of Kandri Village community. The dependency of Kandri Village area has an effect on income level and life changing pattern, contribution of kawsasan influence to income level but not yet able to improve pattern of life change. The income of the community has not been much affected by the existence of Kandri Village tourist attraction.

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The Problems of Taxpayers Compliance, Ethics, Tax Audit and Tax Penalty: Evidence from Samarinda

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Abstract—Tax become the largest income sector for this country. Currently, around 77% of the Indonesian State Budget is financed from tax revenues. In Samarinda, there was a decreased level of tax compliance. As for the problem with this study is to find out whether ethics, tax audits, and tax penalties partially can improve taxpayer compliance. This study tried to determine the factors that influence compliance Taxpayers Taxpayers registered individual, especially in Samarinda Tax Office. In this study, the data were collected through questionnaires to 100 respondents using a purposive sampling method to determine the response of respondents to each variable. Then analyze the data obtained in the form of quantitative analysis. Findings indicated tax audit that had an influence on Taxpayers compliance. However, ethics and tax penalties do not affect the Taxpayers compliance. This study provides important implications for policymakers in addressing taxpayer compliance.

Keywords—ethics, tax audit, tax penalties, taxpayers compliance

I. INTRODUCTION

Tax revenue or income become the largest sector in Indonesia. The country can use the taxes to improve infrastructure development needs, the conduct of government and public services. Tax compliance by [1] is the taxpayer has the willingness to fulfill their tax obligations in accordance with the applicable rules without the need of holding the examination, thorough investigations, warnings or threats, in the application of legal or administrative sanctions.

Ethics studies about actions or behavior of an individual, groups, or institutions, the good and the bad. Measure to judge whether or not an action is good when viewed from the intact human nature is seen on the advantages or disadvantages for others, the ability of those actions in creating the happiness of the individual in increasing faith / spiritual consciousness of a person.

We can know or ascertain the level of tax compliance, by conducting the direct examination. Tax audit can be done in the field and in the office. Field tax audit can be done at home WP, whereas direct examination held office in the Directorate General of Taxation. In taxation, if there is no breaking the rules implementing the obligations to pay taxes, it can be fined or penalized. Just as the tax audit, the tax penalty is also very influential in improving compliance to pay taxes.

Self-assessment system which is implemented by the Indonesian government, give full credence to the taxpayer (WP) to calculate, taking into account, deposit and report the entire tax obligations [2]. In other words, taxpayers themselves determine the amount of taxes owed.

TABLE I
LEVEL OF TAX COMPLIANCE IN SAMARINDA CITY 2012-2014

Year	2012	2013	2014
Total WPOP (a)	120.578	133.544	145.688
Mandatory Annual (SPT) (b)	101.829	97.527	90.778
Realization Annual SPT (c)	36.383	34.971	31.539
Compliance (c / b x 100%)	36%	36%	35%

Source: [8].

According to the Table 1 shows that the increase in the number of registered taxpayers do not necessarily indicate an increase in compliance with the individual taxpayer (WPOP) submitting their annual tax return in 2012 and 2013. The percentage of compliance of the same or different, no changes

in the number of WPOP increased in 2013 increased to more than 13,000 compared to 2011. Furthermore, in 2014, can be seen a decline in tax compliance presentation to 35% and it is also not in line with the number of individual taxpayers were increased by more than 15,000 people over the previous year.

Based on previous studies can be seen from a gap of the previous research. Where the variable ethics, tax audit and tax penalties no effect on tax compliance, but there is also mention that the variable has no effect on tax compliance.

A. Taxpayer Compliance

Compliance was said by [3] is "a climate" awareness of compliance and fulfillment of tax obligations are reflected in the following situations:

- Taxpayers understand or attempt to understand all the provisions of the tax legislation.
- Filling out tax forms completely and clearly.
- Calculating the amount of tax payable correctly.
- Pay taxes owed on time.

Their compliance is because there are rules and norms that should be implemented. Reference [4] states that the success of the tax revenue is the ratio of the level of compliance of tax payment by taxpayers. The higher level of tax compliance, the higher the success rate of tax revenue, and would lead to higher taxation success.

Examples of tax compliance by [5], for example, provisions deadline for submission of income tax returns (SPT VAT) Annual is March 31. If the taxpayer has reported a tax return income (SPT Income Tax) yearly before or on March 31, then the taxpayer has complied with the formal, but its contents do not necessarily comply with the material, which is a state in which the taxpayer is substantive meet all material provisions taxation, ie, according to the contents and spirit of tax law.

B. Ethics Taxpayers

Ethics comes from the Greek word *ethos* (singular) meaning: shelter, meadows, stables,

habits, customs, character, feelings, attitudes, ways of thinking. Reference [6] senses of ethics can be seen from the following two points:

- Ethics as praxis; equal to morals or morality that mean customs, habits, values, and norms prevailing in society.
- Ethics as a science or ethics is thinking / moral judgments. Ethics as moral thinking mediocre achieve scientific level when the reasoning process to morality is critical, methodical, and systematic. In this stage the science of ethics can only try to formulate a theory, concept, principle, or principles of human behavior that is considered good or not good, why the behavior is considered good or not good, why be either very useful, and so on.

C. Tax Audits

Examination of a series of activities to collect and process data, information, and/or evidence carried out objectively and professionally based on a standard of examination to test compliance of tax obligations fulfillment and / or for other purposes in order to implement the provisions of the tax legislation. In Article 29 Paragraph 1 of the Law CTP Directorate General of Taxation is authorized to conduct an audit to verify compliance fulfillment of tax obligations of taxpayers and other purposes in order manage provisions of tax legislation.

The purpose of tax audit is to verify compliance fulfillment of tax obligations:

- SPT overpayments including those already given preliminary tax returns;
- SPT loss;
- SPT is not or late (beyond the time period specified in the Warning Letter) delivered;
- Undertake a merger, consolidation, expansion, liquidation, dissolution, or will leave Indonesia for ever; or
- SPT which meet the selection criteria based on the results of the analysis (risk based selection) indicate a WP tax obligations not being met in accordance with tax legislation.

D. Tax Penalties

Tax penalties occur because of violations of rules of tax laws where the greater the mistakes made by a taxpayer, then the sanction will also be more severe. From the above, sanction or penalty tax may prevent taxpayers to make incompatibility in paying taxes, tax penalties will depend on the error rate payers in fulfilling their obligations. Can be described that the tax penalty is part of the administrative sanctions that must be obeyed by the taxpayer if he violates the rules of the game have been made by the Directorate General of Taxation. Penalty is the kind of sanctions that are mostly found in taxation law. Related penalty amount may beset specified amount, a percentage of the amount or the sum of its multiplication. In a number of violations, penalties will be added to criminal sanctions. Violations are also subject to criminal sanctions are violations that are negligent or intentional.

E. Hypotheses

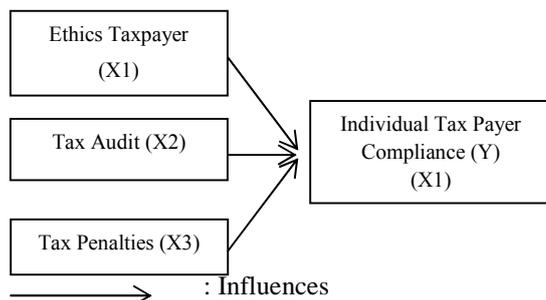


Fig. 1 Conceptual Framework

Model hypothesis can be formulated as follows:

- H1: Ethics taxpayer affect the compliance of individual taxpayers.
- H2: Tax assessment affect the compliance of individual taxpayers.
- H3: Tax penalties affect the compliance of individual taxpayers.

II. METHODS

This study uses a quantitative approach with descriptive methods. According [7] is a descriptive analysis statistical method used to analyze data in ways that describe or depict the data that has been

collected as it is without the intention of making conclusions apply to the public, and generalization. Samples are tax inspectors in KPP Samarinda. The study used a sample of saturated when the population is relatively small [7].

III. RESULTS

A. Results of Statistical Test

According to [8], individual taxpayer (WPOP) conducting business are those who carry on business as well in various fields of agriculture, industry, trade, and others and is not bound by a bond with the employer. While generally associated with free job skill or profession carried on by the experts in question are lawyers, accountants, consultants, notaries or doctors who opened consultant office or clinic with their own name.

The criteria used to determine whether or not the statement is valid if the correlation between each of the indicators of the total score constructs showed significant results with the level of $\alpha = 0.05$ $df = n - 2$ $(100 - 2) = 98$, r table = 0, 1966 then each item will be declared valid question. Based on the analysis, the validity of the test results can be shown as follows:

TABLE II
RESULTS OF VALIDITY TEST

Variables	Question Items	Pearson Correlation	r table	Exp
Taxpayer Compliance (Y)	Compliance1	0.492	0.1966	VALID
	Compliance2	0.568	0.1966	VALID
	Compliance3	0.456	0.1966	VALID
	Compliance 4	0.719	0.1966	VALID
Ethics Taxpayers (X1)	Ethics1	0.756	0.1966	VALID
	Ethics2	0.387	0.1966	VALID
	Ethics3	0.484	0.1966	VALID
	Ethics4	0.594	0.1966	VALID
Tax Audit (X2)	Audit1	0.581	0.1966	VALID
	Audit2	0.643	0.1966	VALID
	Audit3	0.670	0.1966	VALID
	Audit4	0.549	0.1966	VALID
Tax Penalties (X3)	Penalty1	0.798	0.1966	VALID
	Penalty2	0.517	0.1966	VALID
	Penalty3	0.517	0.1966	VALID

Table II shows that each item shows the Pearson correlation questions above or bigger than r table is 0.1966. So that the whole question in this study can be in declared invalid.

The research variables will be said to be reliable if the Cronbach Alpha her have a greater value than r table with a significance of 5% and the amount of data (n) = 100, 0.195 then the variable is said to be reliable. 4.4 In the table below will explain the results of testing the reliability of the instrument for each of the study variables.

TABLE III.
RESULTS TEST RELIABILITY

Variables	Cronbach Alpha Coefficient	Number Item Questions
Taxpayer Compliance	0.321	4
Ethics Taxpayers	0.503	4
Tax audits	0.429	4
Tax penalties	0.319	3

Based on table 4.3 above, it can be seen that the Cronbach alpha coefficient 0.321; 0.503; 0.423; and 0.319 so that it can be concluded that the entire instrument in this study is reliable.

TABLE IV.
RESULTS OF NORMALITY TEST DATA
One-Sample Kolmogorov-Smirnov Test

		Residual unstandardized
N		100
Normal Parameters ^{a, b}	mean	,0000000
	Std. deviation	1.56551799
Most Extreme Differences	Absolute	,061
	positive	,036
	negative	-,061
Test Statistic		,061
Asymp. Sig. (2-tailed)		,200 ^{c, d}

- a. Test distribution is Normal.
- b. Calculated from data.
- c. Significance Lilliefors Correction.
- d. This is a lower bound of the true significance.

TABLE V.
THE AUTOCORRELATION TEST RESULTS

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,399 ^a	,159	,133	1,590	2.095

a. Predictors: (Constant), Tax_Penalties, Ethics_Taxpayers, Tax_Audit

Based on Table IV and V, and Figure 1, this study set free classical assumption.

B. Regression Analysis

Analysis of multiple regression test aims to examine the influence of ethics taxpayer, tax audits, and tax penalties on tax compliance individual who carries out business activities and work freely. Based on the results of multiple regression by using SPSS regression coefficient obtained as follows:

TABLE VI
REGRESSION COEFFICIENTS TEST
COEFFICIENTS A

Model	Coefficients unstandardized B	standardized Coefficients beta	Std. Error	t	Sig.
1 (Constant)	8.335		2.211	3,769	,000
Ethics_Taxpayers	,074	,073	,096	1,010	,315
Tax_Audits	,384	,109	,340	3.527	.001
Tax_Penalties	,101	,099	,097	1,013	,314

a. Dependent Variable: Taxpayers_Compliance

Based on the results of the regression coefficients, then the following equation:

$$Y = 8.335 + 0.074 + 0.384 X1 + 0.101 X2 X3 + e$$

C. Hypothesis testing

TABLE VII
TEST RESULTS HYPOTHESIS
ANOVAa

Model		Sum of Squares	df	mean Square	F	Sig.
1	Regression	46.006	3	15.335	6.068	,001B
	residual	242.634	96	2,527		
	Total	288.640	99			

a. Dependent Variable: Taxpayer_Compliance

b. Predictors: (Constant), Tax_Penalties, Ethics_Taxpayers, Tax_Audit

Hypothesis test results in Table VII shows the value of t and the probability of each described as follows:

1. Variable taxpayer ethics showed t values of 1.010 and 0.315 significant. At the alpha of 0.05 and df-nk (100-4) t table 1.985, we conclude that the taxpayer ethics variable has no effect on tax compliance.
2. Variable tax examination showed t values of 3.527 and 0.001 significant. At the alpha of 0.05 and df-nk (100-4) t table 1.985, we conclude that the taxpayer ethics variables significantly influence taxpayer compliance.
3. Variable tax penalty showed t values of 1.013 and 0.314 significant. At the alpha of 0.05 and df-nk (100-4) t table 1.985, we conclude that the taxpayer ethics variable has no effect on tax compliance.

IV. DISCUSSION

A. Effect of Taxpayers Ethics on Individual Taxpayer Compliance

Based on the results of hypothesis testing ethics variable taxpayers on tax compliance, suggesting that ethics taxpayer does not affect the compliance of individual taxpayers. So we can say that the first hypothesis (H_1) is rejected.

Ethics taxpayers increased not affect taxpayer compliance. In this study concludes high or low or whether or not the taxpayer behaves ethics cannot increase the level of tax compliance. List of questions included in the questionnaire study

showed many respondents agree will be honest in all aspects, despite that good ethics are shared by most people can not affect the attitude of tax compliance.

Reference [9] conducted a similar study also found that the taxpayer's attitude or ethics in Kenya has no effect on tax compliance. Respondents consisted of 260 samples explain their attitude in Kenya looked at the tax system is unfair. This is because the majority of respondents believe that they pay taxes fairly in accordance with existing regulations.

B. Effect of Tax Audit on Individual Taxpayer Compliance

The second hypothesis (H_2) stated that the tax audit for compliance impact to individual taxpayer, the hypothesis testing results indicate that the effect on the tax audits of personal tax compliance. Tests carried out on a regular basis by the Directorate General of Taxation in cooperation with the authorities, making people avoid going to the tax audit measures to report and pay the tax in accordance with tax provisions. An examination also assessed as able to anticipate the level of tax fraud. Directorate General of Taxes also annually determines the tax targets through examination findings, and visits each year tend to increase from the target.

In line with the research done by [10] which concluded due diligence measures significantly influence the improvement of material and formal compliance taxpayer in KPP South Semarang. By applying the self-assessment system, taxpayers are given the confidence to count, deposit and report tax itself into obligations.

C. Effect of Tax Penalties on Individual Taxpayer Compliance

The results of hypothesis testing variable tax penalties on tax compliance, suggesting that the tax penalty does not affect the compliance of individual taxpayers. Based on these results it can be said that the third hypothesis (H_3) was rejected.

Reference [11] concluded that research conducted in Semarang that the fine effect on individuals taxpayers compliance, not in line with a recent study concluded that the tax penalty does not affect the tax payers compliance. This study is in line with research conducted by [12] on the Kenyan society

stating that the tax penalty has no effect on tax compliance.

V. CONCLUSIONS

Ethics Taxpayer does not affect the individual taxpayer Compliance who is registered in the KPP Samarinda. Tax audit affects the Tax Compliance of the individual taxpayer who is registered in the KPP Samarinda. Tax penalty does not affect the individual taxpayer compliance listed in KPP Samarinda. This shows the tax penalty imposed on the taxpayer if the abuse does not affect or improve taxpayer compliance.

Taxpayers in order to continue actively studying the taxation and keep abreast of tax laws in Indonesia. So, that the self-assessment system established by the government can be realized and implemented properly. The tax authority would continue to be increasingly active in performing their duties so that the realization of tax audits tax compliance. Effect of tax audit for compliance testing can be seen from the usefulness of tax audits as detection of fraud committed by corporate taxpayers, oversight of the fulfillment of tax obligations by the taxpayer, and the first step in enforcement (law enforcement).

Tax penalties that have been imposed must be tightened implementation. Penalties imposed on taxpayers who violate must be fair and appropriate for raising awareness of taxpayers to pay their taxes

on time and in accordance with the provisions of the Tax Act.

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The Roles of Community for the Growth of Micro and Small Enterprises in Banjarmasin, Indonesia

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Abstract— This study examines the role of the community for the development of micro and small enterprises in Banjarmasin, Indonesia. The research aims to explore the benefits of information exchange among community members and explore the community utilization for the development of their business. The research also aims to review the role of community for the members. This research is a qualitative research using phenomenology approach. Research objects are community members of micro and small enterprises, while Informants in this study amounted to 5 (five) people consisting of two micro entrepreneurs and 3 three small entrepreneurs. The research analysis tool used is Phenomenology. The results of this study indicate that the interaction of micro and small business community members through WhatsApp (WA) group is very dynamic. The networking that occurs among community members is not only a common friendship but also sharing of business information, business transactions, and business partnerships. Community members feel very helpful in doing business with the community existence. Many members increase their sales turnover because they are actively involved in WA group. This is because through WA group, the community members can promote their products and/or services freely. Furthermore, information sharing is regularly done through WA groups, such as business plan preparation training, exhibition activities, access to cheap and quality raw materials, potential business opportunities, financial governance, and business legality management. Hence, community can bridge connectivity among members, resulting in a growing sense of togetherness and loyalty among them.

Keywords— Community Member, Micro and Small Enterprises, Whatsapp, Information Sharing

I. INTRODUCTION

Information technology plays a very important role in helping people to facilitate in carrying out their daily activities, whether in operating the business, dealing with clients, or communicating with family, friends and others. Communication is a very important in life, one cannot live alone, they need others to support their life, therefore they tend to live in groups. The group will work well and

benefit its members, if among them there is a matching view and harmony of relationships.

Today, many groups are formed, not only in the form of political organizations, but also in the form of community organizations, religious organizations and other formal organizations. In addition, informal groups based on friendships are also growing with the use of social media such as Facebook (Fb), Twitter, Instagram, Telegram, Line, WhatsApp, and others. In line with the development of social media and a significant change in the lifestyle of the community, a group that is often called community becomes a necessity. This happens allegedly because the community has great benefits for its members. What benefits does a member of his or her community have? The answer to this question will be investigated in this study.

II. PROBLEMS AND RESEARCH FOCUS

A. Research Problems

In the global economic fluctuations, it has been proven that micro and small enterprises are more resilient than middle and large businesses. In Indonesia, there are quite a lot of micro and small businesses that stand with various background motives. Some are standing because of the demands of life or not getting another job or the limited field of employment for the skills they have, but no less standing for wanting to develop themselves. Regardless of what the motive is, in its development, many micro and small enterprises (MSEs) are not growing, some are growing and rising levels for examples from micro-enterprises to small, or from small to medium- sized businesses, even from medium-sized businesses into large one.

There is also the opposite, and some even close or bankrupt, because it is unable to compete.

Many factors influence the growth of a business process. Micro and small enterprises are synonymous with weaknesses, such as low quality of human resources, poor financial management, production techniques that rely on human labor, marketing strategies that have not yet subsided customer satisfaction, and leadership that is still very weak. Therefore, micro and small enterprises need help from various parties. Through related institutions, the government has been appointed to contribute to the growth or development of MSEs in Indonesia. Some examples of assistance that have been provided by the Ministry of Industry and Trade, and the Office of Cooperatives and SMEs are training, mentoring, access to capital, and so forth. Furthermore, the main task of MSEs is to utilize such assistance efficiently and effectively.

In addition to share government-assisted capital assistance and assistance from CSR, community building among MSEs is also expected to assist members in developing their members' businesses, such as sharing of the cheapest raw material information, market potential, production techniques, marketing strategies, business licensing, and other important business information. Based on the above phenomenon, the problems in this research are:

- What does networking mean for community members?
- How do members use their community for MSE business development?

B. Research Focus

This study focuses on investigating the role of the business community for the advancement of its members' businesses. In-depth reviews are also conducted to uncover members' perceptions of the community's existence and the contribution of members that can be shared with other community members. This study will also examine the aspects of harmony between the members and the community to create a harmonious relationship so that members' businesses can be increased as well as advanced to a higher level.

III. LITERATURE REVIEW

A. Business Theory

There are 3 aspects to keep in mind that the business theory used is always relevant for the present and future, such as reality, focus, and change [2]. Companies must well recognize the environmental conditions encountered, whether internal conditions that include the advantages and disadvantages, such as resources owned, and external conditions that include opportunities and threats, such as consumer tastes, market potential, technological changes, and other external conditions. By understanding the internal and external environmental conditions, the company is expected to focus on the target to be achieved in accordance with the reality of the company's capabilities and current market conditions. Furthermore, change is something that will happen continuously, hence companies should be able to adapt in order to support business focus and continuous improvement, so that the company is able to meet customer expectations as the key to business success.

B. Relationship Management

Business competition increasingly sharp and will be more severe in the future. If the company cannot implement the right strategy to win the hearts of consumers, and cover the weaknesses by building a business partnership, then most likely the undertakings cannot survive as expected. The benefits of this partnership are unquestioned, hence [3] believes in criticizing SMEs who lack networking attention by stating that most SMEs view networking as a non-priority factor. According to him, SMEs often prefer to increase sales turnover or seek capital rather than networking, whereas networking can help to increase sales turnover and ease in obtaining additional capital, and other networking benefits for SMEs.

By knowing the 7 benefits of networking for small and medium enterprises below, it is expected SMEs can start doing networking on a regular basis. The seven benefits are: (1) increasing sales, (2) opening new opportunities, (3) obtaining important suggestions and feedback, (4) getting positive influence, (5) increasing credibility, (6) increasing confidence, and (7) broaden the horizons.

According to [4], creativity becomes very important because it refers to new products of value and the capacity to produce a work. By seeing, hearing, observing, imitating and modifying, highly competitive products will be generated. In other words, competitiveness will arise from creativity that focuses on the consumers wants and needs. It is important for organizations to enhance the capacity of leaders and employees to create sustainable growth through broad and sustainable networking.

Furthermore, trust becomes fundamental in establishing good relationships with colleagues and consumers. Since trust is very profitable, it must be realized and maintained. According to [5], trust is a reflection of two component. Firstly, credibility based on the size of an organization's trust in another organization, where it requires expertise to produce work effectiveness and reliability. Secondly, benevolence which can be interpreted as good deeds, generosity, charity and deeds of its kind to colleagues, consumers and society. [6] divide trust into four categories: competence, virtue, integrity and predictability. The trust that every company needs can be created if the company's staff has competencies in managing the business. Competencies that are added with virtues such as hospitality, service and sufficient explanation to the consumer, with high integrity can create relationships in the long run. Long-term relationships that have been built, is expected to generate high consumer loyalty. Loyalty is an important part of marketing, especially in developing a marketing strategy plan to improve company's competitiveness, which is expected to increase its profit and growth [7].

C. Phenomenology

This research uses phenomenology approach in its research. According to [1] Phenomenology research are an approach in which a thinking that reflects individual thoughts based on personal experiment which involves the subject in doing so. Empirical phenomenology is a subjective perspective on that individual personal experience which gained from the individual live experience derived from a phenomenon [8]. The main idea on empirical phenomenology is a scientific explanation

based on the meanings and words interpreted from the subject involved [9].

Empirical resulted in an explanation based on subjective experience that is experienced by individual, derived from an actual individual experience. When using the empirical phenomenology, researcher needs to take into account a description based on existing idea that reflects on how that individual thinks on certain phenomena, in this process the researcher usually required to interact and learn from the individual. It is meant to give a rational option for the individual involved in the research. Rational option is a controlled subjective on the individual that is involved in the research. The usage of empirical phenomenology can explain the phenomena from the subject involved in how they make a business relationship. Information that is given can illustrates an actual event from the individual during their interaction in their own business community [1].

IV. RESEARCH METHODS

This research is designed qualitatively, that is trying to construct reality and understand its meaning. The main factor to be considered in qualitative research is the process [10]. In viewing research issues in terms of multidisciplinary sciences, domains, and research subjects are part of a tradition of positive thinking and cultural-related perspectives and interpretive studies [11].

The object of this research is the members and managers of the business community. In this study, objects are linked to how interactions among members, between members and managers, and how the community contributes to the growth and development of members' businesses.

Data were collected with 3 (three) methods: in-depth interview, observation and article searching through website. The place of the interview is determined according to the agreement between the informants and the researcher, at the café, at the informants' house or other agreed place.

The selection technique of the key informant used snowball. This technique connects people to each other either directly or indirectly (Kenneth and David Ermmann, 1977, in [1]).

TABLE I
RESEARCH INFORMATION

No.	Name	Positio
1.	Asmah Darkani	Chairman of DPD Hipmikimdo South
2.	Hj. Bahrudin	Chairman of Anugrah community, admin group.
3.	Siti Asnah	Community members
4.	M. Nurullah	Member
5.	Mariatul Asiah	LK3 Management, head of women empowerment program.

Data validation was done by involving informants, such as transcripts of interviews that have been compiled submitted back to the informant to be revised without changing the intent of the results of previous interviews. The result was not found inconsistency, so it can be stated that the data used in this research was valid. Furthermore, data was analyzed using phenomenology method [12]. Kleiman (2004) [12] presents several phenomenological methods, namely:

- Read carefully the transcript of the interview in order to obtain a comprehensive picture of the interview results contained in the transcript of the interview.
- Read interview transcripts more thoroughly and divide the data into sections corresponding to the same quotations.
- Integrate quotations with the same parts.
- Integrating the pieces or interview quotes into the subject of meaning.
- Describe the meaning of the interview quote.
- Describe the findings and the meaning of research.
- Reviewing the findings of the study by comparing it with previous interview transcripts.
- Verify, criticize, and synchronize the research findings to suit the research objectives.

The presence of researchers in qualitative research is absolutely necessary because they are the direct instrument of the data collection research [13]. Researchers went and met the informants directly and conduct interviews with informants. The observations were made at several community meetings and community activities on social media, especially WhatsApp and Line. Researchers were also members of the business community and some social media communities. The researcher's experience can provide broad

insights that can be used to guide the direction of the research to fit the established research objectives.

The informants in this study are 5 people, consist of 2 community managers and 3 members of business community. The basis for determining the number of informants for 5 people is that informants no longer provide information that varies. Selection of new informants no longer need to be done if no new information is found or has reached the level of saturation (redundancy). At this stage, the information gathering process is considered complete. Here are the names of the informants and the information.

V. RESEARCH RESULTS

A. *Community and Business Activities*

In line with the advancement of information technology, cyberspace community emerging a lot of good pure friendship, business, politics and other purposes. This means is often a forum for discussion, exchange of information, learning, business, and other phenomena.

This study focuses on how community members use of their community for ongoing business progress and for non-

business members what positive values can be gained from the communities they participate in or where they belong.

The results of in-depth interviews with informants, the community has a huge contribution for members, especially for young entrepreneurs and new start up efforts. Benefits derived such as a member initially introduces the product, then another member responds, there are members who recommend the use or repair of the packaging, other members want to try the product, and other responses. At this stage there will be a long interaction as initially difficulty when purchasing large quantities of packaging, but with some members who need the same products, the purchase of packaging can be done in groups, so that the packaging improvement program can be done. Other information, such as information on free or paid training, can also be shared in this community.

In this community, the members can also seek information about the source of cheap raw materials, merchandise that has potential profit, competent

workforce, location / place of business sold or rented, and other business information. This forum is also often used as a joke to refresh the atmosphere. When meeting directly will be more exciting again, because previously members of the community have not known each other, but through this community, friendship will spread very fast, so even though joined in a community, but never before met directly. Thus, the chat will get crowded, and most likely business transactions will also occur, such as a small exhibit without sponsorship. That is like a bazaar held by the community on the anniversary, big holidays like the month of fasting, new year, and so forth, in one place agreed for example the home page belongs to members or borrow a place in the yard of the mosque or church.

Increased insight and supported by ATM stance (Observe, Imitate, and Modify) make the passion to advance more encouraged. There are many members who recognize that this community is helping the progress of their business, even some members who initially did not have a business, after joining the community member has become a start-up business. Through the community, members can also refine each other how to manage the business, so that more orderly their business administration. No less important is related to the licensing process. In this regard, chairman of DPD *Hipmikindo* (association of micro, small and medium enterprises, Indonesian) branch of South Kalimantan has provided assistance to entrepreneurs who want to create a business license and access to banking.

B. Benchmarking

Business strategies run by members of the community in general only from imitating (benchmark) of what a competitor's business strategy is already in the first business. With a few modifications tailored to the resources owned both capital and

skill. So, it is common that a company closed because it is not able to compete in seizing the consumer, but there are many who can grow well side by side with their competitors. According to the authors' observations, those who can survive are the companies which carefully look at opportunities by adjusting their resources and are always creative

in asking community members. An example is an informant named Siti Asnah. She is from a roadside business who finally has a distinctive product that continues to grow its sales, even one of the products is Kasturi syrup (name of a typical mango fruits that has typical taste) become welcome drinks in some 3 and 4-star hotels.

C. Relationship Form

The form of a growing network of business relationships develop into interpersonal relationships in the form of intimate friends and kinship.

D. Benefits for Community Members

Benefits felt by members of the business community, they can have many friends, add insight, easy to get business information, know the source of raw materials / merchandise, know more production techniques, reference techniques competitors in selling, and increase sales.

The table below shows the themes and the supporting quotes themes. Furthermore, the themes generated by each informant is shown in the following table.

TABLE 11
THE THEMES AND SUPPORTING QUOTES

Theme	Supporting Quotes Themes
Community, meaning for members: <ul style="list-style-type: none"> • Need each other • Win-win solution • Kinship 	<p><i>Hipmikindo</i> community consists of various sectors namely trade, processing industry, agriculture, plantation, fishery, and others.</p> <p>Mentoring is done by middle entrepreneurs to micro and small enterprises. The spread is much related to marketing techniques, production, access to information and others. Activities are meetings</p> <p>There are 13 districts / cities in South Borneo. In Balangan there is Sengon and ginger. But the role of the government is still limited, therefore community members cannot expect too much, instead they should help the government build micro and small enterprises. Utilization of community by members for the development of typical Batik industry of South Borneo named Sasirangan which certainly no doubt is Halal.</p> <p>Furthermore, <i>Hipmikindo</i> facilitates community members to be patronized by the government and by CSR Adaro, Pama, Angkasa Pura, Mandiri Bank, and others.</p>

TABLE II, CONT.

Community benefits	Some micro businesses have transformed into small businesses, and small businesses have become medium-sized enterprises
Intrapersonal Roles / relationships	Cultivate product ideas through creative ways, unique products, original raw materials, and more modern production techniques
Quality of relations	<p>Begin by trust, then members ask for advice to other members in order to move forward together.</p> <p>Intrapersonal relationship occurs through <i>Arisan</i>, cooperative (savings and loan). Through this form of relationship, some members have been helped, such as mushroom farmers and chips people. Through this form of relationship also marketing techniques, samples of packaging, training, technique of production, disseminated, so that togetherness more intertwined among members.</p> <p>In addition to these interpersonal relationships, regular meetings with co-operative departments, agricultural services and industry & trade are also being undertaken to advise small and micro enterprises.</p> <p>Business assistance to obtain permits such as PIRT, micro business license, and capital access information from banks.</p> <p>This business community, not without its weaknesses. One obstacle is the opportunity to meet directly among fellow community members is very limited. In addition, these micro and small enterprises also have constraints, such as the recovery of good names from micro and small enterprises in Bank Indonesia,</p> <p>To survive, the raw materials must be adequately available, customer-oriented marketing strategies. With regard to packaging, micro and small enterprises do not have packaging houses, so this form of business has not been able to enter the modern market, consequently, this form of business cannot meet the target demand. The solution, some micro and small businesses to partner with modern retail with consignment method.</p>
Creative Attitude	Creative means attitude that bring new ideas to modify product quality (cleanliness, appearance, taste), always creative in finding market / buyer, always try to improve packaging, actively following the development of training information, donations from the government, and so fort. Also, always update the business information.
Trust	Through the community, trust between one member with other members is

<p>created, also builds trust of the government to the community. This is what makes some UMKM products have been accepted in Supermarkets like Giant, Indomaret, and others.</p> <p>expanded to the base of togetherness in order to take advantage of the opportunities in the era of the Asian Economic Community (MEA).</p> <p>In addition, informants believe that the business can be more advanced if participate actively grow the cooperative, while still entrusting the government as a coach and supervisor of the cooperative so as not to be abused.</p> <p>In this way, the informant believes that the community will still exist in the future. However, it is realized that MSMEs still have weaknesses in packaging design, and therefore need to be built packaging house in the future. There are some SMEs that are not recorded and monitored by the government, whereas the role of the government is very important, especially in providing information related to quality raw materials, or information about raw materials are scarce and protected by the government, so it should not be over-exploited.</p> <p>The process undertaken to produce a product must also pay attention to Halal, because the population of Indonesia is the majority of Muslims are very selective in choosing products to be consumed.</p> <p>In the future, the government activates seriously the packaging houses that have been pioneered in order to really be utilized by UMKM.</p>

 TABLE III
THE RESULTING THEMES

No.	Informants	Themes
1	Asmah Darkani	Togetherness, sharing of business information, business assistance, legal stewardship, trust, and creativity.
2	Hj. Bahrudin	Mentoring, togetherness, loyalty, sharing of business information, training, legality management, mentoring to the bank, and creative.
3	Siti Asnah	Training of production, marketing, packaging, sharing of business information, cooperation, togetherness, and creative.
4	M. Nurullah	Togetherness, mentoring, consulting, information sharing, networking, refreshing, and trust.
5	Mariatul Asiah	Togetherness, consultation, sharing of business information, networking, trust, training, and learning,

VI. DISCUSSIONS

The purpose of this study is 1. Understanding the meaning of information exchange among members of the community. 2. Exploring the use of community for the progress of member business. 3. An important community role for members. Furthermore, this study focuses on the development of an important role of the community in supporting the development of micro and small enterprises in Banjarmasin (South Kalimantan), Indonesia. Here is an explanation of the themes generated in the research:

A. Benefits of community for members

A strong desire to move forward and grow in business, as well as awareness of limited business knowledge, encourages micro and small businesses to form groups and communicate more intensively. In the beginning, members often meet in the activities organized by government agencies such as the Office of Cooperatives, Industry and Trade (Perindag), Bank Indonesia (BI), and Corporate Social Responsibility (CSR). They interact and share various business information related to the business they run. Technological advancements facilitate the group's desire to communicate more often. Initially only formed a group of BBM, but now community members have turned to social media like WhatsApp (WA).

From the resulting theme mentioned that the benefits of groups that are formed very much perceived by its members, so that the group is important to be maintained and developed. Relationships or interactions that occur, not only limited to exchange of information and transactions between members, but also interpersonal relationships that lead to familial relationships.

B. Forms of Relationship among Members

The things that underlie the relationship between WhatsApp groups are: same interests, creative, trust and loyalty.

The same interest means the same wants to develop business through networking. Furthermore, members must be creative in modifying and adjusting the rhythm of their business activities with information obtained from the group. Information from the group can be access to raw

materials, markets, distribution, packaging, exhibitions, expo, training, seminars, assistance, and others. The growing belief is much dependent on how members genuinely share the true, accurate and reliable information, as well as the recipient of the information believing in the fellow group members so that interpersonal relationships also develop. Members who cannot be trusted slowly will be left out naturally. Finally, loyalty is a logical consequence of satisfaction. In this case, the informant explains that members who have broader knowledge, do not hesitate to help other members without material rewards. Members voluntarily assist other members in arranging the marketing license, Taxpayer Identification Number (NPWP), business license, training, and so forth.

VII. CONCLUSION

Based on the research results and explanations, the conclusions are shown in the following:

- Sharing of business information among group members of WhatsApp, especially for micro and small entrepreneurs in Banjarmasin has significant roles in growing of members' business.
- Benefits to be gained by group members include business information (access to raw materials, markets, distribution, packaging, and so forth, assistance in handling the business legality, social relations and training information.
- WhatsApp community that is formed can bridge significantly in the business interests of group members.

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Agriculture Land and Technology: Agricultural Production in the Welfare Improvement

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Abstract— Agriculture is an important factor in the economy of the state of Indonesia, most of the livelihoods of Indonesian society in agriculture. Agriculture in Indonesia has experienced a food productivity dilemma in which there are five problems to overcome in order to produce abundant agricultural products. The first factor causing agricultural problems is irrigation factor that is damaged even 53% of damaged irrigation network. The second factor is less absorbed rice seed. The third factor is fertilizer management where if not organized then farmers will be late to get fertilizer, this will potentially decrease of agricultural product. The fourth factor is the procurement of agricultural machinery or modernization of the farming system, and the last fifth factor is the extension worker in charge of providing knowledge and bridging from farmers to government. This is what makes the problems and lead directly to the welfare of farmers to be reduced.

High agricultural production can boost agricultural welfare in the economic field. Indonesian government policy to increase high agricultural yields one of them with the increase and expansion of agricultural land. Results analysis correlation analysis between response variables, parameter estimates, and model formation.

The results can be concluded from all the above variables can be seen that the problems that must be addressed above must be addressed immediately because the impact resulting from agricultural dilemma have significant effect, agricultural land and technology to agricultural welfare production. This can result in the decrease of agricultural products and unemployment caused by the growing technology and also the narrowing of land in particular especially on the island of Java. Variable Harvest Area in general gives a significant effect on the amount of production and welfare. Similarly, variable use of technology turned out to have a significant influence on the amount of production and welfare. The interaction between harvested area variables and the provision of technology did not provide significant differences on the amount of production and welfare.

