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**“Sustainability Development in Achieving Economic
Independence”**

**October 13, 2017 – October 14, 2017
Padang, West Sumatra, Indonesia**

Editor

**Dr. Rahmi Fahmy, SE, MBA
Heru Aulia Azman, S.Sos, MM, Ph.D
Handoko, S.S, M.Hum**

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LPTIK Universitas Andalas

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TABLE OF CONTENTS

| Name | Title | Page |
|--|--|------|
| Almasdi | <i>Entrepreneurial Index of Farmers Applying Specialization and Diversification Farming System: Case Study of Vegetable Farmers in Kabupaten Agam</i> | 1 |
| Anas Mukhsin Osman, Nor Azilah Husin, Hendra Lukito, Khairi Ariffin | <i>Conceptualising The Framework For Healthcare Employee Loyalty in Malaysia Hospital</i> | 9 |
| Anggi Pratama Nasution, Abdul Hasyim BB, Solly Aryza | <i>The Effect of Independence a Fact & in Appearance a Maintaining Independence Attitude on Internal Auditor of The Financial and Development Consultative Agency (BPKP) North Sumatera Province</i> | 19 |
| Anggiat Sinurat | <i>Policy Analysis of Special Economic Zone Sei Mangkei Development Agroindustry in Perspective Rural Urban Linkage</i> | 26 |
| Aries Tanno, Anne Putri, Isteti Murni, Afriyeni | <i>Investor Reaction To Real Earnings Management For Tax Avoidance (The Case Of Indonesia)</i> | 42 |
| Darus Altin Dony Yanuar, Vehtasvili, | <i>Measurement Popularity and Site Content Website of State-Owned Enterprises Shariah Banking in Indonesia</i> | 54 |
| Dona Amelia Juarsa Badri | <i>Information Availability and Regulation Enforcement to Support 3R (Reduce, Reuse, Recycle) Waste Management Program in Bukittinggi</i> | 66 |
| Eka Mariyanti, Nor Azilah Husin | <i>The Relationship of Leadership Style and Employees Commitment in Padang Sharia Hotels</i> | 77 |
| Felicita Yii Meei Yong | <i>Case Study: Challenges at a Rural School in This 21st Century</i> | 84 |

| | | |
|--|--|-----|
| Harryanto Gani, Yulia Hendri Yeni | <i>The Effect of Situational Normality and Information Privacy Concerns Towards Trusting Belief in Electronic Retailing</i> | 90 |
| Lovelly Dwindah Dahan, Alfatory Rheza Syahrul, Vella Anggresta | <i>Analysis of Implementation of Financial Reporting on Micro Small and Medium Enterprises (UMKM) in Padang City</i> | 101 |
| Lucy Chairael, Fitria Rahmi | <i>Impact and Affect Internal Factor to ICT Adoption in Padang SMEs</i> | 110 |
| Mellyna Eka Yan Fitri | <i>Social Media Use by College Students Relationship to Gpa</i> | 121 |
| Naufal Firdan Alluthfi, Rahmi Fahmy | <i>The Role of Learning Orientation as Mediating Variable in The Relationship Between Transformational Leadership and Employee Performance</i> | 130 |
| Nidia Anggreni Das | <i>Analysis of Factors Affecting the Income Smoothing in LQ45 Index in Indonesia Stock Exchange in 2014-2015</i> | 138 |
| Prima Yulianti, Mellyna Eka Yan Fitri | <i>The Evaluation of Student Achievement of Behavior Learning and Student Learning Motivation in Padang</i> | 143 |
| Ratnawati Raflis, Elsa Yulianda | <i>The Influence of Firm Size and Institutional Ownership Structure on Corporate Social Responsibility</i> | 150 |
| Rahmadhona Fitri Helmi | <i>Government Website Usage by officials manager In Implementation of Public Information Disclosure Law For Realization of Good Governance (Case Study: Padang City Government And Padang Pariaman Local Government)</i> | 156 |
| Riri Putri Dika | <i>Factor Analysis Affecting Dividend Policy in Syariah Capital Market, Jakarta Islamic Index (Jii) Evidence : Indonesia Stock Exchange</i> | 165 |

| | | |
|---|---|-----|
| Sari Octavera, Yunus Wau | <i>The Effect of Corporate Social Responsibility, Good Corporate Governance, and Intellectual Capital to Financial Performance (Empirical Study On Lq45 Stock Index Listing On Indonesia Stock Exchange in The Period 2012-2016</i> | 174 |
| Siska Lusia Putri, Yunike Saputri, Lisa Ermita, Febrizen Bufef | <i>The Influence of Word of Mouth to Consumer's Decision for Purchasing TOTO in CV. ABC</i> | 189 |
| Sri Langgeng Ratnasari, Gandhi Sutjahjo | <i>Effect Of Work Experience, Training And Education Level To Educational Staff Performance.</i> | 195 |
| Stefany Vennysha | <i>The Effect Of Professionalism And Organizational Commitment To The Auditor's Performance With Job Satisfaction As A Intervening Variable</i> | 211 |
| Sulastri Asniati | <i>The Influence Of Data Quality, Security Control Of Ais, Management Commitment To Quality Of Accounting Information With Quality Of Ais As Intervening Variable In Bank Perkreditan Rakyat Of West Sumatera</i> | 225 |
| Ullya Vidriza, Nasri Bachtjar, Sofyardi | <i>Analysis Of Socio-Economic Factors Affecting Infant Mortality Rate In Indonesia</i> | 235 |
| Upita Anggunsuri | <i>The Legality of A Startup Company To Be A Public Company</i> | 252 |
| Vita Fitria Sari, Fadhilah Sukma | <i>A Comparative Study Of The Benefits Of Accrual Basis And The Cash Towards Accruals Basis In Local Government Internal Decision-Making</i> | 260 |
| Wahyu Indah Mursalini Tafdil Husni, Masyhuri Hamidi, Endrizal Ridwan, Arfimasri | <i>Analysis of Cash Conversion Cycle and Sales Growth to Liquidity</i> | 266 |

| | | |
|--|---|-----|
| Yimmi Syavarde Heliyani | <i>Analysis of Conductor Shareholding Conductor Behavior in Bukittinggi Traditional Markets</i> | 272 |
| Yofina Mulyati | <i>The Influence Of Halal Label and Brand Ambassador on Purchasing Decision Of Cosmetic Wardah in Padang City</i> | 283 |
| Yola Malinda, Nilma Desri Rosya, Putri Meliza Sari | <i>Analysis of Land Conversion and Its Impact To Farmer's Income</i> | 292 |
| Yulia Risa | <i>Juridical Review of High Levels of Divorce at Solok City In 2016</i> | 302 |
| Yulna Dewita Hia | <i>Effect Of Product Differentiation, Service Differentiation and Personal Difference on Business Performance of Creative Industry Sub Industrial Sector Craft in Padang City</i> | 307 |
| Zulkiflee Abd Rahim, Abu Dzarr Muhammad Rus, Halimi Bin Poniran, Mohd Reza AbdolGhani | <i>The Colours Of Sports Organization Fringe Benefit In Malaysia</i> | 316 |

Entrepreneurial Index of Farmers Applying Specialization and Diversification Farming System: Case Study of Vegetable Farmers in Agam Regency

Almasdi

*Sekolah Tinggi Ilmu Ekonomi H.Agus Salim,
West Sumatra, Indonesia
almasdi.stiehas@gmail.com*

ABSTRACT

This research intends to discover the level of entrepreneurship of vegetable farmers in six sub-districts in Agam Regency, especially farmers who plant the agricultural system of specialization and diversification. Type of research this is explanatory research employing 200 respondents taken by quota sampling proportionally. Farmer entrepreneurship level is measured using the Entrepreneurship Behavior Index (EBI). The result indicates that farmers who specialize in vegetable crops have higher levels of entrepreneurship than vegetable farmers who prefer to diversify (intercropping) systems in vegetable cultivation equal to 15.1% compared to 7.9%. Level of entrepreneurship of farmer vegetable within the medium category shows that specialized vegetable farmers is 8.1% while diversified vegetable farmers is 3.5%. The overall level of entrepreneurship of vegetable farmers in six districts in Agam Regency in the category in the medium category that is equal to 69%. The implications of this study that the entrepreneurial spirit vegetable growers is a variable that can provide reinforcement for the implementation of specialized cultivation systems. This means that if the entrepreneurial ability of farmers can be significantly improved, then with the application of specialized cultivation systems in vegetable crops, farmers will be able to create value-added products or produce derivative products from vegetable commodities produced.

Keywords: *Entrepreneurial Index, Specialized Farming Systems, Diversified Farming Systems*

I. INTRODUCTION

Agam Regency is one of agriculture area that has fertile soil compared to other area that lay in West Sumatera Province with the average temperature 20-33 C and rainfall 2,712,0 mm and average raindays day 227 days, (Agam Dalam Number, 2016). Located is in the middle of the Bukit Barisan surrounded by volcanoes such as Mount Singgalang, Mount Merapi and Mount Tandikek known as Tri Arga.

Geographically this situation is highly profitable for farmers. The farmers can grow various types of plants both hard and vegetable plants. From the past until now the people of Agam Regency, especially the regency of East Agam prefer to grow vegetables rather than planting hard plants.

Types of vegetable commodities they grow are mostly cabbage, eggplant, potatoes, carrots, beans, celery, onions, onions, carrots, eggplant, chilies and so on. Based on data on Agam In Figures 2015 and Agricultural Census in 2013, in Agam Regency the number of Farmers' Households reached 26.14 million rupiah, and the number of Horticultural farmers of 6.34 million rupiah or 37.40 percent with total farmers 55.33 percent are Gurem farmers who manage the land under 0.5 Ha.

From the above data it appears that farmers prefer to grow vegetable rather than planting other crops. There are many reasons for them choosing to grow vegetables on every farm they own. One is the natural factor that makes them choose vegetables as commodities, the level of soil fertility, high rainfall and climate support so the choice of vegetables as plants that they develop.

According to Ruttenberg (1971), the cultivation system based on rotation intensity can be classified into specialized farming system and diversified farming systems. In an economic perspective, agricultural diversification contributes to the diversity of available input and output constraints in the market, so that farmers can avoid price risks, harvest risks, supply risks and profit risks (Mcnamara and Weiss 2005). Related to specialized agriculture systems, Yang and Liu (2012), in his research tested 3 models that can be employed by farmers to utilize and market their agricultural products which are: autarky model (consumed and not exchanged), specialized and traded model of agricultural production, and model specialization of production organized with cooperative organization.

Farmer's decision to adopt specialized farming system or diversified farming system is dealing with safety-first principle argued by Scott (1976). He argued that farmer basically are risk averse, constantly transferred from the subsistence orientation farming system.

Another interesting point from observations in the field for almost two months (last month of September and November 2016) and interviews conducted with farmers discovered that farmers planting vegetables not only plant one type of vegetable commodity during the growing season, but they grow vegetables in different types of commodities. They develop certain types of vegetables. This means that they are not focused on just planting one type of vegetables all the time. This sort of thing is caused by several considerations such as market demand, price factor, certain planting season of commodity and other profit considerations.

The independence of farmers to determine the choice of commodity and planting system is affected by these factors that can generally be categorized into three main factors, i.e. market factors, entrepreneurial capacity and internal factors of the farmers themselves. The entrepreneurial spirit (entrepreneurship) is not merely owned by entrepreneurs but can be owned by anyone who thinks creatively, and acts innovatively from any circle, including farmers. The essence of entrepreneurship is the ability to produce something new and different through creative thinking and innovative action to find opportunities, (Hisrich, et, al, 2009 in Manurung, 2013).

The fundamental problem in improving the capability of farmers' entrepreneurship is the low quality of human resource of farmers. The entrepreneurial spirit and entrepreneurship capability of the relatively weak farmers is one of the socio-economic factors that prevents the development of farmers' self-potential in managing productive farming in rural areas. In addition, farmers who have not and lack ability of entrepreneurship is always difficult to manage and develop farming by applying the system of optimum specialization cultivation and the development of business diversification productively amid the potential of abundant local's resources environment.

II. METHODS

This research is explanatory research t by searching and collecting some data to get a picture, clear facts about things, situation exist in research object. This research was conducted in several sub-districts of Agam Regency namely: Tilatang Kamang Sub-district; Baso,; Canduang, Banuhampu, Sungai Pua, and IV Koto. The method used to determine the number of samples for each sub-district taken by a proportional system of total farming populations present in the six sub-districts. Furthermore, to determine the number of samples, the researcher uses the quota system, that is the number of 200 vegetable farmers on the basis of the consideration that the sample size in a good study ranges between the smallest sample is 30 and the largest 100, (Dayan, 1984). Farmer entrepreneurship level is measured by using Entrepreneurship Behavior Index (EBI), K. Balasaravanan et al. (2012):

$$EBI = \frac{\sum_{i=1}^n SEV_i}{\sum_{i=1}^n MSEV_i} \times 100$$

EBI = Entrepreneurship Behavior Index

SEV = Score in Entrepreneurial Variable

MSEV = Maximum Score on Entrepreneurial Variables

The Entrepreneurship Behavior Index (EBI) in addition will classify level of entrepreneurship attributed to the farmers into five classes depending to the score result of EBI calculation level:

| NO | Behavior Index | Criteria |
|----|----------------|-----------|
| 1 | Less than 20 | Very Low |
| 2 | 20-40 | Low |
| 3 | 41-60 | Moderate |
| 4 | 61-80 | High |
| 5 | Above 80 | Very High |

Source: K. Balasaravanan et al. (2012)

III. RESULTS AND DISCUSSION

The farming system conducted by vegetable farmers in the six sub-districts studied is divided into agricultural systems of specialization and diversified farming system. Specialization System (one type of plant) namely: Chilli; Carrot; Red onion; Coles, Beans, Long beans, and Eggplant. While the type of diversified vegetable plant (Tumpang Sari), such as: green onion-chilli-Tomato; Sawi-cabbage-celery; Broccoli- green onion-carrot; cabbage-onion-celery-Carrots; Tomato-Onion-Sawi-Salada, and others. The choice of Specialization or Diversification by is done more by consideration of: high selling value (price); Expertise of farmers in processing as well as difficulty level of care from the plant, land area and risk, because vegetables are not durable and easily damaged.

Table 2. Population, and Farmers in Research Areas

| No | Districts (Research Area) | Amount Population | Amount Farmers | Farmers Vegetable | Sampel |
|---------------|------------------------------|----------------------|-------------------|----------------------|--------|
| 1. | Banuhampu | 39.415 | 18786 | 13,475 | 37 |
| 2. | Sungai Puar | 24002 | 21.637 | 16.932 | 46 |
| 3. | IV. Koto | 22.970 | 17886 | 14.211 | 38 |
| 4. | Canduang | 22.162 | 15,548 | 10.236 | 28 |
| 5. | Tilatang Kamang | 35.720 | 13774 | 8.172 | 22 |
| 6. | Baso | 33.182 | 14684 | 10,548 | 29 |
| Amount | | 154,481 | 102.315 | 73574 | 200 |

Source: Activity Report of Technical Implementation Unit (UPT) Implementing Institute for Agricultural Extension, Fisheries, Forestry and Food Security (BP4K2P) in 2015 from each research district.

The largest number of vegetable farmers is found in Sungai Puar sub-district, among 21,637 farmers as 16,932 people are vegetable farmers. This number reaches 23.01% of the total number of farmers in the Sub-district. Followed by District of Banuhampu, among 18,786 farmers as many as 13,475 people are vegetable farmers. This amount reached 18.32% of the total number of farmers in Banuhampu.

Table 3. Level Entrepreneurship Based on Cultivation System

| No | Cultivation System | Level of Entrepreneurship Capability | | | | | Total |
|----|------------------------|--------------------------------------|-------------|------------|-------------|----------|------------|
| | | <20 | 20-40 | 41 - 60 | 61 - 80 | > 80 | |
| 01 | Diversification | 17 | 84 | 4 | 9 | 0 | 114 |
| | Percentage | 14.9 | 73.7 | 3.5 | 7.9 | 0 | 100 |
| 02 | Specialization | 12 | 54 | 7 | 13 | 0 | 86 |
| | Percentage | 14.0 | 62.8 | 8.1 | 15.1 | 0 | 100 |
| 03 | Total | 29 | 138 | 11 | 22 | 0 | 200 |
| | Percentage | 14.5 | 69.0 | 5.5 | 11.0 | 0 | 100 |

Source: Processed from primary data.

The data shows that among of 200 farmers sample, there are 69 percent of vegetable farmers have low entrepreneurship level, and 14.5 percent of farmers are in the category of very low level entrepreneurship or it can be said that 83.5 percent of farmers Vegetables in this area have low levels of entrepreneurship. Only 11.0 percent have high entrepreneurship level, and 5.5 percent are moderate.

The index figures implies that in general rural areas, especially vegetable farmers, the level of entrepreneurship capability of farmers is not much developed, all farming activities run and done traditionally, based on the only experience. Even if there are rational considerations in producing a vegetable crop, it is largely determined by consideration of natural and land conditions, as well as market demand and ease of care elements. Small amount of farmer acts of innovation and creative thoughts made and produced farmers on the commodity produced.

According to the selected culture system, vegetable farmers in six districts shows that the farmers who do system specializes in vegetable crops have high levels of entrepreneurial ability is higher (on all levels of the category) than from vegetable growers who choose to exercise diversification system (intercropping) In the cultivation of vegetable crops. Nevertheless, overall as illustrated above data that 83.5 percent entrepreneurial attitude of vegetable farmers in the cultivation of vegetable crops are at relatively low category level.

Although it has been illustrated that overall 83.5 percent of entrepreneurial level of vegetable farmers in six research areas are in low category, but there are still 2 to 4 peasants with high entrepreneurial spirit in some vegetable species in more detail can be seen the description of entrepreneurship level Farmers on several types of vegetable crops, in the following table:

Table 4. Entrepreneurship by Some Types of Vegetable Crops

| No | Types of Vegetable Crops | Level of Entrepreneurship Capability | | | | |
|----|--------------------------|--------------------------------------|-----------|-----------|-----------|------------|
| | | <20 | 21 - 40 | 41 - 60 | 61 - 80 | > 80 |
| 1 | Chili | 8 | 29 | 6 | 4 | 0 |
| 2 | Carrot | 4 | 9 | 2 | 3 | 0 |
| 3. | Bean | 4 | 10 | 0 | 2 | 0 |
| 4 | Tomato | 3 | 8 | 1 | 0 | 0 |
| 5 | Eggplant | 4 | 10 | 0 | 1 | 0 |
| 6 | Spring onion | 2 | 9 | 0 | 3 | 0 |
| 07 | Sawi | 1 | 11 | 0 | 2 | 0 |
| 08 | Red onion | 2 | 7 | 1 | 3 | 0 |
| | Total | 28 | 93 | 10 | 18 | 149 |
| | Percentage | 18.8 | 62.4 | 6.7 | 12.1 | 100 |

Source: Processed data from primary data

The table discloses that level of entrepreneurship of farmers who planted vegetable commodities both by farmers adopting a specialization system and farmers who implement the diversification system in the main product of vegetable commodity, there are 12.8 percent of cultivated farmers are having entrepreneurship spirit level of medium category and 8.5 percent are classified as high. In other words, there are 4 peasants out of 47 sample farmers who have high entrepreneurial spirit. This data suggests the innovation and creative thinking of generated commodities by the regular development of such products or derivative products, such as from chili to milled peppers and dried chili although most of them are 78.7 percent His entrepreneurship is low categorized.

At Carrot plants, there are 16.7 per cent (3) farmers have high levels of entrepreneurship, characterized by the management of the results in the form of "packing" after a good carrot sorting process and cleaning, then sold in stores, such as Super Market, Mini Market. The table shows 72.2 percent of entrepreneurship levels are relatively low.

Furthermore, the plant Beans, the situation is not much different from the previous crop which is 12.5 percent of the high category, because there are farmers who also do further processing of beans produced in the form of packing after processing was clean, although the 87.5 percent rate of entrepreneurial category Low of 16 sample farmers. While the tomato plants, there are only 8.3 percent of the 12 farmers who have high levels of entrepreneurial samples that are or just one person, the remaining 91.7 per cent lower. In *eggplant* plants, too, only 7.7 percent (1) having a high level of entrepreneurial farmers of 15 samples, the remaining 93.3 percent of low category.

The level of entrepreneurship for onion plants is 23.1 percent, only 3 farmers are categorized as having a high level of entrepreneurship, this is effected by the process of sustainability of commodities produced from Red Onion into "Fried Bawang", then in packing for Sold, but 69.2 percent of low-onion farmers. Similarly green onion there are 21.4 percent marked by 3 farmers who have high entrepreneurship level, mostly 78.6 percent with low entrepreneurship ability.

It appears that farmers have a high level of entrepreneurial namely chilli plant and Carrots, Onions and Shallots Leaf followed Beans plant, Sawi and eggplant. Perhaps in this type of crop there is little improvement in product quality with the use of a simple technology (process) that does not require special skills, because of the complexity of this type of plant care.

Table 5. Level of Entrepreneurship by research area

| No | Research Area | Level of Entrepreneurship Capability | | | | | Total |
|----|-------------------|--------------------------------------|-------------|------------|-------------|----------|------------|
| | | <20 | 20 - 40 | 41 - 60 | 61 - 80 | > 80 | |
| 1 | Banuhampu | 5 | 17 | 5 | 10 | 0 | 37 |
| 2 | Sungai Puar | 6 | 35 | 3 | 2 | 0 | 46 |
| 3 | IV. Koto | 5 | 23 | 1 | 9 | 0 | 38 |
| 4 | Canduang | 4 | 22 | 1 | 1 | 0 | 28 |
| 5 | Tilatang Kamang | 4 | 17 | 1 | 0 | 0 | 22 |
| 6 | Baso | 5 | 24 | 0 | 0 | 0 | 29 |
| | Total | 29 | 138 | 11 | 22 | 0 | 200 |
| | Percentage | 14.5 | 69.0 | 5.5 | 11.0 | 0 | 100 |

Source: Processed from primary data

Based on the data in the table, sub district Banuhampu is an area that has the highest number of farmers' entrepreneurship with high category level. This is illustrated in which 27.0 per cent (10) of 37 samples of farmers in this region have a high level of entrepreneurial. Likewise on IV Koto subdistrict area, which is 23.7 percent of farmers have a high level of entrepreneurial category.

The research also shows that in the six districts of this study area, the most popular vegetables for farmers are Chillies followed by Carrot, Beans, Egg, Tomato, Leek, Red Onion and Sawi. This is due to the high market demand for these vegetable commodities, especially chili and carrots, in addition to price factors, profitability factors and harvesting period and ease of care and farmers' savings.

IV. CONCLUSIONS

The entrepreneurial capacity of farmers who apply a specialization system is higher than that of farmers implementing diversification systems in vegetable crops. The entrepreneurial spirit of vegetable farmers is a variable that can provide reinforcement for the application of specialization cultivation system. This means that if the entrepreneurial ability of farmers can be further improved, then with the application of a system of cultivation specialization in vegetable crops, farmers will be able to create value-added products or produce derivative products from vegetable commodities produced.

To strengthen the ability of entrepreneurship spirit, need to be given more extended and effective training and information not only limited to cultivation, but more to the processing of derivative products, then increased to the managerial stages, both resource management, finance and product marketing, so that farmers can be able to grow into entrepreneurs. Alternatively, the effort to improve the entrepreneurial capacity of farmers is to increase relationship and partnership sharing ideas of discussion and for information among farmers and agricultural activities to have mutual benefit cooperation.

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Conceptualising The Framework for Healthcare Employee Loyalty in Malaysia Hospital

Anas Mukhsin Osman, Nor Azilah Husin, Hendra Lukito
University of Selangor, Malaysia
nor_azilah@unisel.edu.my

ABSTRACT

Excessive workloads, burnout and stress, drive high hospital turnover rates. Hospitals require skilled, reliable and loyal workforce to provide efficient and continuous patient care. When staff leave, patients suffer and the bottom line too. Overworked nurses leave the hospital, putting more pressure on the ones left behind. Many factors that drive hospital turnover include a small sense of control over job performance, feeling ill-respected, lack of clarity surrounding the job role, lack of career opportunities and poor communication with management regarding critical work issues. The staff's decision to leave relate to the behaviour of managers. This phenomenon suggests that organisational factors and the hospital's Human Resource (HR) function have a role to play in reducing staff turnover. Communicating the employees' role, rewarding superior performance, introducing personalised career development programs and minimising the time spent on administration are all tools that address staff loyalty. However, there's no one size fits all. Turnover in hospitals has high numbers and high costs. Based on the literature, we found that employee loyalty is a solution for high healthcare turnover. The primary factor that leads healthcare employees to quit their jobs is organisation commitment, job satisfaction and rewards.

Keywords: *Employee Loyalty, organisational commitment, job satisfaction, rewards, healthcare*

I. INTRODUCTION

Hospital staffs are approved and given privileges to provide health care to patients in a hospital or other healthcare facility. Medical staff may work full time or part time and may be employed by the installation or granted admitting privileges to practice (WHO, 2017). A hospital is a healthcare facility services to diagnose and treat the sick or ill patient. It is a health institution providing patient treatment with an organising specialised medical, nursing staff and medical equipment. The key roles for staff in a hospital can be categorised into doctors, nurses, allied health and support staff. All these people will play a major role in your treatment and recovery.

Hospital employee turnover is a cause of concern for healthcare organisations as it bears implications on the quality of service provided to the patients. Employee

turnover refers to the process of employees leaving an organisation and having to be replaced (Roslan, Manaf, Filzaton, & Azahadi, 2014). High employee turnover results in increased costs in selection, recruitment, orientation and training. It also affects organisational productivity as well as morale and motivation of remaining employees. Employee turnover is often found to be negatively correlated with job satisfaction. Factors have an impact on a healthcare organisation's capability to provide quality patient care.

Recent research and practice on the field experience demonstrate that healthcare institutions can create the more improvements in patient care and satisfaction levels by improving employee engagement (Palmer & Perkin, 2014). Rewarding the contributions and effort of an employee would reflect on the job, higher engagement levels correlate to employees that are willing to go the "extra mile". In all industries, engaged employees are committed to an organisations goals, mission and vision. Thus, tend to have better rates of retention.

Background of study

Malaysia healthcare system is divided into the public and private sector. The government-funded public healthcare contributes patients to pay a nominal sum for treatment. Fees for private healthcare services are paid adequately by the patients, employers or insurance companies. The number of specialist hospitals, clinics and dental surgeries has increased tremendously in Malaysia over the last decade, and both private and public healthcare sectors are still expanding.

In August 2011, there were 145 public hospitals, 2,880 health clinics and 165 mobile health clinics nationwide. In the private sector, there were 217 private hospitals, 34 maternity and nursing homes, 36 ambulatory care centres and 6,442 medical clinics. The value of Malaysia healthcare industry is estimated at around USD\$8.4 billion with total expenditure on healthcare estimated at 4.75% of gross domestic product (GDP). Government and private funding currently account for around 55% and 45% of total health expenditure in Malaysia, respectively (Liw, 2012).

Table 1 Statistics regarding hospitals, nurses and medical assistant in Malaysia

| Year | Public Hospital | Private Hospital | Public Hospital | | Private Hospital | | Total Number | | Professional Population | |
|------|-----------------|------------------|-----------------|-------------------|------------------|-------------------|--------------|-------------------|-------------------------|-------------------|
| | | | Nurse | Medical assistant | Nurse | Medical assistant | Nurse | Medical assistant | Nurse | Medical assistant |
| 2008 | 136 | 209 | 45 060 | 8 648 | 14 315 | 766 | 59 375 | 9 414 | 1:477 | 1:3 007 |
| 2009 | 137 | 217 | 47 992 | 9 556 | 21 118 | 794 | 69 110 | 10 350 | 1:410 | 1:2 738 |
| 2011 | 138 | 220 | 50 063 | 10 289 | 24 725 | 873 | 74 788 | 11 162 | 1:387 | 1:2 595 |
| 2012 | 140 | 209 | 56 089 | 10 902 | 28 879 | 944 | 84 968 | 11 846 | 1:345 | 1:2 477 |
| 2013 | 141 | 214 | 56 503 | 10 641 | 32 664 | 1 867 | 89 167 | 12 517 | 1:333 | 1:2 374 |
| 2014 | 142 | 184 | 59 364 | 11 305 | 33 317 | 1 468 | 92 681 | 12 773 | 1:325 | 1:2 356 |

Source: Ministry of Health, Malaysia Source: Ministry of Health, Malaysia

The table above shows there is an increase of one hospital in the public health sector annually. The trend did not follow to the hospital in private sector as two to four hospitals increase annually. In 2014, there is a reduction of twenty private

hospitals in total. This reduction is due to MOH hospital strict Hospital Licensing Registration and Hospital Zoning. There is an increase of (2-3) % of Nurses and Medical Assistant recruitment annually in the Public health sector. There is an increase of (5-10) % of Nurses and Medical Assistant recruitment annually in the Private health sector. The growth of hospitals number reduces the Profession population per hospital ratio. The increase of hospital number should align together with additional Profession community. Medicine and Science Health schools must generate more Professionals annually to sustain the healthcare provider populations.

Malaysia government has to improve healthcare refurbishment of hospitals, building and equipping of new hospitals, increasing the number of clinics, training of the current human resource in the healthcare and explore further the usage of telehealth (Idrus, 2015). An improved hospital has an emergency department to treat urgent traumatic health problems with scores of beds for intensive care and additional beds for patients who need long-term care. The medical facility smaller than a hospital is called a clinic. Hospitals have a range of departments and specialist units such as cardiology, orthopaedics, paediatrics and much more. Hospitals have outpatient departments, and some have chronic treatment units. Support units cover to a pharmacy, pathology, physiotherapy, ambulatory, Biomed engineering and radiology.

There are four types of hospitals in the public sector under the Ministry of Health (MoH), which are district hospitals, state general hospitals, national referral centres and unique institutions. Then there are several non-MoH hospitals. Each state has one state public hospital except for the state of Sabah, which has two. The National Referral Centre is at the highest level of hospitals in the hierarchy. These hospitals have 2,800 beds and are located in Kuala Lumpur. Healthcare services clinical quality backbone is the healthcare staffs. These hospital staffs are medically qualified, trained, skilled and knowledgeable. The realistic equation to this situation would be higher staff turnover leads to lower quality of care. The Institute of Medicine (IOM, 2000) defined the quality of attention as ‘the degree to which health services for individuals and populations increase the likelihood of desired health outcomes and are consistent with current professional knowledge’.

Developing a safe Malaysian healthcare system necessitates the institutionalisation of a culture of quality and safety. One of the ways that this can be achieved is through the implementation of Patient Safety Goals, which focus our attention on key areas for patient safety (Noor Hisham Abdullah, 2016). Patient safety can be defined as the avoidance, prevention, detection and amelioration of adverse outcomes or injuries stemming from the process of health care. Also, it also refers to the amelioration of adverse outcomes or injuries. It also includes the need to care for injured patients and to support the unfortunate staff involved. However, this does not solve the healthcare professional from individual accountability for the demonstration of a high level of expertise.

To ensure patient complaints and other grievances are dealt with in an effective quality manner, the same management has various mechanisms to address these complaints such as in-hospital reviews with cause analysis and when indicated, independent investigations (Jeyaindran Sinnadurai, 2017). Efforts were taken to ensure that staff are up to date with the current medical advances. Hospital management has implemented various activities to ensure continuous professional development such as continuous medical education (CME) and continuing professional development (CPD).

Problem statement

Hospitals require a skilled, reliable and stable workforce to provide adequate and continuous patient care. When staff leave, patients suffer and so does the bottom line (Thompson, 2013). Feeling overworked creates a no control over work because to fight the rule is to accept it. Overworked nurses leave the hospital, putting more pressure on the ones left behind. Other factors that drive hospital turnover include a small sense of control over job performance, feeling ill-respected, lack of clarity surrounding the job role, lack of career opportunities and poor communication with management regarding critical work issues. Turnover in hospitals has high numbers and high costs (Long, 2015).

Hospital managers face challenges to ensure in retaining their skills and experienced employees. By applying this, patient safety and quality of health care improved. Many determinants are affecting the performance of healthcare services. Staff competency level, leadership style, organisational cultures, working environment, team cohesiveness and compliance with international standards. All the mentioned, have been considered variables that affect the outcomes of hospitalised quality.

Table 2 Turnover intention

| Job designations | Yes (%) | No (%) |
|---------------------------|----------------|---------------|
| Dental Nurse | 17.0 | 83.0 |
| Medical Lab Technologist | 12.9 | 87.1 |
| Assistant Medical Officer | 17.5 | 82.5 |
| Dispenser | 14.7 | 85.3 |
| Radiographer | 17.0 | 83.0 |
| Physiotherapist | 22.1 | 77.9 |
| Medical Attendants | 9.1 | 90.9 |
| Medical Officer | 40.6 | 59.4 |
| Pharmacist | 38.8 | 61.2 |
| Dentist | 39.8 | 60.2 |
| Tutor | 33.9 | 66.1 |
| Medical Specialist | 36.3 | 63.7 |
| Community Nurse | 11.3 | 88.7 |
| Staff Nurse | 18.5 | 81.5 |
| Total | 22.2 | 77.8 |

The above table shows Medical Officers are the lowest level of loyalty values in the hospital. Apparently, it seems. Clinicians are among the least of loyalty to stay in the hospital. Employees with a medical license and professional certificate are the

most sort after by other healthcare organisation. Medical attendants are the highest loyalty values in the hospital. Medical Lab Technologists, Community Nurse and Dispenser are also among the highest reliability value. Annually, there is a mass of production of nurses, dispensers and Medical Technologists graduated from Medicine and Science school. This group of loyalty employee appreciate their career in the hospital and plan to expand within the healthcare organisation.

Research in quality improvement helps professionals, researchers and healthcare providers to improve the quality of care in their organisations (Mu'taman Jarrar, Hamzah Abdul Rahman & Mohammad Sobri Don, 2015). Improving patient care has always been a healthcare priority, and now the study is to focus directly to the hospital staff turnover affecting hospital quality. In the healthcare line, experienced healthcare workers ensure high-quality care and patient satisfaction. This scenario can be obtained through loyal employees. Interactions between healthcare staff and patients can often determine the patient satisfaction measures that influence the healthcare quality provided.

The importance of this study is to determine and measure the interactions between the healthcare staff's loyalty and hospital staff engagement. A high-quality treatment can convert a single visit into a loyal customer relationship or ensure a one-time customer—the patient/ employee relationship now determines a significant portion of the financial viability for healthcare organisations. Healthcare organisations must find ways to improve employee's loyalty to better the quality of patient care through employee and patient interactions. Employee engagement may be the single best way to make these improvements.

A major challenge faced by the hospital management today is retaining the hired employees in its organisation. Satisfying the human sources is one of the toughest tasks which majority of the manager's faces. Understanding and knowing what is going on in the human mind is complicated to understand. Besides there are so many opportunities available for the skilled as well as talented human resources that it is becoming very tight as well as difficult for the employers to satisfy and retain them. There is no single strategy or retention plan which may meet every employee in an organisation. As we have different personalities as such, we have different demands and expectations from the organisation (Das & Baruah, 2013). Hospital staffs are constantly leaving, but the number of patients is uprising constantly. Hospitals need to start thinking of strategies for employee retention if they want to keep their workers from leaving.

Research Objectives

The general objective of this research is to inspect the relationship between organisation commitment, job satisfaction and reward to encourage loyalty among employee in the healthcare industry. Hiring a qualified and talented workforce and implementing a program to retain these employees is a fundamental component of successful quality workforce planning.

Research Question

The following are the research question for this study:

- a) Does organisational commitment have a significant relationship with employee loyalty in healthcare?
- b) Does job satisfaction have a significant relationship with employee loyalty in healthcare?
- c) Do rewards have a significant relationship with employee loyalty in healthcare?

Hypotheses of Study

- H1: There is a significant relationship between organisational commitment and employee loyalty.
- H2: There is a significant relationship between job satisfaction and employee loyalty.
- H3: There is a significant relationship between rewards and employee loyalty.

Significance of Study

This study provides information on the determinants of hospital staffs loyalty particularly on the rewards, organisation management commitments, job satisfaction and rewards. Furthermore, this study would be a review of hospital staff commitment capacity based in Klang Valley, Northern, Southern and East coast Malaysia regions. This research will be the significant moving forward in promoting safe work environment and thus increasing the time of service of staff in the organisation. As a case scenario, understanding the needs of healthcare staff and the benefits of retaining clinically qualified teams, various portfolios from healthcare industry can maintain their competitive advantage in providing the best health services quality. Moreover, this research can to make recommendations on how to retain staff based on the right issues and problems.

II. METHODS

Organisational commitment

Employees' disloyalty is a dangerous phenomenon, and the findings of nurses exit destinations are crucial because they serve as the direction for nurses retention strategies which include professional development opportunity through training, education and staff mobility. The findings of the study also provide meaningful guidance for healthcare organisations, particularly the Malaysian private healthcare sectors along with nursing education institutions in initiating appropriate tactics to retain nurses in the country and profession (Wai Mun Tang, & Abdul Rahman Idris, 2016).

A study on organisational factors (leadership, pay level, and advancement opportunities) as antecedents of turnover intention among nurses is studied by (Alhamwan, Mat, & Al Muala 2015). This study showed that organisational factors

(leadership quality, pay level, and career advancement) are related to turnover intention. Alhamwan et al. (2015) shed light on the activities of human resource management such as work conditions, stress management, and development of anti-turnover policies. The finding that evidenced the relationship between organisational factors and turnover intention has implications on the above activities. This information may help human resource professionals to assess work conditions and identify the source and reason behind turnover. Specifically, employees experiencing weak leadership quality, pay level, and advancement opportunities are susceptible to negative behaviour such as turnover intention. Moreover, studies dedicated to examining organisational factors (leadership, pay level, and advancement opportunities) have largely been ignored (Shukri & Ramli, 2015). Her paper aimed to assess the organisational structure and performances through Balanced Scorecard of Malaysian private hospitals and to link the findings to be a responsible private hospital. The main findings revealed that the majority of the private hospitals that adopt Balanced Scorecard are highly centralised and formalised. These private hospitals subscribed to formalised rules and written formal procedures to ensure the management and governance of health providers act in accord with espoused values. As such, there is a legitimate link to improved performances within this sector on the key aspects: internal business processes, patient quality services, safety and satisfaction, organisational learning and growth, and financial. Thus far, despite the evidence from this study that can be attributed to becoming responsible healthcare providers, drivers used which incorporate responsibility, integrity, accountability and transparency in assessing performances can be taken up.

Organizational commitment is said to be a significant issue to be looked into since it is a popular belief that the more committed employee is, the more likely he or she will stay loyal to the organisation. Khatijah Omar and Marhana Mohamed Anuar (2012) found in their study regarding organisational commitment mirrored the previous findings in that it revealed a significantly negative relationship with the intention to leave. However, as for the individual dimension of organisational commitment, the only affective commitment was found to be significantly and inversely related to the intention to leave among Malaysian public hospital nurses; continuance commitment and normative commitment were found to be not significantly and negatively related to the intention to leave among Malaysian public hospital nurses. This study extends past literature in the area of intention to leave in such a way that it provides empirical evidence and helps to increase the understanding of the relationship between organisational commitment and intention to leave.

Job satisfaction

One of the most recent studies on job satisfaction is done by Choi, Goh, Muhammad Badrul Hisyam Adam and Tan (2016). They probed into a knowledge gap in nursing management research regarding the causal relationships among perceived transformational leadership, empowerment, and job satisfaction amid medical assistants and nurses in the selected hospitals in Malaysia. Apparently,

causal mediation analysis was performed to examine whether empowerment mediates the relationship between transformational leadership and job satisfaction. Their study suggests that transformational leadership positively influences job satisfaction among medical assistants and nurses. This paper also proves that employee empowerment is necessary for enhancing job satisfaction. Thus, the empowerment factor not only positively affects job satisfaction but also mediates the relationship between transformational leadership and job satisfaction. Overall, the findings emphasise that policy intervention must cover both transformational leadership and empowerment to enhance job satisfaction among medical assistants and nurses.

Another study by Liu, You, Chen, Hao, Zhu, Zhang, & Aiken, (2012) examines the antecedents of job satisfaction among nurses in the healthcare industry. Past studies have also supported that there is a significant relationship between leadership style, psychological empowerment and job stress with job satisfaction. Gradually, this will decrease the nurses turnover intention. By conducting this research study, it provides necessary information and knowledge to human resource personnel and nurses' supervisors. Since this study also highlights the importance of the antecedents in order, this will enable healthcare industry management to emphasise the more important factors in a view to retain nurses and reduce turnover intention in the healthcare industry.

Chew, Ramli, Omar, and Ismail (2013) found a part of healthcare employee, and clinicians were normally satisfied with their working conditions regardless of the location or place of their clinics. Clinical residents had the least job satisfaction. Male primary healthcare professionals and novices in primary healthcare may need more support for motivation. Further research with a more representative sample population is needed to confirm the findings of this preliminary study. More researches are needed to quantify the factors causing anxiety and dissatisfaction in Clinical residents to improve their training experience. Primary healthcare and its professionals in this country needed more attention and support for their essential function in primary care.

Rewards

Rewards play a major role in keeping the staff loyal. Yogarabindranath (2016) found intrinsic motivational aspects that improve the psychological well-being of health practitioners have been usurped by an insulated reliance on financial incentives and other external factors. Checked on issues pertinent to the motivation of doctors in the healthcare system in Malaysia. He identifies problem areas that could benefit from interventions focusing on intrinsic motivation. Financial incentives and the deterioration in intrinsic motivation levels partly influence the exodus of healthcare workers from public healthcare organisations to private practice. A multidimensional approach is required to improve intrinsic motivation amongst healthcare workers. Leadership strength, organisational citizenship,

modification of job design, career management, and a democratised work environment are crucial factors to remedy work attitude in healthcare systems.

Jehangir, Sahibzada, Shahidjan, Muhammad Tariq, & Abdul Wali Khan, (2016) confirms that reward and recognition are one of the most important factors to motivate employees. Over the many decades, the reward and recognition system has been employed by many organisations to motivate their employees to retain for the long term. There are a lot of ways employees can be motivated. Further, one particular type of reward may not drive equally everyone. Another person may perceive one person's reward as punishment. To know the appropriate reward/recognition and motivating factors, the present study conducted surveys in two countries, namely Malaysia and UAE. Altogether 504 and 434 employees working in various organisations in Malaysia and UAE, respectively took part in the study. The research data were analysed based on mean, standard deviation, and independent samples t-tests via SPSS 19 version. The results are synthesised and prioritised lists of reward/recognition and motivating factors are obtained for both the countries. A detailed comparison of the findings from the two countries is made. The findings of the research are expected to provide guidelines for developing an appropriate reward and recognition system for motivating employees of the organisation in Malaysia and UAE.

Based on the above literature, the research conceptualises the framework for healthcare employee would be as drawn below:



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The Effect of Independence A Fact & in Appearance A Maintaining Independence Attitude on an Internal Auditor of The Financial and Development Consultative Agency (BPKP) North Sumatera Province

Anggi Pratama Nasution, Abdul Hasyim BB, Solly Aryza
Pembangunan Panca Budi University, Indonesia
anggipratama@dosen.pancabudi.ac.id

ABSTRACT

This paper discussed of the Office of Development Supervisory and Finance (BPKP) North Sumatera Province, by studying at the number of Internal Auditors at BPKP Office, With the aim that BPKP Internal Auditor can maintain the attitude of its independence threat and not easily influenced or favored for individual interest in the audit process which is run under the Code of Ethics and Audit Standards. To overcome this problem, research that tries to explain is whether an Independence in fact and an appearance (Independence in appearance) can be a reference in maintaining the attitude of Indecency Internal Auditor. Tests conducted by taking data use questioner distributed to BPKP Auditor of North Sumatera Province with a sample of 50 people, then the data then processed by using the method of associative analysis. The Novelty showed Independence partially In Appearance has a significant positive effect but Independence, In Fact, has no significant effect and simultaneously Independence In Appearance and Independence, In Fact, have a positive significant effect so it can be concluded that the value of Independence In Appearance or appearance can significantly improve Auditor's independence attitude but different with Independence, In Fact, can not improve the attentiveness of an Auditor which can also be interpreted the position of Auditor Independence BPKP is very unaffected by elements of the values of pressure directly received when an Auditor perform their duties.

Keywords: *Independence In Fact, Independence In Appearance and Indecency Attitude*

I. INTRODUCTION.

A main requirement of the auditor is the independence of both the internal auditor and the external auditor. The public's assessment of the freedom of the independent auditor is not on the whole auditor's self. Therefore, if a separate auditor is negligent or fails to maintain his or her independence, thus it is possible to assume the public that all Auditors are not independent. Such a suspicion may impact the reduced or loss of credibility of the people to the audit services of the separate auditor profession. The Development Finances Supervisory Board (BPKP) of North Sumatera Province is an internal government auditor conducted by the Auditor. In good

governance or commonly called Good Corporate Governance (GCG), BPKP Auditors play an essential role in carrying out administrative management and internal government oversight.

Similarly, Ulum (2008) said: "Internal auditors conducting operational audits, management audits, and performance audits will represent the function as a quality assurance function to take care of management in providing efficiency and effectiveness". Good Corporate Governance (GCG) is one of embodiment in providing good corporate governance. In Indonesia the values of Accountability, Transparency, Responsibility, Independence, and Equality to realize the importance of GCG will continue to be tested in its implementation. The events of the economic crisis in Indonesia in 1998, of course, pointed out the Indonesian community. Financial crisis can occur due to weak enforcement of GCG in Indonesia (Sukrisno, 2011).

The management of companies based on GCG principles is primarily an effort to make GCG as a rule and guideline for corporate governance in managing company management. Implementation of GCG principles at this time is necessary for companies to survive and tight in the face of increasingly fierce competition and can apply the business ethics consistently to achieve a healthy business climate, efficient and transparent. GCG is expected to be a means to make the company better, among others, by impeding the practices of Corruption, Collusion and Nepotism (KKN), improving budget discipline, utilizing supervision, and encouraging the efficiency of management of Regency / City Government.

In the audit assignment there are often conflicts that may affect the independence of the Internal Auditor where the Auditor strives to condition the financial statements made to have a good opinion, while on the other hand, the Auditor must be able to carry out his duties professionally that the auditor should be able to maintain an independent and objective attitude. Furthermore, it is the researcher's thought that Internal Auditor Professionalism is required to maintain the independence in fact and Independence in appearance in reducing or preventing the frauds made by Auditor.

Internal Auditor Independence

Internal auditing is an activity of independent, objective beliefs and consultations designed to add value and improve an organization's operations. The audit helps the organization achieve its goals by adopting a systematic and disciplined approach to evaluate and improve the effectiveness of risk management processes, adequacy of controls and governance processes.

Ideally, the internal auditor is said to be independent if it can perform its duties independently and objectively. With his freedom, allow the internal auditor to carry out his duties impartial. On the other hand, internal auditors face many problems and conditions that confront internal auditors to 'risk' their independence. The internal independence of the auditor will be influenced by the consideration of the extent to

which the internal audit results will impact on the continuity of its work as an employee/worker. This influence may come from management or the internal interests of the internal auditor.

Tugiman (2006: 20) states that "Internal auditors are considered independent if they can perform their work independently and objectively. The independence of internal auditors can provide impartial and unbiased judgments, which are necessary or necessary for proper examination. This can be obtained through the organization's status and objectivity attitude of the internal auditors ". Kharismatuti (2012) argues in his research there are several factors identified can lead to a reduced value of Independence of internal auditors namely Independence in fact (Independence in fact) and Independence in appearance (Independence in appearance).

Arens, Elder, and Beasley (2006: 111) defines an independence in auditing means taking an unbiased viewpoint. The auditor should not be independent in fact, but must also be independent in appearance. This unbiased attitude can be classified in two points of view:

a. Independence in fact (meaning Independence in fact) which means the auditor can really maintain an unbiased attitude throughout the audit.

b. Independence in appearance results from another interpretation of this independence or the ability of the auditor to defend an unbiased attitude in the eyes of others.

Independence in fact according to Siti Kurnia Rahayu and Ely Suhayati (2009: 51) are as follows "Independent, in reality, will exist if in fact, the auditor can maintain an impartial attitude throughout the audit. This is means that as an impartial honesty in planning and expressing his opinion, this means that in considering the facts used as the basis for the acceptance of opinion, the auditor must be aim and not prejudiced ,".

While Independence in appearance by Siti Kurnia Rahayu and Ely Suhayati (2009: 51) are as follows "Independent in appearance results from another party's interpretation of this independence". The auditor shall be deemed not to be independent if the auditor has a particular relationship (e.g., family relationship) with his client which may arouse suspicion that the auditor will favor his or her clients independently.

II. METHODS

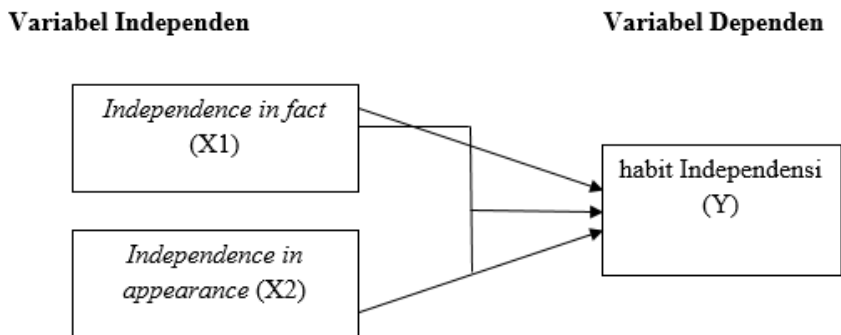
The hypothesis explains the behavior, phenomena or certain circumstances that have occurred or will occur (Erlina and Mulyani, 2007). Based on problem formulation, library review and conceptual framework, hence hypothesis in this research is as follows:

- a. Independence in fact (Independence in appearance) and Independence in appearance influential partially on the Attitude of Independence on Internal Auditor BPKP Office of North Sumatra Province.

- b. Independence in fact and Independence in appearance simultaneously fostering the Independence Attitude of the Internal Auditor of BPKP Office of Sumatera Province.

Empirically the author describes the conceptual framework in Figure 1 below:

Figure 1. Conceptual Framework.



Independence (Y) is thought to be either directly or indirectly influenced by independent variables (X) namely Independence in fact (X1) and Independence in appearance (X2)

- a. The higher / lower Independence, in fact, the higher / lower the Independence Attitude.
- b. The higher / lower Independence in appearance, the higher / lower the Independence Attitude.

This research can be regarded as causal research that is to see the relation of some variable that not yet satisfied. Umar (2008) mentions that causal design is useful for analyzing how a variable affects other variables and is also used in experimental studies in which the independent variables are treated in a controlled manner by the researchers to see their effects on their dependent variables directly.

Population and Sample

The population in this research is the Auditor of Development Finance Development Board (BPKP) of North Sumatera Province as many as 50 BPKP Auditors.

Data Analysis Technique

Model and technique of data analysis in this research used multiple linear regression approaches. For the validity of the results of multiple regression analysis was first tested the quality of observation instruments, test the classical assumption test and Hypothesis.

III. RESULT AND DICUSSION.

It can be seen from the table above that the value of validity for all questions Independence In Fact and Independence Attitude is Valid while Independence In

Appearance is only one invalid question that is item number 2 which next value is not used for the next stage.

a. Value Result Validity

Tables 4.1 Value of Result Validity

| Variables | List of Instrument | r value | R Tables | note |
|---------------------------------------|------------------------------|---------|----------|----------|
| Independence In Fact (X1) | Independence In Fact 1 | 0,683 | 0,230 | Valid |
| | Independence In Fact 2 | 0,839 | 0,230 | Valid |
| | Independence In Fact 3 | 0,693 | 0,230 | Valid |
| | Independence In Fact 4 | 0,599 | 0,230 | Valid |
| | Independence In Fact 5 | 0,700 | 0,230 | Valid |
| Independence In Appearance (X2) | Independence In Appearance 1 | 0,401 | 0,230 | Valid |
| | Independence In Appearance 2 | 0,228 | 0,230 | In valid |
| | Independence In Appearance 3 | 0,345 | 0,230 | Valid |
| | Independence In Appearance 4 | 0,406 | 0,230 | Valid |
| | Independence In Appearance 5 | 0,755 | 0,230 | Valid |
| | Independence In Appearance 6 | 0,555 | 0,230 | Valid |
| | Independence In Appearance 7 | 0,668 | 0,230 | Valid |
| | Independence In Appearance 8 | 0,708 | 0,230 | Valid |
| Habit Indepensi (Y) | Habit Indepensi 1 | 0,672 | 0,230 | Valid |
| | Habit Indepensi 2 | 0,378 | 0,230 | Valid |
| | Habit Indepensi 3 | 0,454 | 0,230 | Valid |
| | Habit Indepensi 5 | 0,370 | 0,230 | Valid |
| | Habit Indepensi 5 | 0,508 | 0,230 | Valid |

Based on the results of data normality test by using Kolmogorov-Smirnov test and by looking at the graph test by seeing the significance of Kolmogorov Smirnov value greater than 0.05. From the results of normality test of this study note that Kolmogorov Smirnov value of 0.361 with a significance level of 0.99 which showed the significance of Kolmogorov Smirnov value greater than 0.05, it can be stated that the data has a normal distribution. Table Kolmogorov Smirnov can be seen in Table below:

Tables 2. One-Sample Kolmogorov-Smirnov Test

| | | Unstandardized Residual |
|--------------------------------|----------------|----------------------------|
| N | | 50 |
| Normal Parameters ^a | Mean | .0000000 |
| | Std. Deviation | 1.66565750 |
| Most Extreme Differences | Absolute | .051 |
| | Positive | .051 |
| | Negative | -.038 |
| Kolmogorov-Smirnov Z | | .361 |
| Asymp. Sig. (2-tailed) | | .999 |

Based on the picture above shows that the distribution of data points Independence, In Fact, Independence In Appearance and Attitude Independensi spread around the diagonal line that can be concluded that the data presented can be said to be normal. Then the regression model is suitable to predict the attitude of independence based on the input of the independent variable

The test result that independence, in Fact, has no effect on the Independence Attitude, with this result the auditor should be responded wisely where the BPKP auditor of North Sumatra Province which is the internal auditor of the government has a position that is vulnerable to political pressure and dangerous and "harmless" lure. However, this weak position should not make the audit result to be independent. As stated by Rasyid (2009) that, all parties must dare to overhaul the system in government agencies that encrypt the independence and authority of the internal control apparatus. In the implementation of this independence, in BPKP North Sumatra Province there are constraints where the constraints derived from the self that is not honest, not sincere in the work so it can be tempted by the desired audit. In the sense that independence lies in the conscience and morals. Similarly, Mulyadi (2002) stated that the circumstances that disturb the auditor's independence are as a service seller, often the auditor satisfies his client's wishes.

While Independence In Appearance in menggaruhi Attitudes Independence positive effect. In response to this, of course, Independence is an integral part of the ethics Auditor BPKP. Each profession that provides services to Auditing requires the trust of all users of the service, to keep increasing the value and attitude Independence is expected an Auditor should pay attention to the values of attitude that can be seen by the public so that auditors avoid the habit of carrying out his profession, heart and no wonder of his honesty.

IV. CONCLUSIONS.

- a. Independence, in fact, has no partial influence on Independence on Internal Auditor of BPKP Office of North Sumatra Province while Independence in appearance has the partial influence on Independence on Internal Auditor of BPKP Office of North Sumatra Province
- b. Independence in fact and Independence in appearance simultaneously positively influence Independence on Internal Auditor of BPKP Office of Sumatera Province.
- c. That value of Adjusted R Square 0,319 (0,32) which can be called coefficient of determination which in this case means 32% means that Independence Attitude can be influenced by Independence Fact and Independence In Appearance 32%.

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Policy Analysis of Special Economic Zone Sei Mangkei Development Agroindustry in Perspective Rural Urban Linkage

Anggiat Sinurat

University of North Sumatra, Indonesia

ABSTRACT

*This research intends to determine and analyze: seek the impact of sectoral policies on Sei Mangkei Agroindustry Development on output, gross added value, employment creation and income generation; degree of sensitivity (forward linkages) relevance of Sei Mangkei Agroindustry; dissemination pull factor (backward linkage) of SEZ of Sei Mankei Agroindustry to hinterland (Asahan Regency, Simalungun, Batubara, and Tebing Tinggi) in North Sumatra Province in the perspective of rural-urban linkage. Method of analysis use (**with**) descriptive quantitative, namely: Building Input-Output Matrix Table. There are 14 subsectors of the economy in the Regions that are divided into 3 main sectors, i.e.: Primary, Secondary and Tertiary Sectors. From the 3 sectors, the multiplier of the economic sectors of the Input-Output Table matrices, calculated the magnitude of the impact on Output, Gross Added Value, Employment Creation and Income Generation. The multiplier number, employed in predicting the impact on the hinterland area to achieve dynamic impact analysis results over the next 5 years with the Average Growth Rate. The formulation of policy recommendations is analyzed with the combination of Multiplier, LQ, the Forward and Backward Linkage Matrix. The result of the research concludes: The impact of Output Multiplier in SEZ of Sei Mangkei regional economy capable of creating high output multiplier impact is Export activity, followed by Capital Formation Fixed component. Household Consumption, Inventory Changes, and Government Consumption. The biggest gross value added impacts occur in the Tertiary Sector, followed by the Secondary and Primary Sectors; The impact of employment of SEZ Sei Mangkei's highest employment as a result of the increase in the final demand is Tertiary Sector, followed by the Secondary Sector, and the last of the Primary Sector. Looking at the impact of revenue generated from SEZ of Sei Mankei due to total domestic demand of IDR 4.213 trillion will Generate Revenue of IDR 237.91 billion, will also Create Employment of 6,615 people by 2016. Sector with high spreading resource index is Secondary Sector, and a high degree of sensitivity index is Tertiary Sector. Sectors with low Pull Factor index are Primary and Tertiary Sectors. Sectors with low Sensitivity Degree index's are Primary and Secondary Sectors. The hinterland area as the recipient of SEZ Sei Mangkei impact on the largest Output is Simalungun, followed by Asahan and Batubara, the lowest being Tebing Tinggi. The hinterland area as the beneficiary of SEZ of Sei Mankei for the largest Labor Absorption is Simalungun, followed by Asahan, and Tebing Tinggi. While the lowest is Batubara.*

Investment policy recommendations for hinterland to be impacted by SEZ Sei Mangkei's expansion in accelerating regional growth and development, as follows: potential sector injected investment in Asahan is the Manufacturing and Other Service Sector; Sectors in Simalungun is Administration, Institution and Defense; in Batubara, that is Manufacturing Sector; and in Tebing Tinggi are all sectors which are Secondary and Tertiary Sector.

Keywords: *Policy, Agroindustry, Special Economic Zone, and Rural-Urban.*

I. INTRODUCTION

The development of the Special Economic Zone (SEZ) of Sei Mangkei is based on the location factor advantages according to Weber in Sirozujilam (2011) namely, cost of transportation, labor cost and agglomeration cost which can give profit position optimum.

One of the real form of agroindustry development policy in North Sumatra Province is SEZ Sei Mangkei Development under the name Sei Mangkei-Integrated Sustainable Palm Oil Industrial Cluster (SM-ISPOIC) as expansion of palm oil industry in increasing value added of high quality products (export quality) by PT. Perkebunan Nusantara III (Persero).

In the early stages the project required space as an industrial site covering an area of 104 hectares and will be expanded again to about 2002.77 hectares. To support the project, the Government supports by investing in the development of regional infrastructure such as toll roads, the Sei Mangkei-Kuala Tanjung Railway, and the international hub port of Kuala Tanjung for IDR 2.7 trillion. SEZ Sei Mangkei is a strategic policy of MP3EI Program designed to accommodate more than 200 units of world-class industry that is significant for the realization of the competitiveness of the nation of Indonesia into the future.

Viewed from the Production and Area of Planted Oil Palm Plantation and Plantation of North Sumatra Province in 2011 - 2016, the Production of Oil Palm Biggest Plantations and from the People's Plantation, amounting to 5.42 million tons increased from 2.62 million tons in 2011 to become 5.02 million tons in 2016. and TBS from the people's plantation, amounting to 5.42 million tons in 2011 rose to 5.77 million tons in 2017. CPO from 617,845 tons in 2011 rose to 1,133.853 tons in 2016. Palm core of 111,870 tons in 2011 rose to 210,805 tons in 2017. Similarly, the area of land for oil palm plantations Large estates of 182,720.06 hectares in 2011 rose to 289,944.54 hectares in 2017 while small holdings, of 405,799.34 hectares in 2011 rose to 417,809.00 hectares in 2017.

The investment that leads to SEZ Sei Mangkei is in the form of investment of Indonesian government, State Owned EnteIDRRise (*BUMN*) and Private Investment of Domestic/Foreign Affairs. Total realization of investments entered into SEZ Sei Mangkei for year 2013 - 2017 amounting to IDR 5.10 trillion -. In addition to Unilever Co. Ltd, many foreign investors have indicated interest to invest in building

a factory in Sei Mangkei. Even today, SEZ Sei Mangkei has been described as a pilot model for SEZ development throughout Indonesia (SEZ Sei Mangkei, 2017).

According to BPS publication of North Sumatra and Regency / City in it, the following conditions are known: Since 2011 SEZ Sei Mangkei development, Unemployment Rate (*TPT*) of North Sumatra Province increased from 6.37% in 2011 to 6.71% year 2015. Overall, especially in regencies / cities around SEZ Sei Mangkei, namely Simalungun, Batubara and Tebing Tinggi, except for Asahan Regency which decreased, from 6.14% in 2011 to 5.82% in 2015. Overall in North Sumatra Province, the rate of economic growth fell from 6.63% in 2011 to 5.18% in 2016.

Based on the empirical situation compared to the theory, there is a problem that in the midst of good condition, SEZ Sei Mangkei development performance has not seen significant impact, it seen from socio-economic aspect to hinterland, thus it is necessary to do empirical research on development policy of SEZ of Sei Mankei in perspective of rural-urban linkage.

The research questions are as follows: 1) How often the number of the impact of SEZ of Sei Mankei Agroindustry policy on sectoral economy (output creation, gross added value, labor and income generation of household) in perspective of rural-urban linkages; 2) How much impact of index of Sensitivity Degrees (forward linkages) of SEZ of Sei Mankei to hinterland (Asahan District, Simalungun Regency, Batubara Regency and Tebing Tinggi City) in perspective of rural-urban linkages; 3) What is the impact of the pull factor (backward linkages) of SEZ of Sei Mankei Agroindustry to hinterland (Asahan Regency, Simalungun Regency, Batubara Regency and Tebing Tinggi City) in the perspective of rural-urban linkages.

The implementation of this research aims to: 1) To identify and analyze the impact of sectoral policies on SEZ of Sei Mankei Agroindustry Development on output, gross added value, employment creation and income generation; 2) To know and analyze the degree of sensitivity (forward linkage) of Sei Mangkei Agroindustry; 3) To identify and analyze the pull factor (backward linkages) of SEZ Sei Mangkei Agroindustry.

The results of this study are expected to provide practical and theoretical benefits for the parties that need, namely: government, academic community, researchers, students on the policy of development of Agroindustry in perspective rural-urban linkages.

Given the many issues that can be addressed in relation to this Penetration Problem, the scope of the discussion is limited to aspects of the Sectoral Economy (primary, secondary and tertiary) within the economic sphere of the regional industrial estates and districts / municipalities as their hinterland. To know the impact of SEZ Sei Mangkei industrial area to 4 regions from 33 regencies/cities in North Sumatra Province as hinterland that analyzed by using Input-Output Analysis Method. Also observe the impact of the linkage between the two perspectives of rural

urban linkages. Predict the impact condition for the next 5 years and recommend regional development policy to 4 hinterland areas.

Location Theory

This location theory analysis was initiated by Von Thunen (1826). Least Cost Theories, which is location theoretical analysis based on location selection of economic activity on the principle of minimum cost (Least Cost). This location theory analysis was pioneered by Alfred Weber (1929). Market area theories, which is Location Theory analysis based on the analysis of the choice of location of economic activity on the largest market area that can be controlled by the company. The area of the market is from factory location to consumer location. If the controlled market share is the largest, then the profit rate of the firm becomes maximum. Theory Analysis This location was initiated by August Losch (1954).

Growth Pole Theory

While Markusen in Kuncoro (2002, 24) states that agglomeration is a "non-volatile" site due to external savings. Furthermore, with reference to some of these definitions, it can be concluded that agglomeration is a concentration of spatial economic and population activity that arises because of savings obtained due to adjacent locations. Agglomeration can be explained by several theories, such as: Classical Neo Theory, Dynamic External Theory, New Economic Geography Theory and Growth-pole Theory.

This theory was promoted by Perroux, suggesting growth does not occur in many regions at the same time. Growth takes place only in some places called growth centers. Furthermore, Perroux said, in terms of location of economic development in the area is irregular and tend to occur agglomeration process (Lincoln, 1999).

Tarigan (2005, 102) also said the Growth-pole should have 4 (four) characteristics, namely: 1) There is an internal relationship between various activities that have economic value. 2) The existence of multiplier effect, the existence of interrelated and mutually supportive sectors will create a multiplier effect. 3) Geographical concentration, geographical concentration of various sectors or facilities, in addition to creating efficiency among the sectors that need each other, also increase the attractiveness of the city and 4) The nature of encouraging the growth of the rear.

The development policy of a sector of the economy of the region (region) in such an industry, will have a forward and backward linkages effects (spread effect) in the sector or to other sectors in the region or to another area (hinterland) called interregional linkages. The situation can be analyzed using Input-Output (I-O) analysis tool or SAM analysis (Social Accounting Matrices-SAM) and the other.

Input-Output Analysis (I-O)

The history of economic thought notes that the basic idea of the development of interconnectivity calculations has been done by the French economist Francois Quesnay (1758). He published a *Tableau Economique*, a diagram showing how expenditures can be traced through the economy in a systematic way (Miller and Blair, 1985: 1). Quesnay's work inspires Prof. Wassily Leontief to apply the idea of *Tableau Economique* to the United States economy, which was then popularly known as the Input-Output Table. The best and easiest way to observe interconnected links is to use Table I-O. This table was introduced by Lontief, Chenery and Watanabe (1958). Table I-O analysis is often referred to as an inter-industry linkage analysis because the fundamental benefit of I-O model is to analyze the interdependence of industries in an economy. According to Isard, 1969 in *BPS*, 2008 page 37, several things to note are: 1) Production and dispersion characteristics of industry (single) in each region; 2) The type of relation between the industry itself and the industries with the other economic sectors.

Forward Linkage and Backward Linkage (Derivative Sensitivity)

Syafrizal (2015) says the forward linkage and backward linkage (degree of sensitivity) in the inter-sector economic linkage is also called inter-sectoral integration. Inter-sectoral integration is very important in regional development planning in order to realize the development process that can synergize and mutually support each other. If it can be realized, then the process of economic growth and regional development process will be faster.

Economic Base Theory

With Location Quotient (LQ) this economic activity of a region is divided into 2 groups, namely: 1) Industrial activities that serve the market in the area itself or outside the area concerned (industry basic), 2) Economic or industrial activities that serve the market in that area (non basic) or local industry. This increase in demand will lead to an increase in investment in the industry so that capital investments in the local industrial sector are induced investments as a result of industry basic increases. (Arsyad, 2010: 141).

Theory of Development, Growth and Regional Development

The Concept of Territory, In Law Number 26 of 2007 (UU Nomor 26 Tahun 2007) on Spatial Planning, the territory is a geographical unit of space, together with all elements related to it, whose limits and systems are determined on the basis of administrative and / or functional aspects. Furthermore, the process of growth is consistent with the theory of economic spatial (economic space theory), in which the driving industry is considered as a starting point and is an essential element for subsequent development (Adisasmita, 2005).

Regional development can be considered as a form of positive intervention to development in a region. Effective strategies are needed for an accelerated development. Theoretically the development strategy of the region is classified into

two categories strategies, demand side strategy and supply side strategy (Rustiadi, 2011: 151).

Growth theory has been introduced by economists after Keynes: Evsey Domar (1947) and Sir Roy F. Harrod (1939) known as Harrod Domar Theory, this theory suggests how the economy can grow and develop steadily (steady growth). With this theory showing the rate of output growth (percentage change of output) by using the formula: Growth output (growth) = $\Delta Y / Y$. Where: Y = total output (Arsyad, 2010: 240). To calculate the percentage (%) of growth (often referred to as the growth rate) can be calculated by the formula: $\Delta Y / Y \times 100\%$. Meanwhile, to calculate the average growth can be calculated by adding up the percentage of growth of each observed frequency divided by the number of (t) elements observed. (Sjafrizal, 2015: 157).

The Concept of Public Policy

Thomas R. Dye as quoted by Islamy (2009: 19) defines public policy as "whatever the government chooses to do or not to do". This definition emphasizes that public policy is about the embodiment of "action" and is not a statement of the wishes of government or public officials alone. The policy model is a simple representation of selected aspects of a problem condition that is structured for specific purposes (Dunn, 2000).

The Concept of Agroindustry

Soekartawi (1995) said, agro-industry is part of agribusiness activities, where agro-industry is the processing activities of agricultural commodities. If agriculture is defined as a business that produces agricultural commodities at the primary level, then its relation to industry can be backward-linked or forward-linked.

The Concept of Labor

In this study, the focus of attention from the demographic variable is the structure and process of the population in a region due to the process of population growth (population mobility) and employment. Lee (1996), Todaro (1979) and Titus (1982) as quoted by Mantra (2002) argue that, a person's motivation to move is an economic motive (Mantra, 2002, 186). Lewis argues that economic development in the countries of Western Europe and the United States is closely related to the phenomenon of migration and industrialization, even defined as the migration of labor from rural areas to cities. Lewis's view was criticized by Richard Jolly. quoted by Rustiadi (2011: 219).

The concept of Special Economic Zone (SEZ) in Indonesia

In Indonesia, SEZ institutionalization is regulated in the 2010-2015 National Medium-Term Development Plan of *MP3EI*. Law Number 39 of 2009 on Special Economic Zones and Government Regulation No. 29 of 2012 on Special Economic Zones Sei Mangkei. Sei Mangkei's agroindustry development policy aims to: 1) national economic development based on economic democracy with principles of

togetherness, fair efficiency, sustainability, environmental insight, independence, and by maintaining a balance of progress and national economic unity, 2) maximizing industrial activities, exports, imports, and other economic activities that have high economic value, 3) accelerate regional development, 3). as a breakthrough model of regional development for economic growth, and 4) can create jobs (PP No. 29 of 2009).

II. METHODS

The location of the research is SEZ of Sei Mangkei, located in Bosar Maligas Sub-district, Simalungun Regency. SEZ Sei Mangkei as Zone (urban) while the Regency (rural) is the area around Sei Mangkei (hinterland), namely: Simalungun Regency, Asahan Regency, Batubara Regency, and Tebing Tinggi City in North Sumatra Province - Indonesia.

Based on the type of data, this study includes quantitative research. This quantitative approach departs from the data then be processed into useful information (Kuncoro, 2001). According to the method, this research includes descriptive research. Work model in this research use deductive thinking pattern toward inductive.

Data Collection Procedure

According to this type of data, this study uses quantitative statistical data. According to the data source, this study uses the existing secondary data (as given) and the primary data, so it is the actual statistical data (parameter). Data collection was conducted in two ways, namely secondary survey (documentary study) and primary survey. The unit of analysis of this research is all business operations that live in SEZ Sei Mangkei location.

Data Analysis Technique

To examine and analyze the Sectoral Impact and the relevance of SEZ of Sei Mankei agroindustry development policy to the area around used Input-Output Analysis. Furthermore, the results of I-O analysis applied to PDRB parameters, Computing Revenue for more clearly visible impact to hinterland through forecasting with a formula of growth of the model of Harrold Domar, LQ Model and ranking with Likert Scale. The calculation uses the Microsoft Excel 2003 application computer. In relation to the unavailable I-O Table to illustrate the performance of the SEZ sector economy in Sei Mangkei SEZ, the first model of SEZ Sei Mangkei I-O Tables by modifying the table according to Leontief Model as describe below:

Table 1. I-O Transaction Table with 3 Sectors

| Source Input | Output Allocation | | | | | Total Supply | | |
|-------------------|-------------------|----|----------|----|----------|--------------|-------|--------------|
| | Demand Between | | | | | Finaly | Impor | Total Output |
| | Production Sector | | | | | | | |
| a. Input Between: | Quadrant - I | | | | | Quadrant-II | | |
| Primary Sector | x_{11} | .. | x_{1j} | .. | x_{1m} | F_1 | M_1 | X_1 |
| Secondary Sector | x_{21} | .. | x_{2j} | .. | x_{2m} | F_2 | M_2 | X_2 |
| Tertiary Sector | X_{31} | .. | X_{3j} | .. | X_{3m} | F_3 | M_3 | X_3 |
| | Quadrant-III | | | | | Quadrant-IV | | |
| b. Input Primer | V_1 | .. | V_j | .. | V_m | | | |
| Total Input | X_1 | .. | X_j | .. | X_m | | | |

Source: Tarigan (2004, 98)

To analyze the value of SEZ dynamics, I-O model is used by constructing 3 x 3 matrices (3 rows and 3 columns) because the economic sector in SEZ of Sei Mankei region has been classified into 3 main sectors. Input-Output Transaction Table consists of 4 quadrants. Quadrant I consist of inter-sector transactions that is the flow of goods / services produced by a sector for use by other sectors (including the sector itself). Matrix present in Quadrant I is an endogenous factor, Quadrant-II, III, and IV are exogenous.

Direct Coefficient /Input Coefficient Matrices

For the purposes of the calculation of Impact, first prepared a table of Direct Coefficient Matrices or also called the input coefficient matrix, often called Matrix A or matrix with a_{ij} coefisien where: $a_{ij} = t_{ij} / x_j$. In this case X_j is the total industrial output j. Each coefficient a_{ij} denotes the number of inputs required from sector i per unit of output sector j, and each column A shows the pattern of input purchases by that sector. In matrix notation, the direct coefficient matrix is calculated by: $A = T (Xd)^{-1}$. where d denotes the diagonal matrix, i.e. the element in the main diagonal of x_j with another element of zero (Kuncoro, 2007: 262).

Impact Assessment (Multiplier Analysis)

The Multiplying Matrix is a multiplier that determines the magnitude of the change in the whole sector if there is one sector that changes the amount of the final demand. The Multiplying Matrix is the Inverse Matrix of Matrices (I - A): $B = (I - A)^{-1}$ (3.1). Where: B = Multiplication Matrix; I = Identity Matrix; A = Input Coefficient Matrix, Tarigan (2005, 101).

Analysis of Full factor (Backward linkage) and Degree of Sensitivity (Forward Linkage)

This I-O analysis model is often referred to as a demand-driven model or called a demand side strategy (Rustiadi, 2011: 151). In general the number of impacts posed by sector i on sector j is:

$$r_j = b_{1j} + b_{2j} + b_{3j} + \dots + b_{nj} = \sum_j b_{ij} \dots (3.2)$$

Where : r_j = The total impact of changes in sector I demand on the entire economy (sector j); b_{ij} = Impacts that occur on sector j due to changes in sector i. From the following formula can be calculated the average impact that occurs on the output of each sector as a result of changes in the end demand of a particular sector, namely:

$$Y_j = \left(\frac{r_j}{n} \right) = \frac{1}{n} \sum_j b_{ij} \dots (3.3)$$

Where: Y_j = average impact on output of each sector due to changes in sector end demand i. The output of each sector that changes, due to changing the final demand of a particular sector, can be normalized by finding the average is by using the formula:

$$\begin{aligned} \alpha_j &= \frac{(1/n) \sum_i b_{ij}}{(1/n^2) \sum_i \sum_j b_{ij}} \\ &= \frac{\sum_i b_{ij}}{(1/n) \sum_i \sum_j b_{ij}} \dots (3.4) \end{aligned}$$

Where: A_{ij} is the sector's Interest-Pulling Index and is often abbreviated as i-sector Pulling or sector-pulled powers i. Tarigan (2004, 105-107). From equation 3.4, we can also see the overall impact on sector output 1 (X_1) if the final demand of some sectors has changed. It can be described in terms of equations as follows:

$$s_i = \sum_j b_{ij} \dots (3.5)$$

where: s_i = The number of impacts on sector i as a result of changes in various upstream sectors in the region's economy. Formulas of normalized degrees are as follows:

$$\beta_i = \frac{\sum_j b_{ij}}{(1/n) \sum_i \sum_j b_{ij}} \dots (3.6)$$

where: β_i = Sector-Degree Sensitivity Index i or abbreviated Degrees-Sensitivity Tarigan (2005, 105). Conclusion: If the value $\beta_i > 1$ means the sector has a degree of sensitivity that exceeds the regional average. If the value $\beta_i = 1$ then the degree of sensitivity is equal to the mean of the region (the average of the whole

sector), If the value $\beta_i < 1$ then the degree of sensitivity is lower than the regional average.

Outstanding Sector Mapping Using the LQ Analysis

L.Q. this is comparing: the GRDP of the economic sector for a particular sector in the hinterland region compared to the share of GRDP for the same sector nationally. It can be written by the formula:

$$LQ = \frac{PDRB_i / PDRB_e}{PDRB_1 / PDRB_e} \dots\dots (3.7)$$

From the above formula, it is known that if $L.Q > 1$ gives an indication that the sector is the basic, where as if $L.Q < 1$ means that sector is non-basic.

Forecasting with Growth Analysis and Growth Rate

The results of the mapping of the next sector is predicted to forecast the amount of output, gross added value, labor, and income to see how many shares SEZ of Sei Mangkei share on each component. Output growth (percentage change in output) using the formula: Growth of output (growth) = $\Delta Y / Y$. Where: Y = total output (Arsyad, 2010: 240). To calculate the percentage (%) of growth (often referred to as the growth rate) can be calculated by the formula:

$$\Delta Y / Y \times 100\% \dots\dots (3.8)$$

III. RESULT

The results of the study found Input-Output Analysis Model in a Industrial Area that can be used to analyze the Sectoral Economy of the region (region delineasi functional) and its relevance to the district/city (delineation of determined according administrative Government).

IV. CONCLUSSION

Based the results of data analysis and discussion it can be formulated conclusion as follows:

1. Based on the component of final demand, the largest impact of output creation occurs on fixed capital formation component with total final demand of IDR 6.03266 trillion, then the impact on the creation of capital formation output becomes IDR 4,513 trillion of requests of IDR 3,03259 trillions, followed by export component of IDR 855.49 billion able to create an output of IDR 1.344 trillion, followed by components of household consumption, inventory changes, and government consumption.
2. The ratio of output created to the final demand value of each component of the final demand turns out the export component has the largest ratio, with a consumption value of IDR 855.49 billion has been able to create an entire

sector output of IDR 1.34445 trillion with a ratio of 1.5716 which means every IDR 1,000, - household consumption expenditure able to create output equal to IDR 1,571.6. Furthermore, Fixed Capital Formation component, with demand of IDR 3.03259 trillion able to create an output of IDR 4.51368 trillion, with the ratio of output recorded 1.4884 means every IDR 1,000. The final demand of this Capital Formation component is able to create an output of IDR 1,488.4.

3. Creation of the greatest added value of gross occurs in the tertiary sector, in addition when viewed the ratio of creation of the greatest added value, it also occurs in the tertiary sector. With a request of IDR 978.98 billion, creates added value of IDR 782.89 billion, with a ratio of 0.7997 which means every household consumption expenditure of IDR 1,000, - will create added value of IDR 799.7.
4. The economic sector which has the largest revenue multiplier effect is tertiary sector of 0.2058, followed by the secondary sector of 0.0199. The last is the primary sector, amounting to 0.0072. The impact of revenue generated in SEZ Sei Mangkei due to total domestic final demand of IDR 4,213 billion. So obtained the ratio between the creation of income to the final demand of 0.0565 which means every IDR 1,000, - IDR of final demand able to create income of IDR 56.5. According to the final demand component, the largest impact of revenue creation occurs on the capital formation component with demand of IDR 3,03259 trillion able to create income of IDR 195.29 billion. When viewed from the ratio of income created to the final demand value of each component of the final demand, it turns out the government consumption component has the largest ratio, which is equal to 0.1593. This means every increase of household consumption demand IDR 1,000,- will create income of IDR 159.3. The highest income ratio then comes from household consumption demand, which is 0,0890. While the ratio of income to the final demand of the final component of the lowest demand is the export of 0.0199.
5. Economic sectors that have a multiplier effect of income as a result of an increase in demand between IDR 2,107 trillion will create labor income of IDR 214.96 billion and absorb the workforce of 5,977 people.
6. According to the final demand component, the impact of income and employment creation is the largest in the capital formation component with demand of IDR 3,03259 trillion able to create income of IDR 195.29 billion and absorbing the workforce of 5,430 people. Export component with demand of IDR 855.49 billion able to create revenue of IDR 16.99 billion and absorbing work force of 472 people. Components of household consumption with demand of IDR 172.42 billion can create income of IDR 15.35 billion and absorbing workforce of 426 people. Components of inventory change with demand of IDR 148.77 billion able to create income of IDR 9.64 billion and employed 267 employees. Components of government consumption with

demand of IDR 4.00 billion able to create revenue of IDR 654 million and absorbing workforce of 17 people.

7. The sectors that have the highest forward linkage (sensitivity level) are tertiary sectors with the degree of sensitivity 1.6032. Next the primary sector has the degree of sensitivity 1.2976, and the secondary sector with the degree of sensitivity 1,2333. The three economic sectors of SEZ Mangkei have a high degree of sensitivity, because the degree of sensitivity > 1 . The highest spreading capacity is in the secondary sector with the value of 1.5716, followed by the primary sector of 1.3108 and the tertiary sector of 1, 2508. The value of dispersion power in these three sectors is also high, because the power value of the pull factor is > 1 .
8. Projected Impact of SEZ Sei Mangkei's Revenue on Household Income in Asahan Regency 2017-2022 yearly is 1,409 million IDR in 2017; 3.513 million IDR in 2018; 6,513 million IDR in 2019; 10.369 million IDR in 2020; 15,045 million in 2021. and 20,507 million IDRs in 2022. In Simalungun Regency 2017-2022 yearly for 1,995 million IDR in 2017; 4.973 million IDR in 2018; 9,220 million IDR in 2019; 14,679 million IDR in 2020; 21,298 million in 2021 and 29,029 million IDR in 2022. In the Batubara District of 2017-2022 the number is 812 million IDR in 2017; 2,026 million IDR in 2018; 3.755 million IDR in 2019; 5.979 million IDR in 2020; 8.675 million in 2021; and 11,824 million IDR in 2022. In the Tebing Tinggi 2017-2022 is a sequence of 618 billion IDR in 2017; 1.540 billion IDR in 2018; 2.854 billion IDR in 2019; 1.15 billion IDR in 2020; 6.594 billion in 2021, and 8.987 billion IDR in 2022.
9. In 4 Hinterland areas there is no superior sector classification. Potential sectors include the tertiary and secondary sectors and the primary sector is the classification of disadvantaged sectors. This indicates that basically 4 hinterland areas are still in the developing stage, still need development policy especially investment injection. With power distribution index and degree of sensitivity greater than 1.

Policy Recommendations

Investment policy recommendations for hinterland to be impacted by SEZ Sei Mangkei's expansion in accelerating regional growth and development, as follows: potential sector injected investment in Asahan Regency is the manufacturing sector and other service sector sectors in Simalungun, namely Administration, Defense; in Batubara, that is Processing Industry sector and in Tebing Tinggi are all sectors which are secondary and tertiary sector.

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Investor Reaction to Real Earnings Management for Tax Avoidance (The Case in Indonesia)

Aries Tanno¹, Anne Putri², Isteti Murni², Afriyeni³

*¹Andalas University, ²STIE Haji Agus Salim Bukittinggi, ³AKBP Padang
Indonesia*

ABSTRACT

This study aims to determine whether companies in Indonesia use real earnings management to avoid taxes. This study also analyzes how investors react to corporate real earnings management for the purpose of tax avoidance. The sample used is a manufacturing company listed on the Indonesia Stock Exchange during 2009 to 2014, which is suspected of tax avoidance. The results of this study prove: (1) companies in Indonesia use real earnings management to avoid taxes. (2) The investor reacts positively to tax avoidance by the company for tax purposes (3) Although real earnings management can be used as an alternative in tax avoidance but this study proves that real earnings management does not mediate the relationship between tax avoidance and investor reactions.

Keywords: *tax avoidance; investor reaction; real earnings management*

I. INTRODUCTION

Tax minimizing is one of the company's motivations to manage earnings. This research is a development of Putrid an Tanno (2015) research. The absence of research on the use of real earnings management to do tax avoidance so that this study wanted to see whether there is a relationship between tax avoidance and real earnings management. The shift from accrual to real earnings management after the Sarbanes-Oxley Act (SOX) period is due to either the auditor or the regulator giving less attention to the real activities manipulated by management.(Graham et al. 2005; Bartov and Cohen 2006; Roychowdhury 2006; Cohen et al. 2008; Cohen and Zarowin 2008). The study aims to determine whether the company in Indonesia also use real earnings management to make tax avoidance. It also wanted to know how investors react to real earnings management by companies for tax avoidance purposes. This paper is organized as follows. In section II, the inter relationships between tax avoidance, real earning management and investor reaction are provided. Section II discusses the research methodology and data collection. The results are presented in section IV. The discussion and conclusion in the final section.

Tax avoidance activities, conducted by companies that can be interpreted as a transfer of wealth from the government to shareholders, is expected to be a positive signal for investors that will be able to increase the company's stock price. The existence of agency problems associated with tax avoidance makes tax avoidance

that should be aimed at the interests of shareholders as a tool for management to make earnings management that is not in accordance with corporate objectives. This study uses real earnings management as a mediation variable, which will mediate the relationship between tax avoidance reactions of investors.

Tax Avoidance and Investor Reaction

The view that the tax paid by the company is the transfer of wealth from the company to shareholders (Watts and Zimmerman 1978) so that tax avoidance by the company can be interpreted as a transfer of wealth from the government to shareholders (Desai and Dharmapala 2009). Tax avoidance activities can increase the company's cash flow and increase the company's wealth to provide benefits for shareholders.

According to Ball (1972); Sunder (1973), (1975); Ricks (1986); Lanen dan Thompson (1988) the company that changed the method of valuation of inventory and depreciation of its fixed assets for tax reasons is to change into a method that can make its tax pay less and get a positive reaction from investors when the company announces the change of method. Investors ignore low book earnings but appreciate the tax benefits of adopting the new method.

Blaylock et al. (2012) found that firms with large differences between book-tax income caused by tax avoidance were positively responded by the market. The results of this study also indicate that investors are able to see up to the source of the big book-tax positive difference is whether from earning management or tax avoidance.

Tax avoidance conducted by the company can be interpreted as a signal to investors that the company put forward the interests of shareholders. If managers make tax avoidance efforts optimally and investors have confidence in tax avoidance measures should occur a positive relationship between tax avoidance and investor reaction.

Tax Avoidance and Real Earnings Management

The existence of the relationship between tax avoidance and agency theory is related to the problems inherent in public companies introduced by Slemrod (2004); Chen and Chu (2005); Crocker and Slemrod (2005). The separation of ownership in public companies that creates a conflict of interest and information asymmetry may give management the opportunity to make an accounting method or policy choices for personal gain. Tax avoidance action by the company is actually used as a shield for management in making earnings management.

The researchers prove that the various methods used by firms to tax avoidance are the main objectives for earnings management (Guenther 1994; Mills 1998; Schrand and Wong 2003; Phillips et al. 2003; Desai 2003; Dhaliwal et al. 2004; Hanlon 2005; Frank and Rego 2006; Cook et al. 2008; Blouin et al. 2010).

Real Earnings Management and Investor Reaction

Earnings management is one form of opportunistic behavior of management who have the freedom to choose the method or accounting policy that can affect earnings. Profit management indicates the existence of earnings management in accordance with the expected management, thus allowing the information provided manager is not in accordance with actual company conditions. Earnings management by management for personal gain can mislead shareholders about the organization's economic performance (Healy dan Wahlen, 1999).

Corporate earnings management can be a signal used by investors to assess how management manages the company. Earnings management can be a negative signal for investors to assess the company. Some studies prove that the company's earnings management actions have a negative effect on investor reactions (Keung et al. 2010; Jategaonkar et al. 2012; Wu et al. 2012).

The earnings management used in the previous research is generally accruals earnings management. The development of earnings management literature shows that earnings management performed by managers is not only done by manipulating accruals alone, also by manipulating real activity, called real earnings management (Graham et al. 2005; Bartov and Cohen 2006; Roychowdhury 2006; Cohen et al. 2008; Cohen and Zarowin 2008).

According to Roychowdhury (2006), managers intervene in the financial reporting process not only through accounting methods or estimates but also through decisions relating to operational activities. Managers also have incentives to manipulate real activities during the year to meet earnings targets. Graham et al. (2005) proves that managers like real earnings management activity compared to accrual earnings management, since real earnings management activities cannot be distinguished from optimal business decisions and are more difficult to detect, even though the costs used in such activities are economically significant for firms.

As expected Graham et al. (2005), Cohen et al. (2008) found that managers have shifted away from accrual to real earnings management after the Sarbanes-Oxley Act (SOX) period. This evidence implies that in the post-SOX period the need to avoid accrual earnings management becomes greater than the previous period, thus, affecting managers to shift from accrual-based to real earnings management activities.

The absence of previous research on the use of real earnings management to tax avoidance so that the use of real earnings management by managers to tax avoidance is based on the risk or cost in tax avoidance. Corporate tax avoidance activities are associated with risks and uncertainties because of the possibility of being detected by the tax authorities. If the company is proven to conduct an unauthorized tax avoidance will get sanction from tax authorities that can harm the company.

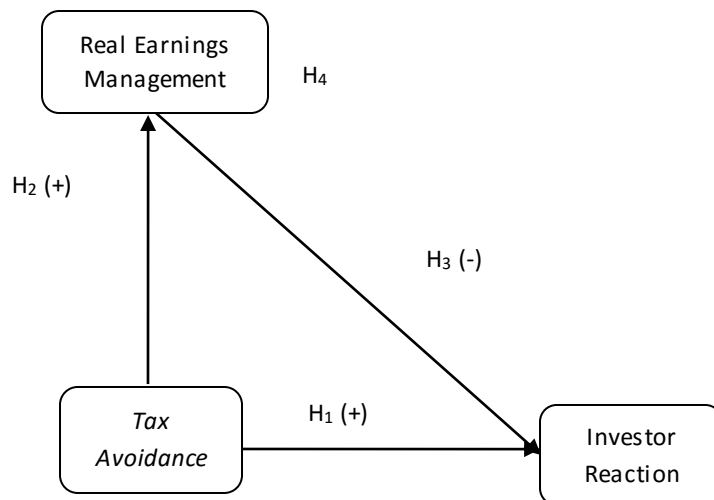
Financial executives prefer to manipulate earnings through real activities rather than accrual activities because accrual manipulation tends to make the auditor or regulator check quickly rather than if decisions about real activity or production are made. This indicates that neither the auditor nor the regulator gives less attention to the real activities manipulated by management. This resulted in addition to being used to achieve earnings targets, real earnings management can also be used by companies to conduct tax avoidance.

Tax Avoidance, Real Earnings Management and Investor Reaction

The link between tax avoidance and agency theory is due to the separation between ownership and control over a widely owned company. This agency problem gives management the opportunity to choose the accounting methods and policies for the manager's personal interest, namely to make earnings management.

Desai et al. (2007) states self-serving managers facilitate transactions that reduce corporate taxes, diverting corporate resources for personal use. Researchers such as Guenther (1994); Mills (1998); Schrand and Wong (2003); Phillips et al. (2003); Desai (2003); Dhaliwal et al. (2004); Hanlon (2005); Frank and Rego (2006); Cook et al. (2008); Blouin et al. (2010) proves that the various methods used by companies to do tax avoidance is the main purpose for earnings management. Tax avoidance that should be able to increase shareholder wealth after related to the agency problem resulted in tax avoidance activities conducted by the company is used as a shield for managers in making earnings management.

Figure 1 Empirical Research Model



Source: Processed data used in this article

II. METHODS

The research population is all manufacturing companies listed on the Indonesia Stock Exchange period 2009 to 2012 which is suspected to tax avoidance. The criteria for tax avoidance are referring to Putri and Tanno (2015) research where the

company is considered tax avoidance is a company that has ETR (Effective Tax Rate) value in the applicable tax tariff. Sampling method in this research using purposive sampling method. The process of selecting samples is done in two stages. The first stage is based on the following criteria: manufacturing companies that publish Audited Financial Statements as of December 31 are consistent and complete from 2009-2012, have a period of financial statements ending every December 31, the financial statements do not use foreign currency, companies that do not have negative pre-tax profits.

After the company was selected in accordance with the first stage, the second stage of selection is to determine the company suspected tax avoidance is to compare the company's ETR value with the applicable tax rate. In 2009, the prevailing tax rate is 28% so that the companies suspected of tax avoidance are companies that have a value of having ETR below 28%. In 2010 to 2012 the prevailing tax rate is 25%, so the company that allegedly tax avoidance is a company that has an ETR value below 25%. Hypothesis testing is done by using WarpPLS version 4.0 program.

The population of the research was all manufacturing companies listed on the Indonesian Stock Exchange from 2009 to 2012. The samples chosen were manufacturing companies assumed to do tax avoidance. The total samples were 80 companies consisting of 20 in 2009, 21 in 2010, 18 in 2011, and 21 in 2012. The hypotheses were tested using the program of WarpPLSversi 4.0. The definition and the measurement of the variables are resumed in detail in table 1.

Table 1 Resume of Definition and Measurement of Variable

| <i>Variable</i> | <i>Definition</i> | <i>Measurement</i> |
|---|--|---|
| Exogenous Tax Avoidance | Tax avoidance rate is the average level of tax avoidance or the average level of no liability. | Tax avoidance Rate = Prevailing Tax rate Regulation –effective tax rate. In 2009, the prevailing tax rate regulation was 28%, while in 2010-2012, it was 25% |
| Endogenous Cumulative Abnormal Return | Cumulative abnormal return during events period for each securities | The steps: 1. The events periods were 12 months starting from the third month after accounting year 2. The estimation period was 24 months 3. The estimation of normal return of each security was calculated using market model $R_{i,t} = \alpha_i + \beta_{i,t} \cdot R_{M,t} + \varepsilon_{i,t}$ Where $R_{i,t}$ is the actual return on security, $\beta_{i,t}$ is the beta coefficient for security, $R_{M,t}$ is the expected return on the market portfolio 4. To seek the abnormal return of each security was conducted by calculating the differences between the actual return and estimation return: $AR_{i,t} = R_{i,t} - E(R_{i,t})$ Where $AR_{i,t}$ is the Abnormal return, $R_{i,t}$ is the actual return, $E(R_{i,t})$ is the expected return. 5. CAR= the cumulative abnormal return of each share during 12 months was observed starting |

| | | |
|--------------------------|---|--|
| Mediator | The sum of the abnormality of Cash Flow from Operation (CFO), discretionary cost, and production cost | <p>from the third month after accounting year is finished. $CAR_{(i,t,p)j,t} = \sum_{t1 \rightarrow tp} AR_{i,t}$ Where $CAR_{(i,t,p)j,t}$ is the cumulative abnormal return, $AR_{i,t}$ is the Abnormal return.</p> <p>The steps:</p> <ol style="list-style-type: none"> Determining the abnormality of CFO from the equation of residual value of the normal CFO $(CFO_{it}/A_{it-1}) = \alpha_0 + \alpha_i (1/A_{it-1}) + \alpha_2 (S_{it}/A_{it-1}) + \alpha_3 (\Delta S_{it}/A_{it-1}) + \epsilon_{i,t}$ where CFO_{it} = the Cash flow from operating, A_{it-1} = the Total Asset, S_{it} = the Total Sales, $\Delta S_{it} = S_{it} - S_{it-1}$ Determining the abnormality of the production cost from the equation of residual value of the normal production cost $(PROD_{it}/A_{it-1}) = \alpha_0 + \alpha_i (1/A_{it-1}) + \alpha_2 (S_{it}/A_{it-1}) + \alpha_3 (\Delta S_{it}/A_{it-1}) + \alpha_4 (\Delta S_{it-1}/A_{it-1}) + \epsilon_{i,t}$ where $PROD_{it}$ = the production cost: $PROD_{it} = COGS_{it} + \Delta INV_{it}$, A_{it-1} = the total asset, S_{it} = the total sales, $\Delta S_{it} = S_{it} - S_{it-1}$ Determining the abnormality of the discretionary cost from the residual value of the equation of normal discretionary cost $(DISEXP_{it}/A_{it-1}) = \alpha_0 + \alpha_i (1/A_{it-1}) + \alpha_2 (S_{it}/A_{it-1}) + \epsilon_{i,t}$ $DISEXP_{it}$ = the discretionary expense, A_{it-1} = the total asset, S_{it} = the total sales Real earnings management is the sum of the abnormal CFO, the production cost, and the discretionary cost before which the CFO and the discretionary cost is multiplied -1. |
| Real Earnings Management | | |

III. RESULTS

Full test results of the research model with WarpPLS 4.0 are presented in Table 2, Table 3 and Figure 2.

Based on the model output of fit and quality indices table 2 model has the value of APC = 0.395, $\rho < 0.001$, ARS = 0.156, $\rho = 0.015$, AARS = 0.145, $\rho = 0.002$, AFVIF = 1.011, (acceptable if ≤ 5 , ideally ≤ 3.3), and GoF = 0.395 (small > 0.1 , medium > 0.25 , large > 0.36). WarpPLS provisions state that the value of ρ for APC and ARS should be less than 0.05 (significant). The AFVIF value as a multicollinearity indicator must be less than 5 and the terms for GoF value are small > 0.1 , medium > 0.25 , large > 0.36 . Referring to these provisions, it can be concluded that this research model is fit.

Based on Table 2, the amount of the effect size of each relationship is known. The effect size shows the absolute individual contribution of each latent variable predictor at the value of R2 of the criterion variable. The estimation result shows the

effect size TA → CAR is 0.156. The R2 value of the test result shows that R2 endogenous variable is 15.6% (CAR).

Based on WarpPLS output as shown in Table 2, the coefficient value of TA → CAR is 0.395 and significant with $\rho < 0.001$. Thereby can be concluded that tax avoidance have a positive effect to investor reaction.

Table 2. Output of WarpPLS 4.0 Direct Effect

| TA → CAR | |
|--|----------------------------|
| <i>Model Fit and Quality Indices</i> | |
| APC=0.395, P<0.001 | |
| ARS=0.156, P=0.015 | |
| AARS=0.145, P=0.020 | |
| AFVIF=1.011, acceptable if ≤ 5 , ideally ≤ 3.3 | |
| GoF=0.395, small ≥ 0.1 , medium ≥ 0.25 , large ≥ 0.36 | |
| <i>Path Coefsiens dan ρ-value :</i> | |
| TA → CAR | 0.395 $\rho < 0.001^{***}$ |
| <i>R-Squared:</i> | |
| TA → CAR | 0.156 |
| <i>Effect Size:</i> | |
| TA → CAR | 0.156 |

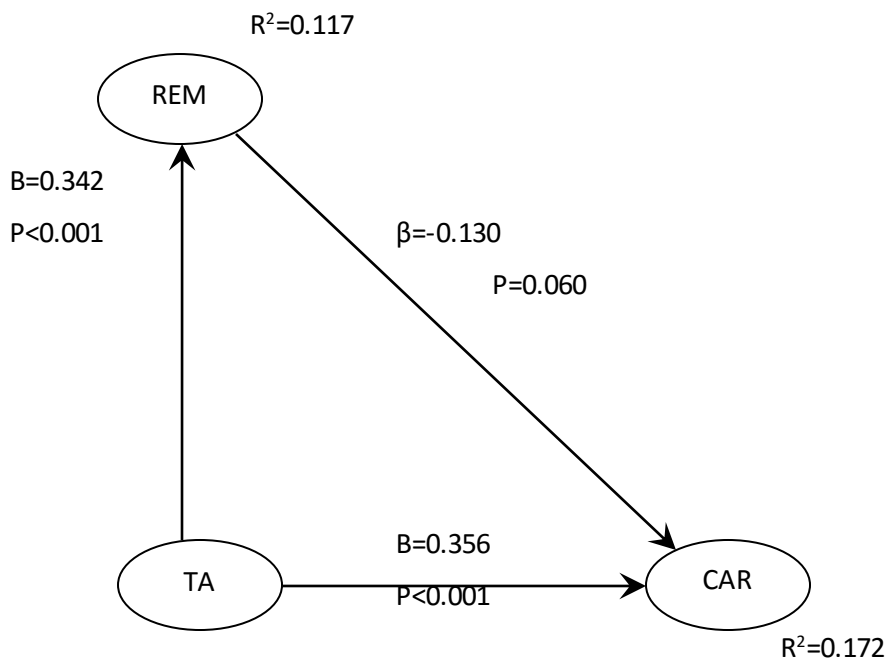
Source: Processed data used in this article

Note: ***, **, * indicate significant at a 1%, 5%, and 10% level

TA: Tax Avoidance

CAR: Cumulative Abnormal Return

Figure 2. Path Analysis of Real Earnings Management Mediation



Source: Processed data used in this article

The test results of the full research model with WarpPLS 4.0 are presented in Table 3 and Figure 2. Based on the model output of fit and quality indices model has the value of APC = 0.276, P <0.001, ARS = 0.144, P = 0.021, AARS = 0.128, P = 0.031, AVIF = 1.103, (acceptable if <= 5, ideally <= 3.3), AFVIF = 1,033 (acceptable if <= 5, ideally <= 3.3) and GoF = 0.380 (small> = 0.1, medium> = 0.25, large> = 0.36). WarpPLS provisions state that the value of ρ for APC and ARS should be less than 0.05 (significant). The AVIF and AFVIF values as multicollinearity indicators should be less than 5 and the terms for GoF values are small> = 0.1, medium> = 0.25, large> = 0.36. Referring to these provisions, it can be concluded that this research model is fit.

Table 3 shows the path coefficients and ρ values of each direct relationship in the research model with the mediation variable is real earnings management. Line TA → CAR shows the coefficient value of 0.356 and significant with value ρ <0.01. Path TA → REM shows coefficient value 0.342 and significant with value ρ <0.01. The REM → CAR path shows a coefficient value of -0.130 and is significant with ρ = 0.06. Indirect effect indirect effect TA → CAR shows coefficient value -0.044 ρ = 0.224.

Tabel 3 Output of WarpPLS 4.0 Indirect Effect

| <u>Model Fit and Quality Indices</u> | | | | |
|--|------------------|----------------|------------------|-----|
| APC=0.276, P<0.001 | | | | |
| ARS=0.144, P=0.021 | | | | |
| AARS=0.128, P=0.031 | | | | |
| AVIF=1.103, acceptable if <= 5, ideally <= 3.3 | | | | |
| AFVIF=1.033, acceptable if <= 5, ideally <= 3.3 | | | | |
| GoF=0.380, small >= 0.1, medium >= 0.25, large >= 0.36 | | | | |
| Path Coefisiens dan ρ -value : | | | | |
| TA → CAR | 0.356 | | ρ <0.001 | |
| TA → REM | 0.342 | | ρ =0.001 | |
| REM → CAR | -0.130 | | ρ =0.060 | |
| | R ² : | Q ² | Full Collin. VIF | CAR |
| 0.172 | 0.178 | 1.040 | | |
| REM | 0.117 | 0.096 | 1.036 | |
| Effect Size: | | | | |
| TA → CAR | 0.141 | | | |
| TA → REM | 0.117 | | | |
| REM → CAR | 0.031 | | | |
| Indirect Effect | | | | |
| TA → CAR | -0.044 | ρ =0.224 | | |

Source: Processed data used in this article

Note: ***, **, * indicate significant at a 1%, 5%, and 10% level

TA: Tax Avoidance

CAR: Cumulative Abnormal Return

REM: Real Earnings Management

The test results of the full research model with WarpPLS 4.0 are presented in Table 3 and Figure 2. Based on the model output of fit and quality indices model has a value of APC = 0.276, P <0.001, ARS = 0.144, P = 0.021, AARS = 0.128, P = 0.031,

AVIF = 1.103, (acceptable if ≤ 5 , ideally ≤ 3.3), AFVIF = 1,033 (acceptable if ≤ 5 , ideally ≤ 3.3) and GoF = 0.380 (small > 0.1 , medium > 0.25 , large > 0.36). WarpPLS provisions state that the value of ρ for APC and ARS should be less than 0.05 (significant). The AVIF and AFVIF values as multicollinearity indicators should be less than 5 and the terms for GoF values are small > 0.1 , medium > 0.25 , large > 0.36 . Referring to these provisions, it can be concluded that this research model is fit.

Table 3 shows the path coefficients and ρ values of each direct relationship in the research model with the mediation variable is real earnings management. Line TA \rightarrow CAR shows the coefficient value of 0.356 and significant with value $\rho < 0.01$. Path TA \rightarrow REM shows coefficient value 0.342 and significant with value $\rho < 0.01$. The REM \rightarrow CAR path shows a coefficient value of -0.130 and is significant with $\rho = 0.06$. Indirect effect indirect effect TA \rightarrow CAR shows coefficient value -0.044 $\rho = 0.224$.

Based on Table 3, the amount of the effect size of each relationship is known. The effect size shows the absolute individual contribution of each latent variable predictor at the value of R² of the criterion variable. The estimation result shows the effect size TA \rightarrow CAR is 0.141, TA-REM is 0.117 and REM-CAR is 0.031. The R² value of each endogenous variable is 17% (CAR), 12% (REM). This research model has a predictive relevance because it has value Q² above 0. Based on value of Full collinearity VIF which is under 3.3 indicated in the research model there is no multikolinearity

Real earnings management testing procedure as the mediation variable of the relationship between tax avoidance and investor reaction is in accordance with Baron and Kenny (1986) as follows (Sholihin and Ratmono, 2013) and see the value of VAF. Based on the calculation is known that the value of VAF of 12% can be concluded that almost no mediation effect. Thus, although the requirement to determine that Real Earnings Management (REM) is a mediation variable in the relationship between TA \rightarrow CAR has been met, but the indirect effect coefficient is not significant and the value of VAF is 12% so it can be concluded that real earnings management is not a mediation variable between tax avoidance and investor reactions.

IV. CONCLUSION

Based on the test and discussion presented in the previous chapters, it can be concluded a number of findings:

1. Tax avoidance has a positive effect on Investor Reaction. This means that the greater tax avoidance that companies do, the higher the positive reaction of investors. Tax avoidance is a positive signal given by the company to shareholders because it can be interpreted that the company put forward the interests of shareholders. This study supports a number of previous studies that

the choice of accounting methods by companies that will minimize taxes paid by companies will be responded positively by the market. (Ball 1972; Sunder 1973, 1975; Ricks 1986; Lanen and Thompson 1988). Likewise, research conducted by Desai dan Dharmapala (2009a), Blaylock *et al.*(2012) proves that the tax avoidance of the company has a positive effect on investor reactions.

2. Tax avoidance has a positive effect on earnings management. One of the company's motivations for earnings management is tax motivation (Scott 2009). This study proves that tax avoidance also affects real earnings management. According to Roychowdhury (2006) the reason the company chooses real earnings management is more risky because it does not attract the attention of auditors and regulators, real earnings management can be used to achieve earnings targets and to prevent loss reporting. The results of this study prove that companies use real earnings management for tax incentives.
3. Real earnings management negatively affects investor reactions. Earnings management allows the manager's information not to match the actual conditions of the company. Earnings management by management for personal gain can mislead shareholders about the organization's economic performance. (Healy and Wahlen, 1999). Earnings management can be a negative signal for investors to assess the company. The results of this study prove that investors can not be "cheated" by earnings management conducted by the company. It can be seen that investors react negatively to earnings management conducted by the company. Based on the data in the financial statements the investor can assess the abnormal accruals of companies that tend to reflect earnings management (Healy and Wahlen, 1999).
4. Real earnings management is used by firms to make earnings management, but unlike previous research, the results of this study prove that real earnings management is not a mediation variable for the relationship between tax avoidance and investor reactions.

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Measurement Popularity and Site Content Website of State Owned Enterprises Sharia Banking in Indonesia

Darus Altin, Dony Yanuar, Vebtasvili
University of Bangka Belitung, Indonesia
altin@ubb.ac.id

ABSTRACT

The purpose of this paper to describe the information, providing interpreting assessment results and website quality of BRI Sharia, BNI Sharia and Mandiri Bank Sharia as measured by level of popularity of the website, and site content. The collection of data through the website three companies in BUMN Islamic Banking in Indonesia and the utilization of analytical results from www.alex.com research result is Mandiri Bank Sharia Website as the first rank, BNI Sharia website second, and third BRI Sharia of popularity and site content. The implications of this research to provide new findings for Islamic banking BUMN and can be the analysis in-depth. Then, next research can establish a comparative study of the banking website, and approach with alternative research methods and the addition the period of time.

Keyword: *Popularity Website, Sharia Banking BUMN Site Content, Visual Appeal*

I. INTRODUCTION

The website is a communication tool for businesses to convey information that will impact corporate profits. Increase of Internet users in Indonesia is rising. A survey conducted by the Association of Indonesian Internet Network Operator (APJII) reveals that more than half of Indonesia's population is now connected to the internet. A survey conducted during 2016 found that 132.7 million people Indonesia has been connected to the internet. ([Http://tekno.kompas.com](http://tekno.kompas.com)). Banking is one of the business world in Indonesia that can take advantage of many of the Internet users to increase the quality of service to customers and make the website as a communication medium delivery of banking transactions.

The achievement of the desired banks to increase profits as the main target, of course, many challenges and obstacles faced. Utilization of the Internet media via the website by users of course, there are risks involved. Security a banking website would be a challenge faced by the Bank in Indonesia. Islamic Banking is one part of the Indonesian Banking Architecture. With traits and characteristics require sharia Islamic bank products offered to customers. Web technology is also applied as a means by the Islamic Bank in Indonesia to offer its products.

Competition is increasingly competitive Islamic banking in the present era so that the website can be employed as a solution to achieve the competitive

advantage. Website quality Islamic banking is one of the indicators for the customers, to be able to access the website. Website quality measurement parameters would have to provide convenience for users that access for customers. The measurement will be assigned a rating to the website with the measured value.

This study adopts the criteria used by Miranda et al. (2006) with the Indonesian banking web as a research object with the parameters used in the assessment process including accessibility, speed, navigability and site content.

In this paper also adopts the research conducted Bakhtiar et al. (2008): "In the study seeks to provide an assessment of the quality related web at several banks in Indonesia by using several parameters measuring the quality of the web. From the measurement results will then be compiled sort the ranking according to the grades obtained by each ".

Parameter measurement quality assessment websites are also used in research Antonio Galati et al., (2016) using the parameter accessibility, speed, navigability and site content with quantitative methods assigning weights to the website. But in this study, the authors restrict Islamic banking which is a State-Owned Enterprise (BUMN) in Indonesia such as BNI Syariah BRI Syariah and Bank Syariah Mandiri. For BTN Syariah can not be calculated further because the website is still an integral part of Bank BTN Conventional (www.btn.co.id/Syariah), so for further analysis of the measurement of accessibility, navigability and site content can not be done more accurately. The author simply uses the parameters Web content authors the ability to limitations resulting applications that are used for measurement analysis accessibility, navigability and site content. In addition, the authors conducted a study website popularity SOE third Islamic bank, with a view Traffic Statistic analysis results obtained through pages of results ranking www.alexacom namely in Indonesia and a number of Islamic banks website links with other websites.

The research problem in this paper is how quality website BRI Syariah, BNI Syariah and Bank Mandiri Syariah parameters measured by the level of popularity of the website (popularity), and the content of the website (Site Content)?. The purpose of this paper is to describe the information, providing interpreting assessment results and quality website of BRI Syariah (www.brisyariah.co.id), BNI Syariah (www.bnisyariah.co.id) and Bank Syariah Mandiri (www.mandirisyariah.co.id) measured by the popularity of the website (popularity), and the content of the website (Site Content)

II. METHODS

Sample size and data collection

The data collection is done by digging information through websites using a sample of Islamic Banking which is a state-owned business entities (BUMN) in Indonesia such as BNI Syariah, BRI Syariah and BTN Syariah. To complete the analysis using data from the utilization analysis www.alexacom which be accessed

the data on March 3, 2017 to see the extent of the popularity of websites such third Islamic bank through the Statistic Traffic on an idea of how the level of popularity of the website.

Measurement of variables

Variables used in this study include the popularity and site content. Variable Research and Operational Definitions can be seen in the following Table I

Table 1. Variable Research and Operational Definition

| No | Variables | Operational Definitions | Indicator |
|----|---------------------|---|--|
| 1. | <i>Popularity</i> | Popularity (Popularity Rate website) measured by Ranking websites in Indonesia and link in with other websites of the analysis results www.alexacom (Bakhtiar et al, 2008 and Ma'mun and Yusman). Informational content emphasizes the assessment on the extent of the information provided by the bank in question is able to meet the needs of visitors where in this case the availability of some information that is used as a benchmark. (Bakhtiar et al, 2008). | Traffic rank and link in with other websites with a web of Bank Syariah Mandiri, BNI Syariah web and web BRI Syariah in Indonesia (Based Traffic on the web: www.alexacom) - General information Islamic Bank - Information Services - Information Branch / ATM - Financial Information |
| 2. | <i>Site Content</i> | Communicational content emphasizes the judgment to the information / facility that can be used to communicate with the bank party (Bakhtiar et al, 2008). Transactional content is sub-criteria with the greatest weight in which these transactions through the facilities of the bank is able to provide services to its customers through internet banking so as to obtain the optimum utilization of the web banking that they make (Bakhtiar et al, 2008). | - Contact Phone - Contact Email - Address Form Complaints /suggestion - Online banking - General information of customers / account (balance) - transfer facility - Investment management facility (ie. The deposit) - Payment of bills (taxes, cellular phones, etc.) - Information services and credit or credit card - Service notification and history - Personalization |

Source: the previous study, modified in 2017

Data Analysis Technique

The research approach used is qualitative descriptive analysis, the technique used is the Content Analysis. Content analysis can be used to analyze all forms of communication, whether newspapers, radio news, television commercials and all ingredients other documentation. Researchers begin their analysis by using certain symbols, classify that data with certain criteria and perform predictions with specific analytical techniques as well (Grace, 2009).

Step-by-step analysis conducted are:

1. Formulate a research question is how to measure the quality of BUMN website of Sharia Banking in Indonesia from the perspective of the level of popularity of the website (popularity), content (site content) and visual appeal (visual appeal)?
2. Establish population studied is the entire Website Sharia Bank in Indonesia BUMN website i.e Syariah BRI, BNI Syariah, Bank Syariah Mandiri and BTN Syariah.
3. Choose the sample set is three BUMN sharia bank (BRI Syariah, BNI Syariah and Mandiri Syariah). BTN sharia is not set because the website is still fused to the Conventional Bank (BTN) so it can not be analyzed further.
4. Choose the BRI Syariah website (www.brisyariah.co.id), BNI Syariah (www.bnisyariah.co.id) and Bank Syariah Mandiri (www.mandirisyariah.co.id) and take advantage of the resulting analysis of the website (www.alexa.com).
5. Prepare content categories analyzed:
 - a) Analysis of the variables popularity (popularity level of a website) to assess the ranking of website visitors in Indonesia from analysis of traffic statistics from www.alexa.com analysis results and the number of website links to other websites.
 - b) Analysis of site variables content (content website) by adopting research Bakhtiar et al, 2008, to give weight on informational content (content information), communicational content (user facilities to communicate with the bank), and transactional content (transaction facilities).
6. Perform the calculation system:
 - a) Measurement BUMN website popularity of sharia banks, namely: BRI Syariah (www.brisyariah.co.id), BNI Syariah (www.bnisyariah.co.id) and Bank Syariah Mandiri (www.mandirisyariah.co.id) by analyzing the rankings such websites in Indonesia as well as reviewing the number of website links to other websites with the resulting analysis of the website (www.alexa.com).
 - b) Measurement of site content (content website) BUMN sharia banks, namely: BRI Syariah (www.brisyariah.co.id), BNI Syariah (www.bnisyariah.co.id) and Bank Syariah Mandiri (www.mandirisyariah.co.id) by analyzing web content on web content (content website), informational content (content information), communicational content (user facilities to communicate with the bank), and transactional content (transaction facilities).
7. Perform data analysis:
 - a) Describe the calculation results from the analysis of the popularity of websites related www.alexa.com website ranking websites in Indonesia and a number of Islamic banks website links with other websites.
 - b) Assess the site content (content website) Islamic banks SOEs analyze the web content of web content (content website), informational content

(content information), communicational content (facility users to communicate with the bank), and transactional content (transaction facility) of results weight rating.

8. Drawing conclusions

III. RESULTS

Object Analysis

The research was done by accessing the website of Islamic banks which are presented in Table II below:

Table 2: List Url Studied Islamic Banking

| No | Bank Name | Url |
|----|--------------------------|--------------------------|
| 1 | PT. BNI Syariah | www.bnisyariah.co.id |
| 2 | PT. BRI Syariah | www.brisyariah.co.id |
| 3 | PT. Bank Syariah Mandiri | www.syariahmandiri.co.id |

Source: www.bi.go.id, processed in 2017

The initial view of each Islamic banking website can be presented in Figures 1 below:

Figure 1. Display web pages Bank Syariah Mandiri, BNI Syariah and BRI Syariah



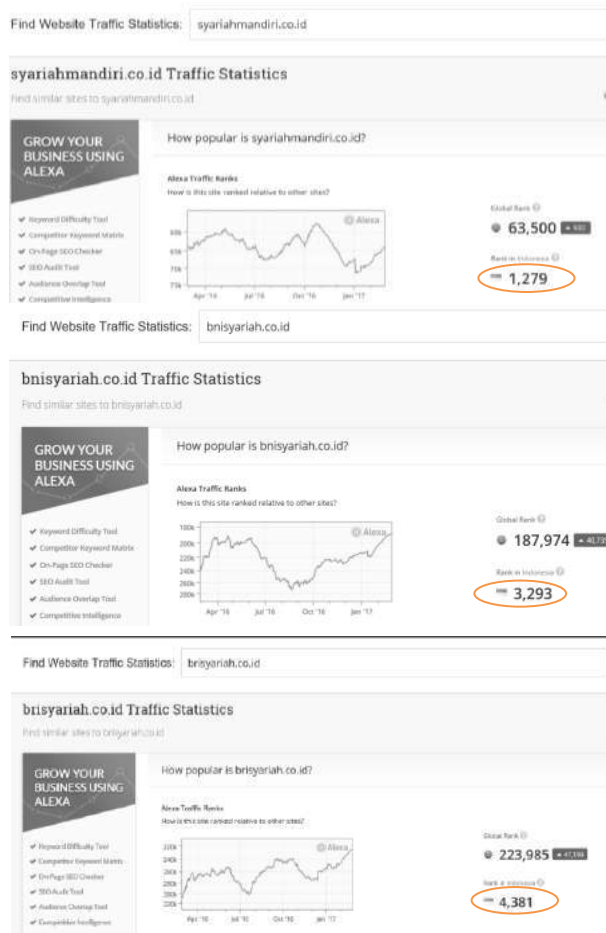
Source: www.bnisyariah.co.id, www.brisyariah.co.id, www.syariahmandiri.co.id, 2017

Measurements Website Popularity

From the aspect of the popularity, the author refers to the analysis obtained from www.alexacom pages accessed on 3 March 2017.

The popularity of the three BUMN website Sharia Bank in Indonesia, from the Traffic Statistics indicate that the page of Bank Syariah Mandiri (www.syariahmandiri.co.id) is the best rated first in Indonesia worth 1.279, the second ranking, page BNI Syariah rating of 3.293 and the third position is of BRI Syariah pages with a value of 4.381. Information webpage third popularity of Sharia banking in detail is shown in Figures 2.

Figure 2. Popularity ranking web pages Bank Syariah Mandiri, BNI Syariah and BRI Syariah

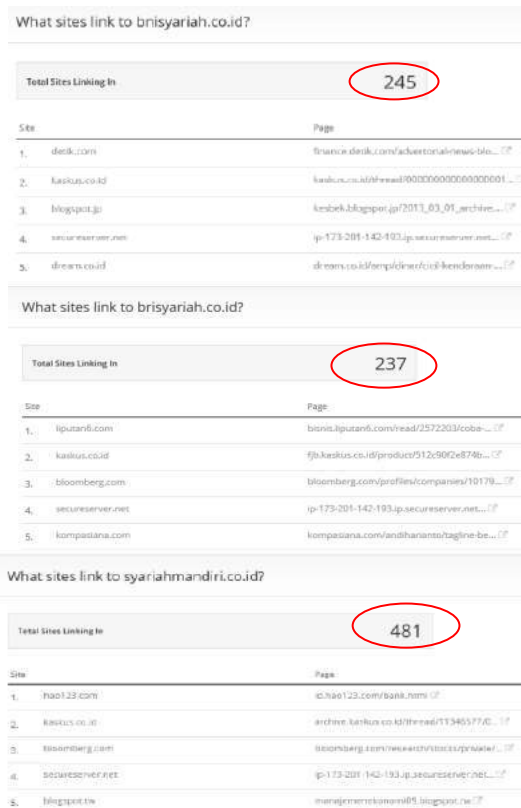


Source: <https://www.alexa.com>, modified in 2017

Popularity three SOE website Sharia Bank in Indonesia, from the Traffic Statistics webpage: www.alexa.com based on the number of links to other websites indicate that the page of Bank Syariah Mandiri (www.syariahmandiri.co.id) is the highest (first rank) the number of links to other websites as many as 485 websites (accessed on 3 March 2017).

Detail quote the number of links to other websites Figures 3.

Figure 3. Popularity ranking web pages Bank Syariah Mandiri, BNI Syariah based on the number of links to other websites.



Source: www.alexa.com, 2017

Content Measurement

The assessment results BUMN website Sharia bank in Indonesia studied (<https://www.brisyariah.co.id>, <https://www.bnisyariah.co.id>, and <https://www.syariahamandiri.co.id>) can be presented in Table III below:

Table 3. Assesment each islamic bank bum website (criteria site content)

| Category | Maxi-mum Value | Bank Syariah Mandiri | BNI Syariah | BRI Syariah |
|---|----------------|----------------------|-------------|-------------|
| <i>Site Content</i> | 60 | 60 | 59 | 56 |
| 1 <i>Informational Content</i> | 20 | 20 | 20 | 20 |
| a company Information / Islamic bank | 5 | 5 | 5 | 5 |
| b Information services | 5 | 5 | 5 | 5 |
| c Information Branch / ATM | 5 | 5 | 5 | 4 |
| d Financial Information | 5 | 5 | 5 | 5 |
| 2 <i>Communicational</i> | 8 | 8 | 7 | 6 |

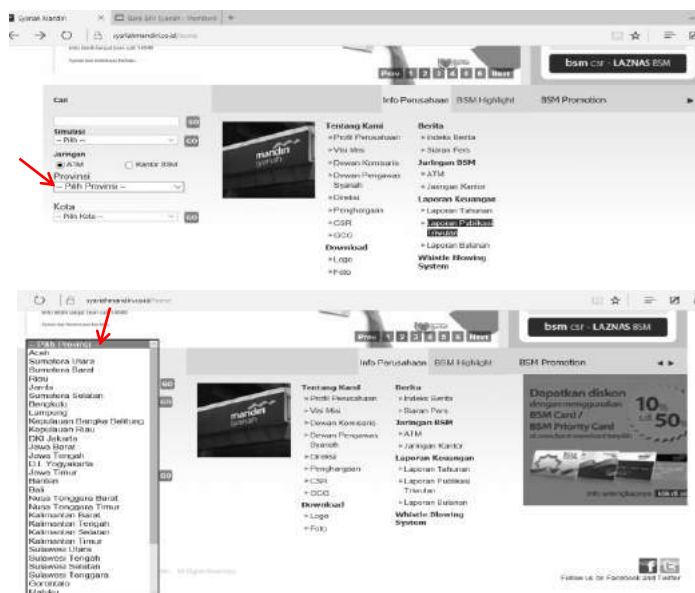
Content

| | | | | | |
|---|--|----|----|----|----|
| a | Contact Phone | 2 | 2 | 1 | 2 |
| b | Contact Email | 2 | 2 | 2 | 2 |
| c | Address | 2 | 2 | 2 | 2 |
| d | Form Complaints/ suggestion | 2 | 2 | 2 | 0 |
| 3 | <i>Transactional Content</i> | 32 | 32 | 32 | 30 |
| a | <i>Online banking</i> | 10 | 10 | 10 | 10 |
| b | Information clien/ account (balance) through Phone Banking | 4 | 4 | 4 | 4 |
| c | Transfer Facility (Phone Banking) | 4 | 4 | 4 | 4 |
| d | Investment Management Facilities deposits) | 4 | 4 | 4 | 4 |
| e | Payment of mobile phone bills, etc. | 4 | 4 | 4 | 4 |
| f | service information or credit card | 2 | 2 | 2 | 2 |
| g | Service notifications and history | 2 | 2 | 2 | 2 |
| h | Personalization | 2 | 2 | 2 | 0 |

Source: <https://www.brisyariah.co.id>, <https://www.brisyariah.co.id>,
<https://www.syariahmandiri.co.id>, modified in 2017

Based on Table. III above, the website BRI Syariah (www.brisyariah.co.id) only displays the ATM network but not systematically by province in Indonesia. At BNI syariah does not display the branch office per province but is implicit in another menu as shown Syariah Mandiri Bank website in Figures 4.

Figure 4. Display ATM / Branch of Bank Syariah Mandiri per province in Indonesia



Source: <https://www.syariahmandiri.co.id>, modified in 2017

BRI syariah does not have a special menu specifically for customer complaints or Whistleblowing System on its website as it is owned BNI Syariah and Bank Syariah Mandiri in accordance with Figures 5 below:

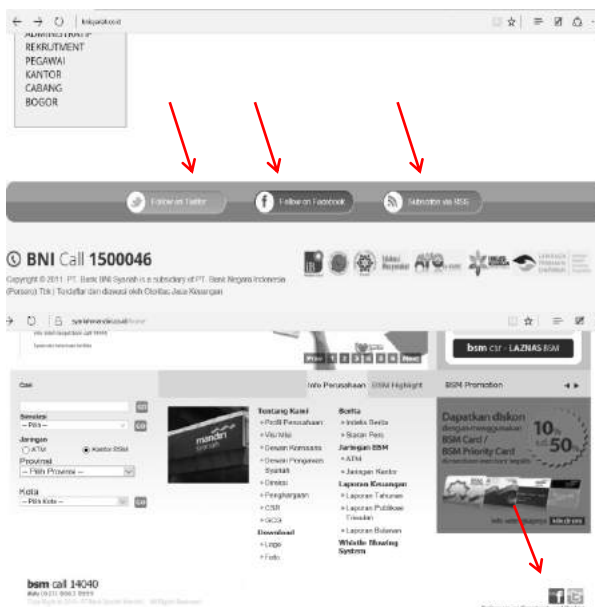
Figure. 5 Special menu Whistleblowing Customer Complaint System or on the website of BNI Syariah and Bank Syariah Mandiri



Source: <https://www.bnisyariah.co.id> dan <https://www.syariahamandiri.co.id>, modified in 2017

Website BRI syariah also do not have a menu Personalization, so that web visitors BRI Syariah feels visit personal web, as shown on the web BNI Syariah (Follow us on Facebook, Twitter, RSS feeds) and Islamic Bank Mandiri (Follow us on Facebook and Twitter) as shown in Figures 6.

Figure 6. Personalize menu on the website of BNI Syariah and Sharia Bank Mandiri



Source: <https://www.bnisyariah.co.id> and <https://www.syariahamandiri.co.id>, modified in 2017

There is no contact us (contact us) directly on the website as it is presented on the website of Bank BNI Syariah and Bank Syariah Mandiri (Figure 7)

Figure 7. Menu *Contact Us* on the website of Bank Syariah Mandiri and BRI Syariah



Source: [https:// www.brisyariah.co.id](https://www.brisyariah.co.id) dan
<https://www.syariahmandiri.co.id>, modified in 2017

Assessment and Website Ranking of BRI Syariah, BNI Syariah and Bank Syariah Mandiri

Popularity Rate website (Web Popularity) for the third Sharia bank in Indonesia, the most popular is the Bank Syariah Mandiri (<https://www.syariahmandiri.co.id>) detailed results of the third popular ranking the website can be presented in Table IV below:

Table 4. Website Popularity Value Recaps Shariah Bank in Indonesia

| Web Popularity Indonesia | Bank Syariah Mandiri (https://www.syariahmandiri.co.id) | BNI Syariah (https://www.bnisyariah.co.id) | BRI Syariah (https://www.brisyariah.co.id) |
|------------------------------------|---|--|--|
| 1 Ranking in Indonesia | 1.297 | 3.293 | 4.381 |
| 2 TotalLink in with other websites | 481 | 245 | 237 |

Source: <https://www.alexacom>, modified in 2017

Popularity ratings of two indicators of the third web BUMN Sharia bank, Bank Mandiri most popular websites (ranked first), followed by BNI syariah website rank website Syariah BRI II and III in position.

In terms of the content ratings on the website (site content), the website of the Bank reached the highest value to the completeness of all indicators on the website content site, followed by BNI Syariah website ranking second and third positions

BRI Syariah website. In detailed recaps the results of calculation of site content can be presented in Table V below.

Table 5. Recaps value site content website sharia bank in indonesia

| Indicator Site Content Web | Bank Syariah Mandiri (https://www.syariahmandiri.co.id) | BNI Syariah (https://www.bnisyariah.co.id) | BRI Syariah (https://www.bri-syariah.co.id) |
|----------------------------------|--|---|---|
| 1 Informational Content | 20 | 20 | 19 |
| 2 Communicational Content | 8 | 7 | 6 |
| 3 Transactional Content | 32 | 32 | 30 |
| Total Value Site Content Website | 60 | 59 | 55 |

Source: <https://www.brisyariah.co.id>, <https://www.bnisyariah.co.id> dan <https://www.syariahmandiri.co.id>, modified in 2017

IV. CONCLUSION

The implications of this research resulted in new findings for sharia banking BUMN where ease of use the menu on the website for users / customers should not experience any hassle for the user. So that the website can be used as a more interactive means of communication between the bank and its customers. BUMN website menu of sharia banking is not a concern, even in an earlier study conducted by Bakhtiar et al, 2008 which more technically discusses applications to measure speed, vagability web at conventional banking BUMN.

Future studies may explore more deeply the quality of the website of a company / government and do a comparative study of banking websites in terms of the type of banking business.

This research could also be a reference for measuring the quality of a website for an entity unit / organization / company / government so as a matter of correction and constructive feedback to an organization.

Research relating to the quality of banking website is certainly still doing deeper analysis, given the limitations of the author on the use of computer applications to measure in terms of speed and navigability of the sharia banking website.

This study measured only approach qualitative method (content analysis), so it can be used as the next researcher to develop a research topic related to the quality of the website through quantitative or qualitative approach with data analysis methods that are still relevant.

The data used in this study is the last update that in March 2017 related to the website BUMN sharia banking, researchers can then develop for a period of time as

well as the attribute data of sharia banking with the data other websites that are related to each other, for example, stock data The Indonesia Stock Exchange (www.idx.co.id), or data banking regulations of Bank Indonesia (www.bi.go.id) and the financial services authority/OJK website (www.ojk.go.id)

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Identifying Information Availability and Regulation Enforcement to Support 3R (Reduce, Reuse, Recycle) Waste Management Program in Bukittinggi

Dona Amelia, Juarsa Badri
STIE El Hakim, Indonesia
dona_elhakim2007@yahoo.co.id

ABSTRACT

The 3R Waste management concept (reduce, reuse, recycle) is an environmentally friendly approach for waste management. Initially waste management in Bukittinggi city executed Open Dumping method to TPA Panorama Baru. After the Law No. 18 of 2008 on waste management that open dumping method is restricted, waste in the city of Bukittinggi was discharged to Limbukan area, Payakumbuh. This study aims to explore the availability of information and rules enforcement to support the 3R program in Bukittinggi city. Type of research is qualitative descriptive research. The sample in this research is 430 respondents taken by random sampling from 3 districts in Bukittinggi city. The results show that majority of Bukittinggi people already know about 3R's waste processing and agree with 3R's waste management. The reason that this program is not going well because most people do not know how to implement 3R waste expressed by 52% of respondents. Furthermore, 6% have not participated in 3R activities because they do not know the benefits of its program. Sources of information on 3R waste management obtained from social media counted 34%, 22% extension agent, and print media as much as 12%. The regulatory enforcement aspect also plays an important role for the success of the 3R program. As many as 67% of respondents agreed that the government of Bukittinggi should emphasize the importance of the program. This is supported by 58% agree for the penalty and fines mechanism to run the 3R program. What the government must address is the need for ongoing extension to the success of the program. Furthermore, the assistance and partnership with the community is needed that this activity program can run in accordance with expectations.

Keywords : *information availability, regulation aspect , 3R waste management*

I. INTRODUCTION

According to the SNI Decree of 1990, solid waste comprised of organic and unorganic substances that are considered useless and must be managed so as not to endanger the environment and protect development investment. In general, the community paradigm of solid waste generated from household or industrial activities, is objects that are no longer desirable or not worth the economy.

According to Law no. 18/2008 on Waste Management, it is necessary to maximize waste management. The waste management efforts can be done by means

of Reuse, Reduce, and Recycle (3R) approach. The 3R concept is a new paradigm in consumption and production patterns at all levels by giving the highest priority to waste management orientation on preventing waste generation, minimizing waste by encouraging reusable goods and biodegradable goods and the application of environmentally friendly waste disposal. Implementation of 3R is not only about social issues in order to encourage the change of attitude and mindset towards the realization of environmentally friendly and sustainable society but also concerning the right management in its implementation.

Research on waste management in Bukittinggi city was carried out by Sri Dzarrah Hayati Manvi in 2010 on effectiveness of waste disposal of Bukittinggi city to the final processing place (TPA) in Payakumbuh city according to Law number 18 year 2008 on Waste Management. The results of this study shows that waste management by Bukittinggi Municipality has been in accordance with the mandate of Law No. 18 but the operational method of waste management is not efficient yet. That's because garbage disposal from city of Bukittinggi to Limbukan Payakumbuh require high costly plus the cost of vehicle repairs due to bad road access. This method is less efficient because the location for garbage disposal takes a lot of time in transportation. Other results of this study indicate there has been no sorting of waste based on the classification of organic waste and inorganic waste that in the process of garbage disposal from the city of Bukittinggi to Limbukan Payakumbuh.

Study on the evaluation of operational techniques of garbage collection and transport was conducted by Muhammad Dinul Baktian, et.al in Pelaihari sub-district Tanah Laut district in 2010. The results of this study show the level of new garbage service reach 35.16% of waste generation because the service is only concentrated in the center cities and other areas in the city center due to lack of fleets and personnel. The municipal retribution revenue decreased by 62.17% from the previous income. . The acceptance of this garbage levy only reaches 3% of the total operational costs and maintenance of collecting activities and waste transport so that the full financing is still subsidized by the local government.

The community participation in 3R's waste management was examined by Sri Subekti in 2010. The results of this study recommend the need for community participation to play an active role in managing the waste and can be started from households by sorting organic waste, inorganic waste and B3 waste while later being transported to TPA is only the rest. This study also resulted in the idea that if the waste that has to be transported to the TPA is reduced so that it can extend the life of the landfill, the government will no longer be concerned about finding new landfill sites. The reduction of waste transported to the TPA also provides benefits for municipalities / districts in the operational costs of transportation from TPS to TPA. If the burden of city / county government in handling waste is reduced, it will be allocated for other development activities.

The city of Bukittinggi has been dealing with waste disposal by open dumping at the Panorama Baru Final Disposal Site (TPA), which is considered violating the

rules and must be immediately closed because it cannot be used in the long term. After the issuance of Law No. 18 of 2008 on waste management, the government of Bukittinggi City disposes garbage in Payakumbuh Regional Final Disposal Site (TPA) in accordance with the memorandum of agreement approved by the Provincial Government as a facilitator of agreement signed by five cities in the agreement (Sri Dzarrah Hayati, 2010). This agreement beared consequences for Bukittinggi Municipality to pay Rp.20.000 per ton of garbage.

The largest garbage in Bukittinggi city is produced by 218.90m³ of housing and from the market of 72.96m³ from 446, 27 m³ of waste dump per day (Deny Suryati, 2000). The study of Yeni Ruslinda, et al. showed that the average monthly domestic waste of Bukittinggi city was 1.49 liters / person / day for unit volume or 0.2 kg / person / day for unit weight (Yeni Ruslinda et al., 2012).

Garbage management in Bukittinggi city According to Vertieb Abfalltechnik & Recycling Schaefer a waste management company in Germany is an outdated method that has been left behind in European countries 30 years ago. Open dumping method of waste management is unvironmentally friendly . Waste management should be supported by community awareness and the implementation of waste recycling system in stages. (harian haluan.com2012).

II. METHODS

The research is done in 3 sub districts of Bukittinggi Municipality, kecamatan Aur Birugo Tigo Baleh, Gurun Panjang and Mandiangan Koto Selayan during February to August 2016. Number of samples is 430 taken randomly in 3 sub districts out of 138 RT dan 36 RW. Type of the research is descriptive qualitative study of implementation of 3R waste management program in Bukittinggi.

III. RESULT AND DISCUSSION

Information Availability

The 3R waste management already established in Bukittinggi but no longer run properly and limited to small areas. 3R waste management policy has not been implemented comprehensively in all residential area. The current 3R activity are garbage bank, handicraft making of recycled products and composting.

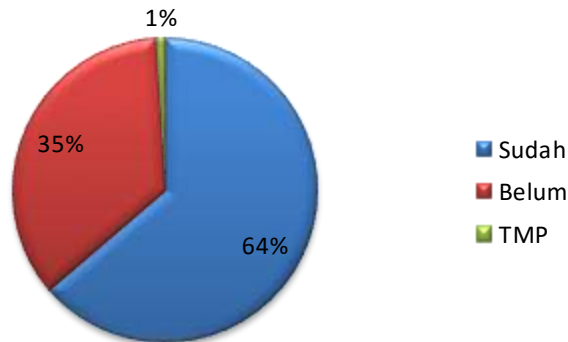
Table 1. Community based 3R Waste Management Activity

| No | Activity | Location |
|----|-------------------|--|
| 1 | Composting | <ul style="list-style-type: none"> • Kelurahan Campago Guguak Bulek; • Kelurahan Benteng Pasar Atas, • Kelrahan Pulai Anak Aia • Kelurahan Pulai Anak aia; |
| 2 | Handycfart making | <ul style="list-style-type: none"> • Kelurahan Belakang Balok; • Kelurahan Aur Kuning, • Kelurahan Bukik Cangang |
| 3 | Garbage bank | <ul style="list-style-type: none"> • Kelurahan Aur Kuning |

Source: Dinas Kebersihan dan Pertamanan Kota Bukittinggi, 2014 dan Badan Lingkungan Hidup Kota Bukittinggi, 2014

Despite of the existing 3R activity, the survey results show that 64% of people in Bukittinggi already aware the concept of 3R, as many as 35% said they do not understand the 3R waste management concept. This is certainly a concern for the city municipality to cultivate the community's understanding of the importance of waste management with 3R concept.

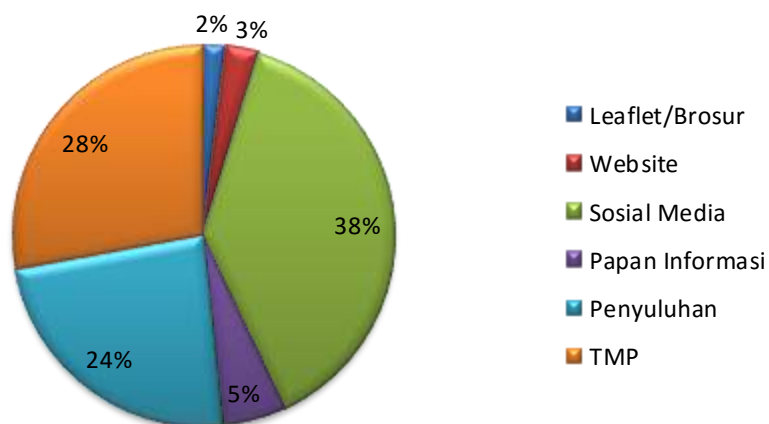
Figure 1. Awareness of 3R Waste Management



Source: processed from primary data

Regarding the utilization of media as a means of information for the community about the importance of waste management with the concept of 3R, social media can be a means of information shown as 38% of respondents got information about the 3R in social media, extension agent/counselor as much as 24% and 5% from information board.

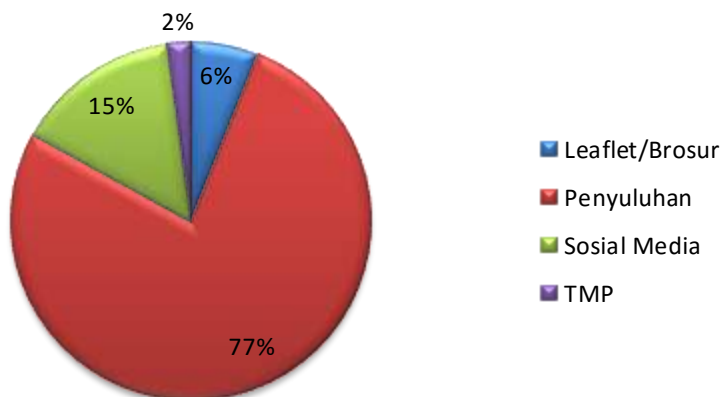
Figure 2. Information Source of 3R



Source: processed from primary data

In order the 3R concept of solid waste management program to be accepted and executed by the community properly it is necessary to do with counseling and support by disseminating information through social media and other information media. The survey results show that 77% of respondents prefer counseling as a communication medium to implement the 3R waste treatment program.