Keywords— Agricultural Land, Technology, Agricultural Production And Welfare.

I. PRELIMINARY

Agriculture is the largest livelihood of the Indonesian people. The large number of people who rely on this sector to make two sides of the sharp blade. Where one of the knives gives a positive benefit one of them the absorption of employment on

the other hand to make the sector negative, because the development of other sectors can be hampered. Farmland in Indonesia is fertile cause the types of tropical plants can thrive here, but the problems that arise are also very large where the number of agricultural fields that bermah function to the residential and industrial sector, while our agricultural stocks continue to decline if not overcome will affect the food supply in the country. The economic laws of demand and supply will be very applicable if the problem continues.

Agriculture is an important factor in the economy of the state of Indonesia, most of the livelihoods of Indonesian society in agriculture. Agriculture in Indonesia has experienced a food productivity dilemma in which there are five problems to overcome in order to produce abundant agricultural products. The first factor causing agricultural problems is irrigation factor that is damaged even 53% of damaged irrigation network. The second factor is less absorbed rice seed. The third factor is fertilizer management where if not organized then farmers will be late to get fertilizer, this will potentially decrease of agricultural product. The fourth factor is the procurement of agricultural machinery or modernization of the farming system, and the last fifth factor is the extension worker in charge of providing knowledge and bridging from farmers to government. This is what makes the problems and leads directly to the welfare of farmers is reduced ([3])

As with the During the last years research, the interest of policy-makers in short supply chain has grown. It appears to be a tool able to incentivize a sustainable agricultural productions and to provide environmental, economic and social benefits. In fact,

the short supply chain of reducing costs, which is the short supply chain of the product of the consumer products, creates a positive environmental externalities and, above all, promotes the local areas. This work highlights the marketing of the supply chain and its importance in influencing the concept of sustainable development in the supply chain. Moreover, this work aims to find evidence for the development of the new forms of marketing, the potential lies in the customers' attention to ethical and environmental issues and their need for natural and healthy food ([3])

Technology is an important factor in agricultural activities because it can be used for time efficiency and effectiveness of employment in agricultural jobs. If this is all running well then it can be concluded agricultural products can be obtained. production in the agricultural sector can do one of them using road improvement technology, so as to increase agricultural production in Indonesia. Not only technology can boost agricultural production, but agricultural land is also needed in agricultural production activities, the government has introduced intensification and extensification programs to address agricultural shortages ([4])

The journal research in an attempt to go beyond the so called 'smart smart' subsidies, Nigeria has embarked on a potentially innovative mobile phone-based subsidy program that provides fertilizer and seeded subsidies through electronic vouchers. In this article, we examined the productivity and welfare effects of the program using household-level data from rural Nigeria. The article employed instrumental variable regression approach to control for the potential endogeneity of the input subsidy program. Our results suggest that the program is effective in improving productivity and welfare outcomes of beneficiary smallholders. The size of the estimated effects suggests a large improvement in productivity and welfare outcomes. Moreover, the distributional effects of the program suggest no heterogeneity effects based on gender and farm land size. These results are robust to use alternative measurements of program participation. The benefit-cost ratio of 1.11 suggests that the program is marginally cost-effective. Overall, our results suggest that while improving the average productivity is the best outcome for improving food security, improving the

distributional outcome of the program by targeting the most disadvantaged groups would maximize the program's contribution to food security and poverty reduction ([2])

Function Agricultural land and technology not only as a part of agricultural production alone, but also can be a factor affecting the welfare of farmers in Indonesia. The reasons and problems above that makes researchers want to know and prove the relationship between sectors and problems above.

DATA

Agricultural Land Data

The data of agricultural land used in this study is sourced from the official government agency of Indonesia. This research data for agricultural land sourced from the ministry of agriculture Republic of Indonesia (applications.pertanian.go.id) obtained in 1986-2017 on a macro basis.

Agricultural technology data

Agricultural technology data obtained from Dummy data, presented and processed in [1] and [2].

Agricultural production data

The data of agricultural production used in this research is sourced from the official institution of the Indonesian government. Research data is sourced from the Ministry of Agriculture of the Republic of Indonesia (data.go.id) obtained in 1986-2017 on a macro basis.

Welfare Data

Agricultural welfare data used in this study is sourced from official institutions of the Indonesian government. The research data is sourced from the Central Bureau of Statistics of the Republic of Indonesia (ipm.bps.go.id) obtained in 1986-2017 on a macro basis.

II. METHOD

This research is a quantitative descriptive research, where this research combine data from official institution with result and study in field. The data obtained will be processed using statistical analysis tools.

In this study using MANOVA analysis or multivariate analysis, where between free varabel

and dependent variable more than one. Multivariate statistical analysis is a statistical method that allows us to research more than two simultaneous variables that can be measured and can not be measured. By using multivariate or manova analysis technique, we can analyze the influence of several variables on other variables at the same time ([6]).

The equation of statistical data obtained from research journals can provide information and research progress of the problems between agricultural land and technology affecting the production can be concluded in the statistical formula as follows:

$$Y_1 = \beta_0 + \beta_{1z_1} + \beta_{2z_2} + \epsilon_1 \dots \dots \dots (1)$$

Where can be concluded Y_1 = agricultural production; β_0 = Constant; Z_1 = agricultural land; Z_2 = technology; ϵ = error ([3])

As for the second statistical equation can be explained to describe the analysis mengetahui results of welfare can be summed up as follows:

$$Y_2 = \beta_0 + \beta_{1z_1} + \beta_{2z_2} + \epsilon_1 \dots \dots \dots (2)$$

From the above equation can be explained to dislodge the meaning of the symbol of the above equation as follows: Y_1 = welfare; β_0 = Konstanta; Z_1 = agricultural land; Z_2 = technology; ϵ = error ([4])

To perfect the test equations and good analytical model can be used to test or prove the results of the analysis can use the general equation in MANOVA or multivariate test, while the above analysis differences using parametric and non parametric method for technological variables, so the analysis with the equation as follows:

$$Y_{nzq} = X_{n(p+1)} \beta_{(p+1)q} + \epsilon_{nzq} \dots \dots \dots (3)$$

From the results of the above analysis can be explained from the good equation as follows: Y = agricultural production and welfare; N = Number of Observations; Q = Number of Y ; Z = agricultural land and Dummy technology; P = Number of X ; β = coefficient; ϵ = error. (De Fazio, Manfredi, 2016) (Wossen, tesfamicheal.ect.2017)

TABLE 1
RESULTS ANALYSIS
CORRELATION ANALYSIS BETWEEN RESPONSE VARIABLES

		Y ₁	Y ₂
Y ₁	Korelasi	1	0,68
	P-Value		0,00
Y ₂	Korelasi	0,68	1
	P-Value	0,00	

Can be seen in Table obtained p-value = 0.00 < α = 0.05 then decided to reject H_0 so it can be concluded that inter response variables are dependent, so data can be used in multivariate linear regression analysis because the response variable Y_1 is Production and Y_2 Welfare is dependent or correlated.

Parameter Estimate

Effect	Value	F	Hypothesis df	Error df	Sig.
Pillai's Trace	.996	3125.069 ^b	2,000	26,000	.000
	.004	3125.069 ^b	2,000	26,000	.000
	240,390	3125.069 ^b	2,000	26,000	.000
Hotelling's Trace	.996	3125.069 ^b	2,000	26,000	.000
	.004	3125.069 ^b	2,000	26,000	.000
	240,390	3125.069 ^b	2,000	26,000	.000
Roy's Largest Root	.996	3125.069 ^b	2,000	26,000	.000
	.004	3125.069 ^b	2,000	26,000	.000
	240,390	3125.069 ^b	2,000	26,000	.000
Pillai's Trace	.420	9.395 ^b	2,000	26,000	.001
	.580	9.395 ^b	2,000	26,000	.001
	.723	9.395 ^b	2,000	26,000	.001
Hotelling's Trace	.420	9.395 ^b	2,000	26,000	.001
	.580	9.395 ^b	2,000	26,000	.001
	.723	9.395 ^b	2,000	26,000	.001
Roy's Largest Root	.420	9.395 ^b	2,000	26,000	.001
	.580	9.395 ^b	2,000	26,000	.001
	.723	9.395 ^b	2,000	26,000	.001
Pillai's Trace	.850	9.971	4,000	54,000	.000
	.185	17.254 ^b	4,000	52,000	.000
	4,230	26.439	4,000	50,000	.000
Hotelling's Trace	.850	9.971	4,000	54,000	.000
	.185	17.254 ^b	4,000	52,000	.000
	4,230	26.439	4,000	50,000	.000
Roy's Largest Root	.850	9.971	4,000	54,000	.000
	.185	17.254 ^b	4,000	52,000	.000
	4,230	26.439	4,000	50,000	.000
Pillai's Trace	.000	. ^b	.000	.000	.
	1,000	. ^b	.000	26,500	.
	.000	. ^b	.000	2,000	.
Hotelling's Trace	.000	. ^b	.000	2,000	.
	.000	. ^b	.000	25,000	1,000
	.000	.000 ^b	2,000	25,000	1,000

a. Design: Intercept + X2 + X1 + X2 * X1
 b. Exact statistic
 c. The statistic is an upper bound on F that yields a lower bound on the significance level.

As for the content of this agricultural research can be seen with MANOVA equation, the estimation table can be explained in the following ways:

Variable Harvest Area in general gives a significant effect on the amount of production and welfare. Similarly variable use of technology turned out to have a significant influence on the amount of production and welfare. The interaction between harvested area variables and the provision of technology did not provide significant differences On the amount of production and welfare.

Model formation

Model formation is used to see the best model in production and welfare.

Variabel	Variabel	β
Respon	Konstan	842113,429
	X1	-63979,200
	X2	-253909,229
	Konstan	69,990
Y1	X1	-7,293
	X2	-4,380
Y2	X1	-7,293
	X2	-4,380

For the best model of multivariate linear regression for variable of production quantity count (Y1) and Welfare (Y2) based on parameter estimation and parameter estimation test are as follows:

$$Y_1 = 842.113,429 - 63.979,200 X_1 - 253.909,229 X_2$$

$$Y_2 = 69,990 - 7,293 X_1 - 4,380 X_2$$

The results can be concluded from all the above variables can be seen that the problems that must be addressed above must be addressed because the impact resulting from agricultural dilemma has significant effect, agricultural land and technology to agricultural agricultural welfare production. This can result in the decrease of agricultural products

and pengaguran caused due to the growing technology and also the narrowing of land pertanian especially on the island of Java.

III. CONCLUSIONS

Data can be used in multivariate linear regression analysis because the response variable Y1 is Production and Y2 Welfare is dependent or correlated. Variable Harvest Area in general gives a significant effect on the amount of production and welfare. Similarly variable use of technology turned out to have a significant influence on the amount of production and welfare. The interaction between harvested area variables and the provision of technology did not provide significant differences to the amount of production and welfare.

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Knowledge Management Capability to Organizational Innovation Study at Indonesia Islamic Banking

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Abstract— Innovation is the success key to increasingly business competition. Innovation plays an important role to the competitive advantages. Companies must have the ability to quickly innovate and sustainable grow in order to win the competition. The development of Islamic banking is an interesting phenomenon in recent years. As newly emerging business, the future success of sharia system depends on the ability to present attractive and competitive products and provide various transactional to convenience people needs. It has problems in developing knowledge are expected to be identified and resolved through this research. This study focuses on strategies for applying knowledge management to improve organizational innovation on Islamic banking in Indonesia. Previous studies are conducted in different industry and the scarcity in the context of organizational innovation of Islamic banking also as a gap that underlies this research. This research is a type of literature research study by reference theory to describe and analyze the observation data.

Result - Islamic banking in Indonesia should provide human resources with the ins and outs of Islamic banking itself. Leaders needed in Islamic banking in Indonesia should be reliable in managing financial banking, also be a role model in sharia sciences and facilitate the organization learning process in order to create valuable human resources in the dynamic environment. It can be stated that improving Indonesia's Islamic banking organizational innovation can only be done through the strategic implications of knowledge management.

Keywords— Organizational Innovation; Organizational Learning; Knowledge Management Capability; Human Resource Practice; Transformational Leadership.

I. BACKGROUND

The existence of banking is a reflection of the Muslim majority population needed in Indonesia over the banking system that can contribute stability to the national financial system. The Islamic banking industry also reflects the demand of people who need an alternative banking system that provides banking services that comply with the principles of Islamic (Machmud and Rukmana, 2010: 59). Indonesia as known as a country that has the largest Muslim population in the world with the number based on 2010 BPS data of 180 million

people. This condition is a good prospect for the development of Islamic banking in the future.

Unlike conventional banking relationships of creditors, or time value of money, Islamic banking focuses on partnerships by observing Islamic law (sharia) that exclude interest (riba), significant uncertainty (Ghara) and speculation (Maysir). According to Islamic principles, Islamic banks also expect a balance of financial benefits with social responsibility (Haron and Hisham, 2003 in Matt Elbeck, Evangellos-Vagelis Dedoussis, 2010). From the operational side, public funds in the form of deposits and new investments will get the results if cultivated first, while in conventional banks, public funds in the form of savings to be paid interest at maturity. On the channelling side, Islamic banks channel their funds to halal and profitable business sectors, while in conventional banking this is not a major consideration. With such uniqueness, the current Islamic banking sector has grown quite rapidly in the world, and especially in Indonesia in the last decade.

Growth in terms of volume of Islamic banking business, fund raising, institutional development, as well as capital and earnings has exceeded conventional banking. Institutionally, the Islamic banking network increased to 11 Islamic Unit Entities (BUS), with a total office network of 1,688 offices and 1,277 office channelling. From the fund-raising side there was an increase of 52.79% from Rp. 66.48 trillion in 2010 to Rp. 101.57 trillion in 2011 (Bank Indonesia, Islamic Banking Outlook 2012).

The high growth of Islamic banking in Indonesia was not matched by adequate supply of labor in this sector. The lack of supply and demand has caused a lot of labor in Islamic banking with conventional

banking background, which in turn leads to a lack of human resources who really understand about the ins and outs of Islamic banking. The absence of Islamic human resource curriculum standards compiled among universities leads to the lack of qualifications for college graduates to meet the human resource needs of Islamic banks.

Based on the description of various problems above, the authors are interested to further explore and examine the problems in the sector of Islamic banking, especially on the issue of innovation.

II. LITERATURE REVIEW

A. Organizational Innovation

The various definitions of innovation found in the literature are common and broad, while others focus on specific innovations such as execution of ideas for new products or services. In an organizational environment, innovation is the implementation of ideas for restructuring, saving costs, improving communications, new technologies for production processes, new organizational structures and new personnel plans or programs (Kanter; 1983; West and Farr; 1990; Robbins 1996; In Martins, 2003).

West and Farr (1990) define innovation as: "Intentional introduction and application in a group, role or organization of ideas, processes, products or new procedures to relevant units, designed to provide individual, group, organizational or community benefits. "The context in which new ideas, products, services or activities are implemented determines whether it can be considered an innovation in a particular context (Martins, 2000, 2003).

Innovation often associated with change (Drucker, 1985) quoted in West and Farr, 1990; Robbins, 1996;. Hellriegel et al, 1998). Innovation seen as something new leads to change. However, change cannot always be considered as innovative because it does not involve new ideas or always lead to improvements in an organization (CIMA Text Study, 1996; West and Farr, 1990). An example of a change that cannot be considered as innovation changes in working hours in extremely hot weather. Innovation considered as a process, result, or both, and different types of innovation have been distinguished. According to these, innovation is the application of ideas or behaviors, which can be a

new system, policy, program, device, process, product or service for the organization (Damanpour and Gopalakrishnan, 1998; Damanpour et al., 1989; Wolfe 1994, In Jimenez, et al., 2008).

This study focuses on the most frequently used dimensions of process innovation, product innovation and administrative innovation such as Oke, et. Al (2007), Jimenez (2008), and Iker Murat. Differences between products and processes relate to areas and activities that affect innovation (Gopalakrishnan and Damanpour, 1998).

B. Knowledge Management

Generally, Knowledge Management defined as a systematic management of knowledge processes through new knowledge created, identified, grouped, shared and applied. (Nonaka and Takeguchi, 1995) defines knowledge management as a dynamic human process in justifying personal beliefs in a Truth (Budiharjo,2011).

Knowledge management promotes an integrated approach to identifying, capturing, retrieving, sharing, and evaluating a company's information assets. This information asset may include databases, documents, policies and procedures, as well as the potential skills and experience not yet disclosed by each employee. (Gartner in Hicks, 2006)

Lin and Kuo (2007) found that human resource management policies or activities should be established to facilitate organizational learning activities and / or knowledge management skills; otherwise, positive effects on organizational performance cannot be achieved from policy or resource management activities only. Thus, to improve learning and knowledge management, executives should focus on formulating organizational learning policies and KM to be effective and facilitate their implementation.

Nonaka and Takeguchi (1995: 2009) describes the process of knowledge management as an ongoing process that is divided into four phases including knowledge application, knowledge acquisition, knowledge organization and knowledge dissemination. Ju et al., (2006) argues that organizational learning levels have a significant impact on knowledge integration, knowledge management skills, and enterprise innovation

capabilities; Interaction effects from human-oriented knowledge management strategies, organizational learning, knowledge-oriented knowledge management systems and found knowledge integration will greatly impact knowledge management skills.

Based on the above description, the knowledge in this study is defined as a systematic activity or a process of identifying, capturing, managing and utilizing knowledge to enhance the organization's ability to create superior, growing and enduring products, services and new systems. The measurement dimension of knowledge management using Lin and Kuo (2007), and Kuo (2011) opinions:

- Acquisition of knowledge
- The dissemination of knowledge
- Interpret and develop knowledge

C. Organizational Learning

Organizational learning is the process of information acquisition, and information interpretation resulting behavioral and cognitive changes, also impacting the performance of the organization. Dimovski in Gorelick, (2005) Organization learning consists of four stages; intuition, interpreting, integrating and institutionalizing, the process has been widely adopted in related studies (Bontis, 2002)

Kang et al. (2007) suggests that firms need to develop strategies not only based on the core of knowledge and ability but must also work to acquire, transfer, and integrate new knowledge, facilitate organizational learning processes to create valuable human capital needed in dynamic environment. Organizational learning has been regarded as a routine-based, and target-oriented (Levitt and March, 1988, in Lin and Kuo, 2008).

Based on the above definition, organizational learning in this study is an ongoing process of knowledge creation, acquisition, as a routine transformation to acquire, distribute, integrate, and create information and knowledge among members of the organization.

Model of organizational learning measurement in this research is adapted from research of Lin and Kuo (2007) with dimension as follows:

- Information dissemination mechanism
- Climate created in the company

- Application of learning systems and methods
- Achievements expected

D. Human Resource Practice

Experts have defined different in human resource management, but basically have the same essence. Stoner (2006) argues that "human resource management is an ongoing procedure aimed at supplying an organization or company with the right people to be placed in the right position and position when the organization needs it." Mathis and Jackson (2004)) states "Human Resource Management is an administrative operation that deals with payroll, employee history, and social visit arrangements."

Some opinions in more detail on the activities in human resource management subsequently proposed by Flippo in Handoko (2001) as "Activities of planning, organizing, directing and human oversight within the organization." In line with this Schuler and Jackson (2004) "Activities planning humans, selection of personnel, assessment option, compensation, and training and development. "Then Dessler (2009)," the process of obtaining, train, assess and compensate the employee, pay attention to their working relationship, health, security and justice issues. "

Nonetheless human resource management contains elements of human management within the organization. It can be stated that human resource management is an organizational function that includes ongoing activities such as recruiting, filtering, training, appraising, rewarding, maintaining and terminating employment as part of efforts to achieve organizational, individual and community goals.

Schuler and Jackson (1987) considers the choice of human planning, staffing choices, choice assessments, compensation options, and training and development as the five key dimensions associated with competitive strategy. Gupt and Singhal (1993) share the four dimensions of HRM Practice concepts, including human resource planning, performance appraisal system awards, and career management. Gomez et al., (1998) classifies, in detail, the functions of human resource management into nine dimensions that include workflow, staffing, lay-off management,

performance evaluation, training and development, management compensation, the relationship between employee empowerment and internationalization. Based on the above literature, the authors quote Lin and Kuo (2008) in classifying human resource management into five factors including assessment, staff training, and development, workflow, and rewards and compensation.

E. Transformational Leadership

The concept of leadership drew high attention from social scientists over the last few decades. In the 1980s, management researchers became deeply interested in the emotional and symbolic aspects of leadership. This process helps us to understand how leaders influence followers to try to put mission needs or organizational goals ahead of personal or group interests.

Transformational Leadership is the last thought of effective leadership delivered by a group of experts who try to "revive" the "trait theory" or the person main traits possesses in order to become a leader. Robert House conveys leadership theory by suggesting that effective leadership uses dominance, has self-confidence, influences and displays high morality to raise its charismatic level (Ivancevich et al., 2008: 213). Relying on charisma, a "transformational" leader always challenges his subordinates to give birth to special works. The steps taken in general are to talk with followers, how important their performance is, how proud and confident they are as a member of the group and how special the group can be to produce innovative and extraordinary work.

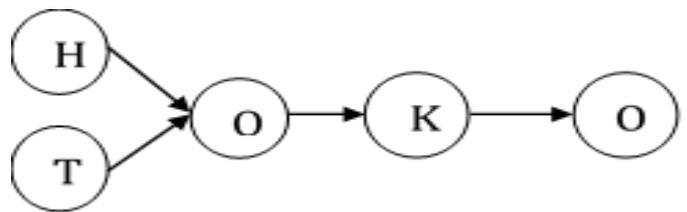
According to the founder of this theory, the "transformational" leader is very effective because it combines the two theories of "behavioral" and "situational" theories with their respective advantages. Integrating human-oriented behavioral patterns or in production with a review of the situation coupled with its charismatic strength. This type of transformational leader is ideally suited to dynamic organizations, concerned with change and innovation as well as competing closely with other companies within the international sphere. The main requirement of success is the presence of a leader with charisma. (Ivancevich, 2008: 214). A

leader in this section combines elements of self-power, authority possessed, personality traits and social skills to influence the employee behavior.

From these various descriptions, the transformational leadership in this study is a leadership behavior that influences its followers through values, attitudes, and beliefs to achieve higher motivation and morale to achieve established organizational goals. The indicator used is adapted from the research of Bass (1995) which divides transformational leadership into four dimensions:

- Charisma.
- Individual considerations.
- Intellectual stimulation.
- Inspiration

Based on the theoretical and empirical studies, the theoretical model constructed in this study is described as follows:



Empirical model

III. THEORETICAL DISCUSSION

A. Organizational Innovation

Fundamental changes in business and economic environments create high changes in competitive conditions and the world economy today. These changes include changes in the dynamic business environment, the uncertainty of the economy and business that is unpredictable, causing Indonesian Islamic banks have to adjust and innovate strategy to win the competition.

Utilizing a potential opportunity that 85% of Indonesia's population is Muslim, it is important today to combine efficiency, quality, flexibility and innovation for Islamic banking. Innovation is more than technical-organization, it also demands a social policy. Successful innovation means more than research and development; R & D should be transformed into products and services sold in the market and cause value added to stakeholders. Adjustment between R & D, production and

marketing is very important which can lead to new product designs and work processes, offices and factories. Innovation is the process which valuable ideas are transformed into new forms of added value to organizations, customers, employees and stakeholders. The transformation process is now as a whole learning process for the organization to maintain continuity on the basis of innovation based on creativity.

Innovation is the success key of Indonesia's Islamic banking to be more competitive and faster growing in accordance with the people needs. The success of the Islamic banking system in the future depends on the ability of Islamic banks to present more attractive, diverse, competitive products and facilitate transactions, according to the people needs. Product innovation should be a priority strategy for Islamic banks, because innovation has an important role in a competitive marketplace. Therefore, the Islamic banking industry must be able to continue to make new innovations.

B. Knowledge Management

The process of knowledge management in Indonesian Islamic banking based on relationships and cooperation with experts from outside the company, it is seen from the implementation of systems and procedures overseen by the Sharia Supervisory Board (Dewan Pengawas Syariah). Another phenomenon of the condition can be seen from the establishment of cooperation between Islamic banks with universities and professionals in the field of Islamic economics, and the implementation of it to various informal mechanisms as an effort to improve the company's ability.

Furthermore, the activities of interpreting and developing the knowledge itself have been done and become a shared commitment through teamwork and sharing of knowledge and experience among employees, and up to date database of corporate clients. From this activity, Indonesia's Islamic banking has a form - the name in accordance with their respective fields - each so that can be found a concrete problem expert at any time.

In the process of information and knowledge dissemination to the lowest level of the company.

Indonesian Islamic banking has a formal mechanism that guarantees best practices among various fields of activity, including individual involvement or teamwork, the use of communication tools in the knowledge dissemination process (Nonaka et al. 2000), develops an integrated model of dynamic knowledge development. Knowledge as a dynamic thing, because it is created in social interaction between individuals and organizations. Knowledge is a specific context, because it depends on a certain time and space. Without information into context, it's the same information, not knowledge. Information becomes knowledge when interpreted by individuals and is given context and anchored in individual beliefs and commitments (Nonaka et al., 2000).

C. Human Resource Practice

The practice of human resource management in Islamic banking should enable the formation of employee skills, abilities, values, beliefs, attitudes and behaviors, through recruitment, socialization and developing a recruitment pool. For example, providing training and development to employees, such as on-the-job training, job rotation, training, mentoring, case studies and others can help to improve employee knowledge, skills, experience, skills and motivation (Fong et al., 2011).

The human resource management function in sharia banking is manifested in recruitment and selection activities, training and development, career planning, performance appraisal, and remuneration. Preffer in Soetjipto (2006) argues that human resources are a source of competitive advantage that is "timeless by heat and undamaged by rain". He compares the position of other sources of excellence diminishing in value, such as technology and production processes. Thus, no matter how well the technology is used, the role of human resources in determining the success of Islamic Banking remains a success key in organizational activities.

It is undeniable that at this time the task of being a banker is still considered prestigious by the people of Indonesia, and became one of the professions coveted by job seekers despite different disciplinary background. This condition is actually

an advantage for Indonesian Islamic banking in determining the classification of employees as what the company wants in the selection of employees, given the large interest and breadth of the recruitment pool limitations.

Clear performance appraisals related to promotion are the most representative indicators of human resource management practices in Islamic banking in Indonesia, making employees very concerned and focused on achieving excellence in employment, as motivation to achieve high scores in performance appraisal conducted.

Similarly, training and development activities are demanding by all employees, most of the training is in an effort to prepare employee promotion to a new duties or positions that are not mastered. The interest and enthusiasm of employees to follow every activity and training clearly understood the purpose.

In terms of income received by employees indicate this condition still needs to be considered. The nature of an employee as a human being who is often overwhelmed with feelings of dissatisfaction and wants to earn higher than whatever has been earned at this time, especially when compared with the greater income of others, coupled with the rising prices of necessities, causes this phenomenon as natural and likely will continue to happen.

The implementation of teamwork, should be able to involve all employees in turn without exception in self-managed groups related to the preparation of strategies and policies that aligned with the business environment. Employee involvement in teamwork should not be limited by a less objective factor and will impact on social inequalities. Of course, the involvement of employees in the management of the company will also affect the development of skills and competence of employees, as well as the success of the company.

D. Transformational Leadership

The leader of Indonesian Islamic banking should not only show a charismatic figure in having amazing abilities and skills for employees and ideal behavior to set aside personal interest and role model for employees, but also have built employee's confidence, support energetically and

self-development, as well as more grounded or humanize its employees.

Meanwhile, the attention of the leadership in the form of direct communication to employees, and leaders who are able to stimulate the intellectual and inspire are considered less representative in explaining transformational leadership in Indonesia's Islamic banking. Direct communication from the leaders to employees in daily formal or non-formal meetings as a support form and encouragement that builds employee confidence. It has a positive impact in finding the task completion tips.

In relation to this matter, the figure of Indonesian Islamic bank leadership is not enough to only generate high learning spirit for the employees, but also appreciate and treat subordinates as a whole person, including listening to the complaints of its employees.

E. Organizational Learning

The learning process conducted through regular meetings and using the mentoring and open discussion system on the problems occurred. It has also greatly supported to the creation of knowledge for of Indonesia's Islamic banking employees. The process of disseminating information and achievement of each employee in working at the last rank.

Dissemination of information from management should be ascertained on time to the lowest level employees. This can be done in stages according to the organizational structure, and may further inform competitors about the management. Employees should also get the desired atmosphere and valuable experience in each training, as well as clarity of duties to be able to manage their own work schedules.

IV. CONCLUSION

Human resource management and transformational leadership strategies resulting in better organizational learning and knowledge management skills, ultimately contributing to organizational innovation.

In order for effectively knowledge management and properly implemented afor the Indonesian Islamic Banking, the main principles are as follows:

- The importance of the of Sharia Banking managers / leader's role in making all employees understand how clear vision and strategy by utilizing knowledge management to developing the organization.
- Islamic banking needs the support of technology capabilities in creating comfort and accessibility, support for acquisition of knowledge from within and outside the organization, including storage, dissemination and application of knowledge to organizations to enable knowledge management in goals achieving, as well as a combination of knowledgeable employees with commitment and determination to learning, to bring knowledge in developing and solving problems in their work.
- Islamic Bankers / managers must motivate and create a learning culture, exchange and share knowledge through various activities, seminars, group activities and teamwork, which require constant and constant effort.
- Management of the organization, application of knowledge in work procedures and responsibilities of Islamic Banking employees should be conducive encouraged as a continuous and serious process.
- Islamic banking should be able to improve and develop the competence of its employees to start best practices including improving the organization's competitive ability.

Human resource management practices in Islamic Banking should shape employee skills, abilities, values, beliefs, attitudes and behaviors through proper recruitment, socialization and recruitment pool developing. For example, providing training and development to employees, such as on-the-job training, job rotation, training as needed, mentoring, case studies and others can help to improve employee knowledge, skills, experience, skills and motivation.

The most representative trans -formational leadership is a charismatic leader and has ideal behavior that can be used as a priority in an effort to improve organizational learning. Mean -while, leaders attention to employees as well as the ability of stimulating intellectuals to be an inspiration can be used as an alternative effort to encourage

organizational learning in Indonesia's Islamic Banking.

Organizational learning should be undertaken by every individual in Islamic Banking. Individual learning occurs when a person acquires knowledge through education, experience or experimentation as a routine to acquire, distribute, integrate, and create information and knowledge among members of the organization. Organizational learning in Islamic Banking is formed when organizational systems and cultures are concerned with learning and transferring new ideas to all employees.

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Introducing Iconic Value Co-Creation to Indonesian Small Businesses

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Abstract— This research examines whether marketing innovativeness (MI) and market responsiveness capability (MRC) to enhance marketing performance (MP) and tries solve the problems of research gap between marketing innovativeness and marketing performance. The SME's handy craft industries in East Borneo, Indonesia used as a sample. The Total data that can be further analysed as much as 207 respondents. Data analysing using Structural Equation Modelling. The result showed that (1) small companies in these market segments based region-centric is likely have better marketing performance when they have the iconic value co-creation (2) the marketing innovativeness and market responsiveness have significant effect on iconic co-creation (3) iconic value co-creation is definitely a mediator in the correlation of marketing innovativeness and market responsiveness

Keywords— Marketing innovativeness, iconic value co-creation, market responsiveness capability, marketing performance.

I. INTRODUCTION

Indonesia is an archipelagic country, each region has its own characteristics about souvenirs, especially handy craft as a typical souvenir area. In East Borneo, many handy crafts are characteristic of Borneo such as beaded crafts, sarong Samarinda, ulap doyo and embroidered tumpar, seraung hat etc, the Kutai and Dayak symbolic culture which has the same design and a value co-creation product as a regional identity. So they need marketing innovativeness to enhance their sales performance, with marketing innovativeness is the activity involved in the implementation of three core business processes, i.e. the management of product development, supply chain, and customer relationship [27], [8]. This study focuses on the role of adaptive capability (responsiveness to customers and competitors) and innovative capabilities in gaining value co-creation and improving marketing performance in handy crafts based market segmentation.

Marketing innovativeness is an important trigger for increased marketing performance, in the form of

full support to research activities and market development, technology leadership and innovation. Some studies have found that marketing innovativeness plays a significant role in improving marketing performance, while several other researchers found the opposite. The multiplication of product lines, as well as creativity in product strategy, pricing, distribution channels and promotion as marketing innovativeness enhance marketing performance [5], [16]. Changes in marketing strategy represent fundamental elements of all strategies for achieving market success [20].

Nevertheless, some studies have found that MI is insignificant predictor of improved MP. For example, marketing innovativeness is not an important driver of marketing performance improvement [2], technical innovation orientation shows negative and insignificant effect on marketing performance [10], product innovativeness is not a determinant of new product marketing performance [9], [15] and an increase in the innovation market does not have a positive impact on the performance of the company [24]. Considering in isolation MI is negatively related to new performance [3].

For that matter, some studies have suggested that in order to produce better marketing performance, MI should result in value co-creation. Innovation is essential for the firms' survival. Innovation enables companies to update their products with the attributes that ultimately meet the needs of customers more than those of the existing products [22]. Co-creation acts as a problem-solving element for the firms to survive. In particular, cooperation through co-creation will facilitate access to new resources, intangible capabilities, innovation, and a greater adaptation to enormously dynamic environments. Value creation is a concept to create superior performance for customers [22]. Reference

[23] has found that innovation is an instrument for the creation of value. The market responsiveness approach is often used to predict the marketing performance of small businesses. Based on customer surveys, some research findings have shown that a cultural orientation responsive to the market (customers and competitors) plays a major role in improving the company's performance [7].

However, although this is a very topical subject, there has been a lack of research in the field of industrial marketing on procedures and methods for establishing effective processes of co-creation to encourage innovation in the development of solutions and to promote market responsiveness. To cope with this research gap, the objective of this study is to develop a conceptual model comprising a strategic bridge between marketing innovativeness, market responsiveness and marketing performance. To develop our conceptual model, we proposed a concept of iconic co-creation as a strategic bridge for a marketing innovativeness effort for maintaining and increasing marketing performance.

Iconic products, those whose market power derives from its symbolic dimension, have become notorious and durable cultural symbols. These products comprise collective identities, as illustration of social axes as class, gender, race within and beyond national discourse. People use iconic products symbolism to establish and perform basic status and connection [26]. In a country with a multiethnic background, a multi-culture background such as in Indonesia, icon could be developed with a multi-ethnic features coming out from the interaction of those multi-ethnic and multicultural society members. By interacting with those multi-ethnic and multi-culture society, a company has a chance to select and chose certain elements of foreign culture and domestic culture [12].

In order value co-creation, we use Social Exchange Theory and that stems from the Resource-Based View (RBV) [6], as well as the marketing approach called Service-Dominant Logic (S-D L) The combination of these approaches enables us to consider the dual challenge associated with the above question—on the other hand encouraging cooperation and, on the other hand, managing relations to seek mutual benefits. Value

is created collaboratively through by multiple factors through the processes of exchanging and integrating public, private, and market-facing resources, it includes the role taken by customers and other stakeholders (suppliers, distributors, border agents) when drawing up solutions, called co-creation [30]-[32]. Definition of iconic value co-creation is co-creation created iconic product symbolic.

II. METHODS

A. Hypotheses formulation

1. Marketing innovativeness and iconic value co-creation,

Innovativeness is related to the entrepreneur's willingness to support creativity and experimentation in introducing new products or services, novelty, technology leadership and R&D in developing new processes [18]. In the context of marketing, MI arises when entrepreneurs make changes in strategic market planning and its implementation, manage the brand, CRM and NPD, and implement strategies that are typical in the marketing mix [25] explain that the value co-creation always has two sides, which are value creation based on perspectives corporations and customers. Both parties then provide resources in order to create value by integrating the resources of each party through the mechanism of co-design, co-development, or co-distribution.

H1: Marketing innovativeness has a positive effect on Iconic value co-creation.

2. Market Responsiveness Capability and Iconic Value Co-creation,

Reference [29] indicates that market orientation correlates with customers' value and the result is statistically significant. Response capabilities toward competitors allows companies to reconfigure their processes to meet the needs of new markets, take advantage of information processing systems and adopt new products and processes to win the competition [11].

Reference [17] innovativeness orientation have positive effect to value co-creation through product innovation, owners and managers can manage value co-creation by increasing the responsiveness to changing in customer' demand, increasing flexibility to changing customer needs, and deliver

quality product to customers. The value creation occurs when product innovation improved.

H2: *Market responsiveness capability has a positive effect on Iconic value co-creation.*

3. Marketing Innovativeness and Marketing Performance,

Changes in marketing strategy represent fundamental elements of all strategies for achieving market success [20]. Reference [4] states that the innovation of products consisting of uniqueness and newness in Small and Medium Enterprises (SMEs) has a positive and significant impact on the performance of firms. The results indicates that all dimensions of marketing innovation strategy has an effect on consequence in different ways, include that learning orientation, firm entrepreneurship, and R&D innovation strategy has a positive effect on new product development.

H3: *Marketing innovativeness has a positive effect on marketing performance*

4. Iconic Value Co-Creation and marketing performance,

Similar results are also found in the study conducted by [28] shows a positive influence of value creation on firms' sales performance. The results of the study of [1] show a positive and significant effect of the emphasis on value creation strategy on firms' performance. Value co-creation makes the maximum capital increase for the firms. Value co-creation is a coalition of different economic actors for reconfiguration and integration competence to generate shared value. The results of the study [21] shows a positive and significant effect of the emphasis on value creation strategy on firm performance.

H4: *Iconic value co-creation has a positive effect on marketing performance.*

5. Market Responsiveness Capability and Marketing Performance,

The increased of MI in the form of corporate creativity in finding products, pricing strategy, managing distribution and promotion of new products will become a strong incentive to improve marketing performance [5]. Another marketing capability needed to gain a positional advantage and superior marketing performance is adaptive

capability, which is the ability to respond to customers and competitors [33].

H5: *Marketing responsiveness capability has a positive effect on marketing performance*

B. Sample and Data Collection

The role of iconic value co-creation done in SMEs handy craft industries in East Borneo, Indonesia. They regional from Samarinda, Balikpapan and Tenggarong as population. The sampling technique is done by using a purposive sampling technique, the respondents must have been minimally 3 years experienced, because it was considered to have experience in business and know business performance development. The final evaluation of the questionnaire received after being examined whether it was broken or it had outlier data, obtained questionnaires which could be used for data analysis. Data is done by providing direct questionnaire developed the 207 respondent business owners. The data were analysed by using structural equation modelling with AMOS program assistance.

C. Data Analysis

Validation of the data collected is done with the data of 207 questioner collected and data that can be used for further testing. Thus, the analysis of hypothesis testing can be done. The results of hypotheses testing based on hypotheses that have been formulated can be seen in the following figure. Indicator marketing innovativeness openness of new ideas, repairing product appearance, develop business opportunity, develop product renewal [14]. Indicator iconic value co-creation is co-design iconic, co-motive iconic, co-symbol iconic, co-experiment iconic [12]. Indicator market responsiveness ability in fast adjust market product model, ability in fast responding on changes on demand, ability in fast adapt on changes product motive, ability in fast responding customer need [12], [14]. Indicator marketing performance is sales volume growth, sales revenue growth, total customer growth, new area level sales [4].

TABLE I
SCALE AND MEASUREMENT – CONSTRUCT VALIDITY

Indicator	Standard Loadings		CR	AVE	DV
Marketing Innovativeness : <ul style="list-style-type: none"> • Openness of new ideas • Repairing product appearance • Develop business opportunity • Develop product renewal 	0.72 0.76 0.76 0.75	0.83	0.83	0.57	0.76
Iconic Value Co-creation : <ul style="list-style-type: none"> • Co-design iconic • Co-motive iconic • Co-symbol iconic • Co-experience iconic 	0.69 0.73 0.68 0.64	0.78	0.78	0.59	0.77
Market Responsiveness: <ul style="list-style-type: none"> • Ability in fast adjust market product model • Ability in fast responding on changes on demand • Ability in fast adapt on changes product motive • Ability in fast responding customer need 	0.80 0.77 0.81 0.77	0.86	0.70	0.56	0.75
Marketing Performance: <ul style="list-style-type: none"> • Sales volume growth • Sales revenue growth • Total customer growth • New area level for sales 	0.75 0.81 0.80 0.79	0.87	0.86	0.74	0.75
$\chi^2 = 106,050$; DF = 220, Probability = 0.272, GFI = 0.941, AGFI = 0.918, TLI = 0.994, CFI = 0.995, RMSEA = 0.20, CMIN/DF = 1.082					

III. RESULTS

High construct reliability shows internal consistency, which means that indicators consistently represent the same latent construct [13].

The estimation of Coefficient Cronbach's Alpha (), Composite Reliability (CR), Average Variance Extracted (AVE) and discriminant validity to construct reliability assessment. Statistical results for all database with a value of alpha and the value of the composite reliability (CR) must be above 0.7 (see Table II). Value of Average Variance Extracted (AVE) is recommended to be above 0.5. And Discriminant Validity must be above 0.7 Table II shows the measurement scales, confirmatory factor analysis and reliability.

The statistical results shows that the marketing innovativeness and market responsiveness have positive and significant impact to the iconic value co-creation, as well as marketing innovativeness and market responsiveness have positive and significant impact on marketing performance. All variables showed that each instruments had good validity in determining the used research. Statistical results are presented in Table II below:

TABLE II
REGRESSION WEIGHT

	Estimate	S.E.	C.R.	P	Label
Marketing Innovativeness → Iconic Value Co-creation	0.371	0.084	4.438	***	Significant
Market Responsiveness Capability → Iconic Value Co-creation	0.387	0.086	4.588	***	Significant
Iconic Value Co-creation → Marketing Performance	0.573	0.154	3.723	***	Significant
Marketing Innovativeness → Marketing Performance	0.250	0.103	2.415	0.016	Significant
Market Responsiveness Capability → Marketing Performance	0.272	0.107	2.253	0.011	Significant

Measurement model was using AMOS 20 by applying the maximum likelihood (ML) procedural. The statistical results with a model that is fit Chi-square = 106.050, probability = 0.272, CMIN / DF = 1.082 GFI = 0.941, AGFI = 0.918, TLI = 0.994, CFI = 0.995, RMSEA = 0.20.

Multi-items analyzed by estimated factor loading, Cronbach alphas, Composite Reliabilities (CR) and Average Variances Extracted (AVE). All results are positive and significant factor loading ($p < .05$) Cronbach alphas of .0.78 to .0.87, Composite Reliabilities (CR) range of .90 all values above 0.7. Lastly, AVE all cases above 0.5. And all the indicators and construct reliability on the results support of this study.

IV. DISCUSSION

This study found an interesting complementary effect between marketing innovativeness, market response capability on iconic value co-creation and marketing performance of small business. Specifically, this finding contributed significantly to extend the theory of RBV on the effect of complementary capability like what [20] have envisioned, a view that the ability of a business to develop and spread several internal capabilities (especially innovation capability and market response capability) are significant for sustainable growth.

The results of this study confirm the argument that marketing innovativeness are a consequence of the pursuit of performance and prove that marketing innovativeness which is indicated by level of openness of new ideas, repairing product appearance, develop business opportunity, develop product renewal [14] could improve marketing performance. Further marketing innovativeness also have significant positive effect on iconic value co-creation, which has the meaning that the higher the firms in SMEs industries improve their marketing innovativeness, the value co-creation will increase.

Our contribution is in specifying key components of marketing innovativeness building value iconic co-creation that a firm and its managers must strategically develop and adopt to carry out its primary pursuit (iconic value creation). The components of the value offering that we offer are valid conceptualization and measures specifying

where a firm is headed in its efforts to strategically develop that iconic value co-creation is co-design iconic, co-motive iconic, co-symbol iconic, co-experience iconic [12].

This finding provide strong support for the importance of market response capability and iconic value co-creation in improving marketing performance evidenced a significant positive effect of on market response capability on marketing performance. On the other hand the results of this study confirm the importance of iconic value co-creation as an important aspect of and marketing performance, which proved the positive effect of market responsiveness on iconic value co-creation, and the positive effect of iconic value co-creation to marketing performance.

The results of this study provide two possible alternative to be done by the owners of small and medium enterprises in the SMEs handy craft industries in Indonesia is the first, managing marketing innovativeness by openness of new ideas, repairing product appearance, develop business opportunity, develop product renewal. With increasing marketing innovativeness can increase the marketing performance. The second alternative is using the iconic value co-creation approach with customers to achieve high marketing performance. Owners can manage iconic value co-creation by increasing the market responsiveness to ability in fast adjust market product model, ability in fast responding on changes on demand, ability in fast adapt on changes product motive, ability in fast responding customer need. The iconic value creation occurs when marketing innovativeness and market responsiveness improved.

V. CONCLUSION

This paper has the end goal of describing the effect of marketing innovativeness that prosper the process of iconic value co-creation within the context of SME's. The research done contributes and delivers new evidence to the literature concerning iconic co-creation and marketing innovativeness. The importance of finding and selecting the right key partners and developing partnerships for the longer term has been proven in this research within the context of SME's. This study increases the understanding of which

innovativeness tools can be used to facilitate the process of iconic value co-creation.

Results of this research indicate the important role of the iconic value co-creation in bridging the gap between the marketing innovativeness and marketing performance. Even though there was researches result claimed that there is contradiction between marketing innovativeness and marketing performance by [15], [34], [24] results of this contradiction is concluded with clear statement that iconic value co-creation are able to mediate the gap between marketing innovativeness and marketing performance.

To win the global business competition East Borneo SMEs handy craft industries must be able to innovate in order to improve marketing performance. SMEs handy craft should be able to continue iconic value co-creation to survive. Surely, it is better when handy craft SMEs are also able to make their own branch label to simplify consumers in identifying products of handy craft SMEs in the market. Finally, this research gives focus on the handy craft SMEs industries in Indonesia, to develop new strategy of Indonesian SMEs handy craft marketing in the future. Hopefully, the next research about advantage of iconic value co-creation will be applied to other industries such as the handy craft industries to perfection patterns against other products with new design, new motive and new symbolic for preserving the local culture.

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Tax Payer Compliance of SME (Small and Medium Enterprises) Samarinda Food Sector

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Abstract— The purpose of this study is to empirically test effect of taxpayer perception to the implementation of PP No.46 of 2013, and their awareness on paying taxes on taxpayer compliance of small and medium enterprises. Theoretically the results of this study are expected to enrich and provide several empirical evidences regarding factors that influence the adoption of taxpayer perceive towards tax evasion action, thus it can be useful for academics, practitioners and policy makers. The populations of this study are the small and medium enterprises Samarinda food in Sungai Kunjang district. The sampling method in this study is purposive sampling with any criteria individual taxpayer small and medium enterprises Samarinda food. The analysis of research data on this study uses SPSS 22 (Statistical Package for Social Science). The main findings of the study provide the following information: (1) Taxpayer Perception About the Implementation of GR No.46 of 2013 has no effect on paying taxes on taxpayer compliance, and (2) Awareness of Paying Taxes has effect on Paying Taxes on Taxpayer Compliance. The majority of SME do not agree with the change of tariff and the basis of tax calculation. Owners of SME argue that the intent of the Government Regulation number 46 of 2013 cannot educate the public for transparency in tax payments and they argue the socialization of Government Regulation No. 46 of 2013 is still less than the maximum. With maximal socialization can increase awareness and understanding of taxation for owners SME and this also can fulfil the taxation for owners of SME.

Keywords— component, Taxpayer Perception, Awareness of Paying Taxes

I. INTRODUCTION

Small and Medium Enterprises (SME) is a business unit managed by a group of people, family, or individual, all of whom are the majority of business actors in Indonesia. SME can be easily found in almost all locations, from major cities to suburbs and countryside. SME serves a strategic role in national and regional development, not only because of its contribution to national economic growth, but also because it absorbs workforces in huge quantity. Several business sectors, especially private sectors still demonstrate fairly good

performance in that regards, it can be said that SME is a business that survives in variety of conditions.

Paying for tax is the obligation of all citizens and owners of SME. In light of that, the government constantly campaign on the importance of taxation for the development of the nation. Awareness and tax compliance are to be expected from good law-abiding citizens. At this point in time taxation must be understood well due to its fundamental importance to the economy.

Tax by definition is contribution by citizen for state budget based on the law (mandatory) without any reciprocal service that can be directly demonstrated and is used to fund general expense ([5]). Taxation also serves as sources of income for Indonesia, regulatory instrument for future economy, with the purpose of raising and cultivating citizens' awareness and sense of responsibility, since taxation essentially funds the state. Various new laws are issued with the expectation that society would actively participate in the fulfillment of their tax obligation. The government currently aims for a certain private sector that is confirmed to have big potential to become source of tax. That sector is Micro, Small, and Medium Enterprises (MSME) MSME has turnover and profit that are much smaller than major companies.

The effort to uplift the fulfillment of voluntary tax compliance and to push for contribution to state from MSME sector has resulted to the enactment of Government Regulation Number 46 Year 2013 regarding Income Tax Applicable to Income Derived from Business Which Are Received or Obtained by Tax Payers Who Generates Certain Gross Turnover. The implementation of GR No. 46

Year 2013 aims to provide ease and tax simplification, educating society on administrative order, educating society to be transparent, and provide opportunity for society to contribute to state affair. The new rule on taxation has its advantage, which is a lesser tariff than previously, amounting to 1% of turnover. GR No. 46 Year 2013 is mandatory for Individual and Corporate Taxpayers with certain gross income, which amounts to less than 4.8 billion derived from business income.

The implementation of GR No. 46 Year 2013 sparks opposing views. The intention of the government to provide ease and simplification upon tax regulation did not get its proper welcome by the society. Based on the research done by [5] the majority of MSME owners disagree with the implementation of GR No. 46 year 2013 due to the bigger amount of tax they have to pay under the new law. Despite of that, taxpayers' perception over GR No. 46 Year 46 in regards to the ease and simplification it provides for the majority of MSME owners is generally positive.

The problem on the level of tax compliance and tax awareness becomes a constant problem in the field of taxation. In Indonesia, the level of tax compliance is low. Such low level of tax compliance becomes very ironic if it is compared to the level of business growth in Indonesia. The growth of MSME undergoes increase each and every year. Yet, the increase on number of MSME is not balanced is with MSME owners' awareness to fulfil its tax obligation.

Attribution theory provides that Tax compliance is linked to taxpayer's behavior in assessing the taxation itself. One's perception in making assessment over somebody else is highly influenced by the external and internal factor of that person. Attribution theory is incredibly relevant to explain such intention. Attribution is a process where one draws conclusion regarding factors that influence the behaviors of others. Attribution theory views individual as amateur psychology that attempts to understand causes to phenomenon occurring before them.

This research assesses taxpayer's perception about the implementation of GR No. 46 Year 2013 and the sense of awareness of tax obligation to the tax compliance of MSME. Such is done because the

government has set rules on income tax applicable to income from business that is received and acquired by taxpayers with certain gross circulation as stipulated in GR 46 Year 2013. The purpose to that is to provide ease for society in conducting its tax compliance. In addition, GR Number 46 Year 2013 is also supplemented with procedures of calculation, deposit, and the reporting of income tax with certain gross circulation as set in PMK Number 107 Year 2013. Such a law provides ease for MSME in conducting its tax compliance. The government has also conducted socialization and campaign to improve society's understanding over the benefit of tax for themselves and to pursue the creation of awareness to pay tax in the fulfillment of tax compliance.

II. RESEARCH METHOD

A. *Research Characteristic*

This research is qualitative and quantitative in nature.

B. *Time and Place of Research*

This research was conducted on May 15, 2017 to May 29. This research was conducted in Sungai Kunjang District.

C. *Population and Research Sample*

The population in this research actors of MSME in Sungai Kunjang District. The samples were acquired from the calculation of 60 unit of MSMEs in Sungai Kunjang District.

D. *Procedure*

Data was acquired by providing respondents with. This research relies on closed questionnaires, which is a type of questionnaires that demands a short personal answer from the respondent and a set of answers are already prepared beforehand by researched hence respondents are only asked to pick from one of them. The questionnaires were given by researcher to MSME taxpayers in Sungai Kunjang District.

E. *Data, Instrument, and Data Analysis Method*

1) *Data and Instrument*: Data of this research is primary in nature. The acquiring of the data was done by distributing questionnaires to MSMEs in Sungai Kunjang District. This research utilizes the instrument of questionnaires. Data is gathered from respondents by using questionnaires that

utilizes Likert Scale which were subsequently used to determine MSME tax compliance, perception on the implementation of GR 46 Year 2013, and tax awareness. The instrument of this research went through validity and reliability test. Instrument test conducted by researcher is used test.

2) *Data Analysis Method*: This research utilizes primary data to distribute questionnaires to MSME. After data was gathered, researcher conducted instrument test. Test instrument used is used test. Instrument test involves validity test and data reliability test. Data analysis method used is descriptive statistic. Analytical prerequisite test consists of normality test, linearity test, heteroscedasticity test, and multicollinearity test. Hypothesis test employed simple liner regression test and double linear regression test.

III. RESEARCH RESULT AND ANALYSIS

1. Descriptive Statistics

There are 60 respondents in this research, all of which are 60 unit of MSME in Sungai Kunjang District. Descriptive statistical analysis presented in this research covers Minimum Value, Maximum Value, Mean (M), Deviation Standard (DS).

TABLE 1

KET	Y	X1	X2
Min	1	2	2
Max	5	5	5
M	3,85	3,72	3,56
SD	0,684	0,825	0,721

Source: processed data 2017

1. Analytical Prerequisite Test

a. Data Normality Test

The result of normality test can be seen in the table below. Value of Kolmogorov-Smirnov Z amounts to 0,832 with significance value of. Significance of more than 0,05 can be concluded that the data is of a normal distribution

TABLE 2
NORMALITY TEST RESULT.

		Unstandardized Residual
N		60
Normal	Mean	.0000000
Parameter	Std.	
s ^{a,b}	Deviation	.42389511
Most	Absolute	.069
Extreme	Positive	.069
Differenc	Negative	-.069
es		
Test Statistic		.069
Asymp. Sig. (2-tailed)		.200 ^{c,d}

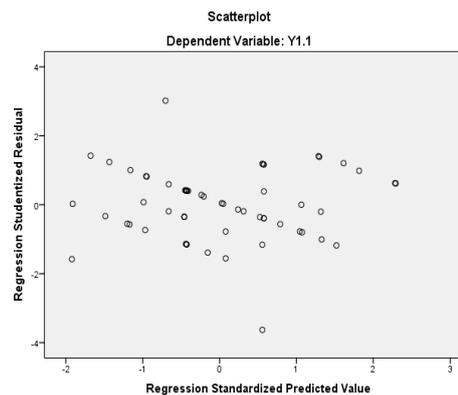
a. Test distribution is Normal.

b. Calculated from data.

2. Classic Assumption Test

a. Heteroscedasticity Test

Result of heteroscedasticity test can be seen in the picture below



From the picture above, it can be seen that residual values are spread and does not form any particular distributive pattern, which means heteroscedasticity does not occur

a. Multicollinearity Test

Result of multicollinearity test can be seen in table 2 below:

TABLE 3.

Coefficients

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
Taxpayers perception on the implementation of GR 46 Year 2013	.960	1.042
Awareness of tax obligation	.768	1.302

Dependent Variable: y.1

Source: Data SPSS 22

From the table above, it can be seen that VIF value of the three values, which are taxpayer's perception on the implementation of GR No. 46 year 2013, 1,042, and the awareness of tax obligation, 1,032. The VIF value of the three variables are much smaller than 10, hence it can be concluded that the issue of multicollinearity does not occur among the two independent variables.

a. Hypothesis testing result: Taxpayers perception on GR No. 46 Year 2013 has negative impact on MSME taxpayers compliance.

The impact of taxpayer's perception on the implementation of GR No. 46 year 2013 on MSME taxpayer's compliance

Hypothesis test result shows that variable of taxpayers' perception of the implementation of GR

No. 46 Year 2013 has level of significance amounting to 0,918. Which means that H_0 is rejected, hence having no impact to MSME taxpayer's compliance because taxpayers' knowledge variable level of significance of is bigger than 0,05.

Hypothesis test 2 result: the awareness to pay tax has positive impact on MSME tax compliance

The impact of tax awareness to MSME tax compliance

Hypothesis test 3 result shows that awareness variable has level of significance as big as 0,000. Which means that H_0 is accepted. Therefore, the tax obligation awareness has an impact on MSME tax compliance due to its less than 0.05 awareness variable level of significance.

IV. ANALYSIS

Hypothesis testing on the influence of taxpayers' perception on the implementation of GR No. 46 Year 2013 based on the result of the test shows that taxpayers' perception on the implementation of GR No. 46 Year 2013 does not influence small medium enterprises tax compliance. It is the environment surrounding the tax payers that moderates tax compliant behavior toward tax compliance to pay for tax. An individual's perception to make an assessment on something is highly influenced by his/her surrounding environment and therefore the attribution theory is deemed suitable as it tries to find the cause or the drive to one's action. This is because the lack of full understanding over the implementation GR No. 46 Year 2013 does not affect tax compliance. Such is caused by different individual's perception on the implementation of the GR.

The result of the research confirms the research done by [2] the majority of MSME actors do not agree with the implementation of GR No. 46 Year 2013 due to its higher taxation. However, the majority MSMEs perceives the implementation of GR No. 46 Year 2013 in regards to the facility that eases and simplifies taxation as generally positive. There is a correlation between knowledge on tax compliance and taxpayer reporting.

Hypothesis testing on the influence on the awareness to pay tax based on test result shows that the awareness to pay tax does influence MSME

taxpayers' compliance. An awareness is a result of learning process from past experiences and gathering of information that is received to gain confidence and to drive an action to be taken. Taxpayers' awareness is related to the perception that covers the paradigm tax function for funding state development, tax utility in providing public goods, as well as fairness and legal certainty in the fulfillment of tax compliance ([6]).

Awareness of tax obligation is a condition where a tax payer, knows, acknowledges, appreciates, and obey the applied rules on taxation as well as having the sincereness and willingness to understand his/her tax obligation ([1]). Taxpayer's awareness is an attempt or mandatory action by MSME taxpayers supplemented by its willingness and personal drive in fulfilling taxation right and obligation in accordance with the applied laws. Such a thing can be seen from the result of this research, that the level of MSME taxpayer awareness is fairly high, this explains the level of willingness of taxpayers in fulfilling its tax obligation well.

The finding of this research is consistent with the finding done by [2] on the factors that influence tax compliance of taxpayer in Tax Service Office (TSO) Pratama East Denpasar which shows that the factor to the awareness of tax obligation and partial penalty have significant influence over taxpayer compliance to pay tax.

V. CONCLUSION AND RECOMMENDATION

This research concludes that the implementation of GR No. 46 year 2013 does not affect MSME compliance to tax, meanwhile the awareness of tax obligation influences MSME tax compliance. It is recommended for the government to lower the current tax rate. TSO Pratama can hold event to improve the awareness of society to pay for tax through socialization and campaign. The next researcher is expected to utilize an indicator that is in accordance with operational theory.

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Corporate Social Responsibility Disclosure, Leverage, and Firm Value: The Moderating Role of Profitability

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Abstract— Corporate Social Responsibility (CSR) is a strategic investment that brings many economic benefits for the company in the long term. Many benefits obtained by the company with the implementation of CSR, among other products increasingly favored by consumers and companies interested investors. CSR can be used as a new marketing tool for the company, if it is implemented continuously. Therefore, CSR plays an important role in increasing the value of the company as a result of increased sales of the company by conducting various social activities in the surrounding environment. This paper investigates the effects of Corporate Social Responsibility Disclosure (CSR D) and Leverage on Firm Value with Profitability as Moderating Variable. Analysis tool used in this study is the Moderated Regression Analysis (MRA) and Multiple Linear Regression analysis. There were 68 firm-years of Indonesia listed companies with CSR reports from 2012 to 2015. The paper found that leverage influences the firm value. However, CSR D did not affect the firm value. In addition, profitability as moderating variable was proven and capable of strengthening the relationship between corporate social responsibilities with firm value and strengthens the relations between leverage with firm value. The findings have important implications for practitioners with respect to CSR disclosure in addressing firm value.

Keywords— corporate social responsibility, firm value, leverage, profitability

I. INTRODUCTION

In general, the company's performance is assessed from the maximum profit level, this will make investors interested in investing in the company. The choice of investment in the consumer goods sector could be an alternative when in other sector companies still showed weakening performance that can be seen from the movement of its shares down significantly [1]. In contrast to the consumer goods sector which some years earlier had its share movement down but not so significantly, because the company was known to be resistant to the crisis.

As many companies grow, so at the same time social inequalities and environmental damage are likely to occur, so there is an awareness to reduce this negative impact [2]. Many private companies are now developing what is called Corporate Social Responsibility (CSR). CSR is a strategic investment that brings many economic benefits or blessings that are abundant for the company in the long term [3].

The issue of CSR in Indonesia has been growing for a long time, but the attention and its implementation has only started to develop in recent years and is done by certain companies only [4]. In addition, Law no. 40 Year 2007 regarding Limited Liability Company, stating that companies whose activities related to Natural Resources are required to carry out social and environmental responsibility.

CSR is no longer faced with responsibilities based on the single bottom line, but should stand on the triple bottom lines. Here the bottom lines other than financially are also social and environmental, because the financial condition alone is not enough to guarantee the value of the company to grow sustainably. Company sustainability will only be ensured if the company takes into account the social and environmental dimensions. CSR implemented in various environmental management system and certification program in Indonesia. For example, ISO 14001 certification is used for Environmental Management System or ISO 50001 for Energy Management System. The companies take environmental permits, air and water pollution control, hazardous waste management, and monitoring of environmental parameters in accordance with applicable regulations. Beside

CSR disclosure, another factor that can affect the value of a company is leverage. Funding sources within the company can be obtained from internal companies in the form of retained earnings and depreciation expense, then from external company in the form of debt or new stocks issued.

This study refers to [5] which previously studied about the influence of corporate social responsibility toward firm value with profitability as moderating variable in 2009-2011 period. This study adds independent variable that is leverage because besides the problem of corporate social responsibility, leverage also influence the firm value. Furthermore, profitability is used as a moderating variable in this study because profitability is one of the company's measuring tools to determine the effectiveness of company performance. The greater the profitability of a company, the greater the level of profit achieved by the company and the better the company's position in the use of assets [6].

Handriyani [5] stated that the influence of corporate social responsibility towards firm value with profitability as moderating variable shows that profitability as moderating variable was not able to strengthen relationship of CSR disclosure and corporate value. Meanwhile, in contrast to the results of research [7] which showed that the profitability as a moderating variable found to strengthen the relationship between CSR with the company's value.

Based on the background description, the formulation of the problem in research are as follows:

- Does Corporate Social Responsibility Affect Firm Value?
- Does Leverage Affect Firm Value?
- Can Profitability strengthen or weaken the relationship between Corporate Social Responsibility and Firm Value?
- Can Profitability strengthen or weaken the relationship between Leverage and Firm Value?

The research objectives to be achieved are as follows:

- Examine the influence of Corporate Social Responsibility on Firm Value.
- Examine the effect of Leverage on Firm Value.

- Examine Profitability can strengthen or weaken the relationship between Corporate Social Responsibility with Firm Value.
- Examine Profitability can strengthen or weaken the relationship between Leverage and the Firm Value.

II. THEORETICAL AND DEVELOPMENT HYPOTHESIS

Based on stakeholder theory, company is not an entity that only operates for its own sake but must provide benefits for its stakeholders [2]. Which means that the success of a company depends heavily on its ability to balance the diverse interests of shareholders or stakeholders [3]. According to the legitimacy theory argues that companies must implement and disclose CSR activities to the maximum extent possible for corporate activities to be accepted by society as their stakeholders [8]. The disclosure is used to legitimize corporate activity in the eyes of the public, since CSR disclosure will indicate a company's compliance level. Therefore, in accordance to the signal theory, a company that predicts a low profit will tend to use low debt levels. High corporate debt will increase the likelihood that companies face financial difficulties. In other words, a rational company will increase debt if additional debt can increase profits [4].

A. *The Influence of Corporate Social Responsibility to Firm Value*

One of the company's main goals is to increase the value of the company. The value of the company will be guaranteed to grow sustainably if the company takes into account the economic, social and environmental dimensions. The dimensions are contained in the application of CSR disclosures conducted by the company as a form of awareness of the surrounding environment that will impact on the good image of the company among the community [7]. World Business Council for Sustainable Development (WBCSD) stated corporate social responsibility is defined as a business commitment to contribute to sustainable economic development, through collaboration with employees and their representatives, their families, local communities and the general public to improve the quality of life in a way that is beneficial for both business and development [9]. In line with the legitimacy theory that states that

corporate social responsibility has the benefit to improve the company's reputation, maintain the image and strategy of the company.

H1: Corporate social responsibility affects the firm value

B. The Effect of Leverage on Firm Value

Leverage is a funding policy related to the company's decision to finance the company. One important factor in funding is leverage. Leverage indicates the extent to which the company finances its business by comparing its own funds that have been deposited with the loan amount from the creditors. Companies, that use debt, have liabilities on interest expense and principal cost of loans. The use of debt has a considerable risk of unpaid debt, so the use of debt should pay attention to the company's ability to generate profits [10].

In line with the signal theory that rational investors will see that the increase in corporate value comes from high debt usage. Thus, the investor may offer higher stock prices after the company issues debt to repurchase the outstanding shares.

H1: Leverage affects the firm value.

C. The Effect of Profitability as A Moderation variable in relationship between CSR and Firm Value

Understanding profitability as proposed by [4] that profitability is the ability of companies to generate profits by using resources owned companies, such as assets, capital, or sales company. Profitability is also defined as the end result of a number of policies and decisions made by the company [11]. Profitability is a factor that makes management free and flexible to disclose corporate social responsibility to shareholders [5]. So, the higher level of corporate profitability, the greater the disclosure of social information company [2].

Profitability can be an important consideration for investors in their investment decisions, as the larger dividend payout will save the capital cost, on the other hand the manager will increase his power and even increase his ownership due to dividend income as a result of high profit [2]. With the offer to get high profit results, is expected to attract investors in the investment.

H3: Profitability can moderate the relationship between corporate social responsibility and firm value.

D. The Effect of Profitability as A Moderation variable in relationship between Leverage and Firm Value

Profitability is the company's ability to generate profits over a period of time. The pecking order theory suggests that firms favour internal financing (funding from tangible enterprise operations results). Companies with high profitability certainly have larger internal funds than low-profit firms [4]. Obtained means the lower the need for foreign funds (debt) so that the lower leverage ratio [12].

Leverage is a funding policy related to the company's decision to finance the company. Companies that use debt have liabilities on interest expense and principal cost of loans. The use of debt has a considerable risk of unpaid debt, so the use of debt should pay attention to the company's ability to generate profits [10].

H4: Profitability can moderate the relationship between leverage and firm value.

III. RESEARCH METHODS

This study uses a quantitative approach to test those hypotheses. The analytical method used multiple linear regression analysis and Moderated Regression Analysis (MRA).

A. Firm Value

The value of the firm in this study is measured by using the ratio of price to book value (PBV). According to [11] the ratio of PBV can be calculated by the formula:

$$PBV = (\text{Share Price per Share}) / (\text{Book Value per Share})$$

While to calculate the book value per share can be calculated by the formula [8]:

$$\text{Book Value Per Share} = (\text{Total Equity}) / (\text{Number of shares outstanding})$$

B. CSR Disclosure

Disclosure of CSR is an effort made by the company to show the public social activities undertaken by the company to be accepted by the community. Based on the checklist on the Global Reporting Initiatives (GRI) standard G3 Guidelines

CSR calculations performed using dummy variables are:

Score 0 : if the company does not reveal an item on the questionnaire

Score 1 : if the company reveals an item on the questionnaire

The formula used as CSR calculation is as follows [5]:

$$CSRDI = (\sum X_{ij}) / n_j$$

Information:

CSRDI : CSR Disclosure Index

n_j : number of items for company j, $n_j \leq 79$

X_{ij} : the number of items disclosed by the company

C. Leverage

Leverage in this research is measured using Debt to Equity Ratio (DER) ratio calculated by the formula:

$$DER = (\text{Total Debt}) / (\text{Equity} / \text{Equity})$$

D. Profitability

In this study profitability as a moderating variable that affects the relationship of CSR disclosure and leverage to firm value. Profitability in this study is proportioned using Return on Assets (ROA).

$$ROA = (\text{Net Profit After Tax}) / (\text{Total Assets}) \times 100\%$$

Data collection procedures used documentation and literature study. The literature sources are from journals, through the electronic media, such as soft file financial statements of the BEI's website www.idx.co.id, soft file sustainability report, and internet sites. The research population is all manufacturing companies listed on Indonesian Stock Exchange in the period 2012-2015. The number of sample is 37 companies and listed as a sub-sector company of consumer goods industry on year 2012-2015. Purposive sampling method used to select samples based on certain considerations in accordance with the research purpose. The criteria established are: (1). All companies listed in Indonesia Stock Exchange (BEI); (2). Publish a sustainability report that based on the GRI Guidelines in consecutive period 2012-2015; (3). The Company has a positive profit during 2012-2015.

IV. RESULTS AND DISCUSSION

TABLE

The results of statistical tests are as follows:

Model	Unstandardized Coefficients			t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	-5,177	3,870		-1,338	,186
	CSRDI	,089	,120	,077	,745	,459
	DER	12,027	2,307	,541	5,214	,000
	CSRDI*ROA	,021	,008	,646	2,681	,009
	DER*ROA	,318	,128	,580	2,488	,015
F	36,573					
Sig.	0,000					
R	0,795					
R ²	0,632					
Durbin-Watson	1,819					

The above table shows that, firstly, the corporate social responsibility disclosure index (CSRDI) had a positive and insignificant impact on the firm value (PBV). These results were consistent and support the research by [13], and [14]. This proves that the quality of CSR disclosure in the manufacturing industry sector of consumer goods industry listed on the BEI not fully follow the standards issued by GRI G3. This is not in line with the theory of legitimacy which states that companies must implement and disclose CSR activities as much as possible so that corporate activity can be accepted by society.

Secondly, leverage (DER) had a positive and significant impact on the firm value. This is consistent with research [10], and [15]. This proves that companies with low debt levels have a low risk whereas if the company has a high debt level it will be exposed to high risk. However, if the addition of corporate debt can increase the profit of the company, then it will give a positive signal to investors, which then investors will be interested to invest in the company. The results support the signal theory that rational investors will see that the increase in corporate value comes from high debt usage.

Thirdly, profitability had a positive effect as a moderating variable that strengthens the

relationship between corporate social responsibility disclosure and firm value. The results of this study are consistent with the research conducted by [7] and [8]. This proves that when the profitability of the company increases then the company can reveal CSR activities as much as possible so as to enhance the reputation and good image of the company. The results of this study support the stakeholders' theory which states that the higher level of profitability achieved by the company the stronger the relationship of corporate social disclosure with the firm value. It means high levels of profitability can encourage companies to implement and disclose CSR activities so as to enhance the company's reputation.

Lastly, profitability had a positive effect as a moderating variable that strengthens the relationship between leverage with firm value. The results of this study are consistent with research conducted by [12]. A high level of profit makes the company's internal funds enough to meet investment needs. The company prefers internal funds from company's own capital, it shows that high profitability resulted in the company not need external funding company because the company's fund requirement is fulfilled. It aims to increase the value of the company in the eyes of investors. The results of this study support the pecking order theory which states that a high level of profit makes the company's internal funds enough to meet investment needs. Profitability as a moderating variable proved to be able to strengthen the relationship between leverage and firm value, which means that the lower the need for funds (debt) so that the lower the leverage ratio.

V. CONCLUSIONS, IMPLICATIONS AND SUGGESTIONS

A. Conclusions

There are several conclusions in the study. First, Corporate Social Responsibility had positive and insignificant effect to the firm value in Manufacturing Industry Sector of Consumer Goods Listed on BEI Period 2012-2015, even though the relationship is positive, CSR disclosure has little effect on value company. Level of influence of CSR seen from regression coefficient value that is equal to 0,089. This is because the company has not fully

followed the standards issued by GRI G3. Second, leverage had a positive and significant effect on the firm value in the Manufacturing Industry Sector of Consumer Goods which is listed on the Stock Exchange period of 2012-2015, because if the addition of debt of the company can increase the profit of the company, it will give a positive signal to the investor, will be interested to invest in the company.

Furthermore, profitability positively influenced as a moderating variable that proves able to strengthen the relationship between CSR and firm value in Manufacturing Companies of Consumer Goods Sector Listed on BEI Period 2012-2015, because companies with high profitability can increase CSR activity disclosure can improve company reputation. Last, profitability had positive effect as moderation variable which proved able to strengthen the relationship between leverage and firm value in Manufacturing Company of Consumer Goods Sectors Listed in IDX for 2012-2015 period. It was because high profitability resulted in the company not need external fund of company due to fund requirement of company fulfilled by internal funds. Thus, it aims to increase the value of the company in the eyes of investors.

B. Implication of the study

The findings have important implications for practitioners with respect to CSR disclosure in addressing firm value.

C. Suggestion

Suggestion of this research as follows: (1) The sample in this research is small so that feared cannot reflect the development of firm value as a whole. Therefore, it is hoped that further research can use broader research objects such as companies engaged in manufacturing companies or state-owned companies, in order to obtain a larger sample of research. (2) Based on Adjusted R Square result that is equal to 61,4%, so it is expected for subsequent research can add or use other variable to know more any variable that can influence firm value. (3) The result of this research shows that CSR has positive and insignificant effect to firm value. This is because the company has not fully followed the GRI G3 standard in disclosing CSR. So, it is expected for the company, need to increase

CSR disclosure of GRI G3 standard to be able to increase firm value.

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Factors that Influence the Taxpayers' Perception on the Tax Evasion

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Abstract— Tax Evasion is an act performed by the taxpayer to alleviate their tax burden by breaching the tax laws. In this action the taxpayer ignores the formal provisions of taxation that becomes their obligation, falsify documents, or fill the data with incomplete and incorrect. The purpose of this study is to find out the factors that influence taxpayer's perception on the tax evasion, so that can be useful for academics, practitioners, and tax policy makers. Tax evasion may be influenced by factors such as tax knowledge, tax morale, tax system, tax fairness, and compliance cost. The populations in this study are individual taxpayers registered at the Primary Tax Office in East Kalimantan. Sampling technique used is purposive sampling with criteria: taxpayer person who has a freelance job as much as 100 respondents. Analysis of this research data used PLS (Partial Least Square). The result of this study indicates that: tax knowledge, tax morale, tax system, tax fairness negatively influenced the taxpayer's perception on the tax evasion. Compliance cost positively influenced the taxpayer's perception on the tax evasion. From every negative variable, tax morale has the most significant to tax evasion, followed tax knowledge, tax system, and tax fairness.