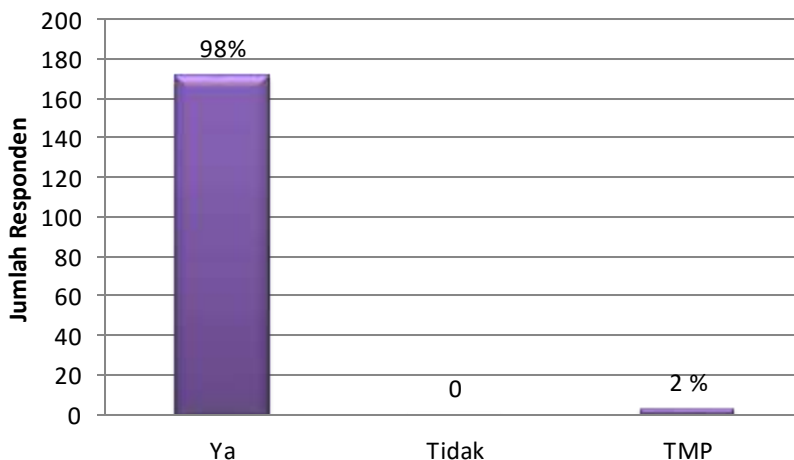
Figure 3. Preferred 3R Information Source



Source: processed from primary data

In general the people of Bukittinggi give full support to the 3R waste management program. The survey results show 98% of respondents agree with the 3R program. The high support of Bukittinggi city community to the waste management program for the 3R program because the program is environmentally friendly and useful.

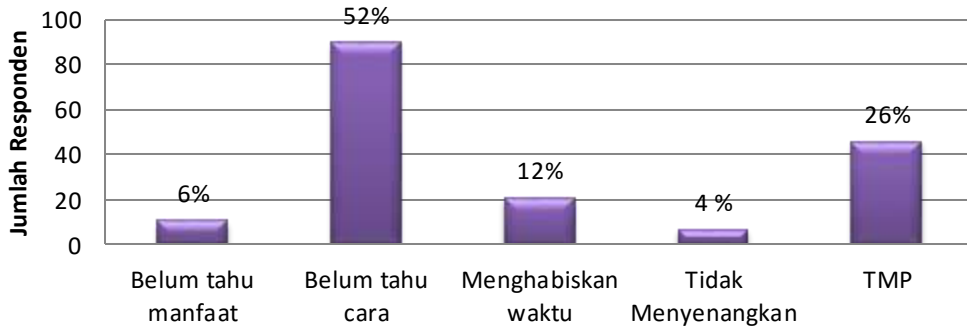
Figure 4. Support to 3R Waste Management



Source: processed from primary data

Although the people of Bukittinggi city give full support to the 3R waste management program, but not all communities have done this activity. There are various reasons why the community has not participated to implement 3R activities. 52% of respondents said they have not done 3R because they do not know how to do it. Furthermore, 12% of respondents do not do 3R because it is considered wasting time. 6% of respondents have not done 3R program because they do not know the benefits of the program.

Figure 5. Reasons not Participated in 3R Waste Management

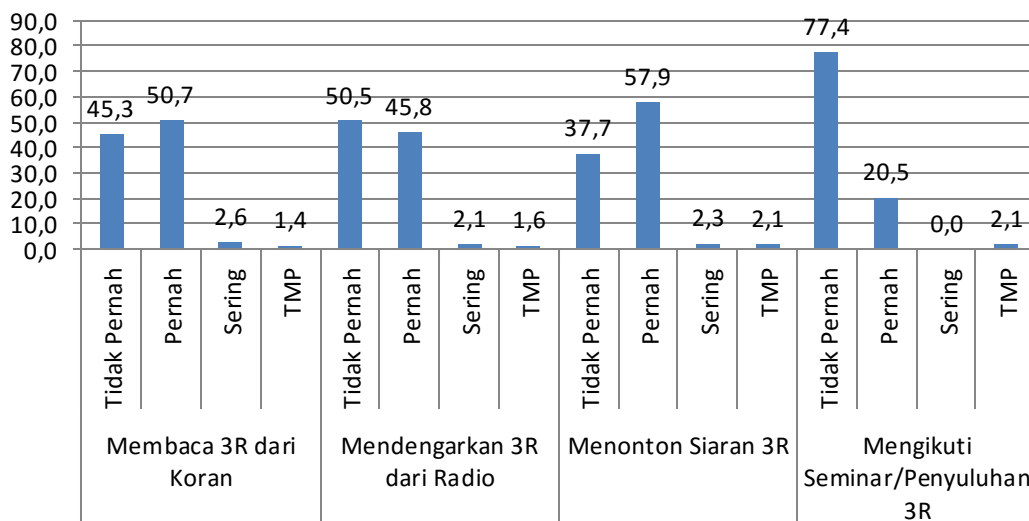


Source: processed from primary data

Furthermore, regarding the intensity of the community to obtain information about 3R waste management, there are different responses. 50.7% of respondents said they had read information about 3R from newspapers / magazines and brochures, while 45.3% said they had never read information about 3R. Furthermore, 45.8% of respondents said they heard information about 3R from radio broadcasts and general discussion, while 50.5% said they had never heard information about 3R.

There are various responses from respondents on Sources of information from broadcast TV. 57.9% of respondents said they had seen the 3R news broadcast, while 37.7% said they had never watched the 3R information broadcast. The conspicuous thing is that 77.4% of respondents stated that they have never followed a dialogue or counseling about 3R only as much as 20.5% stated that they have followed a dialogue or counseling about 3R.

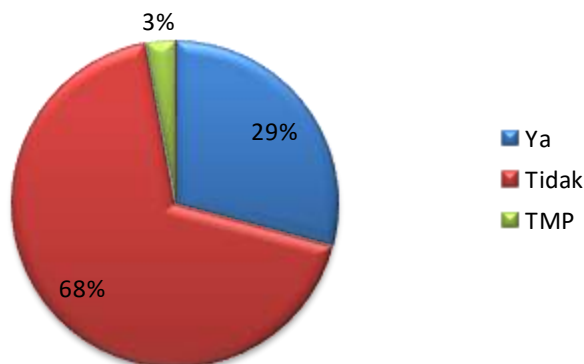
Figure 6. Information Intensity of 3R (%)



Source: processed from primary data

To assure the 3R waste management program to run well and affect the environment, 68% of respondents agreed that the city government of Bukittinggi always continue the socialization of waste management 3R. This purpose is more and more people know the benefits of 3R waste management and actively participate in the program.

Figure 7. Socialization or 3R Waste Management



Source: processed from primary data

Regulation Aspect

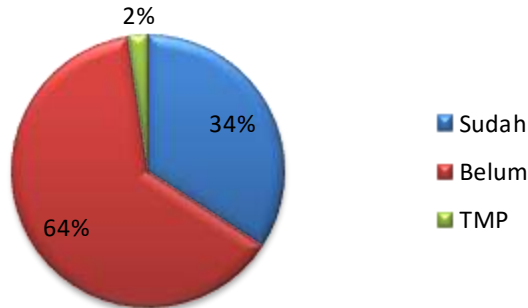
Some of the legal products dealing with the management of garbage in Bukittinggi City are:

1. Mayor of Bukittinggi Regulation Number 47 of 2009 on Main Duty and Function of Echelon II, III, and Echelon IV Duty Details at City Sanitation and Gardening Agency of Bukittinggi.
2. The Decision of the Mayor of Bukittinggi Number 188.45-367-2013 on the Stipulation of Environmental Facilitators at Bukittinggi Urban Village Level.
3. Cooperation Agreement between West Sumatera Provincial Government and Payakumbuh Government, City Government of Bukittinggi No. 120/8 / GSB-2013, Number 9 / PK / 2013, Number 180/12 / Huk-F / 2013 concerning Management of Final Processing Place (TPA) Regional Waste of West Sumatera Province.
4. Bukittinggi City Regional Regulation no. 5 Year 2014 on Management and Retribution of Waste / Cleanliness Services.
5. Regulation of Mayor of Bukittinggi Number 37 Year 2014 on Guidelines for Implementation of Garbage Collection Levy / Garbage Service

Based on the result of the questionnaires, the following results describes aspects of regulations a related to community-based waste management strategies in the city of Bukittinggi. Related to the socialization of regulations on 3R, as many as

34% of respondents stated that the rules on waste management with 3R have been well socialized. As many as 64% stated that stated that the rules about waste management with 3R have not been socialized. The rest as much as 3% of respondents did not give a choice.

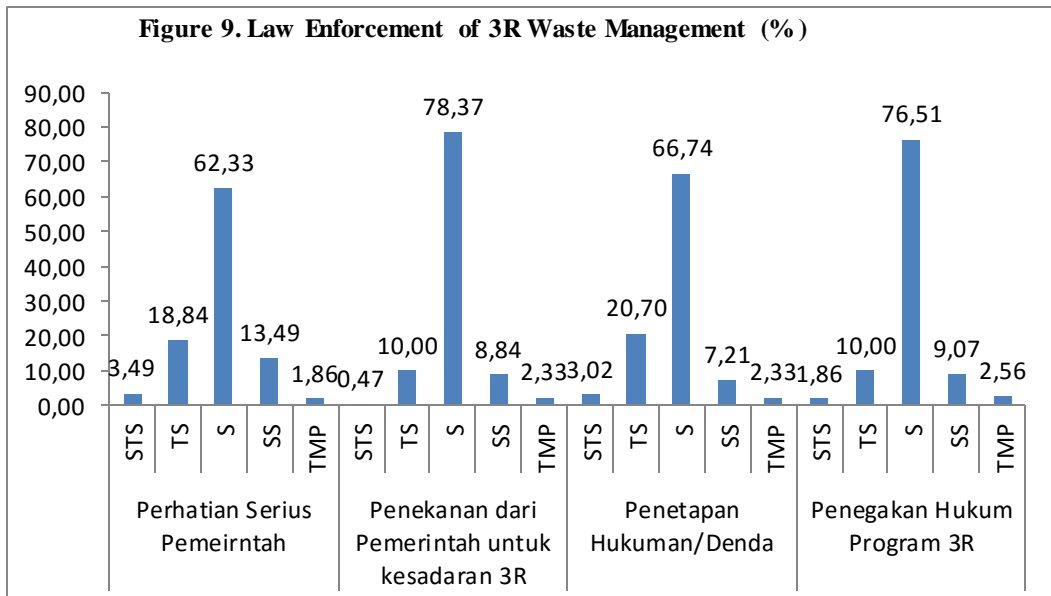
Figure 8. Socialization of 3R Regulation



Source: processed from primary data

To ensure that waste management with 3R concept requires serious attention and high commitment from Bukittinggi Government in the form of enforcement of rules related to 3R waste management concept. The results showed that 62.33% agreed that the city government of Bukittinggi need to give serious attention to waste management with 3R concept. This is also supported by the community's response which states lack of public awareness of the recycling campaign due to the lack of emphasis from the Bukittinggi City Government. As many as 76.51% of respondents agreed that the law should be enforced by means of stipulation of penalties or fines of 3R waste management concept can be applied.

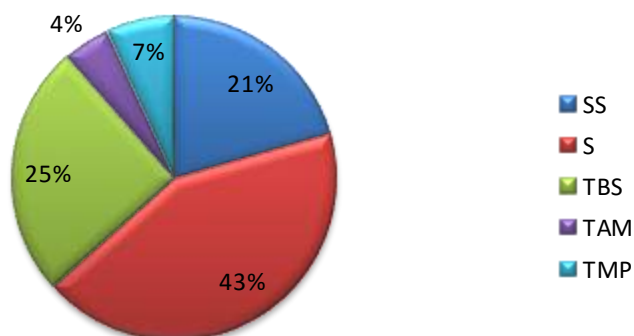
Figure 9. Law Enforcement of 3R Waste Management (%)



Source: processed from primary data

From the description above shows that 3R waste management can be continued by the government of Bukittinggi city because it has received support from the community. Lack of community participation needs to be improved with more participatory programs and approaches. Based on the survey results it appears that the community wants that the city government of Bukittinggi needs to extend the community partnership program to take an active role in the 3R management program.

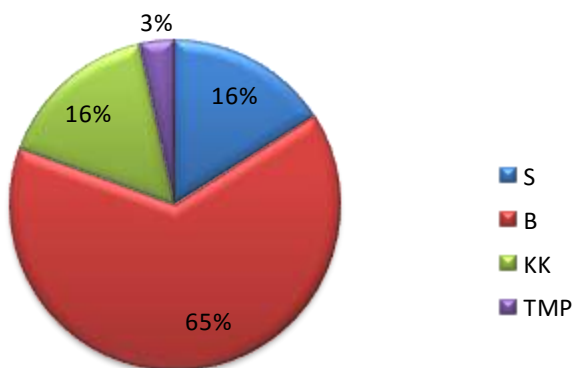
Figure 10. 3R Waste Management Partnership



Source: processed from primary data

Because the 3R waste management program also requires operational technical aspects, the waste management program training activities need to be done. 3R waste management training activities can involve various groups, i.e. teenagers, Karang Taruna, housewives, students, PKK, Dasawisma managed jointly by the government and the community. The survey results show that 65% of the community are saying that 3R's waste management training activities have not gone well.

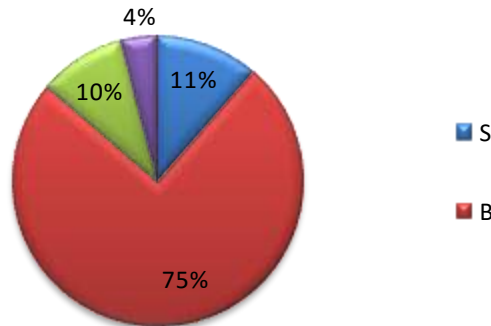
Figure 11. 3R Waste Management Training



Source: processed from primary data

Furthermore, in order to achieve 3R sustainability of waste management activities that impacting on the improvement of environmental quality, the assistance by the government, NGOs, universities should be continuously improved. In this case 75% of respondents stated that the assistance activities for waste management 3R is not optimal and must be improved.

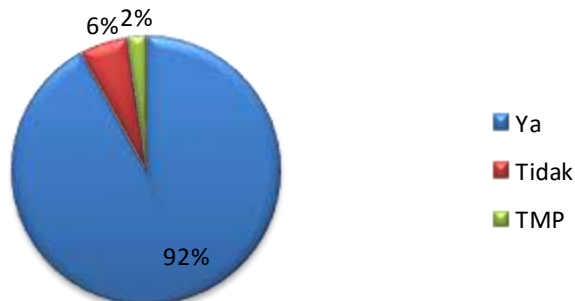
Figure 12. 3R Technical Assistance



Source: processed from primary data

3R waste management is a strategic issue discussed at regional and international level as it concerns the sustainability of natural resource management. Governments and communities in developed countries are seriously committed to tackling waste problems with more environmentally friendly solutions. For the city of Bukittinggi the sustainability of the 3R waste management program should become the concern of local government, community, people's representatives and environmental activists. The survey results show that 92% of respondents from Bukittinggi city community agree that campaign for 3R waste management needs to be continued with various programs and approaches.

Figure 13. Sustainability of 3R Campaign



Source: processed from primary data

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The Relationship of Leadership Style and Employees Commitment in Padang Sharia Hotels

Eka Mariyanti¹, Nor Azilah Husin²

¹Universitas Dharma Andalas, Indonesia

²Universiti Selangor, Malaysia

ekamariyanti@yahoo.com

ABSTRACT

Tourism industry has arised by leaps and bounds in Indonesia. Halal tourism is one area that is booming; one of them is sharia hotels. Sharia hotel industry in Padang City displays the appearance of Islamic role in this city. Padang City hotels are considered as the most visited destination by Muslim tourists, These scenario raised a question that does the leadership style affect the employees in providing shariah quality principles? The objective of this study is to find out the relationship of leadership styls and employee commitment towards providing sharia service hotels in Padang City. The administrators and employees of six hotels in Padang City were chosen as the respondents. Data was collected by distributing questionnaires. A total of 88 out of 118 (74,6% response rate) questionnaires were usable. SPSS is employed to find out the relationship of these two variables. It is found that the leadership styles does have significant relationship with the employee commitment. R square is only 18.7 percent, indicating that there are many other variables unknown in this study that affect the employee commitment in providing shariah compliant services.

Keywords: *Halal Tourism, Sharia Compliant Hotel, Leadership Style, Commitment, Padang City*

I. INTRODUCTION.

In recent National halal tourism competition, West Sumatra has won as a favourite halal destination (KPHN, 2016). The contest was conducted by Tourism Ministry Republic Indonesia by using e-voting system. There are 15 categories in KPHN and West Sumatra has championed 4 categories: a) the best halal tourist destinations, b) the best culinary tour destinations, c) the best halal travel agent, and d) the best halal restaurant (infosumar, 2016). This winning is in line with the Office of West Sumatra cultural and tourism vision aiming that West Sumatra as the main destination based on religious and cultural in the west region of Indonesia. It is hoped that be this tourism element will be able to encourage the regional economic growth and the society welfare.

West Sumatra people are proud and always support the tourism industry to become the world's halal tourism destination. West Sumatra is not a rich region with natural resources that can be exploited to improve the economy of society.

The Sumatera people, some are known as Minang people go outside of Sumatera to have a better relationship with people outside of Sumatera; contributing a significant contribution to the economic development in Sumatera (Simanjuntak, 2017).

The description of halal tourism should be supported by the supporting infrastructure of halal tourism such as sharia hotels which is one form of facilities in the halal tourist services that provide the form of services by combining the sharia values with service and hotel facilities provided.

Internal Auditor Independence

Hotel is the one of the great facilities from the tourism industry, its existence becomes inseparable in the development of tourism, the growth of hotel facilities in Padang city increase with the development of tourism in West Sumatra.

The data from below table shows the details of *syaria* hotels

Table 1: Data of Hotel based on the number of accommodations, rooms and availability of hotel beds in Padang City in 2015.

Table 1: Data of Hotel based on the number of accommodations, rooms and availability of hotel beds in Padang City in 2015.

| No | Location | Accommodation | Room | Bed |
|----|--------------------------------------|---------------|-------|-------|
| 1 | <i>Kecamatan bungus teluk kabung</i> | 6 | 67 | 134 |
| 2 | <i>Kecamatan lubuk begalung</i> | 1 | 8 | 16 |
| 3 | <i>Padang Selatan</i> | 6 | 280 | 457 |
| 4 | <i>Kecamatan padang timur</i> | 10 | 192 | 355 |
| 5 | <i>Kecamatan padang barat</i> | 27 | 1.593 | 2.487 |
| | Total | 50 | 2.140 | 3.449 |

Halal tourism displays a type of religious tourism that conforms with Islamic teachings in term of behaviorisms, dress, conduct and diet (WTM, 2007). Halal tourism is “*any tourism object or action which is permissible according to Islamic teachings to use or engage by Muslims in tourism industry*”. This definition takes into account the Islamic law (*shariah*) as the basis to deliver tourism products and service to the target customer who are mainly Muslims, such as Halal hotels (*sharia* compliant hotels), Halal Resorts, Halal restaurants, and Halal trips. Battour and Ismail, 2015 considered that Islamic tourism and Halal tourism are the same concepts and defined Islamic tourism as simply tourism mainly by Muslims who prefer to stay within their culture. This definition highlights the fact that Islamic tourism is for Muslims and the location of the activities is in Muslim country (Zamani-Farahani & Henderson, 2010)

Other researchers, Samori and Rahman, (2013) further emphasized that halal hotel (*shariah* compliant hotel) is a hotel that supply services in accordance with the

principles of sharia not just serve halal food and drinks but more than that and make sure the whole operation of the hotel run based on *shariah*, Yusuf in Yuni Aryanty (2010) further clarifies that *Shariah Compliant Hotel* is defined as the hotel that is governed by *Shariah* standard which goes beyond the concept of the Dry Islamic hotel.

PERMEN No. 2 of 2014 categorised the sharia hotel business into two categories, namely Hotel *Shariah Hilal-1* (one) and Hotel *Shariah Hilal-2* (two). At the first classification, Hotel *Hilal-1* is the absolute criteria that must cover products which consist of eight elements (8) and twenty seven (27) sub elements. While on the service aspect, the criteria that must be possessed are six (6) elements and twenty (20) sub elements. While in management aspect there are two (2) elements and two (2) sub criteria element.

In this study, we particularly look at *Leadership style* is generally someone who has the ability to influence, to inspire and to encourage some characteristics that must be possessed by the leadership (Abu Kassim, & Sulayman, 2010, Fay, 2005)

Employee Commitment is the extent to which an employee identifies himself/herself with the organization and wishes to participate active in the organization (Newstrom & Davies, 2002: 211), committed employees would work diligently, conscientiously, provide value, promote the organization's services or products and seek continuous improvement (Norton & Testa, 1999).

Due to this multidimensional nature of organizational commitment, there is a growing support for a three component models proposed by Meyer and Allen (1996: 1).

- 1) *Affective Commitment*: involves the employee's emotional attachment to, identification with, and involvement in the organization;
- 2) *Continuity Commitment*: involves commitment based on the costs that the employee is associated with leaving the organization; and
- 3) *Normative Commitment*: involves the employee's feelings of obligation to stay with the organization.

II. METHODS

A. Sample Size and Data Collection

This research was conducted at sharia hotels in Padang City, the following list of hotels/ accommodation is muslim-friendly in Padang City based on the Halal criteria of tourism guide in Indonesia (Indonesia halal tourism guide book). The shariah hotels are Rang Kayo Basa Hotel, HW Hotel, Musafir Inn Hotel, Nabawi Shari'ah Hotel, Bunda Hotel, Amaris Hotel, Buana Lestari Sharia Hotel, Rocky Hotel, Grand Inna Hotel, Abiding Hotel and Rasaki Hotel.

Due to the limited time and personnel, only six (6) out of eleven (11) hotels listed as sharia hotels are chosen by the researchers selected six hotels to be populated in this study namely Rangkayo Basa Hotel with 33 employees, Abidin

Hotel with 12 employees, Nabawi Syariah Hotel with 7 employees, Rasaki Hotel with total 36 employees and Bunda Hotel with total 30 employees making the total of population 118 employees, sample used in this research use probability sampling with purposive technique. This study is a cross-sectional study, quantitative research that is a process of finding knowledge using data in the form of numbers as a tool to analyze information about what want to find out (Kasiram, 2008).

Data is collected by the distribution of questionnaires to all employees of sharia hotels in Padang City. A total of 118 questionnaires were distributed, and only 88 questionnaires were returned, making it 74,6% of response rate.

B. Construction of questionnaire and measurement of variables

Questionnaires were constructed based on references from Instigate, (2008). For leadership style variables were measured by using communication level indicator between superiors and subordinates with 4 items of statement; level of leadership belief in delegating tasks and authority with 2 items statement; willingness of leader to provide guidance and direction in subordinate with 6 statement items. Employee commitment variables are quantified with three dimensional measures of affective commitment with 5 items of revelation; continuous commitment with 5 items of statement and normative commitment with 5 item statements (Naiker, 2008).

For the background of respondents, there are 4 information about the demographics of respondents: gender, age, highest education, and position, in relation to the influence of leadership style on employee commitment in running sharia principles in sharia hotels in the Padang City. Likert scale was used to measure the level of approval or disapproval respondents against the statements that measure an object, The Likert scales used in this study are five-point scale from 5: Strongly Agree, 4: Agree, 3: Less Agree, 2: Disagree, 1: Strongly Disagree.

III. RESULT

Table 2: Respondent background

| Respondent background | Percentage |
|---------------------------|--------------|
| Gender | |
| Male | 68.2 |
| Female | 31.8 |
| TOTAL | 100.0 |
| Age | |
| < = 20 Y | 5.7 |
| 21 S/D 30 Year | 48.9 |
| 31 S/D 40 Year | 28.4 |
| > 40 Year | 17. |
| TOTAL | 100 |
| Highest education | |
| SMA/ MA/SMK | 72.7 |
| Sarjana Muda/ Akademik D1 | 1.2 |
| Sarjana Muda/ Akademik D2 | 0 |
| Sarjana Muda/ Akademik D3 | 17.0 |
| Sarjana (S1) | 9.1 |

| | |
|-------------------------|------|
| TOTAL | 100 |
| Position | |
| Accounting | 6.8 |
| Driver | 1.1 |
| Engineer | 11.4 |
| Food & Beverage Product | 12.5 |
| Food & Beverage Service | 12.5 |
| Front office | 19.3 |
| House keeping | 25.0 |
| HRD | 1.1 |
| Marketing | 2.3 |
| Security | 8.0 |
| Total | 100 |
| Working Tenure | |
| < 1 year | 11.4 |
| 1-3 year | 35.2 |
| 3-5 year | 36.4 |
| >5 year | 17 |
| TOTAL | 100 |

Based on the above data of respondents, sharia hotel employees, there are more male employees than female employees this happens because the male employee are more critically needed than the female employee. Female employees normally do not like to work in hotel due to working at the night shift. Female employee normally objects the night shift. The irregular work schedules can affect married women as they have to juggle their time for their husbands and children. Some fear that working at night is not proper for women especially for security reasons. The majority of the respondents (48.9%) aged 21 to 30 years old. Most of the respondents (72%) are previously schooling till SMA/MA/SMK in which educational background is dominated by an equivalent high school graduate. Of all position found in the hotel, most respondents are found in the housekeeping department and respondents have mostly found in their working tenure is about 3 to 5 years.

Next, Table 3 showed the results of Cronbach Alpha for both variables. Both results showed above 0.7 which implies that the items in the questionnaire are reliable.

Table 3: Reliability test result

| Variable | Cronbach alpha | Significant | |
|---------------------|----------------|-------------|----------|
| Leadership Style | 0.922 | 0.60 | Reliable |
| Employee Commitment | 0.921 | 0.60 | Reliable |

Then, we run the normality test. From the table, p-value 0.097 and 0.189. We can conclude that the data come from a normal distribution.

Table 4: Normality Test

| Variable | Asym sig | Alpha | Explanation |
|------------------------|----------|-------|-------------|
| Leadership Style (X) | 0.097 | 0.05 | Normal |
| Employee Commitment(Y) | 0.189 | 0.05 | Normal |

Lastly, we run the determination coefficient test in order to find out the proportion of variance in the dependent variable. The results showed that in leadership style contributed 18.7% to the variance of employee commitment in the operation of *sharia* hotels.

Table 5: Determination Coefficient Test

| Explanation | R | R Square |
|-------------|-------|----------|
| Model | 0.433 | 0.187 |

Table 6: The Result of Hypothesis Test

| Explanation | Coefficient regression | Sig | Alpha | Result |
|---------------------|------------------------|------|-------|-------------|
| Constant | 26.320 | | | |
| Employee Commitment | 0.659 | 0.00 | 0.05 | Significant |

IV. DISCUSSIONS AND CONCLUSION

The development of halal tourism in West Sumatera need to get the attention from all parties including the development of sharia hotels, the presence of sharia hotels have become an added value for Western Sumatra to support the halal tourism program, the current category of new *syaria* hotel in West Sumatera still based on the criteria set by the tourism office that rooms and the hotel environment / accommodation is clean, there is the direction for the *Qibla*, halal restaurant is available or there is no non halal menu provided, muslim worship facilities, the availability of prayer time information, the bathroom is equipped with bidet or hand shower, not non-halal animals are allowed to enter the hotel area. The hotels do not provide alcoholic beverages in the mini bar in the room. They cater meals for breakfasting during Ramadan and there is a public *mushalla* with separate male and female area.

The fundamentals of halal tourism are the understanding the meaning of halal in all aspects of tourism activities ranging from hotels, transportation, eating and drinking halal food, financial system including its management, based on the category of halal hotels that facilitated by the Tourism Office. The results show that leadership style has a positive and significant impact on employee commitment. Here, the leadership style which based on spiritual and have a good Islamic value will affect the commitment of employees to be committed in their working organization in providing best quality services following the *sharia* principles. A great and inspiring leader is very much needed to manage a *sharia* compliant hotel. This study has limited to only one variable that affect employee commitment, future research should be recommended to look for more other factors that affect the employee commitment for instance knowledge, skills or attitude toward the implementation of sharia hotels in Padang.

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Case Study: Challenges at A Rural School in This 21st Century

Felicita Yii Meei Yong

Jabatan Ilmu Pendidikan, Universiti Selangor, Malaysia

ABSTRACT

Malaysia is a multicultural and multicultural country. The current population of Malaysia is 31,054,771 as of Tuesday, March 28, 2017, based on the latest United Nations estimate. 77% of the population is urban (23,981,117 people in 2017). The rest of the population is 23% or 7,073,654 people. We respect all the cultural celebration of this ethnicity. That is why we live harmony. In this paper, I discuss the challenges faced by a rural school. I explore 3 challenges with particular relevance to rural school which is very far from town. It is the lack of students and option teachers. Language used by students in the school. There is lacking of the parents' involvement in the school activities. The data is going to be analyzed qualitatively. A rural school was selected from Meradong. A headmistress was interviewed. Observation was carried out. The findings indicated that there were cultural challenges in the rural school. The data is going to be analyzed qualitatively. We appreciate students who mingle together during activities despite of the different ethnic group and parents participated in the activities.

Keyword: *Rural school, multicultural, education*

I. INTRODUCTION

It is a rural school at SJKC Bunga Raya (not the same name) Meradong. Education is a field that involves and requires the commitment of all stakeholders. The success of the education system is judged by its ability to be maintained by the target groups in order to increase living standards. The number of students study in the rural school has decreased. It is a low-quality school as there is not established. KPM states that we need collaboration from all parties. The early stage education development focuses on improving schools in the city and at the country's main economic growth area. Building facilities, equipment, training teachers and resources should be managed continuously. There is a gap. So, government should provide that pupils have the comparative and quality education.

Rural school is very far from town. Most of the parents are uneducated. They are labour in the forest and outstation. That is why there is the barrier to quality. The enrollment is low in the rural school. Most of the residents have migrated to town for the better life. It is a lack of students and option teachers. The social rate of return is low if those who attend school do not learn much. The cultural challenges in rural schools are Lack of students and option teachers, Language used in school and lacking of parents involvement in the school activities. There is no cultural

environment as teachers use Mandarin to communicate and practise Chinese culture in the school. Besides, all teachers are Chinese, same races and implementing their own culture in teaching and learning.

How we deal with that we have sufficient teachers to teach in the school within this 21st century learning skill?

1. How does mother tongue affect the cultural integration among students?
2. How to make sure that parents engage in school activities?

Good social studies is multicultural and multicultural concepts make for good social studies! Culture refers to the beliefs, values, behavior and material objects that, together, form a people's way of life. (Alan S. Berger, 2010) The way our ancestors speak through us.

Culture can be described as members of many groups who have cultural aspects. Gender, social class, regional, ethnicity, religious,.....(Tim Fry, 2005) Rural areas are large and isolated areas of an open country with low population density. Rural development is a process of change, by which the efforts of the people themselves are met those of government authorities to develop their economic, social and cultural conditions of communities into the life of the nation and to enable them to support fully to the national programme.

A school's culture can be described as the traditions, beliefs, policies, and norms within a school that can be produced, enhanced, and maintained through the school's principal and teacher-leaders (Short & Greer, 1997).

Work with parents should be based on the assumption that all parents want the best for their children and would prefer to associate effectively with the school. In considering the structures for integrating the cooperation of parents, schools should recognize that the most critical forms of parental support occur at home. Extensive research has established that teachers have a significant impact on student achievement (e.g., Goldhaber, 2007; Gordon, Kane, & Staiger, 2006; Rivkin, Hanushek, & Kain, 2005;

Rockoff, 2004; Sanders & Horn, 1994 Sanders & Rivers, 1996; Wright, Horn, & Sanders, 1997), with a key indicator of teacher experience being referred to student performance.

Teachers become more effective the longer they prepare. In his review of teacher research, Goldhaber (2008) published studies that consistently demonstrate teachers becoming increasingly more effective in the first 3 to 5 years of teaching. Thus, it can be inferred that teachers with fewer than 3 years of teaching experience are less effective than those with 3 or more years of teaching experience.

To foster unity, it is important for students to interact and learn with peers and teachers from various ethnic, religious, cultural and socioeconomic backgrounds. (PPPM 2013-2025) Challenge is a confrontation, a bid to overcome something.

II. METHODS

A case study was carried out on challenges at a rural school. That is SJKC Bunga Raya, Meradong. Interviews were carried out involving 1 headmistress, 2 parents, 2 teachers. The interview questions were prepared. Headmistress was interviewed. Observation was done at the classroom to see whether the students converse in English Language or Malay Language as well as Mandarin. Parents were interviewed. There are 18 Iban students and 30 Chinese students. 13 Chinese teachers and 1 converted Chinese Muslim headmistress.

III. RESULT

SJKC Bunga Raya –SKM is situated at around 9 km from Bintangor town. This area has no transportation and is very inconvenient. The school is situated at a bypass to Meradong and Sarikei.

How we consider that we have sufficient teachers to teach in the school? *Lack of students and teachers*

There are 18 Iban students and 30 Chinese students. It is a lack of students (SKM). Students tend to speak mandarin in the class. Low performance especially in BI subject besides having low enrollment of students.

13 Chinese teachers and 1 converted Chinese Muslim headmistress. Non option's teacher teaches the Subject. Chinese teachers teach the subject, students are less exposed to the culture. Mostly teachers are Option Bahasa Cina. The authority must recruit teachers who are fluent in the language of instruction. Besides, most of the teachers want to transfer to town school because they have to stay very late for co-curriculum activities. Thus, problem must be solved before it becomes worse.

Table. 1 Option Teacher-insufficient Tc

| Option | Number of Teacher | Teaching Subject |
|----------------|-------------------|------------------|
| preschool | 1 | preschool |
| Mandarin | 2 | BI |
| Mandarin | 4 | BM |
| Mandarin | 5 | BC, SC,MM |
| MM | 1 | BI |
| Remedial-LINUS | 1 | LINUS Program |
| Total | 14 | |

Table 2. Enrollment of Iban Students

| Iban Students | Year | Number of students |
|---------------|------|--------------------|
| | 1 | 1 |
| | 2 | 2 |
| | 3 | 4 |
| | 4 | 2 |
| | 5 | 4 |
| UPSR | 6 | 5 |
| Total | | 18 |

Table 3. Student Enrollment

| Year | Number of student | Remark |
|------|-------------------|--|
| 2014 | 46 | |
| 2015 | 54 | 2 teachers brought 2 children to study in this school respectively |
| 2016 | 49 | |
| 2017 | 48 | |

UPSR performance-risky

| Year | Percentage% | Remark |
|------|-------------|--|
| 2014 | 100 | |
| 2015 | 40 | Nazir Came. Selected for New Deal BM 100% GPS 1.97 |
| 2016 | 85 | Very poor in BI |

How does mother tongue affect the cultural integration among students?

Language Used

Use mother tongue to express among friends. No improvement in terms of language proficiency (BI). They are Lack of exposure among students. There is not much mingling among different races of teachers and students, respectively. They adhere together with their own races. They prefer to practise Chinese culture. All teachers are Chinese, same races. Applying their own culture in teaching and learning. No cultural environment. It only has Homogenous environment –it is challenging for students to be exposed to different cultures and ethnic groups in the future. To foster unity, they need to interact and collaborate with the individual from a range of socio-economic, religious and ethnic background. So that, they understand, accept and embrace differences. They will build shared experiences in the future.

How to make sure that parents involve in school activities?

Parents' role

Teachers are encouraged to organize meetings with parents and discuss the material prepared by the students or through the program SIS .Communities participate in designing and supporting the school curriculum. Parents are encouraged to involve in school activities such as gotong royong. Is extremely difficult for all of them to involve. A few parents turned up. They attend parental reading, prize giving ceremony, birthday celebration. They are busy with activities. Parents are encouraged to involve in school activities such as gotong royong, RIMUP. KWAPM and merit will be given for the children if parents turned up. Some schools have practiced this.

They don't know Mandarin especially Iban parents. They depend fully on the input by teachers. Instilling the importance of education and responsibility of parents in school activities are highly encouraged. They are briefed in order to change their mindset since they didn't put education as an importance matter. Besides, Seminar and workshop have been carried out to bring all parents together as a team and break the ice of the racial group and share a set of experience. This can produce the good result. Students complete their homework consistently, having a positive attitude. Good attendance showed. Studies have demonstrated that a correlation between parent involvement and children's educational development. (Gottfried, Fleming, & Gottfried, 1994) Families can have a strong influence on a variety of school outcomes. Parental involvement is shaped by background factors as well as their unique values of each parent. Children of different background engage in school differently.(Grolnick, Friendly and Bellas (2009))

IV. CONCLUSION

Government has concerned about rural school development. The initiatives taken by government to develop and link the area to the town are a step that can bring great improvement and development of the economic, social and cultural conditions of communities in that area.

Education is the best dowry to change their standard of living. More students will enroll in the school if there is a development in this area. Despite of the challenges faced, teachers will sacrifice to teach in the rural area. Government must make sure that they are sufficient option teachers who teach the subject. It is an obligation to encourage more teachers and students to flow in this area.

Improvement in terms of language proficiency through the speaking of English Language on the daily basic and activities must be emphasized and carried out. Recruiting more teachers who are fluent in the language of instruction. Practice makes them perfect.

Parents' involvements in school activities help students to have a better result performance. The government is also thinking of those who dropped out. Reduce the cohort of "lost boy". Its focus is youths who drop out of the school system; parents realize the importance of education. Providing more skillful training to help them to enter the labor market and job opportunities that match their abilities. For example, it is a obligation carry out the literacy programs and community programs. No child is allowed to be left behind. Reducing the rural and urban development gaps despite the cultural diversity. Sufficient facilities are a must for them to learn in a conducive environment.

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The Effect of Situational Normality and Information Privacy Concerns towards Trusting Belief in Electronic Retailing

Harryanto Gani, Yulia Hendri Yeni,
Andalas University, Indonesia

ABSTRACT

Fast development of the internet that led to massive change from traditional shopping activities to electronic shopping activities, this new shopping styles lead to many uncertainties and unpredictable circumstances. Via an initial trust-building model, this paper examines the consumer's trusting belief in an online retailer, considering situational normality and information privacy concerns. A convenience sample are 170 student from Andalas University. The data is processed by using SPSS 16 and PLS 3.0. Result of this research imply that situational normality induce trusting belief of consumer on electronic retailing. While information privacy concerns has no effect on trusting belief of consumer, this result might be favored by other factor such as company reputation, structural assurance and other factors.

Keywords: *Trusting Belief, Electronic Commerce, Retailers, Privacy, Situational Normality, Consumer Behavior*

I. INTRODUCTION

Living in the 21st century these times are full surprises. The vast movement of information and computerized technology that have practically no boundaries and borders impose that the flow of information needs to be dis-aggregated, filtered and analyzed. Many trends were coming up to surface or simply created or born due to the vast flow of information. The trends give a huge impact to many fields, and business practices. One of the latest trends in digital realm is electronic retailing or e-retailing.

Electronic retailing or E-tail is transferring goods to all forms of business-to-customer (B2C) and business-to-business (B2B). It is also very significant to notify that electronic retailing is greatly associated with uncertainties compare to traditional retailing, offline retailing (Grabner-Krauter & Kaluscha, 2008). Most of electronic retailing companies on the internet have to deliver a high value of product and service to the customer. Valuable product and service from electronic retailing companies build up a customer loyalty, encourage repeat purchase, maintain a long term relationship with customers and establish a trust from customers (Gurau, 2003; Parasuraman & Zinkham, 2002).

Under the natural situation of online world, the flow of information would be promoted. The flow of information in the electronic retailing is almost borderless. The general information that was supplied by the consumer that registering

themselves in the electronic retailing domain would be saved and available for everyone within the company and any parties associated with the companies operational activities (e.g. shipping company/agency). The information is something that becomes the primary concern of the consumer. The consumers are worried that the information might be leaked to other parties other than the retailing companies itself, the retailing company needs to accentuate that the consumer personal information need to be kept secretly. The online retailer would usually give a general information such as the address or phone number; or any other information that will ease the product delivering process to shipping agency, but they are restricted to give more detail about the consumer information.

When consumers of electronic retailing companies approach electronic retailer under situational normality, they will expect the transaction that they will conduct with the electronic retailer company would be safe. If the consumers are sure that their private information will not be interrupted by other parties or leaked to other parties. When these basic needs of consumers are fulfilled by the electronic retailer company, trust would be built over time. It is also very important for the electronic retailer companies to realize that initial trust, that is, trust in the unfamiliar web vendor, one with whom the customer has no prior experience will play important role in developing further trust belief. (Bigley & Pearce, 1998) believed interaction between two unfamiliar actors that do not yet have credible, meaningful information about each other. The interaction overtime between those two actors will establish credible, meaningful information. A mutual credible information could be obtained only after the trustor (a web user or e-tail customer) has engaged in trust-related behaviors (e.g. purchasing) and had the opportunity to assess the trustworthiness of the vendor by observing the consequences of those behaviors. Because of this the first transaction hit the core of trusting belief relationship between consumer and electronic retailing vendor.

Electronic Retailing: Electronic retailing or internet retailing has a very specific definition. (Conhaim, 1998) explained that electronic retailing embodies all consumer oriented storefronts, business to business (B2B) which includes the electronic payment system and order management system. Electronic retailing transaction could occur between business-to-consumer (B2C), business-to-business (B2B), and government-to-constituents. Business-to-business (B2C) electronic retailing is usually occur between a corporations and individuals customer while business-to-business (B2B) electronic retailing is involving two organizational electronically. Government-to-constituents (G2C) electronic retailing in other hand is involving governments and numerous and various constituents including businesses, individuals, employees, and other government agencies and bureau.

Situational Normality: Paravastu, Ramanujan, & Ratnasingam, (2016) defined situational normality as a favorable mutual trust between electronic vendor and customer. In the particular concept such as the technology, situational normality is a condition when a clash between technologies will not interfere the consumer's feeling of easiness in which the clashed technologies are planned to be used or trusted

by the customers. Gefen, Karahana, & Straub (2003) also mention that situational normality marketing is an extended marketplace that resemble normal or customary situation. Situational normality also indicates some critical attributes such as competency, well-doing, and integrity that exist within the internet realm (McKnight, Choudhury, & Kacmar, 2002). Any positive attitudes demonstrate by the electronic vendor under normal or customary appeal from the customer would also be considered as situational normality (Wingreen & Baglione, 2007).

Information Privacy Concerns: Privacy is usually defines as consumer eagerness to share the information over the internet which activate pathways for purchasing execution. Nevertheless, the consumer concerns over their personal information hinder them from sharing their valuable and confidential information with the electronic vendors. Reassurance of consumer personal privacy is limited in the essence of privacy on the internet in which the importance of information control includes the significant identification of secondary information concerns. The information concerns are depicted as freely submitted web-base information. This information is diminished or nonexistent control of further information sharing with third parties (Hoffman, Novak, & Peralta, 1999).

Trusting Belief: Gefen (2002) conceptualized the trust as a single construct with multiple dimensions while McKnight, Choudhury, & Kacmar (2002) proposed that there is a merely single trust concept, but there are different types of trust beliefs. Gefen (2002) proposed that trust consists of three-dimensional construct. The first dimensional construct is benevolence or the caring belief, this belief proposed that the electronic retailers concerns and bear the interest of their consumers in their business practices. Integrity is the belief that the electronic vendor will act honestly and ethically in their business. The last dimension is ability in which it is a belief that the electronic vendor has the competency and capabilities on running their business (Gefen, 2002).

Wingreen & Baglione (2007) proved that situational normality negatively impacting the online privacy concerns. The consumers tend to concerns over both privacy of their personal information and their security (Pennanen, Paakki, & Kaapu, 2008). The consumers are concerned whether the situational normality of the internet environment would have the attributes of competence, benevolence, and integrity. From earlier discussion, taking the first hypothesis

H1: Situational Normality of the internet environment will negatively influence information privacy concerns

Situational normality influences perceived trust and integrity in the online environment. This hypothesis only applies if the information privacy concern is the absence. From prior research McKnight, Choudhury, & Kacmar (2002), situational normality will have consistent operational by providing a positive information and description about the electronic vendor in which make the vendor appear to be reliable, competent, and experienced as any other predecessor vendor. With these basic considerations of situational normality, the following hypothesis are drawn:

H2: Situational normality of internet environment will positively influence trusting belief toward the online retailer.

Theoretically, relationship between privacy of personal information and trusting belief has only been observed limitedly. Milne & M.Borza (1998) illustrated that high level of private information concerns of consumers will negatively impacting the trust belief towards a certain organization (in this case electronic vendors). A study from Pennanen, Paakki, & Kaapu (2008) concerning about the trust in online trading indicated that information privacy concerns of consumer and willingness to share information share a negative relationship. Based on the previous research, the following hypothesis are drawn:

H3: Information privacy concern will negatively affect trusting belief toward the online retailer.

The research from Eastlick & Lotz (2011) found that situational normality only affected trusting belief through reducing privacy concerns in which will led to the stronger initial trust and purchase intention. The privacy concerns are also impacting both initial trusting belief and purchase intention of the consumers in online retailing. Although the research from McKnight, Choudhury, & Kacmar (2002) did not confirm that information privacy concerns linked directly to trusting belief. The research concluded that information privacy concerns are the heart to the establishment of trusting belief towards

H4: Information privacy concerns mediate the effect of situational normality of internet environment towards trusting belief in electronic retailer.

II. METHODS

This research will use a quantitative approach through explanatory research to analyze how one or more variables related the other variables and the relationships between variables that explained by the hypothesis. All of data and information are gathered from respondents using the questionnaire and the result will be explained to answer research questions. The current study is purposed to test the hypothesis. According to (Sekaran, 2008), hypothesis testing- study is a study that explain the nature of the certain relationship, or establish the differences among groups or the independence of two or more factors in a situation.

The population in this research are the students at Andalas University. According to (Sekaran, 2008), population refers to the group of people, events, or thing of interest that the researcher wishes to investigate. Because of the popularity of online retailer such as Lazada and Elevenia are raising every year and affecting students, the researcher conclude that it is very important to identify how trust between e-tail and students are built. Based on field observation, the researcher concludes that it will be very suitable to draw the sample from students because they are interacting with electronic retailing more than middle aged adults.

The sampling technique that used in this research is Convenience Sampling. According to (Saumure & Given, 2008) as the common definition of convenience sampling is researching those elements of the population that are easily accessible to the researcher. A convenience sample is one of the main types of non-probability sampling methods. In this research, the researcher is using non probability sampling, because this study has several characteristics of respondent. There are two major types of sampling design: probability and non – probability sampling. According to (Sekaran, 2008), in probability sampling, the elements in the population have some known chance and non-probability sampling; the elements do not have a known or predetermined chance of being selected as subjects. A convenience sample comprises people who are easy to reach. (Sekaran, 2008) suggest, the right sample for most research is over 30 and less than 500.

This research would draw a conclusion using 170 samples from students in Andalas University who had experience on buying products from electronic retailer. Students from Andalas University are chosen because, early adults such students are getting more exposure from electronic devices (e.g. Phones and tablets). Because of the exposure the students tend to follow the trends in purchasing products (the traditional way of purchasing the product is being left behind by today’s generation). Shopping with electronic retailing is also very convenient for the students, just a few clicks and swipes, the product that they desired would arrive in front of their house in a couple of days. The price from electronic retailer is also cheaper than the conventional retailer in which suitable for students stipend. This research used 170 samples come from 17 x 10 indicators (Hair et al., 2010). Hair et al., suggest that five respondents per variable to be analyzed as the lower limit, but the most acceptable way of determination is 10:1 ratio (10 samples for variable). Researcher use 10 under the rules of acceptable determinant.

III. RESULT

As seen in table 1 and table 2, the value of outer loading of six indicators do not meet the minimum requirement of outer loading, in which 0.4. This implies that 5 indicators are not valid. Even though IPC3 has the value in between 0.5, but this value would be acceptable only if the value of AVE is exceeding 0.5. Table 2 shows that the value of AVE of each variable does not comply with the rules.

Table 1. First Outer Loading (Validity Testing)

| | Information Privacy Concern | Situational Normality | Trusting Belief |
|------|-----------------------------------|--------------------------|--------------------|
| IPC1 | 0.741 | | |
| IPC2 | 0.714 | | |
| IPC3 | 0.513 | | |
| IPC4 | 0.604 | | |
| SN1 | | 0.775 | |
| SN2 | | 0.851 | |
| SN3 | | 0.789 | |
| TB1 | | | 0.763 |

| | |
|------|---------------|
| TB2 | 0.74 |
| TB3 | 0.102 |
| TB4 | 0.762 |
| TB5 | 0.776 |
| TB6 | 0.745 |
| TB7 | -0.077 |
| TB8 | 0.271 |
| TB9 | -0.011 |
| TB10 | 0.478 |

Table 2. Average Variance Extracted (AVE) First Testing

| | Average Variance Extracted (AVE) |
|-----------------------------|----------------------------------|
| Information Privacy Concern | 0.422 |
| Situational Normality | 0.649 |
| Trusting Belief | 0.319 |

Due to the invalidity of some indicator, the researcher reruns the data with the absence of IPC3, TB3, TB7, TB8, TB9, and TB10 using the same of amount of respondent (170 respondents). The result of the second Smart PLS run is shown in table 3 and 4. The second run of PLS method bear out more valid and reliable findings.

Table 3. Second Run of Outer Loading in Validity

| | Information Privacy Concerns | Situational Normality | Trusting Belief |
|------|---------------------------------|--------------------------|-----------------|
| IPC1 | 0.885 | | |
| IPC2 | 0.797 | | |
| IPC4 | 0.758 | | |
| SN1 | | 0.773 | |
| SN2 | | 0.834 | |
| SN3 | | 0.808 | |
| TB1 | | | 0.781 |
| TB2 | | | 0.749 |
| TB4 | | | 0.784 |
| TB5 | | | 0.784 |
| TB6 | | | 0.747 |

Table 4. Second Run of Average Variance Extracted (AVE)

| | Average Variance Extracted (AVE) |
|-----------------------------|----------------------------------|
| Information Privacy Concern | 0.664 |
| Situational Normality | 0.649 |
| Trusting Belief | 0.591 |

From the two table above, after data processing, there is no outer loading that has the value less than 0.7. The smallest value of outer loading is 0.747 in which represent TB6.

The results estimated coefficients conducted by PLS is a standardized coefficient which will be called the path coefficients. The original sample among constructs shows the coefficient value of each line. The level of significance in hypotheses testing can be seen in the value of coefficient path or inner model. The coefficient path score or inner model is shown by T-statistic value. It must be above 1.64 for one-tailed hypothesis with alpha 0.05 (Hair et al., 2001). The result of hypothesis testing can be seen on Path Coefficients in table 5.

Table 5 Path Coefficients

| | | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (O/STDEV) | P Values |
|----|---------------------|--------------------------------|--------------------------------|---|-------------------------------------|-----------------|
| H1 | SN -> IPC | 0.190 | 0.203 | 0.103 | 1,844 | 0.066 |
| H2 | SN -> TB | 0.593 | 0.597 | 0.055 | 10,841 | 0.000 |
| H3 | IPC -> TB | 0.023 | 0.022 | 0.084 | 0,269 | 0.788 |
| H4 | SN -> TB | 0.596 | 0.603 | 0.050 | 11,862 | 0.000 |

Discussion

The same research was conducted in 2011 by Eastlick & Lotz (2011). The research finding was similarly the same, situational normality of internet environment will negatively influence information privacy concerns. (Belanger *et al* 2002; Flavian & Guinalio, 2006) acknowledge that communicating personal information security is an important online structural assurance. Accesible, explicit privacy and security policies lead to stronger trusting beliefs in situational normality of internet environment (Yousafzai *et al* 2005; Pan & Zinkhan, 2006), a relationship that has been clearly supported via research, hence situational normality was also employed as a control variable in this study.

McKnight, Choudhury, & Kacmar (2002) conveyed that the web risk findings also contribute by positioning web risk conceptually among trust concept. Web risk perceptions might be termed on institutional distrust, which reflect negative emotion. Thus, the negative side of consumer's web environment perception impacted the sharing of information towards electronic retailer under situational normality. This is probably because web risk reflects an emotion-based fear of harm on the retailer that is not reflected in structural assurance, which inheres optimism about the electronic retailer.

Eastlick & Lotz (2011) propose that situational normality only affected trusting belief through reducing privacy concerns which then led to the stronger initial trust. The finding represents a major contribution to the study. In the few conceptualized of ongoing initial trust, situational normality have been proposed directly to trusting belief (Kim *et al.* 2004; McKnight *et al* 2002; Wingreen *et al.* 2005) showed that situational normality indirectly related to trusting belief via its relationship with information privacy concerns.

Research from Wingreen & Baglione (2007) clarify the positive relationship between situational normality and trusting belief. The positive relationship between the two variable only occur when both familiarity and initial trust are already established. This interaction is resulting in the increase of trusting belief under situational normality on the internet environment. The customer or user of the online business felt that the vendor was honest, caring , predictable, knowledgeable and possessed the expertise and resource an integrated online business.

Research by McKnight, Choudhury, & Kacmar (2002) supported that information privacy concern will not significantly relate to trusting belief. (McKnight & Chevany, 2001) claim that distrust towards electronic retailer reflects human desires for survival and for protection from harm. In web context. Therefore, perceived web risk will relate directly to a consumer intentions to engage in specific behaviors such as sharing information. The research also the post that positive belief and forming a general willingness to depend do not entail the same level to specific high-risk commitments as the specific behavioral intention do (e.g. Information privacy concerns). This means that information privacy concerns will not be a direct antecedent of trusting belief.

Another researches from Flavian & Guinalio (2006) suggest that information privacy concerns are central to the formation of trusting belief. Similar result also found in (Milne & M.Borza, 1998; Pennanen, Paakki, & Kaapu, 2008) both result of the researches also shown that information privacy concerns will affecting trusting belief negatively. The finding of this research illustrate the importance of privacy concerns among online consumers and the need to find ways to reduce them.

The difference in findings were elaborated by (Flavian & Guinalio, 2006), the research proposed that the difference findings could come as the result of difference in data handling. This logical sequence implies that surpassing low levels of trust depends on the proper management of legislative, technical, and business measures. In fact they are what, when taken together, determine the levels of security and privacy perceived by the consumer. Such management needs to give priority to increase the security and privacy of communications, as this will in turn increase trust, and in the long run favor the creation of a more faithful market. Because of this, we should analyze in more detail the aspects that might affect the levels of perceived security in private data handling. These aspects may be distinguished in terms of the agents responsible for them, basically the private or public sector

Flavian & Guinalio (2006) mentioned that in relation to the legal measures, we can appreciate that up to now, the measures exercised in the USA and Europe have had no significant effect, because of the lack of resources and the heterogeneous nature of legislation between different countries. In USA and Europe the authority were unable to police activities related to privacy concerns due to lack of human resources to monitor them.

Flavian & Guinalio (2006) also convey that the other factor that might result in different finding is the different use in IT to protect the user of the online shop for example secure email from going to the third parties unnoticeable.

Eastlick & Lotz (2011) stated that information privacy appears to impact trusting belief differently in which she suggests that further research could determine more about the influence of privacy concerns towards trusting belief. Such information has the potential to provide online firms with information concerning whether some forms of trust building measure might be emphasized over other in their online sites.

The direct effect value of this research from situational normality to trusting belief is 10.841. Meanwhile, indirect effect value is the multiplication of correlation of situational normality to information privacy concerns of 1.884 and correlation of information privacy concerns to trusting belief of 0.269. The result for indirect effect is 11.862. From the calculation result, indirect effect (11.862) has higher value than a direct effect (10.841). According to Baron and Kenny, (1986) predictor variable should significantly influence mediator, and mediator also should significantly influence the dependent mediator. Values of indirect effects is below 80%, it means in this research, information privacy concerns is partially mediates situational normality and trusting belief. In this research, information privacy concern is needed as the mediating variable in this research. Furthermore, H4 is supported.

Eastlick & Lotz (2011) found the same result that implies the mediation effect of information privacy concerns towards situational normality and trusting belief. Situational normality also forms a foundation for assessing privacy concerns. Later on, privacy concerns also construct a based to identify trusting belief of consumers. (Pennanen, Paakki, & Kaapu, 2008) mentioned that information privacy concerns are the core of the formation of trust in online company.

IV. CONCLUSION

After analyzing, testing, and interpreting the data of the research, conclusions are drawn based on the findings. Table 4.28 convey and display the conclusion of the research

Table 6. Research Conclusion

| Hypothesis | Conclusion |
|---|-------------------|
| Situational Normality of the internet environment will negatively influence information privacy concerns | Supported |
| Situational Normality of the internet environment will positively influence information trusting belief | Supported |
| Information privacy concerns will negatively influence trusting belief | Not Supported |
| Information privacy concerns mediate the relationship between trusting belief and situational normality of internet environment | Supported |

Researcher found some limitation when conducted this research. Some limitation are as follows, first, this research has limitations of the response's bias of

the respondents. Response bias is the information given by respondents through questionnaire sometimes does not show the actual opinion of the respondents. This happened because of the inability of the respondents to understand the items of each point in the questions. So that the honesty of respondents in answering the questions and the limitation time given to them in filling the questionnaires are slightly inappropriate. Secondly, The downside of the non-probability sampling method is that an unknown proportion of the entire population was not sampled. This entails that the sample may or may not represent the entire population accurately. Therefore, the results of the research cannot be used in generalizations pertaining to the entire population. Lastly, this research is limited by the absence of other factor such as company reputation, IT security assurance and structural assurance that are not presented in this research model due to the lacks of information gathered from the previous research.

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Analysis of Implementation of Financial Reporting on Micro Small and Medium Enterprises (UMKM) in Padang City

Lovelly Dwindah Dahen, Alfatory Rheza Syahrul, Vella Anggresta
STKIP PGRI West Sumatera, Indonesia
lovendalovelly@yahoo.com

ABSTRACT

This research intends to analyze (1) the influence of education level on the application of financial reporting to UMKM in Padang City. (2) the influence of experience in applying financial reporting to UMKM in Padang City. (3) the effect of Accounting training on the application of financial reporting to UMKM in Padang City. (4) the effect of business size on implementing financial reporting of UMKM in Padang City. This research is descriptive associative which consist up to 700 owners of MSMEs in Padang City. This study used logistic regression analysis. The results of this study found that: 1) Education Level significantly influences the application of financial reporting to UMKM. 2) The owner's experience has no significant effect on the application of financial reporting . 3) Accounting Training significantly influences the application of financial reporting to MSMEs . 4) Business Size has no significant effect on the application of the preparation of financial statements. MSMEs that have implemented the preparation of 182 MSME financial statements of 26% while MSMEs that have not applied the preparation of financial statements as much as 518 ie 74% so that the need for socialization to business actors about the importance of the application of the preparation of financial statements.

Keywords: *level of education, experience, accounting training, business size and application of financial report preparation, UMKM.*

I. INTRODUCTION

Small and Medium Micro Enterprises (MSMEs) support and contribute to local development, job creation with sufficient labor employed, income distribution and poverty alleviation of the people. By the role of MSMEs in poverty alleviation needs to be improved by good business management through transparent and accountable financial management so that it can be used as a tool in decision making for business sustainability. According to Niswonger (2009) more than 70% of companies in the United States are individual companies because of their ease and reasonable cost of establishment. The major disadvantage of individual corporations is that financial resources are limited only to private property.

It is also seen in Small and Medium Enterprises (SMEs) in Padang city, the average business owner could not separate the owner's cash with the company's cash because not all Micro Small and Medium Enterprises (MSMEs) perform accounting

system so it can not give financial information. As with Samryn (2011), individual businesses often find it challenging to separate wealth, debt of owners and corporate debt, but for the sake of business continuity, the accounting system must be used to produce financial statements for policy making.

Micro Small and Medium Enterprises (MSMEs) have a weakness in the presentation of financial statements. Luther (2014) revealed that, the need to prepare a complete set of financial statements is determined by company size, business age and the involvement of accounting personnel. Maseko's (2011) study shows that most SMEs do not keep complete accounting records due to lack of accounting knowledge and thus inefficient use of accounting information in the measurement of financial performance. In line with Kwabena (2013) research that most SMEs fail to maintain a complete accounting record because they think there is no need to keep accounting records and their impact on their financial position. At SMEs in Padang City, the lack of accounting knowledge of MSMEs managers in the preparation of financial statements impacts the inability to provide financial information. SMEs focus on buying and selling business but do not have a record of sales and purchase transactions so as not to measure the financial performance of MSMEs.

In 2015 Indonesia has faced the Asean Economic Community (AEC), where the market competition will be higher. If MSMEs do not innovate and develop their business, it will be many perpetrators of SMEs can not continue its business. Business development requires considerable funding. Most MSMEs only use private capital (capital) in running their business, and there is no separation between personal money and company money.

Many SMEs only use personal capital in working their business. Although there are now many programs conducted by the government in the field of capital, such as People's Business Credit (KUR) that can be obtained at several banks. The reasons for MSMEs do not use the funds or capital from the lender is the scale of the business is still small and the old business is still new (1-3tahun). Another reason is the complexity of the requirements provided by the lender. One requirement is the financial statements of SMEs that reflect the real state of the company. However, many MSMEs do not provide or prepare financial statements in their business. The reason is that MSMEs are too focused on the production process and operations, so do not pay attention to the recording or bookkeeping. To access the bank easily, MSMEs must make a financial report. However, the situation shows that most SMEs do not make financial statements for the KUR (in this case is the bank) to make the bank very careful in providing loans.

The purpose of the financial statements is to provide the company's financial information to view the financial position, financial performance and cash flows of the company to benefit the users and owners in decision-making. SMEs in the city of Padang many are constrained in the preparation of financial statements. UMKM constraints are the lack of knowledge of owners in the preparation of financial statements, the absence of workers or employees who understand about financial

statements, there are still SMEs who have not followed the accounting training, scale / small business size, business experience, business age and education level of the owner.

Financial statements

According Munawir (2004) financial statements are basically the result of the accounting process that can be used as a tool to communicate between financial data or activities of a company with the parties concerned with data or activities of the company. According to Sofyan (2011) the main purpose of financial statements is to provide useful information for decision making. Financial information is very useful for predicting, estimating, comparing and assessing company cash flows.

The size of the business.

As business size increases, the proportion of firms in providing accounting information, budgets, and additional information also increases. Criteria The size of the business viewed from the number of employees by BPS is as follows: (1) small-scale enterprises have a workforce of 5 - 19 people, And medium enterprises have a workforce of 20 - 99 people.

Type of business

Business types are divided into 8 groups, namely wholesale companies, manufacturing companies, administrative service providers, construction companies, financial companies, retail companies, healthcare companies, and other service companies.

Business experience

Experience in the operational endeavor or the length of the company operating based on the business that has been executed will show the need for accounting information is needed, so the longer the company operates, accounting information is increasingly needed because the business complexity is also higher. According to Solovida (2010), the age of the company is divided into 10 years or fewer, 11-20 years, and over 20 years. According Solovida (2010) there are 3 factors that influence the use and preparation of accounting information, namely:

a. The lead time of the company

The longer the tenure of the corporate leader, the more prepared and used the accounting information. Lead period is broken down into 4 groups, namely lead period less than one year, 1-3 years, 3-5 years, and over 5 years.

b. Education owner or manager

The low level of formal education (primary to high school) of the owner or manager, will result in lower use of accounting information when compared to the high level of formal education (college) owner or manager. This is because more accounting teaching materials are provided in college. The owner's or manager's education is measured by looking at the formal education level of the owner or manager.

c. Accounting training

The management employed in training courses generates more accounting information than those who require training. According Solovida (2010), the accounting training in question is an accounting training organized by an educational institution outside the school or higher education institutions, or training centers of certain departments or agencies. According to Jati et al. (2004) stated that at this time most MSMEs still do not hold accounting bookkeeping and reporting properly. Implementation of accounting bookkeeping to provide informative financial statements is still difficult for MSMEs. This is due to the limited knowledge in accounting bookkeeping, the complexity of the accounting process, and the assumption that the financial statements are not important for MSMEs. Based on research results Maseko and Manyani (2011) also found that most SMEs in Zimbabwe do not have complete accounting records due to limited accounting knowledge.

Owner Education

According to Gray (2006) a higher level of education will develop the ability to absorb (including acquisition ability, assimilation, transformation, and exploitation) of new knowledge. Murniati (2002) found that entrepreneurs with low levels of formal education tend to lack adequate preparation and use of accounting information compared to entrepreneurs with higher formal education. This is because the accounting material obtained at higher education level. According to Sariningtyas (2011) Education is defined as a learning process to increase the knowledge gained through formal and non formal education. Formal education in question is the education obtained at the school bench School of the University.

III. RESEARCH METODOLOGY

Data analysis technique used in this research is logit regression analysis. Logistic regression is an analytical technique used when the dependent variable is a quantitative data (Dummy variable). The analysis in this research is done by EViews version 16.0. In analytical techniques this study does not require test data normality because, according to Ghazali (2005: 261) logistic regression does not require the assumption of normality on the free variable. Before performing a logistic regression test, a model fit test should first be conducted that includes: a feasibility test of the regression model and assessing the overall model. The logistic regression equation as follows:

$$Y = a + b_1X_1 + b_2 X_2 + b_3X_3 + b_4X_4 + e \dots\dots\dots \text{Persamaan 1}$$

- a = Konstanta
- b = Koefisien Regresi
- Y = Application of Preparation of Financial Statements
- X₁ = Education Level
- X₂ = Owner Experience
- X₃ = Accounting Training

X₄ = Business Size
e = error term

IV. RESULT

Feasibility Test of Regression Model

Tabel 8. Test Hosmer and Lemeshow Test

| Step | Chi-square | df | Sig |
|------|------------|-------|---------|
| 1 | | 3.163 | 8 0.923 |

Source: Output Eviews 6, 2017

Logistic regression model in this study shows the value of Hosmer and Lemeshow Test statistics of 3.163 with a probability significance of 0.923. The significance value greater than 5% indicates that the model in this study is acceptable because it matches the observational data.

Model Accuracy Test

The model in the study can be stated precisely because the value of likelihood ratio 26.319 with probability <0.05 can be seen in the following table 2.

Tabel 9. Result Model Accuracy Test

| Variabel | LR | a | Probability |
|----------------|--------|------|-------------|
| X1, X2, X3, X4 | 26,319 | 0,05 | 0,0000027 |

Source: Output Eviews 6, 2017

Logistic Regression Test

Because the research model has passed the feasibility test model, it is feasible to do linear logistic regression test. Logistic regression analysis was used to find out the direction and magnitude of the influence of education level, owner experience, accounting training and business scale on implementing financial arrangement of UMKM in Padang city by using Eviews 6. Logistic regression result for this research can be seen in the following table.

Tabel 10. Result Logistic Regression Test

Dependent Variable: Y

Method: ML - Binary Logit (Quadratic hill climbing)

Sample: 1 700

| Variable | Coefficient | Std. Error | z-Statistic | Prob. |
|-----------------------|-------------|--------------------|-------------|----------|
| C | -3.573920 | 1.603032 | -2.229475 | 0.0258 |
| X1 | 0.121248 | 0.035899 | 3.377429 | 0.0007 |
| X2 | -0.001931 | 0.012582 | -0.153458 | 0.8780 |
| X3 | 0.757247 | 0.199493 | 3.795857 | 0.0001 |
| X4 | 0.066679 | 0.097275 | 0.685467 | 0.4930 |
| McFadden R-squared | 0.320662 | Mean dependent var | | 0.263233 |
| S.D. dependent var | 0.440703 | S.E. of regression | | 0.433529 |
| Akaike info criterion | 1.129476 | Sum squared resid | | 130.4357 |

| | | | |
|----------------------|----------|-----------------------|-----------|
| Schwarz criterion | 1.162020 | Log likelihood | -389.7520 |
| Hannan-Quinn criter. | 1.142057 | Restr. log likelihood | -402.9117 |
| LR statistic | 26.31954 | Avg. log likelihood | -0.557585 |
| Prob(LR statistic) | 0.000027 | | |

Source: Output Eviews 6, 2017

Regression model that is formed based on the parameter value in est *Variables in The Equation* are as follows:

$$Y = -3,574 + 0,121 X1 - 0,002 X2 + 0,757X3 + 0,067 X4.....(1)$$

The logistic regression equation shows the direction of each independent variable (level of education, accounting training and business scale) to the dependent variable (the application of financial report preparation), where the regression coefficient of independent variables marked positive means to have a direct influence on the application of the preparation of financial statements MSMEs. However, there is an experience variable where the regression coefficient of independent variables marked negative means to have an effect that is not unidirectional to the application of the preparation of financial statements on MSMEs.

Partial hypothesis test is conducted to determine the influence of independent variables is significant or not to the dependent variable. If the value of significance (sig) of each independent variable to the dependent variable < level of significance is 0.05, then the variable is said to be significant

Determination Coefficient Test

The strong relation of the independent variable to the dependent variable can be seen from the value of McFadden R-squared. Table 5 shows the McFadden R-squared value of 0.321. This value means that variations in education level, owner experience, accounting training and business scale (independent variables) are able to explain the variation of the application of financial reporting to MSMEs (dependent variable) by 32.1%, while the remaining 67.9% is explained by variation other variables are not included in the regression equation model.

IV. CONCLUSION

The effect of education level on the application of financial reporting to UMKM in Padang city.

Educational level variable shows regression coefficient value equal to 0,121 with variable probability value equal to 0.0007 smaller than level of significance 0,05 (5%). This implies that H1 is accepted, thus proven that the educational level variable has a significant positive effect on the application of the preparation of financial statements on MSMEs. This indicates that the educational level of MSME owners can provide technical skill opportunities to business owners in preparing financial statements.

Owners of MSMEs who have a high level of education can contribute to technical skills in the preparation of financial statements. If the owners of SMEs have a low level of education, then this becomes an obstacle for MSMEs in understanding the purpose of preparation of financial statements. However, if the owner of MSME has a high level of education or a minimum of high school graduation, then the owners of SMEs have basic kemmapuan and skills in the preparation of financial statements. This is under the phenomenon that occurred in the sample where the owners of SMEs Lubuk Begalung district has a high level of education tend to apply the preparation of financial statements.

The influence of the owner's experience on the application of the preparation of financial statements to MSMEs in the city of Padang

Owner experience variables show the value of regression coefficient of - 0.002 with a variable probability value of 0.8780 which is greater than the 0.05 (5%) significance level. This implies that H1 is rejected, thereby proving that the experience variable of the owner has a negative and insignificant effect on the application of the preparation of financial statements to MSMEs. This shows that the owner's experience can not provide technical skills opportunities to business owners in preparing financial statements.

Owners of small and medium-sized MSMEs who have high owner experience can lower their contribution in the preparation of financial statements. If MSME owners have high business experience, then MSME owners have a perception that the preparation of financial statements is not the main thing because without the application of the preparation of their business financial statements are still running but do not have a measurement of business development.. This is under the phenomenon that occurs in samples where owners of high-level SMEs experience tend not to apply the preparation of financial statements.

The effect of accounting training on the application of financial reporting to MSMEs in Padang city

Accounting training variables show the value of regression coefficient of 0.757 with a variable probability value of 0.0001 which is smaller than the 0.05 (5%) significance level. This implies that H1 is accepted, thus proven that the variables of accounting training have a significant positive effect on the application of financial reporting to MSMEs. This shows that the level of UMKM accounting training can provide opportunities for technical skills to business owners in the application of financial reporting.

MSME owners who attend accounting training can contribute to technical skills in the preparation of financial statements. If the owners of MSMEs never participate in accounting training, then this becomes an obstacle for MSMEs in understanding the technical preparation of financial statements. However, if the owners of MSMEs follow accounting training, then they have the owner of MSME has the basic knowledge and skills in the preparation of financial statements. This is

in accordance with the phenomenon that occurred in the sample where owners of SMEs in Lubuk Bagalung subdistrict who participated in accounting training tend to apply the preparation of financial statements. While in the sub-district of Padang Timur many do not follow the accounting training then tend not to apply the preparation of financial statements.

The effect of business size on the application of financial reporting to MSMEs in Padang city

Business scale variable shows regression coefficient value equal to 0,067 with variable probability value equal to 0,4930 bigger than level of significance 0,05 (5%). This implies that H_0 is accepted, thus it is evident that the business scale variable has no significant effect on the application of financial reporting to MSMEs. This indicates that the scale of MSMEs business can not provide technical skill opportunities to business owners in the application of financial report preparation.

Owners of MSMEs that have a large business scale are more likely to ignore technical skills in the preparation of financial statements. This is consistent with the phenomenon occurring in the sample where the owners of MSMEs in Pauh and Kuranji sub-districts possessed small and medium-sized MSMEs whose business size in terms of assets were large but they were less likely to implement the preparation of financial statements.

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The Impact and the Effect of Internal Factors Toward ICT Adoption in Padang SMEs

Lucy Chairoel¹, Fitria Rahmi²

¹University Selangor, ²Universitas Dharma Andalas, Malaysia
loecy_da@unisel.edu.my

ABSTRACT

The objective of this study is to identify the influence of internal factors including technology, organization, and managerial characteristics on the adoption of ICT in Padang SMEs. The study combines Diffusion of Innovation (DOI) theory, Technology Organization Environment (TOE) framework, and Iacovou's framework. The survey method for 100 SMEs selected conveniently in Padang, thus the data obtained is analyzed using SEM/Smart PLS program. The study finds that ICT used is predicted by characteristic of management and technology. In addition, operational performance in Padang SMEs are predicted by ICT adoption and final performance which has indirect influence toward ICT adoption.

Keywords; *technology, organization, managerial characteristic, ICT adoption, operational performance, and final performance*

I. INTRODUCTION

SMEs play an important role in economic growth in term of providing job opportunities, creating job, and increasing income for the community. In general, SMEs in Padang are located in rural areas so that they are home industries or informal sector. The number of SMEs in Indonesia is 57.8 million (BPS, 2015), while in West Sumatera, it stands at 548.478 SMEs and especially in Padang city, it is 76.235 SMEs or 13.90 per cent of SMEs in West Sumatera (Dinas Koperasi & UMKM Propinsi Sumatera Barat, 2015). This fact shows that SMEs in Padang are enough compared with other cities in West Sumatera. Currently, SMEs are growing rapidly because there are 99.9 per cent of total industries are in the city of Padang. Furthermore, This is not followed by the development of the use of innovation of technology in SMEs. Supported by the previous study, SMEs are still slow to the adoption of ICT, it is caused by many influencing factors (Chairoel, Salleh, Widyanto, & Pujani, 2016; Ndiege *et al*, 2012). In this study, the writer discusses internal factors consisting of technology, organization, and management characteristics because this factors are easy to control in SMEs. Based on the above explanation, the research question proposed is; *what are the internal factors that influence ICT adoption and impact of ICT on organizational?*

The above explanation illustrates why SMEs in Padang are slow in adopting ICT? In order to answer that question, we think at least that the different concepts have to be clarified in order to present the theoretical background.

ICT Adoption

The ICT adoption has three different categories. They consist of (1) general-use ICT includes computer and internet access, (2) communication-integrating ICT includes e-mail, intranet, and extranet, (3) market-oriented ICT includes web page and e-commerce (Bayo-Moriones, Billion, & Lera-Lopez, 2013). The actual uses are shown in search of information, taking orders from customers, accept payment, customer service, purchase orders, payments to vendors (Bayo *et al.*, 2013; Tan *et al.*, 2010; Delone & Mclean, 2004). Also, the use of ICT by SMEs is indicated by marketing and communication tools used by the company and users.

Technology

Technology represents the pool of technologies available to an enterprise for adoption. The decision to adopt technology depends not only on what is available on the market, but also how such technologies fit to the technologies that an enterprise is already possessed (Almoawi & Mahmood, 2009; Rogers, 2003; Tornatzky & Fleischer, 1990). According to Azadegan & Teich, (2010) technological factor is a technology which can be possibly used whether for its perceived usefulness or easiness of use. Various researches explain the variable of technology which is built from characteristic (attribute) of innovation by Rogers. These characteristics consist of perceived advantage, compatibility, complexity, triability, observability, cost investment and security (Tan, Eze, & Chong, 2012; Irefan, Abdul-Azeez, & Tijani, 2012; Golding, Donaldson, Tennant, & Black, 2008).

H1: There is a significant relationship between technological factors and ICT adoption among Indonesian SMEs.

Organization

One important factor in the adoption of information technology is organization factor (Azadegan & Teich, 2010). Based on Awa, Ojiabo, & Emecheta, (2015), the organization context has been surrounding the company's business scope, top management support, organizational culture, the complexity of managerial structures, quality of management, and slack resources. Organizations can have different perspectives on how useful a technology may be. The ICT adoption needs resources just like finance, man power, and technology resources. Especially for SMEs, if the manager considers that the importance of ICT adoption must be followed by the resources of the enterprise. The adoption of ICT must be supported by the strategy of the enterprises; this is supported by statements of Huy (2012) that the orientation of strategy on corporate organization becomes a factor to influence the adoption of technology.

H2: There is a significant relationship between organization factors and ICT adoption among Indonesian SMEs.

Managerial Characteristic

In this study, managerial characteristic illustrated about people to make decision in SMEs such as owner, CEO or top manager. The previous studies

present that the individual characteristic crucial role in implementation of new technology (Bayo Mariones & Lera Lopez, 2007). The number of study found the positive impact knowledge CEO and experience that influence of ICT in SMEs (Ghobakhloo, 2011). Additionally, the attitude of CEO (top manager) or owners influenced the use of ICT (Golding *et al.* 2008).

H3: There is the significant relationship between managerial characteristic factors and ICT adoption among Indonesia SMEs.

Operational Performance

The operational performance is the performance in short time in using of ICT adoption. Bayo *et al.* (2013), shows relationship positif between the adoption of ICT and operational performance. It is supporting by Gibbs *et al.* (2003), e-commerce is an additional channel for marketing of business as a means to cut costs and improve operational performance. Furthermore, Many SMEs have not yet reached a level of maturity that most SMEs expect a short term increase of operating performance (Costello *et al.* 2007).

H4: There is the significant relationship between ICT adoption in Indonesian SMEs and operational performance.

Final Performance

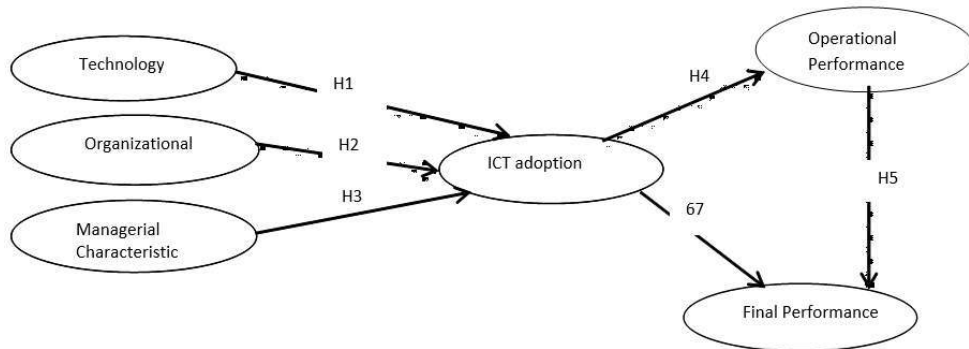
Based on some types of ICT which were investigated by Bayo *et al.* (2013), it shows a significant relationship between operational performance with the final performance. Type of ICT distinguished on the term of general use, communication and market oriented. Paul & Anantharaman, (2003) revealed that the effective operational performance will affect financial performance of an organization.

H5: There is a significant relationship between operational performance and final performance in Indonesia SMEs.

Based on Apulu (2011), ICT adoption on SME's in Nigeria has been identified that it may increase the profit due to ICT utilization in marketing (final performance) in many organization. The various studies at this level show the impact of IT capital on financial performance measurement, such as profit and market value (final performance) (Dedrick *et al.* 2003). The impact of ICT on final performance (market share and profit) mainly occur by indirect means of the improvement of internal and external communication as through operational performance (Bayo, *et al.* 2013). It shows the influence of ICT adoption on the final performance of the company.

H6: There is a significant relationship between ICT adoption and final performance in Indonesia SMEs.

Figure 1: The Proposed Framework of the Research



Source : Bayo-Moriones, Billon, & Lera-Lopez, (2013); Huy, Rowe, & Truex,(2012); Ghobakhloo, Arias-Aranda, Benitez-Amado,(2011)

II. METHODS

This study uses the deductive approach and an explanatory study indicated by the quantitative method. The source of data in this study is primary data, derived from an owner, manager, or IT manager who work in SMEs. The research sample as a respondent is all SMEs in Padang using ICT adoption. The techniques of sampling used convenience sampling. Finally, there are 100 respondents. The collecting data is done by interview (face to face) and the questionnaires. The data analysis is done by employing Structural Equation Modeling (SEM) using Smart-PLS program (Partial Least Square). In SEM process, Model and Structural Measurement was used as validity and reliability test, outer weight and VIF (Variance Inflation Factor) shows significant relationships of the hypothesis

III. RESULTS

Respondent Characteristic

Table 1 illustrates the characteristic of the respondent. Respondents by gender indicates that female stands at (55%) higher than male which stands at (45%). Respondents by age, the majority of respondents aged less than 40 years old is (83%). More or less than 52% respondents by the position in organization are as the owner, manager, an owner and manager. 90% of respondent is high school and bachelor graduates. Based on the number of employment rate of studied respondents, about 89% of them are in the range of between 5 – 15 employees. Of 100 SMEs respondents in this study, most of them (72 %) are in service and travel businesses. Moreover 64% of respondents have an annual income of less than 100 million rupiah.

Table 1. Respondent characteristic

| Items | Frequency | Per cent (%) |
|---------------------------------|-----------|--------------|
| Gender | | |
| Male | 45 | 45 |
| Female | 55 | 55 |
| Age | | |
| < 30 | 59 | 59 |
| 30 – 39 | 24 | 24 |
| 40 – 49 | 13 | 13 |
| 50 – 59 | 4 | 4 |
| >60 | 0 | 0 |
| Position | | |
| Owner | 26 | 26 |
| Director/Company Head | 6 | 6 |
| Owner and Director/Company Head | 20 | 20 |
| IS Manager (Computer Centre) | 3 | 3 |
| Marketing Manager | 6 | 6 |
| Other | 39 | 39 |
| Education | | |
| Elementary School | 1 | 1 |
| Junior High School | 1 | 1 |
| High School | 42 | 42 |
| Diploma 1 – 2 years | 2 | 2 |
| Diploma 3 years | 24 | 24 |
| Bachelor years | 24 | 24 |
| Master Degree | 6 | 6 |
| Doctoral Degree | 0 | 0 |
| Number of Employees | | |
| <5 | 61 | 61 |
| 5 – 15 | 28 | 28 |
| 16 – 25 | 8 | 8 |
| 26 – 35 | 0 | 0 |
| 36 – 45 | 0 | 0 |
| >45 | 3 | 3 |
| Business Sectors | | |
| Manufacturing | 9 | 9 |
| Banking/ Finance | 0 | 0 |
| Trading/Wholesale/Retail | 11 | 11 |
| Service | 37 | 37 |
| Computer/ IT service | 2 | 2 |
| Property | 0 | 0 |
| Travel | 35 | 35 |
| Construction | 2 | 2 |
| Other | 4 | 4 |
| Company Income (IDR) | | |
| <10 million | 10 | 10 |
| 10 – 49 million | 27 | 27 |
| 50 – 99 million | 27 | 27 |
| 100 – 149 million | 14 | 14 |
| 150 – 199 million | 4 | 4 |
| 200 – 249 million | 3 | 3 |
| 250 – 299 million | 1 | 1 |
| 300 – 349 million | 5 | 5 |
| 350 – 399 million | 1 | 1 |
| ≥ 400 million | 8 | 8 |

ICT Adoption

Based on the basic ICT adoption, more than 20% respondents utilize mobile phone, computer/laptop, and internet access. The most preferred adoption of ICT by the respondents for communication is email (62%) followed by intranets (53%). In addition, for the marketing, respondents choose web page (68%) higher than e-commerce (16%).

Table 2 ICT Adoption

| Items | Frequency | Per cent (%) |
|----------------------------------|-----------|--------------|
| Basic ICT Adoption | | |
| Telephone | 75 | 18,75 |
| Hand phone | 86 | 21,50 |
| Facsimiles | 35 | 8,75 |
| Hardware (computer/laptop) | 82 | 20,50 |
| Software | 37 | 9,25 |
| Internet Access | 85 | 21,25 |
| Intermediate ICT Adoption | | |
| E-mail | 88 | 61,97 |
| Intranet | 50 | 53,21 |
| Extranet | 4 | 2,82 |
| Advanced ICT Adoption | | |
| Web Page | 68 | 80,95 |
| E-commerce | 16 | 19,05 |

Model Measurement

PLS has two stages of analysis. Stage one is validity and reliability test for reflective model, and VIF, outer weight, outer loading, and t-statistic tests for formative model. Stage two is the use of structural model to tests the hypotheses.

Reflective Measurement Model

Reliability test

Table 3, shows each construct contains a good reliability because the value of Cronbach alpha and composite reliability is more than 0.70, indicating that the constructs are internally consistent and hence reliable.

Table 3 Reflective Measurement Model

| Constructs | Items | Loadin g | T- value | CR | AVE | Cronbach α |
|------------------------------|------------------------------------|-------------|-------------|-------|-------|----------------------|
| Operational | Productivity (OP1) | 0.802 | 7.866 | 0,885 | 0,569 | 0,892 |
| | New product development (OP3) | 0.779 | 6.294 | | | |
| Performance (OP) | Services and process (OP4) | 0.784 | 8.343 | | | |
| | Services Quality (OP5) | 0.848 | 11.558 | | | |
| | Speed in product delivery (OP6) | 0.779 | 9.756 | | | |
| Final Performance (FP) | Profit (FP1) | 0.928 | 14.873 | | | |
| | Market Share (FP2) | 0.896 | 15.931 | | | |

CR = composite reliability

Validity test

The validity test consists of convergent and discriminant validity. To test convergent validity, it can be seen from the score of loading factor indicator in the construct. The loading factors are considered valid if a correlation value is above 0.70. In the beginning of the validity test, there was one invalid data since the values was less than 0.70 (OP2), hence re-estimation of the model was conducted. The result of PLS output after revision has met the convergent validity because the entire loading factor is above 0.70 (loading factor table 3).

Discriminant validity is to compare the Square Root of Average Variance Extracted (AVE) for each construct and as the correlations between constructs with other constructs in the research model. The model has sufficient discriminant validity if the root of AVE for each construct is greater than the correlation between the constructs and other constructs in the model. If the value of the root of AVE is higher than the correlations between other constructs, so it can be inferred that the constructs have a good level of validity. Therefore, it can be concluded that each construct has a high validity which can be seen from the root of AVE is higher than the value of the correlation between other constructs (Table 4).

Table 4 Correlation matrix of latent variables (square root of AVE in diagonal)

| Constru ct | Operational Performance | Final Performance |
|-----------------------|------------------------------------|------------------------------|
| OP | 0,805 | |
| FP | 0,708 | 0,911 |

Formative Measurement Model

The concept of reliability and construct validity are not meaningful when employing the formative measurement model. The formative measurement model of subsequent analysis should consider the collinearity of the indicator. Each indicator tolerance, VIF value have to range between <3 and <10 . Table 10 indicates that all of the indicators have the VIF value less than 3 and 10, means collinearity does not occur. The prior assessment should be testing each indicator's outer weight and outer loading. When indicator's outer weight is significant that the indicator keeps being retained. However, if an indicator weight is insignificant but the appropriate outer loading is significant, the indicators have to be retained. Furthermore, if outer weight and outer loading are insignificant, there is no empirical support to retain the indicators. it should be dropped from the model. If the theory-driven conceptualization of the construct strongly supported retaining the indicators, it should be kept in the formative constructs. Based on the result of analysis,, all indicators in the formative constructs have to be retained. Because there is indicator which is significant as outer weight, outer loading and supporting the theory-driven conceptualization (Afthanorhan, 2014)

Structural Model

R-square

R-square value for each endogenous variable is as the predictive of power of the structural model. The criteria R-square based on Chin is 0.19 (weak), 0.33 (moderate), 0.67 (strong). This study has three endogen variables such as ICT adoption ($R^2=0,572$), operational performance ($R^2=0.269$) and final performance ($R^2 = 0.510$). The prediction of the ICT adoption construct was explained at 57.2 per cent variance by its relationship with technology, organization, and management characteristic. The operational performance construct was predicted at 26.9 per cent by the ICT adoption. The prediction of final performance construct was accounted for 51.0 per cent due to its relationship with ICT adoption and operational performance. According to Chin (1998), the R^2 value of ICT adoption and final performance have strong model. The operational performance has moderate model.

Table 5 R Square endogen variable

| | R Square | Chin (1998) |
|--------------------------------|-----------------|--------------------|
| ICT adoption | 0,572 | moderate model |
| Operational Performance | 0,269 | weak model |
| Final Performance | 0,510 | moderate model |

Effect Size

Effect size is a measure used to assess the relative impact of a predictor construct on an endogenous construct. Based on Hair, Hult, Ringle, & Sarstedt, (2014), the criteria of effect size is 0.02 (small), 0.15 (medium), and 0.35 (large). The effect size in this study illustrated ICT adoption is small to final performance and operational performance is large to final performance.

Table 6 Effect size

| Exogenous variable | Endogenous Variable | f square | Result |
|--------------------------------|----------------------------|-----------------|---------------|
| ICT adoption | Final | 0,014 | Small |
| Operational Performance | Performance | 0,648 | Large |

Q-square

Q-square is a measure of predictive relevance based on the blindfolding technique. Table 8 indicated the endogenous construct of adoption of ICT, operational performance and final performance have a value greater than zero (0). It means the construct indicated good predictive relevance

Table 7 Q-square

| Total | Q-square |
|---------------------------|----------|
| Technology | 0.009 |
| Organization | 0.110 |
| Management Characteristic | 0.176 |
| ICT adoption | 0.074 |
| Operational Performance | 0.155 |
| Final Performance | 0.389 |

Structural Path Coefficient

The table 9 shows the structural model in this study. It is presented that among hypotheses H3 and H6 are not supported (insignificant t-value). Whereas the hypotheses H1, H2, H4 and H5 are supported (significant t-values).

Table 8 Structural Model for this research

| | Proposed effect | Path Coefficient | Observed T- value | p-values | Sig Level (two tailed) |
|---|-----------------|------------------|-------------------|----------|------------------------|
| ICT adoption ($R^2 = 0,572$) | | | | | |
| Technology → ICT Adoption (H1) | + | 0.617 | 6.990 | 0.000 | 0.01 |
| Organization → ICT Adoption (H2) | + | 0.142 | 1.481 | 0.139 | 0.20 |
| Management characteristic → ICT Adoption (H3) | + | 0.096 | 1.009 | 0.310 | Ns |
| Operational Performance ($R^2 = 0,269$) | | | | | |
| ICT adoption → Operational Performance (H4) | + | 0.518 | 5.764 | 0.000 | 0.01 |
| Final Performance ($R^2 = 0,510$) | | | | | |
| Operational Performance → Final Performance (H5) | + | 0.659 | 7.160 | 0.000 | 0.01 |
| ICT adoption → Final Performance (H6) | + | 0.097 | 0.893 | 0.373 | Ns |

Ns; not significant

The test relationship between construct indicates the construct affect the technology and organization provided effect to ICT adoption. The ICT adoption influence on operational performance, again the operational performance affects final performance.

IV. CONCLUSION

This study examined the factor influence the use of ICT adoption and impact to use ICT adoption. The 100 SME in Padang has been the respondents with questionnaire surveys and the analysis has used SEM/Smart-PLS. Four of six hypotheses were significant influence and two hypotheses were insignificant. The study founded that ICT of adoption was predicted by technology and organization. It was supported by Ramdani, Chevers, & Williams, (2013). Additionally, The ICT of adoption affects operational performance and operational performance affect final performance. Furthermore, the management characteristic was insignificant to the ICT of adoption and adoption of ICT was insignificant to final performance. The SMEs in Padang still use the basic level such as mobile phone, personal computer (PC), and internet access. The educated of respondents are senior high school (SMA).

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Social Media Use by College Students Relationship to GPA

Mellyna Eka Yan Fitri

Dharma Andalas University, Indonesia

eka.melly@gmail.com

ABSTRACT

Students and the internet cannot be separated as the result of technological advances in providing of information. Due to the use of the Internet created social media, which is functionally conditioned as a form of collaboration of its users. In the use of social media among students be adapted to their motivation. This has an impact on their education. This study aims to determine the student's motivation by using social media sites. The population is students who use social media whose population is unlimited; the sample is taken with random sampling about 80 respondents. The results of using multivariate analysis of factor analysis, there are three factors of the student's motivation why they use social media. There are self-expression, communication, social interact. The Multiple regressions linear analysis, indicate that only communication significant and positive influence GPA's score, beside self-expression, social interact, age and duration time use social media.

Keywords: social media, social networking, GPA's Score

I. INTRODUCTION

The rapid advancement of internet has a great impact on information and communication technology. The ease of getting internet make familiar for human life and this is one of the reasons for the growing of information and communication technology (ICT). Information and communication technology has been growing in various fields. This condition is also used by college students. The ease of accessing the internet and the ease of having a smartphone gives a chance for students to use it. This situation will certainly have a positive impact or a negative impact for them. The collaboration of Internet and ICT create the social media sites. The online world has changed dramatically, the invention of social media exchange ideas, feelings, personal information, picture and video. Social media sites provide young and old people to interact and communicate each other, including college students.

According to Acheaw & Larson (2015), the use of social media sites had affected the academic work of students negatively. They visit social media sites and spend between thirty minutes to three hours every day. This situation will bring them to the prime bad effect of social media. They will be the addiction. They will be not able to control themselves use it. They will forget the time to do activities that should be done.

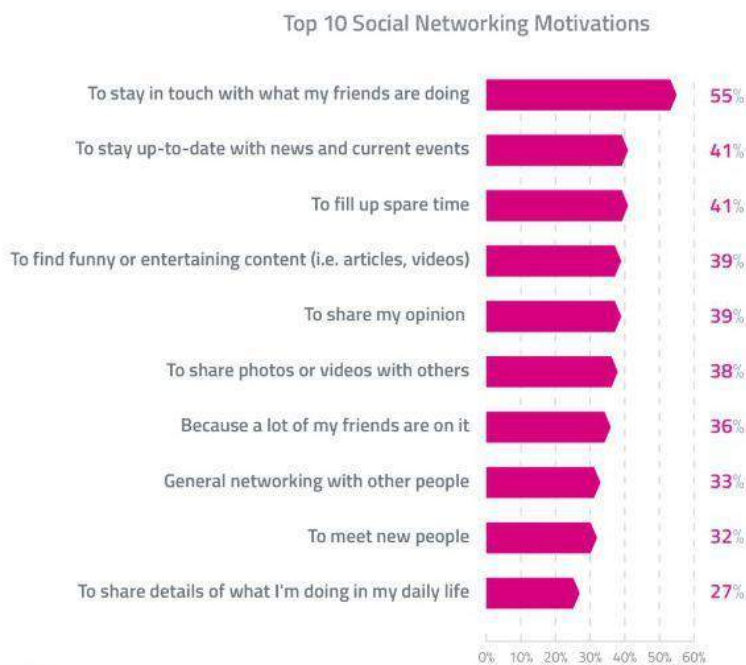
In a classroom, the students will checking their smartphone and social media. That students will do multi-task between social media sites and study. This

Constantly checking social media update affect concentration on studies (Raut&Patil, 2016). And the next it will effect their academic performance. But, in other cases, social media improved students ability to absorb information and more knowledge (Raut&Patil,

2016). This situation had affected the academic work students positively.

Back to the original purpose of using social media to seek information and communication, if student are able to use social media in the right time and the right place, then the negative impact will be avoided. Besides that, the students should now the kind of social media. They are wikis, blog, micro-blog, content, social networking sites, virtual game world and virtual social world. Many students said that the purpose of using social media by using social networking such as Facebook, Instagram, WhatsApp, Twitter are they stay in touch with what friends are doing (55%) and stay up-to-date with news and current events (about 41%). (www.globalwebindex.net).

Figure 1. Top 10 Social Networking Motivations



Sumber : www.globalwebindex.net

The figure 1 above shows that the reasons trend to social networking as a part of social media sites are such as friendship, entertaining and update their

activity, to fill spare time, to share the opinion, etc. Almost all of user of social media do in their daily activity.

A social networking site is an online platform that allows users to create a public profile and interact with other users on the website. It is a little bit different with social media is a catch all terms for a variety of internet applications that allow users to create content and interact with each other. The interaction can take many forms such as sharing links to interesting content, sharing photos, videos and posts and also commenting on its, etc. This is an interesting way to fill daily activity if students cannot control will be affect to academic performance negatively.

Based on the above background, the purpose of this study is to determine student's motivation on the use of the internet and its relationship to the students GPA score.

The increasing use of the internet and having smartphone increase the social media usage by students. They use is to make connections with friends and their community. The social media is a way that helps them feel they belong to a community. This also happens between students and lecturer use it for discussion about materials. But, many students cannot control themselves and spending too much time on social media sites. Many students are addicted to use it. And the result will be affect on their academic performance. Many reasons why students are addicted spending much time on social media sites beside to make connections, they need to share their opinion, to get information, to update themselves, to connect with their friends and to get entertain by playing the online game, etc. This reinforces the background for this research determine what the student's motivation on the use of social media sites and its relationship to the student GPA score.

1. What are the student's motivation by using social media sites?
2. Does the use of social media usage have impact on student academic performance?

GPA's Score

GPA's score means Grade Point Average. It is a system of judging a student's performance. The scale of GPA's score follows a 0 to 4.0. The students will earn a GPA's score based on their grades from that semester. Usually, a lecturer gives the rule as long as study and should be done by students and a lecturer. The rules consist of attendance, test, homework and attitude as long as in study. Good GPA's score if they have high grade for these rules.

Social Media

Social media is "a web-based service that allows individuals to construct a public or semi-public profile within a bounded system, articulate a list of other users with whom they share a connection, and view and traverse their list of connections and those made by others within the system" (Nguyen, 2013). Social media can be accessed through computer and smartphone. The social media

allows users to participate in online exchanges, contribute user-created content or join online communities. The kinds of social media are wikis, blog, micro-blog, content, social network sites, virtual game world and virtual social world.” (Kaplan&Hainlen, 2010).

As we face today, the students cannot be going without social media. They thought going without social media means going without friends and family. It becomes basic requirement that cannot be eliminated among them. When we were asking students about what is social media, they said it was Facebook, Instagram, Twitter, etc. As we know that Facebook, Twitter, Path, Instagram are kind of social network sites.

It means that students didn't realize that playing games online, read blog, watching YouTube are activities using the social media sites. They didn't know what social media is, indeed they didn't know how to use social media in appropriate time and place.

Social media is easy to access. So the students always run it in daily activity. One of the characteristic of social media users are the messages send to more than one person for example via SMS or the internet, free to deliver messages to other users, fast delivery of messages, the recipient of the message determines the time to interact or to reply it.

How Social Media Affect The Students Activity

Social media sites encourage students to engage with each other. They share and express their creativity, their opinion, their heart and their activity. The social media sites use creates a sense of interest on itself. Using social media affect the student's daily activity. The most important thing in a student's life are studying, learning good habits and gaining knowledge to become a person with moral character. Unfortunately, the social media react negative impact to students. Many users update their profile with immoral news. And not all students can filter it. Some students worried about their look, and they try to upload nicer picture. This shows that no self-confident and dangerous situation by using it.

For some students, they are able to separate their time when they should study and when they have unappropriated time to engage with social media. Besides that, they are not only use it for chatting or online game, they can choose good moment and good purpose with good topics. Considering this situation, it is necessary to develop certain regulations over the use of such social media sites for college students.

II. METHODS

The survey was a quantitative approach to solve the study problem. The questionnaire is the main instrument for data collection.

Population

The targeted population of the study was college students who have GPA score. The sample was Indonesian students without seeing where they study and what their education level were.

Sampling

Non-probability Sampling with incidental sampling technique was adopted to distribute the questionnaire to the respondents. The questionnaire was spread by online and every college student who has GPA could be participant. About 80 respondents was collected and it was enough for this study. The student's education levels were diploma, bachelor degree and master degree.

Data Collection

Data were collected through the use of an online questionnaire. The questionnaire was divided into two sections. The first section, information about profile of respondent and the second section, information on social media usage.

Data Analysis

Statistical Package for Social Science (SPSS) was employed to determine, descriptive, and regression among others.

III. RESULTS

The analysis method by using factor analysis to identify factor using social media and the multiple regression analysis to examine the relationship of social media usage with GPA's score.

Table 1 : Demographic information

| No. | Education Level | Male | Female | Grand Total |
|-------------|-------------------------|------|--------|-------------|
| 1 | Diploma Bachelor Degree | | 5 | 5 |
| 2 | Magister Degree | 25 | 43 | 68 |
| 3 | | 3 | 4 | 7 |
| Grand Total | | 28 | 52 | 80 |

Results from Table 1, indicate that about 85% of respondent (68 respondents) were educations level of bachelor degree. In addition, 35% of the respondents were male and 65% respondents were female. This situation shows that female always do multitasking in their activity. They use social media while doing other activity. In this study, the result about the females spend their time about 3-6 hours every day. Rather than male they only spend their time about 2-3 hours. This indicate that female needs friends to share opinion, to chat or do gossip.

Table 2 Characteristic Respondent by Social Media Usage

| No. | Social Media | Frequency | Percentage |
|-----|------------------------|-----------|------------|
| 1 | Social Networking | 32 | 40% |
| 2 | Content Microblog Blog | 4 | 5% |
| 3 | Wikis | 3 | 3,8% |
| 4 | Other | 2 | 2,5% |
| 5 | | 21 | 26,3% |
| 6 | | 18 | 22,5% |

Result from Table 2, indicate that about 40% students used social networking such as Facebook and LinkedIn. In addition, this was the highest percentage in social media usage. Almost all students had Facebook account, because it was easy to use, easy to connect with friends, to get news and creative ideas, to relieve boredom, etc.

Then, multivariate analysis of factor analysis use to identify motivation of students among social media usage.

Table 3 KMO and Bartlett's Test

| | | |
|--|--------------------|---------|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | ,604 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 111,614 |
| | df | 28 |
| | Sig. | ,000 |

Result from Table 3, indicate that factor analysis is appropriate for this data. It is based on KMO value which falls into the range of being mediocre ($0,5 < 0,604 < 0,7$), Kaiser (1974). And Bartlett's Test show the significant level to reject null Hypothesis that there are some relationships between the original information (12 items of questionnaire).

Table 4 Total Variance Explained

| Component | Initial Eigenvalues | | | Extraction Sums of Squared Loadings | | | Rotation Sums of Squared Loadings | | |
|-----------|---------------------|---------------|--------------|-------------------------------------|---------------|--------------|-----------------------------------|---------------|--------------|
| | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1 | 2,594 | 32,430 | 32,430 | 2,594 | 32,430 | 32,430 | 2,011 | 25,133 | 25,133 |
| 2 | 1,233 | 15,414 | 47,844 | 1,233 | 15,414 | 47,844 | 1,492 | 18,653 | 43,786 |
| 3 | 1,076 | 13,447 | 61,292 | 1,076 | 13,447 | 61,292 | 1,400 | 17,505 | 61,292 |
| 4 | ,910 | 11,381 | 72,673 | | | | | | |
| 5 | ,793 | 9,917 | 82,590 | | | | | | |
| 6 | ,573 | 7,157 | 89,747 | | | | | | |
| 7 | ,500 | 6,246 | 95,993 | | | | | | |
| 8 | ,321 | 4,007 | 100,000 | | | | | | |

Extraction Method: Principal Component Analysis.

Result from Table 4, indicate that the number of factors that are retained prior to rotation on the social media usage among students. About 70,986% of the total variation of the extracted items be three factors that can explain the original information (12 items of questionnaire). The three factor analysis with varimax rotation, can be interpreted below:

1. Factor 1, self-expression
 - a. Choose updates social media rather than reading news on the website
 - b. Choose update the new status than learning
 - c. Feeling comfortable when they express feelings and emotions in social media
 - d. Social media is a place to complaints
2. Factor 2, communication
 - a. The first is visiting social media when they open internet service
 - b. It is easier to communicate on social networks than to communicate in the real world
3. Factor 3, social interaction
 - a. Choose to be active in social media than real world
 - b. Having many friends on social media than the real world

After three factors of student's motivation on social media usage are identified, the regression analysis result determine the influence of three factors, age of student and duration time of media social usage to GPA's college students.

Table 5 Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1 | ,388 ^a | ,151 | ,093 | 1,34557 |

a. Predictors: (Constant), DURATION, AGE, FAKTOR1, FAKTOR3, FAKTOR2

Result from table 5, indicate that about 15,1%, variation of self-expression, communication and social interaction, age of college student and duration time of media social usage can explain variation of GPA's college student and the rest can be explained by other variable. This shows that there are many variables influence GPA score that are not included in this study.

Table 6 ANOVA^a

| Model | Sum of Squares | df | Mean Square | F | Sig. |
|------------|----------------|----|-------------|-------|-------------------|
| Regression | 23,791 | | 54,758 | 2,628 | ,030 ^b |
| 1 Residual | 133,982 | | 741,811 | | |
| Total | 157,774 | 75 | | | |

a. Dependent Variable: GPA

b. Predictors: (Constant), DURATION, AGE, FAKTOR1, FAKTOR3, FAKTOR2

The result from table 6, indicate that simultaneously self-expression, communication and social interaction, age of college student and duration time of media social usage significant influence GPA's score.

Table 7 Coefficients^a

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|------------------------|-----------------------------|------------|---------------------------|--------|------|
| | B | Std. Error | Beta | | |
| (Constant) | 3,826 | 1,180 | | 3,242 | ,002 |
| Self-Expression | -,032 | ,102 | | -,318 | ,751 |
| Communication | | | -,037 | | |
| Social Interaction Age | -,547 | ,172 | | -3,178 | ,002 |
| Duration | | | -,381 | | |
| | ,202 | ,157 | | 1,282 | ,204 |
| | | | ,150 | | |
| | ,039 | ,033 | | 1,173 | ,244 |
| | ,013 | ,028 | ,128 | ,453 | ,652 |
| | | | ,052 | | |

a. Dependent Variable: GPA

The result from table 7, indicate that partially, only communication significant influence GPA's score. The higher communication happen while using social media, it will decrease GPA's score college student.

IV. CONCLUSION

The result indicates that the using of social media influence GPA's score of college students. It should be positively significant if we expect social media is helpful for the student. The result found that three factors of the student's motivation among social media usage: self-expression, communication, and social interaction. But, only communication significant and negative influence to GPA's score. It means doing many communicate will disturb their study. They will be spare time by using social media. They will leave their prime activity to study. Then, they will be addicted with social media.

Self-expression also a negative influence to GPA's score although it is not significant. It means the samples are not enough to give information. Students like sharing, especially female often express themselves, emotions and feelings. They need friends to relieve it. They will feel comfortable and forget the time if they meet online friends. So, they will be addicted and forgotten their time to study.

For social interaction is a positive and not significant influence to GPA's score. The high social interaction of students will increase of GPA's score. While using social media, most students meet their friend and sometime they discussed the study. What material is, what the time schedule of study is, sharing opinion, etc. So, they get more information about studying at campus or home. And they will understand what they should do on study.

Age is positive and not significant influence to GPA's score. The older student's use social media have higher GPA's score than younger. This show that mindset of older students are good to study. They realize that study is more important than having fun. They understand about their condition and their family condition. And they control themselves to social media usage.

Duration time of using social media is positive and not significant to GPA's score. The long duration time use social media without leave study will increase GPA's score. This should be supported by students and lecturer to use social media for searching materials, discussed the study and update good news and good information. From this result of this study, the conclusion, the campus should make regulation for the student about how to use social media in appropriate time and appropriate place. Involve their family to remind them how to use social media. Paying attention to their academic progress and ask them to discuss face-to-face not only online discussion. Ask them to find the book for reference in the library, so they will not depend on social media. If social media cannot be avoided, give them busy time to search materials and learning online and virtual class will get used to them how to use social media in a positive way. All this will help us reduce addicted of social media usage among student and increase their GPA's score.

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The Role of Learning Orientation as Mediating Variable in the Relationship between Transformational Leadership and Employee Performance

Naufal Firdan Alluthfi, Rahmi Fahmy
Andalas University
naufalfirdan@gmail.com,

ABSTRACT

The purposes of this research are to analyze the relationship between transformational leadership and employee performance, the relationship between learning orientations to employee performance, and to explore the mediating role of learning orientation in the relationship between transformational leadership and employee performance. Data were collected from 113 employees working at head office of one of the state-owned banks by local government in Indonesia. Structural Equation Modeling was applied in this study. Research findings shown that transformational leadership positively and significantly influenced the employee performance; while, learning orientation insignificantly related to employee performance; and learning orientation didn't mediate the relationship between learning orientation and employee performance.

Keyword: *Transformational leadership, Employee performance, Learning orientation, Structural equation modeling*

I. INTRODUCTION

Business competition nowadays becomes very complex and competitive. This is a challenge for a company in respond appropriately to any situation that can change rapidly. The challenge will be more difficult due to the economic slowdown. In order to maintain or improve their performance, the companies must provide extra effort especially for financial institutions in banking industry. As a bank owned by the local government in Indonesia, many things are suspected as the cause of the situation experienced, one of which is directly highlighted is the performance of the employee itself. An improvement of employee performance represents an important objective for a company to maintain the business success (Rusu *et al.*, 2016). On the other side the effectiveness of organizational performance is also influenced by the crucial role of leadership style (Nahvandi, 2002). This study is initiated based on several previous studies which examine the relationship between transformational leadership, learning orientation, and employee performance. Therefore, this article is expected to explain more about the relationship between transformational leadership and employee performance which mediated by learning orientation.

Structural equation method (SEM) method is used in conducting this study through PLS.

Transformational Leadership

Transformational leadership has been discussed in many management literatures since this topic was raised. Transformational leadership is the leadership style that inspires followers to transcend followers self interests and are capable of having a profound effect on the followers concern for the good of the organization (Robbins, Judge, &Sanghi, 2009, p.456). Moreover, stated that transformational leadership is an approach to leadership that based on encouraging others to perform more than what they originally thought (Sarros, Gray, &Densten, 2002).Transformational leaders tend to encourage their followers to deliver results beyond their level of expectation, which is made possible by applying high-level values and employee beliefs (Bushra et al., 2011; Chi and Pan, 2012; as cited in Mittal and Dhar, 2015).

Bass and Avolio (1994) advanced the work of Burns in identifying the component of transformational leadership and divided it into four components (as cited in Jyoti and Dev, 2015):

1. Inspirational Motivation, the definition of inspiration is a leader's capacity to act as a model for their subordinates (Hartog *et al.* 1997). Inspirational motivation refers to the way leaders to inspire their followers to achieve personal and organizational goals (Jyoti and Dev, 2015).
2. Idealized Influence, according to Warrilow (2012) Idealized Influence is the degree to which the leader behaves and act as a role model for the follower in admirable ways and displays convictions and takes stands that cause followers to identify with the leader who has a clear set of values. Idealized influence also known as charismatic influence defined as the behavior that reflected by leaders showing charismatic personality (Yammarino and Dubnisky, 1994).
3. Individual Consideration,it refers to the way of treating followers as individuals and not just asmembers of a group (Dionne *et al.*, 2004).Shibru and Darshan, (2011) stated that individualized considerate leadersact as an advisor, coach or mentor in terms of pay special attention to each individual follower's needs for achievement and growth.
4. Intellectual Stimulation,leader stimulates an employee's ability to think through previous problems in novel ways and rethink their thinking from a new position (Mittal and Dhar, 2015). Thus, Intellectual stimulation is the characteristic of a leader challenge the ideas and values of their followers when problem solving (Jyoti and Dev, 2015).

Learning Orientation

Several researchers explained that learning orientation is regarded as a central factor in maintaining the organizational sustainability by contributed heavily on

employee performance that finally impact on the innovativeness and competitive advantage of the organization. The company considered as a less-innovative if they are less learning-oriented than its competitor (Pesämaa et al., 2013; Zhao et al., 2011; as cited from Amin, 2015). Learning orientation refers to the overall activity of an organization to set up and manage knowledge to increase competitive advantage (Calantone *et al.*, 2002). The learning orientation can enhance both individual and organization effectiveness through the process of information acquisition, dissemination, and shared interpretation (Kaya and Patton, 2011).

Learning orientation consist of four dimensions, namely, commitment to learning, shared vision, open-mindedness and intraorganizational knowledge-sharing (Calantone *et al.*, 2002; Hurley and Hult, 1998; Hult and Ferrell, 1997; Hult, 1998; Sinkula *et al.*, 1997; Moorman and Miner, 1998; as cited from Jyoti and Dev, 2015).

1. Commitment to Learning, described as an organizational value to encourage a climate of learning (Sinkula *et al.*, 1997). The committed organization considers learning is important for the survival (Calantone *et al.*, 2002).
2. Shared Vision, shared vision is important in order to make sure that the learning process in accordance with the expected objective. A clear direction for learning can increase the strength of the organizations and enhance the quality of learning (Calantone et al., 2002).
3. Open-mindedness, it is crucial to the critical evaluation of an organization's daily operations and the acceptance of new ideas (Sinkula *et al.*, 1997). It could be just as important to unlearn old ways as it is to renew or update the knowledge base (Calantone et al., 2002).
4. Intraorganizational Knowledge-sharing, Lukas et al. (1996) stated that intra-organizational knowledge-sharing serves as a reference for future action by gathering knowledge and information from various sources (as cited in Calatone et al., 2002). Intraorganizational Knowledge-sharing refers to the spreading of learning amongst different units within an organization that become collective beliefs or behavioral routine (Moorman and Miner, 1998).

Employee Performance

Employee performance refers to the activity that related to the job which expected by employee and are measuring against some standards (Damoah and Ntsiful, 2016). Employee performance refers to the activity that related to the job which expected by employee and are measuring against some standards (Damoah and Ntsiful, 2016). Mwongeli and Juma (2016) define the employee performance is evaluated on an employee's ability to perform a given function or assigned task in accordance with the required timelines and output quality of the job. Organizations should actively look forward to meet employee expectations and thereby, create an impact on employee performance, which directly affects organizational performance (Bedarkar and Pandita, 2014).

Based on a review of the literature indicated a research gap which brought to determine the research objectives as follows:

1. To analyze the impact of transformational leadership on the employee performance in Head Office of Bank Nagari Padang.
2. To analyze the impact of learning orientation on employee performance in Head Office of Bank Nagari Padang.
3. To explore the mediating role of learning orientation in the relationship between the transformational leadership and the employee performance in Head Office of Bank Nagari Padang.

Hypotheses Development

Transformational Leadership and Employee Performance

There are several study that have been conducted examine the relationship leadership style which is transactional and transformational toward employee performance. Advandi and Abbas (2015) reveals that both transactional and transformational leadership are significant impact on employee performance. Mbithi et al. (2016) conducted a study in universities in Kenya highlight that transformational leadership has a positive relationship with employee performance because the top leadership of universities in Kenya has taken a leading role in ensuring the effectiveness of their universities.

In addition, there are also the study that analyze the component of transformational leadership in relation to employee performance. Mwangeli and Juma (2016) explained that inspirational motivation and intellectual stimulation has a positive correlation while individual consideration is negatively correlated with employee performance. In the other side, Abu Orabi (2016) mentioned that transformational leadership has a significant relationship with organizational performance followed by an inspirational motivation, intellectual stimulation and individual consideration also have a significant impact on organizational performance while idealized influence did not have a significant influence over organizational performance.

From the literature above, thus, researcher define the hypothesis as follows,

H1. Transformational leadership is positively related to employee performance.

Learning Orientation and Employee Performance

Learning orientation has been discussed in the several previous study with context on several different types of companies or firms. Calantone (2002) explained the finding that learning orientation has a direct influence on firm performance. The study of Amin (2015) is conducted in SMEs found that and learning orientation have a significant effect on SMEs' performance. Mahmoud and Yusuf (2012) conducted the study in the nonprofit organization (NPOs) which the result revealed that learning

orientation is positively and significantly related to the economic and non-economic performance.

Form the literature above, it should be noted that learning orientation can improve the performance of the company. Thus, researcher interesting in creation of the hypothesis as follows,

H2. Learning orientation is positively related to employee performance.

Transformational Leadership and Employee Performance Mediated by Learning Orientation

Study about mediation role by learning has been conducted by several researchers. Jyoti and Dev (2016) conducted the study with title “Perceived High-Performance Work System and Employee Performance: Role of Self-efficacy and Learning Orientation”. The study reveals that learning orientation mediates the relationship between HPWS and employee performance. Ozsahin et al., (2011) conducted a study which focus on linking the leadership style as the independent variable, and firm performance as the dependent variable with a mediating role by learning orientation. The study found several important findings. First, learning orientation mediates the relationship between task-oriented leadership and firm performance. Second, learning orientation mediates the relationship between relations-oriented leadership and firm performance. On the other side, learning orientation cannot mediates the relationship between change-oriented leadership and firm performance.

From the literature above led to the creation of the following hypothesis,

H3. Learning orientation mediates the relationship between transformational leadership and employee performance.

II. METHODS

This research is using a quantitative approach with statistical analysis. This study is using the primary data which is the questionnaire which distributed in head office of Bank Nagari. There are 154 questionnaires have been distributed, but only 113 respondent provide required response yielding 73,37 percent of response rate.

In this research, all variable were measured with multiple-items on a 5-point Likert-type scale, ranging from “1 (strongly disagree)” to “5 (strongly agree)”. Thirty items of learning orientation was adapted from Sinkula *et al.* (1997), Denison (2000) and Hult and Ferrell (1997). The 20-item scale of transformational leadership was adapted from Avolio *et al.* (1999). Employee performance was measured using 9 items that were taken from the work of Rodwell *et al.* (1998).

III. RESULT

Structural Equation Modeling (SEM) through Partial Least Square as applied in order to analyze the validity and reliability. The data will be analyzed by using the SEM-PLS method by applying SmartPLS. The result of this instrument validity test is based on convergent validity and discriminant validity.

Validity testing

The test of convergent validity measured the value of outer loading through algorithm process. The indicators will be valid if the value of outer loading is above 0.6. However, if the value of outer loading is higher than 0.5 and less than 0.7, it is still accepted as long as the value of AVE is higher than 0.5 (Chin, 1998),(Ghozali, 2006). The test was done twice due to there are several indicators has a value less than 0,6. Then, the indicators should be deleted from the model. Thus, the result in the second test that the result of outer loading is higher that 0.6 as it shown in Table 1. Next, it also shown in the Table 2 which displays the value of Average Variance Extracted (AVE) is higher than 0,5. The next validity test is discriminant validity test. Discriminant validity tests are measured based on the cross loading value with their constructs. The value of cross loading can be seen in the Table 3.

Table 2. Average Variance Extracted (AVE)

| | Average Variance Extracted (AVE) |
|-----------------------------|----------------------------------|
| Learning Orientation | 0,519 |
| Transformational Leadership | 0,593 |
| Employee Performance | 0,616 |

Source: proceed from questionnaires by SmartPLS 3.0

Reliability testing

Reliability testing is based on the Cronbach's alpha and composite reliability which has a rule of thumb that must be higher than 0.7 even though 0.6 can be accepted (Cooper & Schindler, 2008). As it provide in Table 4, which can be seen that the value of cronbach's alpha and composite reliability of all variables is higher than 0,7. Thus, it can be concluded that all the constructs are reliable

Table4. Cronbach's Alpha and Composite Reliability

| | Cronbach's Alpha | Composite Reliability |
|-----------------------------|------------------|-----------------------|
| Learning Orientation | 0,946 | 0,952 |
| Transformational Leadership | 0,963 | 0,966 |
| Employee Performance | 0,845 | 0,889 |

Source: proceed from the questionnaire with SmartPLS 3.0

Structural model test

The R-Square value is used to examine the effect of latent independent variable on the dependent variable whether substantive or not. Urbach et al., (2010) explained that endogenous latent variable which has $R^2= 0.67$ indicating "good model", $R^2= 0.33$ indicating "moderate model", $R^2= 0.19$ indicating "weak model".

Table 5. R Square

| | R-Square |
|----------------------|----------|
| Learning Orientation | 0,516 |
| Employee Performance | 0,168 |

Source: proceed from the questionnaire with SmartPLS 3.0

The value of R-Square as it shown in table 5 inform that the construct of employee performance has value 0,168 and learning orientation has value 0,516 which mean that transformational leadership are able to explain learning orientation of the variance 51,6%. On the other side, employee performance is 16,8%. Meanwhile, the rest is explained by other variables outside of the proposed model.

Hypotheses testing

The test of hypotheses is measured by SmartPLS. The level of significance in hypotheses testing can be seen in the value of coefficient path or inner model. The coefficient path score or inner model is shown by T-statistic value. It must be above 1.64 for the one-tailed hypothesis with alpha 0.05 (Hair et al., 2001). Thus, the Hypothesis 1 (2.37) is supported since the T-value is higher than 1.64. Hypothesis 2 (0.091) is not supported as consequences of the T-value is lower than 1.64.

Test of Mediation

In order to measure the hypothesis 3, researcher should conduct the mediating test, researcher adapt the method Variance Accounted For (VAF) method which developed by Preacher and Hayer (2008). Procedures of mediation testing also follow the rules from Baron and Kenney (1986) begin with the direct effect should significant if the mediator is not included in the model. In the next procedure of mediation test, the mediator is included in the model. The indirect effect should be significant. When the indirect effect is significant, the result of direct effect and indirect effect is inserted to the VAF formula as the next procedure. If the value of VAF is less than 20% it would be considered as no mediation. And when the value of VAF is larger than 80% it assumes as full mediation. However, it the value of VAF is larger than 20% and less than 80% it would be considered as partial mediation. Thus, the result show that the value of VAF is 19.45 (19.45%) which means that the hypothesis 3 is not supported since the value of VAF is less than 20%.

IV. CONCLUSION

The purpose of this study is to find out the effect of transformational leadership on employee performance with a learning orientation as mediating role in head office of Bank Nagari. In this research, there are three hypotheses that have been developed and analyzed which reveals several findings. First, transformational Leadership is positively related to the employee performance. This finding supported by Advani and Abbas (2015) that their study highlights the performance of banks and their relationship within the banks are highly motivated with effectiveness of leadership

qualities. Hoxha (2015) argue that transformational leadership seems to have the ability to support employees in such a way that they are more committed, more engaged and more satisfied with their work.

Second, learning orientation is insignificantly related to the employee performance. This insignificant relationship learning orientation on employee performance could be explained in Jyoti and dev (2015) study that the provision of learning orientation alone is not sufficient to stimulate creative work because employees may not be fully aware of when and how to use learning opportunities to enhance their creative performance. Third, learning orientation cannot mediate the relationship between transformational leadership with employee performance. Arendt, (2009) explained the reason could explain this finding which is service sector employees rely more empathically than equipment to build a close interaction with customers.

Implication

The study that has been conducted provides several implications which should be considered. First, it is certainly desirable for leaders to pay attention, guide, and mentor their employees in all situations. So, the employees feel helped by the presence of guidance from their leaders which result in the positive relation between the employee and the leader. Then, it is not impossible if the leader neglect the aspect of individual consideration, there must be an effect of decreasing in employee performance whether directly or indirectly. In the other side, the research implies on aspects of employee performance that need to be improved based on the results of this study. To improve the performance of the company, the company must be able to pay attention to their employees. Companies must be able to fulfill the rights of employees. Therefore, the company should not only focus on the interests of the company, but the interests of employees should also be a priority. With the fulfillment of the rights of employees, it is believed that it will motivate employees to perform better and improve their performance.

Analysis of Factors Affecting the Income Smoothing in LQ45 Index in Indonesia Stock Exchange in 2014-2015

Nidia Anggreni Das

University Mahaputra Muhammad Yamin Solok, Indonesia

dasnidiaanggreni@gmail.com

ABSTRACT

This research variable is profitability, company size, operating leverage, the value of the company on income smoothing in LQ 45 index companies on the stock exchange. The dependent variable is income smoothing, the independent variables are profitability, company size, operating leverage, and the value of the company. This research was conducted at the company LQ 45 index in the Indonesia Stock Exchange in 2014-2015. In the selection of the sample, this study using purposive sampling method with some criteria that will be used as a sample. The first hypothesis (H1) is rejected, and it was concluded Return on Assets (ROA) has no effect on income smoothing. From the calculation of the partial assay values obtained t calculate equal to $0.160 < t \text{ table } 1.66827$ with a significance level of $0.873 > 0.05$. The second hypothesis (H2) is received and summarized the effects of company size on income smoothing. From the calculation of the partial test obtained t calculate $1,986 > t \text{ table at a significance level of } 0.052 \text{ } 1.66827$. The third hypothesis (H3) concluded DOL rejected and has no effect on income smoothing. From the calculation of partial -1.504 t test with significance level of 0.178 and $t \text{ table } 1.66827$. The third hypothesis (H4) is rejected, PBV concluded no effect on income smoothing. From the calculation of partial -0.028 t test with significance level of 0.978 and $t \text{ table } 1.66827$.

Keywords: *profitability, company size, operating leverage, price to book value and income smoothing*

I. INTRODUCTION

The management is expected to continue to improve the efficient and flexible for the company to survive under the existing conditions and is able to achieve the goal of maximizing the profits that can be generated. Income smoothing is done for various reasons such as to give the impression the owners and creditors of management performance, reduce fluctuations in earnings reporting and reduce the risk that securities prices are high to attract the attention of the market, making a *profit* is stable and maintain their position within the company. *profitability* Stable give investors confidence on the investment made.

In addition, the size of the company can affect the actions of managers in income smoothing. The larger the enterprise, the greater may provide information

that is more transparent and complete for the company, and vice versa. Leverage operation is expected to produce strong sales. The increase in sales can encourage changes in earnings before interest and taxes to be larger. The value of the company is reflected by the price to book value, which means the company is valued in proportion to the funds invested by investors in the company.

The purpose of this study was to determine the effect of profitability, company size, operating leverage and corporate value of the income smoothing On Lq Index 45 In Indonesia Stock Exchange in 2014-2015.

II. METHODS

The population is all companies *go public* in Bursa Efek Indonesia and joined in index LQ 45. The method in collecting the sample in this research is method *purposive sampling* with these criteria are:

1. non-banking company incorporated in LQ 45 index published financial statement and specify the value of the variables to be studied in 2014-2015
2. Companies that do not suffer losses in years of research and financial reporting fiscal year on December 31.

Types and Sources of Data

The data used are secondary data is data related to the calculation of profitability, company size, operating leverage, the value of the company and the company's income smoothing index Lq 45 published mainly from *Indonesian Capital Market Directory* 2014-2015 and other publications related with this research.

Operational Definition

Independent Variables in this research is profitability, measured by return on assets (ROA) as the X1 is used to measure the ability of management to make. Company size (X2) is determined from the average total assets owned by the company with the parameter *ln* (total assets). Operating Leverage (X3) is the ratio between the percentage of EBIT to sales percentage change using the parameters Degree Operating Leverage (DOL). Company Value (X4) is the ratio of the market value of equity to book value of equity.

While Dependent variable in this research is the smoothing gain (Y) which is a deliberate attempt by management to become manageable using Eckel Index parameter.

III. RESULTS

Effect Return On Assets (ROA) of of Income Smoothing

The result value_t of 0.160 <t_{table} at 1.66827 with a significance level of 0.873> 0.05, shows ROA no effect on the income smoothing on LQ45 listed

company The Indonesia Stock Exchange in 2014-2015. This means that any increase in the value of *ROA* will not affect the company in doing income smoothing action. That is because the management or agent has the asymmetry of information from the parties outside the company so that the agent manipulates the financial statements by performing smoothing earnings. In years 2014-2015 the company LQ45 value *ROA* is not used as an indicator to predict the income smoothing and the main focus by investors in making investment decisions. The results support the research conducted by Eko (2011), Sartika Salim (2014) and I Komang and I Nyoman (2014) showed that the *Return On Assets* (ROA) has no effect on the income smoothing.

Effect *Firmsize* of Income Smoothing

Hypothesis is accepted if $t > t_{table}$ and $sig < \alpha$ 0.05. From the calculation of the partial test obtained $value_t$ of 1.986 with a significance level of 0.052 and t_{table} of 1.66827. Due to the significant value of greater than 0.05 and $value_t$ is smaller than the t_{table} , it can be concluded that the Firm Size (X_2) effect on the income smoothing.

Based on statistical analysis that has been done that for the second hypothesis (H2) is received and it can be concluded that company size has an influence on income smoothing on LQ 45 listed companies in Indonesia Stock Exchange in 2015. Of these t-test can be concluded that the size of the company influential flattening LQ45 company's earnings in year 2014 to 2015 because in making an investment decision or the decision of investors to consider assessing the stock of total assets. This is because if a small total assets do not necessarily reflect the company's performance poor. The company's performance can also be seen on the company's ability to generate profits increased from year to year. These results are in contrast to studies conducted by Sartika Salim (2014) which stated that the size of the company does not affect the income smoothing. The results are consistent with research conducted by Eko & Sally (2012), which concluded that the size of the firm and *firm size* effect on income *smoothing*.

Effect *Operating Leverage* of Income Smoothing

From the calculation of the partial test obtained $value_t$ of -1.504 with a significance level of 0.138 and t_{table} of 1.66827. Due to the significant value of greater than 0.05 and $value_t$ is smaller than the t_{table} it can be concluded DOL no significant effect on the income smoothing.

Based on the description above, it can be concluded that the hypothesis is rejected, it showed no effect between *Leverage Operating* (DOL) to the income smoothing. The results of this study together with studies are also under study them by Sucipto and Purwaningsih (2007) shows that the *Leverage* operation has no effect on the income smoothing, and this is corroborated by the results of research Sartika Salim (2014) which showed similar results. *Leverage* operation is to see how companies generate earnings, compares the percentage change in EBIT by the percentage change in sales. In this research, the company has always run

into profit during the period 2014-2015, the higher the better the company's profit or generate profits, the lower the income smoothing action. Rejection of the third hypothesis in this study, indicating that partial *Leverage* waktu 2014-2015 Operations for the period does not affect the income smoothing action on LQ 45 listed company in Indonesia Stock Exchange.

Effect Values of Income Smoothing

From the calculation of the partial test obtained $value_t$ of -0.028 with a significance level of 0.978 and t_{table} of 1.66827. Due to the significant value of greater than 0.05 and t value is smaller than the t table. This means that the value of the company proxies by *Price to Book Value* has no effect on income smoothing. The value of the variable coefficient value of the company that has a negative value indicates that the smaller the value of the company, the more likely the company is doing income smoothing. Likewise, the greater the value of the company, the less likely the practice of smoothing earnings at the company. Besides, companies that value high enterprise is not the only consideration investors in investing, investors who have a low capital, would choose to invest in companies that value of the company is lower because there is a possibility that the value of the company will be increased, and the event of such increase, the investors are interested to sell their shares for *capital gains* because investors are oriented towards short-term investments. Companies that have a high value of the company showed a good performance management so that management is not interested in doing income smoothing. Hacyl study contradicted research that shows that the company has a significant influence on income smoothing.

IV. CONCLUSION

Based on the results and conclusions obtained discussion is profitability, *operating leverage* and value companies is inferred with the PBV no effect on income smoothing in LQ45 Index companies listed in Indonesia Stock Exchange in 2014-2015. From these studies only variable sized companies (Firm Size) which only has an influence on income smoothing. Subsequent research in order to use all the companies included in the index as the object under study LQ45 without spending a banking company to be researched.

From the research results can be advised to use another index to measure income smoothing like index Michelson. Use of other variables that might be used as a factor that will affect the smoothing of income such as dividend policy, *financial leverage*, firm age, institutional ownership and *others*.

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The Evaluation of Student Achievement of Behavior Learning and Student Learning Motivation in Padang

Prima Yulianti, Mellyna Eka Yan Fitri
Dharma Andalas University, Indonesia
prima.unidha@gmail.com

ABSTRACT

The college students as an input in university have different attitudes and different assessments on teaching-learning process from one to another. This is due to differences in personal experience, family background, and culture. This is reflected in the students learning and motivation behavior. Population of the study are active student and sample was taken from several public universities and several private universities in Padang, West Sumatera. The sample was taken about 358 students. This study aims to determine the effect of learning behavior and learning motivation on student achievement, establish the factors of learning behavior and learning motivation that must be considered in order to increase student achievement. The Results of this study found that learning behavior and learning motivation influence student achievement at the significance level 5%. The other analysis obtained three factors for learning behavior (the process factors in learning, encouragement in learning and skills in Learning) and the three factors for motivation learning (diligence in learning, focus on interest in learning and learning inhibitors of motivation. This study also design a strategy to improve the achievement of student.

Keywords: *learning behavior, learning motivation, learning achievement*

I. INTRODUCTION

Human resources as one of the most important resources that can manage and organize other resources. Human resources that are formed are influenced by several factors, one of them is the education factor. A good education then formed human resources are educated and qualified. To improve the quality of human resources through education needs to be improved by the development of educational institutions either through students, teachers or educational facilities and infrastructure.

All three things must be able to collaborate so that the result of education under the expected is to produce human resources has achievement. In fact, university graduates experience different views and understanding in terms corporate world. The mostly problems come are lack of skills and creativity in terms of science implementation obtained in universities to apply to the world of

work. As a result, graduates who are good learners are not able to work in the world of work.

Students as the input of a college have the attitude and assessment of the teaching-learning process that is different from one another. This difference because of differences in personal experience, family background, and culture. This is reflected the student is learning behavior.

Many things in the behavior of learning that can affect student learning. A student is able to attend the course without having a guidebook and lecture notes, but there are other students who are unable to attend the course without having a guide book. In addition, a student has a sense of responsibility in completing lecture tasks independently. There are other students who need discussion in the completion of lecture duties.

In addition, the phenomenon that often appears is that students very depend on the lecturers limited to the material provided in the lecture. It is rare to find students studying for references and lecture materials separately. All the lecturers are given, that's all they receive. Lectures modeled by lecturers often also influence students understanding of lecture materials.

Motivation to learn can be influenced from within the pupil itself or even from outside the pupil self. Students who go to college because of self-motivation and encouragement of parents will provide different achievements. Whatever is done, motivation is one of the main things that must be considered in order to obtain results as expected.

Definition and Indicator of Learning Achievement

Achievement in English is the word achievement obtained from the word to achieve meaning to reach. According in Indonesian Dictionary that "Achievement is a result that has been achieved." Meanwhile, according to Sadirman (2006) that "Achievement is a real ability that results from interaction between various factors that affect both from within and from outside the individual in learning." So, achievement results from effort that has been achieved by someone on things done on an activity. Achievement can be seen from various aspects such as work and learning.

The factors that influence learning achievement are internal factors and external factors. Internal factors are factors that arise from within a person that is intelligence / intelligence, talent, interest and motivation. While external factors are factors that arise from outside a person's self like family environment, school environment, community environment and time factor.

Definitions and Indicators of Learning Behavior

According to Walgito (2010), "Behavior is an activity that undergoes a change in the individual." The change is gained in terms of cognitive, affective and psychomotoric . Meanwhile, according to Notoatmodjo (2007) that "Behavior is all

actions or activities of man himself who has a very wide expanse, either observable directly or even can not be observed." So, behavior is all actions in response to stimuli or environment so that experienced a change in the individual.

The learning behavior indicators are related to understanding of the learning process, learning motivation, learning skills and basic needs in learning (Amiruzzahri Amin, 2000). In addition, according to Dimiyati and Mudjiono (2006) in everyday activities found the habit of learning is not good, among others, learning at the end of the semester, learning irregular, menyanyiakan learning opportunities, go to school only for prestige, come late with style leader, stylish not polite like smoking, pretending to be patronizing his friend and dressing for mercy without studying.

Definitions and Indicators of Learning Motivation

The word motivation comes from the Latin word *movere* which means "move". According to Robbins (2015), "Motivation is a process that explains one's strength, direction and perseverance," according to Dictionary of the Indonesian Language (KBBI), "Motivation is an impulse that arises in a person consciously or not to perform an action with a specific purpose. in an effort to achieve the goal. Meanwhile, according to Griffin (2013) that "Motivation is a series of forces that cause people to behave in a certain way." So, motivation is the impulse that arises from a person who causes change to achieve goals, needs and desires.

According Sardiman AM (2006) that the indicators of motivation to learn are as follows:

1. Diligent to face task and can work continuously for long time, never stop before finished.
2. Able to face difficulties and does not require encouragement from outside to perform as well as possible, not feel satisfied with the achievements that have been achieved.
3. Realizing interest in various issues for adults.
4. Preferably working independently.
5. Incidence of saturation in routine tasks.
6. Can defend his opinion if already convinced of something.
7. It is not easy to let go of what is believed.
8. Glad to find and solve problems in learning problems.

Learning Achievement Strategy Planning

According to Pearson (2015), "Strategic plans are the organization's comprehensive design of how they will improve internal strengths and weaknesses with external opportunities and threats aimed at maintaining competitive advantage." In the university world, designing strategies to improve student learning achievement and implement is a strategic management approach. According to Suwarsono (2010), the goal of implementing strategic management is

to improve management success by increasing business opportunities as external factors and reducing weaknesses as internal factors. Strategic planning to improve student achievement is influenced by internal factors and external factors. Internal factors consist of factors that come from within the students themselves while external factors comprise factors that come from outside the student self that can affect the learning achievement. Internal factors include learning strategies, learning behavior, learning motivation and self-regulation, while external factors include curriculum.

II. METHODS

This research is conducted within the scope of human resource management and education. This research is aimed at students in improving learning achievement through learning behavior and learning motivation. Limitations in providing understanding to learning behavior and learning motivation often lead to a lack of effort to improve student learning achievement. In this study data obtained through questionnaires aimed at college students in the city of Padang. In this research, there are three methods of analysis. First, multiple linear regression analysis to determine the effect of learning behavior and learning motivation on student achievement. Second, multivariate analysis with factor analysis to know the factors of learning behavior and learning motivation. And third, the method of analysis of the range of criteria to find out the factors of learning behavior and learning motivation that must be considered in order to increase student achievement. Furthermore, provide recommendations of a solution how to improve student achievement through learning behavior and learning motivation in college students in Padang City West Sumatra Province.

This research is conducted on college students both private and public in Padang city of West Sumatra. With the reason that there is a change in student achievement if there is a change in student learning behavior and environment. Furthermore, Padang City is the center of education which has the highest number of universities compared to other cities in West Sumatra.

The data in this research are primary data and secondary data. Primary data were taken from respondents by distributing questionnaires personally. And secondary data used in this research is data that support the nature of information for the theoretical basis, namely from literature books and journals related to the problems studied. In this study data collection is done by the method of quota sampling technique that is on college students in Padang City.

The method used in this research is quantitative method by studying the influence between learning behavior and learning motivation toward student achievement. In this research, there are several stages of data analysis, namely:

1. Data analysis of respondent's characteristic is done descriptively by using frequency table and cross tabulation.

2. Data analysis to test the magnitude of the influence of learning behavior and learning motivation on learning achievement is done inferensia that is by multiple linear regression analysis method. In this stage there are three variables of learning achievement variable as the dependent variable and the variable of learning behavior and learning motivation as independent variable. The steps taken in multiple linear regression analysis is
3. Data analysis to identify the factors of learning behavior and student's learning motivation is done by multivariate analysis technique factor analysis method. In the factor analysis has no independent variables and unrelated variables, it is called interdependence technique in which all sets of interdependent relationships are examined. Each factor generated linearly combines visible variables.

III. RESULT AND DISCUSSION

From the results of the data that has been done, there is the influence of learning behavior and learning motivation on learning achievement. Motivation to learn is the most important thing to note. This is supported from the test results with higher regression coefficient than learning behavior. That is about 70.4%, meaning if the learning motivation 100% increase then the learning achievement of 70.4% increase as well. So the motivation to learn must be considered by both students, lecturers and family environment. The important factors related to learning motivation is independence in learning, focus on interest in learning and the inhibiting factors of motivation that must be overcome. These inhibiting factors will then be given alternatives or considerations for students, lecturers and families in order to improve motivation to learn.

For learning behavior also affect learning achievement of 9.7% means that if the learning behavior 100% improved to be better will improve learning achievement of about 9.7% than before. Learning behavior is more dominantly owned by students, while lecturers and families simply guide and guide them to better learning behavior in the future. The important factors in learning behavior are learning methods, learning strategies and learning skills.

IV. CONCLUSIONS

1. From the survey results obtained that the influence of learning behavior and learning motivation on student achievement of college in the city of Padang.
2. From the survey results there are three factors of learning behavior that plays an important role in influencing learning achievement in college students in the city of Padang. The factors are independence in learning, focus on interest in learning and the inhibiting factors of motivation that must be overcome.

3. From the survey results there are three factors of learning motivation that plays an important role in influencing the motivation of learning in college students in the city of Padang. The factors are learning method, learning strategy and independence in learning.

Suggestion

The advice can be given is to know the factors of learning behavior and student motivation that can improve student achievement. Like the things of independence in learning whether he realized the importance of learning, so besides the class, they also seek information related to learning independently. In addition, identify the focus of student interest in learning, and identify strategies that can support student learning activities such as setting up an out-of-school schedule, repeating lessons at home, highlighting key notes, making marginal notes and more. Furthermore, in terms of learning skills such as skills in the technique of recording so remembering the lesson quickly, the skills range in learning, the skills how to set the time, the skills in reading so as not boring, and others.

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The Influence of Firm Size and Institutional Ownership Structure on Corporate Social Responsibility

Ratnawati Rafli, Elsa Yulianda

ABSTRACT

This research intends to figure out the effect of Firm Size and Institutional Ownership on Corporate Social Responsibility Disclosure. This research takes the object of the textile company that go public in BEI. Samples were taken in the period 2012-2015 in 11 companies. Sampling method used is purposive sampling method. The data used is secondary data that is the company's annual report and for the data related to CSR disclosure conducted by the company; the researcher uses the disclosure method with the observation of information using the corporate social responsibility disclosure indicator which presented by Sembiring (2005). This study conducted F-test regression using SPSS 21 data processing program. The result of data processing shows that Size and Institutional ownership structure have a significant effect to corporate social responsibility disclosure (CSR).

Keywords: *Firm Size, Institutional Ownership, Corporate Social Responsibility*

I. INTRODUCTION

Textile Industry is an industry that will continue to strengthen in because of the nature of labor intensive industries and strongly support the incomes of the population. In fact, the business of the textile industry is now developing very rapid. It can be indicated by the many industries and large companies that have sprung up in Indonesia. This textile industry is one of the priority industry sectors and become a mainstay in the future. Companies in the industry will also be faced with the responsibility to provide welfare for shareholders through the achievement of optimal profit until sometimes missed the impact on the environment of its business activities.

Though the environment is one of the most important aspects that support the success of the company. And even this textile industry has an impact large enough for the nature and environment of the community around the industry. Many companies only prioritize on corporate profits and ignore the surrounding environment. Whereas the company should be accountable other than to shareholders must also be responsible to the environment where the company is operating. Because people and the environment are the first to feel the direct impact of the industry in their environment. One form of corporate social and environmental responsibility is through disclosure of Corporate Social Responsibility.