Keywords— compliance cost, tax evasion, tax fairness, tax knowledge, tax morale, tax system.

I. INTRODUCTION

Tax Evasion is a violation of the Taxation Act, by submitting an understatement of income on one side or reporting an overstatement of the deductions. A more severe form of tax evasion is if the taxpayer does not report his income at all. The cause of taxpayers to tax evasion is usually caused by the perception that taxes are a burden that would reduce one's economic ability ([1]). The taxpayer must set aside some of his income to pay taxes. Whereas if there is no tax liability, the money paid for taxes can be used to add to the fulfillment of other needs. It is natural that the people doubt the government in this matter. Just look at the unfulfilled tax revenue target from 2016.

The absence of tax revenue target in Indonesia is influenced by low tax compliance level. The percentage of taxpayer compliance rates by 2016,

not much different from previous years. Data obtained from the Directorate General of Taxes [1], taxpayers registered in the system of the Directorate General of Taxes reached 30,044,103 taxpayers, consisting of 2,472,632 corporate taxpayers, 5,239,385 individual non-employee taxpayers, and 22,332,086 Individual employee taxpayers. Based on data from BPS 2013, Indonesia's working population reached 93.72 million people. That is, only 29.4% individual taxpayers who register themselves as taxpayers. Recorded in 2016 out of 30,044,103 registered taxpayers are required to submit an annual income tax return of 18,159,840 taxpayers shall be SPT, but of that number only 10,945,567 taxpayers who submit annual tax returns or 60.27% of the total mandatory tax is required SPT. Number of taxpayers who submit the SPT consists of 676,405 corporate taxpayers, 827,228 non-employee private taxpayers, and 9,431,934 individual employee taxpayers. This means that the taxpayer compliance ratio of new corporate taxpayers reached 57.09%, non-employee taxpayers 40.75%, and personal taxpayers 63.22% employees.

Similarly, what happened in East Kalimantan, based on data from primary taxation office, Samarinda in 2016. Of the tax revenue target of 3,565,930,778,000 realized only for 2,650,860,506,317, this is because not all taxpayers are obedient in fulfilling their SPT obligations. Judging from taxpayer compliance statistic data, the compulsory taxpayer annual tax return amounted to 460,719. The obedient tax payer in reporting it is only 209,080, consisting of corporate taxpayers of 25,643, non-employee personal taxpayer of 38,188, and an employee personal tax of 145,249. From the existing research concluded that the low

compliance of the taxpayer is the result of tax evasion act done by the taxpayer. This proves that tax evasion in Indonesia has a big effect on tax revenue in Indonesia. As for the influence of tax evasion caused by various factors.

Research conducted by Richardson (2006) found that the higher level of knowledge, fairness, and tax morale make the lower level of the level of tax evasion. Sumartaya and Hafidiah [22] also found tax evasion affected by the attitude of tax morale is present in every taxpayer. Silaen, Basri, and Azhari [20] found that the tax system had an effect on tax evasion ethics. Sumarnisasi and Supriyadi [23] also received similar results, arguing that a well-functioning tax system would reduce tax evasion, but not for tax justice. McGee, Ho, and Li [9] then found that fairness variable has a strong influence on the tax evasion ethics. Based on study conducted by [6] tax justice has a negative effect on tax evasion and compliance costs have a positive effect on tax evasion.

Based on the various ethical content of the above tax evasion, the researcher is then interested to conduct research similar to the variable of tax knowledge, tax morale, tax system, tax justice and compliance cost which are believed to be factors influencing taxpayer perception of tax evasion. The researchers then adjusted the research specifically to the East Kalimantan area and the research was finally carried out in 2017.

II. REVIEW OF LITERATURE

A. *Tax Education on The Tax Evasion*

Resmi (2013), said that knowledge and understanding of tax laws is the process by which taxpayers understand about taxation and apply knowledge to pay taxes. Knowledge about tax law or tax regulation is assumed to be importance elements for attitudes towards taxation. Tax education is very essential in order to increase level of tax compliance (Richardson, 2006). Harris (1989) divided tax education into two aspects, namely, knowledge through common or formal education received as a matter of course and knowledge specifically directed at possible opportunities to evade tax.

Song and Yarbrough [21], Witte and Woodbury [27], Kasipillai, Aripin, and Amran [5]

confirm there is existence of a relationship between tax education on the tax evasion and tax avoidance. Same result has found in [16] tax education has negative significant on the tax evasion. If the taxpayers have a good education/knowledge on taxes it can reduced the action to evade taxes. Same result has found so if the taxpayers' have a high education about taxes then it will be reduced the level of tax evasion. Therefore, the first hypothesis as follows:

H₁: Tax Knowledge has negative influence toward taxpayer's perception on the tax evasion

B. *Tax Morale on The Tax Evasion*

Tax Morale is the intrinsic motivation to comply and pay taxes and thus voluntarily contribute to the public good. However, most of the attempts failed to consider how tax morale may arise or which factor have impact on it. Thus, tax morale is used as a residuum to capture unknown influence on tax evasion ([25]). Morality Tax determining factors are the most dominant demographic factor where education level taxpayer very big role to determine compliance with tax. Other indicators such as demographic, income level, marital status and religion, was not so dominant in determining the morality of a person to adhere to the tax ([22]).

Past study has been proved there is an association between tax morale and tax evasion. Torgler, Schafinner and Macintyre [26] analyse the concept of tax morale provides answers about taxpayers' personal decisions on whether, and to what extent they evade their own taxes, and find there is strong correlation between tax morale and tax evasion. Sumartaya and Hafidiah [22] detect there is a significant relationship between tax morale and tax evasion with a percentage of 59,41% influence. So, if the taxpayers' have a high morality in paying taxes then it will be reduced the level of tax evasion. Therefore, the fifth hypothesis as follows:

H₂: Tax Morale has a negative influence toward taxpayer's perception on the tax evasion.

C. *Tax System on The Evasion*

Taxation system is a tax collection system which is a manifestation of the dedication and the role of taxpayers to directly and jointly implement the tax obligations required for financing the

implementation of state and national development ([19]). McGee [28] links taxation systems to tax rates and possible corruption in any system. So, the description of the tax system is about the high tax rates and where the collected taxes, whether actually used for public expenditure, or precisely by the government and tax officials ([23]).

Sariani [18], Silaen [20], and McGee [8] find that there is a significant influence between tax system and tax evasion, they state that if the existing system is considered good enough and appropriate in its application, then the taxpayer will provide a good response and obedient to the existing system in fulfilling its obligations. The same result is also found by [13] there is a significant negative between tax system and tax evasion. They state if the tax system has been applied properly then it will be reduced the level of tax evasion. Therefore, the third hypothesis as follows:

H₃: Tax System has a negative influence toward taxpayer's perception on the tax evasion.

D. Compliance Cost on The Tax Evasion

The cost of tax compliance is the amount of costs that must be incurred by the taxpayer in implementing tax payments ([24]). So, the greater the cost of compliance is sacrificed by the taxpayer, then the taxpayer will tend to perform non-compliance of taxes such as tax evasion or tax avoidance ([14]). Tax compliance costs include three major components, namely monetary costs, time costs and psychological costs to the taxpayers. Monetary costs include sums spent on tax professionals (i.e. tax agents and accountants) and expenses relating to taxation guides, books, communication and other incidental costs. Time costs are incurred by the taxpayer, mainly on record keeping for tax purposes, completing the tax return and/or in preparing tax details for the tax professionals as well as time spent on dealing with the tax authorities. Psychological costs comprise costs such as the anxiety of handling complex tax matters.

The influence of compliance cost towards tax evasion has been proven in various research. Kurniawati [6], Sariani [18], Susmita [24] finds that compliance cost has positive influence toward taxpayers perception on tax evasion, they states

with the expenses incurred by the taxpayer to fulfil his tax obligations to burden them to pay taxes. So, when the compliance cost is too high then it will high change for the taxpayers to evade taxes. Based on the previous literature, the present study is trying to test the following hypotheses;

H₄: Compliance cost has a positive influence toward taxpayer's perception on the tax evasion.

E. Tax Fairness on The Tax Evasion

According to [7] in accordance with the legal objective of achieving justice the law in the implementation of the collection should be fair. Fair in legislation such as taxes in general and evenly and tailored to their respective abilities. While fair in its implementation that is by giving the right to the taxpayer to file an objection delay in payment and appeal to the Tax Assembly. When income tax is imposed at a higher rate on poor taxpayers, it is difficult for them to pay the amount charged; thus, they are forced to deviate from their morale and this then causes them to respond immorally toward the implemented tax fairness. So, tax evasion arises at an acceptable level for taxpayers in certain situations (Yee, 2017).

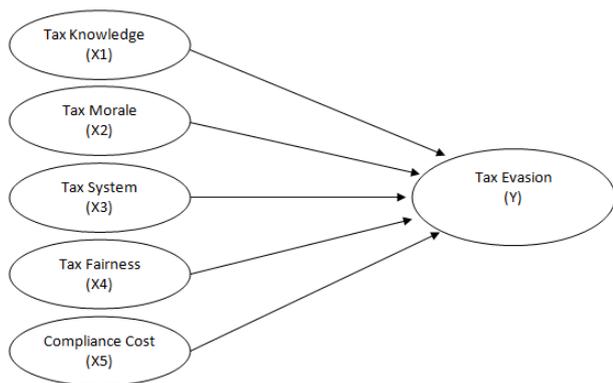
Song and Yarbrough [21] detect a significant negative association between fairness and tax evasion, with 75% of taxpayer subjects stating that the fairness concept of 'ability to pay' is more significant for tax evasion than is the 'benefits' concept. McGee [11] detects the same result, they state if the taxpayers get unfair treatment, then they will get social pressure and motivate themselves tend to take tax evasion action. So, if the taxes have been applied fairly it will be reduce the perception of taxpayers to evade taxes. Therefore, the second hypothesis as follows:

H₅: Tax Fairness has a negative influence toward taxpayer's perception on the tax evasion.

III. RESEARCH METHODOLOGY

Variable Perceptions of Taxpayer for Tax Degradation Measures in this study is allegedly influenced by the variable of Tax Education, Tax Morale, Tax System, Compliance Cost and Tax Fairness of the Taxpayer perceived itself. The

framework model of the research concept is referred to as the following figure:



Picture 1. Research Model Concept

A. Population and Sample

The population in this study is the individual taxpayers that list in the Primary Tax Office in East Kalimantan, Indonesia. Method sampling used purposive sampling, so it was taken based on criteria. Some of the criteria that can be done in the sampling as follows:

- Taxpayers who are active in paying tax per year.
- Taxpayers who have a NPWP (Taxpayers Identification Number).
- Taxpayers who have a freelance job.
- Taxpayers who willing to fill out the questioner.

B. Data Collecting Method

This study has been carried out through questionnaires. Questionnaire is a data collection instrument consistent of a series of questions and other prompts for the purpose of gathering information from respondents. The first section is to test the perception of tax knowledge on tax evasion, second section is to test the perception of tax morale on tax evasion, third section is to test the perception of tax system on tax evasion, fourth section is to test perception of tax fairness on tax evasion, and lastly to test the perception of compliance cost on tax evasion.

The questionnaire is measured by 5-point Likert, scale from 1: strongly disagree to 5: strongly agree. The questionnaire of variable was adapted by many study that have been conducted by many researcher,

and this study make a development of the questionnaire. Tax knowledge was adapted from [12]. Tax morale was adapted from [26]. Tax system was adapted from [23] and [1]. Tax fairness was adapted from [12]. Compliance cost was adapted from [17]. Tax evasion was adapted from [1].

C. Data Analysis

The data analysis method in this study is used the PLS (Partial Least Square) approach. This analysis is used to examine the relationships between variable dependent and variable independents studied structured in accordance with the formulation of research problems. Where the processing data used Smart PLS version 3.

IV. RESULT

A. Outer Model Result

TABLE I
VALIDITY TEST

	CC (X5)	TE (Y)	TF (X4)	TK (X1)	TM (X2)	TS (X3)
X11	-0.100	-0.219	0.055	0.660	0.053	0.173
X12	0.046	0.034	0.041	0.583	0.006	0.225
X13	0.060	0.040	0.037	0.507	0.071	0.117
X14	0.016	-0.178	-0.030	0.646	-0.093	0.145
X15	0.113	-0.055	-0.021	0.591	-0.038	0.254
X16	0.312	-0.116	-0.029	0.629	0.082	0.255
X17	0.171	-0.200	0.142	0.796	0.065	0.225
X18	0.053	-0.001	0.111	0.571	-0.004	0.148
X19	0.048	-0.103	0.196	0.585	-0.076	0.013
X21	-0.173	-0.236	0.173	0.041	0.863	0.073
X22	-0.135	-0.243	0.267	-0.048	0.862	0.062
X23	-0.122	-0.182	0.084	-0.154	0.854	0.088
X24	-0.066	-0.222	0.124	0.016	0.826	0.056
X25	-0.079	-0.237	0.188	0.048	0.813	0.111
X26	-0.083	-0.248	0.175	0.099	0.834	0.135
X31	0.046	-0.222	0.014	0.285	0.140	0.943
X32	0.111	-0.210	0.046	0.292	0.079	0.914
X33	0.024	-0.259	0.033	0.240	0.093	0.940
X34	-0.019	-0.258	0.026	0.209	0.131	0.946
X35	0.046	-0.209	0.041	0.165	0.036	0.920

TABLE I, CONT.

X41	0.064	-0.006	0.524	-0.060	-0.045	0.084
X42	-0.184	-0.198	0.780	-0.026	0.231	-0.025
X43	0.146	-0.154	0.762	0.025	0.329	-0.027
X44	0.068	-0.244	0.548	0.053	-0.008	0.059
X45	0.233	-0.140	0.638	0.088	0.086	-0.036
X46	0.155	-0.078	0.588	0.006	0.126	0.011
X47	0.086	-0.177	0.583	0.179	0.095	0.115
X51	0.561	0.016	-0.097	0.326	-0.099	0.076
X52	0.896	0.409	-0.241	-0.009	-0.125	0.029
X53	0.619	0.156	-0.062	0.423	-0.086	0.087
X54	0.577	0.062	-0.018	-0.189	-0.040	-0.065
X55	0.552	0.103	-0.017	0.008	-0.014	-0.007
Y11	0.092	0.538	-0.027	-0.008	0.007	-0.296
Y12	0.256	0.775	-0.280	-0.229	-0.217	-0.195
Y13	0.349	0.812	-0.161	-0.179	-0.240	-0.179
Y14	0.330	0.725	-0.256	-0.123	-0.238	-0.090
Y15	0.167	0.613	-0.045	-0.137	-0.159	-0.204
Y16	0.318	0.805	-0.271	-0.332	-0.203	-0.205

Convergent validity test results show the value of outer loading > 0.5 which means convergence validity has been fulfilled. Discriminant validity test results show the loading factor of each measurement block shows a greater value than other blocks, which means discriminant validity is met.

TABLE II. RELIABILITY TEST RESULT

	Cronbach's Alpha	Composite Reliability
Compliance Cost (X5)	0.717	0.787
Tax Evasion (Y)	0.777	0.843
Tax Fairness (X4)	0.719	0.796
Tax Knowledge (X1)	0.730	0.757
Tax Morale (X2)	0.918	0.936
Tax System (X3)	0.963	0.971

The results of the reliability test show the value of composite reliability and Cronbach alpha > 0.5, which indicates that the variable has high reliability.

B. Inner Mode Result

TABLE III. R SQUARE

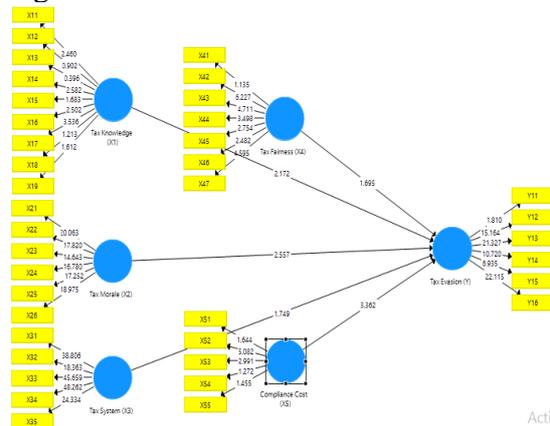
	R Square
Tax Evasion	0.339

R Square (R2). R2 value of taxpayer perception on tax evasion act as seen in table 3 is 0.339. This explains that the taxpayer's perception constructs for tax evasion actions can be explained 34% through the construction of tax justice and compliance costs. This proves that the prediction model has been exact to explain the level of variation of the change of the independent variable to the dependent variable.

TABLE IV. PATH COEFFICIENTS RESULT

	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Values
(X5) -> (Y)	0.365	0.354	0.109	3.362	0.001
(X4) -> (Y)	-0.138	-0.169	0.081	1.695	0.047
(X1) -> (Y)	-0.249	-0.266	0.115	2.172	0.016
(X2) -> (Y)	-0.177	-0.173	0.069	2.557	0.006
(X3) -> (Y)	-0.179	-0.166	0.102	1.749	0.042

Based on the data processing, it shows the result of every hypotheses is above 1.64 means every hypothesis is accepted. Therefore, the path analysis result can be seen on this following path diagram:



Picture 2. Analysis Result

C. Result of Hypothesis

Hypothesis 1: Based on the path coefficient table shows the statistic value for tax knowledge is equal to 2.17 above 1.64 (one tailed) negative direction is - 0.249 means the first hypothesis is received. The

better the taxpayer's knowledge of taxation, the lower the taxpayer's desire to commit tax evasion

This result is in line with research conducted by Dharma, which states that taxpayers will respond poorly and tend to avoid an act that violates the law if the knowledge of the tax has been good.

Hypothesis 2: The result of the second hypothesis testing shows that the tax morale has an influence on tax evasion with a statistic value of 2.557 above 1.64 (one tailed) with a negative direction of -0.177 so the hypothesis is accepted. The better the taxpayer's morale towards taxation, hence the desire to commit tax evasion is low.

The results of this test are in line with research conducted by [4], who found that there is a high correlation between tax morale and tax evasion. The amount of tax morals that a person feels makes him consider tax evasion is something that should not be done.

Hypotheses 3: The third hypothesis after the test has a t-statistic value of 1.749 over 1.64 (one tailed) and negative direction of -0.179, with this the third hypothesis is acceptable. With the existing tax system is good then the tax evasion will be reduced.

The test results are in line with research conducted by [8], which states that tax evasion actions will always and well received by the taxpayer due to the bad tax system. Therefore, if the tax system has been implemented properly, then tax evasion can be reduced.

Hypotheses 4: The results of the fourth hypothesis testing showed significant results with the t-statistic value of 3.362 above 1.64 and the positive direction of 0.365, with this hypothesis is acceptable. Given the high cost of the tax reporting process, it will burden taxpayers increasing their willingness to tax evasion.

The test results are in line with research conducted by [6], who found that compliance costs have a strong correlation with tax evasion. The greater the cost of compliance that must be borne by the taxpayer will make the taxpayer does not meet its tax obligations.

Hypotheses 5: The effect of tax fairness on tax evasion has a t-statistic value of 1.695 above 1.64 and negative direction of -0.138, meaning the hypothesis is acceptable. With the tax justice is going well, it will reduce tax evasion by taxpayers.

The results of this study are in line with research conducted by [11], that states if government want to reduce the extent of tax evasion, they should adopt the tax policies that are deemed fair. So, with better tax fairness can make taxpayers not to do tax evasion.

V. CONCLUSION

As has been described in the results of research, it can be put forward some conclusions as follows:

- Tax knowledge has a negative effect on tax evasion. These findings prove that the high knowledge of a person about taxation will be able to suppress tax evasion, so that tax evasion will be reduced.
- Tax morale negatively affects tax evasion. This conclusion can be explained that the better the moral of a taxpayer the lower the tax evasion act. Good taxpayers will be obliged to fulfil their tax obligations without cheating.
- Tax system has a negative effect on tax evasion. The findings prove that the existence of a good tax system, efficient, and easy to understand will facilitate taxpayers perform their tax obligations, so taxpayers will tend not to tax evasion.
- Compliance cost positively affects tax evasion. These findings prove that taxpayers feel burdened by the existence of other costs that must be incurred in addition to paying taxes, so when the burden of eating will make taxpayers tax evasion act.
- Tax fairness has a negative effect on tax evasion. This conclusion can be explained that the existence of justice in taxation will reduce tax evasion. With the equitable distribution of tax justice distribution in the taxpayer will make taxpayers obedient to tax evasion.

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The Effect of Internal Factor and External Factor towards Beta and Stocks Returns in the Real Estate Company in Indonesia Stock Exchange

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Abstract— This research was done with the aim to test and analyze internal and external factors regarding beta and return stock. The internal factors are Dividend Payout Ratio, Asset Growth, Debt to Equity Ratio, Current Asset, Asset Size, Price Earnings Ratio and Return on Asset. Whereas the external factors are inflation, interest rate and exchange rate. Statistic tool which was used to support the calculation is Amos, namely using SEM (Structural Equation Model). The samples used were 21 real estate companies, while samples selection used purposive sampling method. The research was carried out with 105 data from 2008 to 2012. The result of the research showed that internal factors are directly and significantly influence beta stocks, external factors are neither directly nor significantly influence beta stock, internal factors are neither directly nor significantly influence return stocks, external factors are neither directly nor significantly influence return stock, beta stock are directly and significantly influence return stocks, internal factors are not affect directly to stock return through beta stock and external factors are neither directly nor significantly influence stock return through beta stock.

Keywords— beta, stock return, financial performance, inflation, exchange rates, interest rates

I. INTRODUCTION

Minimizing risk can be done, but not by avoiding it as described by [5]. Investment in property and real estate is one of long-term investment. One indicator of the growth of a healthy economy is marked by growth in property and real estate.

TABLE I
GROWTH OF REAL ESTATE STOCK PRICE INDEX 2008-2012

No	Year	Stock Price Index
1	2008	11.06%
2	2009	2.78%
3	2010	6.96%
4	2011	3.79%
5	2012	4.30%

Source: www.bps.go.id

Table 1 shows the growth of real estate stock price index from 2008-2012. In 2008 saw a significant decline due to the economic conditions of Indonesia hit by the economic crisis. Along with the better economic growth, there is an increase in stock price index starting to 2009 until 2012.

The portfolio is a collection of many securities traded on the stock exchange [25]. Beta is a measure of the volatility of return, whereas volatility itself is the fluctuation of the returns of a securities or portfolio within a certain period of time. [14]

Table II shows the average inflation rate from 2008 to 2012. It appears that inflation is very high there in 2008 of 11.06%, finally declining and staying at 4.30% until 2012. The inflation spikes in 2008 because of the monetary crisis that hit Indonesia to catapult prices of goods and services. It consequently will reduce purchasing power and indirectly affect the capital market.

TABLE II
AVERAGE INFLATION RATE FROM 2008 TO 2012

Year	Average Inflation
2008	11.06
2009	2.78
2010	6.96
2011	3.79
2012	4.30

Source: <http://www.bps.id>

It is important to involve external factors in order to make a more accurate analysis. External factors can include inflation rate, gross domestic product, interest rate and exchange rate.

A. Problem Issue

The importance of estimating the stock beta by using fundamental factors that the results will better illustrate from the stock returns, and then based on the background that has been put forward can be formulated problems as follows:

- Do the internal factors have direct and significant effect on Beta Shares in Real Estate companies in Indonesia Stock Exchange?
- Do the external factors have a direct and significant effect on Beta Shares in Real Estate companies in Indonesia Stock Exchange?
- Do internal factors have a direct and significant effect on Stock Return on Real Estate companies in Indonesia Stock Exchange?
- Do external factors have a direct and significant effect on Stock Returns on Real Estate companies in Indonesia Stock Exchange?
- Do Beta Shares have a direct and significant effect on Stock Return on Real Estate companies in Indonesia Stock Exchange?
- Do internal factors indirectly affect Stock Return through Beta Shares in Real Estate companies in Indonesia Stock Exchange?
- Are external factors indirectly affecting Stock Return through Beta Shares in Real Estate companies in Indonesia Stock Exchange?

II. GRAND THEORY

B. Theoretical Basis

2.1.1. Shares

Shares are basically proof of ownership of capital invested in a company. According to [7] shares that are proof of membership of capital ownership will provide profits in the form of dividends or losses.

Stocks that we know there are 2 kinds, namely shares circulating in the stock market [32]:

1. Common stocks
2. Preferred stocks (preferred shares).

2.1.2. Risk

Investments made by investors in finance are essentially divided into two, namely direct investment and indirect investment. Investments in

shares are included in the category of direct investment. [25] divides risks in 2 types:

1. Systematic risk or called systematic risk.
2. Unsystematic risk

2.1.3. Beta

Horne and Wachowiz, Jr. defined risk as a variability of actual return to expected returns [29]. [4] said that volatility is the phase where the ups and downs of prices and price movements. The price here could be the price of everything, but the volatility here is the volatility of the price discussed on the stock market. Generally, price volatility is shaped by factors of production affecting demand and supply.

[4] described historical volatility or also called volatility based on past data. As the name implies, the historical volatility is stock data 12 months ago. If stock prices fluctuate very sharply in the last 12 months, then this stock will enter the category of risk stock. Unfortunately, high volatility stocks can be profitable if investors choose to hold stocks before stock prices reach out a price that can afford them.

[14] said beta is the slope of the slope on the characteristic line, so the beta coefficient can be said to indicate certain characteristics of a security. If Beta (β) is equal to one then beta equals market, for Beta (β) > 1 including aggressive, and Beta (β) < 1 including defensive. A beta of 1 indicates that the stock price will move in the market. Beta greater than 1 indicates that stock price volatility exceeds the market. A beta value of less than 1 indicates that the risk is greater than market price volatility.

2.1.4. Stock Return

According [14] for short-term investment, accounting beta can be used to predict the risks faced by investors, because the data of past financial performance can give an idea of the return of an investment. In long-term investments, accounting beta does not provide a relevant picture of the returns to be earned. Short-term investments can benefit from following the trend over the previous few years to predict stock volatility a few months later.

Meanwhile, according to [8] in bearish market condition (downtrend), market return tends to be negative so that bigger beta will result in bigger stock return. In bearish market conditions the resulting market return tends to be positive. As a result, the resulting stock return will be even greater if the stock market beta gets bigger. In this research is suggested when the market conditions are bearish, investing in stocks with lower beta value is preferred. Conversely, in bullish market conditions (uptrend), investors should prefer to invest in stocks with high beta because the resulting return is greater.

2.1.5. Internal Factors

These fundamental variables are the variables studied by Beaver, Kettler and Scholes. These variables are accounting variables that are generally related to the beta. The seven variables are as follows:

1. Dividend Payout
2. Asset Growth
3. Leverage
4. Liquidity
5. Asset Size
6. Earning Variability
7. Accounting Beta

2.1.6. External Factors

Systematic risk is a systemized risk so it cannot be changed because the systematic risk is influenced by fluctuating economic movement of macro factors. Systematic risks can include inflation, exchange rate fluctuations, interest rate fluctuations, fiscal policy and other policies governing the activity of an investment. This has been revealed by [11] in the February 2011 MRA journal.

1. Inflation
2. Exchange Rate
3. Interest Rate

2.2. Research Framework

The framework research is shown as below.

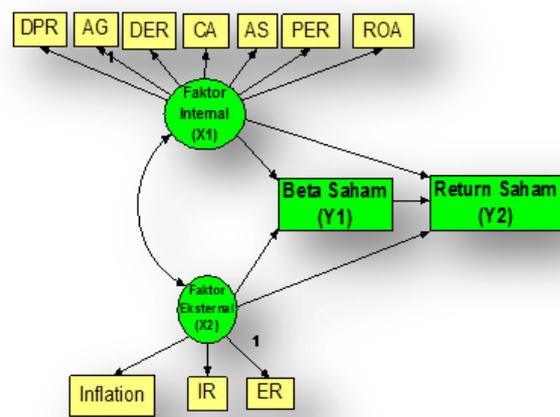


Figure 2.1
Research Framework

Annotation:

Internal Factors (X₁):

- (1) Dividend Payout Ratio (DPR)
- (2) Asset Growth (AG)
- (3) Debt to Equity Ratio (DER)
- (4) Current Asset (CA)
- (5) Asset Size (AS)
- (6) Price Earnings Ratio (PER)
- (7) Return on Asset (ROA)

External Factor (X₂):

- (1) Inflation
- (2) Interest Rate
- (3) Exchange Rate

2.3. Correlation among Research Variable

2.3.1. Internal Factors towards Beta Stocks

According to [34], the analysis of financial ratios is an instrument of company achievement analysis that explains the relationship and financial indicators, to indicate changes in financial condition or achievement in the past, and helps illustrate the trend pattern change, to then show the risks and opportunities attached to company and stock of the company concerned. This shows the effect that arises from the analysis of financial ratios on the risk of shares of the traded company.

2.3.2. External Factor towards Beta Stocks

According to [30] resulted in research that macroeconomic factors are external factors

including inflation, interest rates and exchange rates do not affect the beta stock either simultaneously or partially. These factors are concerned with the selection of external factors to be examined by the author, although research conducted by [30] only examines the macroeconomic factors that affect the beta.

2.3.3. Internal Factors towards Return Stocks

Not all financial ratios of each company in the Indonesia Stock Exchange can be a good parameter to predict the change in return of the company. This can be based on research conducted by [8] which resulted in the conclusion that ROA and PER ratios can be used to explain the stock return of manufacturing companies so that this ratio needs to be considered for investors in analyzing company performance, which influence the increase of stock return.

2.3.4. External Factors towards Return Stocks

The interest rate affects the stock price at which the rising stock price will affect the stock return. If interest rates rise, then the impact on the increase in interest rates on loans that will lead to interest rates on credit that will burden corporate profits can even lose. Companies experiencing a definite interest rate risk share price of the company will decline as investors judge the company has no good prospects. High interest rates are a negative signal to stock prices [15]

2.3.5. Beta Stocks towards Returns Stocks

The fundamental reason for the beta effect of stocks on stock returns is because systematic risk cannot be eliminated by forming a portfolio in an investment. Therefore, for an investor the risk becomes more relevant to be considered in choosing a combination of shares in the portfolio it creates. This is in accordance with the concept of Markowitz who said that any risk will affect the stock return so that companies need to make a portfolio of shares by minimizing risk and maximizing profit [37].

2.4. Hypothesis

Based on theoretical studies and empirical studies and conceptual frameworks that have been

put forward before, it can be arranged research hypothesis as follows:

1. Internal factors are directly and significantly influence beta stocks in Real Estate companies in Indonesia Stock Exchange.
2. External factors are directly and significantly influence beta stocks in Real Estate companies in Indonesia Stock Exchange.
3. Internal factors are directly and significantly influence returns of stocks in Real Estate companies in Indonesia Stock Exchange.
4. External factors are directly and significantly influence return of stock in Real Estate companies in Indonesia Stock Exchange.
5. Beta stocks are directly and significantly influence return of stocks Real Estate companies in Indonesia Stock Exchange.
6. Internal factors are directly and significantly influence return of stocks through Beta Stock in Real Estate companies in Indonesia Stock Exchange.
7. External factors are directly and significantly influence return of stocks through Beta stocks in Real Estate companies in Indonesia Stock Exchange.

III. RESEARCH METHOD

3.1. Research Plan

The research design is to test and analyze X1 (internal factors) that have seven indicators, they are:

1. Dividend Payout Ratio (X_{11})
2. Asset Growth (X_{12})
3. Debt to Equity Ratio (X_{13})
4. Current Asset (X_{14})
5. Asset Size (X_{15})
6. Price Earnings Ratio (X_{16})
7. Return on Asset (X_{17})

In addition to internal factors, the authors add external factors. External factors are represented by X2. External factors involve:

1. Inflation rate (X_{21})
2. Interest rate (X_{22})
3. Interest rate (X_{23})

3.2. Operational Definition

Table 3.1

Operational Definition

No	Variable	Operational Definition	Measurement
1	Dividend Payout	Dividend payout ratio is a measure of dividend per shares divided by earning per shares	$\frac{\text{Dividend per shares}}{\text{Earning per shares}}$
2	Asset growth	Asset growth is a ratios to scale the ability of company to gain profit	$\frac{\text{Assets}_{it} - \text{Assets}_{it-1}}{\text{Assets}_{it-1}}$
3	Leverage	Measured by debt to equity ratio	$\frac{\text{Total Liabilities}}{\text{Total Equity}}$
4	Liquidity	Liquidity is measured from current asset	$\frac{\text{Current asset}}{\text{Current Liabilities}}$
5	Asset size	Measured by asset size	Total Asset
6	Earning variability	Measured from PER	$\frac{\text{Stock Price}}{\text{EPS}}$
7	Accounting beta	The sensitivity of ROA	$\frac{\text{Net Income}}{\text{Total Asset}}$
8	Beta Stocks	Volatility measurement	$\frac{\text{Cov (Ri, Rm)}}{\text{Var (Rm)}}$
9	Return Stocks	The measure used in is capital gain/loss	$\frac{\text{Pt} - (\text{Pt} - 1)}{(\text{Pt} - 1)}$
10	Inflation	The annual inflation rate issued by BI	-
11	Interest Rate	Average annual SBI	-
12	Exchange Rate	Middle rate of exchange rate at BI	-

Source: Researcher

3.3. Population and Sample

The population of this research is Property & Real Estate company listed in Indonesia Stock Exchange with sample selection using purposive sampling method, with the following criteria:

1. Shares of listed real estate companies listed on the Indonesia Stock Exchange (BEI) for five years from 2008 to 2012.
2. Listed Real Estate Companies issuing financial statements for the period 2008 to 2012 and posted in ICMD (Indonesia Capital Market Directory) and published.
3. Real Estate Companies that do not delist and liquidate during 2008 to 2102.
4. Data is available for analysis.

3.4. Data Source

The available data is sorted according to the research needs. The data is in the form of financial statements of Real Estate companies or property areas where there are limits to the data used. Sources of other supporting data, obtained from Yahoo! Finance and websites that support this research. The data used during the period of 5 (five) years, example from 2008 to 2012. Data from ICMD and other supporting data can be used as benchmark data for other researchers in accordance with each of the variables studied, as well as from IDX (Indonesia Stock Exchange).

3.5. Data Analysis

The statistical calculations that can be used in this study are as follows:

3.7.1. SEM Assumption

In this research the processing is done with AMOS. With the number of samples in this study > 100 then the selected analytical technique is Structural Equation Model (SEM). [17] quotes Ghazali said there are some requirements or assumptions that must be met by research data prior to processing with SEM, among others:

1. Test the sample size
The sample size that must be met in this model is a minimum of 100 and above (<100)
2. Data Normality Test
The data distribution is said to be normal at a 0.01 significance level if the Critical Ratio (CR), skeweness, or CR kurtosis (tapers) are no more than ± 2.58 .
3. Test Outliers
Outliers are observations that appear with extreme values because of the combination of unique characteristics it possesses that look very much different from other observations.
4. Multicollinearity Test
If the correlation between exogenous constructs <0.85 means no multicollinearity occurs.

Basically SEM is a combination of factor analysis, multiple regression analysis, and correlation. Some Goodness-of-Fit Indexes and cut-off values can be used to test the feasibility of a model in Table 3.2 below:

TABLE III
GOODNESS OF FIT CRITERIA

Criteria Index Size	Reverence Value
Kai Kuadrat (X^2)	Smallest
p-value	$\geq 0,05$
CMIN/df	$\leq 2,00$
RMSEA	$\leq 0,08$
GFI	Approaches 1
AGFI	Approaches 1
TLI	Approaches 1
CFI	Approaches 1

Source: Statistical Guidance for SEM & PLS with SPSS AMOS

The basic considerations of using SEM are:

1. Variable X_1 is internal factor which is consisting of 7 variables
2. Variable X_2 is External factors
3. Variable of Y_1 is beta stocks and variable from Y_2 is return stocks
4. The amount of data generated from X_1 , X_2 , Y_1 and Y_2 with the number of sample of 21 companies for 5 years all amounted to 105 data, where one of the requirements of SEM usage is with the data amounted to < 100 .

Structure Equation Model (SEM) in the research is used to know the direct influence and indirect influence between the variables studied. The Structure Equation Model (SEM) scheme in this research is shown in Figure 3.1 below:

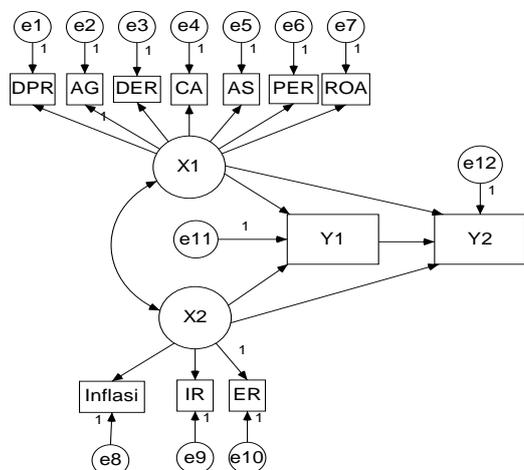


Figure 3.1.
Framework Concept

Variables as show bellow:

- DPR : Dividend Payout
- AG : Asset Growth
- DER : Debt to Equity Ratio
- CA : Current Asset
- AS : Asset Size
- PER : Price Earnings Ratio
- ROA : Return on Asset
- Inflation : Inflation
- IR : Interest Rate
- ER : Exchange Rate

IV. RESEARCH OBJECT DESCRIPTION

A. Research Object

The companies studied are presented in Table 4.1 along with the Initial Public Offering (IPO) time.