The CSR (Corporate Social Responsibility) program is an obligation to be performed by the company under the Law No. 40 of 2007 article 74 concerning Limited Liability Companies, responsibility social, and environment applicable to the company that manage / own impact on natural resources and unrestricted contributions and published in the financial statements. And even essentially the practice of corporate social responsibility disclosure if done on an ongoing basis by the company will give a lot benefits for the company itself, among others, can increase access to capital, improve the image and reputation, increase sales and customer loyalty and improve productivity and quality. So that will be a positive promotion for the company through a direct approach to consumers.

In the implementation, Disclosure of Corporate Social Responsibility (CSR) is influenced by several factors. Factors influencing the disclosure of Corporate Social Responsibility are often expressed through prior research. For example, it can be the ownership structure. The ownership structure is very important since it can influence strategic aspect of the company including CSR as said by Porter (1990) that the purpose of the company was determined by the structure of ownership, owners and creditors motivation, corporate governance, and processes that made up the incentive motivation of the manager. The ownership structures are divided into institutional ownership, managerial ownership, and foreign ownership.

CSR will be considered as an important factor by institutional shareholders. Implementing good CSR will ensure the sustainability of a company that the institutional investors will prefer to invest in companies with good CSR. According to Oh *et al.* (2011), the institutional ownership had the positive effect on CSR. Shleifer and Vishny (1997) argued that institutional ownership can influence the organizational decision by applying power. Institutional ownership also had adequate information about both the businesses and the ability to forecast it.

The other factors that may be important to the company related to CSR is firm size . The firm size may affect the CSR too. According to Bayoud, Kavanagh, and Slaughter (2012), the various factors affecting CSR in the Libyan capital markets revealed that firm size influenced CSR. Many large companies have a good and comprehensive CSR program and can truly empower the community.

This research has limitations, such as limited number of variables used and the limited number of samples. So researchers can not observe the dynamics of CSR from the company to company and can not know the extent to which other variables also influence CSR.

This research aims to examine whether the effect of firm size and institutional ownership to the extent of disclosure of social responsibility by the textile industry companies sector listed on the Indonesia Stock Exchange.

The more important is there are two purposes of this research. First, it is to examine the effect of institutional ownership on CSR. Second, it is to examine the effect of the size of the company on CSR.

II. METHODS

This research is a causal research. The causal research tests the effect of several independent variables on the dependent variable. The dependent variable in this research is CSR, while the independent variables are the institutional ownership and firm size.

The data used are secondary data such as data about CSR and several other variables such as the institutional ownership structure and the firm size. The data used is Corporate Social Responsibility Disclosure Index (CSRDI) of Disclosure of corporate social responsibility in Indonesia includes mandatory disclosure because there are regulations required, one of which is Bapepam Rule Number XK6 regarding the annual report submission of the issuer or public company under the Decision of the Chairman of Bapepam and LK number Kep-431 / BL / 2012 dated August 1, 2012. However, the regulation only shares on aspects of CSR into four major aspects, namely environment, employment, community, and product responsibility. The extent of CSR disclosure in Bapepam regulations is only voluntary disclosure. Although public legitimacy forces the disclosure, each business entity has its own consideration in establishing the extent of disclosure of its social responsibilities.

This research use GRI G4's social responsibility disclosure index comprising 91 items using content analysis method. Based on Bapepam regulation no. VIII. G. 2. Concern on the annual report and the suitability of the item to be applied in Indonesia then the change then done. Some items removed because they are less suitable for applied to the conditions in Indonesia so that the total remaining 78 items disclosure (Sembiring, 2005).

The dependent variable (Y) is CSR. This variable is measured using the Corporate Social Responsibility Disclosure Index (CSRDI) based on the Global Reporting Initiative (GRI). Approach to calculating CSDI is done using content analysis in measuring the variety of CSDI. This approach uses a dichotomous approach, that is each item of social responsibility in a research instrument is given a value of 1 if disclosed, and a value of 0 if not disclosed (Haniffa and Cooke) Furthermore the score of each item is summed to earned overall score for each company. The calculation formula of CSDI is:

$$\text{CSRDI} = \frac{\sum X_{ij}}{n_j}$$

Which means :

CSRDI_j : CSR Disclosure Index of the companies

n_j : number of items for company j
 X_{ij} : *dummy variabel* : 1 = if item of CSRI is disclosed , 0 = if item CSRI is not disclosed

The independent variables are the institutional ownership and firm size. The institutional ownership is the percentage of ownership owned by the local institutions, and the firm size is calculated from the natural log of total assets.

Based on the variables used, the model of research is formulated. It can be seen below.

$$CSR = a_0 + b_1 IO + b_2 LNSIZE + e \quad (1)$$

Which means:

CSR = CSR index,
IO = Institutional Ownership
LNSIZE = Firm Size
e = The Error Term

The research model must fulfill the classical assumptions. The classical assumption is to test the assumptions of normality, multicollinearity, and heteroscedasticity.

Moreover, F test will test the hypothesis that the independent variables affect the dependent variable simultaneously. On the contrary, T-test is used to test the effect of each independent variable on the dependent variable. The steps carried on in the t-test is as following: (1) to formulate a hypothesis, $H_0: \beta_0 = 0$. It means that independent variable (X_i) does not significantly influence the dependent variable (Y); (2) $H_0: \beta_0 = 0$. It implies that the independent variable (X) has no effect on the dependent variable (Y) partially; (3) $H_a = b_1$ and b_2 . It means that the independent variable (X) influences the dependent variable.

III. RESULTS AND DISCUSSIONS

The classical assumption made in this research are the normality, heteroscedasticity and multicollinearity test. The overall test of classic assumption shows no serious problems so the model can be used for prediction.

Table 1 shows the result of the test on the effect of institutional ownership and firm size on CSR. The F value is 4,289 with a significance level at 0,013. It means that the independent variables affect the CSR simultaneously.

Table 1. Simultaneous effect of Institutional Ownership and Firm Size on CSR ANOVA(b)

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|-------|------------|----------------|----|-------------|-------|---------|
| 1 | Regression | .021 | 2 | .011 | 4.829 | .013(a) |
| | Residual | .090 | 41 | .002 | | |
| | Total | .111 | 43 | | | |

a Predictors: (Constant), KI, SIZE

b Dependent Variable: CSR

Moreover, Table 2 shows the T-test results that the variables of SIZE have a value of 2,845. It is positive with a significance level of 0,007. It means SIZE influences CSR programs. Next, for the variable of IO or institutional ownership shows a value of -1,604 with a significance level of 0,116 in T-test. Thus, IO has no effect on CSR programs.

Table 2 Partial Effect of Institutional Ownership and Firm Size on CSR Coefficients(a)

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------|------------|-----------------------------|------------|---------------------------|--------|------|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | -.231 | .187 | | -1.235 | .224 |
| | SIZE | .019 | .007 | .403 | 2.845 | .007 |
| | IO | -.001 | .000 | -.227 | -1.604 | .116 |

a Dependent Variable: CSR

According to the statistical analysis, First, LNSIZE variable influences CSR. This implies the size of the company affect the company in conducting the CSR programs.

Second, IO have no effect on CSR. This result is in contrast to research by Oh *et al.* (2011). They said that the ownership institution influenced CSR. The cause may be the CSR activities that are still seen as the weight by the company that considers it as unnecessary. This is possible because the small portion of ownership has little influence in the strategic decision making including decisions about implementing CSR programs. And then, it is the low awareness of institutions ownership in implementing a comprehensive CSR program. It is because the demand in gaining profit is higher than implementing CSR programs.

IV. CONCLUSIONS

This research aims to analyze the simultaneous effect of institutional ownership and the firm size on CSR. The results show that institutional ownership and size together influence CSR. Partial influence shows that IO have no effect on CSR. This shows that the ownership structure is not capable of promoting CSR in the company. Meanwhile, Size of Company has the influence on CSR. It means that companies with big size and fund have the discretion to implement the planned CSR programs.

It is also suggested that the research can be replicated in another sector hoping ownership structure will be proven to have a positive influence on CSR.

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Government Website Usage by Officials Manager of Information and Documentation in Implementation of Public Information Disclosure Law for Realization of Good Governance (Case Study: Padang City Government And Padang Pariaman Local Government)

Rahmadhona Fitri Helmi

Dharma Andalas University, Indonesia
rahmadhona.f@unidha.ac.id

ABSTRACT

This research discusses the use of the website by the Padang City Government and Padang Pariaman Local Government as an implementation of Public Information Disclosure Law act number 14 year 2008 about transparency of public information. The focus of this study is, how the law is implemented by Officials Manager of Information and Documentation (Pejabat Pengelola Informasi Publik - PPID), how to develop the use of government websites and what are the obstacles in the implementation of the law. The study was conducted in Padang City Government and Padang Pariaman Local Government using a qualitative approach with descriptive method. The data were obtained through key informant (keyperson) determined purposively. The keyperson are Padang City Government Officials and Padang Pariaman Local Government officials that determined by snowball sampling. Documentation studies and observation are also used to capture relevant data. The result of this study is the implementation of Public Information Disclosure Law act number 14 year 2008 in Padang City Government and Padang Pariaman Local Government already made. The evidence can be explained by the rules that regulate the Officials Manager of Information and Documentation in Padang City Government and Padang Pariaman Local Government. Establishment of Officials Manager of Information and Documentation, especially in optimalization government website could be an input for Padang City Government and Padang Pariaman Local Government to provide public information more transparent, so that people can easily access the information they need at any time.

Keywords: *Public Information Disclosure, Officials Manager of Information and Documentation, Government Website.*

I. INTRODUCTION

At the beginning of Reformation era in 1998, Indonesian government have faced major changes in almost all sector in governance. This situation affected by a change of the paradigm of state administration which originally had closed public communication system become more opened. And led to the creation of a large

public space for public participation to obtain information that provided by the government. The presence of Law act number 14 Year 2008 on Public Information Disclosure is an important milestone for the development of democracy in Indonesia. The Public Information Disclosure Law also confirms that the Public Information Disclosure is not only a part of universal human rights but also constitutional rights. In the 1945 Constitution, the second amendment of Article 28F affirms that every person may communicate and obtain information to develop their personal and social environment, and to seek, produce, own, process, store, and convey information using all available channels.

The Public Information Disclosure law assertively provides obligations to public department to disclose information which related to their institutions, the policies and government activities, including the financial condition and usage of the budget (Indonesian Ministry of Home Affairs; 2013). The transparency and accountability of the public agency is becoming more important in the era of globalization as there is no space limiting the access to public information.

Public information is a basic right that must be fulfilled by the Public Agency to be disseminated to the public. Under the Public Information Disclosure article 4 states that everyone may obtain public information under the provisions of the law. Public information disclosure is a means to optimize public oversight of state administration and public agencies. When the information is presented with good packaging, it will be able to increase public participation and strengthen the relationship between society and public agency. As Mendel pointed out in Suko Widodo (2013: 132) that opening access to public information is an obligation for governments and public agency. Fundamentally, an information is public property not a property of government or public agency. However, the government must maintain a balance between closing information and the public interest. However, the openness of public information should still take precedence.

According to Suko Widodo (2013: 133) there is a variety of information that must be provided and announced to the public. First, the information that must be provided and announced periodically. Second, the information that must be announced immediately. Third, the information that must be available at any time. Meanwhile, according to Dessy Arista (2015: 17) information disclosure becomes very important because in a closed government prone to the occurrence of irregularities and misuse of information by the government. Public information disclosure is also an important element for the realization of good governance. As a step towards realizing good governance, all processes of public resource management from decision-making, implementation and evaluation (in the form of laws, implementing regulations and policies, and local regulations), and other instruments, such as; material instruments (infrastructure) and human resources, should be implemented transparently.

Concept of Public Information: Gordon B Davis; information is data that has been processed in a form that has meaning for the recipient and has the real value

needed for the current and future decision-making process (Ladjamudin, 2005: 8). Hanif; Information is data that has been processed into a meaningful form for the recipient and useful in current or future decision making (2007:9). McLeod; information is data that is processed into a form more useful and more meaningful for those who receive it (Jacob, 2012: 8). Tata Sutabri; information is data that has been classified/ processed/ interpreted for use in the decision-making process (2012: 22).

Measurement of the value of information is determined by two things, the benefits and costs to get it. An information is said to be worth when benefits are more effective than the cost of getting them. Measurement of information values is usually associated with cost effectiveness or cost benefit analysis. The value of this information is based on 10 (ten) properties, 1) Easy to obtain; 2) Wide and complete; 3) Accuracy; 4) Compatibility; 5) Timeliness; 6) Clarity; 7) Dexterity; 8) Can be proven; 9) There is no prejudice; 10) Can be measured (Tata Sutabri, 2012: 37).

While the quality of an information depends on 3 things, 1) information must be accurate (accurate), information must be free of errors and not misleading. Accurate also means that information should clearly reflect its meaning. Information should be accurate as it is usually from the source of information until the recipient of the information there is the possibility of interference that may alter or damage the information. 2) timeliness, information coming to the recipient should not be too late. information that is outdated has no value, because information is a basis in taking a decision where if decision-making is too late it will be fatal for the organization. c) relevant, the information has benefits for the recipient where the relevance of information for each individual is different depending on the recipient and the need (Tata Sutabri, 2012: 43).

The need for Public information openness led the Indonesian government to issue Law No.14 of 2008 on Public Information Transparency. Where the philosophy of the issuance of this Law are: 1) The right to obtain information is a human right and guaranteed by the constitution (article 28F F of the 1945 Constitution); b) Realizing transparent state governance and good governance; c) Support the implementation of democratic states based on transparency, participation and accountability; d) Motivating the Public Agency to give best service for the public and free from corruption; e) Anticipate the rapidly growing information technology, thus increasing the mobility of people in getting information easily and quickly.

Media Concept (website) and Government: The website according to ardhana (2013: 3) is an information presentation that uses the concept of Hyperlink that allows computer users to browse the information over the internet. Meanwhile, according to Supono (2006), the website is the entire web pages contained in a domain that contains information.

Minimum contents on every Local Government website made by the Department of Communication and Information (Depkominfo) are as follows: 1)

Brief introduction, describes the existence of local government (history, regional motto, symbol and symbol meaning, location in the form maps, vision and mission); 2) The local government, describes the existing organizational structures (executive, legislative) along with names, addresses, telephone, e-mails from local government officials. If possible, the information from the Regional Leadership is displayed for the public to know about it; 3) Geography, explaining about the topography, demography, weather and climate, social and economic, cultural conditions of the region concerned. All data in numerical or statistical form must include the name of the institution of the data source; 4) Area and resource maps, presenting regional administrative boundaries in the form of a district map (a reference map issued by the National Coordinating Agency for Surveys and Mapping (*Bakosurtanal*)/ other government agencies that has the main duty and function of the mapmaker), as well as resources owned by the respective region in the form of a resource map (used reference map issued by government agencies with main tasks and mapmaking functions) that can be used for the purposes of the users. 5) Regulation / regional policy, explaining the Regional Regulation (*Perda*) that has been issued by the local government. It is through this local government website that all local regulations that have been issued can be socialized to the public; 6) Guestbook, a place to receive feedback from users of the local government website (Sulistiyo, et al, 2008: 56).

In addition to the minimum contents as mentioned above, Depkominfo stated that other content to be presented on a local government website is left entirely to the manager of the local government website, depend on local conditions and the availability of data and information owned by the local government (Sulistiyo, et al, 2008: 56).

PPID As Implementator of Public Information Disclosure Act: Islamy (2002) explains that the duties and obligations of government officials and agencies are not only in the formulation of state policies, but also in the implementation of policies. In terms of implementation of Law No.14 Year 2008 on Public Information Disclosure, Local Government positioning Official Manager of Information and Documentation (PPID) as policy implementers. This law mandates PPID as an actor that provide information for public.

For public agencies that have established a Officials Manager of Information and Documentation, the completeness that must be hastened is: (a) create an organizational structure of the Officials Manager of Information and Documentation; (b) making Standard Operational Procedures; (c) public information service report, supported by front office (direct service deks) and media services) and back office (service and documentation field, data processing and clarification field, and information dispute resolution field); (d) funding through Regional Government Budget; (e) preparing a list of public information (DIP), ie a systematic description of all public information under the control of a public authority; and (f) preparing the Officials Manager of Information and Documentation application on the local government website.

The concept of Good Governance: According to Robert Charlick in Pandji (2008: 133) good governance is defined as the management of all kinds of public affairs effectively through the creation of legislation and / or a legitimate policy in order to promote social values. Meanwhile, the World Bank defines good governance as a solid and responsible management of development that is consistent with democratic and efficient market principles, avoidance of investment fund allocations, and the prevention of corruption both politically and administratively, running the budget discipline and creating legal and political framework for the growth of business activities (Mardiasmo, 2002: 18).

Preparing the organizational elements that support the realization of good governance criteria and ensuring new equilibrium is by building organizational elements. Reflections on McKinsey's thinking, organizational elements that must be built are related to soft structure, ie system, strategy, structure, staff, skill, style, and share value (Hampden and Turner, 1994; Gibson, 1977). To realize a modern public administration can be pursued through systematic education and training of civil servants (Hashim Batubara, 2006: 5).

II. METHODS

This research is qualitative research with descriptive method. Bogdan and Taylor argue that qualitative methodology is a research procedure that produces descriptive data in the form of written and oral words of the people and behavior (Moleong, 2012: 4). Qualitative research is a study that intends to understand the phenomenon of what is experienced by the subject of research, such as behavior, perception, motivation, action, etc., holistically. And by way of descriptions in the form of words and languages, in a special context that is natural and by utilizing various natural methods (Moleong, 2012: 6).

In this research, to get the complete data under the focus of research, 3 data collection techniques have been used, such as: observation, interviews and documentation study. This research using purposive sampling where the sampling technique is done intentionally under the requirements of the specified sample. As stated by Nursalam (2008) purposive sampling technique is a method of determining a particular sample that is assessed under the purpose or problem of research in a population. The next sampling technique is called snowball sampling, which is a sampling method in which the sample is obtained through a rolling process from one respondent to another (Nurdiani, 2014: 1113). Keyperson is Head of Public Relations of Government of Padang City, Head of Public Service of Padang City, Head of communication and information of Padang City, Head of Public Relations Government of Padang Pariaman District, Head of Subdistrict. Public Service Local Government of Padang Pariman District, Head of communication and information of Padang Pariaman, Information Commission of West Sumatra.

Techniques of examining the validity of data extend participation, observational persistence, triangulation, peer review, referential adequacy, negative

case review, member checking, detailed description, dependency audit and certainty audit (Moleong, 2012: 327). This study only uses three techniques, including: extension of participation, observation persistence, and triangulation.

Interactive models from Miles and Huberman (1992: 15-20) is used to analyze the research data. The interactive model is as follows: 1) Data reduction; Data obtained by researchers in the field through interviews, observation and documentation is reduced by summarizing, selecting and focusing data. Data reduction is defined as the selection process, focusing on the things that are appropriate to the research objectives. 2) Presentation of data; done after the data is reduced / summarized. Data obtained from observation, interview and documentation are analyzed and then presented in the form of interview notes, field notes and documentation notes. 3) verification / conclusion; based on data that has been reduced and presented, the researchers make conclusions supported by strong evidence at the data collection stage.

III. RESULT

Officials Manager of Public Information and Documentation Formation

Officials Manager of Public Information and Documentation required for the implementation of Public Information Openness Act number 14 of 2008, stating that in order to realize the fast, precise and simple service every Public Agency is required to appoint the Official Manager of Public Information and Documentation. There are seven things that must be considered in the PPID, including; 1) Establishment of a PPID structure, 2) Preparation of SOP (Standard Operational Procedure), 3) List of Public Information, 4) Information Service Room 5) PPID page on Local Government Website, 6) Report of Information Service, 7) Funding.

Table 1. Government of Padang City

| No | Officials Manager of Public Information Element | Evidence |
|----|---|---------------|
| 1 | Establishment of a PPID structure | Established |
| 2 | Preparation of SOP | Published |
| 3 | List of Public Information | Published |
| 4 | Information Service Room | Not Available |
| 5 | PPID page on Local Government Website | Available |
| 6 | Report of Information Service | Not Available |
| 7 | Funding | Unidentified |

Table 2. Padang Pariaman Local Government

| No | Officials Manager of Public Information Element | Evidence |
|----|---|-------------|
| 1 | Establishment of a PPID structure | Established |
| 2 | Preparation of SOP | Published |
| 3 | List of Public Information | Published |
| 4 | Information Service Room | Available |
| 5 | PPID page on Local Government Website | Available |

| | | |
|---|-------------------------------|-----------|
| 6 | Report of Information Service | Published |
| 7 | Funding | Available |

Optimizing the Usage of Government Websites by Officials Manager of Information and Documentation:

The optimization of website usage by PPID is reflected from the existing content on the website. It aims to facilitate access from the public to the PPID in terms of demand for public information services.

Website of Padang City Government

Padang City Government website does not have a profile page. There is no organizational structure, no explanation of topographic, demographic, weather and climate, social and economic conditions, culture of the region is not found on the City Government website Padang, the explanation of regional maps and resources is also not found on the website of Padang City Government, there is a column of socialization of regulations and policies of Padang City on the website Pemko padang, on the city government website padang just seen leave a comment as a place for users into the article and give suggestions and criticism of the articles made by the city government website padang.

Website of Padang Pariaman Local Government

The Overview Column is available on the Government website of Padang Pariaman District, the explanation of the organizational structure already found on the website of Padang Pariman, geography, explaining about the topography, demography, weather and climate, social and economic conditions, the culture of the region concerned can already be seen on the website of Pemkab Padang Pariaman, On the website of Padang Pariaman local government is not clearly visible administrative boundaries in the form of regional maps but only presented in the form of narrative and table boundaries, local regulations on the website of the regional government of Padang Pariaman can be seen from the announcements displayed by Pemda Padang Pariaman the announcement changed every week, and there is a guest book service from the website.

Obstacles in the Establishment of officials manager of information and documentation and the optimizing Usage of Government Websites

So far, no significant obstacles have been found in Officials Manager of Information and Documentation applications in Pemko Padang and Pemkab Padang Pariaman. However, from Padang City Government there are still many employees who have not fully understood the application of the Officials Manager of Information and Documentation itself. So, when asked to explain about the Officials Manager of Information and Documentation, many still do not understand the duties and functions.

Conversely, different issues related to Officials Manager of Information and Documentation application obstacles found in Padang Pariaman Local Government.

Officials Manager of Information and Documentation itself has been running very well in Padang Pariaman Local Government, starting from the human resources until the system of application. However, there are some units who are still reluctant to provide public information to the public. This certainly requires a special approach to change the paradigm of a handful of bureaucrats-bureaucrats.

IV. CONCLUSION

The Public Information Disclosure law expressly provides obligations to public bodies to disclose information relating to their institutions, the resulting policies, and the activities undertaken, including the financial and budgetary conditions (Ministry of Home Affairs of the Republic of Indonesia, 2013). The openness and accountability of Public Bodies is becoming increasingly important to be implemented in the era of globalization as there is no more space and bulkheads that limit the access of public information to obtain the widest possible information.

This officials manager of information and documentation application becomes a tool for the realization of the purpose of the Public Information Disclosure law. Thus, the public can find out how the governance process works. And the government is getting closer to the community, which in the future is expected every policy issued by the government can be a perfect solution in solving public problems.

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Factor Analysis Affecting Dividend Policy in Syariah Capital Market, Jakarta Islamic Index (JII) Evidence : Indonesia Stock Exchange (IDX)

Riri Putri Dika

University Selangor, Malaysia
riri.putridika@yahoo.com

ABSTRACT

The purpose of this research was to analyze the influence of probability, firm size, free cash flow, debt to equity, and growth to dividend policy the companies belonging to the Jakarta Islamic Index (JII) in Indonesia Stock Exchange (IDX) period 2011 – 2016. The sample was used is JII company listed IDX period 2011 – 2016. Were selected in the sampling method of sampling methods use is multiple linear regression using classic assumption test, T test, F test and test R. The result showed that the profitability (ROA) and firm size (FS) positive and significant impact on dividend policy, while free cash flow (FCF), debt-to-equity ratio (DER) and growth a negative and significant impact on dividend policy. While from the research result simultaneously showed that probability, firm size, free cash flow, debt to equity, and growth affect the dividend policy. Finally, the authors suggest to management companies incorporated in Jakarta Islamic Index (JII) are listed on the stock exchange in order to improve and take notice return on asset (ROA), firm size (FS), free cash flow (FCF), debt-to-equity ratio (DER), and growth so dividend policy (DPR) can be increased and get more investors. For investors be able to do an analyze of the financial statements by taking into account variables such as ROA, firm size, free cash flow, DER and growth in buying shares of the dividends obtained is also stable

Keywords : *Jakarta Islamic Index, Dividend Payout Ratio, Return On Asset, Firm Size, Free Cash Flow, Debt To Equity Ratio and Growth.*

I. INTRODUCTION

Islamic investment in Indonesia capital market known as the Jakarta Islamic Index (JII) launched by IDX with PT. Danareksa on July 3, 2000 comprises 30 shares. In the dividend policy determined the amount of allocation of earnings that can be distributed to the shareholders and the allocation of profits that can be detained company. The determination of dividend policy is influenced by financial factors and non financial factors. For investors,

dividend payout ratio is a stable indicator of the company prospects thus the company risk is also relatively lower compared to companies paying unstable dividends.

But in fact the development of dividend payout ratio fluctuated. The following is data of dividend payout ratio development in JII company which distributes the dividend in the successive period 2007 to 2010. The company is PT Astra Agro Lestari Tbk, PT Aneka Tambang Tbk, PT Astra International Tbk, PT International Nickel Indonesia Tbk, PT Indocement Tunggul Prakarsa Tbk, PT Kalbe Farma Tbk, PT Lippo Karawaci Tbk, PT PP London Sumatra Indonesia Tbk, PT Tambang BatuBara Bukit Asam Tbk, PT Hokim Indonesia Tbk, PT Telekomunikasi Indonesia Tbk, PT United Tractors Tbk, PT Unilever Indonesia Tbk.

Based on factors considered by management and investor decision based on financial performance hence variables which allegedly influence dividend payment policy like profitability, firm size, growth, debt equity ratio, return on the asset, return on equity, free cash flow, leverage, return on investment. Because the dividend is one reason in investing in the capital market then this study tries to analyze the factors that influence the alleged dividends that focus to profitability, firm size, free cash flow, debt policy and growth.

From the background of problems that have been described then can be identified problems arising that is:

1. Still many people who do not understand about sharia shares
2. The company has difficulty in determining the amount of dividend to be distributed to investors
3. The company's management often finds it difficult to decide whether dividends will be distributed or will be withheld as retained earnings for reinvestment
4. Companies in the JII still share a low dividend
5. Decrease in net income so that dividend per share decreases
6. Increase in total debt so that dividend per share decreases
7. Growing companies provide smaller dividends than firms that do not grow

Research conducted Mahira Rafique from International University of Islamabad, Pakistan (2012) which is titled "*factor affecting dividend payout, evidence listed non financial firms of Karachi Stock Exchange*". Based on the result of descriptive statistics indicated that the variables of firm size and corporate tax have no significant and positive effect while the variable earning sales growth, financial leverage and profitability have a positive and significant effect on dividend payout ratio.

Research conducted by Saghir and Hasan Nasional University of Modern Languages, Islamabad, Pakistan (2015) "*Critical Analysis of the Factors Affecting the Dividend Payout, Evidence from Pakistan*" based on the results

of descriptive statistics analysis for energy sector companies showed variable firm size, earning per share, leverage, and liquidity have a positive and significant effect while profitability variable have a negative and significant effect to dividend payout ratio.

Research conducted by Wasike and Dr. Jagongo Kenyataa University (2015) “ *Determinants of Dividend Policy In Kenya*. Based on the result analysis descriptive statistics showed variable profitability flow have influence and positive while variable firm, investment opportunities and growth have a positive effect and not significant with dividend payout ratio.

II. METHODS

Dividend payout ratio measures how high of the net profit after tax paid as dividend to shareholders. The greater the ratio means the less of the retained earnings to invest in the company.

Factors influencing the dividend payout ratio:

1. Profitability

One way that is used to measure the size of profitability is Return On Asset (ROA), ROA shows the ability of a company to use all of its assets to generate the profit after tax

$$\text{ROA (X1)} = \frac{\text{Earning after taxes (EAT)}}{\text{Total assets (TA)}}$$

2. Firm Size

Firm size matters in making investment decisions in a company because the size of the company affect the dividend to be paid to investors (chomsatu:2015). Firm size can be formulated as follows:

$$\text{Firm Size (X2)} = \text{Log nat from total assets}$$

3. Free Cash Flow

The concept of free cash flow focuses on cash generated from operating activities after being used for investment needs (Werner R. Muhandi,2013;p,48). Free cash flow can be calculated by the following formula

$$\text{Free Cash Flow (X3)} = \text{cash flow from operations} - (\text{net capital expenditure} + \text{changes in working capital})$$

4. Debt to Equity Ratio (DER)

Shows a comparison between debt and corporate equity (Werner R.Muhandi, 2013;p,61),

$$\text{DER (X4)} = \frac{\text{Total Debt}}{\text{Total Equity}}$$

5. Growth

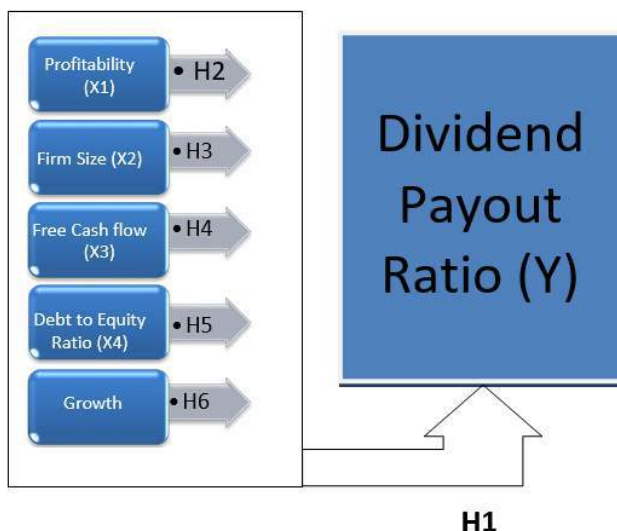
Growth shows the asset growth in which the asset is the asset used for the company's operational activities. This variable is measured by percent formulated as follows.

$$\text{Growth (X5)} = \frac{(S_t - S_{t-1})}{(S_{t-1})}$$

S_t = total assets of the current year

S_{t-1} = total assets of current year min total assets previously

Frame Work



Hipotesis

H1 : profitability, firm size, free cash flow, DER, Growth affect dividend payout ratio (DPR) at the company in Jakarta Islamic Index period 2011 – 2016

H2 : profitability influence with Dividends payout ratio (DPR) at company in Jakarta Islamic Index period 2011 – 2016

H3 : firm size influence with dividend payout ratio (DPR) at company in Jakarta Islamic Index period 2011 – 2016

H4 : free cash flow influence with Dividend Payout Ratio (DPR) at company Jakarta Islamic Index period 2011 – 2016

H5 : Debt Equity Ratio influence with Dividend Payout Ratio (DPR) at company Jakarta Islamic Index period 2011 – 2016

H6 : Growth influence with dividend (DPR) at company Jakarta Islamic Index period 2011 – 2016

Sample

Sampling technique in this study using purposive sampling. The sampling criteria in this study are companies listed in Jakarta Islamic Index succession during the period 2011 – 2016 and regularly pay dividends and publish their financial statements. Based on criteria it is found that the sample in this study as many 7 companies that is PT Astra International Tbk, PT Indocement Tunggul Perkasa Tbk, PT Kalbe Farma Tbk, PT London Sumatra Indonesia Tbk, PT Tambang Batubara Bukit Asam Tbk, PT united Tractors Tbk, PT Unilever Tbk. Data source in this research is secondary data obtained from website www.idx.co.id and from Indonesian Capital Market Directory (ICMD)

Data Analysis Technique

1. Testing classical assumptions

- Normality test
Decision making guidelines if significant value or profitability value < 0.05 distribution is not normal but > 0.05 distribution normal
- Multicollinearity test
Commonly used values to indicate the presence of multicollinearity are tolerance value < 0.10 or VIF value > 10
- Heteroscedasticity test
- Autocorrelation test

2. Regression test

$$\text{DPR} = a + b_1 \text{ROA} + b_2 \text{FS} + b_3 \text{FCF} + b_4 \text{DER} + b_5 \text{Growth} + e$$

DPR = dividend payout ratio a = intercept (constant)

b_1 = regression coefficient for ROA (profitability)

b_2 = regression coefficient for FS (Firm Size)

b_3 = regression coefficient for FCF (Free Cash Flow)

b_4 = regression coefficient for DER (Debt Equity Ratio)

b_5 = regression coefficient for Growth e = residual value

3. Hypothesis testing

- F test
The provision that if $f_{count} > f_{label}$, then H_0 is rejected and H_a accepted which means independent variables together significantly influence the dependent variables, If $f_{count} < f_{label}$, then H_0 , then H_0 accepted and H_a ,

rejected which means independent variable together have no significant effect on the dependent variable

- T test

Testing is done with a significant (α) level 5 %

1. If $T_{count} > T_{tabel}$ then hypothesis is accepted or if $T_{count} < T_{tabel}$ then hypothesis is rejected
2. If $\alpha < 0.05$ then hypothesis is accepted or if $\alpha > 0.05$ then hypothesis is rejected.

- R^2 test

In this study used adjusted R square because the independent variables used in this study over one (Sugiyono 2016:245)

III. RESULT

General condition of research data

1. *Dividend Payout Ratio (DPR) Company*

Based on sources from the Indonesian Capital Market Directory (ICMD), the highest dividend payout ratio is known 99, 96 % at PT Unilever Tbk in 2012, while the lowest dividend payout ratio of 30.38 % at PT Indocement Tunggul Prakarsa Tbk in 2011.

2. *Profitability (ROA) company*

Based on sources from the Indonesian Capital Market Directory (ICMD), the highest ROA is 71.51 % at PT Unilever Tbk in 2013, while the lowest ROA is known 7.76 % at PT United Tractors in 2015.

3. *Firm Size Company*

Based on sources from the Indonesian Capital Market Directory (ICMD), the highest Firm Size is 19.32 % at PT Astra International Tbk in 2015, while the lowest Firm Size is 15.38 % at PT Unilever Tbk in 2013

4. *Free Cash Flow Company*

Based on sources from the Indonesian Capital Market Directory (ICMD), the highest free cash flow is 18.19 % at PT Astra International Tbk in 2012, while the lowest free cash flow is 12.64 % at PT London Sumatra Indonesia in 2014

5. *Debt To Equity (DER) Company*

Based on sources from the Indonesian Capital Market Directory (ICMD), the highest DER is 2.26 % at PT Unilever Tbk in 2015, while the lowest DER 0.20 % at PT PP London Sumatra Indonesia in 2012 and 2014.

6. *Growth Company*

Based on sources from the Indonesian Capital Market Directory (ICMD), the highest growth is 90.78 % at PT. Unilever Tbk in 2014, while the lowest growth at PT Tambang Batubara Bukit Asam Tbk in 2013.

Classic Assumption Test

Classical assumption test is done because in this research using multiple regression method

1. Normality Test

Testing of data normality in this research is done by using one sample kolmogorov-sirnov test, which is where the value is asymp. Sig (2-tailed) > 0.05 then the distributed data is said to be normal. Of the data processed it was found that value asymp sig (2-tailed) show great off 0.05 that is 0.200 > 0.05 which means that in this study the normality test can be fulfilled and the data is normally distributed

2. Multicollinearity Test

To see existence of multicollinearity can be seen from the value inflation factor (VIF). If value VIF > 10 and tolerance < 0.1 then there is multicollinearity. If VIF < 10 and tolerance > 0.1 then there is not multicollinearity. Of the results obtained ROA have the value VIF 2.974 and tolerance 0.336, FS have the value VIF 2.536 and tolerance 0.562, FCF have the value VIF 1.780 and tolerance 0.562, DER have the value VIF 1.764 and tolerance 0.567, Growth have the value VIF 1.470 and value tolerance 0.680. Thus from the output of SPSS 24 data found that value of all VIF < 10 and value tolerance > 0.1. this means there is no multicollinearity there is no collation of independent variables between one with other variables and it can be concluded that multicollinearity test is met and free from multicollinearity test.

3. Heteroscedasticity Test

Of heteroscedasticity test performed seen the data is around the point 0 and does not form a certain pattern therefore it can be said there is no heteroscedasticity

4. Autocorrelation Test

Autocorrelation testing results can be seen value Durbin-Watson is 1.391. then means there is no autocorrelation so the conclusion is the autocorrelation test is met.

Multiple Linear Regression Analysis

From multiple linear regression test results obtained

1. Constants (a) is 6.948 its mean if ROA, FS, FCF, DER and Growth ignore or = 0, then DPR is 694.8 %
2. Regression coefficient ROA is 1.035 its mean increase ROA of 1 % will increase DPR by 103.5 % with assuming other variables are constant or 0
3. Coefficient regression FS 2.250 its mean increase FS of 1 % will be increase DPR 225.0 % with assuming other variables are constant or 0
4. Coefficient regression FCF - 0.748 its mean increase FCF of 1 % will decrease DPR 74.8 % with assuming other variables are constant or 0

5. Coefficient regression DER 6.832 its mean increase DER of 1 % will be increase 683.2 % with assumming other variables are constants or 0
6. 6. Coefficient regression Growth -0.411 its means increase growth of 1 will be increase DPR 41.1 % with assumming other variables are constant or 0

Hypothesis testing

F Test and T Test

Based on the data being tested with F test H_a accepted its mean ROA, FS, FCF, DER, and Growth together with the effect on DPR on companies incorporated in the Jakarta Islamic Index (JII) at IDX period 2011 – 2016.

Table 1. Result of Hypothesis Testing Research

| Hypothesi | Statement | Significant Test | Conclusion |
|-----------|--|------------------|------------|
| H1 | ROA, FS, FCF, DER and Growth jointly influence with DPR on companies incorporated in JII at IDX period 2011 - 2016 | 0.029 < 0.05 | Accepted |
| H2 | ROA influence positif and no significant with DPR on companies incorporated in JII at IDX 2011 - 2016 | 0.010 < 0.05 | Accepted |
| H3 | FS negative influence and no significant with DPR on companies incorporated in JII at IDX 2011 - 2016 | 0.586 > 0.05 | Rejected |
| H4 | FCF negative influence and no significant with DPR on companies incorporated in JII at IDX 2011 – 2016 | 0.817 < 0.05 | Rejected |
| H5 | DER negative Influence and no significant with DPR on companies incorporated in JII at IDX 2011 - 2016 | 0.277 > 0.05 | rejected |
| H6 | Growth negative influence and no significant with DPR on companies in corporated in JII at IDX 2011-2016 | 0.035 > 0.05 | Accepted |

Analysis of Coefficient of Determination

Based on data contribution ROA, FS, FCF, DER and Growth is 41.4 %. While the rest 58.6 % is affected from other variable which is not researched in this study.

IV. CONCLUSION

Based on the test results and the discussion that has been done can be drawn conclusion as follows :

1. Return On Asset (ROA), Firm Size (FS), Free Cash Flow (FCF), DER (Debt Equity Ratio) and Growth jointly significant effect on the Dividend Payout Ratio (DPR) in companies incorporated in Jakarta Islamic Index (JII) on the Indonesia Stock Exchange (IDX) in period 2011-2016
2. Profitability (ROA) have positive and significant influence on the DPR in companies incorporated in JII on the IDX in period 2011-2016
3. Firm Size (FS) have positive and no significant influence on the DPR in companies incorporated in JII on the IDX in period 2011 – 2016
4. Free Cash Flow (FCF) have negative and no significant with DPR in companies incorporated in JII on the IDX in period 2011 – 2016
5. Debt Equity Ratio (DER) have positive and no significant on the DPR in companies incorporated in JII on the IDX period 2011 – 2016
6. Growth have a negative and significant on the DPR in companies incorporated in JII on the IDX period 2011 -2016

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The Effect of Corporate Social Responsibility, Good Corporate Governance, and Intellectual Capital To Financial Performance (Empirical Study On LQ45 Stock Index Listing in Indonesia Stock Exchange period 2012-2016)

Sari Octavera, Yunus Wau
Dharma Andalas University

ABSTRACT

The purpose of this study is to examine the influence of corporate social responsibility, good corporate governance, and intellectual capital to financial performance proxy with return on equity on partial or simultan. This study focuses on stock index LQ45 listing in Indonesia Stock Exchange in the period 2012-2016. The method use for sample withdrawal is purposive sampling method so that get eight sample research. The type of data use is secondary data obtained from the financial statements, annual reports, and sustainability reports that end on 31 December on the company being the research sample. To test the hypothesis, the data analysis use is multiple linear regression analysis.

The results of this study indicate that (1) on partial corporate social responsibility and intellectual capital variables have a positive effect on financial performance proxy by return on equity, (2) on partial variable good corporate governance through managerial ownership mechanism and the proportion of the independent board of commissioner has no effect on financial performance is proxy by return on equity, and (3) on simultan corporate social responsibility, good corporate governance, and intellectual capital have a positive effect on financial performance which is proxy with return on equity.

Keywords: *Financial Performance, Corporate Social Responsibility, Good Corporate Governance, Intellectual Capital*

I. INTRODUCTION

The development of the business world today requires the company to further increase its attention to the social environment. Corporate Social Responsibility (CSR) or social responsibility must be owned by a company. CSR is one form of sustainability reporting that makes the company is no longer faced with the concept of a single bottom line that is based only on profit (profit), but the responsibility of the company must now stand on the triple bottom lines of profit (profit), community welfare (people), And environmental sustainability (the planet).

Corporate Social Responsibility (CSR) is an accounting concept that can make the company willing to carry out its responsibilities to the environment and society. CSR arises as a result of the company's operational activities that directly or indirectly impact the environment around the company. The obligation to implement CSR is contained in Law no. 40 year 2007 article 74 concerning a limited liability company stating that companies conducting business in the field or related to natural resources are obliged to carry out social and environmental responsibility. Obligation to implement CSR is also applied to companies conducting investment in Indonesia as regulated in Law no. 25 of 2007.

Table 1. Research Centre for Governance, Institutions, and Organizations by National University of Singapore (NUS) Business School Period 2016

| Country | Research |
|-----------|----------|
| Thailand | 56,8 |
| Singapura | 48,8 |
| Indonesia | 48,4 |
| Malaysia | 47,7 |

Source: CNN Indonesia, 21 Juli 2016 (processed)

From the research data states that the existing companies in Indonesia have a lower quality of social responsibility than the existing companies in Thailand. The research describes Thailand as a country with the highest quality of CSR implementation with a value of 56.8 out of a total of 100. The criteria for quality assessment are based on a number of indicators from the Global Reporting Initiative (GRI) framework. A number of factors include corporate governance, economic, environmental, and social (CNN Indonesia, July 21 2016).

In addition, according to Channel News Asia Sustainability Ranking 2016, it places one of the 100 best companies in Asia where PT Unilever Indonesia Tbk is ranked nineteen. This means that companies in Indonesia are able to compete with Asian countries. Nevertheless, the sustainability program should continue to be improved so that the companies in Indonesia that enter Channel News Asia Sustainability Ranking continues to grow. The data show that India occupies the first position as the company with the next best sustainability Singapore and Taiwan. While the countries that occupy the most positions, namely Japan, India, and Taiwan (www.sustainability.ranking.channelnewsasia.com/top100-2016.html).

The implementation of CSR needs to be supported by Good Corporate Governance (GCG) mechanism to be effective, because it has a role to control or overcome management behavior. So if talking about CSR is closely related to GCG. In other words, talking about GCG means talking about CSR, because CSR is part of GCG itself. What distinguishes it is in terms of emphasis if the CSR emphasis on the principle of responsibility (responsibility) to the interests of stakeholders. While GCG is more emphasis on the interests of shareholders (shareholders) based on the principles of fairness, transparency, and accountability (Azheri, 2011).

In Indonesia, corporate governance issues have emerged since the onset of the economic crisis that struck Asian countries and are increasingly concerned about the disclosure of cases of financial report manipulation. Several cases occurred in Indonesia, such as PT Lippo Tbk and PT Kimia Farma Tbk in terms of financial reporting which detected the existence of financial report manipulation (Boediono, 2005 in Bukhori, 2012). The case led to the public's lack of confidence in the reliability of corporate financial reporting and led to a credibility crisis. From the case it can be seen that social problems, corporate governance, and the environment that are not well regulated by the company have a huge impact, even the goal of profitability in the business aspect turns into a multiple loss.

To achieve good corporate governance, the company needs reliable human resources in implementing the implementation. Therefore, in this case Intellectual Capital (IC) should be disclosed in assessing a company. Implementation of IC began to develop in Indonesia after the emergence of Statement of Financial Accounting Standards (PSAK) No. 19 (revised 2000) on intangible assets. Basically, the application and measurement of GCG and IC have the intention to provide progress on the performance of the company.

From the identification of the above problems, can be formulated the problems encountered are: How the influence of Corporate Social Responsibility, Good Corporate Governance, and Intellectual Capital either partially or simultaneously to Financial Performance which proxies with ROE on LQ45 stock index listing in Indonesia Stock Exchange year 2012-2016.

Ariantini, et al. (2017) conducted research on corporate social responsibility, good corporate governance, and intellectual capital. The sample companies used are manufacturing companies registered in IDX period of 2011-2015. The results showed that intellectual capital has an effect on to ROE with t value equal to 5,708 with the level of probability significance equal to $0.000 < 0.05$. Corporate social responsibility affects the ROE with the value of t arithmetic of 2.153 with the level of probability significance of $0.003 < 0.05$ while good corporate governance does not affect the ROE with t value of 0.923 with the level of probability significance of $0.357 > 0.05$.

Karjaya and Sisdyani (2014) conducted research on corporate social responsibility and good corporate governance with sample research of mining companies listed in IDX period 2008-2012. The results showed that corporate social responsibility positively affects the ROA with a t value of 3.005 with a significance value of $0.004 < 0.05$. The independent board of commissioners does not affect the ROA with the value of t count equal to -1.192 with a significance value of $0.238 > 0.05$. Institutional ownership does not affect the ROA with the value of t arithmetic of 1.532 with a significance value of $0.130 > 0.05$. Managerial ownership positively affects the ROA with a value of t arithmetic of 2.659 with a significance value of $0.010 < 0.05$.

Hypothesis

H1: Corporate Social Responsibility is thought to have a positive effect on Financial Performance proxied by ROE.

H2: Managerial ownership is thought to have a positive effect on Financial Performance proxied by ROE.

H3: The proportion of the Board of Independent Commissioners is expected to have a positive effect on Financial Performance proxied by ROE.

H4: Intellectual Capital is expected to have a positive effect on Financial Performance proxied by ROE.

H5: Corporate Social Responsibility, Good Corporate Governance, Intellectual Capital simultaneously allegedly have a positive effect on Financial Performance proxied by ROE.

II. METHODS

This study was conducted to examine the effect of Corporate Social Responsibility, Good Corporate Governance, and Intellectual Capital disclosure either partially or simultaneously to Financial Performance which is proxied with ROE on LQ45 stock index listing in IDX year 2012-2016. The sample was chosen by using purposive sampling technique with the following criteria:

1. Companies included in LQ45 stock index period 2012-2016;
2. Inconsistent companies are included in the LQ45 stock index for the period 2012-2016;
3. Companies that do not issue sustainability report for the period of 2012-2016;

Variable Operational Definition

Corporate Social Responsibility

CSR is a mechanism for a company to voluntarily integrate attention to the social environment into its operations and its interaction with stakeholders, which exceeds the social responsibility of the law (Darwin, 2004 in Andreawan, 2013). Thus, corporate social responsibility can be formulated as follows:

$$\text{CSRDI} = \frac{\sum X_{1j}}{n_j} \times 100\%$$

Where:

CSRDI: Corporate social responsibility corporate disclosure index j

N_j : Number of disclosure items for company j

X_{ij} : 1 = If item j is disclosed; 0 = If item j is not disclosed

Good Corporate Governance

Managerial Ownership

Managerial ownership is defined as the proportion of shareholders owned by management who actively participate in corporate decision making that includes the board of commissioners and directors (Diyah and Erman, 2009 in Andreawan, 2013). Managerial ownership will greatly affect the performance of management. The greater the managerial ownership, the more management will try to maximize its performance, because management increasingly has a responsibility to fulfill the desire of management, which in this case including himself. Thus, managerial ownership can be formulated as follows:

$$\text{Kepemilikan Manajerial} = \frac{\text{Jumlah Saham Yang Dimiliki Manajemen}}{\text{Jumlah Saham Yang Diterbitkan}}$$

Proportion of Independent Board of Commissioners

The Board of Commissioners is a corporate organ that oversees corporate management actions by directors and advises the directors on behalf of the company. Through its role in carrying out supervisory functions, an independent board of the commissioner can influence management in preparing financial statements to obtain a qualified earnings report (Abdillah, et al., 2015). Thus, the proportion of the independent board of commissioners can be formulated as follows:

$$\text{PD Komisaris Independen} = \frac{\text{Jumlah Komisaris Independen}}{\text{Jumlah Seluruh Anggota Komisaris}}$$

Intellectual Capital

IC is measured by value added created by physical capital (VACA), human capital (VAHU), and structural capital (STVA). The combination of these three IC components is termed VAICTM. Thus, intellectual capital can be formulated as follows:

$$\text{VAIC}^{\text{TM}} = \text{VACA} + \text{VAHU} + \text{STVA}$$

Method of Analysis

The analytical method used is multiple linear regression analysis, which is used to test the fifth hypothesis, that is explained the influence of corporate social responsibility, good corporate governance, and intellectual capital to financial performance together. The statistical model used in this study is:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e$$

Where:

- Y = Financial Performance proxied with ROE
a = Constants
b1, b2, b3, b4 = Regression coefficient value
X1 = Corporate Social Responsibility
X2 = Managerial Ownership
X3 = Proportion of Independent Board of Commissioners
X4 = Intellectual Capital
e = Error or residue

III. RESULT AND DISCUSSION

Statistics Analysis Descriptive

Statistics provide an overview of the characteristics of research variables observed. After passing the data processing with SPSS program version 22 then obtained statistical descriptive variable company as follows:

Table 2. Descriptive Statistics Test Results

| | N | Minimum | Maximum | Mean | Std. Deviation |
|--------------------|----|---------|---------|----------|----------------|
| ROE | 40 | 5.95 | 38.87 | 19.4517 | 7.53930 |
| CSR | 40 | .121 | 1.000 | .48542 | .284120 |
| KM | 40 | .00000 | .23467 | .0230975 | .05722891 |
| PDKI | 40 | .2857 | .6250 | .388738 | .0740608 |
| IC | 40 | 2.709 | 21.098 | 7.62350 | 5.235701 |
| Valid N (listwise) | 40 | | | | |

Based on the results of descriptive statistical analysis known that the dependent variable of the company's performance proxied with ROE has an average value of the company amounted to 19.4517 with the standard deviation of 7.53930, this means that the company is able to maximize the profits derived from each rupiah capital invested by investors. The result of descriptive statistic analysis shows that the average value of CSR is 0.48542 with the standard deviation of 0.284120, meaning that CSR disclosure of the company is good enough, this is because the average of CSR disclosure is close to 50% range of the total item of disclosure. Nevertheless, the company must continue to improve its social responsibility that is already a liability for each company in accordance with the established legislation.

Good Corporate Governance (GCG) through Managerial Ownership (KM) mechanism shows the average managerial ownership value of 0.0230975 with a standard deviation of 0.05722891, this means that the ownership of the shares owned by the management, both the board of directors and the board of commissioners, is still very small. The next mechanism used in achieving good corporate governance is the Proportion of Independent Commissioners (PDKI). Descriptive statistical analysis results show that the average value of the PDKI of 0.388738 with a standard deviation 0.0740608, this means that during the period 2012-2016 the number of

independent commissioners as much as 39% of the existing commissioners in the company.

Intellectual Capital (IC) companies can be classified into four categories according to Kamath (2007), i.e. top performers, good performers, common performers, and bad performers. Companies included in the top performers category are companies that have a VAICTM score above 5.00. If the company has a VAICTM value between 4.00-5.00, then the company is included in the category of good performers. Furthermore, companies that fall into the category of common performers are companies that have VAICTM values between 2.5-4.00. If the company has a VAICTM value below 2.5, then the company is included in the category of bad performers. Descriptive statistical analysis results show that the added value provided by the IC is in the category of top performers where the average IC value of 7.62350 with a standard deviation of 5.235701.

Classic Assumption Test

Normality Test

Table 3. Normality Test Result One-Sample Kolmogorov-Smirnov Test

| | | ROE | CSR | KM | PDKI | IC |
|----------------------------------|----------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| N | | 40 | 40 | 40 | 40 | 40 |
| Normal Parameters ^{a,b} | Mean | 19.4518 | .48543 | .0230975 | .388737 | 7.62350 |
| | Std. Deviation | 7.53930 | .284120 | .05722891 | .0740608 | 5.235701 |
| Most Extreme Differences | Absolute | .120 | .221 | .343 | .248 | .271 |
| | Positive | .120 | .221 | .337 | .248 | .271 |
| | Negative | -.075 | -.111 | -.343 | -.177 | -.174 |
| Test Statistic | | .120 | .221 | .343 | .248 | .271 |
| Asymp. Sig. (2-tailed) | | .153 ^c | .000 ^c | .000 ^c | .000 ^c | .000 ^c |

Source: Output SPSS Version 22

Based on the above table shows that the data variable is normally distributed, where the dependent variable data measured by ROE indicates the value of Asymp. Sig. (2-tailed) > 0.05, i.e. 0.153 which means normally distributed data.

Multicollinearity Test

Table 4. Multicollinearity Test Result

| Model | Collinearity Statistics | |
|--------------|-------------------------|-------|
| | Tolerance | VIF |
| 1 (Constant) | | |
| CSR | .764 | 1.309 |
| KM | .671 | 1.489 |
| PDKI | .739 | 1.353 |
| IC | .696 | 1.438 |

Source: Output SPSS Version 22

Ghozali (2013: 105) states multicollinearity test aims to test whether the regression model found the existence of correlation between independent variables (independent). Based on the above table shows that the tolerance value for all research variables > 0.10 or VIF <10 so that variable data does not occur multicollinearity and the classical assumption test has been met.

Heterokedastisity Test

Table 5. Heterokedastisity Test Result

| | Model | t | Sig. |
|---|-------|-------|------|
| 1 | | | |
| | CSR | 1.974 | .056 |
| | KM | .273 | .786 |
| | PDKI | -.507 | .615 |
| | IC | .905 | .372 |

Based on heterokedastisity test results table shows that the significance level of each variable has a sig value. > 0.05, so it can be said that there is no heterokedastisity problem in the regression model, and it can be said that the classical assumption test is met.

Autocorrelation Test

Table 4.5 Autocorrelation Test Result

| Model | R | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|-------|-------|-------------------|----------------------------|---------------|
| 1 | .450a | .203 | 7.10576 | 1.095 |

From the table above can be concluded that the value of Durbin-Watson (DW) count has a value of 1095. Based on predetermined criteria, the DW count is between -2 and 2 ie $-2 \leq 1.095 \leq 2$, this means there is no autocorrelation problem, so it can be said that the classical assumption test has been fulfilled.

Hypothesis Test

Partial Test (t Test)

Table 4.6 Partial Test Result (t)

| | Model | t | Sig. |
|---|-------|-------|------|
| 1 | | | |
| | CSR | 2.188 | .035 |
| | KM | .425 | .673 |
| | PDKI | -.473 | .639 |
| | IC | 2.043 | .049 |

Testing the first hypothesis, which test whether corporate social responsibility partially positive effect on financial performance proxied with ROE, with the following criteria:

- H0 is accepted and Ha is rejected if $2.188 < 1.691$ for $\alpha = 0.05$

- H_0 is rejected and H_a accepted if $2.188 > 1.691$ for $\alpha = 0.05$

Based on the above testing criteria can be seen that H_0 rejected and H_a accepted, this indicates that corporate social responsibility partially positive effect on financial performance proxied with ROE.

The second hypothesis testing is to test whether good corporate governance through managerial ownership mechanism partially have positive effect on financial performance proxied by ROE, with the following criteria:

- H_0 is accepted and H_a is rejected if $0.425 < 1.691$ for $\alpha = 0.05$
- H_0 is rejected and H_a accepted if $0.425 > 1.691$ for $\alpha = 0.05$

Based on the above testing criteria it can be seen that H_0 is accepted and H_a is rejected, it shows that good corporate governance through managerial ownership mechanism partially has no effect on financial performance proxied by ROE.

The third hypothesis testing is to test whether good corporate governance through proportion mechanism of independent board of commissioner partially have positive effect to financial performance which proxied with ROE, with criteria as follows:

- H_0 is accepted and H_a is rejected if $-0.473 < 1.691$ for $\alpha = 0.05$
- H_0 is rejected and H_a accepted if $-0.473 > 1.691$ for $\alpha = 0.05$

Based on the above testing criteria it can be seen that H_0 is accepted and H_a is rejected, it indicates that good corporate governance through the proportion mechanism of the independent board of commissioner partially has no effect on financial performance proxied with ROE.

Testing the fourth hypothesis which test whether intellectual capital partially positive effect on financial performance proxied with ROE, with the following criteria:

- H_0 is accepted and H_a is rejected if $2.043 < 1.691$ for $\alpha = 0.05$
- H_0 is rejected and H_a accepted if $2.043 > 1.691$ for $\alpha = 0.05$

Based on the above test criteria can be seen that H_0 rejected and H_a accepted, it shows that intellectual capital partially positive effect on financial performance proxied with ROE.

Based on the above testing criteria it can be seen that H_0 is rejected and H_a accepted, it shows that corporate social responsibility, good corporate governance, and intellectual capital simultaneously have a positive effect on financial performance proxied by ROE.

Simultaneous Test (F Test)

Table 4.7 Simultaneous Test Result (F) ANOVA^a

| Model | Sum of Squares | df | Mean Square | F | Sig. |
|------------|----------------|----|-------------|-------|-------|
| Regression | 445,815 | 3 | 148,605 | 3,021 | ,042b |
| Residual | 1770,987 | 36 | 49,194 | | |
| Total | 2216,802 | 39 | | | |

Based on the above testing criteria it can be seen that H₀ is rejected and H_a accepted, it shows that corporate social responsibility, good corporate governance, and intellectual capital simultaneously have a positive effect on financial performance proxied by ROE.

Coefficient Of Determination (R²)

Table 4.8 Coefficient Of Determination Result

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------|----------|-------------------|----------------------------|
| 1 | .450a | .203 | .112 | 7.10576 |

Based on the above table can be seen that the coefficient of determination (R²) or R Square on the dependent variable of the company's financial performance (ROE) is 20.3%. This means that 20.3% of the value of ROE is influenced by independent factors, namely corporate social responsibility, good corporate governance, and intellectual capital, while the remaining 79.7% is influenced by other variables not included in this study.

Discussion

The Effect of Corporate Social Responsibility to Financial Performance

Based on the results of hypothesis testing showed that the disclosure of corporate social responsibility positive effect on financial performance proxied with ROE, with the regression coefficient value of 2.188 with a significance level of 0.035 where the significance value is smaller than 0.10. This positive result indicates that corporate social responsibility disclosure done by the company will affect the company's financial performance improvement and will certainly have a good impact on the consideration for the investor to take the decision in doing investment in the company.

More and more companies reveal and conduct corporate social responsibility activities will increase the higher sales that ultimately can increase corporate profits. In other words the better the company performs the disclosure of social responsibility, it will build a good corporate image in the eyes of consumers. Consumers will have a good view because the company has paid attention to the public interest, so consumers do not mind using the product (Rosiliana, et al., 2014).

The results of this study is in line with research conducted by Ariantini, et al. (2017) which concluded that corporate social responsibility has a positive and significant impact on financial performance proxied with ROE. The same result is also concluded by Nugroho (2014), where corporate social responsibility affects ROE. Companies that perform greater disclosure and reporting will have a higher ROE.

The Effect of Managerial Ownership on Financial Performance

Based on the results of hypothesis testing shows that good corporate governance through managerial ownership mechanism does not affect the financial performance proxied with ROE, showing the value of regression coefficient of 0.425 with a significance level of 0.673 where the significance value is greater than 0.10. This study is in line with research conducted by Andreawan (2013) and Rosafitri (2017) which concluded that managerial ownership does not affect the financial performance of the company. This is likely due to the percentage of managerial ownership on the LQ45 stock index that went public is still very small so it has not been able to become one of the indicators in improving the company's financial performance.

This lack of managerial ownership is due to the fact that some companies in the given year do not provide ownership of shares to their management. Thus, the alignment of the interests of shareholders and agents can not be realized. Managerial ownership at a low level causes managers to be less than maximized in their duties to maximize shareholder wealth by improving company performance and trying to divert company resources for their own (Tertius and Christiawan, 2015).

The Effect of Proportion of Independent Board of Commissioners to Financial Performance

Based on result of the hypothesis test show that good corporate governance through a mechanism of proportion of the independent board of the commissioner does not have an effect on financial performance which proxied with ROE, show regression coefficient value equal to -0.473 with the level of significance equal to 0,639 where value significance bigger than 0,10. This research is in line with research conducted by Ariantini, et al. (2017). The cause of inaction may be due to the existence of an independent commissioner within the board of commissioners structure is only considered meeting the requirements for companies implementing good corporate governance (Setiawan, 2012). In addition, if the proportion of independent commissioners is too much will allow for inefficiency of supervision and lead to slow decision-making.

The same cause is also concluded by Ariantini, et al. (2017) which concludes that many members of the board of commissioners do not affect the performance of the company. The study shows that the more members of the board of commissioners, the difference of opinion between the board of commissioners, so that the board of commissioners will increasingly difficult in performing its role,

such as difficulties in supervising and controlling management actions, and difficulty in making decisions that are useful for the company. The result means that the function of the independent board of commissioners has not been maximally benefited even though it has been regulated by the financial services authority.

The Effect of Intellectual Capital to Financial Performance

Result of the hypothesis test show that intellectual capital have a positive effect to financial performance which proxy with ROE with a regression coefficient value equal to 2,043 with the significance level equal to 0,049 where significance value less than 0,10. This means that the higher value added generated by companies obtained from human capital, capital employee, and structural capital will improve the company's financial performance (Andreawan, 2013). This can be a consideration for investors to invest in the company.

Ariantini, et al. (2017) stated that overall the company has succeeded to utilize and maximize human capital (a combination of organization with the ability of existing people in company to solve or give the solution to the business problem), structural capital (ability of organization to fulfill routine process of the company and its structure that supports employees' efforts to deliver optimal intellectual performance and overall business performance), and costumer capital (harmonious relationships owned by companies with partners, government, suppliers and customers, how customer loyalty to the company, can create added value and lead to sustainable competitive advantage for the company.

The results of this study are in line with research conducted by Ariantini, et al. (2017) and Permasari and Rismadi (2013) which concluded that intellectual capital has a positive effect on company performance (ROE).

The Effect of Corporate Social Responsibility, Good Corporate Governance, and Intellectual Capital to Financial Performance on Simultaneously

By using the coefficient of determination test obtained the value of 0.203 means 20.3% ROE value influenced by independent variables in this study while the remaining 79.7% influenced by other variables such as credit risk, leverage, growth, total factor productivity, and firm age (Tertius and Christiawan, 2015). In addition, liquidity, capital structure, and profitability can also affect financial performance. Regression coefficient value of 3,021 with a significance level of 0.042 where the significance value is smaller than 0.10 indicates that corporate social responsibility, good corporate governance, and intellectual capital simultaneously have a positive effect on financial performance proxied with ROE.

These results show that CSR disclosure, GCG implementation, and IC utilization by firms are able to influence the value of ROE as a proxy for corporate financial performance. The importance of CSR reporting, GCG implementation, and disclosure of ICs in support of the achievement of corporate objectives and the basis of policy making thereby providing benefits to interested parties thoroughly. The

results of this study are in line with research conducted by Ariantini, et.al (2017) and Agustina, et al. (2015).

IV. CONCLUSION

Based on the results of hypothesis testing and data analysis, it can be concluded as follows:

- 1) Corporate social responsibility positively affects the financial performance proxied by ROE.
- 2) Good corporate governance through managerial ownership mechanism has no effect on financial performance proxied by ROE.
- 3) Good corporate governance through the mechanism of proportion of the independent board of commissioners has no effect on financial performance proxied by ROE.
- 4) Intellectual capital positively affects the financial performance proxied by ROE.
- 5) Corporate social responsibility, good corporate governance, and intellectual capital together (simultaneously) have a positive effect on financial performance proxied by ROE.

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The Influence of Word of Mouth to Consumer's Decision for Purchasing TOTO in CV. ABC

Siska Lusia Putri, Yunike Saputri, Lisa Ermita, Febrizen Bufef
Dharma Andalas University
siskalusiaputri@gmail.com

ABSTRACT

This study observes the influences of word of mouth (WOM) to consumer's decision making for purchasing TOTO. WOM indicators that studied are talkers, topics, tools, talking part, and tracking in customer of CV. ABC in Padang. This research used explanatory quantitative attribute that described the influence of customer's WOM of TOTO by using regression analysis and correlation. The study-design uses cross sectional with a single method of sampling non probability sampling. The results of this study indicates that the indicators of WOM included talkers, topics, and tools are positive and significant impact on making purchasing decision. Meanwhile talking part and tracking do not have significant impact on purchasing decision. The indicators of WOM (talkers, topics, tools, talking part, and tracking) are simultaneously have positive and significant impact on making purchasing decision. The value of adjusted R Square indicators was 0.628.

Keywords: *word of the mouth (WOM), making purchasing decision, bathroom tools*

I. INTRODUCTION

Marketing is social and managerial process which individual or group got what they need, what they want by creating, bargaining, swapping a product to another product (Daryanto, 2013). So, marketing is a spearhead from business activity in selling a product toward industrial consumer and consumer. CV. ABC is a material trading company in selling bathroom tools which got licenced from PT. Surya Toto Indonesia, Tbk. Closet, shower, and tap are kinds of product which are selling by CV. ABC. This CV is an agent who are selling bathroom tools in West Sumatera. There are many brands of bathroom tools are sold, such as TOTO, INA, American Standard, Wasser, Onda and so on. Those brands are Top Brand which was given by Frontier Consulting Group. In 2017 phase 1, Toto is a brand getting Top Brand Award. Based on Top Brand Award, sales of TOTO should have increased in CV. ABC. Meanwhile, CV. ABC as the biggest and the only one distributor in West Sumatera does not have significant increasing of selling TOTO. Table 1 expressed that sales of TOTO in CV. ABC from 2015 – 2016.

Table 1. Sales of TOTO in CV. ABC from 2015-2016

| Month | 2015 (year) | 2016 (year) |
|-----------|------------------|------------------|
| January | Rp1.855.467.845 | Rp1.842.578.500 |
| February | Rp2.191.368.540 | Rp2.167.455.650 |
| March | Rp2.876.534.500 | Rp2.845.673.340 |
| April | Rp2.984.563.257 | Rp3.009.265.225 |
| May | Rp1.385.638.730 | Rp1.355.644.350 |
| June | Rp1.006.785.360 | Rp 983.149.005 |
| July | Rp 824.735.418 | Rp 853.553.475 |
| August | Rp1.282.563.856 | Rp1.238.778.933 |
| September | Rp2.433.273.420 | Rp2.403.309.488 |
| October | Rp2.920.357.545 | Rp2.956.745.738 |
| November | Rp2.073.256.554 | Rp2.054.667.843 |
| December | Rp2.982.076.545 | Rp3.004.004.250 |
| Total | Rp24.816.621.570 | Rp24.714.825.797 |

Promotion mix or marketing communication mix is the specific blend of promotion tools that the company uses to persuasively communicate consumer value and build consumer relationship. It is included by advertising, personal selling, sales promotion, public relations, word of mouth, and direct marketing (Kotler & Armstrong, 2012).

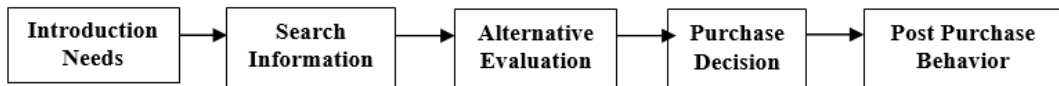
According to WOMMA (Word of Mouth Marketing Assocoation), Word of Mouth Marketing is an effort of organization to affect how consumers create and distribute marketing relevant information to other consumers, facilitate and amplify marketing among consumers (Sumardi, 2011). Senorvitz (2012) expresses that there are five of T elements who must be noticed for getting benefits. They are talkers, topics, tools, talking parts and tracking.

- a. Talkers is the element that we must know who the speaker in this case, the speaker is our consumers who have consumed the products or services we have provided. Sometimes, other people tend to choose or decide a product depend on the consumers who have experienced using the product or service or can be called by referral party who recommended a product or service.
- b. Topics as the existence of a word of mouth because the creation of a message or subject made by them for talking about the product or service, as well as services provided because our products have its own advantages.
- c. Tools is the element that we recognize as the message or subject that make them talk about the product or service which is needed a tool to help the message can run like an example: brochures, banners or any tools that can make people discuss or pass your product to his friends easily.
- d. Talking part or company participation is a company's participation as well as in responding to the questions about the product or service, following up to prospective customers so that they can perform a purchasing decision.

- e. Tracking or supervision will result WOM marketing company after a tool is useful in the process WOM and the company is responsive in responding to prospective customers, it is also necessary to monitor the existing WOM and to see the results as in the suggestion box so that there are a lot of informations of positive or negative WOM from consumers.

According to Kotler and Keller (2016), purchasing decision is made by consumers through five elements. They are the introduction of needs, search information, alternative evaluation, purchasing decisions and post-purchase behavior. Then, Figure 1. will express model purchase decision process.

Figure 1. Model Purchase Decision Process



II. METHODS

Sample size and data collection

CV. ABC is located at Jl. Hiligoo No 9-11, Padang, West Sumatera. The study is an explanatory research method. This study is used to know whether there is the influence of a variable in a particular situation or not. The aim of this study is to know and analyze the correlation of independent variable (WoM) to dependent variable (consumer's decision making) for buying TOTO. The category of sample for this study is the consumers who bought TOTO in CV. ABC from 2015-2017. By using Rao Purba's formula, sample was obtained from 96 respondents. Data source of this study consists of primary data and secondary data. Primary data is questionnaires of respondents meanwhile secondaries data are books, journals, and CV. ABC's documents.

Construction of questionnaire and measurement of variables

The questionnaire is developed based upon the literatures. The items in the questionnaires are adapted from Hendarwati (2015), Rahayu & Edward (2013), Brahmantya (2012), and Kusnandang (2009). This study consists of five variables of WoM. They are talkers, topics, tools, talking part, and tracking. There are 15 items on talkers, topics, tools, talking part, and tracking. Then, for dependent variable (purchase decision) consists of three items. Table 2. presents variable operational definition of this study.

Table 2. Variable operational definition

| Variables | | Indicators |
|-----------------------|--------------------------------|---|
| WoM (X) | Talkers (X ₁) | 1. information's speaker with potential consumer 2. message clearly 3. knowledge of information's speaker |
| | Topics (X ₂) | 1. price 2. location 3. service |
| | Tools (X ₃) | 1. social media 2. telephone 3. email |
| | Talking part (X ₄) | 1. quick respond to consumer's question 2. quick respond for explaining detail product 3. serving consumer friendly |
| | Tracking (X ₅) | 1. product variety 2. serving order for special buyer 3. space |
| Purchase Decision (Y) | | 1. confidence of buying 2. recommendation 3. repurchase |

III. RESULTS

Table 3. presents demographics of respondents include gender, age, job, and income.

Table 3. Demographics of respondents

| No. | Demographic | Respondent | Percentage (%) | |
|-----|-------------|-----------------------|----------------|-----|
| 1 | Gender | Man | 58 | 60 |
| | | Woman | 38 | 40 |
| | | Total | 96 | 100 |
| 2 | Age | 18 – 27 years old | 5 | 7 |
| | | 28 – 37 years old | 16 | 17 |
| | | 38 – 47 years old | 36 | 38 |
| | | 48 – 57 years old | 23 | 24 |
| | | ≥ 58 years old | 8 | 15 |
| | | Total | 96 | 100 |
| 3 | Job | Entrepreneur | 30 | 31 |
| | | Private employees | 25 | 26 |
| | | Army/Police | 4 | 4 |
| | | Civil servants | 34 | 35 |
| | | Housewife | 3 | 3 |
| | | Total | 96 | 100 |
| 4 | Income | < 2.000.000 | 3 | 3 |
| | | 2.000.000 – 4.000.000 | 45 | 47 |
| | | 4.000.000 – 6.000.000 | 28 | 29 |
| | | > 6.000.000 | 20 | 21 |
| | | Total | 96 | 100 |

Source: Primary data (2017)

Table 4. presents multiple linear regression of this study. Based on regression result can be made by linear equation as follows:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + e,$$

so that

$$Y = 0.763 + 0.155 X_1 + 0.499 X_2 + 0.354 X_3 + 0.161 X_4 - 0.53 X_5 + e$$

Table 4. Multiple Linear Regression

| | | Coefficients ^a | | |
|---|--------------|-----------------------------|------------|---------------------------|
| | | Unstandardized Coefficients | | Standardized Coefficients |
| | Model | B | Std. Error | Beta |
| 1 | (Constant) | .763 | .327 | |
| | Talker | .155 | .074 | -.169 |
| | Topics | .499 | .175 | .463 |
| | Tools | .354 | .095 | .365 |
| | Talking part | .161 | .171 | .156 |
| | Tracking | -.053 | .088 | -.048 |

a. Dependent Variable: purchase decision

The results of regression analysis are shown in Table 5 and Table 6. Table 5. presents t-test and Table 6. presents coefficient of determination of this study.

Table 5. t-test

| | | Coefficients ^a | |
|---|---------------|---------------------------|------|
| | | T | Sig. |
| | Model | | |
| 1 | (Constant) | 2.335 | .022 |
| | Talker | 2.097 | .039 |
| | Topics | 2.855 | .005 |
| | Tools | 3.719 | .000 |
| | Tacking_Parts | .941 | .349 |
| | Tracking | -.607 | .546 |

a. Dependent Variable: purchase decision

Source: Primary data (2017)

Table 6. Coefficient of Determination

| Model Summary ^b | | | | | | | | | | |
|----------------------------|-------------------|----------|-------------------|----------------------------|-------------------|----------|-----|-----|---------------|---------------|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics | | | | Sig. F Change | Durbin-Watson |
| | | | | | R Square Change | F Change | df1 | df2 | | |
| 1 | .805 _a | .648 | .628 | .35206 | .648 | 33.091 | 5 | 90 | .000 | 1.211 |

a. Predictors: (Constant), Tracking, Talker, Tools, Topics, Talkingparts

b. Dependent Variable: purchase decision

IV. CONCLUSION

The study aims to determine the influences of word of mouth (WOM) to consumer's decision for purchasing TOTO. The result expresses that four variables have a significant influence on purchasing decision and two variables do not have a significant variable on purchasing decision. These explanations of study can be concluded partially, (1) Talker has a significant influence on purchasing decision; (2) Topics has a significant influence on purchasing decision; (3) Tools has a significant influence on purchasing decision; (4) Talking part does not have a significant influence on purchasing decision; and (5) Tracking does not have a significant influence on purchasing decision. Four variables (talker, topics, talking part, and tracking) are consistent with the finding of Hendrawati (2015). Only tools is not consistent with the finding of Hendrawati (2015). Then, the value of adjusted R Square indicators is 0.628 (62.8%). That's mean that WoM (talker, topics, tools, talking part, and tracking) has a significant influence on purchasing decision simultaneously, while the rest of 37.2% is explained by other factors not used in this study. The factors are included marketing mix, retailing mix, experiential marketing, and so on.

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Effect of Work Experience, Training and Education Level To Educational Staff Performance

Sri Langgeng Ratnasari¹, Gandhi Sutjahjo²

¹Riau Kepulauan University, ²Batam University, Indonesia
sarisucahyo@yahoo.com

ABSTRACT

The purpose of this study was to analyze the effect of work experience, training and education level on the educational staff performance. The population of this research is educational staff of Universitas Riau Kepulauan as much as 56 people. The sampling technique uses a census. Data collection method was done by questioner and data analysis used was multiple linear regression using SPSS software. The result of the research shows that work experience, training and level of education have a significant effect on the educational staff performance either partially or simultaneously, with the coefficient of determination (R Square) obtained is 41,9%. This means that performance is influenced by work experience, training and education level 41.9% while others are influenced by other variables that are not examined.

Keywords: *Work Experience; Training; Education Level; Educational Staff Performance*

I. INTRODUCTION

The organization requires an effective and efficient coordination system, which aims to realize the smoothness and more assured implementation of a business. Work experience, training and education level are also part of the management or management of a project, where management itself is a way of managing an activity that has a specific purpose.

Organizations must have good human resources, especially qualified human resources to be able to compete in the era of globalization. Not only in terms of mastery of science and technology is expected, but also a good mental attitude. Therefore, every country always improves the quality of its human resources. To improve the quality of human resources it can be done by improving the quality of education of the nation because with quality education will create quality human resources as well, which in turn can support the development of national development.

Universities are educational units of higher education providers. By type, the college is divided into two: (1) State colleges are universities organized by the government. (2) Private colleges are private universities.

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Educational staff are personnel or workers who work in educational units other than educators. Educational staff are assigned to carry out administrative, management, development, supervision, and technical services to support education process in education unit.

The performance of education personnel is one of the important keys for universities, because each university can not improve only from one or two efforts, but from the overall efforts of stake holders in universities.

The improvement of the performance of the Riau Islands University education personnel is done through education and training, but improving the work environment is very important for the achievement of the organization's vision, mission and objectives. To achieve this success, work environment factors can not be ignored. A comfortable working environment, and harmonious work among educational staff will greatly support the work atmosphere, which will ultimately have a positive impact on the success of the organization's vision, mission and goals. If the work environment is not comfortable then the success of the college will not meet the desired expectations.

University of Riau Islands realize the quality and reliability of human resources is needed as one of the key success of universities in the face of competition, thus the University of Riau Islands should prepare human resources owned by work experience, training and education.

Work Experience

Work experience is as a measure of the length of time or work that someone has taken in understanding the tasks of a job and has done it well (Foster, 2011: 40). According to Johnson (2007: 77) states that "experience brings out one's

potential, full potential will emerge gradually over time in response to a variety of experiences". Another opinion states that work experience is the length of time a person performs the frequency and type of task according to his ability (Syukur, 2011: 74)

Work experience is the level of mastery of knowledge and skills of a person in the work that can be measured from the work period and from the level of knowledge and skills possessed. It can be concluded that the understanding of work experience is the level of mastery of knowledge and skills of a person in his work that can be measured from the work period and from the level of knowledge and skills possessed. There are also some things to determine whether or not an employee is an indicator of working experience, namely:

1. Long time or work period.

The size of the length of time or length of time a person has gone through can understand the tasks of a job and have done well.

2. Level of knowledge and skills possessed.

Knowledge refers to concepts, principles, procedures, policies or other information required by employees. Knowledge also includes the ability to understand and apply information to job responsibilities. While the skills refer to the physical ability required to achieve or run a task or job.

3. Mastery of work and equipment.

Level of mastery of a person in the implementation of technical aspects of equipment and work techniques

Training

According to Gomes (2013: 197), training is every effort to improve the worker's performance on a particular job that he is responsible for, or a job that has to do with his work.

According Mangkunegara (2009: 43) training terms for employee (technical) and supervisor. While the term development is intended for employees of management level. Wexley and Yulk (Mangkunegara, 2009: 43) suggests that: "Training and development are term is referring to planned efforts designed facilitate the acquisition of relevant skills, knowledge and attitudes by organizations members. Development focuses more on improving the decision making and human relations skills and the presentation of a more factual and narrow subject matter".

This means that training is a planned undertaking to facilitate learning about work relating to employees' knowledge, skills and attitudes, and training is also an attempt to improve worker performance on a particular occupation that is under his or her responsibility or an existing job Relation to his work.

There are 3 (three) levels or levels of analysis in determining the training needs that must be met, namely:

1. Organizational Analysis (Organization Analysis).
2. Operation Analysis (Operations Analysis).
3. Individual Analysis (Individual Analysis).

Indication The success of a training program within the trainee in the event of a transformation process in:

1. Improved ability to perform tasks
2. Changes in behavior reflected in attitudes, discipline and work ethic.
3. To find out whether or not the change has been made an assessment or evaluation of the implementation of the Training

Level of education

Education is a conscious and planned effort to create an atmosphere of learning and learning process so that learners actively develop their potential to have spiritual spiritual power, self-control, personality, intelligence, noble character, as well as the skills needed by him or her, society, nation and country.

Referring to Machiavelli's opinion as cited by (Koesoema, 2010: 52) understands the notion of education within the framework of the process of human self-improvement on a continuous basis.

Dewey in his writings (Siswoyo et al., 2007: 19) explains education is a reconstruction or reorganization of experiences that add to the meaning of experience, and which adds the ability to direct subsequent experiences.

According to Siswoyo et al (2007: 19) interpreted in a technical sense, education is the process by which society, through educational institutions (schools, colleges or through other institutions), deliberately transform their cultural heritage, knowledge, values and Skills, and generation after generation.

Based on some of the above opinion can be interpreted that the definition of education is a business done with full awareness and planned (gradually) in improving the potential of students themselves in all aspects towards the formation of personality and noble character by using appropriate media and learning methods to carry out the task of life so Can achieve the ultimate safety and happiness.

Can be conveyed elements of education (education) as follows:

1. Input target of education that is individual, group, society.
2. Educators are education players.
3. Processes are planned efforts to influence others.
4. Output is doing what is expected or behavior (Notoatmodjo 2003: 16).

The purpose of education (education) are:

1. Embedding knowledge or understanding, opinions and concepts.
2. Change attitudes and perceptions.

3. Embedding new behaviors or habits.

Performance

Performance is a result of work produced by an employee interpreted to achieve the expected goal. The opinions of experts on the definition of performance, as follows:

1. According Mangkunegara (2009: 67) suggests that "Performance is the work of quality and quantity achieved by an employee in performing their duties in accordance with the responsibilities given to him"
2. According Sedarmayanti (2011: 260) reveals that "Performance is a translation of performance that means the work of a worker, a management process or an organization as a whole, where the work must be shown the evidence concretely and can be measured (compared with the standard which has been specified)"
3. According to Wibowo (2010: 7) suggests that "Performance is about doing work and the results achieved from the job"
4. Notoatmodjo (2009: 124) suggests that "Performance is what can be done by someone in accordance with the duties and functions.

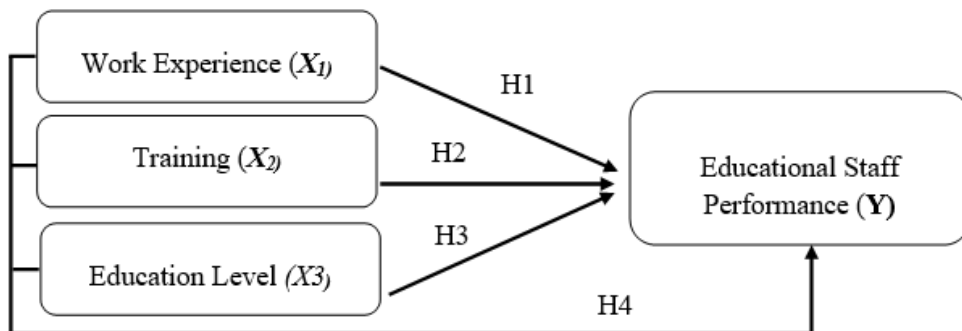
Performance Indicators by Mangkunegara (2009: 75) are:

1. Quality of work is how well an employee does what it is supposed to do.
2. Quantity of work is how long an employee works in one day. Quantity of work can be seen from the speed of each employee's work each.
3. Implementation of the task is how far employees are able to do their work accurately or no errors.
4. Job responsibilities are the awareness of employees' obligations to carry out the work the company provides.

Research model

Based on the theoretical framework that has been described above, then can be arranged framework as presented below:

Fig. 1 Research model



The work experience variable (X1) consists of 3 (three) indicators, namely the length of working time, skill level and control of equipment and work. The training variables (X2) consist of 3 (three) indicators namely capacity building, behavior change and training evaluation. The educational level variable (X3) consists of 3 (three) indicators, namely knowledge, attitude and perception and level of behavior or habit. While the performance variable of the education personnel as the dependent variable (Y), consists of work quality, quantity of work, execution of duties and responsibilities.

Hypothesis

From the results of the framework shown can be formulated research hypothesis as follows:

1. Work experience affects the performance of education personnel.
2. Training affects the performance of education personnel
3. The level of education affects the performance of educational personnel
4. Work experience, training, education level affect the performance of educational personnel

II. METHODS

Types and Data Sources

In this study using the type of quantitative data sourced from the primary data collected from the respondents as the main data source in this study that is all the staff of the University of Riau Islands.

Population and Sample

The population of this research is educational staff of Universitas Riau Islands as much as 56 people. The sampling technique used a census technique, where the entire population was studied.

Method of collecting data

The data collecting was done by questionnaire, that is asking the questionnaire in writing to the respondent.

Operationalization of Variables

The variables in this study are the performance of education personnel as dependent variable (Y) and work experience (X1), training (X2) and education level (X3) as independent variable (X).

1. Work Experience (X1)

Understanding work experience is the level of mastery of knowledge and skills of a person in his work that can be measured from the work period and from the level of knowledge and skills possessed

2. Training (X2)

Training is a planned undertaking to facilitate learning about work relating to the knowledge, skills and attitudes of educational personnel, and training is also an attempt to improve the performance of the worker in a particular occupation that is his responsibility or a job that has to do with his work.

3. Education Level (X3)

Education is the process of changing the attitudes and behavior of a person or group of people in an effort to mature human beings through the efforts of teaching and training, processes, ways, acts of education and all the efforts planned to influence others either individuals, groups or communities so they do what is expected By educational actors.

5. Performance of Education Personnel (Y)

Performance of education personnel is a result of work produced by an educational staff, interpreted to achieve the expected goals.

Analysis Data Method

Test Instruments

Questionnaires that have been compiled should be continued by doing a questionnaire test. Quantitative questionnaire test can be done through validity and reliability test.

Validity test

Test Validity is to indicate the extent to which a measuring device is able to measure what it wants to measure, the questionnaire it compiles should measure what it wants to measure (Umar, 2013: 179). Measurement of validity test using SPSS.

How to measure the validity of the construct is to find the correlation between each question with a total score using the formula of product moment correlation

$$r = \frac{N \left(\sum_{i=1}^N X_i Y_i \right) - \left(\sum_{i=1}^N X_i \sum_{i=1}^N Y_i \right)}{\sqrt{\left[N \sum_{i=1}^N X_i^2 - \left(\sum_{i=1}^N X_i \right)^2 \right] \left[N \sum_{i=1}^N Y_i^2 - \left(\sum_{i=1}^N Y_i \right)^2 \right]}}$$

techniques as follows:

Where:

R: Product moment correlation coefficient

X: Score of each question or item

Y: Total Score

N: Number of respondents

After all correlation for each question with total score is obtained, the values are compared with the critic value, then if the coefficient value of the product

moment correlation of a question is above the criterion table value then the question is significant.

Test Reliability

The reliability test is used to test the extent to which the reliability of a measuring device can be used again for the same research. Reliability testing is done by using Cronbach Alpha analysis technique. According to Nunally (2010: 54) is said to be reliable if the $\alpha > 0.6$.

Data analysis technique

Qualitative Data Analysis

Qualitative Data Analysis is an analysis of data using data that is not in the form of numbers that are usually verbal obtained from observations and interviews. From the results of qualitative data analysis obtained results which then analyzed by using quantitative data. In this study qualitative data analysis is the result of the respondent's statement of strongly agree, agree, disagree, and strongly disagree, then the answer with the most scores inferred.

Quantitative Data Analysis

Quantitative data analysis is an analysis of data using data in the form of numbers obtained as a result of measurement or addition. Statements in a closed questionnaire are made using a scale of 1-5 to obtain interval data.

Classic assumption test

To assure that the equation of regression line obtained is linear and can be used (valid) to look for forecasting, it will be tested assumption of normality, multicollinearity and heteroscedasticity.

Normality test

The normality test aims to test whether in the regression model, the intruder or residual variable has a normal distribution. If the data spreads around the diagonal line and follows the direction of the diagonal line then the regression model meets the assumption of normality.

Multicollinearity Test

Multicollinearity test is used to test whether the regression model found a correlation between independent variables, where a good regression model should not occur correlation between independent variables. The way to judge it is by looking at the value of the variant inflation factor (VIF) not exceeding 4 or 5.

Heteroscedasticity Test

Heteroskedasticity test is used to test whether the regression model of variance inequality occurs from one observation to another.

Multiple Linear Regression Analysis

Regression analysis is basically a study of dependency of dependent variable (performance) with independent variable (work experience, training and education level), with the aim to predict the change of dependent variable value due to the influence of free variable value. Model of linear regression equation as follows:

$$Y = a + b_1.X_1 + b_2.X_2 + e$$

Where:

Y = Dependent variable (Educational Staff Performance)

A = Constants

B₁, b₂ = regression line coefficients

X₁, X₂, X₃ = Independent variables (Work Experience, Training and Education Level)

E = Error

Coefficient of Determination (R-Square)

The R-Square value is to see how the variation of the dependent variable values is influenced by the variation of the value of the independent variable. The coefficient of determination is between zero and one. The small value (R²) means the ability of the independent variables (work experience, training and level of education) in explaining the varied variables (employee performance) is very limited. Similarly, vice versa one means free variables provide almost all the information needed to predict variables of bound variables.

Hypothesis Testing Research

Statistical Test t

Hypothesis testing is a procedure that will produce a decision, namely the decision in accepting or rejecting this hypothesis (Hasan, 2008: 67). Hypothesis test used in this research is t test or t distribution. The t test is intended to find out how far the influence of one independent variable (work experience, training and level of education) can partially explain the dependent variable (performance).

Criteria for rejection and acceptance of hypotheses are as follows:

- A. Reject H₀ if the probability value $t \leq$ significant level of 0.05 (Sig. $\leq \alpha$ 0.05)
- B. Accept H₀ if the probability value $t >$ significant level of 0.05 (Sig. $> \alpha$ 0.05)

Statistical Test F

F test is used to test whether there is influence of independent variables to dependent variable simultaneously (together). Associated with the proposed hypothesis, namely:

- A. H₀: b₁, b₂ = 0: No significant influence of work experience, training and level of education on performance.
- B. H_a: at least one b \neq 0: There is a significant effect of work experience, training and level of education on performance.

Criteria for rejection and acceptance of hypotheses are as follows:

- A. Reject H_0 if probability value $F \leq$ significant level of 0.05 (Sig. $\leq \alpha$ 0.05)
- B. Accept H_0 if probability value $F >$ significant level of 0.05 (Sig. $>$ A 0.05)IV

III. RESULTS

Research data

Based on the results of research that has been done on 56 respondents through the distribution of questionnaires. To get the tendency of respondent's answer to the answer of each variable will be based on the answer score range as in the attachment. The results of the answers will be processed and measured how far validity by testing the validity and extent of consistency by testing its reliability.

Test Instruments Validity and Reability

Instrument quality testing is intended to avoid any bias obtained from research data in explaining the variables measured through the questionnaire instrument. The instrument quality test includes validity and reliability test.

Validity Analysis

Validity test is used to measure the validity of a questionnaire. Validity testing is done by using correlation analysis of corrected product moment (corrected item-total correlation)

Reability Analysis

The reliability test is used to test the extent to which the reliability of a measuring device can be used again for the same research. Reliability testing is done by using Cronbach Alpha analysis technique.

Analysis of Multiple Linear Regression Equations

Regression analysis is basically a study of dependency of dependent variable (performance) with independent variables (work experience, training and education level), with the aim to predict the change of dependent variable value due to the influence of free variable value. So mathematically can be written in an equation as follows:

Regression Coefficient Test Results

Table 1 Coefficients (a)

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|--------------|-----------------------------|------------|---------------------------|-------|------|
| | B | Std. Error | Beta | | |
| 1 (Constant) | 9.771 | 5.508 | | 1.810 | .076 |
| Experience | .406 | .133 | .399 | 3.057 | .004 |
| Training | .349 | .173 | .234 | 2.016 | .049 |
| Education | .244 | .132 | .224 | 1.851 | .070 |

a. Dependent Variable: Performance

The results in Table 1 can be written in the model of the linear regression equation as follows:

$$Y = 9.771 + 0.406X1 + 0.349X2 + 0.244X3$$

Dimana:

- Y = Educational Staff Performance
X1 = Work experience
X2 = Training
X3 = Education Level

The purpose of the above equation is:

1. The constant value (a) for the regression equation is 9.771 with the positive parameter. This means that if the work experience (X1), training (X2) and education level (X3) are equal to zero, then the performance of the Riau Islands University's staff is 9.771 with the assumption that other variables are constant.
2. The coefficient of work experience (X1) is positive, this means that if work experience is increased 1 unit then performance will increase by 0,406.
3. Coefficient of training (X2) is positive, this means if the training is increased 1 unit then the performance will increase by 0.349.
4. Coefficient of education level (X3) is positive, this means if the level of education is increased 1 unit then the performance will increase by 0.244.

This suggests that improvements in work experience, training and education levels affect the improvements in the performance of education personnel of the Riau Islands University.

Coefficient of Determination (R-Square)

The R-Square value is to see how the variation of the dependent variable values is influenced by the variation of the value of the independent variable. The following test results coefficient of determination (R-Square):

Results of Coefficient of Determination Test (R-Square)

Table 2. Model Summary (b)

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|---------|----------|-------------------|----------------------------|
| 1 | .647(a) | .419 | .385 | 2.56956 |

- a. Predictors : (Constant), Educatin, Training, Experience
b. Dependent Variable : Educational Staff Experience

The result of coefficient doubled is 0.647, while R-Square value is 0.419 or 41.9%, this result indicates that 41.9% performance variable (Y) can be explained by work experience variables (X1), training (X2) and education level (X3), the rest influenced by other variables not examined.

Hypothesis testing

Test t (Partial Test Hypothesis)

The partial hypothesis test (t test) is used to determine the magnitude of the effect of work experience, training and level of education on the performance of individual educational personnel, and partial test results.

Hypotheses 1 and 2 in this study were tested for truth by using partial test. Testing is done by looking at the level of significance (pvalue), if the level of significance resulting from the calculation below 0.05 then the hypothesis accepted, on the contrary if the level of significance calculated results greater than 0.05 then the hypothesis rejected.

Table 3. Test Result t Partially

| Free Variable | t count | Sig. t |
|------------------|---------|--------|
| Works Experience | 3.057 | 0.004 |
| Training | 2.016 | 0.049 |
| Education Level | 1.851 | 0.070 |

Source: Primary data processed, 2017

Hypothesis testing

- Ho: $b_1 = 0$: There is no significant effect of work experience on performance.
- Ha: $b_1 \neq 0$: There is a significant influence of work experience on performance.

Criteria for rejection and acceptance of hypotheses are as follows:

- Reject Ho if the probability value $t \leq$ significant level of 0.05 (Sig. $\leq \alpha$ 0.05)
- Accept Ho if the probability value $t >$ significant level of 0.05 (Sig. $> \alpha$ 0.05)

Hypothesis Test 1 (H1)

SPSS test results obtained for variable X1 (work experience) obtained t value of 3.057 with probability t (Sig) is 0.004 (Sig. 0.004 $< \alpha$ 0.05). Thus Ho is rejected and Ha accepted, then the first hypothesis is accepted. It can be concluded that the work experience (X1) partially has a significant influence on the performance (Y) of the Riau Islands University education staff

Hypothesis 2 Test (H2)

SPSS test results obtained for the X2 (training) variables obtained t count of 2.016 with probability t (Sig) is 0,049 (Sig .0,049 $< \alpha$ 0,05). Thus Ho is rejected and Ha accepted, then the second hypothesis is accepted. It can be concluded that the training (X2) has partially significant influence on the performance (Y) of the Riau Islands University education staff.

Hypothesis Test 3 (H3)

SPSS test results obtained for the variable X3 (level of education) obtained t count value of 1.851 with probability t (Sig) is 0.070 (Sig. 0.070 $> \alpha$ 0.05). Thus Ho

is accepted and H_a is rejected, then the third hypothesis is not accepted. It can be concluded that education level (X3) partially has no significant influence on the performance of (Y) education staff of Universitas Riau Islands.

F test (Hypothesis testing simultaneously)

Associated with the proposed hypothesis, namely:

- $H_0: b_1, b_2 = 0$: There is no significant effect of work experience, training and level of education on performance.
- H_a : at least one of $b \neq 0$: There is a significant effect of work experience, training and level of education on performance.

Criteria for rejection and acceptance of hypotheses are as follows:

- Reject H_0 if probability value $F \leq$ significant level of 0.05 (Sig. $\leq \alpha$ 0.05)
- Accept H_0 if probability value $F >$ significant level of 0.05 (Sig. $>$ A 0.05)

Table 5. Test Results of Simultaneous Test Model ANOVA (b)

| Model | Sum of Squares | df | Mean Square | F | Sig. |
|--------------|----------------|----|-------------|--------|---------|
| 1 Regression | 247.162 | 3 | 82.387 | 12.478 | .000(a) |
| Residual | 343.338 | 52 | 6.603 | | |
| Total | 590.500 | 55 | | | |

- Predictors : (Constant), Education, Training, Experience
- Dependent Variable : Educational Staff Performance

The result of test with SPSS independent variable collectively obtained value of F arithmetic = 12,478 with probability value F (Sig.) Is 0.000 (Sig. 0,000 > α 0,05). Thus H_0 is rejected and H_a accepted. It can be concluded that the work experience (X1), training (X2) and education level (X3) simultaneously have a significant influence on the performance (Y) of Riau Islands University education staff.

IV. DISCUSSION

Results of Data Analysis

The result of data analysis of education staff of Riau Islands University which is the respondent in this research is known 47 people (84%) male and 9 people (16%) women, most respondents aged 20-30 years as many as 26 people (46%), 31-40 years old as many as 20 people (36%), aged 41-50 years as many as 7 people (13%) and aged 51-60 years as many as 3 people (5%). Marital status of respondents for marital status as many as 35 people (63%) and not married as many as 21 people (38%), the last education respondents are S1 as much as 9 people (16%), Diploma as many as 7 people (13%), (71%). The respondents have long working 0-5 years as many as 36 people (64%) and > 5 years as many as 20 people (36%).

Results of Data Analysis Work Experience of Teaching Staff of Riau Islands University

SPSS test results obtained for variable X1 (work experience) obtained t value of 3.057 with probability t (Sig) is 0.004 (Sig. 0.004 $< \alpha$ 0.05). Thus Ho is rejected and Ha accepted, then the first hypothesis is accepted. It can be concluded that the work experience (X1) has partially significant influence on the performance (Y) of the Riau Province education staff. This is in line with Muzahid's (2014), Sukriah and Inapty (2009)

Results of Data Analysis of Training of Teachers of Riau Islands University

SPSS test results obtained for the X2 (training) variables obtained t count of 2.016 with probability t (Sig) is 0,049 (Sig .0,049 $< \alpha$ 0,05). Thus Ho is rejected and Ha accepted, then the second hypothesis is accepted. It can be concluded that the training (X2) has partially significant influence on the performance (Y) of the Riau Islands University education staff. This is in line with Khairul (2008), Lubis (2008), Rori and Ogi (2014), Supadmi, Nimran, and Utami (2013), and Sutiyono (2010) studies.

Results of Data Analysis Education Level Education Teachers University of Riau Islands

SPSS test results obtained for the variable X3 (level of education) obtained t count value of 1.851 with probability t (Sig) is 0.070 (Sig. 0.070 $> \alpha$ 0.05). Thus Ho is accepted and Ha is rejected, then the third hypothesis is not accepted. It can be concluded that education level (X3) partially has no significant influence on the performance of (Y) education staff of Universitas Riau Islands. This is not in line with the results of research Mamahit (2013), Rori and Ogi (2014).

V. CONCLUSION

Based on the results of the analysis and discussion of the results of hypothesis testing it can be submitted several conclusions as follows:

1. Work experience (X1) partially significant effect on the performance (Y) of Riau University's educational staff with t calculation is 3.057 with probability t (Sig.) Is 0.004 (Sig. 0.004 $< \alpha$ 0.05).
2. Training (X2) partially significant effect on performance (Y) educational staff of Universitas Riau Islands with the acquisition value of t arithmetic is 2.016 with probability value t (Sig.) Is 0.049 (Sig .0,049 $< \alpha$ 0,05).
3. The level of education (X3) is partially insignificant to the performance (Y) of Riau University's educational staff with the acquisition of t arithmetic is 1.851 with the probability value t (Sig.) Is 0.070 (Sig 0.070 $> \alpha$ 0.05) .
4. From the test F (Simultaneous) obtained F arithmetic of 12.478 with Sig. 0,000 $< \alpha$ 0.05 indicates that Ho is rejected and Ha accepted, meaning work

experience (X1), training (X2) and education level (X3) significantly influence the performance of educational staff (Y) at $\alpha = 0.05$.

Suggestion

Based on the results of this study then given the following suggestions:

1. The work experience that has been possessed by the staff of the Riau Islands University has been maintained and upgraded, in addition to the management of the University of Riau Islands should also pay attention to the importance of work experience to support better performance in order to support the work and responsibility of the work itself .
2. Provision of training should also be maintained and the schedule of training that has been made should be executable in accordance with the time specified, if necessary more improved. Provision of training in a sustainable manner, not only during the placement of educational personnel but must be regularly given. Long-term educational personnel should be provided with training to prevent productivity decline.
3. Level of education is not less important as a factor that can affect performance, because education can show patterns of thinking, ethics, how to solve problems in work and carry out responsibilities in college. Education that has been defined as a requirement must be applied and maintained and enhanced.

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The Effect of Professionalism and Organizational Commitment to The Auditor's Performance with Job Satisfaction as A Intervening Variable

Stefany Vennysha
Andalas University, Padang, Indonesia
svennysh@yahoo.com

ABSTRACT

This research aimed to examine the effect of professionalism and organizational commitment to the auditor's performance with job satisfaction as a intervening variable. The object researched is an auditor's that works in a public accountant firm at Jakarta. Techniques of data collection used a survey method by using questionnaire. The sampling method used in this research is a sampling tables developed by Stephen Issac and William with the standard error (α) 10% of the population is 1,018 people. So the sample in this study is 217 people. Data were analyzed using simple regression analysis and path analysis, processed with SPSS for Windows version 17.0

The results indicated that professionalism and organizational commitment partially significant effect on the auditors performance. Professionalism and organizational commitment the effect partially significant on job satisfaction. There is also a significant influence job satisfaction variable on the auditor's performance. As an intervening variable, the job satisfaction is also affect the professionalism and organizational commitment to the performance of auditors. So from the top of seventh test the hypothesis, the hypotesis is acceptable overall. Based on this research the improve a job satisfaction of auditors, for enhance professionalism and organizational commitment that will ultimately affect the performance of auditors.

Keywords: *Professionalism, Organizational Commitment, Job Satisfaction, Auditor, Performance, An Intervening Variable.*

I. INTRODUCTION

In auditing, the auditor must always act as an expert in accounting and auditing. An audit opinion by public accountant is required by corporations, specifically for go public companies, which in accordance with the decree of the President Of the Republic Indonesia No.20/M 2011 and the regulations of the Ministry of Finance Nomor KEP.346/BL/2011 about the obligation the submit periodic financial statement of issuers or public companies mention "that companies go public are required to submit the financial statement prepared in accordance with generally accepted Financial Accounting Standars (SAK) and have been audited by public accountant".

The auditor audit the financial statements based on past, present and future event. Based on Internasional Standard of Auditing (ISA) 200 Paragraf 1 state that the purpose of auditing the financial statements by an independent auditor is to obtain adequate confidence in the overall financial statements free of material misstatement, whether due to fraud or error, allowing the auditor to express opinion of audited financial statements in accordance with generally accepted auditing standards.

Auditor's role is highly required to provide the results of a quality inspection so as to maintain and save the client company's assets from possible irregularities and fraud as well as the direct implementation of activities of the company in order to be effective, efficient and reasonable. An auditor should be informed to the probability of situations and events that are indicative of fraud and non-compliance that occur within the organization's financial management.

The role of auditors is very important in implementing and maximizing audit performance to improve accountability and auditors as consultants and evaluators of audit performance results (Agus,2014). An auditor must be skeptical in doing his job. This is necessary in expressing an audit opinion that is influenced by many factors, whether technical or non-technical. The auditor's perspective in responding to information relates to audit responsibilities and risks to be faced by the auditor in relation to the results of the resulting audit. The audit results obtained by the auditor may assess the performance of an auditor's performance.

Moehoriono (2012) states the performance as a description of the level of achievement of the implementation of an activity or policy program in carrying out the goals, objectives, vision and mision of the organization as defined through strategic planning of an organization. But it should be recognized that performance is not just the result of work or work performance, but also covers how the process of work that takes place in a profession with a certain time. The performance of the auditor may be influenced by the results of the audit it produces. Audit quality resulting auditor influence on client satisfaction. The success and performance of an auditor in a financial audit is expected to improve auditor professionalism, organizational commitment and job satisfaction auditor.

Factors affecting auditor's performance in conducting examination of financial statement include auditor's professionalism factor, organizational commitment and job satisfaction of the auditor to the field in which it is engaged.

Research on Kalbers and Fogarty (1995) on the professionalism of internal auditors concludes that professionalism is positively related to performance, especially for the dimensions of profesional relationships and independence. While the relationship between professionalism to job satisfaction and professionalism to experience is only positively related to the dimensions of professional relationships. In Schroeder and Indieke (1997) studies stated that professionalism and job satisfaction have a negative relationship to auditor performance.

Furthermore, in terms of organizational commitment Paino, et al (2011) in his study developed and tested a theoretical model that identifies audit behavior factors is making decisions, where organizational commitment are the dependent variables on audit behavior in making decisions. In contrast to the research of Paino, et al (2011), the researchers Meyer and Allen (1991) found that 1. Employee relationships with the organization or the implications that affect whether employees will remain within the organization or not identified in three components : affective commitment, continuous commitment and normative commitment. 2. That work experience has no interaction in predictions of affective and normative organizational commitment. To demonstrate the organizational commitment of auditors depends on substantially increasing the scope of their work.

In addition to auditor professionalism and organizational commitment, job satisfaction can also affect the performance of auditors such as research Davis and Newstrom (2004) states that job satisfaction is feeling of pleasure or not relatively different from objective thinking and behavioral desires. Feelings of pleasure or displeasure arise because when employees work they bring in the desire, the needs and experiences of the past that shape their work expectations. Thus it can be said that the higher the auditor's work expectations can be fulfilled, the higher the level of job satisfaction felt by the auditor. If the job satisfaction can be fulfilled, of course the auditor will be able to give good performance in carrying out its work.

This is also examined by Luthans (1995) and Banzach (1998) which states is a relationship between organizational commitment to job satisfaction that if someone has satisfied all the needs and wants by the organization then immediately with full awareness they will increase the level of commitment that is in him to the company.

Based on the introduction, the authors focus the research on the influence of professionalism and organizational commitment to the performance of auditors with job satisfaction an intervening variable surveyed directly to auditors who work at Public Accounting Firm in Jakarta.

The Influence of Professionalism on The Performance of Auditors

Gautama and Arfan (2010) found that professionalism had a significant positive effect on auditor performance. The higher the auditor's professionalism in performing his work the more influential the auditor's performance becomes better. It can be concluded that the relationship between professionalism with auditor performance.

Auditor professionalism becomes very important to be applied in conducting the examination because it will give effect to the improvement of auditor performance. Public expectations of transparency and accountability demands will

be met if the auditor can run the professionalism so that the public can assess the performance of auditor.

The Influence of Organizational Commitment to Auditor Performance

Wati (2010) found that organizational commitment has a significant relationship to auditor performance. Then the organizational commitment affect the performance of auditors stating that organizational commitment will lead to a sense of ownership for the workers to the organization. So the higher the auditor's commitment to the organization where he works, the better the performance. Nurdira (2015), found that there was a positive and significant influence between organizational commitment to performance. In other words, the better the organization's commitment will be followed by a good auditor's performance as well.

The Influence of Job Satisfaction on Auditor Performance

Gibson (2000:110) there is a reciprocal relationship between performance and job satisfaction. On the one hand it is said that job satisfaction leads to increased work so that satisfied workers will be more productive. On the other hand can also happen job satisfaction caused by the performance so that more productive workers will get satisfaction. Where job satisfaction is an important aspect of attention to improve performance.

The Influence of Professionalism on Job Satisfaction

Luc et al. (2003), found that professionalism has a significant effect on satisfaction. It is evidenced that the present work characteristics have a stronger influence in professionalism than previous levels of organization. Even higher levels of professionalism are associated with higher professional identification, high job satisfaction and lower organizational outcomes.

The Influence of Professionalism, Job Satisfaction on The Performance of Auditors

According to Davis and Newstrom (2004) states that the higher the auditor's work expectations are met, the higher the level to job satisfaction perceived by the auditor. If job satisfaction can be fulfilled of course the auditor will give good performance in audit implementation. Luc et al. (2003) stated that the current work characteristics have a stronger influence in professionalism than previous levels of organization. Even a high degree of professionalism is linked to higher professionalism identification, higher job satisfaction, lower outer intentions and better performance.

The Influence of Organizational Commitment to Job Satisfaction

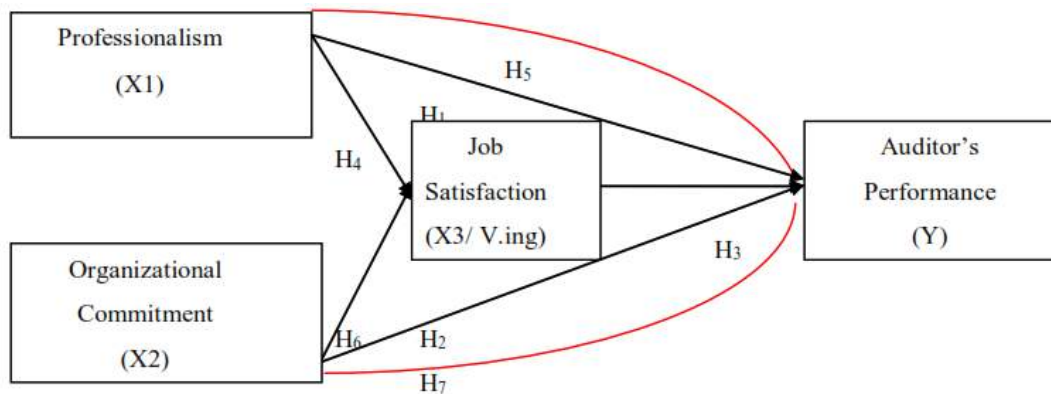
Job satisfaction will affect the productivity expected by the manager of the organization especially in producing audit results. Research Meyer and Allen (1991) showed that there is a significant and strong relationship between organizational commitment and job satisfaction. Managers are advised to increase

job satisfaction with a view to generating a higher level of commitment. Furthermore high organizational commitment can facilitate high productivity.

The Influence of Organizational Commitment, Job Satisfaction on The Performance of Auditors

According to Luthans (1998) states that the higher level of organizational commitment the higher employee loyalty will improve employee performance. This can be seen from the high responsibilities of employees for their work.

Figure 1 The Effect Of Professionalism And Organizational Commitment To The Auditor's Performance With Job Satisfaction As A Intervening Variable



II. METHODS

This research limits the problem on the influence of professionalism, organizational commitment as an independent variable and auditor performance as a dependent variable. Where job satisfaction is an intervening or mediating variable. The primary data is the primary data by using a directly questionnaire. Population in this study is the auditor who works in the public accounting firm in the city of Jakarta, while the sample is the auditor who works in public accounting firm in the city of Jakarta that has met the required requirements. Sample research methods using Micheal Issac and Stephen sample sampling tables. Data were analyzed using simple regression analysis and path analysis.

Tabel 1. Research Variable and Research Indicator.

| No | Variable | Indicator |
|----|--|---|
| 1 | Auditor Performance (Mathias & Jakson, 2002) | 1. Work quality 2. Quantity of work 3. Utilization of time 4. Attendance rate 5. Cooperation |
| 2 | Job Satisfaction (Kalbers & Fogarty, 1995) | 1. The job it self 2. Salary or wages. 3. Promotion 4. Supervision 5. Producers and work regulations. 6. Co-workers. 7. Working conditions. 8. Type of work 9. Communication. |
| 3 | Organizational Commitment (Meyer & Allen, 1991) | 1. Affective 2. Normative 3. Continuous |
| 4 | Professionalism (Kabers & Fogarty, 1995) | 1. Community Affiliation 2. Importance to society 3. Dedication the work 4. Belief in self regulation 5. Autonomy claims |

Source : Primary data processing 2015

Analysis Techniques

1. Test Instruments

a. Test Instrument Validity

The validity test is used to measure the validity of a questionnaire. Questionnaire is valid if the statement on the questionnaire is able to reveal something that will be measured by the questionnaire.

b. Test Reliability

Statement items are said to be reliable when one's response to a statement is consistent. A variable is reliable if it gives a cronbach value of $> 0,06$ (Sunyoto,2009:68)

2. Descriptive Testing

Descriptive analysis is done with the frequency table to see the spread of data in a variable so it can be known whether the data are normal or not spread.

3. Hypothesis Testing

a. Simple Regression Analysis

This research uses regression analysis method with SPSS program. Inferential analysis is an analysis using quantitative data. Hypothesis testing using regression analysis. Here is the equation :

- Y = a + b₁X₁ (1)
- Y = a + b₂X₂ (2)
- Y = a + b₃X₃ (3)
- Y = Auditor Performance
- X₁ = Professionalism
- X₂ = Organizational Commitment
- X₃ = Job Satisfaction
- a = Constants b₁,b₂,
- b₃ = Regression Coefficient
- e = error or variable resistor

b. Path Analysis

To test the hypothesis using the intervening variable the method used is an extended regression with path analysis. Path analysis is an extension of regression analysis to estimate the casual relationship between the variables pre defined in theory. Model to be tested in this research is :

a) Professionalism, Job Satisfaction and Auditor Performance

Figure 2 : Model of the Path Diagram

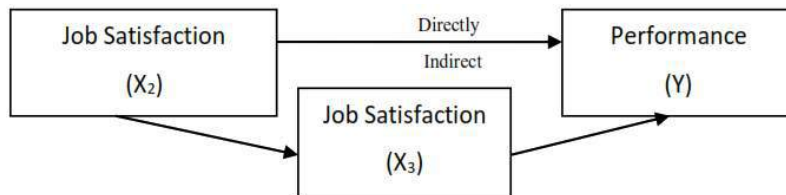


The path coefficient is calculated by making two structural equations is the regression equations showing the hypothesized relation. In this case there are two equations :

Equation 1 : $X_3 = a + b_1X_1 + e$ Equation 2 : $Y = a + b_1X_1 + b_3X_3 + e$

b) Organizational Commitment, Job Satisfaction and Auditor Performance

Figure 3 : Model of the Path Diagram



The path coefficient is calculated by making two structural equations is the regression equations showing the hypothesized relation. In this case there are two equations :

Equation 1 : $X_3 = a + b_2X_2 + e$ Equation 2 : $Y = a + b_2X_2 + b_3X_3 + e$

c) T Test

This test to determine the significance of each independent variable to the dependent variable. If $t_{count} > t_{table}$, then it can be said that there is a significant influence between independent variables with individual dependent variable. Otherwise if $t_{count} < t_{table}$, then there is no significant influence (Santoso,2000:168)

d) F Test

This test is used to determine whether there is a significant influence between independent variables together to the dependent variable. This test will be done through the program SPSS version 17, with the provision that if $f_{count} > f_{table}$, then H_0 is rejected and H_a accepted which means independent variables together have a significant effect on the dependent variables. If $f_{count} < f_{table}$, then H_0 accepted and H_a , rejected which means independent variables together have no significant effect on the dependent variable (Santoso, 2000:169).

e) Coefficient of determinant (R^2)

The determinant coefficient (R^2) aims to measure how far the model's ability to explain the dependent variable. Adjusted R means that R^2 has been adjusted to the degrees of freedom of each the sums of squares included in the adjusted R^2 calculation.

III. RESULT

Tabel 2 Distribution of Research Frequency

| Information | Minimum | Maximum | Average | Varian | Standard Deviation |
|---------------------------|---------|---------|---------|--------|--------------------|
| Professionalism | 64 | 114 | 88,9355 | 63,181 | 7,94865 |
| Organizational Commitment | 43 | 75 | 59,4839 | 25,093 | 5,00934 |
| Job Satisfaction | 10 | 50 | 37,6682 | 31,195 | 5,58524 |
| Performance | 13 | 50 | 40,6452 | 15,424 | 3,92740 |

Source: Primary Data Processing 2015

Based on table 2 it is explained that o the auditor's performance variable, the minimum respondent answer is 13 and the maximum is 50 with the average total of 40,64 as well the standard deviation of 3,92. Hereinafter on professionalism variable, minimum respondent answer equal to 64 and maximum equal to 114 with mean total answer 88,94 and standard deviation equal to 7,95. Subsequent to organizational commitment variable, minimum answer af respondent is 43 and maximum equal to 75 with mean of total answer 59,48 and standard deviation of

5.01. Then on job satisfaction variable, minimum answer of respondent is 10 and maximum is 50 with mean total answer 37,67 and standard deviation 5,58.

Simple Regression Analysis and Path Analysis Intervening Test

In order to determine that job satisfaction variable can be a variable that mediate between professionalism and organizational commitment to performance, it will be calculated direct and indirect influence between professionalism and organizational commitment to the performance. If the indirect influence of professionalism and organizational commitment to performance through job satisfaction is greater than the direct influence of professionalism and organizational commitment to performance, then job satisfaction can be a variable that intervenes between professionalism and commitment to performance. To perform calculations directly and indirectly from the value of standardized coefficients regression of each independent variable to the dependent and can be made image analysis path as follows :

Figure 4 Analysis Intervernig Professionalism and Organizational Commitment to the Auditor's Performance with Job Satisfaction as an Intervening Variable



The magnitude of the error value on each independent variable influence on the dependent obtained through the calculation as follows: Intervening Professionalism Equation :

$$Pe1 = \sqrt{1 - 0,087} = 0,955$$

$$Pe2 = \sqrt{1 - 0,136} = 0,929$$

Intervening Organizational Commitment Equation :

$$Pe1 = \sqrt{1 - 0,273} = 0,853$$

$$Pe2 = \sqrt{1 - 0,188} = 0,901$$

In trimming theory testing the validity of the research model observed through the calculation of the coefficient of total determination as follows :

$$Rm^2 = 1 - Pe1^2 Pe2^2 \dots Pep^2$$

Intervening coefficient of professionalism :

$$\begin{aligned} &= 1 - (0,955)^2 (0,929)^2 \\ &= 1 - (0,912025) (0,863041) \\ &= 0,213 \text{ atau } 21,3 \% \end{aligned}$$

Intervening coefficient of organizational commitment

$$\begin{aligned} &= 1 - (0,853)^2 (0,188)^2 \\ &= 1 - (0,727609) (0,035344) \\ &= 0,974 \text{ atau } 97,4 \% \end{aligned}$$

a) Intervening Test Result of Professionalism, Job Satisfaction on Performance

The determination coefficient value of 21,3% indicates that 21,3% of the information contained in the data can be explained by the model, while the remaining 78,7% is explained by error and other variables outside the model. The number of coefficients of this model is relatively small so less worthy of further information. In the image path analysis shows the direct influences of professionalism on performance $0,295 \times 0,294 = 0,08673$. While indirect influence through job satisfaction $0,151 + (0,295 \times 0,294) = 0,23772$. From the results obtained calculations shows indirect effect of job satisfaction is greater than the direct influence on performance. These results indicate that professionalism has a indirect effect on performance through job satisfaction, or it can be concluded that job satisfaction through variables that mediate between professionalism to performance.

b) Intervention Test Result of Organizational Commitment, Job Satisfaction on Performance

The value of the coefficient of determination of 97,4% indicates that 97,4% of information contained in the data can be explained by the model, while the rest of 2,6% explained by error and other variables outside the model. The coefficient number of this model is relatively large so it is worth doing further interpretation. In the path analysis image shows the direct influence of organizational commitment to the performance of $0,523 \times 0,172 = 0,089$. While indirect effect though job satisfaction is $0,318 + (0,523 \times 0,172) = 0,408$. From the results obtained calculations show indirect effect on performance. These results indicate that organizational commitment has an indirect effect on performance through job satisfaction, or it can be concluded that job satisfaction becomes a variable that mediates between organizational commitment to performance.

Table 3 Simple Regression Analysis and Path Analysis

| Testing | t | Sig. | Results |
|--------------|-------|-------|----------|
| Hypothesis 1 | 3,593 | 0,000 | Accepted |
| Hypothesis2 | 6,555 | 0,000 | Accepted |
| Hypothesis 3 | 5,277 | 0,000 | Accepted |
| Hypothesis 4 | 4,524 | 0,000 | Accepted |
| Hypothesis 5 | 4,420 | 0,000 | Accepted |
| Hypothesis 6 | 8,994 | 0,000 | Accepted |
| Hypothesis 7 | 2,385 | 0,000 | Accepted |

Source : Primacy data processing 2015

Professionalism on performance

Based on the analysis results demonstrate that professionalism has a positive and significant impact on performance. This results shows that by performing its duties in professionalism by the auditor it will improve auditor performance. This is in line with research conducted by Victor (2009) that explains that professionalism has a positive and significant impact on performance. Public expectations of transparency and accountability demands will be satisfied if the auditor can run the professionalism well so that the public assess the performance of auditors. With high professionalism of course the resulting audit results can be relied upon by parties who need professional services.

Organizational Commitment to Auditor Performance

Based on the results of the analysis shows that commitment has a positive and significant impact on performance. These results indicate that with employee commitment to the organization, also generate loyalty and encourage self-involvement of employees in making audit decisions. This is in line with Harrison's research and Huband (1998) states the commitment has an organizational success. The performance of employees is influenced by the commitment of organization as that have high involvement in work has no desire to get out of the company and this is basic capital to promote high productivity. This opinion is supported by Moncrief et al (1997) which revealed that employees commitment to high organization will affect employee performance.

Job Satisfaction on Auditor Performance

Based on the analysis results show, satisfaction has a positive and significant impact on performance. These results show that job satisfaction is a role to achieve better productivity and quality standards, avoiding the possibility of building a more stable work force, and more stable work force, and more efficient use of human resources. This is in line with research Ostoff (1992) empirical evidence reveals that job satisfaction has a significant correlation with the increase in performance, this is indicated by the state of the company where employees are more satisfied are more effective than companies with employees who are not satisfied. But this is inversely proportional to the research of

lifaldo & muchinsky (1986) which states that there is no significant correlation between job satisfaction variables on performances.

Professionalism towards job satisfaction

Based on the analysis results show, professionalism have a positive and significant impact on job satisfaction. It affirms that job satisfaction provides an idea for managers about how to actualize employee attitudes. Someone who does not have the ability to professionally become dissatisfied in the work (sorensen & sorensen,1974). This result is supported by research conducted by Norris and Nieburh (1984) states a positive relationship between professionalism with job satisfaction, only the dimensions of influential affiliate community professionals while the other four dimensions have no relationship to job satisfaction, where studies are conducted frpm 62 public accountants in the big four in the United States.

Professionalism to performance with job satisfaction as intervening variable

The results of the intervening analysis show that professionalism influences the auditor's performance through job satisfaction, which can be proven from value of indirect influence through greater job satisfaction than the direct influence on performance. Professionalism is the basis of the assessment in the performance of auditors in accordance with their respective duties. The number of audit audits conducted by the auditor and the risks encountered by the auditor in conducting the audit, making the auditor difficult to achieve job satisfaction. An auditor who has a high level of job satisfaction will show good performance or vice versa. This is line with research Kalbers & Forgatry (1995) which establishes that professionalism relates positively to the performance of auditors.

Organizational commitment to job satisfaction

Based on the results of the analysis shows, organizational commitment has a positive and significant impact on organizational commitment. It affirms that if a person has satisfied all the needs and desires by the organization, automatically mindful they will develop the level of commitment that exists within him. This is in accordance with the opinion of Luthans (1998) and Ganzach (1998) in Eva (2009) which states that the positive variables on the opportunity to get promotion, superiors and colleagues can be fulfilled then the commitment to the organization will arise well so that satisfaction will impact on organizational commitment.

Organizational commitment to performance with job satisfaction as intervening variable.

Based on the results of intervening analysis shows that organizational commitment affects performance through job satisfaction, which can be explained from the value of indirect influence through greater job satisfaction than the direct influence on performance. Commitment is a consistency of a person's attachment to something, such as career, family, social environment

and etc. The existence of a commitment can be an encouragement for a person to work better or on the contrary that causes a person to leave his job, due to a demands of other commitments. The right commitment will provide a good job satisfaction and give a positive impact on the performance of a job.

This is in line with the research of Aranya et.al (1982) which analyzes the effect of organizational and professional commitment on job satisfaction of accountants employed, using organizational commitment and professional commitment as a predictor of job satisfaction. The results showed that organizational commitment to job satisfaction, the existence of a statistically significant correlation between organizational commitment and job satisfaction.

IV. CONCLUSION

The results indicated that partially professionalism and organizational commitment have a significant effect on auditor performance. Professionalism and organizational commitment also partially significant effect on job satisfaction. Besides, there is also a significant influence of job satisfaction variable on auditor performance. As intervening variable, job satisfaction also effect professionalism and organizational commitment to auditor performance. So from the test of the seven hypotheses proposed the whole hypothesis is acceptable. Based on the results of this study, the to increase job satisfaction auditor, should be increased professionalism and organizational commitment that will ultimately be able to influence the performance auditor.

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The Influence of Data Quality, Security Control of AIS, Management Commitment to Quality Of Accounting Information With Quality of Ais As Intervening Variable In Bank Perkreditan Rakyat Of West Sumatera

Sulastri, Asniati

Faculty of Economic, Andalas University, Indonesia
sulastrisyam79@yahoo.com

ABSTRACT

This research focuses are to see the influence of data quality, security control of AIS, management commitment to quality of accounting information with AIS quality as the intervening variable. The data are gathered by distributing questionnaires to respondents who work on the accounting information system at the Bank Perkreditan Rakyat existing in West Sumatera province. The number of questionnaires distributed was 91 and only 41 returned or about 45%. Data were analysed by using Smart PLS (version 3.0). The research found that the quality of data and security control of AIS influence the quality of AIS, while management commitment does not influence the quality of AIS. Security controls of AIS, management commitment and quality of AIS have no influence on the quality of accounting information. Only the quality of data that influence the quality of accounting information. The results indicate that Bank Perkreditan Rakyat should further improve the security control of AIS, management commitment and the quality of AIS firms to produce more quality of accounting information.

Keywords: *Data Quality, Security Control of AIS, Management Commitment, Quality of AIS, Quality of Accounting Information.*

I. INTRODUCTION

Information systems in the business world today is demanded, both for internal parties or external parties company. It can provide information that allows the interested parties to know the condition of the company or business that is being run by the company. Information systems imply the use of computer technology within an organization to provide information to users (Bodnar and William, 2004). In the accounting information system used, the company must ensure that the data in the process is the right data, to produce relevant information and can describe the actual company conditions. The importance of having quality data is to provide information in making important company decisions (Brien, 2015). Data quality can and should be managed when logging into the information system application (Nannetti and Norwood, 2011).

In line with the developing complexity and reliance on accounting information systems, companies will encounter increased risks of such systems (Romney and Paul, 2006). The level of security breaches and transaction fraud is increasing day by day, the need for identification of information system security becomes very important especially in banking and finance sector (Venkatraman and Indika, 2008). The quality of accounting information systems can be enhanced through increased commitment to better management, organizational culture and better organizational structure (Rapina, 2014).

Currently in managing its business activities, Bank Perkreditan Rakyat in West Sumatra province has used information technology in order to improve operational efficiency and service quality to the community of banking service users. The results of examination of BPKP in 2015, there are a number of problems of ICT (Computer Information Technology) application in Bank Perkreditan Rakyat especially ICT applications that have not been aligned BI / OJK. These problems include lack of control of ICT applications, operational management and lack of standard operating procedures, staffing and infrastructure conditions and maintenance.

Complementarities Theory

Information systems is a complement resources increase the value of other organizational resources and abilities (Brynjolfsson and Hitt (2000), Tippins and Sohi (2003), Tanriverdi and Ruefli (2006), in Bharadwaj, et.al. (2007)). The direct effects of information systems capabilities enable managers to locate, retrieve, analyze, and store real-time data, as well as build the communication capabilities of these systems in functioning as a complement (Hinds and Keisler, 2002; in Bharadwaj, et.al. (2007)).

Data Quality

According to O'Brien (2008) data is a fact or raw observation that usually concerns physical phenomena or business transactions. Data is an objective measurement of attributes / entity characteristics (such as human, place, goods, and events). Romney and Paul (2009) data are facts that are collected, recorded, stored, and processed with information systems. Data is usually an observation and measurement of business activities that are important for users of information systems.

Security Control Of AIS

Bodnar and William (2004) information system security is a subsystem within an organization in charge of controlling risks associated with computer-based information systems. O'Brien (2008) control of information systems is a method and a tool that seeks to ensure the accuracy, validity, and veracity of information system activity. Control of information systems should be developed to ensure data entry, processing techniques, storage methods, and output of appropriate information.

Management Commitment

According to Cooper (2006) managerial commitment is defined as management involvement in and maintaining behaviors that help others achieve goals. Management commitment is important in the implementation of information systems so that management, other resources and accounting information systems of the implementation process can receive good feedback and achieve the expected goals of the organization.

Quality Of Accounting Information System

According to Boockholdt (1999) the system is said to be successful if it reaches most of the goals set. Bodnar and William (2004) said that the ease of use and application of computer-based accounting information system is an option for the management in determining and selecting appropriate accounting information system applications and can produce quality information in decision making.

Quality of Accounting Information

According to O'Brien (2008), information that is archaic, inaccurate, or elusive is meaningless, useful, or valuable for business practitioners, so high quality information is needed that makes information more valuable. Jogiyanto (2003), useful information is supported by three pillars, namely: relevant or appropriate to the person (the user), timely and accurate or precise value. Outputs that are not supported by these three pillars cannot be said to be useful information, but are garbage.

II. METHODS

This research is a descriptive verification research. The population of this research is Bank Perkreditan Rakyat in West Sumatera Province, which consists of 91 BPRs. Respondents in this study are user officers of the accounting information system applications that work on Rural Banks in the province of West Sumatra. Data is obtained from primary sources where the information is obtained directly from the employees of Rural Banks. This research uses data analysis method using Smart PLS software version 3.0.

III. RESULT AND DISCUSSION

Measurement Model (Outer Model)

Construct Validity

The construct validity test can generally be measured with loading scores > 0.7 and AVE (Average Variance Extracted) > 0.5 . If the loading score < 0.5 this indicator can be removed from its construct because this indicator is not loaded to the representative construct. However if the loading score is between $0.5 - 0.7$ it should not be removed as long as the AVE score and the communality indicator are > 0.5 .

Table 1. Outer Loading and AVE After Change Indikator

| Construct | Loading Factor | AVE |
|-----------|----------------|-------|
| KD (X1) | KD1 | 0.766 |
| | KD2 | 0.855 |
| | KD3 | 0.914 |
| | KD4 | 0.909 |
| KKS (X2) | KKS5 | 0.761 |
| | KKS6 | 0.712 |
| | KKS7 | 0.766 |
| | KKS8 | 0.788 |
| | KKS10 | 0.690 |
| | KKS11 | 0.731 |
| | KKS12 | 0.583 |
| KM (X3) | KM1 | 0.809 |
| | KM2 | 0.830 |
| | KM3 | 0.778 |
| | KM4 | 0.768 |
| | KM5 | 0.859 |
| | KM6 | 0.642 |
| KS (INT) | KS1 | 0.845 |
| | KS2 | 0.735 |
| | KS3 | 0.915 |
| | KS4 | 0.659 |
| | KS5 | 0.812 |
| KI (Y) | KI1 | 0.817 |
| | KI2 | 0.853 |
| | KI3 | 0.836 |
| | KI4 | 0.802 |

Result Of PLS Algorithm

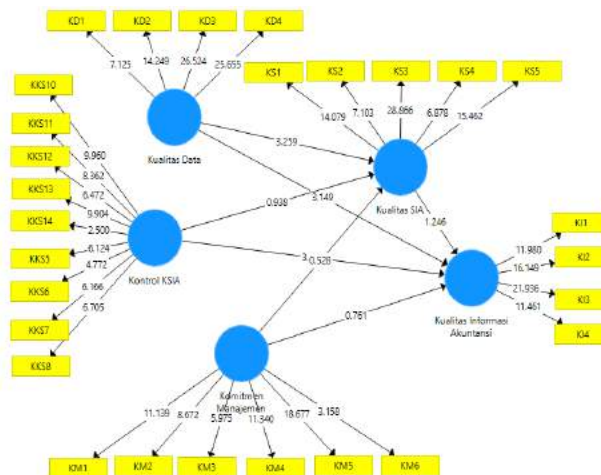


Figure 1.

Convergent Validity

Convergent validity where loading factor > 0.7 with hinted > 0.5 - 0.7 may be applied and Average Variance Extracted (AVE) > 0.5. Based on table 1 above indicates that KD loading factor is worth 0.766 - 0.914 and AVE of 0.745. KKS loading factor is 0,503 - 0,833 and AVE is 0,510. KM loading factor is worth 0.642 - 0.859 and AVE of 0.615. KS loading factor is worth 0.659 - 0.915 and AVE of 0.637. KI loading factor is worth 0.802 - 0.853 and AVE of 0.684. This suggests that the indicators of this research construct are quite highly correlated.

Discriminant Validity

The discriminant validity test can be seen from the measurement cross measurement scores with the constructs.

Table 2. Cross Loading

| Items | Construct | | | | |
|-------|--------------|-------------------------|-----------------------|----------------|-----------------------------------|
| | Data Quality | Security Control of AIS | Management Commitment | Quality of AIS | Quality of Accounting Information |
| | (KD) | (KKS) | (KM) | (KS) | (KI) |
| KD1 | 0.766 | 0.231 | 0.135 | 0.412 | 0.427 |
| KD2 | 0.855 | 0.392 | 0.392 | 0.504 | 0.678 |
| KD3 | 0.914 | 0.413 | 0.413 | 0.631 | 0.792 |
| KD4 | 0.909 | 0.350 | 0.350 | 0.605 | 0.709 |
| KKS5 | 0.370 | 0.761 | 0.651 | 0.411 | 0.456 |
| KKS6 | 0.330 | 0.712 | 0.493 | 0.459 | 0.517 |
| KKS7 | 0.312 | 0.766 | 0.617 | 0.216 | 0.432 |
| KKS8 | 0.401 | 0.788 | 0.516 | 0.321 | 0.592 |
| KKS10 | 0.583 | 0.690 | 0.653 | 0.436 | 0.563 |
| KKS11 | 0.457 | 0.731 | 0.483 | 0.376 | 0.528 |
| KKS12 | 0.442 | 0.583 | 0.427 | 0.439 | 0.570 |
| KKS13 | 0.463 | 0.833 | 0.626 | 0.439 | 0.632 |
| KKS14 | 0.227 | 0.503 | 0.361 | 0.470 | 0.247 |
| KM1 | 0.257 | 0.602 | 0.809 | 0.298 | 0.391 |
| KM2 | 0.272 | 0.741 | 0.830 | 0.242 | 0.350 |
| KM3 | 0.269 | 0.678 | 0.778 | 0.215 | 0.417 |
| KM4 | 0.315 | 0.431 | 0.768 | 0.481 | 0.309 |
| KM5 | 0.411 | 0.608 | 0.859 | 0.450 | 0.402 |
| KM6 | 0.279 | 0.534 | 0.642 | 0.358 | 0.421 |
| KS1 | 0.454 | 0.456 | 0.380 | 0.845 | 0.443 |
| KS2 | 0.447 | 0.372 | 0.267 | 0.735 | 0.335 |
| KS3 | 0.582 | 0.444 | 0.354 | 0.915 | 0.563 |
| KS4 | 0.516 | 0.514 | 0.481 | 0.659 | 0.576 |
| KS5 | 0.498 | 0.431 | 0.283 | 0.812 | 0.605 |
| KI1 | 0.702 | 0.644 | 0.418 | 0.470 | 0.817 |
| KI2 | 0.617 | 0.595 | 0.501 | 0.643 | 0.853 |
| KI3 | 0.693 | 0.631 | 0.361 | 0.551 | 0.836 |
| KI4 | 0.535 | 0.523 | 0.337 | 0.491 | 0.802 |

Based on table 2 above can be seen that the correlation value of the indicator to the construct is higher in comparison with the correlation of other collision indicators. This indicates that the discriminant validity in this study is acceptable or eligible.

Reliability Construct

Test reliability in PLS can use two methods, namely composite reliability and cronbach's alpha. A construct is said to be reliable jikalau composite reliability > 0.7 and cronbach's alpha > 0.6. The results of composite reliability and cronbach's alphas in this study can be seen in the following table:

Table 3. Composite Reliability and Cronbach's Alpha

| Construct | Composite Reliability | Cronbach's Alpha | |
|-----------------------------------|-----------------------|------------------|-----------------|
| Data Quality | 0.921 | 0.886 | <i>Reliabel</i> |
| Security Control of AIS | 0.902 | 0.876 | <i>Reliabel</i> |
| Management Commitment | 0.905 | 0.873 | <i>Reliabel</i> |
| Quality of AIS | 0.897 | 0.854 | <i>Reliabel</i> |
| Quality of Accounting Information | 0.896 | 0.846 | <i>Reliabel</i> |

Table 3 above shows that the value of the composite reliability and the cronbach's alphas value of each variable exceeds the predetermined value. This shows that every construct in this research is reliable.

Structural model (Inner model)

R-Square

The structural model in the PLS is evaluated by using R2 for the dependent construct. The value of R2 is used to measure the degree of variation in the change of the independent variable to the dependent variable.

Table 4. R-Square

| Variable | R-Square |
|-----------------------------------|----------|
| Quality of AIS | 0.467 |
| Quality of Accounting Information | 0.736 |

The results shown in Table 4 show that the intervening variable KS has R2 value of 0.467 or 46.7% which can be explained by KD, KKS, and KM variables. The rest of 0.533 or 53.3% is explained by other variables. For the dependent variable that is KI has value R2 equal to 0,736 or 73,6%. It shows that 73,6% KI variable can be explained by KD, KKS, KM, and KS variables. The rest of 0.264 or 26.4% is explained by other variables.

Hypothesis

The acceptance criteria or hypothesis rejection is H_a accepted and H_0 is rejected when $t\text{-statistic} > 1.96$. To reject or accept the hypothesis, use the probability that H_a is accepted if the value of $p < 0.05$. The result of $t\text{-statistic}$ and probability calculation in this research can be seen in table below:

Table 5. Total Effect

| | Original Sample | T Statistics | P Values | Hypothesis |
|--------------------|-----------------|--------------|--------------|--------------------|
| | (O) | (IO/STERR) | | |
| KD -> KS | 0.471 | 3.364 | 0.001 | be accepted |
| KD -> KI | 0.529 | 3.835 | 0.000 | be accepted |
| KKS -> KS | 0.213 | 1.026 | 0.305 | Rejected |
| KKS -> KI | 0.491 | 3.484 | 0.001 | be accepted |
| KM -> KS | 0.105 | 0.555 | 0.579 | Rejected |
| KM -> KI | -0.089 | 0.684 | 0.494 | Rejected |
| KS -> KI | 0.149 | 1.271 | 0.204 | Rejected |

Influence Data Quality on Quality of AIS

The first hypothesis (**H1**) is **accepted** which means the quality of the data affect the quality of AIS. Acceptance of this hypothesis in line with Al-Hiyari, et al. (2013) and Rahayu (2012) who found that the quality of data affect the quality of accounting information systems.

Influence Data Quality on Quality Of Accounting Information

The second hypothesis (**H2**) is **accepted** which means the quality of the data affect the quality of accounting information. The results of this hypothesis conform to Thuma, 2010 (in Rahayu, 2012) which states that if data is not qualified, contains many errors and inconsistencies, the quality of information decreases. However, this study is inconsistent with Al-Hiyari's research, et al. (2013) and Rahayu (2012) which found no significant relationship between the quality of data and the quality of accounting information.

Influence of Security Control of AIS to Quality of AIS

The third hypothesis (**H3**) is **rejected**, which means that the security control of AIS does not affect the quality of AIS. The result of this study is not in accordance with Taiwo (2016) which reveals that ICT (internal Control Technology) is related to the accounting system and organizational performance. Taiwo (2016) control technology in accounting information systems, found that there is a significant positive relationship between the internal control of technology systems with accounting information systems.

Influence AIS Security Controls on Accounting Information Quality

The fourth hypothesis (**H4**) is **accepted** which means that the control security of AIS affects the quality of accounting information. The results of this study are in accordance with Bafgi (2014) which states that the security in the accounting information system is used to maintain the quality of accounting information and

financial security of the report to lead to the desired results based on accurate and reliable information. To protect the information resources, controls, or defense mechanisms designed to protect all components of the information system, including data, software, hardware, and networks (Bawaneh, 2014).

Influence Management Commitment to Quality of AIS

The fifth **hypothesis (H5) is rejected** which means management commitment has no effect on quality of AIS. This research is not in line with Rahayu (2012), Al-Hiyari, et al. (2013), Rapina (2014), Shien (2015) and Kuraesin (2015) who found that management commitment affects accounting information systems.

Influence Management Commitment to Accounting Information Quality

The sixth **hypothesis (H6) is rejected** which means management commitment does not affect the quality of accounting information. This research is in line with Rahayu (2012) and Al-Hayari, et al., (2013) who found no significant relationship between management commitment and quality of accounting information. But unlike the results of research Rapina (2014) who found that management commitment affect the quality of accounting information.

Influence Data Quality, Security Control of AIS, Management Commitment through Quality of AIS to Quality of Accounting Information

The seventh **hypothesis (H7) is rejected** which means data quality, security control of AIS, management commitment through quality of AIS does not affect the quality of accounting information or in other words the quality of AIS does not mediate data quality influence, security control of AIS and management commitment to the quality of accounting information.