TABLE IV
RESEARCH OBJECTS

No	Code	Company Name	Initial Public Offering (IPO)
1	BIPP	Bhuwanatala Indah Permai Tbk.	23 October 1995
2	CTRA	Ciputra Development Tbk.	28 May 1994
3	CTRS	Ciputra Surya Tbk.	15 January 1999
4	DART	Duta Anggada Realty Tbk.	8 May 1990
5	DILD	Intiland Development Tbk.	4 September 1991
6	DUTI	Duta Pertiwi Tbk.	2 November 1994
7	ELTY	Bakrieland Development	30 October 1995
8	GMTD	Gowa Makassar Tourism Development Tbk.	11 December 2000
9	JIHD	Jakarta International Hotel & Dev. Tbk.	29 February 1984
10	KIJA	Kawasan Industri Jababeka	10 January 1995

TABLE IV, CONT.

1	1	KPIG	Global Land Development Tbk.	30 March 2000
2	1	LPCK	Lippo Cikarang Tbk.	24 July 1997
3	1	MDLN	Modernland Realty Tbk.	18 January 1993
4	1	MTSM	Metro Realty Tbk.	8 November 1992
5	1	OMRE	Indonesia Prima Property Tbk.	22 August 1994
6	1	RBMS	Ristia Bintang Mahkotasejati Tbk.	19 December 1997
7	1	RDTX	Roda Vivatex Tbk.	14 May 1990
8	1	SMDM	Suryamas Dutamakmur Tbk.	12 October 1995
9	1	SMRA	Summarecon Agung Tbk.	7 May 1990
0	2	ADHI	Adhi Karya (Persero) Tbk.	18 March 2004
1	2	SSIA	Suya Semesta Internusa Tbk.	27 March 1997

Source: www.idx.co.id

V. ANALYSIS AND DISCUSSION

A. Analysis

Based on data that has been recorded in the research, then the next step is analyzing data with AMOS package program as follows:

TABLE V
RECAP CALCULATION

	C.R.	P	Influence	Outcome
ZBS	3.668	***	0.553	Significant
ZDPR	-	0.862	-0.012	Not Significant
ZAG	2.34	0.019	0.251	Significant
ZDER	3.101	0.002	0.386	Significant
ZCA	4.131	***	1.041	Significant
ZAS	4.137	***	0.838	Significant
ZPER	0.901	0.367	0.085	Not Significant
ZROA	1.291	0.197	0.125	Not Significant
ZER	-	-	0.416	-
ZIR	4.598	***	0.639	Significant
Z-Inflation	3.197	0.001	1.123	Significant

TABLE V, CONT.

ZRS	14.86	***	0.910	Significant
ZRS	-	0.055	-0.124	Not Significant
ZRS	1.601	0.109	0.075	Not Significant

Source: AMOS Output

So it can be inferred from the hypothesis that:

1. Internal factors have a direct and significant effect on Beta Share.
2. External factors have no direct and insignificant effect on Stock Beta.
3. Internal factors have no direct and insignificant effect on Stock Return.
4. External factors have no direct and insignificant effect on Stock Return.
5. Beta Shares have a direct and significant effect on Stock Return.
6. Internal factors indirectly have no effect on Stock Return through Beta Share.
7. External Factors indirectly affect and not significant to the Stock Return through Beta Shares.

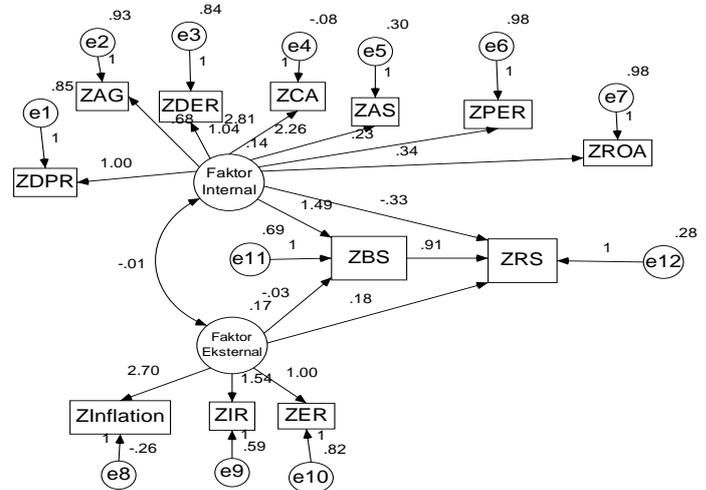


Figure 5.1
SEM's Output

B. Discussion

5.4.1. Hypothesis Test for Internal Factor towards Beta Stocks

The variable X1 which is the internal variable as a whole has a significant effect. The most significant influence among the seven variables studied from X1 is the ZCA variable and the ZAS variable whose P value is represented by an asterisk

means that the relationship is very strong to close to 100% or more.

The results of the previous discussion show that hypothesis 1 which identifying that internal factors have a direct and significant effect on the beta stocks on real estate company in Indonesia Stock Exchange is acceptable.

5.4.2. Hypothesis Test for External Factors towards Beta Stocks

Overall, external factors are not significant effect on the stock beta. Beta stock is an unavoidable risk, while external factors from this research are one factor of risk that can be avoided, so this can theoretically be accepted. If the risk can be avoided, then the hypothesis of no significance of influence between external factors and stock beta could happen. This is in line with research conducted by [4] that produces a negative influence of inflation.

The influence of external factors is significant and the most significant variables are inflation and interest rate. High inflation boosted prices of goods and services that resulted in influencing government policies to raise interest rates.

The results of the previous discussion show that hypothesis 2 that sounded external factors have a direct and significant effect on the stock beta on real estate companies is unacceptable.

5.4.3. Hypothesis Test for Internal Factors Towards Returns Stocks

The results of previous discussion show that hypothesis 3 which reads internal factors have a direct and significant effect on stock returns on real estate companies is unacceptable.

5.4.4. Hypothesis Test for External Factors towards Return Stocks

Based on the previous discussion, it shows hypothesis 4 which reads external factor has a direct and significant effect to stock return on real estate company in Indonesia Stock Exchange is unacceptable.

5.4.5. Hypothesis Test for Beta Stocks towards Return Stocks

The results of previous discussion show that hypothesis 5 which reads beta share have direct and

significant effect to stock return on real estate company in Indonesia Stock Exchange is acceptable.

5.4.6. Hypothesis Test for Internal Factors Indirectly through Return Stocks towards Beta Stocks

The results of previous discussion show that hypothesis 6 which reads internal factors have an indirect and significant effect on stock return through beta shares in real estate company in Indonesian Stock Exchange can be accepted.

5.4.7. Hypothesis Test for External Factor Indirectly through Returns Stocks towards Beta Stocks

The results of previous discussion show that hypothesis 7 that reads external factors have an indirect and significant effect on stock return through beta shares in real estate company in Indonesia Stock Exchange is unacceptable.

VI. CONCLUSION

A. Conclusion

The conclusions are as follows:

1. Internal factors have a direct and significant effect on Beta Share. Among the internal variables, the most significant are ZDPR, ZCA and ZAS. Internal factors are fundamental factors that are closely related to the financial performance of real estate companies.
2. External factors directly have no effect and not significant on Beta Shares with the value $P = 0.862$ where the requirement is significant if the value of $P < 5\%$. It means that external factors in the form of inflation, interest rates and exchange rates directly have no effect.
3. Internal factors directly have no effect and not significant on the Return of Shares with the value $P > 0.05$. Internal factors are not significant effect on stock returns.
4. External factors directly have no effect and not significant on the Return of Shares with the value $P > 0.05$.
5. Beta Shares directly affect and significant to Return Shares with significant probability in all Level Of Confident.

6. Internal factors indirectly affect the Stock Return through Beta Shares with a value of 0.50, 0.503 or 50.3%.
7. External Factors indirectly does not affect the Stock Return through Beta Shares with the value obtained -0.11.

B. Advises

Suggestions given based on the previous conclusions, including:

1. Improving financial performance so that the calculation of financial ratios as a measure of performance increased
2. Taking into account external factors that are not significant to the stock beta, because the change of this factor is unpredictable, so it could be in the following year those factors affect the beta.
3. With internal factors that do not affect the stock return, internal factors should not necessarily be ignored because only a small part of the financial ratios used in research.
4. With respect to external factors that do not affect the stock return, it is necessary to add other external factors such as economic growth, capital flows, central bank independence and political risks.

The indirect relationship between internal factors to stock return through stock beta gives a significant picture between beta and stock return so it is necessary to do indirect research.

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The Influence of Organizational Commitment, Auditor Independence, Internal Control, and Ethical Leadership in Good Governance and Organizational Performance

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Abstract— Indonesia public sector faces new public management problems, such as good governance since reformation era. This is because there is dynamic changing in public sector organization. In contrast, processes of individual and organization improvement are rising up lately. Thus, this study aims to empirically examine the effect of organizational commitment, auditor independence, internal control, and ethical leadership in good governance and organizational performance. A quantitative approach is used in this study by collecting primary data.

Results show organizational commitment, auditor independence, and ethical leadership significantly influences the implementation of good governance. While the internal control do not significantly affect the application of good governance. In this study also found that organizational commitment, good governance implementation has direct and significant impact on the performance of the organization. Ethical leadership directly affects organizational performance but not significantly. While internal controls had no significant effect on the performance of the organization with coefficient -0.140. In short, to strengthening public sector organization, it needs good governance, organizational commitment through ethical leadership.

Keywords—governance, organizational commitment, auditor independence, leadership, and performance.

I. INTRODUCTION

Good governance that running well will be able to produce good organizational performance as well. Performance itself can be explained as a picture of the achievement of the implementation of an activity or a program or a policy in realizing the means, goals, mission, and vision of the organization. In general, performance is an achievement achieved by the organization within a certain period. Therefore, performance measurement needs to be done to measure the

achievement of the activity because the measurement or performance appraisal is the process of recording and measuring the achievement of the implementation of activities [1].

Good governance is crucial in improving local government performance. As a crucial matter, good governance in the local government should be improved. To improve the implementation of good governance, it is necessary to analyze the factors that support the implementation of good governance in government institutions. Factors affecting the implementation of good governance include social variables (population, democracy, education level) and economy (budget) [2], leadership [3]-[4], organizational commitment [3], internal control [5]-[6] and auditor independence [5].

This study focuses on organizational commitment, auditor independence, internal control and ethical leadership in the implementation of good governance and organizational performance. This is because to understand those factors work in good governance and organizational performance, development understanding from individual perspective to organizational perspective is needed. Organizational commitment is the degree to which individuals believe in and accept organizational goals and are willing to always be with the organization [7]. Organizational commitment is also defined as a statement in which an employee identifies with the organization, its goals and expectations to maintain its communion with the

organization [8], and the mental attitude that is reflected in the behavior actions of members of the organization [9]-[10]. Meanwhile, auditor independence is also a variable that gives effect to the implementation of good governance in addition to organizational commitment and independence in the mental attitude must be maintained by the auditor [11]. In addition, the definition of auditor independence is a freedom from pressure and other factors, indicated through certain activities or relationships including objectivity and integrity, while doing the auditing process [12]. Moreover, other factor of good governance is internal control. Internal control is an effort to protect institutional assets through a good control system. Internal control is any action taken by management to ensure the achievement of the goals and objectives of the organization. Internal control can also affect the reliability of financial statements and the effectiveness of all organizational activities [13]. In relation to organizational performance, it can be explained that internal control concerning the implementation of operational procedures in accordance with established guidelines, in which the division of functions, authority, and the use of documents and the determination of the flow of institutional activities. If the scope of internal control is done well, it is expected the activities in the institution will be more organized and procedural, so that will impact on the achievement in accordance with the target. Empirical studies have been conducted to show that internal control has a correlation with firm performance [14]. Ethical leadership also influences to the implementation of good governance in government institutions. The leader who has the function of influencing, coordinating, and giving instructions and delegates to subordinates must have morally and ethically acceptable behavior. In other words, leaders are required to apply an ethical leadership model based on concepts developed through social interaction with their staff [15]. Even though there is dynamic changing in public sector organization. However, processes of individual and organization improvement are rising up lately [16]. Thus, this study aims to empirically examine the effect of organizational commitment, auditor independence,

internal control, and ethical leadership in good governance and organizational performance.

II. METHODS

A quantitative approach is used in this study by collecting primary data. The data analysis uses Partial Least Square (PLS) approaches. PLS is a model of Structural Equation Modeling (SEM) equations based on components or variants. PLS is an alternative approach that shifts from a Covarian-based SEM approach to a variance-based [17].

There are 90 respondents from 45 public organizations in Samarinda. There are criteria for respondents, such as selection of respondents in this study is the head of technical section each SKPD one person and one head section (Kasi). The reason of the respondent criteria is based on the knowledge held about the policies, programs and plans implemented by each SKPD up to the responsibility at the end of each budget year. In addition, they also understand the internal control system that exists within the organization and serve every inspection conducted by the inspectorate and the State Financial Auditor (BPK).

The variables in this study are classified into three variables: exogenous variable or independent variable which includes organizational commitment (X1), independence of auditor (X2), internal control (X3), and ethical leadership (X4); the first variable (intervening variable) namely good governance (Y1); and the second endogenous variable (dependent variable) is performance (Y2).

III. RESULTS

In calculating reliability these study using composite reliability, i.e if the value is greater than 0.7 is considered satisfactory. Based on the results of composite reliability testing in Table I shows that all the indicator blocks that measure the organizational commitment (X1), auditor independence (X2), internal control (X3), ethical leadership (X4), implementation of good governance (Y1), and SKPD performance (Y2) has a value of composite reliability > 0.7. It can therefore be stated that the indicators are believed to be able to measure the construct.

TABLE I
TEST RELIABILITY in LATENT VARIABLES

Latent Variable	Goodness of Fit Composite Reliability
Organizational Commitment (X1)	0,810166
Independency Auditor (X2)	0,793921
Internal Control (X3)	0,875365
Ethical Leadership (X4)	0,876315
Implementation of Good Governance (Y1)	0,865498
Performance of SKPD (Y2)	0,937992

Source: Data analyzes

From Table I, it turns out all the latent variables have a value greater than 0.70 so that the model in this study has met the composite reliability. It can be said that the instruments or questionnaires used in this study can measure consistently over time by using the same measuring instrument, the same research object and producing unequal results.

After validity and reliability tested on all latent variables which results valid and reliable results, the latent variable can be continued in the analysis with the diagram presented in Figure 1. Based on Figure 1, it can be interpreted each path coefficient. The path coefficients are hypothetical in this study, which can be presented in the following structural equations. The equations are detailed in Table II.

TABLE II

RESULT of COEFFICIENT TEST of PERFORMANCE MODEL of GOVERNMENT ORGANIZATIONS

Variable	Coeff	t-Stat	t-tabel	Hypothesis Testing Decision
Organizational commitment (X1) to the implementation of good governance (Y1)	0,203157	3,415646	1,96	Significant
Independence of auditors (X2) on the implementation of good governance (Y1)	0,504613	5,258207	1,96	Significant
Internal control (X3) on the implementation of good governance (Y1)	-0,014049	0,174323	1,96	Not Significant
Ethical Leadership (X4) to the implementation of good governance (Y1)	0,260984	3,133732	1,96	Significant
Organizational commitment (X1) to the performance of SKPD (Y2)	0,590229	6,589904	1,96	Significant
Independence of auditor (X2) on SKPD performance (Y2)	-0,057006	0,672233	1,96	Not Significant
Internal control (X3) on SKPD performance (Y2)	-0,102712	0,988195	1,96	Not Significant
Ethical Leadership (X4) on the performance of SKPD (Y2)	-0,089819	0,854811	1,96	Not Significant
Implementation of good governance (Y1) on the performance of SKPD (Y2)	0,427134	4,674702	1,96	Significant

Source: Data from fieldwork

Based on Table II, the interpretation of each path coefficient is as follows: organizational commitment has a significant effect on the implementation of good governance with the direction of positive relationship. This can be seen from the coefficient of the path marked positive of 0.203157 with a t value of statistics of 3.415646 greater than the value of t table = 1.96. Thus the organizational commitment has a significant effect on the implementation of good governance of 0.203157.

Independence of auditors has a significant effect on the implementation of good governance with the direction of positive relations. This can be seen from the coefficient of the path marked positive 0,504613 with the value of t statistics of 5.258207 larger than the value of t table = 1.96. Thus the independence of auditors significantly influences

the implementation of good governance of 0,504613.

Internal control does not significantly affect the implementation of good governance with the direction of negative relations. This can be seen from the coefficient of paths with negative sign of -0.014049 with a statistical t value of 0.174323 smaller than the value of t table = 1.96. Thus, internal control shows significant effect on the implementation of good governance of -0.014049.

Ethical leadership has a significant effect on the implementation of good governance with the direction of positive relationships. This can be seen from the coefficient of the path marked positive of 0.2609819 with a statistical t value of 3.133732 greater than the value of t table = 1.96. Thus, ethical leadership has a significant effect on the implementation of good governance of 0.2609819.

Implementation of good governance significantly affects the performance of SKPD with positive relationship direction. This can be seen from the coefficient of the path marked positive of 0.427134 with a statistical t value of 4.674702 greater than the value of t table = 1.96. Thus, organizational commitment has a significant effect on SKPD performance of 0.427134.

IV. DISCUSSION

Implementation of good governance significantly affects the performance of SKPD with positive relationship direction.

A. Organizational Commitment Influential Positive Significant Against the Implementation of Good Governance

The commitment that exists within the organization has a significant influence on the implementation of the principles of good governance. Commitment formed within the organization is formed because of the high commitment of the employees in the organization to remain part of the organization where they work. High organizational commitment, especially from a leader will be able to encourage increased commitment from his subordinates, so that will be able to carry out the principles of good governance well. Based on the description can be concluded

that organizational commitment affect on the implementation of good governance at SKPD in East Kalimantan Province is proven or supported by data.

This finding is reinforced by organizational commitment indicator (X1) which in this study consists of six (6) indicators can explain the influence of organizational commitment to the implementation of good governance. Of the six indicators that have the highest factor loading value is the assumption that the organization has a lot of meaning for personal employees (KO5) of 0.746 and loading value of the highest factor variable implementation of good governance is all public complaints on the service acted upon (IGG14) of 0.788. These findings prove that the higher the commitment of employees, the higher follow-up done by SKPD in handling complaints by the community about the services that have been done. The organization of the workplace may identify itself with the goals and values that exist within the organization, so that the employee will retain his/her association with the organization.

B. Auditor Independence Positive Significant Influence against Good Governance Implementation

The results of this study show that auditor independence has a significant positive effect on the implementation of good governance. These findings indicate that an auditor's independent attitude influences the implementation of good governance within the organization.

The independence of an auditor is important to do so that the auditor will not be affected and not influenced by the various forces that come from outside the auditor's self in considering the facts encountered in the examination or in conducting the audit. Because the more independent an auditor in conducting the examination, then the resulting audit results will be more objective. Through this objectivity SKPD will be audited to make efforts to comply with the guidelines and regulations in every activity, including in implementing the principles of good governance. Based on the description can be concluded that the independence of auditors affect the implementation of good governance at government organizations (SKPD) of East

Kalimantan Province is proven or supported by the data.

These findings prove that the more objective audit results have been made, the faster the process of handling complaints by the public. In the Code of Ethics of Indonesian Accountants, in article 1, paragraph 2, which states that each member must maintain integrity, objectivity and independence in carrying out its duties. An auditor who upholds his or her independence will be unaffected and unaffected by external matters in considering the facts he or she encounters in the examination.

To assist in the creation of organizational independence, the audit institution shall carry out accountability and report the auditor's results on a regular basis to the highest officials of the relevant government entity and to the State Finance Auditor (BPK). In addition, the internal audit institution should be placed outside the line management function and staff of the audited entity. The auditors should be kept away from political pressure so that they can conduct the audit objectively, without fear due to political pressure. Therefore, an internal audit should be independent, since an internal audit function can be viewed as a "first line of defense" of adequate organizational governance in activity and financial reporting. Reference [18] shows that auditor independence has a positive influence with local government accountability. This result is also supported by [5] which stated that an independent audit committee is essential for good governance practice. Reference [19] found a relationship between the organization of companies reporting financial fraud with the incidence of lack of members of the independent audit committee.

C. Internal Control No Significant Influence against the Implementation of Good Governance

Internal control has no significant effect on the implementation of good governance. The results showed that the control that has been done in the organization does not affect the implementation of good governance. This indicates that the good in the implementation of the principles of good governance of government organizations (SKPD) does not have a close relationship with the implementation of internal controls in the

organization. Based on the description can be concluded that internal control affect on the implementation of good governance in SKPD East Kalimantan Provincial Government is not proven or not supported by data.

This proves that the higher the supervision is, the more public complaints are not acted upon. SKPD focuses more on supervision, so that community service is neglected.

The lack of influence in these findings indicates that in government organizations, both central government and local government internal control functions of government organizations conducted by BPKP, Inspectorate and Regional Supervisory Board (BAWASDA) in practice, have not been able to carry out supervisory functions or examination to the fullest. This is due to several factors, among others, political factors and dominance of the head of the agency being examined. The same thing is done by members of DPR/D in conducting supervision of the executive.

The findings of this study do not support the empirical findings of research done by [20]-[21] and [22] which in the research proves that there is a relationship between internal control and good governance. In addition, reference [6] argues that control activities have a key role in ensuring the reliability and credibility of accounting information.

D. Ethical Leadership Positive Influence Significant to the Implementation of Good Governance

The results of this study indicate that ethical leadership has a significant positive effect on the implementation of good governance. These results indicate that ethical leadership styles can influence the implementation of good governance. Thus, a leader must be able to provide examples of good, ideal and ethical behavior to perform their main tasks and functions in the organization so as to influence the implementation of the organization based on the principle of good governance. A leader who possesses knowledge and ability so as to encourage the person he leads to participate in the completion of the task. Leadership skills and skills lead are important factors in the implementation of organizational governance practices. Based on the description can be concluded ethical leadership

influence on the implementation of good governance at SKPD in East Kalimantan Province is proven or supported by data. The findings showed that if the leader always coordinate all activities from various structural levels, the faster the process of handling complaints by the public.

Ethical leaders will be able to influence the implementation of good governance in government institutions. This is because a leader has the function of influencing, co-coordinating, and giving instructions and delegates to subordinates. Therefore, the leadership must have morally and ethically acceptable behavior, so that the organization can run well without any moral, social, and ethical violations. Reference [15] states that a leader is required to apply an ethical leadership model, ie leadership based on concepts developed through social interaction with his followers. Thus leadership factors of various levels greatly influence the application of organizational governance practices based on the principles of good governance.

E. Implementation of Good Governance Influence Positive Significant To Organizational Performance

The results of this study indicate that the implementation of good governance that refers to the principles of good governance can encourage the achievement of SKPD organizational performance as expected by the principal (community). Thus, success in improving the performance of the organization one of them is to implement the principles of good governance. Implementation of principles of good governance in government organizations (SKPD) will encourage the improvement of the organization's performance. This is possible because every employee/officer involved in the organization will endeavor to comply with the norms, regulations in performing its duties and functions. They strive to provide services, and use the resources of the government organizations (SKPD) in accordance with the standards.

Based on the information and the results can be concluded that the implementation of good governance affects the performance at SKPD in

East Kalimantan Province is proven or supported by data.

V. CONCLUSIONS

To strengthening public sector organization, it needs good governance, organizational commitment, through ethical leadership. From individual aspect, staff have important role in leadership and governance as two aspects of organizational commitment.

Organizational commitment affect the implementation of good governance in government organizations (SKPD) in East Kalimantan Province. The independence of the auditor influences the implementation of good governance in SKPD East Kalimantan Provincial Government. Ethical leadership affects the implementation of good governance at SKPD in East Kalimantan Province. It means a leader who is able to provide examples of good, ideal and ethical behavior to carry out their main tasks and functions within the organization will be able to influence the implementation of the organization based on the principle of good governance. As a result, the success of implementation of good governance can affect the performance improvement at SKPD in East Kalimantan Province. These can indicate that success in improving the individual performance can improve of one of the organizations is to implement the principles of good governance.

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How Does Policy on Accreditation Affect the Quality Improvement in Indonesian Hospitals

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Abstract—There was a new Law in 2009 [1] about hospital that is seeking to improve the quality of health services across all Indonesian hospitals. One of specific attention is mandatory aspect of accreditation process. By using accreditation process the quality of health services will be improved through such criteria and standards for hospitals that are disclosed in other government regulations (such as the Ministry of Health Decree No: 129/Menkes/SK/II/2008). On the other hand, the quality improvement processes are difficult to realize. This is because hospitals have limited resources, such as medical specialists and medical equipment, to meet criteria and standards. Therefore, the objective of this study is to examine how does policy on accreditation influences to the quality improvement in Indonesian hospitals. A qualitative approach is used to explore how policy on accreditation can influence services that influence hospitals on practices and processes in the quality improvement.

Results show the four hospitals are used to dealing with the relevant institutions on health services, such as Ministry of Health and the Indonesian Committee on Hospital Accreditation (KARS). There is a strong role from the KARS in improving quality through its accreditation process. This is because the KARS has huge power to control Indonesian hospitals through credentialing and licensing of services as well. To conclude, through the accreditation process, there are many ways to improve the quality of services, such as improvement in activities, data and process of services.

Keywords— policy, accreditation, quality, improvement, process, hospitals

I. INTRODUCTION

The Indonesian government, in releasing the new law [2], is seeking to improve the quality of health services across all Indonesian hospitals. Through this new law, the Indonesian government is encouraging hospitals to use accreditation process to improve the quality of health services and ensure that Indonesians have greater access to health services.

In health care, appropriate access involves both the availability of facilities and the cost of care to the patient [3]. The Indonesian government is building hospitals across Indonesia so that patients can access services easily, and it is paying for

health services for poor patients via a health-insurance mechanism. In terms of ensuring higher quality, accreditation of hospitals plays a key role. This is because accreditation “is public recognition of achievement by a healthcare organization, of requirements of national healthcare standards” [4].

Furthermore, accreditation is influenced by systems of accreditation and standards-setting, and in Indonesia hospitals are allocated ratings, or grades, for health facilities [5], and are graded as being either fully or conditionally accredited. It is important for a hospital to get accreditation because it is a signal of the quality of the hospital. Being accredited means that a hospital is able to meet the standards that were set by the Indonesian Joint Commission on Hospital Accreditation (IJCHA/KARS-Komite Akreditasi Rumah Sakit) on behalf of the Ministry of Health. The hospitals that have been fully accredited make up 53.7% of all hospitals, while 2.3% have been granted conditional status and 44.0% are not yet accredited (Table 1).

TABLE 1
THE NUMBER of ACCREDITED HOSPITALS

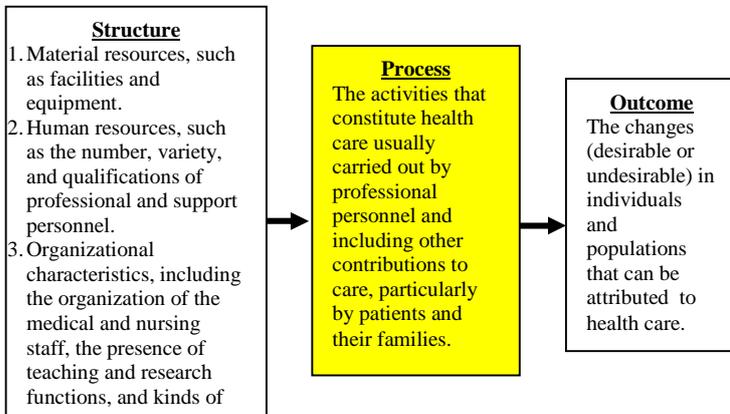
No	Accreditation Status	Amount	Percentage
1	Fully accredited	1,335	53.7%
2	Conditionally accredited	58	2.3%
3	Not accredited yet	1,095	44.0%
Total		2,488	100%

Source: [6].

There are a number of approaches and methods to evaluate the quality of medical care, and those developed by Donabedian [3], [7]-[8] are particularly relevant to the challenge faced by the Indonesian government. His approach is to divide health care services into three components: structure, process and outcomes [7]. This is a useful

schema because it makes clear that structures affect processes, which in turn affect outcomes [9]-[10].

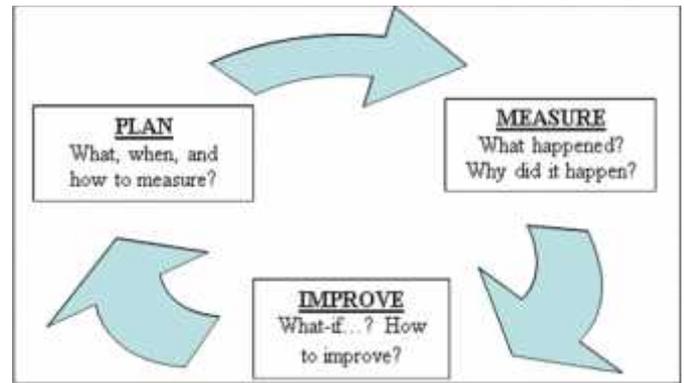
These sets of relationships are set out in Fig. 1 and show the following characteristics: structure includes stable characteristics that facilitate the provision of health services, such as material resources, human resources and organizational characteristics; process is the clinical services provided to a patient which include activities in screening, diagnosis, pharmacotherapy, surgery, rehabilitation, patient education and prevention; and outcomes measures describe change attributable to health care, and encompass mortality, morbidity, functional status and pain, as well as patients' health-related knowledge, behaviours and satisfaction [3], [8].



Source: [8].

Fig. 1 Diagram of relationships between structure, process and outcome

Donabedian's framework is important because it recognizes aspects of measuring structure, process and outcome. Whereas, this study focuses only on process measuring of the quality improvement. Measuring processes provides predictors of quality rather than the outcome of health care, such as whether the time of a service meets the minimum standard time between diagnosis and service provision. Such measures are important because they show how well patient preferences match patient expectations [11]. Also, process measures can function as an early indicator system because they are the real activities performed by an organization before patient outcomes become measurable [12].



Source: [13] (as adapted).

Fig. 2 The processes of improvement

There are key activities in quality improvement processes, which are illustrated in Fig 2. They include planning, measuring and improving [13]. These activities are consistent with the plan/do/check/action (PDCA) model proposed by Deming and are related to the process of quality management [14]. The PDCA model is one of continuous quality improvement and has been widely adapted for use in performance management and the KARS as well. For example, a public hospital uses continuous quality improvement to meet patient expectations and regulation requirements (such as an accreditation process). Through accreditation processes, public hospitals are continually trying to improve the quality of health services by following their organization-wide quality strategy. In turn, accreditation processes should enable comparison of data on services and encourage the continuous process of improvement.

A. Policies on Process

The Ministry of Health, as the highest authority in the provision of quality of health care and safety of patients, is responsible for translating what patients require from a health care system into services to meet patient expectations. The Indonesian Joint Commission on Hospital Accreditation [15] established criteria to which services should be developed, measured against and ensure professional accountability. Thus, Indonesia has adopted an approach that accepts that to evaluate the quality of health care services, public hospital accreditation is needed. This is because the process

of seeking accreditation involves measuring the level of hospital compliance in implementing and meeting all standards of services, and the commitment to comply with subsequent regulations [16]. For hospitals around the world all standards of services are developed by the Joint Commission International (JCI) Accreditation [17]. The JCI standards were developed to improve patient care and to address important health care functions. The JCI standards include a level of detail about keys health care-delivery processes, such as standards for medical staff in terms of qualifications and education.

Moreover, there are derivative lower government regulations that also give technical guidance for hospitals. For example, regulations by the Ministry of Health were established to check the quality of care. In this way the national government is encouraging hospitals to improve the quality of health services by setting criteria and standards for hospitals that are disclosed in other government regulations (such as [2]).

Furthermore, performance reporting – both financial and non financial – is another output from hospitals that needs to be done on an annual basis, but can also be done on a quarterly or semester basis for monitoring and evaluation purposes. Hospitals have to provide financial and non-financial documents, and to show that they have met requirements for both minimal standard of services (SPM) for all hospital services [2], and the development of the health sector [18]. To assess the quality of services, accreditation is compulsory for hospitals and has been made mandatory through the law.

Even though there are such policies supporting for quality improvement. However, the quality improvement processes are hard to do. This is because hospitals have limited human resources and facilities, such as medical specialists and medical equipment, to meet criteria and standards. As previous studies show the role of government regulations, which has a huge impact in administration, but it less impact in quality improvement processes due to lack of competent

staff [19] and inconsistent results between regulatory processes and quality outcomes [20]. Therefore, the objective of this study is to analyze policy on the quality improvement process.

II. METHODS

A qualitative approach and a multiple case study design are used to explore how hospitals tackle specific regulations on services that influence hospitals on practices and processes in the quality improvement. Through qualitative research methods, “whereby the researcher aims to understand and interpret experiences by viewing the world through the eyes of the individuals being studied” [21]. Also, qualitative research adopts a “naturalistic approach” conducting the study in workplaces where the action takes place rather than in laboratories, and by naturalistic conversations (interviews) rather than by constrained response surveys [22]. This methods enabled the exploration of the policy on practices and processes at the four hospitals in improving services.

This study uses a multiple case study approach comparing the four hospitals. This is an extension of a single case study design [23]. These four case studies explore how specific regulations influence practices and processes in improving quality of care, focusing on how hospitals tackle specific regulations. Cases are selected on the basis that they reflected the same class of hospitals from different provinces and different classes from the same province (Table II). This strategy was chosen because the researcher was concerned with the implementation of policies or regulations in hospitals across Indonesia. This approach uses interviews, document and policy analysis in the four hospitals and adopts a thematic approach for data analysis.

TABLE II
THE CLASSES and LOCATIONS of THE FOUR CASE STUDIES

Class of hospital \ Location	Province 1	Province 2
B Class hospital	Hospital P	Hospital A
C Class hospital	Hospital W	Hospital S

The individuals selected for interviews were people who have, or have had, direct or indirect experience with the Indonesian hospital system. The basis of this sample selection is consequently purposive sampling [24]. Moreover, those sampled are relevant to the research questions [23]. Table III shows there are two broad groups of respondents in this study. One set of respondents has a direct relationship with health provision at the four hospitals. There were 16 staff. The other set of respondents has an indirect relationship with the four hospitals, but has an impact on the four hospitals in improving services, such as the KARS.

TABLE III
THE TYPE of INFORMATION BEING SOUGHT for EACH GROUP'S OBJECTIVES

Group	Objectives	Questions
1	To explore policies or regulations influence practices and processes assessing quality of care.	<ol style="list-style-type: none"> 1. How has the process of services improvements been done? 2. Is accreditation helpful in improving the quality of services? 3. How well is your hospital able to respond to demand from the environment (internal and external), such as the kinds of health services offered and the ability to fulfil patients expectations? <p>...</p>
2	To explore policies or regulations influence practices and processes assessing quality of care	<ol style="list-style-type: none"> 1. What is the role of regulations at your hospital? How well is your hospital responding to the new regulation (Law No. 44/ 2009)? 2. To what extent does your hospital currently undertake services improvement or hospital performance evaluation?

Source: [1].

III. RESULTS

Government regulations or policies establish settings for hospital management and services, for governance, for performance reporting, and for quality improvement in public hospitals. Through these settings, the Indonesian government wants to encourage hospitals to focus on compliance with the standards, on better practice of administration and evaluation, and on meeting patient expectations.

There is a cronology of of accreditation processes and performance reporting in Indonesian hospitals. Table IV shows a chronolgy of the development of the different reporting that have been implemented in recent years. The overview of this experience in

Indonesia shows the gradual progress of the accreditation process and the emerging requirements for performance reporting.

TABLE IV
A CHRONOLOGY of ACCREDITATION PROCESSES and PERFORMANCE REPORTING in INDONESIAN HOSPITALS

	Accreditation process	Performance reporting
1993	The Ministry of Health introduced 20 standard for services in hospital.	
1995	Accreditation began as a pilot project.	
1996	Accreditation was conducted officially.	
1999	The number of standards for services were reduced from 20 to 16.	
2004	Hospital accreditation was managed and conducted by a team which is functionally under the Director General of Medical Care. This team, IJCHA/KARS, was managed and conducted by an independent working unit responsible to the Ministry of Health.	General guidance for index of community satisfaction at services unit of government was released by the Ministry of State Apparatus and Bureaucracy Reforms.
2006		Each public hospital must report on performanceto the government.
2007		Each public hospital can use a new mechanism of financial management as long as it is able to fulfil requirements. The requirements are a strategic business plan, standards of minimum service, hospital governance, and financial statements.
2009	Accreditation was voluntary before the Law No 44/2009 and becomes compulsory after this Law was released.	

Sources: [1], [15], [26-27].

A. Accreditation Process

A significant focus of the law is improving the quality of hospital services so that they meet minimum standards of service through the accreditation process. Thus, accreditation becomes compulsory and mandatory, and even though accreditation is difficult, hospitals must obey the law. In addition, according to this law, the accreditation process is required at least once every three years. This means that the hospital needs to manage its activities in three phases after accreditation. In the first year the hospital prepares as it responds to the Indonesian Commission on Hospital Accreditation's (KARS) recommendations; in the second year it implements the new routines in everyday practices; and in the third year it prepares for the next accreditation (of both administration and practices).

Through this cycle, this law is highly influential on hospital routines (both administrative and medical) because hospitals want to achieve good accreditation results and provide better services. In fact, accreditation helps public hospitals to fill out forms more frequently due to the minimum standard of services requirements, even if hospitals are still learning to change their habits. As one senior manager said:

[After accreditation processes] standards are used routinely, from 'there is no standard' to 'there is standard', such as [standard for] high-risk team. 'Green hospital' and 'patient safety' are other standards for next accreditation...The most important aspect is documentation [administrative] and action [process] in the field (hospital). Good administration will help us to perform well because we have to show both process [services] and data as results of process (G1_A5).