IV. CONCLUSION

1. The first hypothesis (H1) received with the results of hypothesis testing the quality of data affect the quality of AIS.
2. The second hypothesis (H2) received with the results of hypothesis testing the quality of data affect the quality of accounting information.
3. The third hypothesis (H3) is rejected by the result of hypothesis test security control of AIS does not affect the quality of AIS.
4. The fourth hypothesis (H4) is accepted with the result of hypothesis testing security control of AIS affecting the quality of accounting information.
5. The fifth hypothesis (H5) rejected by the hypothesis of management commitment has no effect on the quality of SIA.
6. The sixth hypothesis (H6) rejected by the hypothesis of management commitment does not affect the quality of accounting information.
7. The seventh hypothesis (H7) is rejected with the result of data quality, the security control of AIS, management commitment and the quality of AIS has no effect on the quality of accounting information. The mediation effect in

this study does not exist because the mediation variable has no effect on the dependent variable. So in this study the quality of AIS does not mediate the influence of data quality, security control of AIS, and management commitment to the quality of accounting information.

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Analysis of Socio-economic Factors Affecting Infant Mortality Rate in Indonesia

Ully Vidriza, Nasri Bachtiar, Sofyardi

Faculty of Economic, Universitas Andalas, Indonesia

ullyavidriza@gmail.com

ABSTRACT

In 2015, the world begins moving toward a new global development agenda, seeking to achieve, by 2030, new targets set out in the Sustainable Development Goals (SDGs). The proposed SDG target for child mortality aims to the end, by 2030, preventable deaths of newborns and children under 5 years of age, with all countries intending to reduce neonatal mortality to at least as low as 12 per 1,000 live births and under-5 mortality to at least as low as 25 per 1,000 live births. Based on the background, this study represents the trends and tendencies of Infant Mortality Rate (IMR) in Indonesia, and to analyze the factors affecting them. The factors employed in this study are population, GDP per capita, women's level of education, and women's labor force participation rate, to formulate strategies or policies to reduce IMR in Indonesia. This study uses the VAR/VECM method, to determine the short-term and long-term relationships between these factors and IMR. The results indicated the negative of IMR trend during the study period of (1955-2015). VAR/VECM analysis determined that in short and long term, GDP per capita negatively influenced IMR, infant mortality, as well as in the long term. Population positively affect IMR in the short term, however, it provides a negative impact to IMR in long term. Both women's education level and women's labor force participation rate have a negative effect to IMR in the short term, whereas in long-term both they positively effect to IMR.

Keywords: *IMR, GDP per capita, population, women's net enrolment ratio and women's labor force participation rate.*

I. INTRODUCTION

Development is essentially a stable process between the various dimensions, such as social, economic, and environmental to improve the welfare of the society. In the implementation, all developmental efforts tend to exploit the natural resources without dealing with the environmental aspect. This trend was started to shift after the 1972 Earth Summit in Stockholm, to oblige with the agreement on the relationship between environmental issues related to sustainable development. Since then the concept of environmentally friendly development is implemented. Advancing to the Millenium Development Goals (MDGs) era (2000-2015) which is intended to obtain eight goals, i.e: reducing poverty and hunger, achieving the primary education level, promote gender equality, reduce child and maternal

mortality, tackle HIV / AIDS and other diseases, ensuring environmental sustainability and forming partnerships in the implementation of development.

MDGs era is replaced with Sustainable Development Goals (SDGs) during period 2015-2030, which has more universal goals. SDGs aim to cope with the challenges of the future world. By the end of 2015, Indonesia is likely to fail to achieve the MDGs targets. Even some provinces in Java like West Java, Central Java, and East Java are struggled with (Handbook of SDGs, 2015). Targets that have the potential to fail include: (SDGs Handbook, 2015): Decrease in maternal mortality; Decrease in infant and under-five mortality rate; Decrease in AIDS / HIV rate; Coverage of drinking water and sanitation.

Using an estimate derived from Indonesia IDHS child health status is improving. This is indicated by the lower rates of neonatal mortality, infant mortality and under-five mortality. The under-five mortality rate declined from 97 per thousand live births in 1991 to 44 per thousand live births in 2007. Infant mortality decreased from 68 per 1,000 live births in 1991 to only 34 per thousand live births in 2007 (IDHS 2007, MDG's 2010 and WHO 2007 and 2011).

However, when compared to the results of the IDHS 2002-2003 and IDHS 2007 decreasing of neonatal mortality, infant mortality and under-five mortality tend to stagnate. The main causes of infant mortality are neonatal problems (asphyxia, low birth weight, and neonatal infection), infectious diseases (mainly diarrhea and pneumonia) as well as closely associated to nutrition problems (malnutrition and malnutrition). Another problem is the disparity in neonatal mortality rate, infant mortality and under-five mortality rate is quite high between provinces. This condition is caused by problems of access and quality of health services, socioeconomic and cultural issues, infrastructure growth and openness of the region in promoting economic development and education (IDHS 2007, MDG's 2010 and WHO 2007 and 2011).

Associated with the beginnings of SDGs, Indonesia has a new challenge to accomplish the objectives of SDGs. One of the 17 goals of SDGs is Point Number 3 which is good health, in the sense of providing a healthy life and promoting welfare for all people of all ages. The third goal of SDGs is the coverage of three goals in the MDGs era, namely decreasing maternal mortality rate, reducing infant mortality rate, and decreasing AIDS / HIV (Ministry of Health RI, 2015). To diminish infant / under-five mortality rates, SDGs have a target on 2030 to eliminate preventable infant and under-five mortality, with all countries attempting to cut down the Neonatal Mortality Rate to at least 12 per 1,000 live births and under-five mortality at least 25 per 1,000 live births (Ministry of Health RI, 2015).

Infant Mortality Rate is a number that indicates the number of deaths of a 0-year-old baby from every 1000 live births in a given year or can be said to be the probability that a baby dies before reaching the age of one year (expressed as per thousand live births). The infant mortality rate is one important indicator in determining the level of public health because it can describe the health of the general

population. This figure is very sensitive to changes in the level of health and welfare. In this study, the authors refer to previous researchers who aim to provide a strong understanding of the presentation of the material, stabilization of variables and concepts used in this study.

Kumar (2015), Using data from the National Family Health Survey (2005-06), this study examines the effect of parental education in the regional variation of infant mortality in India. Although, research evidence show that mother's educations strongly influence reducing the mortality of young children, systematic attempts to understand the role of parental education in the regional variation, are limited. Similarly, there is hardly any attempt to examine the impact of mother's exposure to mass media and her socioeconomic empowerment (factors that are closely related to the education) on the risk of infant mortality in the regional level. The regression results show that both mother's and father's education are significantly associated in reducing the infant mortality across the regions and major states of India, although the relative effect of different levels of education of the parents varies between (Empowered Action Group) EAG-Non-EAG states and rural-urban regions. Similarly, it is also evident that the children born to the mothers having any kind of exposure to the mass media have a lower probability of death in their infant stage compared to the children born to the mothers having no mass media exposure and it works more effectively in the regions that are underdeveloped such as EAG states and rural areas.

Rezaei, Moradi, and Matin (2015) were identified the main factors affect infant mortality in the Economic Cooperation Organization (ECO) countries for the years 2005 to 2012. Using a panel data model from ECO countries was used to identify the effect of some of the key explanatory variables [Gross Domestic Product (GDP) per capita, Female Labour Participation Rate, Public expenditure as the percentage of Total health expenditure and Total Fertility Rate] on infant mortality. This study indicated the GDP per capita and public spending had a negative and significant effect on infant mortality in studied countries. A higher total fertility rate is also associated with higher infant mortality. In addition, this analysis showed there is no association significant between female labor participation rate and infant mortality.

Conroy (2015) said Infant mortality rate (IMR) is often considered a better indicator of the overall success of a nation than the gross domestic product (GDP) or other leading economic indicators. This study analyzes the relationships between lead economic and health indicators and IMR in developed and developing countries. The analysis uses 2005, 2009, and 2012 panel data from the World Bank and the United Nations Human Development Report. Panel data models are estimated for all countries, only developed countries, and only developing countries to identify the effect of key explanatory variables on IMR and differences over time between developed and developing countries. As the results indicate, the determinants of IMR do vary between developed and developing countries. With developing countries GDP per capita, population density, expected years of education for females, and

incidence of Tuberculosis per 100,000 were determined to be significant determinants of IMR. In developed countries GDP per capita, health expenditures per capita, and incidence of Tuberculosis per 100,000 were statistically significant indicators. This agrees with the common findings in the literature that economic indicators (GDP per capita and health expenditures per capita) are determinants of IMR. It is interesting to note that the sign on population density and the unemployment rate for both the developed and developing countries panel models were negative when they were expected to be positive.

Wellington (2014) examines the factors that affect the rate of mortality among infants under one year of age using panel data sets from the World Bank's World Development Indicator database from the year 2000 to 2009 from 53 African countries. Using a random effect model in a 2SLS analytical method, results obtained after correcting for endogeneity showed that fertility rate significantly affects infant mortality rate in a positive way. Similarly, GDP per capita as a proxy for income, public health expenditure as a percentage of GDP, Prevalence of HIV and the participation of the adult female in the labor force significantly affect infant mortality rate. Furthermore, of all the explanatory variables used in the analysis, fertility rate and GDP per capita had the most impact on infant mortality rate respectively.

Naveed T.A et al. (2011) examines the socio-economic factors that determine infant mortality rate in Pakistan. The study represents the relationship of infant mortality with economic factors as; GDP per capita and social factors as; population, female labor force participation rate and female education. To check this relationship empirically different econometric techniques are used. To check stationarity of series the unit root test has been applied, while co-integration applied to determine long-term relationship between dependent and independent variables. Moreover, for short-term relationship Vector Error Correction Model (VECM) has been used and Granger Causality test has been applied to determine the causal relationship between the variables. The results show that the per capita income and women empowerment are negatively related to the infant mortality rate, but the population is positively related to the infant mortality rate. Results further show that the per capita income affects the infant mortality rate but not as much as female labor force participation and female education.

Mustafa & Odimegwu (2008) examines the socio-economic factors that determine infant mortality rates in Kenya. The study is an analytical cross-sectional design through secondary data analysis of the 2003 Kenyan Demographic and Health Survey (KDHS) dataset for children. Series of logistic regression models were fitted to select the significant factors affecting infant mortality both in urban and rural. The magnitude of the significance for each selected variable was tested using the Wald's test, and hence the factors were rank ordered according to their overall P-value. While infant mortality rate in 2003 was 79.6 per 1000, its significant determinants are breastfeeding, ethnicity and sex of the child while birth order and intervals are significant variables in the rural areas. The focus of interventions in child health to

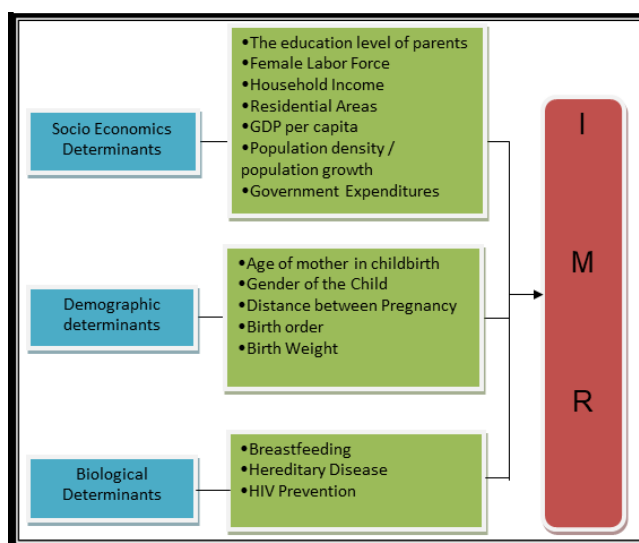
achieve the MDG will be on the social and economic empowerment of women via education and employment while breastfeeding promotion will be encouraged.

Filmer (2003) also describes the socio-economic factors that cause infant mortality. Child mortality and child nutrition affected by the demand and supply sides. The demand side in question is the behavior or characteristics of households and individuals such as sanitation, disease prevention in the family, income, education, and knowledge of parents. The better sanitation, disease prevention in the family, income, education, and knowledge of parents, the lower the child mortality and better nutrition of children. Maternal education has a strong correlation with child mortality. Studies in Peru show that maternal education significantly reduces child mortality and malnutrition in children. In addition, access and use of clean water, sanitation, hand-washing habits in families and individuals directly influence health status.

The Mosley and Chen Theory is better known as Child Survival study. Mosley and Chen (1984) divide the variables that affect the survival of children into two namely; (1) Variables considered being exogenous or socioeconomic (such as culture, social, community economics, and regional factors) and; (2) Endogenous variables or biomedical factors (such as patterns of breastfeeding, hygiene, sanitation, and nutrition).

Based on the basic theory and previous research, it can be described using the theoretical framework by Mosley and Chen. They use the socio-economic approach, and from some previous studies also found demographic factors and biological factors that can affect infant mortality. The following descriptions of these factors can be summarized and made into a theoretical framework that can be seen in the picture below.

Figure 1. Theoretical Framework between Variables and Infant Mortality



Source: Compilation of basic theories and previous study

II. METHODS

The data used in this research is secondary data, with the research location is the State of Indonesia, using Time Series data from 1955 until 2015. Secondary data obtained from World Bank, Ministry of Health Republic Indonesia, Central Statistics Agency, Ministry of Education and Culture of the Secretariat General of the Central for Data and Statistics of Education, and from various survey results such as the SDK and other relevant sources.

To determine how much influence the growth of population, GDP per capita, the level of female education and female labor force participation rate to a dependent variable infant mortality rate that is carried *Vector Auto Regression* analysis. The VAR approach is used to detect the effect of reciprocity or dynamic two-way causality between independent variables and the dependent variable in this study.

If the observed data is stationary at first difference, then the VAR model will be combined with an error correction model to cointegrated VAR or Vector Error Correction Model (VECM). In addition, in this study will be described impulse response function and variance decomposition which is the property of the VAR model. It is used to see shocks from innovation variables to other variables.

The basic model will be used in this study is referring to the model used by Naveed T.A et al. (2011) in researching the socio-economic factors that determine infant mortality rate in Pakistan. Adapting the research undertaken by Naveed T.A et. Al (2011) then the model specifications presented in this research are:

$$IMR = \beta_0 + \beta_1 \text{ NUM_POP} + \beta_2 \text{ GDP} + \beta_3 \text{ RAPMP} + \beta_4 \text{ TPAKP} + \mu$$

where:

IMR = Infant Mortality Rate

NUM_POP = Number of Population

GDP = GDP per Capita

RAPMP = Women enrollment ratio at primary level

TPAKP = Female labor force participation in working sector

III. RESULTS AND DISCUSSIONS

Testing procedure conducted in this research is, first unit root test at the level and the 1st difference is used to determine whether each variable is stationary or non-stationary. By following the standard unit root testing procedure using Augmented Dickey Fuller (ADF) test developed by Dickey and Fuller (1979).

Tabel 1. Unit Root Test

| Variable | Level | | 1 st difference | |
|----------|-------------|--------|----------------------------|--------|
| | t-statistic | Prob | t-statistic | Prob |
| LOG_IMR | -2.655117 | 0.2586 | -7.716739 | 0.0000 |
| LOG_GDP | -4.952425 | 0.0009 | -6.904362 | 0.0000 |

| | | | | |
|-------------|-----------|--------|-----------|--------|
| LOG_NUM_POP | -2.291399 | 0.4315 | -2.240456 | 0.0254 |
| LOG_RAPMP | -6.870993 | 0.0000 | -5.953115 | 0.0000 |
| LOG_TPAKP | -3.384272 | 0.0632 | -7.318629 | 0.000 |

Note: All variables are Stationary at the 1st order of integration and 5% level of significance is used.

From the test above, all variables have met the stationarity requirements of the data from the ADF test, where the ADF probability value is smaller than the α value (in this study used α 5% or 0.05) at the first difference level. Therefore all data variables already stationary at the level of the first difference, then do the next step in the VECM estimation, e.i the determination of the optimal lag length.

Table 2. Determination of Lag Length

| Lag | LogL | LR | FPE | AIC | SC | HQ |
|-----|----------|-----------|-----------|------------|------------|------------|
| 0 | 670.8083 | NA | 3.24e-17 | -23.77887 | -23.59803 | -23.70876 |
| 1 | 1179.099 | 907.6625 | 1.04e-24 | -41.03926 | -39.95425* | -40.61860 |
| 2 | 1227.060 | 77.07989 | 4.67e-25 | -41.85929 | -39.87010 | -41.08809 |
| 3 | 1248.705 | 30.92129 | 5.57e-25 | -41.73946 | -38.84611 | -40.61772 |
| 4 | 1293.054 | 55.43627 | 3.12e-25 | -42.43050 | -38.63297 | -40.95820 |
| 5 | 1332.542 | 42.30873* | 2.25e-25* | -42.94793* | -38.24623 | -41.12509* |

Source: Data processed, 2017

Before performing Cointegration Test it is necessary to determine the lag length that used in this study. Estimating the lag length in an autoregressive process in time series data is the most important part of econometrics. The selected lag is a lag that has a minimum value between the lag length criteria. In this study used all the criteria to choose the length of lag. The results showed that the optimal lag length was 5.

Table 3. Cointegration Test

| Unrestricted Cointegration Rank Test (Trace) | | | | |
|---|------------|---------------------|---------------------|---------|
| Hypothesized No. of CE(s) | Eigenvalue | Trace Statistic | 0.05 Critical Value | Prob.** |
| None * | 0.511404 | 97.37029 | 69.81889 | 0.0001 |
| At most 1 * | 0.356513 | 55.82951 | 47.85613 | 0.0075 |
| At most 2 * | 0.213342 | 30.26003 | 29.79707 | 0.0442 |
| At most 3 * | 0.187206 | 16.34225 | 15.49471 | 0.0372 |
| At most 4 * | 0.071779 | 4.320172 | 3.841466 | 0.0377 |
| Trace test indicates 5 cointegrating eqn(s) at the 0.05 level | | | | |
| Unrestricted Cointegration Rank Test (Maximum Eigenvalue) | | | | |
| Hypothesized No. of CE(s) | Eigenvalue | Max-Eigen Statistic | 0.05 Critical Value | Prob.** |

| | | | | |
|--|----------|----------|----------|--------|
| None * | 0.511404 | 41.54078 | 33.87687 | 0.0050 |
| At most 1 | 0.356513 | 25.56948 | 27.58434 | 0.0885 |
| At most 2 | 0.213342 | 13.91778 | 21.13162 | 0.3718 |
| At most 3 | 0.187206 | 12.02208 | 14.26460 | 0.1098 |
| At most 4 * | 0.071779 | 4.320172 | 3.841466 | 0.0377 |
| Max-eigenvalue test indicates 1 cointegrating eqn(s) at the 0.05 level | | | | |

Source: Data processed, 2017

After the order of integration of each variable (unit root test) and the lag length criteria have been determined, and will be conducted Co-integration Test. The co-integration test means that data from a linear combination of two variables can be stationary even though the individual variables are non-stationary (Gujarati 1995). Testing co-integration intended to determine the long-term relationship of each variable. The requirement in VECM estimation, if there is a co-integration relationship in it. If there is no integration relationship, then VECM estimation is canceled but must use VAR (Vector Autoregression), model. In this research, co-integration testing is used Johansen's 71 Co-integration Test method which is available in software e-views with a critical value 00,5. The following table will show the results of co-integration tests for this study.

Based on the table above it can be seen that the value of trace statistic and maximum eigenvalue at $r = 0$ is smaller than the critical value with 5% significance level, this means H_0 is rejected and H_1 accepted or in other words, variables used have a relationship in long-term. Based on the econometric analysis above it can be seen that among the four variables in this study, there are five cointegrating at the 5% significance level. According to the results of co-integration tests indicates that between the number of population (Pop), GDP per capita (GDP), Labor Force Participation Rate (TPAKp), and Women enrollment ratio (RAPMp) Infant Mortality Rate (IMR) has no relationship stability/balance and equality movement in the long run.

Table 4. Granger Causality Test

| Null Hypothesis: | Obs | F-Statistic | Prob. |
|--|-----|-------------|---------|
| LOG_GDP does not Granger Cause LOG_IMR | 59 | 6.06199 | *0.0042 |
| LOG_IMR does not Granger Cause LOG_GDP | | 6.35601 | *0.0033 |
| LOG_NUM_POP does not Granger Cause LOG_IMR | 59 | 6.59507 | *0.0027 |
| LOG_IMR does not Granger Cause LOG_NUM_POP | | 5.00817 | *0.0101 |
| LOG_RAPMP does not Granger Cause LOG_IMR | 59 | 2.58456 | 0.0847 |
| LOG_IMR does not Granger Cause LOG_RAPMP | | 8.51777 | *0.0006 |
| LOG_TPAKP does not Granger Cause LOG_IMR | 59 | 1.35948 | 0.2654 |
| LOG_IMR does not Granger Cause LOG_TPAKP | | 2.85157 | 0.0665 |
| LOG_NUM_POP does not Granger Cause LOG_GDP | 59 | 6.60637 | *0.0027 |
| LOG_GDP does not Granger Cause LOG_NUM_POP | | 19.9424 | 3.E-07 |

| | | | |
|--|----|---------|---------|
| LOG_RAPMP does not Granger Cause LOG_GDP | 59 | 4.66951 | *0.0135 |
| LOG_GDP does not Granger Cause LOG_RAPMP | | 2.70847 | 0.0757 |
| LOG_TPAKP does not Granger Cause LOG_GDP | 59 | 2.06256 | 0.1370 |
| LOG_GDP does not Granger Cause LOG_TPAKP | | 1.94535 | 0.1528 |
| LOG_RAPMP does not Granger Cause LOG_NUM_POP | 59 | 0.54274 | 0.5843 |
| LOG_NUM_POP does not Granger Cause LOG_RAPMP | | 19.9011 | 3.E-07 |
| LOG_TPAKP does not Granger Cause LOG_NUM_POP | 59 | 0.06210 | 0.9399 |
| LOG_NUM_POP does not Granger Cause LOG_TPAKP | | 4.90265 | *0.0111 |
| LOG_TPAKP does not Granger Cause LOG_RAPMP | 59 | 5.21772 | *0.0085 |
| LOG_RAPMP does not Granger Cause LOG_TPAKP | | 3.02043 | 0.0571 |

Source: Data processed, 2017

Granger's Causality is used to examine the causal relationship between the two variables. The predictive power of previous information may indicate a causal relationship between y and z in the long term. The probability values that exist in the research of granger quality should be considered. If the value is the greater probability of 0.05, we conclude causality between variables does not occur, while having a causal relationship is one that has a probability value of less than alpha H_0 0:05 so that later will be rejected, which means a variable affects the other variable, the hypothesis used:

H0: The dependent variable is not significantly influenced by the independent variable.

H1: The dependent variable is significantly influenced by the independent variable.

From the Granger test above, we know the interrelationship/causality between LOG_GDP and LOG_IMR variables, as well as LOG_NUM_POP with LOG_IMR. Meanwhile, for the relationship of two other variables LOG_RAPMP with LOG_IMR and LOG_TPAKP with LOG_IMR, there is no reciprocal relationship.

Table 5. Estimation results for Equation VECM in Infant Mortality Rate (IMR)

| Variabels | Coeffisien | T-statistic | Expalanation |
|-------------------|------------|-------------|-----------------|
| Short Term | | | |
| D(LOG_IMR(-1)) | -0.681846 | -4.29718 | Significant |
| D(LOG_IMR(-2)) | -0.022714 | -0.11996 | Not Significant |
| D(LOG_IMR(-3)) | 0.473318 | 2.76881 | Significant |
| D(LOG_IMR(-4)) | 0.327673 | 1.72656 | Significant |
| D(LOG_IMR(-5)) | -0.390550 | -2.84360 | Significant |
| D(DLOG_GDP(-1)) | -0.016495 | -0.76534 | Not Significant |
| D(DLOG_GDP(-2)) | 0.032590 | 1.11208 | Not Significant |
| D(DLOG_GDP(-3)) | -0.053685 | -1.98072 | Significant |
| D(DLOG_GDP(-4)) | -0.051448 | -1.84343 | Significant |
| D(DLOG_GDP(-5)) | 0.007978 | 0.34686 | Not Significant |

| | | | |
|--------------------|-----------|----------|-----------------|
| D(LOG_NUM_POP(-1)) | 2.256874 | 2.80581 | Significant |
| D(LOG_NUM_POP(-2)) | -0.903816 | -1.05237 | Not Significant |
| D(LOG_NUM_POP(-3)) | 0.488656 | 0.58518 | Not Significant |
| D(LOG_NUM_POP(-4)) | 0.861507 | 0.98484 | Not Significant |
| D(LOG_NUM_POP(-5)) | 0.882388 | 1.20590 | Not Significant |
| | | | |
| D(LOG_RAPMP(-1)) | -0.507899 | -2.41315 | Significant |
| D(LOG_RAPMP(-2)) | -0.511747 | -2.61060 | Significant |
| D(LOG_RAPMP(-3)) | -0.389748 | -2.00484 | Significant |
| D(LOG_RAPMP(-4)) | -0.430822 | -3.14237 | Significant |
| D(LOG_RAPMP(-5)) | -0.562930 | -4.31402 | Significant |
| | | | |
| D(LOG_TPAKP(-1)) | -0.360056 | -1.99935 | Significant |
| D(LOG_TPAKP(-2)) | -0.350163 | -2.11919 | Significant |
| D(LOG_TPAKP(-3)) | -0.209009 | -1.34925 | Not Significant |
| D(LOG_TPAKP(-4)) | -0.176031 | -1.17894 | Not Significant |
| D(LOG_TPAKP(-5)) | -0.559470 | -3.62625 | Significant |
| | | | |
| C | -0.059523 | -2.73551 | |
| CointEq1 | 0.04468 | 3.04828 | |
| | | | |
| Long Term | | | |
| DLOG_IMR(-1) | 1.000000 | | |
| DLOG_GDP(-1) | -0.440037 | -1.71748 | Significant |
| DLOG_NUM_POP(-1) | -1.376053 | -5.28367 | Significant |
| DLOG_RAPMP(-1) | 16.91133 | 3.21718 | Significant |
| DLOG_TPAKP(-1) | 11.94221 | 7.63157 | Significant |
| C | -42.25042 | | |

Source: Data processed, 2017

Note: Values in () are standard error while in [] shows the t-values at 1%, 5%, and 10% level of significance.

The VAR / VECM approach requires a structural model for each endogenous variable in the system as a function of the lagging value of all endogenous variables in the system. On the other hand, it also allows for the adjustment of short-term dynamics. In the co-integration test shows that there is a long-term equilibrium relationship or no co-integration between all variables in 1st difference, so we can use the model to estimate the variable VECM.

Infant Mortality Rate (IMR) Assessment in the Short Term

For GDP Per capita (GDP) variable, in the third and fourth lag which statistically affects the infant mortality rate (IMR) in the current period and only on the significant level of 10%. The coefficient value obtained in the third lag is -0.053685. This means that if there is an increase in GDP per capita (GDP) 1%, then Infant Mortality Rate (IMR) in the current period will decrease by 0.053685%. This is under the hypothesis and also some previous studies, one of which is Rezai, Moradi, and Martin (2015) who found a negative and significant relationship between GDP per Capita (GDP) to infant mortality. Where GDP per capita is often

used to measure the prosperity and the level of development of a country; the greater the income per capita, the more prosperous the country.

For the Number of Population (NUM_POP) variable, only the first lag statistically affects Infant Mortality Rate (IMR) in the current period at the significant level of 1%, 5%, and 10%. The coefficient value obtained is 2.256874. This means that if there is an increase in the number of population (NUM_POP) 1%, then Infant Mortality Rate (IMR) in the current period will increase by 2.256874%. This is in accordance with the hypothesis and also some previous studies, one of them from Naveed T.A et. al (2011) who found a positive and significant relationship between the Number of Population (NUM_POP) of infant mortality rate. Where increased population growth will lead to maximum utilization of resources resulting in decreased household income levels, if household income declines will also affect the health of the family, especially maternal health. This will lead to an increase in infant mortality.

For the Women enrollment ratio at primary level (RAPMP), statistically negatively influences lag 1,2,3,4 and 5 on Infant Mortality Rate (IMR) in the current period at the significant level of 1%, 5%, and 10%. Here we take an example at the first lag with the coefficient value obtained is -0.507899. This means that if there is an increase in Women enrollment ratio (RAPMP) 1%, then Infant Mortality Rate (IMR) in the current period will decrease by 0.507899%. This is consistent with the hypothesis and also some previous studies, Kumar (2015) who found a significant negative correlation between education and women against infant mortality. Children born to under-educated mothers generally have a higher risk of death than those born to more educated mothers. During the period of 1998-2012, infant mortality from uneducated mothers was 66 per 1,000 live births. (Ministry of Health RI, 2012).

While for female labor force participation rate (TPAKP), the statistically negative effect on lag 1,2, and 5 to infant mortality rate (IMR) in the current period at the significant level of 1%, 5%, and 10%. Here we take an example only at the first lag with the coefficient obtained is -0.360056. This means that if there is an increase in the Women's Labor Force Participation (TPAKP) 1%, then Infant Mortality Rate (IMR) in the current period will decrease by 0.360056%. This is in accordance with the hypothesis and also some previous studies, Wellington (2014) who found a negative and significant relationship between the Labor Force against the infant mortality rate. Since the Women's Labor Force is associated with an increase in household opinion, if household incomes increase, access to health facilities may increase, such as the availability of basic food and also adequate nutrition for the survival of infants.

Infant Mortality Rate (IMR) Assessment on Long Term

Based on the results of long-term estimates, it can be seen that the GDP Per capita (GDP) has a negative relationship and significantly influences Infant Mortality Rate (IMR) at the significant level of 10% with the coefficient value for GDP Per

capita (GDP) is -0.440037 . This means that if there is an increase in GDP per capita (GDP) 1%, will cause the decrease in Infant Mortality Rate (IMR) in the long term by 0.440037% . This is consistent with the hypothesis and previous studies. Both short-term and long-term, income per capita (GDP) is still negative and significant effect on infant mortality, with the coefficient on the long-term greater than the coefficient on the short term.

Meanwhile, based on long-term estimation results, the number of population variable (NUM_POP), in the first lag has a negative relationship and significantly influence the Infant Mortality Rate (IMR) at the significant level of 1%, 5%, and 10% with the coefficient value for Number Population (NUM_POP) is -1.376053 . This means that if there is an increase in the number of population (NUM_POP) 1%, will cause a decrease in Infant Mortality Rate (IMR) in the long term by 1.376053% . Long-term results are opposite to short-term, which in the short term has a positive relationship. However, the same case is also found in previous research conducted by Conroy (2015) who examined the relationship between economic indicators, health, and IMR in developed and developing countries. This analysis uses panel data from the World Bank and Human Development Report at the UN in 2005, 2009, and 2012. Using the determinants of IMR do vary between developed and developing countries. With developing countries GDP per capita, population density, expected years of education for females, and incidence of Tuberculosis per 100,000 were determined to be significant determinants of IMR. The results indicate that the economic indicators of population growth and the unemployment rate for both developed and developing countries in the panel data model have a negative relationship when the expected relationship is positive.

Based on the results of long-term estimation, the Women enrollment ratio (RAPMP) and the female Labor Force Participation (TPAKP), in the first lag have a positive relationship and significantly influence the Infant Mortality Rate (IMR) at the significant level of 1%, 5% and 10% with the coefficient value for Women enrollment ratio (RAPMP) is 16.91133 and coefficient value for Women Labor Participation Rate (TPAKP) is 11.94221 . This means that if an increase in Women enrollment ratio (RAPMP) 1%, will cause an increase in Infant Mortality Rate (IMR) in the long term of 16.91133% . Meanwhile, if an increase in Female Labor Force Participation Rate (TPAKP) 1%, would cause an increase infant mortality rate (IMR) in the long term of 11.94221% .

In the long term, Labor Force Participation of Women (TPAKP) and the Women Enrollment ratio (RAPMP) has a positive and significant relationship to the Infant Mortality Rate (IMR), it is the opposite with the results in the can in the short term is negative and significant. In other words, the higher the education of women and the better women's work, the infant mortality rate is increasing. This may happen in the long term, due to changes in the environment, the demands of the times and social shift that has changed the mindset of women. Women in the future will be more concerned with higher education and also a good career, so they forget their

productive age. In other words, they will delay to get married and have children. When women get married and have children over the age of productive, it will be perilous to give birth, and this will lead to infant mortality. Education can affect a woman to delay the age of her marriage. The longer a woman to attend classes, then theoretically the higher the age of first married. A woman who graduated from her junior high school level means she is at least married at the age of 16 years and above, when married in advanced high level means at least 19 years of age and later if married after attending college means at least aged over 22 years (Hartono, in Utina, et al, 2014).

There is still a lot of marriage, pregnancy, and childbirth beyond the healthy reproductive period, especially at a young age. Women aged 15 years or younger are at increased risk of pre-eclampsia (a type of high blood pressure that develops during pregnancy). Women 35 years or older are at increased risk for problems such as high blood pressure, diabetes during pregnancy and complications during labor (Mulidah et al., 2003).

POLICY IMPLICATIONS

From the results of research on the Analysis of Socio-Economic Factors Affecting Infant Mortality Rate in Indonesia, the authors can provide some policy recommendations related to the target of SDGs in reducing Infant Mortality Rate in Indonesia. Here are some policy recommendations that can be done:

1. This study found that there is a negative and significant relationship between GDP per capita to IMR. The government's policy in relation to increasing GDP per capita to reduce IMR in Indonesia in the short term is by increasing labor productivity, encouraging the development of processing or manufacturing industries. In other words, the existing labor in the primary sector such as agriculture or mining should start to be reduced. This policy also applies to the long term, because GDP per capita negatively and significantly affect the IMR.
2. In this study found a positive and significant relationship between the population with the IMR in the short term while in the long term the influence of population and IMR is negative and significant. Therefore, the government needs to reinforce the family planning program to control birth is one factor that contributes to the reduction of MMR and IMR. With a large population and a rapidly growing population, Indonesia must revitalize family planning programs in relation to improving the quality of pregnancy and reducing mortality.
3. In this study found a negative and significant relationship between RAPMP with IMR in the short term. Therefore policies that can be associated with the development of Women's Empowerment useful to support and accelerate the achievement of quality of life and equality between men and women,

implemented through dissemination/advocacy of education and training for women who are engaged in the whole field or sector.

4. In this study found a negative and significant relationship between TPAKP and IMR in the short term. Therefore, the policies that can be done related to improving the quality of Human Resources of Women in various sector and sub-sector activities and institutions and non-institutions that prioritize the improvement of skills and professionalism/expertise of women.
5. Related to a long-term relationship, wherein this study found that there is a positive and significant relationship between RAPMP and IMR, as well as the relationship between TPAKP and IMR. Policies that governments and relevant stakeholders are, by reviewing and considering the requirements are quite imposing women in a career, such as restrictions on age, education, and marital status. Because these things can change the way women in determining a career.

IV. CONCLUSION

The trend of Infant Mortality Rate during the study period (1955-2015) was negative (decreased). The decrease of AKB was 86 percent in the period of 1955-2015, with the percentage decrease from year to a year faster. By 2015, Infant Mortality Rate is 22 per 1,000 live births.

In the short term GDP per capita (GDP) has a negative and significant effect on infant mortality rate (IMR) in the current period, only at the significant level of 10%. Similarly, in the long term, income per capita (GDP) in the first lag is negatively and significantly affect the Infant Mortality Rate (IMR) on the significant level of 10%. In the short term, population growth variable (NUM_POP) has a positive and significant effect on Infant Mortality Rate (IMR) in the current period at the significant level of 1%, 5%, and 10%. However, in the long term, Population Growth (NUM_POP) has a negative relationship and significantly influences Infant Mortality Rate (IMR) at the significant level of 1%, 5%, and 10%.

In the short term, the Women enrollment ratio (RAPMP), statistically negatively influences Infant Mortality Rate (IMR) in the current period at the significant level of 1%, 5%, and 10%. However, in the long term, the Women enrollment ratio (RAPMP) in the first lag has a positive relationship and significantly influence the Infant Mortality Rate (IMR) at the significant level of 1%, 5%, and 10%. In the short term, the female labor force participation rate (TPAKP), statistically negatively influences infant mortality rate (IMR) in the current period at the significant level of 1%, 5%, and 10%. However, in the long term, the female labor force participation rate (TPAKP) has a positive relationship and has the significant effect on infant mortality rate (IMR) at the significant level of 1%, 5%, and 10%.

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The Legality of A Startup Company To Be A Public Company

Upita Anggunsuri
Universitas Andalas, Indonesia
upitaanggun@gmail.com

ABSTRACT

The establishment and development of Startup Company has given many benefits to the economy of Indonesia. Besides, it also provides job and gives a good service to people. Such as: Traveloka, Gojek, Tokopedia, Grab etc. Indonesia is the biggest Startup Company in Southeast Asian Countries. There are more than 2.500 Startups untill December 2016 in Indonesia. Even today, there are several Startup Companies which have income reach hundreds billions rupiah. Seeing this potency, Indonesia Stock Exchange (IDX) encourages Startup Company to be Public Company. It is just until now there has been no Startup Company in Indonesia to be Public Company or IPO (initial public offering) in Indonesia Stock Exchange (IDX). High growth of Startup Company causes entrepreneur needs to pay attention to the legal aspect about the business because the legal aspect has a very big influence on the stability of the business. However, the regulation related to Startup Company is still unclear till now. This paper discusses the legality of Startup Company to be Public Company. It endeavours to answer the following questions: how is the development of Startup Company in Indonesia and what is the legality of Startup Company to be Public Company. This research uses legal data (normative juridical). The study concludes that Startup Company has a big potency to be Public Company. Financial Services Authority (OJK) has target 1,500 Small and Medium Enterprises (SMEs)/Startup Company to do Initial Public Offering (IPO) in five years later. So that, Startup should be Limited Liability Company. Next, it has to be joined in Startup Incubator. In addition, Startup Company should complete the legal administration to go public based on regulation related to the Capital Market. After becoming Public Company, it will also be easier to attract strategic investors to invest to the Company. The study suggests that Startup Company should be arranged in a certain regulation.

Keywords: *The legality, Startup Company, Public Company*

I. INTRODUCTION.

The development of Startup business in Indonesia is getting higher recently. Every year many new Startup founders appear in Indonesia. The number of Startup Companies of Indonesia is projected by CHGR (Center for Human Genetic Research) growing up 6.5 times. It becomes 13.000 in 2020. Meanwhile, in 2016 Indonesia is listed as a country that has the highest number of Startup Companies in

Southeast Asia. It is around 2.000 Startup Companies. That development is supported by digital trend transformation which is adopted by various sectors, thereby transforming the landscape of business, not only in developed countries, but also in developing countries, including Indonesia.

Startup Company is operated recently. Most of Startup Companies are newly established and in phase of development and research to find the right market. Startup is not just new Companies that relate to technology, cyberspace, application or product but also about services, people's economic movements that can be independent without the help of bigger Companies. Startup Company is associated by high growth and technology information, communication. That three points should have Startup companies because investors are generally only interested in Companies that have high return on the potency of investment's profit. However, the Startup Company is still oriented to its ability to get profits.

The local Startup Company is very demanded by foreign venture capitalists. Foreign venture capitalists is not afraid to give their fund to Startup Companies. Even, it is still just concept untested in market well. The venture capitalist sees the market of Indonesia very attractive. The population of Indonesia is more than 250 million people and the middle class is quite dominant at this present. It also has a strong enough purchasing power to trigger foreign investors in seeing at the potential market in Indonesia.

Seeing the big potency of Startup Companies in Indonesia. Indonesia Stock Exchange (IDX) encourages Startup Companies to be listed in the Capital Market. It's just that until now there has been no Startup Companies which is listed in Indonesia Stock Exchange (go public). By high growth, business actors need to pay attention to the legal aspects related to their business because the legal aspects have a big influence on the stability of the business. Starting from the form of business entity of Startup Company, legal administration, good corporate governance, risk management etc. In addition, the provision about startup company is still separated in several others regulation. (It has not regulated in one regulation comprehensively), such as: Financial Service Authority Regulation /POJK No. 53 / POJK.04 / 2017 changes Regulation IX.C.7 Decision of Head of Bapepam No.Kep-11 / PM / 1997 on Guideline the form and Content of Registration Statement for Public Offering by Small or Medium Enterprise and POJK Number 54 / POJK.04 / 2017 changes Regulation IX.C.7 Decision of the Chairman of Bapepam No.Kep-56 / PM / 1996 on the Form and Content of Prospectus in the Framework of Public Offering by Small or Medium Enterprise.

II. DISCUSSION

A. The Development Startup Company in Indonesia

The development of technology can increase the economic growth. It is proven by the increasing of business activities. Nowadays, people over the world

begin to leave traditional job and find their own way (create their own job).¹ The business activity at this present not only limited to goods trading or sales services in real but also the trade through online media.

The development of business through online media is supported by internet. There are many new companies with website platforms appear. These companies are called Startup. Startup companies are also exist in Indonesia such as : tokopedia.com, traveloka, gojek, kaskus, and detik.com etc.

Startup can be classified into three groups in Indonesia. First is educational application Startup, second is game creator Startup and the third is Startup in trading, such as e-commerce. The first and second Startups have potential market in Indonesia. It is caused the process in making educational application and game fairly easy. The market of mobile game as well as social game also increase because of the growing of social media and various smartphones.

At this time, many startup companies which have income reach hundreds billions rupiah. example: Gojek, Grab, Bukalapak.com, etc. Seeing this potency, Indonesia Stock Exchange (IDX) encourages Startup Company to be Public Company (listed in capital market). It's just that until now there has been no Startup Companies which do IPO (Initial Public Offering) in Indonesia Stock Exchange.

B. The Legality Startup Company To Be Public Company

The Public Company is a Company which is offering of its shares to public or it has qualified as a Public Company, so trading stock or share can be done in stock exchanges.² Limited Liability Company is eligible to be Public Company. It is given the opportunity to sell some of its shares to the public and the public is given the opportunity to purchase those shares.

In the Law No. 8 of 1995 on Capital Market "Public Company is a Company whose shares are owned by 300 shareholders and have paid up capital around Rp 3,000,000,000, - or a number of shareholders and paid up capital are stipulated by government regulation".

A Company becomes Public Company so it causes formerly the share of company is only owned by families, relatives, friends and others. Then, based on agreement of shareholders issued or sold the share to public through the capital market. Therefore, Public Company should implement disclosure principle.³

¹ Chris Guillebeau, *The \$ 100 Startup*, Jakarta : Kompas Gramedia, 2016, hal 9

² Gunawan Widjaja dan Wulandari Risnamanitis D, *Go Publik dan Go Private di Indonesia*, Jakarta: Kencana, 2009, hal 6

³ Nindyo Pramono, *Hukum PT Go Publik dan Pasar Modal*, Yogyakarta :CV Andi Offset, 2013, hal 3

Many companies have a global influence after it is listed on Capital Market such as: Apple, Google and Sony.⁴ Reasons and Advantages a Company listed on Capital Market as follows:⁵

1. To raise capital income. When a company goes public, the price of share is usually higher at publishing. In particular, the first founder and investor can get big profit.
2. To increase popularity and get public trust. After being go public company, a company will become popular not only among investors but also society.
3. A Company can increase liquidity and the founder of the company can enjoy the result. The more investors who buy the share, the more capital the company receives from outside investors.
4. The founders of the company can do diversification to reduce their portfolio risk.
5. Give a company a value. A company can be valued from the stock price multiplied by the number of shares sold in the capital market.
6. Companies may merge or negotiate with other companies by using shares.
7. To increase market potency. Many companies are easier to sell their products and services after becoming go public Company.

Startup Company develops increasingly in Indonesia recently. Before starting a business startup, choosing the right type of business entity becomes an important primary factor. The most suitable legal entity to be applied to startup business is Limited Liability Company. Personal asset will not combine with company's asset in limited liability company.⁶ In addition, Limited Liability Company is also more professional and bonafide, especially when it will expand business with the others. Limited Liability Company is the only one legal entity that can run its activities in the Capital Market.⁷ Thus, Startup Company that wants to be Public Company must take the form of Limited Liability Company. Startup Companies involve internet technology, so trade through the website is known as e-commerce that regulated in Law No. 11 Of 2008 on Electronic Information And Transactions and the Government Regulations No. 82 Of 2012 on Electronic System Implementation And Transaction Operation.

The Regulation about the trade via electronic system does not regulate the ownership of a particular business entity to run the sale of business using the website. It is taken from conclusion of understanding of Business Actor based on Regulation

⁴ Anis Uzzaman, *Startup Pedia (Panduan Membangun Startup Ala Silicon Valley)*, Yogyakarta : Bentang, 2016, hal 192

⁵ *ibid*

⁶ Abdul R Saliman, *Hukum Bisnis Untuk Perusahaan Teori dan Contoh Kasus*, Jakarta: Kencana, 2017, hal 96

⁷ Nindyo Pramono, *Op Cit*, hal 523

on Trade via Electronic Systems which state that "Business actor is individual or business entity, (legal or non-legal entity) established and domiciled or performed activities in the jurisdiction of the Republic of Indonesia, individually or severally, based on the agreement of implementation of business activities in various sectors economy".

Related to the implementation of business sales via website, the important thing that need to be concerned is Regulations about Trade via Electronic System can be certificated by reliability certification agency. It is an independent agency established by a recognized, authorized, and supervised professional by the Government with the authority to audit and issue a Reliability Certificate in Electronic Transactions. Based on Article 66 PP 82/2012 :

- 1) Reliability Certification Agency can issue Reliability Certificate through Reliability Certification process.
- 2) Reliability certification as intended in paragraph (1) include an examination of the complete and correct information from Business Entity and its electronic system to obtain Reliability Certificate.
- 3) A complete and correct information as intended in paragraph (2) includes information that:
 - a. contains the identity of the subject of the law;
 - b. load status and competence of the subject of the law;
 - c. explain certain things that are required validity of the agreement; and
 - d. describes the goods and/or services offered.

In publishing Government Regulation No. 29 of 2016 on The Change of Authorized Capital of Limited Liability Company. It causes the establishment of Limited Liability Company is easier now. The authorized capital of Limited Liability Company around 50 Million Rupiah early, the determination of the nominal capital is determined based on the agreement of the founder of Limited Liability Company now. This rule is designed to make a friendly atmosphere policy to startup business actors who pioneered the business from zero.

Seeing the big potency of Startup Companies in Indonesia, the Indonesia Stock Exchange encourages that startup companies can grow and enter the capital market. Therefore, Indonesia Stock Exchange through Corporate Social Responsibility (CSR) makes IDX incubator. It is a business training program for Startup Company and small and medium enterprises (SMEs).

This program is for the beginners who have a concept and team or for companies that are ready to enter the capital market. In essence, this program provides assistance in the form of good business education about how to establish a Limited Liability Company, financial reports, and provide of distribution channels, networks, best practices to improve the competence.⁸ "The point is an incubator for

⁸ Hendry E Ramadhan, *Op Cit*, hal 193

the baby. It is given breathing, heated until healthy ". After getting training, Indonesia Stock Exchange provides access to participants to meet investors. This is certainly the Startup and SMEs (small and medium enterprises) can develop and can be pushed into the capital market so it can be the way for Startup Company to get greater access to capital.

Regarding the regulation, until now there is no certain or specific regulation about the Startup Company. In this case, several regulations give dispensation about the special requirements for Startup Company planning to do an Initial Public Offering. Emiten (a Company which does initial public offering) small and medium scale as if given a 'red carpet or dispensation' to list in Capital Market.

The Financial Services Authority (OJK), tries to give dispensation to small and medium scale emiten to do initial public offering. Therefore, it is expected that the capital market can become a alternative funding for emiten with total assets of 50 billion rupiah for small scale emiten and total assets of 250 billion rupiah for medium scale emiten out of bank funding.

The regulation which gives dispensation for emiten related (initial public offering), is the Financial Services Authority Regulation or POJK No. 53 / POJK.04 / 2017 on Registration Statement for Public Offering and Capital Increase by providing Preemptive Rights to subscribe securities by issuers with Small or Medium Size Assets which changes or refinement of the previous regulation is Regulation IX.C.7 - Decision of the Chairman of Bapepam No.Kep-11 / PM / 1997 on Guidelines the form and Content of Registration Statement for Public Offering by Small or Medium Enterprise.

The Financial Services Authority Regulation/ POJK No. 53 of 2017 shall 'simplify' a number of documents as stated in Article 11, such as : the submission of financial statements in the last year or since the establishment of emiten which is less than one year. Then, the dispensation of the making and performing of financial report by using financial accounting standards for entities without public accountability. Meanwhile, for medium scale emiten is sufficient financial statements of the last two years or since the establishment of emiten which is less than two years.

In POJK Number 54 / POJK.04 / 2017 on Prospectus forms and contents in the context of Public Offerings and Capital Increase by providing preemptive Rights to subscribe securities by Issuers with Small and Medium sized Assets, changes or refinement of the previous regulation Regulation IX.C.8 - Decision of the Chairman of Bapepam No.Kep-56 / PM / 1996 on the Form and Content of Prospectus for Public Offering by Small or Medium Enterprise. The effort is still the same, which is cutting a number of provisions in prospectus except for small and medium scale emiten. In publishing of POJK No. 53 and 54 of 2017 provides an opportunity for emiten small and medium size assets to obtain funding through the capital market. Besides, It is also hexpected that the Government will immediately regulate in a certain regulation because Startup Company growing rapidly. It can improve the

economy of the community. Without a clear regulation can obstruct the development of Startup Company future.

III. CONCLUSION

- 1) Startup Company is growing rapidly in Indonesia. In December 2016, there are more than 2.500 Startup Companies exist in Indonesia. Even today, many companies whose revenues reach hundreds of billions rupiah. Seeing the big potency of Startup Company in Indonesia, the Indonesia Stock Exchange encourages Startup Company to grow and enter the capital market by issuing several regulations to provide convenience to Startup Company to go public.
- 2) Limited Liability Company is the only legal entity that can run its activity in the Capital Market. Therefore, if Startup Company want to be listed on capital market (go public, it must be a Limited Liability Company. The Financial Services Authority (OJK), tries to give dispensation to small and medium scale emiten to do initial public offering by issuing The Financial Services Authority Regulation/POJK No.53/POJK.04/2017 on Registration Statement for Public Offering and Capital Increase by providing Preemptive Rights to subscribe securities by issuers with Small or Medium Size Assets and The Financial Services Authority Regulation/POJK Number 54 / POJK.04 /2017 on Prospectus forms and contents in the context of Public Offerings and Capital Increase by providing preemptive Rights to subscribe securities by Issuers with Small and Medium sized Assets.

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POJK Number 54 / POJK.04 / 2017 on Prospectus forms and contents in the context of Public Offerings and Capital Increase by providing preemptive Rights to subscribe securities by Issuers with Small and Medium sized Assets.

A Comparative Study of The Benefits of Accrual Bases and The Cash Towards Accruals Bases in Local Government Internal Decision Making

Vita Fitria Sari, Fadhilah Sukma
Universitas Negeri Padang, Indonesia
vitafitriasari@gmail.com

ABSTRACT

This research aimed to identify the difference in perceptions about the benefits of accrual bases and cash towards accrual bases in local government internal decision-making and identify which bases are more beneficial for local government internal decision-making. This research classified as a comparative study with a total of 98 samples of respondents. The classic assumption tests used were a test of normality and test of homogeneity. The hypothesis tested in this research by used t-test. The results of the research showed that: (1) there is a difference in accrual bases and cash towards accrual bases in local government internal decision-making (2) accrual bases is more beneficial than cash towards accrual bases in local government internal decision-making

Keyword: *accounting bases, accrual bases, cash towards accruals bases, local government, internal decision making*

I. INTRODUCTION

The development of accounting in Indonesia, particularly the public sector runs very slow. Up to the year 2004 Indonesia is still using single-entry recording system. Double-entry system recently implemented in 2005 along with the publication of the financial legislation package State (UUKN), UU No. 17 in 2003, UU No. 1 year 2004, and UU No. 15 years 2004 and the PP 24 in 2005 about Governmental Accounting Standards with cash towards accrual base.

The birth of the Governmental accounting standards have made changes on the Government's financial management patterns in Indonesia. The standard was confirmed with the publication of the Government Regulation Number 24 year 2005 concerning Governmental accounting standards. Has now been replaced with PP No. 71 2010 about Government accounting standards with uses accrual bases.

Government Accounting Standard aims to provide guidance in the preparation of the subject matter and presentation of the financial report of the Government either Central Government or local governments as well as unify perception between compilers, users, and Auditors. Implementation of Government Accounting Standard is believed will have an impact on the improvement of the quality of financial reporting in the Central Government and regions. This means financial

information governance will be the bases of decision-making in Government and is expected to make transparency and accountability.

According to Simanjuntak (2005) cash towards accrual accounting bases is developed in Indonesia as the transition to a full accrual bases. Kemenkeu (2014) mentioned that cash towards the accrual bases is a unique approach developed by Indonesia to be able to present the four key financial reports mandated on financial legislation package State (UUKN) and adapted to the conditions in Indonesia.

Study No. 14 IFAC Public Sector Committee (2003) stated that the accrual-based reporting is useful in evaluating the performance of related government services costs, efficiency, and achievement of goals. For example, the purpose of the application of accrual-based accounting system is to improve the quality of provision of public services as well as increase the effectiveness and efficiency of the operations of local government

However, many people who criticize about the application of accrual accounting by public sector organizations both theoretically as well as practically. Hassan (2013) argued the purpose of public sector is not profit oriented; therefore accounting styles which used to measure profit is not right for being implicated in public sector. In other hand the government has the legal power to collect taxes from the people and to manage government resources while in the private sector there is no power like that. Transactions in the public sector are transactions where incomes are received from the public but can't directly provide equivalent value or benefits in the case of public services consequently the principle of matching concept is not applicable. Governments also have broader responsibilities as well as broader stakeholder scope.

This research aimed to identify the difference in perceptions about the benefits of accrual bases and cash towards accrual bases in local government internal decision-making and also try to identify which accounting bases (accrual or cash towards accrual) that according to public sector managers can provide more useful information for internal decision-making in local government.

II. METHOD

This research classified as a comparative research. This research tried to compare which bases (accrual bases or cash towards accrual bases) can be more beneficial and useful for local government internal decision making. The population of this study was 52 Organizations Regional Devices (OPD) in Padang city. The respondent of this research were the head of department and the head of subsection which have been working for more than 3 years as public manager. We distributed 4 questionnaires for each OPD, so totally 208 questionnaires were distributed. Data should face test of normality and homogeneity, before analyzed by using independent sample t-test.

III. RESULTS

There are 98 questionnaires of 208 or 47.11% of total questionnaires answered completely and can be processed, described as follow:

Table 1 Demographic of respondent

| | | |
|------------------------|--------------------|----------|
| Gender | Male | : 40,82% |
| | Female | : 59,18% |
| Age | 56-60 | : 3,06% |
| | 51-55 | : 15,31% |
| | 46-50 | : 22,45% |
| | 41-45 | : 22,45% |
| | 36-40 | : 14,48% |
| | 31-35 | : 17,35% |
| | 26-30 | : 5,10% |
| Educational Background | Senior High School | : 6,12% |
| | Diploma | : 9,18% |
| | Bachelor Degree | : 24,49% |
| | Master Degree | : 60,21% |

Based on scatter plot can be conclude data were distributed normally and based on test of homogeneity data were homogeny. The both test become the requirement test before hypothesis testing by t-test.

The result of independent sample t-test showed that sig value < 0.00 (smaller than $p 0.05$). It means that there is a significant difference between accrual bases and cash towards accrual bases in local government internal decision making. Based on table 2 can generally conclude that accrual bases is more useful than cash towards accrual bases. It can be shown from the average number of respondent answer that accrual bases higher than cash towards accrual bases in all questions (1-19). The respondents perceived the accrual bases may provide more beneficial information than cash towards accrual bases.

This result supported previous research by Ferryono and Sutaryo (2016). This is in line with the research of Nirmala, et.al (2014) mentioned that changes to public sector accounting from cash towards accrual bases caused by weakness in generating cash bases sufficient information for decision making. Nirmala, et.al (2014) also explains that the information generated from accrual bases more appropriate to describe the actual operating costs (full costs of operation), can produce reliable information in the information assets and liabilities and can produce comprehensive financial information about the Government.

Andriani, et.al (2010) stated in their research in Australia that the accrual bases is more beneficial for some decision-making activity in Government. Andriani, et.al research results (2010) are corroborated by research Sousa, et.al (2012) that conduct research in the outline of the users of financial reports and compiling the financial statements assume that the change from the cash bases the accrual bases will be more provide useful information for decision making and management entities.

Previous research and opinion has been supports implementation of accrual public sector. Hassan, 2013 argued that accrual bases are successfully used in the private sector, so this makes sense if the base used in the public sector. Accrual bases provide better financial information about government accountability. The financial statements of the accrual accounting is believed to be more comprehensive, simple and easy to understand, hard to manipulate, and more comparable and consistent (Athukorala and Reid, 2003).

The application of accrual-based accounting is expected to give greater benefit compared to the cash accounting accrual toward base. Benefits for local governments provide information more transparent about the cost of Government and improve the quality of decision making. The benefits for users of financial statements to assess the accountability of the management of all resources by an entity assess performance, financial position and cash

flows of an entity as well as the decision making regarding the provision of the resources of local governments.

From the explanation above, it can be concluded that by using accrual bases, local governments can generate the appropriate internal decision because local governments obtain better information and comprehensive resources related to economy. There is no doubt for local government implementing accrual bases as bases in their accounting process.

Table 2. The usefulness of accrual accounting and cash accounting information for various decision situations

| No | N | Accrual Bases | | | | | | Cash Towards Accrual Bases | | | | | | |
|-----|---|---------------|----|--------|------|------|------|----------------------------|------------|-----|--------|------|------|------|
| | | Not Useful | | Useful | | Mean | SD | Med | Not Useful | | Useful | | Mean | SD |
| (%) | N | (%) | N | N | (%) | | | | N | (%) | N | (%) | | |
| 1 | 1 | 1,02 | 97 | 98,98 | 4,73 | ,466 | 5,00 | 25 | 25,51 | 73 | 74,49 | 3,93 | ,853 | 4,00 |
| 2 | 0 | 0,00 | 98 | 100,00 | 4,66 | ,475 | 5,00 | 21 | 21,43 | 77 | 78,57 | 3,94 | ,784 | 4,00 |
| 3 | 9 | 9,18 | 89 | 90,82 | 4,42 | ,475 | 5,00 | 32 | 32,65 | 66 | 67,35 | 3,78 | ,914 | 4,00 |
| 4 | 4 | 4,08 | 94 | 95,92 | 4,48 | ,646 | 5,00 | 28 | 28,57 | 70 | 71,43 | 3,71 | ,786 | 4,00 |
| 5 | 5 | 5,10 | 93 | 94,90 | 4,51 | ,662 | 5,00 | 35 | 35,71 | 63 | 64,29 | 3,70 | ,864 | 4,00 |
| 6 | 1 | 1,02 | 97 | 98,98 | 4,62 | ,508 | 5,00 | 30 | 30,61 | 68 | 69,39 | 3,80 | ,837 | 4,00 |
| 7 | 2 | 2,04 | 96 | 97,96 | 4,46 | ,540 | 4,00 | 36 | 36,73 | 62 | 63,27 | 3,73 | ,832 | 4,00 |
| 8 | 2 | 2,04 | 96 | 97,96 | 4,38 | ,547 | 4,00 | 32 | 32,65 | 66 | 67,35 | 3,81 | ,795 | 4,00 |
| 9 | 1 | 1,02 | 97 | 98,98 | 4,43 | ,518 | 4,00 | 34 | 34,69 | 64 | 65,31 | 3,74 | ,816 | 4,00 |
| 10 | 1 | 1,02 | 97 | 98,98 | 4,51 | ,523 | 5,00 | 32 | 32,65 | 66 | 67,35 | 3,76 | ,800 | 4,00 |

| | | | | | | | | | | | | | | |
|----|---|------|----|-------|------|------|------|----|-------|----|-------|------|------|------|
| 11 | 6 | 6,12 | 92 | 93,88 | 4,33 | ,639 | 4,00 | 40 | 40,82 | 58 | 59,18 | 3,57 | ,732 | 4,00 |
| 12 | 6 | 6,12 | 92 | 93,88 | 4,33 | ,622 | 4,00 | 36 | 36,73 | 62 | 63,27 | 3,61 | ,782 | 4,00 |
| 13 | 9 | 9,18 | 89 | 90,82 | 4,48 | ,692 | 5,00 | 35 | 35,71 | 63 | 64,29 | 3,66 | ,745 | 4,00 |
| 14 | 5 | 5,10 | 93 | 94,90 | 4,46 | ,676 | 5,00 | 36 | 36,73 | 62 | 63,27 | 3,66 | ,786 | 4,00 |
| 15 | 6 | 6,12 | 92 | 93,88 | 4,44 | ,643 | 5,00 | 34 | 34,69 | 64 | 65,31 | 3,64 | ,815 | 4,00 |
| 16 | 1 | 1,02 | 97 | 98,98 | 4,47 | ,560 | 4,00 | 38 | 38,78 | 60 | 61,22 | 3,64 | ,815 | 4,00 |
| 17 | 6 | 6,12 | 92 | 93,88 | 4,23 | ,639 | 4,00 | 42 | 42,86 | 56 | 57,14 | 3,61 | ,755 | 4,00 |
| 18 | 4 | 4,08 | 94 | 95,92 | 4,40 | ,570 | 4,00 | 31 | 31,63 | 67 | 68,37 | 3,79 | ,736 | 4,00 |
| 19 | 4 | 4,08 | 94 | 95,92 | 4,44 | ,576 | 4,00 | 29 | 29,59 | 69 | 70,41 | 3,80 | ,824 | 4,00 |

IV. CONCLUSION

The purpose of this research to identify if there is difference in accrual bases to cash bases and accrual toward internal government decision-making and determined which base is more beneficial for local government internal decision making. Based on the data it can be concluded that there is a difference in accrual bases to cash bases and accrual toward internal government decision-making in the area of Padang city. The accrual base is more beneficial than the cash towards accrual bases in the internal decision-making of local government city of Padang. It means no doubt for implementing accrual bases in public sector. I suggested for future research can explore the data by deep interview with respondent.

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Analysis of Cash Conversion Cycle and Sales Growth To Liquidity

Wahyu Indah Mursalini¹, Tafdil Husni², Masyhuri Hamidi³,
Endrizal Ridwan⁴, Arfimasri⁵

^{1,5}University Mahaputra Muhammad Yamin, ^{2,3,4}Andalas University, Indonesia
wahyuindah771@gmail.com

ABSTRACT

Liquidity is the ratio of working capital, reflecting the number of current assets and current liabilities owned by the company to respond to business needs and continue the company's business activities. Effective working capital management in a company can be seen from the cash conversion cycle indicators. Companies with limited cash conversion cycles indicate that the company is able to collect its receivables quickly. Sales can be made in cash or on credit. Credit sales policy that is too tight can contribute to lost sales and will reduce corporate profits. The purpose of this study was to investigate the effect of the cash conversion cycle and the sales growth of the liquidity in the Food and Beverage listed on Indonesia Stock Exchange from 2010 to 2015. Population in this research is all Food and Beverage Industries Listed on Indonesia Stock Exchange. Samples were determined by using Purpose Sampling method (panel data) of 72 samples. Interpretation of research results is done by using an Unrelated Regression model with the help of EViews program. Hypothesis testing is carried out from the descriptive test variables, the model selection with Chow Test and Hausman Test, the correction model using the model General Least Square and the classical assumption test. Based on the results of the research and testing of the results obtained are the cash conversion cycle and sales growth significantly influence the liquidity (Hypothesis accepted). It is proven that F arithmetic is greater than F table.

Keyword: Cash Conversion Cycle, Sales Growth, Liquidity, Business Cycle

I. INTRODUCTION

Liquidity is inversely corresponding to the profitability, especially an increase in liquidity is frequently followed by a decrease in profitability. Liquidity is the ability of a company to meet its financial obligations that must be met, or the ability of the company to meet its financial obligations at the time (Nimer, Warrad, & Omari, 2013).

The primary factor for determining working capital needs is the type of business. Because the business of each industry is varied and have unique specifications. In the process, people's income will multiply as a net addition to real investment. The strategic factor in determining the economic cycle lies on the

investment side. Fluctuations in volume and level of investment affect and control the economic cycle (Bolaji, Olukayode, & Abdulmalik, 2011).

Every business needs money to start and continue its operations for business growth and expansion. For the success of a business needs working capital and working capital it needs to be managed properly (working capital management). Working capital management is highly important because it has a direct impact on profitability (Agha, 2014), (Singh, Jain, & Yadav, 2013) and (Arshad & Gondal, 2013).

Effective working capital management in a company can be seen from the indicators of the cash conversion cycle (CCC). Companies with short cash conversion cycles indicate the company is able to collect its receivables quickly and pay the suppliers more slowly while maintaining its creditability. This will impact optimal profitability and liquidity (Agha, 2014).

Sales can be made in cash or on credit. Sales Policy Credit (receivable) and inventory that are too tight can lead to lost sales or stock-outs, while the excessive amount of working capital may reduce investment in long-term assets that generate higher profits and thus will improve the profit of the company (Jamalinesari & Soheili, 2015).

The problem with this investigation is that every business needs sufficient funding source to finance the company's operation and to keep the company viable. So that the company can grow and grow and not liquidated it is necessary to manage working capital effectively and efficiently and increase sales by taking into account the business cycle

This research question is: "Is the working capital turnover and sales growth together with a significant effect on the liquidity of the company?"

The purpose of this study is: "To determine whether the working capital turnover and sales growth together with a significant effect on the liquidity of the company".

The significance level used is 0.05 ($\alpha=5\%$). If significance t count > 0.05 , means H_0 accepted or H_a rejected. If significance t count < 0.05 , means H_0 rejected or H_a accepted.

Working capital is assessed from where the source of funds (Funding Working Capital). How the funds are used (Working Capital Turnover). How funds are acquired and used (Liquidity) for company operational. And the results obtained on the source and use of these funds (Sales Growth) associated with the profit of Food and Beverage Industry listed on the Effect Exchange of Indonesia Year 2010 to 2015. The scope of this study discusses the relationship of working capital turnover and sales growth on corporate liquidity.

The company's liquidity reflects the company's ability to meet its short-term liabilities (Singh et al., 2013). Liquidity is also known as the working capital ratio

that shows the number of current assets available owned by the company to respond to business needs and continue the business activities of the company (Abuzayed, 2012).

Management is further affected by all aspects of financial analysis, whether short-term or long-term, due to its responsibility to manage the company's operations on a daily basis and earn competitive returns. Short-term financial aspects can be assessed from working capital (Raheman, Qayyum, & Afza, 2011). Working capital is the company's total investment in current assets or assets are expected to be converted into cash within a year or less than a year (Hsieh & Wu, 2013).

The components of working capital comprise cash, accounts receivable and inventory and payable (Akinlo, 2011). Each working capital component must be managed to be in the optimal state (Aminu & Zainudin, 2012). Working capital is the company's total investment in current assets or assets are expected to be converted into cash within a year or less than a year (Ngwenya, 2012). If the company lacks working capital to expand its sales and increase its production, it is likely to lose revenue and profits. Companies that do not have sufficient working capital, cannot pay short-term obligations on time and will face liquidity problems (Aminu & Zainudin, 2012).

The main purpose of the company is to gain profit, which means the higher the ability to sell the higher the clutches obtained (Bolaji et al., 2011). The company's ability to sell its products is limited. This can be affected by competition, promotion and production. Therefore the company must be able to increase its sales for the company's goal can be achieved (Makori & Jagongo, 2013).

II. METHOD

Data analysis can be done by the statistical test using Seemingly Unrelated Regressions Model (Widyaningsih, Susilawati, & Sumarjaya, 2014) dan (Nawawi, Herdiani, & Sunusi, 2014) with the help of EVIEWS program. The population in this research is all Food and Beverage Industries Listed in Bursa Efek Indonesia from 2010 to 2015 and selected sample (72) using Purpose Sampling method (panel data).

Model Regression equation is: $CR_{it} = \beta_0 + \beta_1 CCC_{it} + \beta_2 SG_{it} + \epsilon_{it}$.

CR is Current Ratio, CCC is Cash Conversion Cycle, SG is Sales Growth, i is Number of Firms, t is Time period and ϵ is Error. Hypothesis testing is done from the test of the descriptive variable as a whole, model selection with Chow Test and Hausman Test and classical assumption test. The next step is to do the model correction by using Model General Least Square (GLS) so that the estimated value of Best Linear Unbiased Estimator (BLUE).

III. RESULTS

Based on the research result, the chosen model is Fixed Effect Model. The next step is to do the correction model using GLS, the results obtained can be seen in the following table:

Table 1. Hypothesis Testing

| Variable | Coefficient | F test |
|----------------------|-------------|------------------|
| Constants | 4.988797 | F Count = 55,694 |
| Ciclus Conversi Cash | 0.105053 | F Table = 2,51 |
| Sales Growth | 0.010103 | Prob > F = 0,000 |
| | | α = 0,05 |

Source: Data processed

Based on the data testing process using the EVIEWS program obtained summary test results as follows:

- Each coefficient of each independent variable has a slope that will explain the direction of the influence of each independent variable to the dependent variable that can be formed into a regression equation, i.e.:

$$ROA = 4.988797 + 0.105053CCC + 0.010103SG + \epsilon$$

- From the above equation obtained by the constant value of 4.988797 which defines that if the independent variable is zero then the profitability value is the constant value of 4.988797.
- Working capital turnover has a coefficient of 0.105053 indicating that every working capital turnover of 1% will result in an increase in corporate profitability of 0.105053 (working capital turn over positively influences liquidity).
- Sales growth has a coefficient of 0.010103 indicates that any increase in sales growth of 1% will result in increased profitability of the company of 0.010103 (sales growth positive effect on liquidity).
- F Test, Testing is done using a level of confidence of 95%. The result shows that F count > F table is 55,694 > 2,51 and significant value < Alpha (0,05). From the test conducted showed that a significant value of 0.000 small from significant Alpha 0.05.
- Based on these results it can be concluded that the variable working capital turn over and sales growth significantly influence the company's liquidity (Hypothesis accepted).

IV. CONCLUSION

Based on the research findings it can be concluded that working capital turn over and sales growth significantly influence the company's liquidity. This shows

that the company is able to meet its short-term obligations through working capital turnover and company sales growth (Joshi & Ghosh, 2012).

The economic cycle will be affected by economic growth. If economic growth improves, then public purchasing power will increase, and this is an opportunity for companies to boost sales (Sitlani & Bhatia, 2010).

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Analysis of Conductor Shareholding Conductor Behavior In Bukittinggi traditional markets

Yimmi Syavardie, Heliyani

High Scholl of Economic H.Agus Salim, Indonesia

yimmisyavardie678@gmail.com

ABSTRACT

This research tries to identify the factors that determine the consumer's buying decision traditional market around Bukittinggi. This research will combine both the perception of traders and consumer perceptions to describe the difference perceptions between traders and consumers and to analyze whether the trader understands the consumer's need or not. Through these various viewpoints, we can find out the consumer behavior determinants in Bukittinggi traditional markets by employing factor analysis. The results demonstrate that traders do not fully understand the consumer's need. This phenomenon shows through several variables that differentiate the perception of traders and consumer perceptions. The research reveals that based on trader's perception, the price variable becomes the most important point in determining the consumer's shopping behavior. However, based on consumer perception, consumers tend to pay attention to the physical condition of the market, the convenience, and safety when shopping, service, and quality which are provided as determinant factors of consumer shopping behavior in Bukittinggi traditional market. The eight variables are then tested which includes physical condition of the market, product, service, price, personality, financial source and the reference group.