B. Performance Reporting

There are major activities in public hospitals can be classified as clinical and non-clinical activities [28]. Clinical activities relate to health care services and non-clinical activities involve administration and management, staff development and education programs, and evaluation and quality management [28]. These two activities have minimum standards that public hospitals should fulfil, which are set by the Indonesian government and its accreditation institution. Aside from these obligations, public hospitals have responsibilities to follow regulations on quality reporting, to measure patient satisfaction, and to ensure routines meet expected standard operating procedures and standards for minimum hospital service [29].

There is one program, Jamkesmas, that influences the hospital to improve both administration and practice, such as fill out the forms regularly. One senior manager and professional explained:

[The] community health assurance (Jamkesmas) program drive staff, especially doctors, willing to fill out the clinical pathway and even slowly,

[we] hope that there is [change]. Therefore, it must exist standard on operating procedure for clinical privilege and clinical pathway, such as planning on medication...If this will apply to all patients [general/health insurance], it will be better even though this is starting point toward excellent services on that clinical pathway (G1_P2).

Hospital attention to patient safety has also improved due to [1] and to central government regulations. Implication of patient safety will improve the quality of services for patients and the hospital. As one senior professional and manager said, 'There is response to obey the Law on safety for patient, staff; hospital (corporate)...will do improvement until the existence of medical privilege...toward excellence services' (G1_P2).

Improved quality and achievement of minimum standards of services can be realized by accreditation because this process drives hospitals to comply with the [1]. In 2010, Hospital P and Hospital A were enthusiastic about the accreditation process. It helped both hospitals improve both their administrative and medical routines for services, even though it made them more busy: it required extra clerical work, and better coordination with others divisions. As one manager explained:

At the beginning of accreditation, we were chaotic. After we knew what data we needed, then we coordinated with all divisions to prepare data. We will continue to use this data for the next accreditation' (G1_P1).

C. Patient Feedback

Most of the Indonesian public hospitals use patient feedback as a method to help in improving health services. This is an easy way for patients to communicate in their own language and for public hospitals to do continuous improvement in everyday practices and to meet government regulations, such as [1] on patients' rights of services, and [25] on measuring patients' index of satisfaction.

Each of the four hospitals also holds regular meetings to discuss patient complaints. These meetings are called morning reports. They also meet twice a week with all divisions to communicate and solve problems. The Indonesian Joint Commission on Hospital Accreditation (IJCHA/KARS-Komite Akreditasi Rumah Sakit)/also encourage these meetings as part of the accreditation processes. This is because they can lead to patients getting better services and public hospitals improving their practices and processes. As one professional and manager explained:

Every Thursday is the medical committee meeting. We discuss current clinical case problems in the hospital and how we solved them. This includes recommendations on kinds of advanced training that staff need to attend for medical staff (doctors and nurses) in order to meet the standard competency of medical staff in providing health provision and hospital needs for innovation of new services, such as HD service. We also share information on hot clinical issues in health and transfer knowledge to others during this meeting (G1_S1).

IV. DISCUSSION

One reason for policy interventions is to provide patients with the quality of services [16]. Even though such government regulations or policies are developed from the bottom up by accommodating hospital needs, it still needs some adjustments because of differences in relation to staff characteristics, organizational establishment, and the local government's capacity. For example, the four hospitals follow government regulations to undertake their reporting but how they use such reporting, such as performance on coverage of health services for improving services, depends on the individual hospital. This is because the active role from top management, such as the director, concerns performance data that then has input into the hospital's strategy and compliance to government regulations. This drives a hospital to do better with data in improving health provision.

Ensuring patient access is one approach to improved quality of health services. Patient access

to health services emphasizes "whether individuals can access health structures (facilities) and processes (services) of care which they need" [10]. The question of access is about the ease with which patients can get quality services from providers at an affordable price and in a timely manner [3]. With the national program of community health assurance (jaminan kesehatan masyarakat/jamkesmas), poor people can access all out-patient and in-patient services in the hospital free of charge because the local government will pay for the service [30].

Hospitals can also improve quality by increasing patient access to services [10], strengthening the implementation of service standards, providing sufficient facilities, undertaking continuous quality improvement, and implementing clinical governance. To ensure these activities are sustained in practice, hospitals need support tools from (top) management, such as ensuring that data is available, and that there is better coordination in demands for data from external regulators. These external regulators include the Ministry of Health, the Ministry of State Apparatus and Bureaucratic Reforms, the Indonesian Audit Body (BPK), the City/Regency Health Department, and the Indonesian Committee on Hospital Accreditation (Komite Akreditasi Rumah Sakit/KARS).

There are government regulations on the quality of hospital services. However, they are difficult to apply due to technical problems, such as lack of competent staff and no specific technical guidance. For example, the four hospitals understand that continuous quality improvement is important in improving health provision. Hospitals use accreditation processes for improving services because [1] requires accreditation processes to measure quality services in public hospitals. Accreditation processes encourage hospitals to become more aware of the data. This is because the process of accreditation focuses on administrative documents to ensure process quality improvement [31]. This happens because the IJCHA believes that accreditation documents truly reflect routines. In fact, hospitals still face problems with data gathering to fulfil accreditation processes and to

meet the standard minimum of services for hospital as a base from which to improve services, such as trends in services. Hence, accreditation processes need to be modified in order to accommodate administration requirements and ensuring routines by evaluating the accreditation after the accreditation process is completed.

V. CONCLUSIONS

Policy interventions are to provide patients with the quality of services. Through these, the Indonesian government wants to encourage hospitals to focus on compliance with the standards, on better practice of administration and evaluation, and on meeting patient expectations.

Due to changes in policy through the accreditation process, hospitals can improve the quality of services from improvement of activity, data and process of services. This is because accreditation processes encourage hospitals to become more aware of the data. This is because the process of accreditation focuses on administrative documents to ensure process quality improvement.

Given the role of hospitals in providing services to patients, clinical performance is more important than administrative performance. Indirectly, clinical performance becomes one of the methods to assess both hospital quality management of services and physicians. That is, clinical performance is a signal to the physicians and managers in the hospital of the quality of services. It is important because such data will indicate if there is something wrong with managerial services or clinical services. Thus, for future research, it needs to trace reliable data to solve the problems and to improve health provision in Indonesian hospitals. It means future research focus on data management and data use in quality improvement process.

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Earnings Management through Real Activities and Its Impact on Future Operating Performance

Earnings Management through Real Activities and its Impact on Future Operating Performance

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Abstract— This study examines the effect of earnings management through real activities on future operating performance. This study uses data of firms listed in Indonesia Stock Exchange in the period of 2012 to 2013. The analysis technique employed in this study is multiple linear regression analysis and processed using STATA / MP 14.2. The results show that real activities on earnings management has positive and significant association with future operating performance. This finding indicates that the earnings management through real activity has occurred on production costs and operating cash flows as a signal that company will have better future operating performance.

Keywords— Real Earnings Management, Future Operating Performance

I. INTRODUCTION

Ever since the ASEAN Economic Community (AEC) agreement applied into force which further develop the investment in Indonesia, less boundaries and bigger opportunities emerge. This resulted in a business competition becomes increasingly fierce. Business operators trying to present good financial statements for the purpose of attracting investors. One way to polish financial statements is by doing earnings management.

Earnings management can be done in two ways namely the manipulation of accruals and real manipulation. Earnings management through real activities manipulation (real earnings management) are more often used as (1) manipulation of accruals is more often used as the center of observation or inspection by auditors and regulators, (2) focusing attention on accrual manipulation of risky action. This is because real earnings management activity indistinguishable from optimal business decisions and more difficult to detect, even though the costs used is higher when compared with accrual earnings management. The real manipulation can be detected through an abnormal value of the cost of

production, the value abnormal discretionary costs, and the value of cash flow abnormal operating activities.

The magnitude of the effect of an abnormal value of the production costs, discretionary costs, and cash flow operating activities, often related to the company's operating performance in the future (future operating performance). For cash flow from operating activities is a reflection of how the results of operations of the company. Furthermore, cash flow from operating activities is a reflection of how the results of operations of the company because it largely comes from repetitive activities undertaken by the company continuously, then the operating cash flow at this time can be a predictor for future operating performance (future operating performance)

Research conducted by [12] proves that real earnings management does not affect the course of future operating performance but the real earnings management which is used to achieve the profit target that will affect the future operating performance significantly and positively.

Research conducted by [15] shows that companies carrying management of real profit by means of: (1) offer rebates to increase sales, (2) conduct an excessive production to reduce the cost of goods sold (COGS), (3) reducing discretionary spending to increase its profit.

Research conducted by [10] indicates that the correlation between real earnings management and future cash flows is insignificant. In addition, the real earnings management activities economically significantly degrade the performance of the company's operations.

Based on the background described above, then the problems will be examined in this study are as follows: 1. Is the real earnings management through manipulation of the production costs affect the future operating performance? 2. Is the real earnings management through manipulation of discretionary costs affect the future operating performance? 3. Is the real earnings management through manipulation of the cash flow operating activities affect the future operating performance?

II. THEORETICAL AND DEVELOPMENT OF HYPOTHESES

THEORETICAL

A. Agency Theory

Agency theory explains the relationship between the owners of capital (principal) as the investor to the manager (agent). Investors delegate their role to manage the business to agents (managers) in running the firm. However, the contractual relationship between the owner (principal) and the manager (agent) may not come into real-world practices due to conflict of interest or what known as information asymmetry. The state of information asymmetry occurs when unequal distribution of information between principal and agent take place. As a result of information that is not balanced (asymmetrical information), it is much harder for principal to monitor and control the actions of the agent.

According to [18]), there are two kinds of asymmetric information (information asymmetry), namely: Adverse selection, where managers and other people in, usually know more about the state and prospects of the company compared to investors as outsiders. Moral hazard, namely that the activities carried out by a manager is not entirely known by shareholders and lenders, so that managers can perform actions outside the knowledge of shareholders. Such measures may include breach of contract and ethics or norms may not be worth doing.

Hypothesis Development

Effect of Real Earnings Management Through Manipulation of Production Costs Againsts

Future Operating Performance

In [15], it is explained that the method for firms to engage in abnormal level of production is by having overproduction. The manager of the firm can produce more goods than what is demanded to exceed the expected demand which intended to boast business profit. With higher production, fixed overhead costs can be allocated to a larger number of units so that the fixed costs per unit will be lower. Along the reduction in fixed costs per unit is not offset by an increase in the marginal costs, yielding lower total costs per unit. It would indicate lower cost of goods which increases the firm's margin. Although the company decide to overproduce on merchandise, it will incur retained costs which is not recoverable in the period of sales. As a result, cash flow from operating activities is lower than normal sales level. Based on the explanation then the hypothesis is:

H1: Real earnings management through manipulation of the production costs affect the future operating performance

Effect of Real Earnings Management Through Manipulation Cost of Discretionary Against *Future Operating Performance*

Roychowdhury [15] suggests that one method employed in engaging into real earning management activity is through reduction of discretionary cost, in which firms arbitrarily reduce discretionary fees charge on the same period with the costs incurred. Reduction of costs which are reported, is intended to increase profits so that the target set can be attained. This method is usually done when the costs are not generating revenue and profits immediately. Based on the explanation then the hypothesis is:

H2: Real earnings management through manipulation of the cost of discretionary affect the future operating performance

Effect of Real Earnings Management Through Manipulation of Cash Flows Operating Activities Against *Future Operating Performance*

Cash flows from operating activities may be used to determine whether the operations of the company to generate cash flow sufficient to repay short-term loans, maintaining the company's operational

capabilities and to finance expenditures on operational activities. Cash flows operating activities contain details of the amount of cash receipts and disbursements of the company's operational activities. In [15] it is described that the method employed in order to polish financial statement is by having sales management to exceed abnormal targets. Sales management is used as a means to temporarily increase sales in the current year to increase earnings in the achievement of targeted profits. Furthermore, actions taken to accelerate this method is to accelerate the acquisition of additional sales through price cut and credit that are higher. The increase in sales volume for their rebates or discounts may not be the case when the company re-establishes the old price. Increased sales volumes led to higher current year profit but cash flow declined due to smaller cash inflow due to the sale of loans and rebates, therefore, sales management activities led to cash flow operating activities decreased the current period compared to normal sales levels. The explanation is based on the hypothesis is:

H3: Real earnings management through manipulation of cash flows operating activities affect future operating performance

III. RESEARCH METHODOLOGY

This research is quantitative descriptive research using associative method. The objective of the research is to determine the correlation or causal relationship among variables. Associative research is research that aims to determine the relationship between two variables or more (Sugiyono, 2010: 11).

Operational Definition

Future Operating Performance

Operating cash flow is largely derived from non-intermittent activities or continuous activities to generate cash flow taken by the firm, cash flow for the year can be attributed to the next year), so that the operating cash flow at this time can be predictor to the operating performance of the future (future operating performance).

$$\text{FuturePerf}_{i,t} = (\text{CFO}_{i,t+1} - \text{CFO}_{M,t+1}) / \text{TA}_{i,t} + (\text{CFO}_{i,t+2} - \text{CFO}_{M,t+2}) / \text{TA}_{i,t+1}$$

Estimate The Normal Level of Production Cost

Estimation of normal level of production cost is defined as the effort of management to increase sales on a temporary basis by offering price discounts and soft loans.

$$\text{Prodcost}_{i,t} / \text{Asset}_{i,t-1} = K_1 * 1 / \text{Asset}_{i,t-1} + K_2 * \text{Rev}_{i,t} / \text{Asset}_{i,t-1} + K_3 * \Delta \text{Rev}_{i,t} / \text{Asset}_{i,t-1} + K_4 * \Delta \text{Rev}_{i,t-1} / \text{Asset}_{i,t-1} + \epsilon_{i,t}$$

Where

$$\text{Prodcost}_{i,t} = \text{COGS}_{i,t} + \Delta \text{Invi}_{i,t}$$

Estimate The Normal Level of Discretionary Expenditures

Discretionary expenditures that can be reduced include cost of advertising, research and development costs, cost of sales, and general administration costs such as employee training costs and reparation costs. Reduction of the costs at the end of the accounting period will lead to debt account being reduced below normal level which will incur positive abnormal accruals. Thus, companies can reduce cost reported amid revenues remain constant, profit increases.

$$\text{DisExp}_{i,t} / \text{Asset}_{i,t-1} = K_1 * 1 / \text{Asset}_{i,t-1} + K_2 * \text{Rev}_{i,t-1} / \text{Asset}_{i,t-1} + \epsilon_{i,t}$$

Estimate The Normal Level of CFO

The company produces goods greater than that required with the aim of achieving the expected demand so that profits can be increased. Large scale production led to the fixed overhead costs divided by the number of units of large items so that the average cost per unit and cost of goods sold decreased. The decline in cost of goods sold will have an impact on improving the operating margin. Along the reduction in fixed costs per unit can not be covered by an increase in the marginal cost per unit, the total cost per unit decreases. This causes the reported cost of goods sold is lower and the company may report a better operating margin. Another impact of the decrease in the cost per unit of goods, trigger massive cash flow from operating activities that is lower than normal sales rate.

$$\text{CFO}_{i,t} / \text{Asset}_{i,t-1} = K_1 * 1 / \text{Asset}_{i,t-1} + K_2 * \text{Rev}_{i,t} / \text{Asset}_{i,t-1} + K_3 * \Delta \text{Rev}_{i,t} / \text{Asset}_{i,t-1} + \epsilon_{i,t}$$

TABLE I
VARIABLE DEFINITIONS

Variable	Symbol	Definition
Future operating performance	FUTUREPERF	Using the formula of future operating according to Heshmat (2014)
Abnormal level of production costs	DUMMP	Using a dummy variable, with a value of 1 if above the median and the value 0 if under media
Abnormal level of discretionary expenditure	DUMMD	Using a dummy variable, with a value of 1 if above the median and the value 0 if below the median
Abnormal level of cash flow from operating activities	DUMMC	Using a dummy variable, with a value of 1 if above the median and the value 0 if below the median
Financial performance (ROA)	FINPERF	$ROA = \frac{\text{Earnings After Tax}}{\text{Total Assets}}$
Firm size	SIZE	$FSIZE = \ln(\text{total assets})$
Growth	GROWTH	$GROWTH = \frac{\text{Sales } t - \text{Sales } t - 1}{\text{Sales } t - 1}$

Types and Sources of Data

This research uses quantitative and secondary data in the form of financial statements of firms listed in Indonesia Stock Exchange (BEI) in the period of 2012-2013. Secondary data is obtained through documentation method, which is a search tool through written records and documents of the companies. Furthermore, the data used is obtained from www.sahamok.com and www.idx.co.id.

Data Collection Procedures

Data collection procedure employed in this research is documentation study by collecting secondary data from www.sahamok.com and www.idx.co.id, aiming for period of study of 2012 – 2013. Based on the data collection procedure, the latest up to date data covers financial statement of firms listed in stock exchange through 2015).

Population and sample Research

Population

Population is a generalization of region consisting of the object or subject that has certain qualities and characteristics defined by the researchers to be studied, then drawn the conclusion ([16]). The population in this study is manufacturing firms listed in Indonesia Stock Exchange (IDX) from the period of 2012 to 2013 yielding total number of 206 firms.

Study Sample

The sample in this research is done by using purposive sampling method, the sampling technique with a certain consideration ([16])

Analysis Techniques

Data analysis technique used in this research is to test the descriptive statistical analysis, Pearson correlation test, and multiple linear regression analysis. The software used to perform data analysis techniques using STATA program 14.0. Distribution of data in this study is likely to have many outliers. Understanding that data used in this study may have outliers, Winsorized technique is used prior to descriptive statistics analysis.

IV. DATA ANALYSIS AND DISCUSSION

A. Descriptive Analysis

The independent variable of this research is real earnings management proxied by abnormal level of production cost, abnormal level of discretionary expenditures and abnormal level of cash flow from operating activities. The dependent variable in this study is future operating performance. Descriptive statistics is used to provide information of variables used in the study pertaining description of average (*mean*), minimum, maximum, and standard deviation for each proxy of variables. Result of descriptive statistics of this research can be seen in the table below.

TABLE II
DESCRIPTIVE STATISTICS

	Mean	Median	Standard Deviation	Min	Max
FUTUREPERF	-18.555	-6.227	42.809	-306.65	0.166
DUMMP	0.5	0.5	0.501	0	1
DUMMD	0.5	0.5	0.501	0	1
DUMMC	0.5	0.5	0.501	0	1
FINPERF	0.098	0.043	0.234	-0.113	1.61
SIZE	28.193	28.046	1.666	23.87	32.026
GROWTH	0.316	0.13	1.342	-0.897	9.551

Main Results

TABLE III
REGRESSION RESULTS

Variabel	Predicted Sign	FUTUREPERF	
		Multiple Linear Regression	Robust Regression
		-1	-2
DUMMP	-	12,40** (2,41)	12,40** (2,58)
DUMMD	-	9,13 (1,23)	9,13* (1,92)
DUMMC	+	16,46** (2,48)	16,46** (2,56)
FINPERF	+	-64,56* (-2,69)	-64,56*** (-7,51)
SIZE	+	18,19*** (4,83)	18,19*** (12,71)
GROWTH	-	2,20 (1,52)	2,20 (1,49)
Year dummies		Included	Included
Adjusted R2		0,5840	
R-Squared		0,5982	0,5982
N		206	206

* Significantly below 10% ** Significant below 5% *** Significant under 1%

Based on the summary of the results of multiple regression analysis above, it shows that the regression coefficient is both positive and negative. Positive coefficient suggests independent and

dependent variable change in the same direction, while negative coefficient indicate that independent and dependent variable change in the opposite direction. Substantial contribution from variables as abnormal value of the cost of production, abnormal values of the cost discretionary, and abnormal values of operating cash flow, *financial performance* (FINPERF), firm size (SIZE), suggest an increase in sales (GROWTH) to *future operating performance* (FUTUREPERF) at 59, 82%. While the rest of 40.18% is explained by other variables—that are not included in the study. The results are derived from the following research model:

$$FUTUREPERF_{it} = \alpha + \sum_{i=1}^n \beta_i REM_{it} + \sum_{i=1}^n \beta_i CONTROLS_{it} + \varepsilon_{it}$$

The table above shows the results of regression analysis of earnings management through real activities to future operating performance with variable control. Positive coefficient indicates a unidirectional change among independent variables towards dependent variables, whereas negative coefficient indicates opposite changes of independent variables and dependent variables. Table 1 shows the results of multiple linear regression analysis, while Table 2 shows the results of multiple linear regression analysis using robust.

In table 1 DUMMP variable regression coefficient value of 12.40 has a positive influence on FUTUREPERF. This variable has a p value of 0.017 indicates that significant at the 5% level. While in table 2 at 12.40 and has a positive influence on FUTUREPERF. This variable has a p value of 0.011 indicates that significant at the 5% level.

In table 1 DUMMD variable regression coefficient value of 9.13 and had a positive influence on FUTUREPERF. This variable has a p value of 0.219 indicates that it is not significant. While in table 2 of 9.13 and has a positive influence on FUTUREPERF. This variable has a p value of 0.057 indicates that significant at the 10% level.

In table 1 DUMMC variable regression coefficient value of 16.46 and has a positive influence on FUTUREPERF. This variable has a p value of 0.014 indicates that significant at the 5% level. While in table 2 at 16.46 and has a positive

influence on FUTUREPERF. This variable has a p value of 0.011 indicates that significant at the 5% level.

V. DISCUSSION HYPOTHESIS

A. Effect of Real Earnings Management Through Manipulation of Production Costs Towards Future Operating Performance

Result showed that real earnings management through manipulation of production costs has significant positive effect on future operating performance. It shows that the variables of abnormal values through production costs occur when firms produce above its normal level. High production level led to fix overhead cost is being spread over a large quantity of production units resulting in lower fixed costs per unit of production. This resulted in a lower reported cost of goods sold and generate higher operating margin ([15]). This study supports the [23] which stated that the company tends to do the real earnings management by producing excessive quantity (*overproducing*). This is in line with [11] Gunny (2010) which states that the *real abnormal activities* aim to achieve profit targets which will provide *future* a better performance.

B. Effect of Real Earnings Management Through Manipulation Cost of Discretionary Towards Future Operating Performance

Result showed that real earnings management through manipulation of discretionary cost has positive and insignificant effect. It showed that companies' deliberate actions of executing discretionary cost minimize cash outflows as well as to reduce debt incurred which in turn has positive effect on operating performance. Therefore, future operating performance will be positive. This is in line with the Taylor & Xu (2010) which states that the policy of reducing discretionary spending undertaken by the company in order to raise profits do not give a negative impact to the company's performance in the future. As well as by Gunny (2010) which states that the *real abnormal activities* aim to achieve profit targets which will provide *future* a better performance.

C. Effect of Real Earnings Management Through Manipulation of Cash Flows Operating Activities Against Towards Future Operating Performance

Result showed that real earnings management through manipulation of cash flow has significant positive effect on future operating performance. According to the result, positive value indicates that the net cash flow of firm operating in abnormal activity is lower than firm which operate at normal activity. Companies suspected real earnings management tend to have negative abnormal cash flow ([15]). Due to the lower value because of abnormal operating cash flow, the higher the profit that was in line with Gunny (2010) states that the *real abnormal activities* aim to achieve profit targets which will provide *future* a better performance.

VI. CONCLUSIONS, SUGGESTIONS, AND LIMITATIONS

A. Conclusion

Based on the data analysis and discussion of hypotheses that have been prepared and have been tested in the previous section, it can be summed up as follows:

- The test results and analysis indicate that the value of abnormal production costs affect the future operating performance. The results of this study indicate that abnormal values of production costs have significant positive effect on future operating performance. It indicates that firms, through manipulation of earnings management influence their production costs to arrive at better future operating performance.
- The test results and analysis show that the abnormal discretionary costs affect the future operating performance. The results of this study indicate that abnormal values of discretionary costs have insignificant and positive effect to future operating performance. These results indicate that the company has engaged to earnings management through manipulation of discretionary expensenditure and operating performance of companies in the future will not increase due to this activity.
- The test results and analysis show that the abnormal value of cash flows from operating activities affect the future operating performance. The results of this study indicate that abnormal values of cash flows from operating activities prove that cash flow has

significant and positive effect on future operating performance. These results indicate that the company has engaged to earnings management through manipulation of the cash flow from operating activities and will increase the company's operating performance in the future.

B. Suggestions

- Variables that are not evident in this study should be in future studies using the characteristics of earnings management through real activities of other variables. Which is expected to reflect the variables used, for example, the value of sales.
- Expanding research by using a sample of firms from other industrial sectors.
- The results of this study indicate that real earnings management through manipulation of the activity of operating cash flow effect on future operating performance. So that decision makers can use this as an additional independent variable consideration in decision-making.

C. Limitations of

- The data is obtained from www.idx.com so there are some companies that excluded due to incomplete data.
- In this research has not taken into account whether the company conducted additional samples of corporate assets in the study period

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Analysis of Non-Performing Loan PT. Bank X (Persero) Tbk. Branch Samarinda

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Abstract— This research aims to analysis health PT. Bank X (Persero) Tbk Branch Office Samarinda seen from the non-performing loans ratio in 2014 and 2015. The research methods used in this research is to using analysis banking financial ratio that is non-performing loans ratio. The ratio is calculated as a percentage by comparing total non-performing loans (substandard credit, doubtful credit, and bad credit) with total loans be given. Based on the result of the research was that the quality of non-performing loans/NPL ratio in 2014 and 2015 had a Healthy predicate because is under the maximum limit corresponding Bank Indonesian Regulation No.15/2/PBI/2013 is 5%. It is pointed out from count result of non-performing loans ratio in 2014 amounted to 3,84% and in 2015 amounted to 3,69%. Later the health level of Bank X Branch Office Samarinda in 2014 and 2015 is sound assessment criteria for banks, based on non-performing loans ratio has been in accordance with the Regulation of the Bank Indonesian attachment No.13-1 -PBI 2011.

Keywords— Analysis Credit, Non-Performing Loans, Health Level of Bank.

I. INTRODUCTION

A. Background Research

Non-Performing Loan is a problem take on by the customer or debtor when it is unable to pay part or all of it is liabilities to the bank as agreed in the agreement between both parties. Causes of non-performing loans may be due to uncertainty about what will happen in the future, such as changes in government regulations, monetary crisis, natural disasters, business losses, or gains or deliberate actions committed by the debtor.

Every bank will experience the problem of loans, there is no bank can avoid this problem. Therefore, performing loans should be our focus together, so that "non-performing" can be prevented from becoming "bad loan". If the loan become bad debt, then this bad loan has become a bad and bitter reality for the banking world [9].

The high percentage of non-performing loans in a bank will cause the health condition of the bank to deteriorate. If this condition continues or even worsens then the bank becomes illiquid which

resulted in the bank suffered a loss. Therefore, the bank is required to be able to anticipate the amount of bad loans that will be take on in the short and long term. If the bank is unable to anticipate it, the government has the authority to liquidate the bank. To prevent this, happen in accordance with the provisions of Bank Indonesia regulation Number 15/2 / PBI /2013, each bank needs to analyze the non- performing loans by trying to reduce the ratio of Non-Performing Loan Ratio below 5%.

So, the way that can be taken by banks in lowering the level of risk non- performing loans through the transfer of non-performing loans at the bank to the Indonesian Bank Restructuring Agency (IBRA), delisting these problem loans requested by the Komite Kebijakan Sektor Keuangan (KKSK), as well as banks trying to be more cautious or selective in disbursing loans to minimize non-performing loans in the future. To know the health of the bank can be seen from the size of the loan disturbed whether to return safely or not and beneficial to the bank. Therefore, every bank should always pay attention to the development of loan so that the bank can minimize the occurrence of non-performing loan in order not to become bad loan. Bank soundness level can be seen one of them through the assessment of the quality of productive assets, Non-performing Loan (NPL) Ratio or through liquidity level can be measured by using the ratio of credit funds from third parties or called Loan to Deposit Ratio (LDR) by comparing the amount of credit of funds received from third parties (DPK). PT. Bank X (Persero) Tbk Branch Office of Samarinda is one of BUMN Bank, Bank X is one of the leading banking services provider in Indonesia. One of the business activities of Bank X Branch Samarinda is collecting public funds and return to the public in loan. In lend a loan, Bank X

Branch Samarinda also take on loan risk, that is the loan that has been distributed and the interest cannot be returned in accordance with agreement agreed by debtor and creditor or called non-perform loan.

During 2014, the loan disbursed by Bank X Branch Samarinda amount to Rp1,623,490,516,784.15, of which Rp62,352,798,154.05, was a non-performing loan. Then in 2015 the loan disbursed by Bank X Branch Samarinda amount to Rp2,043,179,489,520,87, of which Rp75,562,302,664,74, is a non-performing loan. So that can be seen for the year 2015 increase in the number of non-performing loan. Based on the phenomenon, the author interested to conduct research with the title "Analysis of Non-Perform Loan on the PT. Bank X (Persero) Tbk Branch Office of Samarinda".

II. LITERATURE REVIEW

A. Accounting

1) *Definition Accounting*: According to the American Institute of Certified Public Accountants (AICPA) quoted by [1], explaining accounting is a service activity. Its function is to provide quantitative data, especially those that have a financial nature, from economic entities that can be used in making economic decisions in choosing alternatives of a situation. Meanwhile, according to [4], accounting is a service activity, where its function is to provide quantitative information, especially information about the financial position and results of company performance, which in turn will be useful in economic decision making (in making choices among various the alternatives there is). Other definitions can also be used to understand more in terms of accounting. According [7], the definition of accounting can be formulated from two perspectives namely: Definition of the point of use, accounting can be defined as one of the disciplines that provide information necessary to carry out activities efficiently and evaluate the activities of an organization. Definition of the point of activities, accounting can be defined as the process of recording, classification, summary, reporting, and analyzing financial data of a company or organization.

2) *Financial Accounting*: According to [10], financial accounting is oriented on external party reporting. The diversity of external part with specific objectives for each part to make the financial reporting using principles and assumptions in the preparation of financial statements. For that required accounting standards that serve as a guideline both by the author and by the reader of financial statements. Reports generated from financial accounting in form of general purpose financial statements (general purpose

financial statement). According to [9], financial accounting is the recording and reporting of data and corporate economic activities. Although the report produces useful information to managers, it is a major report for managers, creditors, government agencies and the public.

3) *Banking Account*: The definition of banking accounting according to [6] is "the art of recording, classification, and overview over all transactions that occur within the bank. Transactions recorded by the bank include financial transactions and other transactions will result in future financial events." Another definition of banking accounting is also presented by [19]: "Art records, classifies, and summarizes transactions and events that are at least part financial in a meaningful way and in units of money and interpret the results.

B. Credit Management

1) *Understanding Credit*: According to [3], credit is any type of loan to be repaid with interest by the borrower in accordance with the agreed agreement. According to [9], credit is the provision of money or bills that can equated with, on a loan-borrowing agreement between the bank and another parties requiring the borrower to repay the debt after a certain period of time with the amount of interest, reward or profit sharing.

2) *Credit Elements*: According to [8], the elements contained in the grant of a credit facility are as follows:

- Trust
- Agreement
- Term
- Risk
- Reply Services

3) *Purpose and Function of Credit*: The purpose of allotment loan ([8]), among others:

- Looking for Profits
- Assisting Customer Business
- Helping the Governmentt

According to [2], the credit function for the community is to:

- Become a motivator of increased trade and economic activities.
- Expanding employment opportunities for the community.
- Fluent the flow of goods and money flows
- Improving international relations (L / C, CGI, and others).
- Increasing the productivity of existing funds.
- Improving utility of goods.
- Increasing enthusiasm for community Endeavor.
- Enlarge the company's working capital.
- Increasing "income per capita" (IPC) community.
- Change the way people think / act to be more economical.

4) *Loan Warranty*: The warranty that can be used as loan warranties by debtors according to [8], as following:

1. With Warranty
 - a. Assurance of tangible objects, the goods that can be used as warranty such as:
 1. Land
 2. Building
 3. Motor Vehicles
 4. Machinery / equipment
 5. Merchandise
 6. Plants / gardens / fields
 7. And others
 - b. Assurance of intangible objects is objects the letters that are used to warranty such as:
 1. Share certificates
 2. Certificate of bonds
 3. Land certificate
 4. Certificate of deposit
 5. Unbending savings account
 6. Unbending giro account
 7. Promos
 8. Money orders
 9. And another bills c. Guarantee People
 2. Unsecured

5) *Principles of Allotment Loan*: The principles of crediting, can be explained as follows:

- Character
- Capacity
- Capital
- Collateral
- Condition

The credit rating with 7P is as follows:

- Personality
- Party
- Purpose
- Prospect
- Payment
- Profitability
- Protection

6) *Credit Analysis*: Credit analysis according to [15] states that the credit analysis process has the ultimate main objective, that the bank makes a good credit decision and make a good loan, thus avoiding the wrong credit decision that causes problem loans " bad loan". According to [6], credit analysis is an analytical process undertaken by banks to assess a credit application that has been filed by prospective borrowers.

7) *Distribution of Credit*: Lending is a business activity that dominates the allocation of bank funds. The use of funds for lending reaches 70% - 80% of the bank's business volume. Therefore, the main source of bank income comes from credit distribution activities in the form of interest income ([14]). Loan distribution according to [8] is the activity of channelling funds from the bank to the customer (debtor), the customer is obliged to return the loan funds in accordance

with the agreed timeframe. According to [3] , the things that need to be considered in lending are as follows:

1. Credit Disbursement Planning
2. Terms of Employee of Credit Section
 - a. Honest and good moral, as well as experts in the field of credit.
 - b. Fair in providing services to all bank customers.
 - c. Know the laws of credit agreement and commitment.
 - d. Know the terms of warranty that may be accepted.
 - e. Objective in the assessment of credit warranty provided by the customer.
 - f. Extensive knowledge of the economic value of credit warranty.
 - g. Know Bank Indonesia's provisions and circular letters on bank lending.
 - h. Comply with credit regulations and procedures.
3. Credit Distribution Procedures
 - a. Prospective debtor writes the name, address, warranty, and desired credit amount on the loan application form.
 - b. Prospective debtor submits the type of Loan.
 - c. Loan analysis by following the 5C, 7P, and 3R principles of the loan application.
 - d. Employee of loan analysis determines the amount of Legal Lending Limit (3) or BMPK.
 - e. If the BMPK is approved by the customer, the loan agreement is signed by both parties.
4. Allocation of Loan Distribution

8) *Credit Quality*: According to [13], the main elements in determining the quality of loan is the time of interest payments, instalment payments, as well as repayment of loan principal. The details are as follows:

- Current Loan (Pass)
- Special Attention (Special Mention)
- Substandard (Substandard)
- Doubtful (Doubtful)
- Loss (Loss)

C. *Earning Assets Quality*

According to the Ikatan Bankir Indonesia (IBI, 2015: 8), productive assets are the provision of bank funds to generate income, in the form of credit, securities, inter-bank placements, acceptance receivables, claims on securities purchased with agreements to resell (reverse repurchase agreement), derivative receivables, inclusion, administrative account transactions, and other forms of provision of equivalent funds. Earning Asset Quality is a benchmark for assessing the possible rate of re-acceptance of funds invested in earning assets (principal including interest) based on certain criteria in Indonesia, the quality of earning assets is assessed on the basis of its current level, current,

special mention, smooth, doubtful credit, or bad credit.

D. Non-Performing Loan (NPL)

According to Ismail (2016: 125), nonperforming loans are loans disbursed by banks, and customers cannot make payments or make instalments in accordance with agreements signed by banks and customers.

Meanwhile, according to [9], "Nonperforming loans are non-current loans or credits where the debtor does not meet the agreed terms, such as the terms of interest payments, loan principal, increased margin deposits, binding and increasing collateral, In this case there are arrears of principal and interest payments that extend beyond 90 days to less than 180 days (collectability substandard), there are arrears of principal and interest payments exceeding 180 days to 270 days (doubtful collectability) and lastly there are arrears of principal and interest payments which exceeded 270 days (collectability of loss). Non-Performing Loan (NPL) Ratio is a ratio that represents a certain percentage of total non-performing loans consisting of non-current loans, doubtful credits, and non-performing loans with total loans already granted. Then it can be concluded the formula to calculate NPL Ratio in accordance with the guidelines of Bank Indonesia No.3 / 30 / DPNP 2001 are as follows:

Non-Performing Loans will also have a negative impact both for the survival of the bank itself and for the economy of the country. The impact of non-performing loans to banks according to [1], namely:

1) *Liquidity*: If the credit is due or required to pay the payment, but unable to pay the payment due to non-current, or problem loans, the bank is threatened to become illiquid. Illiquid means that banks cannot perform their obligations, especially short-term liabilities.

2) *Solvability*: Solvability is the bank's ability to meet its long-term obligations. The existence of problem loans can cause banks losses. Losses can disrupt the bank's balance sheets, thus reducing the ability of its assets.

3) *Profitability*: Profitability is the ability of banks to earn income from loan interest. If the loan is smooth, then the bank will earn interest with interest as well.

4) *Additional fees*:

- Legal cost, costs incurred due to handling of problem loans from legal aspects
- Administrative cost, ie the cost of handling problem loans in terms of administrative maintenance, in order to be done neatly, thoroughly and systematically in order to expedite any credit rescue efforts.
- Opportunity cost, the cost calculated because the asset is supposed to be productive, becomes unproductive.
- Carrying costs, costs incurred due to deleted loans, in other words the bank loses substantial funds.
- Management cost, the cost of handling nonperforming loans as it requires effective management in an integrated and targeted way of working on the primary objective for the saving of bank assets.
- Intangible costs, costs that need to be accounted for due to the deterioration of bank image, and this is not measurable.

5) *Profitability*: Profitability is the bank's ability to *make a profit*.

6) *Bonafide*: Bonafide is the trust given by society to a bank.

7) *Bank soundness level*: Banks hit by problem loans can lower their health levels, and in turn banks may be subject to sanctions, even to face liquidation.

8) *Bank capital*: The size of business expansion is determined by the development of credit. If credit does not grow well, then bank capital also cannot develop well.

E. Bad Debt Settlement Technique

According to [8], the congestion of a credit facility is caused by two factors:

1) *From the bank side*: In this case the credit analysis is less accurate both in checking the truth and the authenticity of the document or wrong in doing the calculations with the ratios.

2) *From the customer*: Bad Loan caused by customers is due to two things:

- The existence of the element of deliberate. This means that customers deliberately do not want to pay their obligations to the bank so that the loan provided by itself.
- The existence of the element is not intentional. This means that customers have the willingness to pay, but cannot afford because the business is financed by disaster such as flood or fire. Meanwhile, according to [8], rescue against bad loans can be done with several methods, namely:

1. Rescheduling

Extend the credit term

In this case the debtor is given a leniency in the matter of the credit term, for example extending the loan period from 6 months to one year so that the debtor has a longer time to return it.

Extend the payment period

Extend the payment period the same as the loan period. In this case the loan payment period extends the payment, for example from 36 times to 48 times and this of course the number of payment also become smaller along with the addition of the number of payment.

2. Reconditioning

By changing the existing requirements such as:

Capitalization of interest, by way of interest made into principal debt.

Delay payment of interest until certain time. That is only interest that can be delayed payment, while the principal loan must still be paid as usual.

Decrease in interest rates. The interest rate reduction is intended to ease the burden on customers. For example, if interest per year earlier charged 17% decreased to 15%. This depends on the consideration of the bank concerned. Decrease in interest rates will affect the number of instalments is getting smaller, so it is expected to help customers.

Discharge of interest. In the exemption of interest rate given to the customer with the consideration of the customer is no longer able to pay the credit. However, customers still have an obligation to pay the loan principal until it is paid off.

3. Restructuring

Namely by:

Increase the amount of credit.

Adding equity is by depositing cash and additional from owner.

Combination

A combination of the three types of above methods. For example, a combination of Restructuring and Reconditioning or Rescheduling and Restructuring.

Confiscation of Warranties Foreclosure warranties are the last resort if the customer has absolutely no good faith or is no longer able to pay all his debts

F. Conceptual Definition

According to the Law of the Republic of Indonesia Number 10 on November 10, 1998 about Banking is "Business entity that collects funds from the public as of savings and distributes it to the community in the form of credit and or other forms in order to improve the standard of public living. Credit is the provision of money or bills that can be likened to it, based on a loan agreement or agreement between the bank and another part by requiring the borrower to repay the debt after a certain period of time along with, reward or profit sharing. Credit analysis is an analysis used to assess the properness of a credit disbursed by the bank. Productive assets are the provision of bank's funds to generate income, in the form of credit, securities, interbank fund placements, acceptance receivables, claims on reverse repurchase agreements, derivative

receivables, inclusion, off-balance sheet transactions or other forms that equivalent [5] Nonperforming loans are loans disbursed by banks, and customers cannot make payments or make instalments based on agreements signed by banks and customers [6].

III. RESEARCH METHODS

A. Operational definition

To clarify the issues that will be discussed, it is necessary to provide an operational definition, which consists of:

- Debtor or Customer
- Financial Statements
- Definition Credit
- Credit quality assessment
- Non-Performing Loans (NPL)
- Amount of credit granted
- Types of Non-Performing Loan (NPL)
- Criterion of customers whose have credit problem
- Non-performing Loan (NPL) Ratio

B. Details of Required Data

In order to reach the purpose of the analysis data needed follows:

- General description of PT. Bank X (Persero) Tbk Branch Office of Samarinda.
- The financial statements of PT. Bank X (Persero) Tbk Branch Office of Samarinda, consisting of statement of financial position as of December 31, 2014 and 2015, profit and loss for the year ended December 31, 2014 and 2015.
- Credit classification report by its collectability in 2014 and 2015.
- Report on the total recapitulation of loans granted (expansion) in 2014 and 2015.
- Non-performing credit report by economic sector in 2014 and 2015.

C. Research Limitation

In order to prevent this study became too widespread so the authors set the research range of problem loans that occurred at PT. Bank X (Persero) Tbk Branch Office of Samarinda for 2014 and 2015.

D. Data Collection Methods

Data collection methods used in this study are:

- 1) *Literature Method*: Literature method is done by reading books, references, newspapers and so forth to obtain knowledge about the studied, so it can solve research problems quickly and precisely. In this library method, the data taken by the author comes from

journals related to the title of the thesis studied by the author, literature books, and similar research.

2) *Field Research*: In this way the authors directly plunge into the field or object of research *to see the near location and condition of the bank with the method*:

- Interview, where the authors collect data through direct interviews with bank employees who know the object of research.
- Documentation, the authors collect data by collecting documents relating to research conducted.

E. Data Analysis Method

To analyze and conduct the discussion, the authors use banking financial ratio analysis tool according to Bank Indonesia guideline No.3/30/DPNP2001.

According to the regulation of Bank Indonesia Number 15/2 / PBI / 2013, the maximum percentage ratio of Non Performing Loan (NPL) is 5%, if the NPL ratio exceeds the limit given, the quality of the NPL is said to be unhealthy. The criteria of health rating of NPL ratio can be seen in the table below:

TABLE 3.1
CRITERIA OF QUALITY NPL RATIO ASSESSMENT

Ratio	Predicate
$NPL \leq 5\%$	Healthy
$NPL \geq 5\%$	Not Healthy

Source : Bank Indonesia

For bank health rating criteria based on NPL ratio in accordance with attachment to Bank Indonesia Regulation no. 13

TABLE 3.2 :
CRITERIA OF BANK SOUNDNESS ASSESSMENT BY NPL RATIO

No	Ratio NPL	Predicate
1	$NPL < 2\%$	Very good
2	$2\% \leq NPL < 5\%$	Good
3	$5\% \leq NPL < 8\%$	Pretty Good
4	$8\% \leq NPL < 12\%$	Bad
5	$NPL \geq 12\%$	Very Bad

Source : Bank Indonesia

IV. RESEARCH RESULTS

A. Analysis

The purpose of research is to analyze the soundness of PT. Bank X (Persero) Tbk Branch Office of Samarinda seen from the ratio of nonperforming loans in 2014 and 2015. In order to achieve these objectives, it is necessary to calculate the ratio of Non-Performing Loan / NPL. In order to calculate the NPL ratio, it is necessary to obtain

the total data of total loans and problem loans for 2014 and 2015.

B. Discussion

The granting of credit to the customer or the company should be carried out an appropriate analysis covering the background of the customer or the company, its business prospects and the guarantee made by the customers to ensure that the credit they provide to the customer is completely secure, because if the bank miscalculate will result in bad credit which will harm the bank. Every bank will definitely have problem loans, no bank can avoid the problem loans. Therefore, non-performing loans should be overcome as much as possible at least minimized in order not to become bad credit, if the credit has become stuck, then this bad credit can worsen the image of the bank. This can be seen from the ratio of Non-Performing Loan from a bank, the lower this ratio indicates that the bank can manage the credit disbursement well and have a healthy quality of NPL. From the results of research shows that the ratio NPL Bank X Branch Samarinda is below the maximum limit based on Bank Indonesia Regulation Number 15/2 / PBI /2013 is 5%. This is indicated by the decline in NPL ratio in 2014 and 2015 where the ratio of NPLs Bank X Branch Samarinda 2014 amounted to 3.84% and decreased by 0.15% to 3.69% in 2015. This decrease is due to an increase in the number of problem loans amounting to Rp 13,209,504,510.69 but due to increased credit granted or disbursed larger ie Rp 419.688.972.736,72 so that the ratio NPL Bank X Branch Samarinda decreased. Based on the results of this study can be seen that the quality ratio NPL Bank X Branch Samarinda 2014 and 2015 have the predicate "healthy" because it is below the maximum limit of the NPL ratio of 5%. The NPL ratio is calculated based on the percentage rate by comparing the credit with the credit given. Based on the Bank's health rating criteria seen from the ratio of Nonperforming Loan (NPL) in accordance with the attachment of Bank Indonesia Regulation Number 13/1 / PBI / 2011 for 2014 and 2015 health Bank X Branch Samarinda is ranked second with "Good" NPL of 3.84% and 3.69% more than 2% and less than 5%. Reduction of Non-Performing Loan / NPL Ratio is inseparable from

the precautionary principle and accuracy held firmly by Bank X Branch Samarinda which is indicated by the analyst or Account Officer (AO) who is very concerned and follows all procedures in lending to customers or debtor. Although analysts or account officers (AOs) have followed all procedures in lending to clients or borrowers, whose names of nonperforming loans are bound to occur, no bank can escape problem loans. The most important thing is that each bank should give special attention to the credit problems in order to be minimized so that does not happen until the bad credit.

V. ACKNOWLEDGMENT

A. Conclusion

Based on the results of the analysis and discussion, then the conclusion of this study as follows:

- Based on the results of the research, it can be seen that the quality ratio of Non-Performing Loan / NPL of Bank X Branch Samarinda in 2014 and 2015 has a "Good" rating because it is below the maximum limit in accordance with Bank Indonesia Regulation Number 15/2 / PBI / 2013 which is 5%. This is evidenced through the calculation of NPL ratio in 2014 and 2015 where the ratio of NPLs Bank X Branch Samarinda 2014 amounted to 3.84% and decreased by 0.15% to 3.69% in 2015.
- Based on the Bank's health rating criteria seen from the ratio of Non-Performing Loan / NPL in accordance with the attachment of Bank Indonesia Regulation Number 13/1 / PBI / 2011 for 2014 and 2015 health Bank X Branch Samarinda is ranked second with "Good" NPL ratio of 3.84% and 3.69% more than 2% and less than 5%.

B. Suggestion

Based on the results of research that has been done, the author want to give some suggestions that can be used as material considerations and input, among others:

- For the management of Bank X Branch Samarinda to be able to further reduce the percentage number of problem loans by

seeking more selective in giving the credit, in this case in some economic sectors especially mining sector thus the percentage of problem loans can be minimized and maximizing the income.

- Management of Bank X Branch Samarinda must improve the prudential banking principle and carefulness in giving credit / credit distribution so that the percentage of problem loans can be minimized and that the bank's soundness can be improved to the "very good" predicate.

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The Use of Facebook Fan pages in Promoting Future Urban Transit - A Case Study of PT. MRT Jakarta

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Abstract— Urban mobility has become the toughest challenge for the Greater Jakarta conurbation, considering that urban centralization affects citizens who rely on private vehicles to commute to and from work. Vehicle dependency has led to acute congestion that incurs an annual economic cost of up to 65 trillion rupiah. Even though the government has developed a high technology-based urban transit infrastructure expected to become operative in 2019, private vehicle commuter enthusiasm to utilise it remains in question. To increase such alacrity, MRT Jakarta, the urban transit provider, exploits social media as a promotional tool within its mobility management strategy. Indeed, its mobility management social media strategy is expected to induce a future voluntary abandoning of private vehicle use in favour of the MRT once the prerequisite infrastructure has been developed. The purpose of this paper is to examine the impact of social media-based promotional content, namely; Facebook fan pages, using engagement rate calculation. For the purposes of this study, the data of two consecutive months (June-August 2017) available online at the MRT Jakarta official Facebook fanspage, was analysed. The investigation focused on the effectiveness of the promotional content of posts to increase fans' responsive engagement rate. The present study proposes that social media exploitation could be enhanced through more strategic and systematic use to foster active engagement in order to promote the MRT as a mode of commuting.

Keywords— social media campaign, social media content analysis, future urban transit, urban mobility

I. INTRODUCTION

Greater Jakarta is undergoing a process of rapid economic growth leading to pressing challenges of urbanization and mobility. Transportation systems form an important part of urban life within the economic and cultural sectors. Furthermore, they respond to citizens' need for mobility. One major challenge of centralization in urban areas is that of managing the ever-increasing demand for transportation. There are currently around 47.5 million trips per day undertaken in Greater Jakarta, predominantly by motorcycle (74%), but also involving the use of private cars (24%) and public transport (2%) [1].

The aforementioned trend indicates that more people in Greater Jakarta choose to travel by private vehicle in fulfilling their mobility needs. Independence, flexibility, and convenience all represent psychological factors contributing to the greater preference for private vehicles over urban transit [2]. The average growth in private vehicle use stands at 8.1% per year, as compared to an annual increase of $\pm 0.01\%$ in road surface area [3].

The imbalance between road surface area and the number of vehicles causes traffic congestion in Greater Jakarta that has a cost of up to 65 trillion per year in fuel, vehicle operating expenses, time value, economic opportunity cost, and energy pollution. If urban commuting trends in Greater Jakarta, which depend on private vehicle use, remain unchanged the future looks decidedly bleak. Transport costs will spiral higher, with lengthy traffic delays posing a national threat of increased inefficacy costs. Congestion will eventually culminate in traffic paralysis across the Greater Jakarta area.

Various transport policy measures are currently being implemented to reduce commuter preference for private vehicle use and to increase that for urban transit systems. Such measures can be divided into 'hard' and 'soft' transport policy varieties. The first mass rapid transit (MRT) project since 2013 is one of the hard transport policy measures implemented by PT. MRT Jakarta as provider. In order to develop new urban transit infrastructures and networks, a total budget of JPY 120 billion, funded by a soft loan from the Japanese government was established, rendering this public project the most expensive in the history of Greater Jakarta. In tandem with these

‘hard’ policy measures, PT. MRT Jakarta implemented a number of ‘soft’ policy equivalents emphasizing mobility management (MM) in order to induce voluntary acceptance of change supportive of the MRT’s implementation.

This policy included a social media campaign to promote MRT as the future urban transit network by means of a Facebook fanspage forming part of the official account@JakartaMRT. To implement a successful MM social media campaign, it is imperative to understand user or fan behavior in response to a different post on the Facebook fanspage. Furthermore, it is important to identify the motivational factors that encourage consumers to engage with fanpages. The challenge lies in the fact that this effort not only promotes MRT as a mode of urban transit but also encourages commuters to change their existing travel preference. This study seeks to understand how the use of social media in the MM campaign of PT. MRT Jakarta promotes MRT as the future urban transit system in Greater Jakarta. More specifically, it has three research objectives:

- To evaluate the characteristics of MM content on Facebook fanpages.
- To determine those factors contributing to online engagement with social media content.
- To identify examples of best practice with regard to the use of social media.

In order to achieve these research objectives, this study first reviews social media literature and its use in MM before outlining its application to PT. MRT Jakarta and identifying examples of best practice to enable the effective use of social media in MM.

II. LITERATURE REVIEW

A. Mobility Management and Social Media

MM represents a transportation management policy that endorses “soft” measures in an effort to promote changes in transport user behavior. Mass communication-based marketing techniques promote this bottom-up approach that aims to persuade commuters to abandon their existing choice of transport mode in accordance with their needs. Best MM practice comes from European universities in the form of joint projects such as MAX-SUCCESS (Successful Travel Awareness

Campaigns and Mobility Management Strategies, <http://max-success.eu>) and MOST (Mobility Management Strategies for Next Decade, <http://most.st>), as well as Japan’s “travel feedback program” (TFP) [4].

Any discussion of current MM strategies today would be incomplete without considering the use of social media which has not only replaced print varieties as part of the marketing campaign, but is also changing the manner in which society consumes information. At one-time, public information was static and exclusively one-directional in nature. With the advent of information technology web 2.0 now allows an individual to contribute his/her thoughts, opinion and creativity in disseminating certain information. Table I below shows how the social media in MM facilitates information presentation, collaboration, communication and interaction.

TABLE I.
MM SOCIAL MEDIA CAMPAIGN DISCOURSES

MM Campaign	City and Country	Social Media Network	Function
DYN@MO project	Gdynia, Poland	Facebook, Twitter, YouTube and Instagram	-Opinions and pool survey -Increased communication activity
MobiPalma by public bus company EMT	Palma, Spain	Facebook and Twitter	Sharing real-time traffic information
Tisséo by Tisséo public transport operator	Toulouse, France	Facebook and Twitter	Sharing its network-based travel information on its network and public transport special offers
Edmonton collaborated with IBM	Edmonton, Alberta, Canada	Facebook and Twitter	- Opinions and pool surveys - Real-time travel information - Promotes smoother, safer journeys -Reinforces civic engagement by encouraging citizens to become the city’s eyes and ears.

Given the wide usage of social media within urban transit provider, understanding of how design of social media promotion content of posts to

increase fans' responsive engagement rate is still appear to be unclear. Most of urban transit provider rating their successful in social media MM campaign by tracking their numbers of "friends and followers" or "likes". Simply by seeing result by collecting data without meaningful analysis is insufficient [5].

B. The MM Social Media campaign conducted by PT.MRT Jakarta

Within the context of the Greater Jakarta conurbation, MM offers certain advantages in supporting the development of an MRT system. This future urban transit network has been planned in order to increase mobility and to resolve the increasingly serious problem of traffic congestion. As part of any integrated approach framework, MM can be combined and create synergies with supply-oriented activities such as planning, construction and operational MRT infrastructures, thereby creating indispensable synergies.

The MM social media campaign conducted by PT. MRT Jakarta involves the use of promotional and communication means providing information and raising transport-related awareness. The purpose of the campaign is to promote the changes in perception and attitudes which constitute an essential precursor to shifts in actual travel behavior. One social media strategy tool employed by the MRT is the Facebook fanspage (@JakartaMRT). This was set up as early as October 8, 2016, three years before the planned initiation of MRT operations in 2019. Almost one year after its launch, it has become the Facebook Fanspage with the second largest number of fans following it compared to those of other transportation service around the world (see Table II).

TABLE II.
THE TOP 4 TRANSPORTATION SERVICE

Transportation Service Facebook Fanpages	Country	Total Number of fans
Metrobús	Mexico	39.457
MRT Jakarta	Indonesia	24.549
ASPO Olbia	Italy	5.700
American Public Transportation	United States	3.949

Source:<http://likeanalyzer.com>

By creating a Facebook fanpage, PT. MRT Jakarta can benefit from its viral and organic technical features that create a snowball effect in disseminating information. Once content has been published on the fanpage wallpost, the users can interact by commenting on it and/or endorsing the post by "liking" and "sharing" it. The user could "like" the whole fan page which every wallpost is automatically pushes into all fans' news feeds. Being easily kept up-to-date, a large audience can be reached by this particular means.

C. Overview of Fanspages content Analysis

Most studies on fanspage analyze fans' engagement with the number of likes, shares and comments for each post. A post will gain more likes and comments if it boasts richer content (for example, incorporating images and video excerpts). This result also suggests that the use of photos in wallposts is the most effective approach to increasing users engagement [6]. The vividness of post content has a positive effect on the number of shares [7]. One sizeable gap in the existing literature is that of an analysis of the relationship between the affective valence of promotional content (whether messages communicated are positive or negative) in and fan engagement. This is because affective valence is vital in measuring the attention paid to media content [8].

The affective valence of the Facebook wall post content should be identified as a driving factor that influences user action. The affective valence dimension of affect provides evaluative information about stimuli which play a role in both an individual's judgment and decision making [9]. Hence, this study investigated fan engagement based on affective valence wall posts classified as positive in nature if they featured enjoyable events, comfortable surroundings and written messages conveying upbeat emotions. Messages were deemed negative if they contained undesirable consequences, threats or unpleasant image invoking intense emotions.

III. METHODOLOGY

This study is exploratory in nature, adopting an inductive approach in seeking to explore the nature of Facebook fanpage usage relating to

PT.MRT Jakarta. Between June 5 and August 5, 2017, the company's fanpages were checked to identify the effect of image content on user actions. Fanspage user engagement involves activities such as liking, sharing and commenting. To conduct category content analysis, studies of the top 10 official accounts of national organizations contained in Table III below used to promote tourism in their respective countries were reviewed. The reason for referring to these studies lies in their similarity in having examined social media-based promotion managed by government-owned, rather than private sector organisations [10].

TABLE III.

LIST OF CATEGORIES FOR @JAKARTAMRT OFFICIAL ACCOUT FACEBOOK FANPAGE SOCIAL MEDIA CONTENT ANALYSIS

No.	Category
1.	Does the post include other content? Does the post include a photo? Does the post include video? Does the post include a link to a website/blog/other url?
2.	Does the post contain affective valence? Does the post include positive messages? Does the post include negative messages?
3.	Does the post include hashtags (#s)? What are the nature and purpose of any hashtags?
4.	Does the post contain promotion related to future urban transit? Does post promote a specific urban transport-related event? Does the post promoting MRT as a suitable form of urban transit for commuters? Does the post promote greater public awareness of transport options?
5.	Does the post provide information? Does the post provide development of MRT infrastructure? Does the post provide public relation? (e.g. radio,TV,press conference) Does the post provide opinion or review (e.g. urban transit service at other countries)?
6.	Are there comments or replies? How many comments or replies are there?

IV. FINDING AND DISCUSSION

An analysis of the @JakartaMRT Facebook fanpage over a period of 31 days, revealed there to be 110 posts of which 18 were not posted by the official administration. A feature on Facebook fanpage allows the user to post content on the fanpage wall that they are following. In this study, only 92 posts posted by the administration were analysed because those posted by followers were non-MRT related such as tending to promote individual products, submitting job applications to

PT. MRT Jakarta or even sharing their personal number in a search for friends.

TABLE IV.

COLLECTED DATA FROM @JAKARTA MRT FANPAGES DURING THE MONTHS OF JUNE TO AUGUST 2017.

Purpose of Content	Type of Content	Total Posts
Information Development of MRT infrastructure	Photos	18
	Videos URL	1
	Links	1
	Words alone	1
Public relations activity	Photos	22
Promotion Promote an event	Photos	6
	Photos	12
Promote MRT as suitable urban transit for commuting	Photos	18
Travel awareness	Photos	13
General Greeting	Photos	13

From the contents of Table IV above, it is clear that the two main functions of social media are information dissemination and promotion. The former serves to inform the audience about the development of the MRT infrastructure and is related to public relations activity in order to enhance the reputation and image of PT. MRT Jakarta. This strategy shows the professional manner in which PT. MRT Jakarta communicates with its audience is rewarded by the high number of posts that form part of its public relations activity.

Furthermore, in this context, the current Good Corporate Governance (GCG) policy demands a greater degree of transparency for the public. The transparency of GCG in a social media post is here translated into content that provides more information on the construction process of the facilities, rather than promotes MRT as a sustainable commuting mode that could solve traffic problems and increase the mobility of the public. Even though sharing information could evoke curiosity on the part of the audience to experience the new urban transit system when ready, it is also important to promote changes in PT. MRT Jakarta mobility management strategies by providing more content about individual benefits arising from MRT use rather than that of private vehicle use.

The use of photos in PT. MRT Jakarta social media posts is more prominent than other types of content. Photo posts demonstrate the desire of

PT.MRT Jakarta to display physical evidence to the audience of its capability to provide a reliable mode of transportation. On the other hand, photo posts are also employed as a medium for the public to access that private area of construction that cannot be seen or reached by them.

After exploring all content, the author discovered that 89 % of PT. MRT Jakarta wallposts contain photographic images that influence audience behaviour. In this paper, we identified that the influence of positive messaging on audience engagement. Table V below shows the top five @JakartaMRT posts based on the fanpage users' engagement that involve liking, sharing and commenting on the wallpost.

TABLE V.
TOP 5 POSTS BASED ON AUDIENCE ENGAGEMENT

Wall Post on Facebook	Type of Affective Valance	Type of Content	Total Number of
	Positive	Photo; Link to MRT Jakarta website	9.500 43 8 😊 4 Comments: 14
	Positive	Photo using hastag #MRTupdate #MRT Jakarta	348 🍷 18 😊 5 Comments: 28 Replays : 22 Shares : 47
	Positive	Link to MRTJakart a event on Facebook using hastag	286 🍷 Comments : 2 Replays : - Shares : -
	Positive	Photo	244 🍷 17 😊 7 Comments: 10 Replays : 4
	Positive	Photo	241 🍷 16 😊 6 Comments: 13 Replays : 7

In the descriptive statistical analysis shown in Table V, based on audience engagement, it could be concluded that most fanpage content is related to the development of MRT infrastructure. All of the content demonstrates positive valence, attracting

hundreds of audience ‘likes’. This interaction is due to the perspective on the part of the commuter that the physical presence of a more modern mode of transport is highly desirable. Positive valance in images portraying the development of MRT infrastucture represents an emotional trigger to the audience that gives them more hope and optimism for the future.

Since 2016, Facebook users have been able to express their online opinions in wallposts using six different animated emoji, for example; “haha”, “love”, “wow”, “sad” and “angry”. Facebook supports an extension in the range of the “like” button to differentiate more effectively the online reaction to wallposts. Giving a “love” reaction indicates that users feel more strongly about the post than would be the case with just “like”. In this study, four animated emoji which are “like”, “love”, “haha” and “wow” indicate positive reactions and two animated emoji signify negative ones. In the case of @JakartaMRT, positive valance gives positive audience engagement to each post.

Related to the social media MM campaign, PT. MRT Jakarta uses three #hastags which are #ubahJakarta (For better Jakarta), #MRTupdate and #MRTJakarta. Adding the hash symbol to the front of three content words to online wall post communications not only has a technical function for PT.MRT Jakarta, enabling the audience to easily find relevant content. It could also evoke the spirit of making Jakarta a better place to live through the MRT’s development because it will be free from congestion and pollution, while promoting high mobility supportive of economic activity, especially for #ubahJakarta.

Based on the contents of Table V, PT. MRT Jakarta still needs to increase its audience engagement because, compared to its total number of followers, the highest reaction in the top wall post was recorded by only 38.9% of its followers. Related to MM’s social media strategy, audience engagement could still not reflect accurately its willingness to choose the MRT as its future commuting mode. Due to this requirement, PT. MRT Jakarta should extend the function of its Facebook fanspage as an opinion and pool survey of the MRT as such an alternative.

The other best practice example of MM social media strategy, as represented by PT. MRT Jakarta, is through campaign collaboration with journalists and bloggers. Several previously-held, open-to-the-public events disseminating online information to stakeholders, boosting online engagement and promoting the MRT as a future urban transit system able to solve problems in Greater Jakarta through social media have proved highly effective.

V. CONCLUSION

The development of the MRT Jakarta construction project was initiated in 2013. With its transit-urban integration, the future purpose of the MRT system is increasing mobility which will eventually further the city's economic growth at the same time as improving citizens' quality of life. To support this effort, an MM social media strategy has been implemented to engage with the target audience through online communication.

In this study, in an effort to expand future use of the MRT, PT. MRT Jakarta posts facebook content on its fanspage wall together with the functions of an information tool of MRT infrastructure development and the promotion of the MRT through events, as an alternate commuting mode and a provider of travel awareness content. Using photographic images in Facebook posts effectively influences audience engagement through "like" and "love" responses. The positive valance of wall posts featured in the @JakartaMRT Facebook fanspage could evoke a positive reaction from the audience.

There is potential for further study to develop Facebook Fanpage content analysis examining six different reaction based on animated emoji in explaining audience engagement. Regarding MM social media strategies for future urban transit, the framework of this study could be replicated to analyze online engagement in the different cities and/or countries which have also implemented MM to induce voluntary behavioral change. However, social media campaigns within MM strategy should not be regarded as quick-fix solutions because achieving behaviorial change is a long-term process.

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Factor Analysis of Employee Engagement of Generation Y in Padma Hotel Bandung

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Abstract— Today, there has been a shift in the labor force, where Y generation dominates the company's human resources. Human resource is a company's vital asset because its role and function cannot be replaced by other resources so it needs special treatment to maintain loyalty to the company. One way to get employees to have high loyalty is employee engagement. Employee engagement is considered more important than employee satisfaction, because with employee engagement, employees aren't only doing the maximum effort exceed expectations but also affect the employees' decision to stay. This study aims to analyze the factors of Generation Y employee engagement. There are seven factors in this research, namely vigor factor, dedication, absorption according to Schaufeli et al and leadership, achievement, camaraderie, and equity according to Sirota Consulting LLC. The study population is Generation Y employees at Padma Hotel Bandung that will be analyzed using confirmatory factor analysis. The result shows that the level of Gen Y employee engagement at Padma Hotel Bandung is included in high category that is equal to 76.756%. By using factor analysis, there are thirteen determinants of employee engagement, namely equity, personal resources, leadership, dedication, achievement, absorption, kinship, team work, uneasy feeling, unyielding, vigor, and task alignment. From the thirteen factors, it can be seen that the equity factor is the most dominant factor.

Keywords— Employee Engagement, Gen Y

I. INTRODUCTION

MICE industry development in Indonesia began to increase rapidly, this can be seen from the increase in MICE activities as well as the number of convention and hotel buildings equipped with meeting room facilities to support MICE activities. The rapid activity of MICE in big cities and bestselling convention buildings encourages hotels to take part in the procurement of MICE services. The hotel, which initially only moved in the field of leisure turned into MICE organizer in low-season. Most hotels currently offer MICE packages with the main components of the room where MICE is held and rooms to accommodate MICE participants. Increased MICE activities encourage

the improvement of other accommodation support facilities within the hotel.

The high potential of business in the field of hospitality will trigger competition between hotels. With high levels of competition, hotel entrepreneurs compete to stay in business. Hotels are advised to develop excellent service and efficient and have complete facilities and adequate as a strategy to attract more guests. Not infrequently hotel competition is often colored by tariff war. From the various strategies that the strategy provides excellent service and facilities that memadailah selected by Padma Hotel Bandung as a way to attract more guests.

TABEL I
FIFTH STAR BANDUNG HOTEL RATING BASED ON TRIPADVISOR

No	Hotel	Rank
1.	Padma Hotel Bandung	1
2.	The Trans Luxury Hotel Bandung	2
3.	New Nariipan Hotel	3
4.	Sheraton Bandung Hotel & Towers	4
5.	Hilton Bandung	5

Source: www.tripadvisor.co.id

Table 1 shows the position of Padma Hotel Bandung as the most recommended five star hotels based on Tripadvisor. In addition, table 1 also shows the competitor Padma Hotel Bandung. Ratings based on this Tripadvisor may change at any time following reviews provided by visitors. Therefore assessment can change daily. It is not easy for Padma Hotel Bandung to be able to occupy the position of the top 5. A remarkable achievement has been achieved by Padma Hotel Bandung with the 1st rank in a row for 3 years starting from 2014.

To deal with the tight competition, there are some things that must be owned by the

organization that includes physical resources, financial resources, marketability, and human resources ([5]). Furthermore, [5] states that of the four factors, the human resource factor becomes the key factor to create competitive advantage of the organization or company. Manager of SDM Padma Hotel Bandung, Mr. Ikhsan confirmed that employees are an asset for the company even more because Padma is a company engaged in services.

HR is a vital asset because the company's roles and functions cannot be replaced by other resources so it needs special treatment to maintain its loyalty to the company. In line with this, many efforts must be made by the company to create a climate or a positive work environment so that employees have a good engagement with the company. One way to get employees to have high loyalty is employee engagement. Employee loyalty levels are a problem for some companies including Padma Hotel Bandung.

Employee turnover rate Padma Hotel Bandung averages 38% over the period 2014 to 2016. According [9], if the turnover value above 15% indicates that the turnover of employees included in the high category. A similar opinion is put forward by Branham (2009: 12), if the annual turnover in an organization exceeds 10% then turnover within the organization can be categorized as high. Turnover can have a positive and negative impact on the organization. If the organization loses 20% of employees who have high performance then it has a negative impact, but if the organization loses 20% of employees who have low performance then it has a positive impact. Therefore, organizations must maintain a growth rate of employee turnover. For Padma Hotel Bandung, the turnover has a negative impact, especially in providing services to guests.

This high level of employee turnover is dominated by Y generation employees. Unlike previous generations, Y generation has a distinctive feature characterized by this generation growing with full employment opportunities for women, respecting ethnic and cultural diversity, and increasing understanding of technology Better (Hawkins et al., 2007 in [2]). In addition to having privileges, Gen Y also has a negative side, Eisner (in [11]) mentions a problem for the organization regarding the existence of Gen Y in terms of

attachment. The issues that arise relate to Gen Y that require flexibility in work, the quality of the work environment is adequate, and expect them to work on organizations that implement work-life balance.

The negative side of Gen Y makes Padma Hotel's dilemma largely because Padma has an employee composition dominated by Gen Y especially on the operational part. This is indicated by the number of employees of Gen Y as many as 118 people from 146 people or 80.82% of employees overall. By dominating Gen Y, management hopes to increase the productivity of the company. That's because management assesses Y genes more creative, communicative, and innovative in providing services to guests. But it also poses a challenge for companies to see Gen Y that has a stereotype that works only as a stepping stone or just to seek experience and move to another place (job-hopping) for career development to be achieved, so often perceived as unfaithful or committed low .

The high turnover rate as well as Gen Y is dominated by the company. One of the impacts is the cost to be spent on the recruitment process, the costs for training new employees, the time to be spent on recruiting, and training new employees, as well as other impacts. This disturbs the effectiveness of hotel operational work considering the level of achievement that is expected Padma is a leader hotel five star Bandung. To be able to achieve these dreams Padma must excel in the competition between hotels by highlighting the quality of service whose role is held by human resources.

II. REVIEW OF LITERATURE

A. *Generation Y*

Gen Y or better known by various other names such as Millennial Generation, Echo Boomers, New Boomers, Global Generations is a generation born in the period 1977-2002 with an age range of 22-39 years. Another opinion expressed by [23] states that the Y generation are those born between 1977-1994. Generation Y was born amid rapidly advancing information technology, so this generation has a very different character from previous generation better known as Generation X.

Erickson ([6]) states that Y generation has a characteristic that they are a multicultural generation, have high volunteerism, confidence, and also intelligent in technology. Generally speaking, these generations are individuals who want to be rewarded for their effort, in the hope that they will get constant praise [4]. In contrast to previous generations, Y generation has the privilege, Generation Y grew up with full employment opportunities for women, respect for ethnic and cultural diversity, and improved understanding of better technology (Hawkins et al., 2007 in [2]) . Not only has the privilege, Gen Y also has a negative side. Generation Y who has worked shows an attitude that always contrary to office regulations, the generation of lazy, demanding many things, and not good at thanking. However, this generation may be praised for being energetic, courageous, and most of them capable of being strong leaders. The Y generations do everything in balance, when the hours are over, then it's over what they do, and they really need time other than to work. Like vacation with family and friends, because in work too they prefer to work together. Therefore Generation Y hopes they can work on organizations that implement work-life balance [2].

B. *Employee Engagement*

According to McLeod (2009:89) "employee engagement is an emotional attachment to work and organization, motivated and able to provide their best ability to help succeed from a set of tangible benefits to organizations and individuals." While Kreitner & Kinicki (2014:29) states that: "Employee attachment is defined as the involvement, satisfaction and enthusiasm of one to work". The position of employee engagement is vital to achieve success and provide competitive advantage to the company. McLeod (2009:92) says that: "The engaged organizations have authentic power and value, with clear evidence of trust and fairness based on mutual respect, both of which have promises and commitments between employers and employees that are understood and fulfilled." Therefore it is necessary to establish employee engagement. A good engagement can be formed from reciprocal relationships between organizations and employees.

1) *Vigor*: Vigor is an aspect characterized by high levels of strength and mental resilience in work, a desire to strive earnestly in the work, persistent in the face of adversity. Wilmar [22] states that: "Vigor is assessed by the following six items that refer to high levels of energy and resilience, the willingness to invest effort, not being easily fatigued, and persistence in the face of difficulties.

- At my work, I feel bursting with energy
- At my job, I feel strong and vigorous
- When I get up in the morning, I feel like going to work
- I can continue working for very long periods at a time
- At my job, I am very resilient, mentally
- At my work I always persevere, even when things do not go well

Those who score high on vigor usually have much energy, zest and stamina when working, whereas those who score low on vigor have less energy, zest and stamina as far as their work is concerned."

2) *Dedication*: The aspect of dedication is characterized by a feeling that is full of meaning, enthusiasm, inspiration, pride and challenging in the work. People who have high dedication scores strongly identify their work because it makes it a valuable, inspiring and challenging experience. In addition, they usually feel enthusiastic and proud of their work. Wilmar Schaufeli & Arnold Bakker [22] states that: "Dedication is assessed by five items that refer to deriving a sense of significance from one's work, feeling enthusiastic and proud about one's job, and feeling inspired and challenged by it.

- I find the work that I do full of meaning and purpose
- I am enthusiastic about my job
- My job inspires me
- I am proud on the work that I do
- To me, my job is challenging "

3) *Absorption*: The absorption aspect is characterized by deep concentration and interest, drowning in the work, time passes so fast and the individual is difficult to escape from work so that and forget everything around. People who have high scores on absorption are usually delighted to be consumed by work, feeling lost in work and having difficulty separating themselves from work. As a result, anything around him is forgotten and time passes quickly. Wilmar Schaufeli & Arnold Bakker [22] states that:

"Absorption is measured by six items that refer to being totally and happily immersed in one's work and having difficulties detaching oneself from it so that time passes quickly and one forgets everything else that is around.

- Time flies when I'm working
- When I am working, I forget everything else around me
- I feel happy when I am working intensely

- I am immersed in my work
- I get carried away when I'm working
- It is difficult to detach myself from my job "

Sirota Consulting LLC is a research and consultancy firm in New York that aims to measure employee engagement levels to improve the performance of their client organizations. According to [14], the company Sirota Consulting has conducted research as many as 237 organizations around the world from various industries by looking at two aspects of what employees want to the organization / company and its work (achievement, camaraderie, and equity), and aspects of leadership that The leader in the company do.

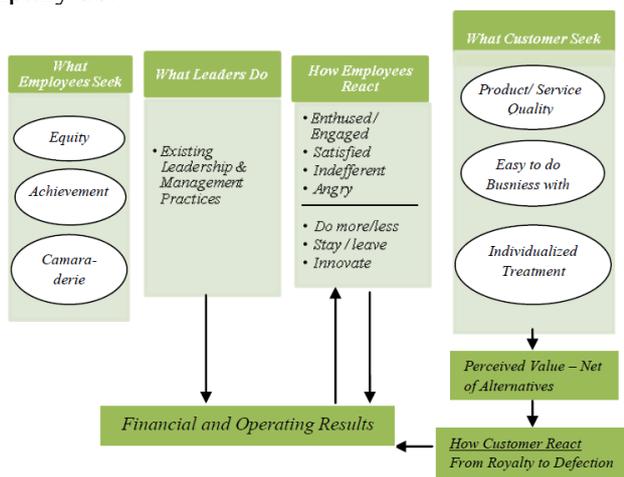


Fig 1 Sirota Survey Intelligence's Framework

Based on figure 1 above, here is a description of these factors:

1) **Leadership:** Leadership is the process of influencing the activities of individuals and groups in an effort to achieve goals in certain situations (Blancard and Hersey in Sutrisno 2009: 214). According to Sirota Consulting LLC website www.sirota.com, one of the factors employee engagement that can improve performance is leadership. Attitudes or behavior of a manager to his subordinates in an organization / company can affect the high level of attachment of each employee. Armstrong & Taylor [1] states that: "The elements found to be fundamental for engagement were strong leadership ...". From the above statements can be concluded that the existence and influence of a leader / leader directly affect the performance of both individuals and groups in achieving common goals. Employees who have good relationships and thoughts that aligned with leaders will tend to be more motivated to improve their performance is also directly proportional to the level of employee engagement of the company. As the Gallup Organization notes based on interviews with 12 million employees at 7,000 companies

over the past 40 years, relationships with superiors determine how long an employee is at work. One of the basic roles of the leadership team is to ensure that managers and supervisors -people who are fundamental points in business strategy are perfectly aligned with business strategy, capable of aligning and motivating others [32]. Robbins & Judge (2008: 6) states that leadership is a process that includes the provision of people's organizational motivation, selection of the most effective channels of communication, and conflict resolution. According to Development Dimensions International (cited by Markos and Sridevi, 2010: 91), to create a high engagement, a manager must do several things, including:

- Aligning with business strategy
- Promote and encourage teamwork and collaboration
- Assist employees to grow and develop
- Provide support and recognition accordingly

2) **Achievement (Recognition of work achievement):** Employees will be enthusiastic and motivated to work if they get good recognition from the company. Such recognition includes recognition of work achievement and recognition of himself / herself. According to Sirota in [15], achievement is a feeling of pride that comes from doing important work and doing well, earning recognition, and appreciation for achievements both individually and in the work team. In measuring achievement, Sirota Survey Intelligence in [25] used several indicators to see if the employee received proper recognition. These indicators are job challenges, opportunities for growth, the ability to get things done, feelings about the importance of work, rewards for performance and a sense of pride in the company. According to Schiemann [23], the acknowledgment of work achievement can also encourage employees, such as employees motivated by team recognition while others seek and strive for individual recognition. There are six main key achievement factors according to Sirota & Louis (2005: 15), among others:

- The challenge of his own work
- Acquire new skills.
- Able to show the results of his own work.
- Employment of employees is important.
- Recognition received from its performance, such as financial (compensation and bonus) and non-financial (thanks from leaders or customers).
- Working in an organization / company where employees are proud of it

3) **Camaraderie (Kinship):** One of the other factors employee engagement is camaraderie that a good relationship between employees both with superiors, subordinates, and with colleagues. According to Sirota LLC camaraderie is: "Having warm, interesting, and cooperative relations with others; Achieving a sense of community, belonging, and collegiality "(<http://www.sirota.com>, accessed on January 17, 2017). The level of stability and productivity of a company is built on relationships. Everyone in the organization depends

on each other's knowledge and expertise [7]. Relationships between employees either in the form of formal or informal relationships need to be fostered well to achieve corporate goals. Such relationships will create a harmonious working environment. Bangun (2012: 325-326) says that affiliation is reflected in a person's desire to create, maintain, and connect the atmosphere of spiritual and mutual feelings among fellow human beings in the organization. People who have a high need for affiliation usually love affection and tend to avoid disappointment because of being rejected by a social group. The ultimate goal of gaining friendship with colleagues within the organization, preferring cooperative situations versus competition, and loving relationships that involve a high degree of understanding. According to Sirota in Kourdi (2009:161) the most significant aspects of the camaraderie factor, as follows:

- Relationships with colleagues
- Cooperation among employees in the business unit work.
- Teamwork across departments at specific company locations.
- Cooperation between work teams throughout the organization

4) *Equity*: According to Sirota & Louis (2005: 10-11), one of the factors employee engagement in an organization / company is fair treatment in accordance with its work. Employee fairness perceptions according to Fahrudin (2004: 158) refers to employees to the fairness and balance between the inputs they provide with the organizational results they receive, as well as the employee's perception of the fairness of the processes used to distribute The organizational results. The theory of justice (equity theory) emphasizes the human ego who always crave justice in reward and punishment for each behavior is relatively similar. Justice is the driving force that motivates one's work morale. In this case, the boss is required to be fair to every employee. According to Kaye & Sharon (2003: 39), talented employees will leave the leadership that he deems unfair because unfair treatment shows a lack of respect in the minds of many employees. Assessment and recognition of subordinate behavior should be done objectively, not on the basis of like or dislike. This will give the perception that the boss in the compensation or punishment done with objective and fair (Sutrisno, 2009: 142). In measuring fairness or equity, this study uses indicators according to the Sirota Survey Intelligence in [15]. According to Sirota, justice here is a feeling that what an employee receives has the right and equal to the work they have done. Here are three indicators of justice according to Sirota:

- Working conditions (physiological aspects)
- This aspect is more emphasis on the working environment conditions experienced by employees. Work environment conditions that provide comfort and security will make employees feel basic needs in

work has been met so that there is an indication that the work environment obtained by employees is fair.

- Compensation (economic aspect)
- This aspect emphasizes more on compensation for what employees have done. The application of justice in this compensation can be seen from whether the employee feels that the salary and benefits he gets is in accordance with the work he is doing. If the salary and allowances given are appropriate then the application of fairness in economic aspects is good.
- Fair feelings (psychological aspect)
- This aspect emphasizes the employee's sense of justice. If the employee has felt treated fairly and respectfully in the workplace, then the application of justice in the psychological aspect is good. Fair and honorable is meant to be treated consistently and treated equally with other colleagues.

Kourdi [14] explains that: "Equity is the most important factor in shaping employee engagement. When equity is rated low, overall enthusiasm can be twothirds lower. "Which means if the achievement level and camaraderie is high while the level of equity received by employee.

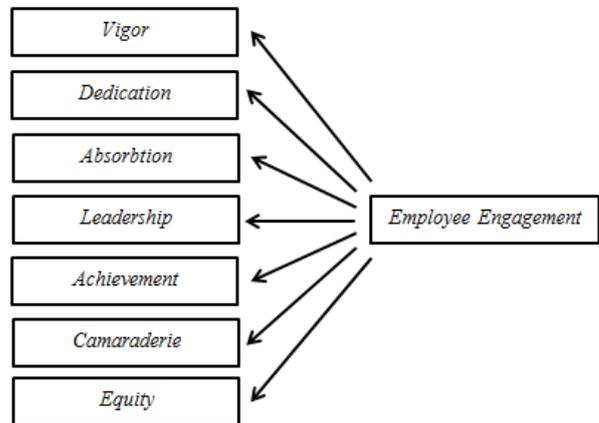


Fig 2 Framework

III. RESEARCH HYPOTHESIS

Based on this framework, the hypothesis in this study is that there is a dominant factor of employee engagement.

IV. METHODOLOGY

The research method used in this research is descriptive method on each factor and tested the validity and reliability for each item questionnaire. Then the data were analyzed by using confirmatory factor analysis with SPSS 20.0. The population in this research is 98 employees of Y generation Padma Hotel Bandung. The sampling technique used is the census technique, which is one type of probability sampling technique.

V. DISCUSSION

A. Descriptive Statistics Analysis

Descriptive analysis provides an overview of the data obtained in this study. Through descriptive analysis, it can be seen the frequency of each answer questionnaire distributed to respondents as below:

- The vigor factor index is included in very high category, ie with an average index of 89.12%.
- The dedication factor index is included in very high category, ie with an average index of 84.24%.
- The absorbtion factor index is included in the high category, ie with an average index of 76.80%.
- Leadership factor index included in the high category, ie with the average index of 73.79%.
- Achievement factor index included in high category, that is with average index equal to 76.41%.
- The Camaraderie factor index is included in the high category, ie with an average index of 77.86%.
- Equity index included in the high category, ie with the average index of 78.43%.

B. Factor Analysis

1) *KMO and Bartlett Test*: The total factors used in this study are 7 factors that are contained in 48 questionnaire questions. All factors studied were input into SPSS for analysis by factor analysis. KMO and Barlett's Test were used to determine whether or not feasible factor analysis was performed in this study. Figure 1 shows the KMO Measure of Sampling Adequacy (MSA) of 0.746. A MSA greater than 0.5 indicates that factor analysis is feasible.

TABLE II
KMO AND BARTLETT'S TEST

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.746
Bartlett's Test of Sphericity Approx. Chi-Square	3.435E3
df	1128
Sig.	.000

2) *Anti-image Matrices*: The next process is to determine the feasible data in the process in the factor analysis, by looking at the value of MSA (Measure of Sampling Adequacy) on the anti-image correlation matrix. MSA values less than 0.5 indicate that these variables are not feasible for use in factor analysis to be eliminated. The value of MSA seen in the anti-image correlation matrix, is the number of numbers that make up the diagonal (which is marked "a"). The anti-image correlation matrix can be seen in the attachment section. The overall anti-image results of the variables can be further analyzed using factor analysis.

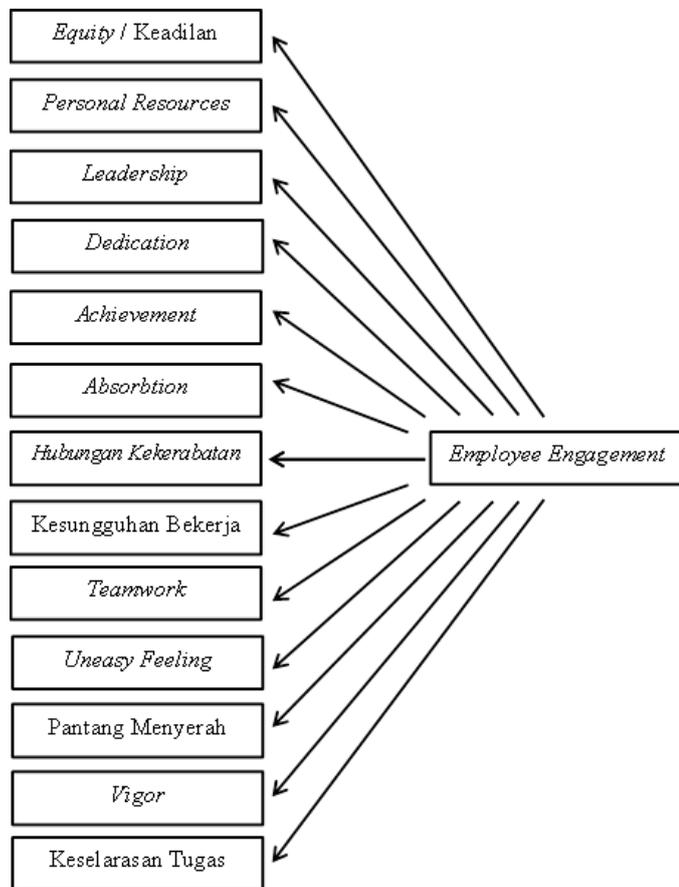
3) *Communalities*: Data communalities, which are used to obtain extraction values. The value of this extraction is

essentially the amount of variance that can be explained by the factor to be formed. The smaller the value of extraction shows the weaker the relationship of these variables with the factors formed, and vice versa. The full results can be seen in the attachment section. From table communalities shows that the lowest extraction value is 0.625 is the statement "I do not pay attention to other things when doing my job" (VAR00013). This means that 62.5% of the variant of the VAR00013 statement can be explained by the new factor to be formed. While the highest extraction value is 0.909 is the statement "I get the benefits (allowances) in accordance with my position" (VAR00053). This means that the 90.9% variant of the VAR00053 statement can be explained by the factors formed. Likewise that applies to other statements.

4) *Total Variance Explained*: In this study, the authors determine the number of factors with eigenvalue with eigenvalue criteria ≥ 1 [8]. The order of eigenvalue is always sequential from the largest value to the smallest value. To know the number of factors formed from the extraction can be seen in the attachment. Total Variance Explained results show that of the 48 indicators included in the factor analysis, there are 13 factors formed because of the factors numbered 1 to 13 have eigenvalue ≥ 1 . While indicator number 14 has eigenvalue of 0.911. It can be concluded that this research has 13 indicators that most optimal.

5) *Factor Interpretation*: After forming a factor through the Total Variance Explained process, the next step is to interpret the factors formed by looking at the component matrix table showing the distribution of 13 factors formed on 48 overall indicators. The value listed in the component matrix table is the loading factor, which shows the magnitude of the correlation between a variable with the factors that are formed. The results of the factors can not be interpreted because the variables that exist only collect on one or several factors are not comprehensive. For that factor rotation needs to be done.

6) *Rotation Matrix*: Rotation of this factor aims to get a clear view of the value of loading for each variable against the factors that exist. This interpretation is based on the largest loading value of each variable on the factors that exist, so a variable will enter in the factor that has the largest loading value, after a large comparison of the correlation of each line. The results of the factor rotation process can be seen in the attachment sheet 4. Based on the Rotation Matrix table formed 13, namely:



The model that has been proposed as reference model in this research is [22] model and Sirota & Louis (2005) model which then analyzed to form a new model which is more appropriate to describe factors affecting employee engagement of Y Padma Hotel Bandung.

With the formation of 13 factors, it can be determining the level of employee engagement then it has answered what the research's question. Of these thirteen factors can also be used as a reference to improve employee engagement. What has been done by Padma Hotel Bandung so far through the provision of remuneration as a form of extrinsic motivation was already appropriate. However, remuneration is not the only factor determining the level of employee engagement but there are also other factors that influence management strategy in Padma Hotel Bandung. need to consider the thirteen factors (as well as item indicators). Getting justice from management becomes the first factor determinant of the high level of employee engagement of Y genes. Justice

in question is fair both psychologically and economically.

Equity in the psychological aspect in the form of the creation of comfortable working conditions and obtain adequate facilities and tailored to the position of employees. Equity in the economic aspect is fair in terms of work load in accordance with the level of remuneration received.

Knowing factors influencing employee's employee engagement level make Padma Hotel Bandung has a more directional pattern in improving programs that increase employee engagement. This suggests that there needs to be a policy approach from management to increase emotional attachment between employees and organizations.

VI. CONCLUSIONS

The level of employee engagement Y gene in Padma Hotel Bandung included in high category that is equal to 76.756%

Factors affecting the level of employee engagement Y gene at Padma Hotel Bandung are as follows: equity, personal resources, leadership, dedication, achievement, absorbtion, kinship, earnestness work, teamwork, uneasy feeling, unyielding, vigor, and Task alignment

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The Potency of Intellectual Property Rights (IPRs) Regimes on Two Kinds of Small and Medium Enterprises (SMEs) Industries

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Abstract--- The industrial sector in Indonesia was dominated by small and medium-scale enterprises (SMEs). In the Malang Raya region, there were two kinds of major group of SMEs industries, namely processed foods and handicrafts. Each of group indeed has a specific of Intellectual Property Rights (IPRs) regimes. This study was to obtain the information of IPRs regime on two groups of SMEs industry. The data were collected from 2015 to 2016 in 84 SMEs in Malang Raya region. The 42 industries were categorized on processed foods and 42 industries of handicrafts. The results showed that were 12 kinds of products in the processed foods industry. Most of them were potato and cassava chips products. While, in the crafts group, the gypsum industries were dominants. The potency of IPRs regimes in the processed food industry was reached 21.4% (patent 16.6% and industrial design 4.8%). While, in the handicraft industry, the potential IPRs regimes were reached 45.3%, which was dominated by copyrights (33.3%) and followed by patent 4.8% and industrial design 7.2%. This study was also indicated that the potential of IPR regimes on SMEs was high enough, so in the future, they need coaching for awareness the importance of IPR regimes.

Keywords-- copyrights, handicraft, processed foods, industrial design, IPR regimes, patent

I. INTRODUCTION

Intellectual Property Rights (IPRs) is a legally instrument that protects rights to a person or organization for all the results of creativity and the embodiment of intellectual works produced. IPRs also grants the owner rights to enjoy the economic benefits of ownership of such rights. The results of intellectual works in practice may be tangible inventions in the field of technology or creation in other fields. From another point of view, the IPRs is a monopoly right granted to rights owners, subject to restrictions on applicable laws and regulations. The object of intellectual property is the intelligence, the power of thought or the product of human thought [1].

In line with the growing recognition of IPRs in the international world, so nowadays IPRs become an important issue regarding the international economic cooperation. Countries that have not adequate protection against IPRs will face on trade difficulties since they lack of fair competition, and will also resulting on low international trust to invest. By the provisions of the legislation, IPRs proprietary is entitled to use, reproduce, publish, give permission, and utilize such rights through license or agreement; including to prohibit other parties from using, reproducing and/or announcing such intellectual works.

In the National Development Plan of Indonesia, the government emphasizes on the development of business support programs for SMEs, entrepreneurship development programs and competitiveness [2]. The government has been given the attention to SMEs because SMEs has a very important role in the national economy defense. The role of SMEs in Indonesia was enormous and has been proven to save the national economy on the 1997 economic crisis. The recovery of the economic crisis has run through for seven years, and several studies have shown that the Indonesian economy did not rely solely on the role of large enterprises, but SMEs had proven to be relatively better compared with larger-scale enterprises [3].

Many efforts had been made by the government to improve the role of SMEs in the implementation of IPRs, but until recently it was not achieved encouraging results. The low number of registered IPRs from the growing number of SMEs was indicating the lack of attention of SMEs to generate the innovative of new findings. However, actually

the activities of SMEs had been going on so far in the field, so it was also had the potential of IPRs regimes to develop.

Malang Raya region is the region that covering Malang city, Malang regency and Batu city. This area is the part of East Java Province of Indonesia wherein developed quite rapidly, especially in terms of population number. This situation was make many universities both state and private located here, and prospected also for developing of tourism industry. From the preliminary data showed there were two groups of SMEs industry that has been developed rapidly in Malang Raya region that consist of processed foods and handicrafts. The objective of this study was to describe the potential of various HKI regimes in two major groups of SMEs industry at Malang Raya region. *The IPRs regimes*

In general, Intellectual Property Rights (IPRs) are divided into two categories, namely Copyright and Industrial Property Rights. Copyright is an exclusive right of the author or the grantee of the right to announce or multiply his creation or giving permission to it without prejudice to restrictions according to the law (Act Number 19/2002: article 1, paragraph 1). Meanwhile, Industrial Property Right includes Patent, Trademark, Industrial Design, Layout Design of Integrated Circuits, Trade Secret, and Plant Variety Protection.

Copyright is a right granted to the author for the literary and artistic work produce. The primary goal of the copyright is to protect the creation and to support and reward of the creativity. A patent shall be an exclusive right granted by the state to the inventor of his invention in the field of technology. This is for a certain period to use his invention or to give his invention to another party to implement it (Act Number 14/2001).

A patent is IPR regime that related to technology. The patent grants is the exclusive right of the inventor to obtain the economic benefits of his invention in the field of technology over a period. This exclusive right is granted to reward the inventor due to produce a patent has spent time, cost, energy, and ideas. Patent information can help make decisions when choosing strategies to research or develop the new products. If there is a

technical problem, there is no better way to find a solution except by looking for other patent information [4]. Understanding the patent is important for researchers or innovators to avoid infringement of IPRs, especially on patent rights.

Trademarks are markings of images, names, words, letters, numbers, color arrangements or combinations of those elements that have a distinguishing ability and are used in goods or service trade activities generally (Act Number 15/2001).

Industrial Design is a creation of the shape, configuration, or composition of lines or colors, or mixed of lines and colors, or a combination thereof in the form of three-dimensional or two-dimensional that give the impression of aesthetic and can be realized in a three-dimensional or two-dimensional pattern and can be used for produce a product, goods, industrial commodity, or handicraft (Act Number 31/2000).

A trade secret is an information that is prohibit known by the public in the field of technology and/or business, also has economic value because it is useful in business activities, and kept confidential by the owner of the Trade Secret (Act Number 30/2000). Unlike other IPRs regime, trade secrets are not for public known freely. Trade secrets are protected as long as the information is not "leaked" by the trademark owners.

Integrated Circuit is a product in the form of finished or semi-finished, in which there are various elements and at least one of these elements are active elements, partly or entirely interconnected and formed in an integrated semiconductor material intended to produce electronic function (Act Number 32/2000).

Plant Variety Protection, defined as a group of plants from a one of plant variety or plant species which is characterized by plant shape, plant growth, leaves, flowers, fruits, seeds and expression of genotypic characteristics or combinations of genotypes that can be distinguished from the similar plant variety or certain species by at least one determinant traits and the plant characters unchanged when reproduced it (Act Number 29/2000).

The legal foundation of IPR in Indonesia began with the issuance of Act Number 21 of 1961 on

trademark. Then, followed by the issuance of Act Number 6 of 1982 on copyright. Thereafter, followed by the issuance of several Government Regulations and Ministerial Decrees. Indonesia has ratified the approval of the World Trade Organization (WTO) through Act Number 7, 1994. Indonesia has agreed to enforce the agreement with all its annexes. Appendices relating to IPRs are the Trade Related Aspects of Intellectual Property Rights (TRIPs), containing norms and standards of protection for intellectual works. In line with the entry of Indonesia into WTO membership and ratified several international conventions in the field of IPRs, Indonesia has aligned several laws and regulations on IPRs. In the field of patent, the highest legal foundation and other legal foundation is Act Number 14, 2001 regarding Patent (State Gazette of the Republic of Indonesia Year 2001 Number 109). This act was implemented on 1 August 2001, consisting of 17 chapters and 139 chapters.

The Government of Indonesia realizes that understanding of IPRs in the industrial field is very important, and therefore the government continuously encourage the industry practitioners to conduct the development of product quality and enforce of IPRs registrations. Development in various fields of industry is not to be achieved without the support of creativity and innovations cultures of industrial societies. This industrial culture will make the research and development activities can produce various of technologies related to the industry needs. Creative and innovative cultures will come up and develop only in a society that respects, established and protects of IPRs.

A. The role of SMEs to Indonesian economy

Indonesia has experienced a monetary crisis in 1997 and expanded into a multi-dimensional crisis since it caused the decline of various economic activities of the people in the form of disruption of production, distribution and consumption activities. These problems have had an impact on increasing unemployment and the number of poor people, both in urban and rural areas [5]; [6]. The economic crisis has a wide impact on the Indonesian economy, causing the decline in activities of almost all sectors including in the industrial sector.

However, SMEs have taken an active role in the economic crisis of Indonesia. SMEs could survive, moreover its role was increasing and very clearly proven in supporting to survive Indonesian from an economic crisis. At that time, SMEs was strong of a business model that could recover quickly from the economic crisis compared to the large-scale of enterprises that had collapsed at that time.

SMEs basically refer to stand-alone productive enterprises, conducted by individuals and/or individual business entities or business entities with their respective criteria. According to Act Number 20, 2008, the differences between micro, small and medium enterprises are based on net wealth and annual sales results. The important role of SMEs was not only in the economic crisis past time but also SMEs have a very strategic role regarding on various aspects in the economic recovery. First, the amount of SMEs industry is huge and existing in every sector of the economy. Second, SMEs has a great potential in creating more employment opportunities when compared to the same investment in larger-scale enterprises. Third, the contribution of SMEs in the contributions of GDP is quite significant and, fourth to contribute the country's foreign exchange by a fairly stable export value.

The role of SMEs was very important in the national economic persistence. The main roles were in aspects such as increased employment, equity of income, rural economic development, and increased non-oil exports [7]. Two hundred and thirty million more population were scattered in places with unique geographical arrangements in Indonesia territory, and an abundance of natural resources potentially to be processed into business and industrial materials, so making SMEs the right choice as a means of prospering the people. Moreover, since the inter-island infrastructure was limited, which makes the economy impossible to be done only by big companies, so SMEs could take control of the economy [5]. Data from the Indonesia Ministry of SMEs showed that number of SMEs in 2006 as much as 48 822 925 or 99.77% percent of the total business holders in Indonesia.

The characteristics of SMEs industries were micro-scale, spread throughout Indonesia, labor-intensive, relatively small investment and generate

high added value. Then, low entry barriers (using simple to mid-level technology, and do not require high skills), the source of creating new entrepreneurs, the high degree of flexibility in anticipating the dynamics of market changes and resilience to the economic crisis [5]. *The importance of innovation in business development*

The most important character of entrepreneurship was the ability to innovate [8]. Without innovation, a business will not long operate; since the needs, desires, and requests customers will always change. Customers will not always consume the same product. Customers will look for other products from other companies that can satisfy their needs. For that reason, it needs continuous innovation if the company will go further and still run the business.

Innovation was anything related to goods, services or ideas that were felt new by someone. Although the idea has long been there, it can be said that innovation its just saw or felt it new by someone. A company can innovate in the areas of: a) product innovation (goods, services, ideas and places); and b) management Innovation (work process, production process, finance, marketing, etc.). The innovation needs to pay attention to the following principles: a) analyzing of opportunities; b) what to do to maximize the opportunity; c) simple; d) goal; e) starting from a small; and f) leadership.

According to Hills [9] defines innovation as an idea, practice or object considered new by an individual or another user unit. Suryana [10] states innovation: "as the ability to apply creativity in order to solve problems and opportunities to enhance and enrich life". Keeh [11] explains innovation was very important because there were the following reasons: 1) Technology was changing very rapidly as new products, processes and services emerge from competitors, and this encourages entrepreneurial efforts to compete and succeed. We had to do in adjust to new technological innovations. 2) The effect of environmental changes on the product life cycle was getting shorter, which means that the old product or service had to be replaced with a new one in a short period, and this could happen because there were creative thinking that leads to innovation. 3) Consumers actually were smarter

and demand fulfillment. Customer hopes fulfilling needs more high demand regarding quality, renewal, and price. Therefore, innovative skills were needed to satisfy the needs of consumer that would keep customer as a customer. 4) With the rapidly changing market and technology, a good idea could be more easily replicated, requiring new, improved product usage, new and improved processes, fast, and continuous services. 5) Innovation could lead to faster growth, increase market segments, and create better corporate positions.

II. METHODS

Research activities were conducted in 2016 in two small potential industry groups of SMEs in Malang Raya region. The group consists of food processing and handicraft industry. Each group was selected from 42 samples of SMEs, so totally data obtained from 84 samples of SMEs. The various types of SMEs that included in the SME group of processed foods industry were consisted of potato and cassava chips, fruit chips, tempeh chips, and other chips (meatballs, mushrooms, etc.). And, fruit juice and another processed foods from fruit; crackers; pancake powder; candy; herbs and herbal drinks; bread; and spices. Afterward, the SMEs of handicraft group consisted of: onyx stone crafted; leather; gypsum; metal; wood; mask; brown sugar; webbing; painting shoes; lanterns; handicrafts and batik. Data were obtained by using field observation and in-depth interview by visited locations. The respondents were consisted of the community of the SMEs industry owners in Malang Raya region. The samples criteria were determined by purposive sampling for each of industry group in the sampling areas (with initial data obtained from the local office of Industry Department). The activities carried out through several stages, included: 1) data mapping; 2) selection of sample; 3) preparation and propagation of questionnaires; 4) administration preparation (correspondence for institutions and industries, letter of assignment for enumerators, certification of industry, etc.); 5) training of survey enumerators; 6) data collection to agencies; 7) field survey and, 8) data analysis and interpretation.

III. RESULTS

Table I showed that the type and potential of each IPRs regime of SMEs processed foods in Malang Raya region. In this group data was obtained from 12 kinds of SMEs industry consisted of potato and cassava chips, fruits chips, tempeh chips, and another chips (meatballs, mushrooms, etc.). Then, fruits juice, another processed foods made from fruits, crackers, jelly leaf powder, medical herbs, herbal drinks, breads, and spices.

From the total of sample observed, the potential of IPRs regime from processed food industry groups were reached 21.4%. Patent (16.6%) was dominated in the IPRs regime followed by Industrial Design (4.8%). In the term of products from processed foods, fruits processed (*dodol*, *wingko*, etc.) and jelly leaf powder were had potential 50% of IPRs regimes which were categorized in the patent (method, process,

region. The potential of SME handicraft market in Malang Raya region was high enough because this area was developed into tourism destination area. The various types of SMEs that were included in the group of handicrafts consisted of onyx crafts, leathers, gypsums, metals, woods, mask, brown sugars, webbings, painted shoes, lanterns, handicrafts, and batiks.

From the total of data samples, the potential of IPRs in handicrafts industry group was reached 45.2% (higher than the processed food industry group). The most potential of IPRs regime in the handicrafts industry group was the copyright (33.3%), followed by industrial design (7.14%) and patent (4.76%). The highest percentage of IPRs regimes potential was in painting industry (100%) as a copyrights regime, followed by batiks and leathers industry (75%) were consisted of patent and copyrights regimes. So, based on the total data indicated that SMEs industries of processed foods

TABLE I. THE TYPES OF SMES PROCESSED FOODS INDUSTRY AND POTENTIAL OF EACH IPRS REGIME AT MALANG RAYA REGION

Type of SMEs processed foods industry	Number of SMEs	IPR regimes					Total	Percentage
		Patent	Copyrights	Industrial Design	PVP			
Potato and cassava chips	6	2	-	-	-	2	33.3	
Fruits chips	5	-	-	1	-	1	20.0	
Tempeh chips	5	-	-	-	-	0	0	
Other chips products (mushrooms, meat balls, etc.)	3	1	-	-	-	1	33.3	
Fruits juice	2	-	-	-	-	0	0	
Other kinds of processed foods from fruits (<i>dodol</i> , <i>wingko</i> , etc.)	2	1	-	-	-	1	50	
Crackers	3	-	-	1	-	1	33.3	
Jelly leafs powder	2	1	-	-	-	1	50	
Candy	3	-	-	-	-	0	0	
Medical herbs and herbal drinks	3	-	-	-	-	0	0	
Breads	5	2	-	-	-	2	40	
Spices	3	-	-	-	-	0	0	
Total	42	7	0	2	0	9	21.4	
Percentage	-	16.6	0	4.8	0	21.4	-	

composition). In the fruits chips and crackers industries there were any potential on IPRs of industrial design, particularly on equipment design and new design of crackers template model.

Table II showed the type and potential of each IPRs regime on SMEs handicrafts in Malang Raya

were not any potential to copyright regime (Table I). While, handicraft industry group was more dominant on copyright potential than another IPRs regimes, particularly on patent and industrial design.

IV. DISCUSSION

SMEs basically refers to stand-alone productive businesses, conducted by individuals and/or individual business entities or business entities with their respective criteria. The differences in criteria between small and medium-sized businesses were based on net wealth and annual sales (Act Number 20 of 2008). The two groups of SMEs in Malang Raya region that have a potential of IPRs regimes were processed food and craft industry. This was very closely related to the development of the city of Malang as a city of education and tourism. So, the largest potential for business activities were universities students and tourists.

The SMEs has large potential in mobilizing the economic activities of the community, as well as a main source of income of most Indonesian people in improving their welfare. Handicrafts industry was the SMEs industry sub-sector that becomes the backbone of Indonesia's economy. The position of SME handicrafts has very strategic in the Indonesian economy due to a large number of business units (\pm 3.4 million SMEs), and absorbed the labor morethan 8.5 million [5]. The existence and role of SMEs were very significant. The number of SMEs in Indonesia was reached 51.36 million business units in 2008. Its meant that reaching 99.99 percent of the national business

national foreign exchange and national investment [12].

Data from BPS showed that in 2005, small industry and home craft industry (IKKR) in Indonesia was reached 2.7 million business units and was absorbing 6.5 million of labors (60.22%) from all of workers that required by the industrial sector as a whole. Meanwhile, from the survey on 2004 conducted by Indonesia Central Berau of Statistics [13], there were 17.14 million non-legal businesses except on agriculture and fishery field categories, which employed 30.55 million people [13]. Various reports also noted that in 2005 the potential of SMEs on webbing industries were reached 631,993 business units by absorbing labor as much as 1 254 491 people, and produced the production value around Rp. 4.91 trillion or more, and has an export value more than US \$ 17.34 million.

Naturally, SMEs holders have a strategy to adjust their ability to maintain their business. Only a few of SMEs that implemented the strategy on business development to increase their business forward [14]. The number of SMEs that used defend strategy reached millions. The defensive strategy was chosen by many of the SMEs eventhough they were operated their business in

TABLE II. THE TYPES OF SMES HANDICRAFTS INDUSTRY AND POTENTIAL OF EACH IPRS REGIME AT MALANG RAYA REGION

Type of SMEs handicrafts industry	Number of SMEs	IPRs regimes					Total	Percentage
		Patent	Copyrights	Industrial Design	PVP			
1. Onyx cruits	3	-	-	1	-	1	33.3	
2. Leather	4	1	2	-	-	3	75	
3. Gypsum	6	-	1	2	-	3	50	
4. Steels	2	-	-	-	-	0	0	
5. Woods	4	1	2	-	-	3	75	
6. Mask	4	-	-	-	-	0	0	
7. Brown sugar	2	-	-	-	-	0	0	
8. Webbing	5	-	3	-	-	3	60	
9. Painted shoes	2	-	2	-	-	2	100	
10. Lantern	3	-	1	-	-	1	33.3	
11. Handicrafts	3	-	-	-	-	0	0	
12. Butik	4	-	3	-	-	3	75	
Total	42	2	14	3	0	19	45.2	
Percentage		4.76	33.3	7.14	0	45.2		

holders (Planning Bureau Ministry of SMEs, 2008). The others contribution of SMEs were in the absorption of labor, the formation of national gross domestic product (GDP) national, increasing

decades as the profession but it was not different condition from the initial run when they started the business. Many of the SMEs were not able to survive, finally they apply the strategy to make

bankrupt their business to avoid more losing of money.

The existence of SMEs could not be separate with IPRs regimes. Started from the products that were resulting from the business activities, then the technology used, and the design of each product produced, as well as the use of trademarks or service for the purpose of the marketing of the products. The Indonesia government has tried to raise awareness of SMEs on the importance of IPRs issues, especially on SMEs that engaged in creative industries. This was intended to protect the SMEs so they could grow more rapidly and avoid plagiarism. It is important to SMEs and other companies to take advantage of various IPRs regimes in the development of their business. Recently around tens millions of technologies could be accessed freely, so the SMEs could learn, utilize, develop, and then register its IPRs when they need further.

To know the regimes of IPRs for protected the SMEs existence, so first we need to understand what the IPRs potency that exists in a business activity of the SMEs. In general, the potential of IPRs regimes that exists in SMEs business activities covered copyright, trademarks/services, industrial design and patents (common and simple). Obviously, the needs of IPRs protections were not always similar for every business activity of SMEs. In the future, it is expected to encourage IPRs-oriented research and development program on SMEs. So, in the long term it could be implemented its IPRs protection.

The various factors that caused a low number of IPRs granted on SMEs could be traced from the various of possibilities. For examples, ineffective socialization among institutions especially on SMEs. It was still low awareness for IPRs enforcement, so there were still many plagiarisms and violations of IPRs regimes, also still low awareness of innovation creativity where it would strengthen national science and industrial competitiveness actually.

In generally, our study was indicated that the potential of IPR in two groups of SMEs industries (processed foods and crafts) in Malang Raya region was high. The most potential of IPRs regimes that found in SMEs of processed foods industry was

patent. As for the group of SMEs craft, the most potential was copyrights regime. However, the existing of SMEs generally were not understood the importance of registration of IPRs for the development and sustainability of their business. For example, the low understanding of IPRs regimes caused by the opinions that registration fees of IPRs regime was expensive and IPRs benefit aspects were not been felt by SMEs community, so the interest to register industrial property right was still very low.

V. CONCLUSIONS

According to this study showed that in Malang Raya region was found 12 kinds of product of processed foods of SMEs industry. Most of them were potato and cassava chips products. While, in the other groups that were crafts group with the most of industry on gypsum industry. In the processed food industries were identified the potency of IPRs regimes reached 21.4% (patent 16.6% and industrial design 4.8%). While, in the handicrafts industries were reached 45.3% of IPRs regime potency, which was dominated by 33.3% of copyrights and followed by patent potential 4.8% and industrial design 7.2%. This study also indicated that the potential of IPR regimes on SMEs was high enough, so in the future, they need coaching for awareness the importance of IPRs regimes.

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