Keywords: *traditional markets, Consumer Behavior, Trader's Perceptions, Consumer's Perceptions.*

I. INTRODUCTION

In the world of globalization, marketing gives a remarkable effect on the emergence of marketing theory that adopted from the western world so that emerging modern market in Indonesia which has the potential to shift the traditional market. Fast growth modern market development felt by many parties impact on the existence of the traditional market. On the one hand, modern market professionally managed with all-round facilities. the traditional market is still struggling with the classic problems surrounding the management of less professional and inconvenience shopping.

modern and traditional markets compete in the same markets, retail or retail markets (value-added businesses to products and services sold to consumers for their own or family needs) (Levy and Weitz, in Rosa, 2008). Almost all commodities sold in traditional markets are all found in the modern market. Since the presence of a

modern market, a traditional market is allegedly had the decline in income and profits drastically. Even so, the argument that says the presence of modern market is the main cause of the exclusion of the traditional market is not entirely correct.

Almost all traditional markets in Bukittinggi are still struggling with internal market problems such as poor market management, minimal market facilities, and infrastructure, the traditional market as dairy cattle for retribution, mushroom vendors (PKL) that reduce market Traders' capital available to traditional traders. This situation indirectly benefits the modern market (Poesoro, 2007). Bukittinggi with a population of over 126,896 (Civil Registration Agency 2013) is a potential market for both local and foreign retailers. Indeed, the amount of population is a major factor in the success of the retail market.

The traditional market as one of the retail market is a symbol of people's economy. The modern market in the city of Bukittinggi grows faster. On the one hand, the development of modern markets raises a concern about shifting the position of traditional markets. On the other hand, the presence of the modern market is considered more profitable for consumers because it raises a variety of alternative places to shop with fun facilities.

The modern market captures the needs of consumers, is able to meet the desires and tastes of consumers, while traditional markets are slow to respond to the changing behavior of consumer shopping more dynamic. As a result, consumer shopping behavior also changed and turned to the modern market.

The decrease in the growth of traditional markets and the development of other modern markets is increasingly showing a shift in people's preferences in meeting their daily needs. If people used to shop for daily necessities in traditional markets, then now people tend to shop in modern markets. This is, of course, a big question, what exactly happened so that now people tend to choose the modern market rather than the traditional market. Basically, the price of products in the traditional market is cheaper, but the price difference is not too much than the price in the modern market. This fact is supported also by the condition of traditional markets chaotic and dirty.

Traditional Market

The traditional market is known as a relatively simple building market, with the relatively less pleasant atmosphere (limited space, inadequate parking facilities, lack of market hygiene, and insufficient lighting). The traded goods are daily necessities with the quality of goods that are not considered, the price of goods is relatively cheap, and the way of shopping with bargaining system. The traders are mostly weak economies and the lack of professional trade (Pangestu, 2007). Unfortunately, not infrequently the concept of market arrangement to chaotic which resulted in the lack of discipline levels of traders. Compounded also by the emergence of several illegal traders, so the impression of slum became an everyday scene in some traditional markets (Wahyuni, 2007).

modern shopping centers are growing rapidly in the suburbs, but the role of traditional markets is still important and integral to people's lives. the traditional market is a place to get the various necessities and basic needs of most the population in the country with an affordable price. The number of traditional markets in Indonesia is over 13,450 with the number of traders around 12,625,000 people (APKASI, 2013). the traditional market is still the main container of sales of staple goods produced by the middle, small and microeconomic actors i.e. farmers, fishermen, craftsmen and home industries (people industry).

Traders who generally use their own capital in a decent amount start their business, consisting of tens of millions and relying their lives on traditional markets. On the other hand, very strong social interaction occurs within traditional markets, because the transaction mechanism uses bargaining methods. Traders or producers and buyers or consumers can directly communicate and get to know each other more, not just about the goods being traded but also about other things.

In the traditional markets of their respective cultures related to the type of cuisine and dressing, have gathered and interaction with peace with ethnic and racial backgrounds ranging from Arab, Chinese, Batak, Padang, Sundanese, Javanese, Madurese, Bugis and others. In addition, traditional markets have always been national indicators in relation to price stability or domestic inflation. In calculating inflation, the price of basic needs of the population sold in traditional markets such as rice, sugar, and nine other basic needs become the object of monitoring statisticians each month.

The decrease in the growth of traditional markets and the development of other modern markets is increasingly showing a shift in people's preferences in meeting their daily needs. If people used to buy for daily necessities in traditional markets, then now people tend to buy in modern markets. This is, of course, a big question. What exactly happened so that now people tend to prefer the modern market rather than the traditional market.

Basically, the price of products in the traditional market is cheaper, but the price difference is not too much than the price in the modern market. This fact is supported also by the condition of traditional markets dirty. So do not be surprised if this makes people prefer buying in modern markets such as Hypermarket, Mall, or other modern markets than in traditional markets. As the center of meeting traders and buyers, the existence of traditional markets is needed by the community. If traditional markets can be well managed and attractive, there is no need for a conflict between the modern market and the traditional market. Both develop with their own nuances and attractions. It does not rule out that high- and middle-income groups will also be affected by casual visits to traditional markets to enjoy things that are not available in modern markets (Napitupulu, 2007).

Among the reasons for consumers to purchase in traditional markets are culture, history, easy to reach, negotiable prices, product and price information, for all walks of life, tours, varied products, business opportunities and jobs. Berseri

market "clean, healthy, environmentally friendly, and beautiful" is a concept of rethinking toward the improvement of traditional market performance. This concept leads to two things, namely: (1) Optimizing the performance of traditional markets and improving infrastructure, (2) restoring the role of traditional markets as distributors of local products. These efforts are expected to make traditional markets meet the minimum requirements of a market, where built regularity, adequacy, and security, with the creation of comfortability for market participants in the trade.

Consumer behavior

According to Solomon (2007), consumer behavior is a study that includes the process when a specific individual or group buys, uses or organizes products, services, ideas or experiences to meet needs and desires. The science of consumer behavior is the science of how an individual takes a decision in using his or her resources of time, energy, and money to consume something, including learning what, why, when, and where a person buys, and how often a person buys and uses a product and services. Peter and Olson (2000) stated that: Consumer behavior is dynamic because the thoughts, feelings, and behavior of individuals, consumer groups, and the social environment will constantly change. Consumer behavior is affected by human thoughts, feelings, and behavior and their environment. Consumer behavior is influenced by changes in people.

Factors Affecting Consumer Behavior

Family Factor: Families have a strong influence on buying behavior. market participants have examined the roles and influence of husbands, wives, and children in purchasing various products and services. Children as an example, give a significant influence in decisions involving fast food restaurants. (Kotler, Bowen, Makens, 2002). *Cultural Factors* as the key values include perceptions, desires, and behaviors that a person learns through family and other important institutions (Kotler, Armstrong, 2006).

Factor analysis

Factor analysis extends the major component analysis. It is also used to identify a relatively limited number of factors that can be used to describe numerous interdependent variables. Factor analysis is one of the statistical techniques that can be used to give a relatively straightforward description through the reduction of the number of variables called factors. Factor analysis is a procedure for identifying items or variables based on their similarities. The similarity is shown by a high correlation value. Items that have a high correlation will form a crowd of factors. The basic principle in factor analysis is to simplify the description of the data by reducing the number of variables/dimensions.

II. METHOD

Sample size and data collection

This research is an explanatory category which focusing on searching and collecting some data to get a picture, clear facts about things, circumstances, and situation that exist. Thus, this research includes survey research, i.e. research that takes samples from one population and uses questionnaires as a basic data collection tool. Based on the research objectives to be achieved then this research seeks to find the influence of store atmospheres with the purchase decision.

The target population is consumers who are buying in markets under Bukittinggi City and traders selling at Bukittinggi traditional market. Sampling is accomplished by Convenience Sampling method where the sample is selected based on willingness and easiness to get it. The number of samples collected is as many as 100 people consisting of 50 traders and 50 consumers. Determination of the number of samples is based on the ability of researchers in collecting data at the study site. Merchants selling at the Bukittinggi City market with a total of 622 stores, 705 monthly field and street vendors (PKL) for market days of approximately 520 people, and on a typical day 200 people, the sample will be collected randomly. The target belongs to 16 types of traders, namely meat traders, chicken, wet fish, coconut, salted fish, potatoes, palm sugar, snacks, rice cake, and *lemang*.

Construction of questionnaire and measurement of variables

Data collection techniques employed in this study are Library Research: In this study also based on theories related to various literature, articles or scientific papers and other supporting libraries related to this research. Field Research: Research conducted directly on the object of research to obtain primary data or information about the object of research. This field research was obtained by Interview, Conducting question and answer with the parties concerned about the issues discussed. The questionnaire, Questionnaires through several written questions are used to get information from respondents in the sense of a report associated with the object of research. Measurement of variables is accomplished by Likert scale employing the scoring method.

The collected data were analyzed and tested utilizing the analysis: 1. Test of the research instrument. a. Validity test. The validity test in this study is used to test the validity of the questionnaire. Validity indicates the accuracy of a measuring instrument in performing the measuring instrument function (Saifudin Azwar, 2000). The technique for measuring validation is by calculating the correction between the data on each question with the total score, using the product moment correlation formula from Karl Pearson (2005).

Factor Analysis

Developed by Charles Spearman in 1904 in the USA. Factor analysis according to Sulyanto (2005) is a technique to analyze the interdependence of several variables simultaneously with the aim to simplify the relationship between

several variables to several fewer factors than the variable studied, which means can also describe the data structure of a study. Factor analysis is one method of multivariate statistics that try to explain the relationship between several variables that are mutually independent of one another so that one or more sets of variables can be made less than the initial number of variables.

Factor Analysis

A multivariate statistical method that attempts to explain the relationship between a number of mutually independent variables so that one or more sets of variables can be made less than the initial number of variables. Factor analysis can not be done if inter-change is not correlated. Correlations between these modifiers are known as multicollinearity. Before establishing a correlation matrix, it must first be tested whether the analysis is feasible to proceed. To determine if the variables are feasible for further analysis, it can be observed from the KMO score. If the value of KMO MSA (Kaiser Meyer Olkin Measure of Sampling Adequacy) is greater than 0.5 then the analysis can proceed.

Kaiser-Meyer-Olkin (KMO)

The test is a measure of how suited your data is for Factor Analysis. The test measures the sampling adequacy for each variable in the model and for the complete model. The **statistic** is a measure of the proportion of variance among variables that might be common variance. Measured by the Kaiser-Meyer-Olkin (KMO) statistics, sampling adequacy predicts if data are likely to factor well, based on correlation and partial correlation. In the old days of manual factor analysis, this was extremely useful. KMO can still be used, however, to assess which variables to drop from the model because they are too multicollinear. There is a KMO statistic for each individual variable, and their sum is the KMO overall statistic. KMO varies from 0 to 1.0 and KMO overall should be 60 or higher to proceed with factor analysis. If it is not, drop the indicator variables with the lowest individual KMO statistic values until KMO overall rises above 60. The concept is that the partial correlations should not be very large if one is to expect distinct factors to emerge from factor analysis.

III. RESULTS AND DISCUSSION

Overview of traditional markets in Bukittinggi City

In this study the object is the Lower market Bukittinggi, starting from the entrance of Pasar Bawah, the street of Abu Bakar to Pasar Aur Tajunggang area. Pasar Bawah Bukittinggi sells a variety of needs and consists of several section: *los meat*, *los maco*, *los saka*, coconut stalls, snack stalls, rice stalls, chicken stalls, potato stalls, and several stalls in groups for fruit, traditional medicine, *lontong* and *ketupat*, fish, vegetables, clothing, sandals and shoes, salted fish, fruit, tofu, *tempeh*, *sanjai* crackers, and others.

Merchants at the Bukittinggi City market are about 622 stores, 705 monthly field and street vendors (PKL) for market days of approximately 520 people, and on

weekdays 200. A comfortable, secure and adequate market will be a top choice for most buyers. This condition should be a serious concern from traders in traditional markets. Although the traditional still has the attraction to be visited by potential buyers. Traders must know that competition is not only limited to the quality and price of the product, but also to other levels of how to satisfy customers from other factors, such as the convenience of shopping and other special interesting nuances that are not owned by the modern market.

Eight variables tested

Eight variables tested are Physical Condition, Product, Service, Price, Personality, Location, Commercial Source and Reference Group which become traders perception on traditional market in Bukittinggi 7 variable that is Service, Personality, Price, Physical Condition, Product, Reference Group and Commercial Sources have a loading value above 0.5 so that including the dominant factor determines the consideration of shopping in Bukittinggi traditional market even though the traditional market is still in an inadequate condition and still has not been revitalized under consumer expectations.

Table 1. KMO MSA Value

| | | |
|--|--------------------|---------|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | .822 |
| | Approx. Chi-Square | 110.140 |
| Bartlett's Test of Sphericity | Df | 28 |
| | Sig. | .000 |

Can be seen the value of KMO MSA is 0.822 with significance 0.000. Since the KMO MSA value is greater than 0.5 and the significance value is well below 0.5 then the variables can be further analyzed. The overall KMO is printed in the "KMO and Bartlett's Test" table of the Factor output.

Table 2. MSA Value

| Variable | Nilai MSA |
|--------------------|-----------|
| Physical condition | 0.842 |
| Product | 0.862 |
| Service | 0.655 |
| Price | 0.831 |
| Personality | 0.771 |
| Location | 0.869 |
| Commercial Sources | 0.836 |
| Reference Group | 0.867 |

The Measures of Sampling Adequacy (MSA) for individual variables are printed as the diagonal elements of the Anti-image Correlation matrix in the "Anti-image Matrices" table of the Factor output.

Table 3. The value of Commuality

| Variable | Initial | Extraction |
|--------------------|---------|------------|
| Physical condition | 1 | 0.603 |
| Product | 1 | 0.630 |
| Service | 1 | 0.836 |
| Price | 1 | 0.512 |
| Personality | 1 | 0.658 |
| Location | 1 | 0.305 |
| Commercial Sources | 1 | 0.562 |
| Reference Group | 1 | 0.555 |

From Table 3 it can be seen that the number contained in the extraction column shows that for the Physical Condition Variable is 0.603. This means that about 60.3% of the variables of the Physical Variable. This variable can be explained by the factors formed. And so on for other variables, provided that the greater the value of the extraction of a variable, the more closely related to the factors formed. The smaller the value of communalities means the weaker the relationship with the factors formed.

Factor Rotation (Merchants). In this study, the rotation used to facilitate factor interpretation is a varimax rotation. The following table shows the weight of rotation factor.

Table 4. Weight of Variation Factor of Varimax Rotation

| Variable | Faktor | |
|-------------------------|--------------|--------------|
| | 1 | 2 |
| (x1) Physical condition | 0.368 | 0.684 |
| (x2) Product | 0.510 | 0.609 |
| (x3) Service | -0.189 | 0.895 |
| (x4) Price | 0.715 | -0.016 |
| (x5) Personality | 0.799 | 0.141 |
| (x6) Location | 0.439 | 0.0335 |
| (x7) Commercial Sources | 0.529 | 0.532 |
| (x8) Reference Group | 0.564 | 0.486 |

Product variables (x2) have a loading value of 0.609 which means that in traditional market must understand that not a cheap price of consumer interest, but the product must be qualified, although traditional market provides complete goods,

on the one hand, the goods provided are still fresh and new even though it does not have the attractive packaging that is on the modern market but some products provided are out of fashion.

For the perception of traders, variable Service (x3) or service has the biggest factor loading is 0.895 which means that the service given becomes the most dominant factor as a consideration of decision to shop in the traditional market. Price Variable (x4) has a loading factor of 0.715 which means that traditional market has cheaper price compare with the modern market and with bargaining system so the buyer is difficult to be deceived own price, and the absence of bandrol price become one of the characteristics from traditional markets. Personality variable (x5) has a loading value of 0.799 means that traditional markets are still in great demand by the standard lifestyle people, who shop in the majority traditional market is lower-middle-class society.

Location variable (x6) has a loading value of 0.439 this variable has the lowest loading value compared with other variables, in this case, we can know that the location is not an influential factor, to the consideration of shopping in Bukittinggi traditional market.

Based on traders perception, price becomes the most decisive factor for consumer buying decision in the traditional market, whereas for consumer perception price is not the most important factor, the price is the second factor. Consumers are more concerned with physical conditions where there is demanded consumer shopping convenience. As well as location, consumers do not really consider the location where they can get the product they want, but with convenience, shopping security, quality products, personality and commercial sources where consumers can get product information, it is much more considered than price and location factors. Here we can see the difference of perception between consumer and trader itself, where according to the trader, more factor considered is price, personality, location and reference source. Here that needs to be understood by the trader is that the deciding consumer decision to shop in Bukittinggi traditional market should be noted for the traditional market remains alive and be touched by many people. Here certainly cannot be separated from the Office of traditional market Manager in Bukittinggi for program completeness, security, and convenience, consumer shopping.

The policy to revitalize the market should be done as soon as possible as this will not only benefit traders with a turnover that will go up but also buyers' convenience while shopping. Restores the optimization of traditional market performance and improved infrastructure and enhanced market role as a distributor of local products.

IV. CONCLUSION

The authors can propose some suggestions for the traditional market can be developed, in this case, we refer to the wishes of consumers themselves regarding the market revitalization so that both the traders and buyers alike feel the impact of government intervention for market traditional modern nuances soon be done. With the revitalization of the market, it will create a safe and orderly atmosphere that will support the beauty of the city with no more merchants who sell on the side of the road.

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The Influence of Halal Label and Brand Ambassador on Decision of Purchasing Cosmetic Wardah in Padang City

Yofina Mulyati, Vebi Resti Irya

Faculty of Economics, Universitas Dharma Andalas, Indonesia

Yofina_Mulyati@yahoo.com

ABSTRACT

This research aims to determine the influence of halal label and brand ambassador on the purchase decision of wardah cosmetic products in Padang city. The population in this study is all customers who use Wardah cosmetic products in Padang city period of 2017 that is not known with confidence in number, with a total sample of 138 respondents. The sampling technique is using accidental sampling method. Data analysis methods employed consist of: validity and reliability test, classical assumption test, multiple regression analysis, hypothesis testing through t test and F test, and coefficient of determination analysis (R^2).

The results of this study show that halal label has a positive and significant effect on the decision to purchase Wardah cosmetic product in Padang City. Brand Ambassador has a positive and significant effect on the decision to purchase Wardah cosmetic products in Padang City. Regression model can be applied to predict the decision of purchasing Wardah cosmetic product in Padang city or can be said that the label of halal and brand ambassador together have the positive and significant effect to the decision of purchasing cosmetic wardah product in Padang city. Then the value of adjusted R Square is equal to 0.391 this means 39.1% of purchasing decisions Wardah cosmetic products in the city of Padang which can be described by the label of halal and brand ambassador while the remaining 60.9% is explained by other factors not investigated in this study.

Keywords: *Halal Label, Brand Ambassador, Purchase Decision*

I. INTRODUCTION

As a country whose majority of the nation is Muslim, the halal of a product turns into a major concern. Increased awareness of consuming halal products to Muslim consumers, results from a further understanding of religion and producer education on the importance of halal certification on its products. Consumers become more critical and search for the correct and complete information before deciding to purchase a product.

One pioneer of cosmetic products that put forward the principle of halal cosmetics is WARDAH cosmetic, which has got a halal certificate from MUI. Besides having a halal certificate, the use of figures or idol figures who became brand ambassadors on product advertising also made Wardah to stimulate and encourage the sale of its products. This study aims to determine how the influence of halal label

and brand ambassador on the decision to purchase Wardah Cosmetic products in Padang City either partially or simultaneously

Purchase Decision

Setiadi (2003: 332) mentioned consumer decision making is an integration process that combines knowledge to evaluate two or more alternative behaviors and choose one of them. The result of this integration process is a choice which is presented cognitively as a desire to behave. While Schiffman and Kanuk (2007: 485) define that decision is the selection of two or more alternative options. Alternative choices must be available to a person when making decisions.

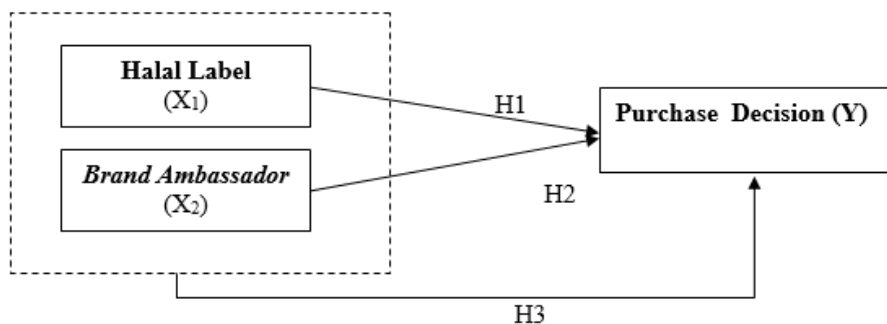
Halal Label

Labels are a simple display of intricately designed products or drawings that are one with packaging, which carries a verbal message about the product. (Tjiptono, 2008: 98; Kotler and Keller, 2009: 276). The halal label is a guarantee given by an allowed institution such as the Indonesian Food and Drugs Cosmetics Review Institute (LP POM MUI) to ensure that the product has passed the halal test corresponding to Islamic Shari'a. Including halal label means to provide consumers with halal protection and comfort for the use of the product (Yuswohady, 2015: 23). In relation to the label, consumers need to obtain correct, clear and complete information about quantity, content (halal or haram), and the quality or other matters required regarding the product on the market. Information on product labels is necessary so that consumers can precisely make choices before deciding to buy.

Brand Ambassador

Various ways prepared by the company to maintain its products in demand by consumers, one of which is to employ celebrity as a star or as a brand ambassador. Using brand ambassador is expected to represent the wishes and needs of potential customers and ready to provide a positive image for the brand of a product and company. Shimp (2010: 250) says brand ambassadors are people who support a brand from popular community leaders, apart from popular people can also be supported by ordinary people and more generally referred to as ordinary endorser. The purpose of using brand ambassador is to encourage consumers to use a company's products and to increase sales.

The current research is conducted by the following framework.



Hypothesis

From the formulation of problems and review of the above literature then in this study proposed the following hypothesis:

H1: Halal label has a significant positive effect on purchasing decision of Wardah Cosmetic

product in Padang City.

H2: Brand Ambassador has a significant positive effect on purchasing decision of Wardah

Cosmetic product in Padang City.

H3 : Halal Label and Brand Ambassador together have a significant positive effect on purchasing

the decision of Wardah Cosmetic product in Padang City.

II. METHOD

Population, Sample and Sampling Technique

The population in this study is all customers who use Wardah cosmetic products in Padang city period 2017 which is not known with certainty amount. Therefore to get the number of samples in this research, the researcher uses Chocran formula approach (Sarwono, 2012: 25), so that the sample is 138 people. The sampling method used is a nonprobability sampling method with accidental sampling technique.

Operational Variabels and Collecting Data Method

The research variables consist of: Independent variables are Halal Label (X₁) and Brand Ambassador (X₂), and the dependent variable (Y): Purchase Decision. Types of data used are quantitative data and data sources primary data and secondary data sources. Data collection method was done by using a questionnaire.

Data analysis method

Data analysis methods used include Validity and reliability test, descriptive analysis, Multiple Linear Regression Analysis and hypothesis test using Partial Hypothesis Test (Test t) and Simultaneous Hypothesis Test (F test) and coefficient of determination analysis.

III. RESULTS

Test Validity and Data Reliability

Based on the validity test that has been done, obtained the result that all statement items of the three variables used in this study stated valid because the value of r arithmetic seen from corrected item-total correlation greater than 0.30, as well as the results of reliability test results obtained that the value of Cronbach's Alpha for all statement items from the three variables of this study has Cronbach's Alpha value greater than 0.60, so it can be concluded all statement items from research variables are halal label, brand ambassador, and purchase decision is reliable.

Classic Assumption Test

From the classical assumption test comprising the test of Normality, Multicollinearity test, Heteroskedasticity test obtained the result that the regression model meets the assumption of normality, there is no correlation between the independent variables and there is no problem of heteroscedasticity. Therefore the classical assumption test is met.

Multiple Linear Regression Analysis

Multiple Linear Regression Analysis aims to see the effect of the halal label and brand ambassador on the decision to purchase Wardah cosmetic products in Padang city. From the result of multiple linear regression analysis obtained regression equation as follows:

$$Y = 1,586 + 0,273X_1 + 0,341X_2 + e$$

Hypothesis Testing

Partial Test (Test Statistic t)

The statistical test t basically shows how far the influence of one independent variable individually in explaining the variation of the dependent variable. Assuming that if the significant t-count value can be seen from the regression analysis show small of $\alpha = 5\%$, it means that independent variables affect the dependent variable. Results of data processing can be seen as follows:

Table 1 Partial Hypothesis Test Result (t test)

| Dependent Variabel | Independent variabel | Regression Coefficient | T count | Significance | α | Information | Decision Hypothesis |
|-------------------------|-----------------------|------------------------|----------------|--------------|----------|------------------|---------------------|
| Purchasing Decision (Y) | Constanta (a) | 1,586 | | | | | |
| | Halal Label (X1) | 0,273 | 4,165 | 0,000 | 0,05 | Significan ce | accepted |
| | Brand Ambassador (X2) | 0,341 | 6,688 | 0,000 | 0,05 | Significan ce | accepted |
| | | | T table= 1,978 | | | | |

Source: Primary data processed, 2017

1. Hypothesis Testing between Halal Label Against Decision to Purchase Wardah Cosmetic Products In Padang City

Based on the analysis result, the regression coefficient value of halal label (X1) is 0,273 with t count $4,165 > t \text{ table} = 1,978$ and significance value 0,000 (sig $< 0,05$). Thus H0 is rejected and Ha accepted, so it can be said the halal label has a positive and significant impact on the purchase decision wardah cosmetic products in the city of Padang.

2. Hypothesis Testing between Brand Ambassador Against Decision to Purchase Wardah Cosmetic Products In Padang City

Based on the analysis result, the value of regression coefficient of brand ambassador (X2) is 0,341 with t count $6,688 > t \text{ table} = 1,978$ and significance value 0,000 (sig $< 0,05$). Thus H0 rejected and Ha accepted so that can be said brand ambassador has a positive and significant effect on the decision to purchase wardah cosmetic products in the city of Padang.

Simultaneous Test (F Test)

From the data processing that has been done obtained the summary of the results as seen in Table 2

Table 2 Simultaneous Hypothesis Test Results (Test F)

| ANOVA ^{a,b} | | | | | | |
|----------------------|------------|----------------|-----|-------------|--------|-------------------|
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 9,234 | 2 | 4,617 | 45,031 | ,000 ^a |
| | Residual | 13,842 | 135 | ,103 | | |
| | Total | 23,077 | 137 | | | |

a. Predictors: (Constant), brand ambassador (x₂), halal label (x₁)

b. Dependent Variable: purchasing decision (Y)

Based on the above table, the value of f table at the level of significance 0.05 is 3.063 with F count = $45.031 > F \text{ table} = 3.063$ with a significance level of 0.000. Because the probability of significance is much smaller than sig < 0.05 , it can be said the halal label and brand ambassador together significantly influence the decision to purchase Wardah cosmetic products in Padang City. This condition reflects that the difficulties of purchasing decisions Wardah products in the city of Padang are influenced by the halal label and brand ambassador. The better and clearer the inclusion of halal label and the more appropriate in the selection of brand ambassador will further enhance the decision to purchase wardah products in the city of Padang.

Determination Coefficient Analysis

Based on the data estimation process that has been done so obtained a summary of test results as shown in Table 3 below:

Table 3. Results of Coefficient of Determination Analysis

| Model Summary ^a | | | | | | | | | | |
|----------------------------|-------------------|----------|-------------------|----------------------------|-------------------|----------|-----|-----|---------------|---------------|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics | | | | | Durbin-Watson |
| | | | | | R Square Change | F Change | df1 | df2 | Sig. F Change | |
| 1 | .633 ^a | .400 | .391 | .32021 | .400 | 45.031 | 2 | 135 | .000 | 2.123 |

a. Predictors: (Constant), brand ambassador (x2), halal label (x1)
b. Dependent Variable: purchasing decision (Y)

Based on table 3. above it can be explained that the adjusted R square is 0.391, this means 39.1% of Wardah cosmetic product purchase decision in Padang City which can be explained by the halal label and brand ambassador while the rest of 60,9% is explained by other factors not examined in this research.

IV. DISCUSSION

The Effect of Halal Label on the Decision of Purchasing Wardah Cosmetic Products In Padang City

Based on the analysis established the halal label has a positive and significant effect on the decision to purchase Wardah cosmetic products in Padang City. This explains that the image and writing on the packaging of products into a consideration of consumers who use Wardah cosmetic products in the city of Padang. If the wardah cosmetics products include a halal label on each packaging and can be seen clearly by consumers, then the decision to purchase cosmetic wardah in the city of Padang will increase. This explains that the presence of halal images and writings on the packaging of products into the consideration of consumers who use Wardah cosmetic products in the city of Padang. If the wardah cosmetics products include a halal label on each packaging and can be seen clearly by consumers, then the decision to purchase cosmetic wardah in the city of Padang will increase.

The results of this study are consistent with the findings of Tarigan (2016) and Sopiah (2016) which examines the influence of lifestyle, halal label and price on Wardah Cosmetic purchasing decision with different research object. Both provide similar findings, partially and simultaneously lifestyles, halal labels and prices have a positive and significant effect on purchasing decisions of Wardah Cosmetics.

The Effect of Brand Ambassador Against Decision to Purchase Wardah Cosmetic Products In Padang City

Based on the analysis identified brand ambassador has a positive and significant impact on the decision to purchase Wardah cosmetic products in the city of Padang. This illustrates that if Wardah uses Brand Ambassador that has popularity

and good image and good skill and personality then the decision of purchasing cosmetic Wardah in Padang city will be growing.

The results are consistent with the results Samosir, et al. (2016) examined the influence of the use of brand ambassador Dewi Sandra to the decision to purchase cosmetic Wardah in the city of Bandung. Based on the results of the study there is the influence of brand ambassador cosmetics wardah Dewi Sandra against the purchase decision. The results are also consistent with the results of Yusiana (2015) investigates the influence of Gita Gutawa as Pond's brand ambassador in affecting purchasing decisions (case study on Telkom University student Department of Marketing Management D3). Based on research results found Gita Gutawa as Pond's brand ambassador significantly affect purchasing decisions.

V. CONCLUSIONS

- a. Partial test results demonstrate that the halal label has a positive and significant effect on the decision to purchase wardah cosmetic products in Padang City. The brand ambassador has a positive and significant impact on the purchase decision of Wardah cosmetic products in Padang city.
- b. The test results simultaneously indicate that the label of halal and brand ambassador together significantly affect the decision to purchase Wardah cosmetic products in Padang City. This condition implies that the fluctuation of purchasing decisions Wardah products in the city of Padang is affected by how well and clearly the inclusion of halal labels on the packaging and how precise and popular artists are employed as brand ambassadors on wardah products.
- c. The result of coefficient of determination obtained value of adjusted R square is equal to 0.391. This means that 39.1% of purchasing decisions Wardah cosmetic products in the city of Padang which can be described by the label of halal and brand ambassador while the remaining 60.9% is defined by other factors not investigated in this study.

Suggestions

Based on the conclusions obtained above, the authors can provide suggestions as follows:

- a. With the increasing understanding and awareness of the community will be important to consume halal products, it is advisable that the wardah company more clarify and enlarge the writing of halal label and put it on every packaging of cosmetic products.
- b. Company wardah should pay more attention to the personality of the brand ambassador that will be used by looking at the popularity, image, expertise,

and charisma it has so that will improve consumer purchasing decisions to wardah cosmetic products in the city of Padang.

- c. It is recommended for further research to develop this research model by considering or adding other variables that influence purchasing decisions.

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Analysis of Land Conversion and Its Impact Toward Farmer's Income

Yola Malinda, Nilma Desri Rosya, Putri Meliza Sari
STKIP PGRI Sumatera Barat, Indonesia
yolamalinda@gmail.com

ABSTRACT

Along with the growing population growth of West Sumatra, especially Padang from over years, this exposed agricultural land in Padang. Due to the increase in population, people's need for land is also increasing both for residential areas, factories, and shops due to increasing community activity. So this leads to the land conversion from agricultural land to non-agricultural. The research uses Two Stage Least Square methods to figure out the impacts of land conversion toward farmers income. This study found that land productivity and education level have a positive and significant impact on farmers' income where a location has no significant impact. To control land conversion in Padang, appropriate development strategies are needed.

Keywords: *Land conversion, farm land, Padang, House*

I. INTRODUCTION

West Sumatra is one region in Indonesia whose major economic system is contributed by the agricultural region. Based on statistics from the Central Bureau of Statistics (BPS) in 2014, the agricultural sector contributes to the Gross Regional Domestic Product (GRDP) of 51.04 percent. The high contribution of the agricultural sector to the GDP of West Sumatra is certainly not independent of the sufficiency of agricultural land. However, based on the results of the report on the strategy of controlling the conversion of agricultural land by the Directorate of Food and Agriculture of the Ministry of National Planning and Development (BAPPENAS) in 2006, it was found that the groupings of 11 provinces studied were West Sumatra included in category 2, i.e. the importance of control over function the land is in the high category where the priority of the target is to minimize the chances of land conversion.

The results of Bappenas study are also supported by data from the West Sumatra Food and Horticultural Crops (Dipertahor) Office that in the last 10 years, the conversion of rice fields into housing and plantation development areas is over 2,000 hectares (ha) of the total paddy fields that are converted to function is dominated by the city of Padang that reaches 1,000 hectares.

Padang City is the capital city of West Sumatra province with flat-hilly topography type. One problem of the urban population is the enormous population

growth, both due to natural population growth and population growth due to the urbanization flow from the rural areas. High population growth will cause urban density. Based on BPS data in 2015 the population of Padang City in 1990 was 656,992, raised to 723,321 in 2000, then moved up to 833,562 in 2010, then moved up again to 889,646 in 2014. The population growth is always dynamic with the trend is always increasing every year following in the need for land to be built remains to increase. Based on the result of the research, the impact of population growth on land conversion in Padang City in 2012 by the Directorate of Population and Family Planning Population Identification Analysis (BKKBN) obtained the result that there is a remarkably close interaction between land conversion with rising population where one population growth will lead to land conversion to be set up at 0.025 hectares or 250 m².

In Table 1 below illustrates that the area of land converted from non-constructed land into constructed land in each sub-district in Padang City from 2000 to 2010 differs. The areas with the largest land conversion are located in Koto Tengah sub-district, amounting to 2076.2 hectares and then Kuranji sub-district of 1505.1 hectares. This area besides still large, with an almost flat morphology, is also quite strategic, especially for residential neighborhoods, because it is located far from the beach compared to other areas. Tsunami in Aceh in 2004, and then the earthquake of 30 September 2009 in the city of Padang gives traumatic for residents in the city of Padang, so there is a tendency of some residents move to find a location that is considered safe enough aside from the coast. Furthermore, when viewed from the use of converted land in the city of Padang, wetlands became the largest developed area in Kuranji district that is 960.2 hectares, Pauh district 960.2 hectares and Koto tangah District that is equal to 453.1 hectares. Padang City is not central food agriculture. The lack of rice fields is due to land conversion that occurs every year. According to Padang city government estimates, every year the shrinkage of agricultural areas in the area due to the construction of residential areas reached 150 hectares to 200 hectares. With the remaining rice field area, harvest ability for the needs of the population only reached 43.79 percent, while 56.21 percent others from outside the region. The need of rice for the community in this area is about 95,465 tons per year, while the rice production in 2011 is only 74,566 tons, and rice is only 46,976 tons. It means require additional rice from other areas.

Land conversion is a logical consequence of increased activity and population and other development processes. Conversion of land is mostly a natural phenomenon, but in fact, land conversion is a problem because it takes place on farms that are still productive. Agricultural land can provide economic, social and environmental advances. Therefore, the narrowness of agricultural land due to conversion will affect the economic, social and environmental aspects. If the phenomenon of conversion of agricultural land to non-agriculture continues to occur uncontrollably, thus this will be a threat not merely for farmers and the environment, but this can be a national problem.

Reduced agricultural land due to conversion will contribute to reduced food production. Once farmland (rice field) switch function is not possible to be a rice field. Conversion of agricultural land also involves environmental losses such as losing effective stretches to provide excess runoff that can further reduce flooding. The losses will continue to increase with the loss of employment and income for farmers, farm workers, rice mills and other sectors.

The land conversion may lead to reduced agricultural land, loss of employment from some farmers, reduced agricultural production and reduced income of some communities involved in the agricultural sector.

Farm Household Income

Economists usually identify two basic methods of income distribution, both of which are used for the purpose of quantitative data analysis. Both measures are the size of the income distribution, ie the amount or the share of income received by each person and the functional distribution or distribution of property of the factors of production (Todaro and Smith, 2008: 29).

Basically, these two approaches are employed to determine and assess the distribution of income. The functional revenue distribution is obtained from the theory of marginal productivity, otherwise known as the distribution of in-service inputs in microeconomic theory. The analytical tool of functional distribution is the production function and the allocation of production factors that are included in the production function. This approach is hardly adopted because the basic theory assesses the relationship between the inverted input services and the output generated in a specific production process.

The common approach employed is the personal or household distribution approach. This approach is carried by organizing individuals or individuals based on individual incomes into groups that will represent income-sharing patterns within a community group, then establish the proportion it receives by each group of total income.

The source of household income of farmers comes from the farming of paddy and non-farm. Farm household income is the sum of income from paddy farming and non-farm business. The income of farm households from rice farming is the income of husband and wife. Farm household income from non-farming is the sum of income of husband, wife, and child. To increase the overall income of farm households, the household members will divide working time to earn income. The activity is mainly aimed at the activities of rice farming and non-farm business (Rochaeni, 2010: 19). Revenue from outside the agricultural sector appears to contribute further, especially in less productive areas, in the sense that household income dependence on this sector is higher.

Expenditures and Household Meeting of Farmers

According to Engel (Sumardi, Mulyanto & Dieter Evers, 2008: 29). There is a relationship between the consumption of farm households for a good or group of

goods with the income of the farm household. He found that the proportion of income spent on food purchases was cut down by the rise of income levels. The level of income is not the only factor influencing consumption but also influenced by the number of household members, the composition of age, sex, geographic location, and education. In the analysis, it is not feasible to take into account all these factors. Usually limited to factors that are expected to have a great influence, such as the number of dependents, age, and education. To find out the average household income can be measured through expenditure and receipts.

There are several factors that determine the level of household expenditure (as poor as or in the mature economy) is expressed (sukirno, 2008: 32), the most significant is household income. The characteristics of the relationship between consumption expenditure and disposable income are:

- a. At low incomes, households must use past assets or savings to finance their consumption expenditures
- b. Increase in income raises consumption expenditure, usually, the income increase is higher than the increase in consumption. The remaining income will be saved
- c. At high income households save. Because the increase in income is always greater than the increase of consumption, then ultimately households do not scrape the savings again.
- d. Consumption is a function of income that can be spent, stated (Supriana in Whenlis, 2008: 33) there are several hypotheses about the consumption behavior proposed, including the absolute income hypothesis that Keynes discloses. Keynes suspects that the consumption function has the following characteristics:
- e. Consumption tendency is a stable function and the amount of aggregate consumption is determined by the amount of aggregate income.
- f. Consumption will increase if income increases, but the increase in consumption will not be as much as an increase in income
- g. The higher the income level, the greater the distance between income and consumption. It will also show that the higher the income, the greater the proportion of saved income.
- h. Revenue increase will be followed by an increase in savings and a decrease in income will be followed by a decrease in savings in larger quantities.

Agricultural Land Conversion Theory

The land is a terrestrial land area whose characteristics encompass all the attributes of the atmosphere, land, geology, relief, hydrology and plant and animal populations, both regular and descending, as well as the results of previous human activities and the present if they significantly influence the present and future land use. So, the land has natural and cultural characteristics. According to Notohadikusumo (2005), the land is a regional operational description. Land (land)

is a stretch of land that is an integration of several natural and cultural resources. The land contains several ecosystems and is also a part of the ecosystems it contains.

Rice fields are one of the agricultural lands that became the object of land conversion. In the context of national agricultural development, wetland system is a very strategic land-use typology, this is caused by several factors (Nasoetion and Winoto, 2006: 21):

- a. Rice fields are the main medium of growth of rice, the staple food of most Indonesian citizens who have strategic value economically and politically.
- b. Suitable land for wetland production is viewed from a physical, chemical and biological point of view.
- c. Viewed from the standpoint of environment and natural resources, wetland ecosystem is considered the most stable compared to other agricultural cultivation ecosystems. Characteristics that can be seen is the level of erosion and washing of plant nutrients on paddy fields is very small and efficient, the level of water use in rice fields is relatively high.
- d. The cost of physical investment for the printing and development of wetland farming systems is very large, both in relation to the construction of reservoirs, irrigation systems, as well as a consolidation of wetland ecosystems which generally take over 10 years.
- e. The cost of providing in the development of social structures is primarily in the form of institutional development of agriculture.
- f. Land ownership has broad political implications. It is not uncommon for wet land ownership structures to be a pillar of the power distribution structure of rural communities.

Sumaryanto and Sudaryanto (2005: 45) stated that agricultural land has several benefits that are broken down into two categories based on the value of its use (use value), among others:

- a. Use value, resulting from exploitation activities or farming activities on agricultural land or frequently referred to as personal use values. Benefits received are marketed output and other benefits that are not measured empirically (unpriced benefit)
- b. Non use values / intrinsic values, created by themselves, though not the primary purpose of exploitation by land managers. The congenital benefits of agricultural land such as flood prevention, water balance control, erosion prevention and as a reduction of environmental pollution from household waste, as well as preventing air pollution from exhaust gases

Utomo et al. (1992) define land conversion or commonly pointed out to as land conversion as a change in the use or function of some or all of the land area from its initial function (as planned) into separate functions that contribute to negative impacts (problems) to the environment and the potential of the land itself. Land use a change in terms of change/adjustment of allotment of use, caused by the factors in

outline consists of the need to meet the needs of a growing amount of people and increased demand for a better quality of life.

- a. The land conversion has a pattern (Sumaryanto and Sudaryanto, 2005: 34), among others:
- b. Direct land ownership by owners, the impact of conversions is significantly visible for a long time
- c. The transfer of functions to the existence of paddy fields is rapid and tangible.

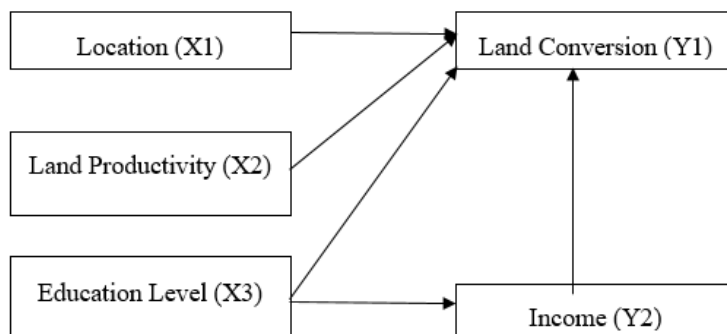
Tajerin (2005: 10) states that total availability is permanent in a region, whereas demand for land is increasing rapidly, especially around urban areas. The increasing pressure on the land could be one factor driving land conversion. In line with this, Irawan (2005: 24) added that the conversion of paddy fields is driven by the need for land for housing construction that can be stimulated by high population growth, besides the conversion of paddy fields is mainly caused by the need for land for the construction of transportation facilities and facilities public in order to boost economic growth, besides the need for land for housing construction.

Most times, land conversion is not independent but accompanied by transferring the land ownership from farmers to new owners. Transfer of land ownership is done by way of land sale transaction, inheritance, pawn, etc. Land conversion by farmers themselves has no significant effect as they will maintain their share of land to be cultivated in agriculture.

II. METHODS

The definition of land conversion generally involves a transformation in the allocation of land resources from one use to another. Conversion of agricultural land is done both on a small scale and on a large scale. They convert their agricultural land into non-agricultural forms such as residential areas, shops, factories and others. This land conversion increases household incomes and increases the economic value of agricultural land. This will affect the dynamics of the economy that originally rely on rice farming gradually shifted to non-agricultural. Based on the theoretical studies that have been described earlier, the conceptual framework of this study can be described:

Figure 1. Conceptual Framework



To answer the research problems, this research use two stage Least squares method (TSLS) with the equation below :

$$Y_1 = \alpha_0 + \alpha_1 X_1 + \alpha_2 X_2 + \alpha_3 X_3 + \varepsilon_1 \dots\dots\dots (1)$$

$$Y_2 = \beta_0 + \beta_1 Y_1 + \beta_2 X_3 + \varepsilon_2 \dots\dots\dots (2)$$

Y1 = land Conversion,

Y2= Income,

X1= Location ,

X2 = Education level,

X3 = land productivity

III. RESULTS

This analysis is conducted in Kecamatan Koto Tengah and Kuranji Kota Padang, West Sumatera Province. The population of this research is farmers in Kecamatan Koto Tengah and Kuranji Kota Padang West Sumatera Province. Respondents picked up in this research are farmers who have the land but have converted the land by changing its function to business outside agriculture either whole land or partly.

Equation 1 states that land conversion is determined by Location, land productivity, and educational level. While equation 2 states the income of farmers is affected by land conversion and education level. Based on the identification then equation 1 and equation 2 are further identified, then used the reduced form as follows:

$$Y_2 = \beta_0 + \beta_1 (\alpha_0 + \alpha_1 X_1 + \alpha_2 X_2 + \alpha_3 X_3 + \varepsilon_1) + \beta_2 X_3 + \beta_1 \varepsilon_0 + \beta_2 \varepsilon_1$$

$$Y_2 = \beta_0 + \beta_1 \alpha_0 + \beta_1 \alpha_1 X_1 + \beta_1 \alpha_2 X_2 + \beta_1 \alpha_3 X_3 + \beta_2 X_3 + \beta_1 \varepsilon_0 + \beta_2 \varepsilon_1$$

$$Y_2 = \beta_0 + \beta_1 \alpha_0 + \beta_1 \alpha_1 X_1 + \beta_1 \alpha_2 X_2 + (\beta_1 \alpha_3 + \beta_2) X_3 + \beta_1 \varepsilon_0 + \beta_2 \varepsilon_1$$

From the calculation results:

$$Y_1 = f (X_1, X_2, X_3, Y_2) + e$$

$$Y = -1022205 - 54943,7 + 0,618 + 111279,5$$

From the two stages least squares equation model above it can be seen that Constant value -1022205 means that without the influence of exogenous variables the value of an endogenous variable is only -1022205. It means that if the exogenous variable is constant (location, education level, and productivity) then the income variable is only -1022205.

The regression coefficient of location variable (X1) is -54943,7 which is negative. It means that the location influence on income if the location variable increases by one km will decrease the income of 54943.7 in each km, assuming that other variables are remian unchanged or constant.

The coefficient of regression of education level variable (X2) equal to 0.618 marked positive. This means that the effect of education level on income, if the variable level of education increases by one unit then will increase the income of 0.618 in each unit, assuming that other variables do not change or constant.

The regression coefficient of productivity curve (X3) is 111279,5 which is a marked positive. This means that the effect of productivity on income, if the productivity variable increased by one unit then will increase the family income of 111279.5 in each unit, assuming that other variables are not changed or constant.

Tabel 1. t-test Result

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|-----------------|--------------------|-------------------|--------------------|--------------|
| C | -1022205. | 694414.3 | -1.472040 | 0.1546 |
| X1 | -54943.70 | 45786.46 | -1.199999 | 0.2424 |
| X2 | 0.618645 | 0.057047 | 10.84442 | 0.0000 |
| X3 | 111279.5 | 58749.97 | 1.894121 | 0.0709 |

Based on table 1 above, in the test model Test t for location variable (X1) coefficient value of -54943,70, this coefficient is not significant obtained tcount value of 1.19 ttable of 1.706 ($t < t_{table}$) then H1 is rejected and H0 is accepted so that it can be concluded that location (X1) has no effect on income change (Y). This value is not significant because the agricultural land under study here is agricultural land converted into housing that is located away from the highway.

Based on the result of the second hypothesis test by using the variable of education level (X2) coefficient value of 0.618645, this coefficient significant obtained tcount value of 10.84442 ttable of 1.706 ($t_{count} > t_{table}$) then H1 accepted and H0 rejected so it can be concluded that the level of education (X2) influences income change (Y1). This means that if the level of education increases it will increase revenue.

Based on the results of the third hypothesis testing land productivity variable (X3) coefficient value of the coefficient is significant 111,279.5 t values obtained at 1.894 ttable 1.706 ($t > t_{table}$) then H0 rejected H1 accepted and thus it can be concluded that the productivity of the land (X3) influence revenue change (Y1). This means that if land productivity increases then income will also increase. Similar results are also shown by research conducted in Tomohon (Benu, 2013) which found that soil fertility rates as one factor causing increased land conversion. The impact of this Spatial and Regional Plan change will reduce the use of agricultural land into residential land and various office service facilities. But as long as the agricultural land is still productive it will still be used as agricultural land such as in Bungus, Koto Tengah, Kuranji and Pauh sub-districts which have high soil fertility level, while the unproductive land may be converted to a function.

Land usage in Kota Padang has increased in the residential land. This is due to the high demand for housing which is also supported by government programs for public housing. The rate of growth of housing land since 2011 - 2015 is 1.077% and still will continue to increase considering the ongoing construction of public housing.

Data of National Land Agency 2015 showed a significant decrease in vacant land and non irrigated rice field that is equal to 38.87% and 22.53%. This shows that the rapid development of public housing and shop-houses in Padang City resulted in the conversion of land. The increase in the number of land conversion in Padang city in general and Kuranji district, in particular, is inevitable given the increase in population and the high demand for housing.

To control the land conversion in Padang generally, it is mandatory to have a control strategy, considering the function of the rice field as well as the source of food security. Based on the research found that land conversion is also caused by the existence of economic activity. To support the government's program to make Padang City as a Halal and environmentally friendly tourism city, it is necessary to divide the land into three hierarchies as a source of food security, economic activity, and tourism.

IV. CONCLUSION

This study uses Two Stage Least Squares Method found that location has no significant effect on income (Y2). It is explained by, $1,199 < 1,706$ then H1 is rejected and H0 is accepted so it can be concluded that Location variable (X1) has no significant relation to income (Y2). The level of education has a significant effect on income (Y2). This is explained from $10.844 > 1.706$ then H2 is accepted and H0 is rejected so that it can be concluded that education level variable (X2) there is a positive and significant relationship to income (Y2). Productivity has a significant effect on income (Y2). It is described from $1.89 > 1.706$ then H1 is accepted and H0 is rejected so it can conclude that productivity variable (X3) there is a positive and significant relationship to income (Y2).

Land conversion is an inevitable activity for which strategic planning is needed to control it. In accordance with land use planning in Padang City, it is necessary to pay attention to the government's attention to control land conversion by considering three aspects, namely food security, economic activities and halal tourism and environmentally friendly.

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The Analysis of Tripple Bottom Lines Theory on The Legal Basis of Corporate Social Responsibility Implementation in Indonesia

Yulia Risa

Dharma Andalas University, Indonesia

ABSTRACT

The application of Triple Bottom Line concept was introduced by John Elkington in 1988. These triple concepts are economic prosperity, environmental quality and social justice. On the concept of sustainable development, companies are not longer faced by the responsibility which is based on the Single Bottom Line (SBL), that is corporate value which reflected in the financial cordition it self. But more standed on triple Bottom Line Concept (TBL) that are economic, sosial, and environment. This concept provide the legal basic of enforcement CSR in Indonesia Legal aspect of Company Sosial Responsibility (CSR) had been accomodate in various form of regulation in Indonesia. There are seven regulation related to corporate social responsibility either in the form of laws, goverment regulation and ministerial regulation.

The method of this research is qualitative normative method. This research based on the rules of exisiting legislation as a normative positive law based on existing legislation related by the management of corporate social responsibility. Thourgh this research, it will be known the aplication of tripple bottom line concept in an affert to realize sustainable development. By normalization of CSR principle, the nature of responsibility from voluntary will be mandatory, either, it wil be formed as a moral obligation and judicial obligations. Over the dynamic, legal research is corducted in the form of a jurnal with the tittle “ The Ardlyeis of Tripple Bottom Lines Theory on The Legal Basis of Corporate Social Responsibility Implementation in Indonesia.”

Keyword : *Tripple Bottom Lines, Corporate Social Responsibility.*

I. INTRODUCTION

Since the collapse of the New Order regime, people are increasingly brave to aspire and express themselves to the development of the business world of Indonesia. Society has become increasingly critical and able to perform social control (social control) to the business world. This is not the business people to run the business with increasingly responsible. Likewise his case with the awareness of the environment has been increasing. The problem of pollution is much in demand, from the bottom layer to the top layer. Each local government requires the manufacture of

sewage treatment plants to the head of industry in the region. there has been a court filed for going through this.

Many companies grow and grow around the community. And not a few also less people because the waste produced is not processed or disposed of. The development of the business world can not be the same as the external environment, so this has become the center of attention for academics, practitioners and regulators and NGOs since the last few decades. This condition is also triggered by the development of social dynamics related to globalization, free market (free market), regional economic cooperation, reduced role of government, and the increasingly dominant role of private sector in economic development, more importantly from this social dynamics is more generous and creative society on human rights, justice, social equity, environment and empowering society and information (both informed) on the activities of a company. All the social dynamics that can not be separated from the negative impact of the operation of a company.

The paradigm shift in the business environment encourages a company organization to be able to make its important contribution to each stakeholder. The success of a company, whether private or government, is not hayable will be determined by the success of its business only in achieving financial benefits, and also in the fulfillment of social so that the implementation of the business in charge of private companies and government companies. In the idea of CSR, according to John Elkington, the company is no longer faced with the responsibility on the single bottom line, which is the corporate value reflected in its financial condition (CSR) should be on the triple bottom line (3BL). Here another bottom line, in addition to financial are social and environmental aspects.

II. METHODS

This research uses a method of doctrinal or normative approach that is research that examines the legislation in a coherent legal order. Through this research will be known how the application of triple bottom line theory on the legal basis of the implementation of corporate social responsibility in Indonesia. In accordance with the research approach used is doctrinal or normative research,

The method of collecting primary, secondary, and tertiary legal materials is through document studies. Then the interpretation of the principal law is the method of interpretation to understand the law by seeking the conformity of the existing principles of CSR and grammatical interpretation is to grasp the meaning or meaning of legislation based on word for word.

III. DISCUSSION

1) Triple Bottom Line Jhon Elkington Tentang Corporate Social Responsibility.

The concept of Triple Bottom Line was introduced by John Elkington in 1988 through his book "Cannibals with forks, the Triple Line of Twentieth Century

Business. Elkington developed this triple concept in economic prosperity, environmental quality and social justice. (Yusuf Wibisono, 2007), which previously emphasized the concept of single bottom line only, that corporate value is only emphasized on its financial condition. With the CSR program implemented by the company, it should be emphasized on the concept of triple bottom line that consists of financial, social, and environmental aspects (profit, people, and planet). This concept explains that firms should prioritize the interests of stakeholders (all parties involved and affected by the activities of the company) rather than the interests of shareholders.

In the idea, the company no longer stands on the single bottom line, in the form of economic aspects that think of profit alone, but also there are other thoughts in the form of 2 P again. Profit perusahaan tetap harus berorientasi untuk mencari keuntungan.

1. This profit factor for the company is necessary because:
 - a) Profit becomes the purpose of business activities, in order to maintain business continuity.
 - b) Profit is as an incentive or pendorong to work more efficiently.
 - c) Profit achieved is a standard measure of comparison with other businesses.
 - d) Profit will be the object of tax, as income for the government

2. People,

Companies must have concern for human well-being. The company stands in the midst of a society whose members are individuals. Companies must be close to, they, because people are the source of life for the company.

3. Planet.

Companies care about the environment, as well as biodiversity conservation. The more advanced a company the more natural resources it needs, and the more intense they explore the bowels of the earth, the soil dug, the forests are cleared, the flow of water is disturbed, pollution and others.

Application of Triple Bottom Line Theory to the Legal Foundation of CSR Implementation in Indonesia.

Given the urgency and consideration of societal social dynamics at both the local and global levels, legislators are determined to withdraw CSR initially as a moral responsibility to legal responsibility by enforcing it into various statutory provisions. With the effectiveness of these CSR principles, the nature of the responsibility of voluntary changed into mandatory, as defined in Law Number 19 of 2003 on State-Owned Enterprises, Law Number 25 Year 2007 on Investment and Law Number 40 Year 2007 on Limited Liability Company.

Since then there has been a shift in the paradigm of a company's success. If so far the size of the success of a company (multinational) seen from its annual financial report (profit oriented) has shifted, where the success of profit is no longer placed as

the only measure of success in the development of corporate existence, but one of the variables seen from the application of CSR as efforts to realize corporate image (corporate image).

Considering its urgency and considering the social dynamics of society both locally and globally, legislators have decided to withdraw CSR initially as a moral responsibility to be the responsibility of law by menormakannya into various regulations of legislation. With the effectiveness of these CSR principles, the nature of its social responsibility from voluntary changed into mandatory, as defined in Law Number 19 Year 2003 on State-Owned Enterprises, Law Number 25 Year 2007 of Capital Investment and Law Number 40 Year 2007 on Limited Liability Company.

IV. CONCLUSION

- a. The concept of Triple Bottom Line has been introduced by John Elkington to give a paradigm shift which previously the company only emphasized the concept of single bottom line, that is the value of the company (corporate value) only emphasized on the financial condition (financial) only. With the CSR program implemented by the company, it should be emphasized on the concept of triple bottom line that consists of financial, social, and environmental aspects (profit, people, and planet).
- b. Legal aspects of corporate social responsibility (CSR) implementation have been accommodated in various forms of regulation in Indonesia there are 7 (seven) regulations related to corporate social responsibility in the form of laws, government regulations, and ministerial regulations. Corporate Social Responsibility / Corporate Social Responsibility With the normalization of these CSR principles, the voluntary nature of responsibility transforms into mandatory, an adoption of the triple bottom line theory proposed by John Elkington. moral obligations and juridical obligations.

Suggestion

- a. The necessity of applying the concept of Triple Bottom Line in maintaining the sustainability of the company is not enough to just pursue profit or profit alone, because the phenomenon of companies in Indonesia prefer the profit only with meperhatikan aspects of humanity and the environment will mebawa impact on the sustainability of companies in the future.
- b. There needs to be a unity of arrangements related to Corporate Social Responsibility at the international level and clarify the arrangements at the national level, especially Indonesia established by the government and legislators so that the obligations and rights of business actors to stakeholders are clearly detailed.

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Effect of Product Differentiation, Service Differentiation and Personal Difference on Business Performance of Creative Industry Sub Industrial Sector Craft in Padang City

Yulna Dewita Hia

STKIP PGRI Sumatera Barat, Indonesia
yulnadewitahia@gmail.com

ABSTRACT

This research aims to examine the effect of product differentiation, differentiation and differentiation of service personnel to the business performance of creative industry sub sector of the craft industry in the city of Padang. Results of the study: 1) there is positive and significant correlation between product differentiation (X1) to business performance (Y) in the creative industry sub sector of the craft industry in the city of Padang with regression coefficient 0.272 and thitung (3.374) > t table (1.67022). 2) there is positive and significant correlation between service differentiation (X2) on business performance (Y) in the creative industry sub sector of the craft industry in the city of Padang with regression coefficient 0.205 and thitung (3.423) > t table (1.67022). 3) there is positive and significant correlation between differentiation personnel (X3) on business performance (Y) in the creative industry sub sector of the craft industry in the city of Padang with regression coefficient 0.730 and thitung (9.508) > t table (1.67022). 4) there is positive and significant correlation between product differentiation, service differentiation and differentiation personnel jointly on the performance of businesses in the creative industry sub-sector the craft industry in the city of Padang with Fhitung (150.048) > from F table (2.76). The magnitude of the effect of variable product differentiation, differentiation and differentiation of service personnel to the business performance in the creative industry sub sector of the craft industry in the city of Padang in the amount of 88.1% and the remaining 11.9% is influenced by other factors not included in this study.

Keywords: *Product differentiation, service differentiation, differentiation Personnel, BusinessPerformance*

I. INTRODUCTION

In the age of globalization, the rapid evolution of science and technology information makes it easier for business actors in conducting business activities, besides the economy in Indonesia experienced such rapid growth, especially in the food industry, manufacturing, and fashion. These developments make every

company in Indonesia must have a strong competitiveness with every company that became its competitors. Success will be determined by attitudes toward market conditions. In addition, the company can constantly seek creative solutions as well as sustainable improvement of business performance in producing products.

With the classification of industrial groups K raw industrial field, demanding craftsmen to create innovative products to be further useful in all fields of West Sumatra, indeed domestic and overseas as a gift for local and foreign tourists.

Marketing performance is a factor that is usually used to measure the impact of the company's strategy, the company's strategy is constantly directed to produce good marketing performance (such as sales volume and sales growth rate) as well as appropriate financial performance, Ferdinand in (Nurseto, 2012)

Marketing performance is the result of performing a marketing strategy role implemented to produce the best marketing performance, which is a measure of achievement of an overall marketing activity of an organization. Ferdinand and Weitz in (Nurseto, 2012)

Daniel L. Pink (the Whole new Mind, 2005), reports that in the age of creativity if we wish to bring forward we must equip our high-tech capabilities with the desire to achieve "high concept" levels. High concept is the ability to create artistic and emotional beauty, recognize patterns and opportunities, create beautiful narratives and produce findings that others have not realized. High tech is the ability to empathize, understand the essence of human interaction, and find meaning (Department of Commerce, 2008)

To improve the business performance of handicraft industry and get maximum profit to create quality goods and customize their products with the needs and wants of consumers, every company will try to be superior compared to companies that produce similar goods/services to dominate the market.

By increasing the advantages and added value the government holds a place of consumer complaints so that the consumer is safer in using the handicraft product, in which case the handicraft industry entrepreneur must master the advanced technology and modern to market his work, and this can trigger the company to use a different strategy because the more the handicraft industry is moving, then this is where the business performance problems at stake with a good strategy will keep the company going.

The development of handicraft industry in West Sumatra, particularly in Padang city at present, it can see from the development of small craft medium industries in 2012 there are 91 types of handicraft businesses there are various types of small and medium industries such as Ikad cloth industry, batik industry, cloth industry Embroidered / embroidered, embroidered / embroidered industries, embroidered embroidery apparel industry, dentures manufacture, jewelry industry of precious metals not for personal use, YTDL craft industry, from a variety of

small and medium handicraft industries can be seen from the data from table 1 below :

Table 1. List of Small and Medium Industries in Padang City

| No | KBLI | JUMLA H UNIT USAHA | TENAGA KERJA (ORANG) | NILAI INVESTASI (Rp.000) | NILAI PRODUK SI (Rp.000) | NILAI BB/BP (Rp.000) |
|----|--|--------------------------|----------------------------|--------------------------------|-----------------------------------|----------------------------|
| 1 | INDUSTRI KAIN TENUN IKAT | 3 | 26 | 205.000 | 9.905.600 | 7.888.000 |
| 2 | INDUSTRI BATIK | 1 | 10 | 150.000 | 600.000 | 289.000 |
| 3 | INDUSTRI KAIN SULAMAN/BORDIR | 65 | 240 | 1.635.516 | 11.669.130 | 5.447.876 |
| 4 | INDUSTRI BORDIRAN / SULAMAN | 8 | 96 | 393.177 | 30.671.424 | 6.449.569 |
| 5 | INDUSTRI BORDIRAN / SULAMAN | 1 | 2 | 35.712 | 1.175.328 | 62.277 |
| 6 | INDUSTRI PAKAIAN JADI SULAMAN BORDIR | 5 | 43 | 475.000 | 3.777.912 | 1.605.168 |
| 7 | PEMBUATAN GIGI PALSU | 2 | 2 | 75.000 | 336.960 | 150.159 |
| 8 | INDUSTRI BARANG PERHIASAN DARI LOGAM MULIA BUKAN UNTUK KEPERLUAN PRIBADI | 3 | 6 | 480.000 | 4.854.780 | 4.326.000 |
| 9 | INDUSTRI KERAJINAN YTDL | 2 | 18 | 60.000 | 197.820 | 28.456 |
| 10 | INDUSTRI PERHIASAN DARI LOGAM MULIA UNTUK KEPERLUAN PRIBADI | 1 | 3 | 200.000 | 9.260.160 | 7.408.128 |
| | JUMLAH | 91 | 446 | 3.709.405 | 72.449.114 | 33.654.633 |

Source: Industry and Trade Office of Padang City data of 2012

From table 1 it can be carried out that the development of small and medium industries in Padang in 2012 recorded 91 units of handicraft business spread in 11 eleven districts in the city of Padang. There is a relatively large employment absorption of around 446 and investment opportunities are growing into more open more industries are unemployed. With the development of the creative industry at

the moment is a high-risk business performance of the embroidered/embroidered fabric industry.

Based on table 1 above can be seen the value of investment in comparison with the value of BEP (break event point) has not returned completely this according to the authors caused by product differentiation, service differentiation, personnel differentiation, from the initial observation there are many craftsmen who do not pay attention on features, performance quality, quality conformity, reliability, easy to repair, style, ease of booking, delivery, installation, customer training, customer consultation, maintenance and repair services, ability, courtesy, credibility, reliable, quick response.

The fact that researchers discover in the field is yet a lack of application of product differentiation can be seen from the facet that many products created by craftsmen are remained the same from one product to another product, and the suitability of the product in the consumer message has not been done well. It also can be seen from the style of embroidery produce is not in accordance with the consumer desired. In another word, the product differentiation has not improved the global business performance.

The lack of application of service differentiation seen from the services provided by craftsmen still in the usual category is usually seen from the service in serving the consumers, and maintenance of relatively complex products and the effect that the product in the message consumers only have the value to quickly run out so resulting in service differentiation has not been achieved and has not improved the business performance of creative industry entrepreneurs in the handicraft sub-sector in Padang City.

Furhtermore, the lack of application of personnel differentiation seen from the ability of employees in preserving and providing customers by craftsmen still in the usual category is frequently seen from the ability of employees in serving consumers, resulting in personnel differentiation has not been achieved and has not improved the business performance of entrepreneurs Creative industry sub sector of handicraft industry in Padang City.

II. METHODS

In accordance with the problems studied, then this research is descriptive and associative research. Descriptive research is a study intended to investigate the condition, condition, or other things against an object or region under study. While associative research is a study that searches the relationship between one variable with other variables, i.e. symmetrical causal and interactive. With descriptive and associative research design, the research allows to describe the relationship between variables, test hypotheses, develop generalizations, and develop theories that have universal validity (Arikunto, 2010, 3)

In this study, the population is the entire creative industry craft sub-sector in the city of Padang as many as 65 businesses. Sampling technique in this study is

Total sampling in this study the number of samples is 65 businesses. Product Differentiation, Service Differentiation, and Personnel Differentiation on Business Performance The creative industry of handicraft sub sector in Padang City from the result of questionnaires spread that have been tested first. The compilation of questionnaires or questionnaires is guided by a Likert scale with several alternative answers with weighted positive and significant ratings. The analysis used in this research is a descriptive analysis and inductive analysis consisting of classical assumption test, multiple linear regression analysis, and hypothesis test.

III. RESULT

After conducting research on 65 efforts on product differentiation, service differentiation and personnel differentiation to the business performance of creative industry sub sector of kraft industry in Padang city, then in detail, the distribution of variable data can be seen in Table 2 below:

Table2. Multiple Linear Regression Analysis Test Results

| | | Coefficients ^a | | | | |
|-------|------------|-----------------------------|------------|---------------------------|--------|------|
| | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| Model | | B | Std. Error | Beta | | |
| 1 | (Constant) | -3.747 | 2.600 | | -1.441 | .155 |
| | x1 | .272 | .081 | .220 | 3.374 | .001 |
| | x2 | .205 | .060 | .211 | 3.423 | .001 |
| | x3 | .730 | .077 | .615 | 9.508 | .000 |

a. Dependent Variable: y

Source: Prepared Primary Data May, 2016

The model of multiple linear regression equations that can be written from the results are as follows:

$$Y = a + b_1 X_1 + b_2 X_2 + b_3 X_3 + e$$

$$Y = -3,747 + 0,272X_1 + 0,205X_2 + 0,730X_3 + e$$

From the model of multiple linear regression equations above can be seen that:

1. The constant value of -3.747 means without the influence of the independent variable then the value of the dependent variable value is only equal to -3.747. This means that if the independent variable is constant (product differentiation, service differentiation, and personnel differentiation) then the value of business performance variable is -3.747.
2. The regression coefficient of product differentiation variables (X1) of 0.272 is marked positive. This means that there is a positive effect of product

differentiation on business performance if the value of product differentiation variable increased by one unit then will improve business performance equal to 0,272 in each unit. Assuming other variables do not change or constant.

3. The regression coefficient of service differentiation variable (X2) is 0.205 which is positive. This means that there is a positive influence of differentiating level of service to business performance, if the value of service differentiation variables increased by one unit then it will increase business performance by 0.205 in each unit. Assuming other variables do not change or constant.
4. The regression coefficient of the variable of personnel differentiation (X3) equal to 0,730 which marked positive. This means that there is a positive influence of personnel differentiation on business performance if the variable value of personnel differentiation increases by one unit then it will increase business performance equal to 0,730 in each unit. Assuming other variables do not change or constant.

IV. DISCUSSION

Differentiation of products has a positive and significant effect on the performance of the creative industries business in the handicraft sub-sector of Padang.

This study aims to determine how big influence of Product Differentiation on Business Performance of Creative Industry of handicraft sub sector in Padang city. Based on data analysis and hypothesis testing that has been done obtained t count of $3.374 > t$ table of 1.67022 with a significant value $0.001 < \alpha = 0.05$. This shows that product differentiation significantly affects the performance of creative industries business in the handicraft sub-sector in Padang City.

Increasing the differentiation of product for one unit will improve the performance of the creative industries business in the handicraft sub-sector in Padang city by 0.272 units. This is because the regression of product differentiation on the performance of the creative industries business in the handicraft sub-sector in Padang City has a coefficient (b1) of 0.272 units.

Thus it can be concluded the better the differentiation of products to consumers it will be better also the Business Performance gained, and vice versa product differentiation is not good then the business performance obtained by the craftsmen will also be less good or less satisfactory.

Overall, the management of craftsmen is in the medium category that has an average TCR of 66.45%. This proves that product differentiation to consumers is good and can affect business performance partially. Differentiation of products affects business performance of 66.45%, while the remaining 33.55% is influenced by other variables not included in this study.

The results showed that the performance of the creative industries business in the handicraft sub-sector in Padang City has shown quite good product differentiation. Differentiation of products in creative industries handicraft sub sector in the city of Padang seen from the shape and design of our products is unique in comparison with other products, embroidery on each product has its own characteristics. Differentiation of products is not only visible from our product design is unique but also we use embroidery silk thread.

Product differentiation is the backbone of development and improvement of business performance because without a good product differentiation will be difficult to achieve business performance. If a craftsman tries to create a different value from his product, then the craftsman needs to think about product differentiation.

The results of this study are in accordance with research conducted by Sendhang Nurseto (2012) under the title "Analysis of the influence of industrial environment on marketing strategy and its impact on marketing performance (study on small business of skin craft of tanggulangin)". The results of the research indicate that the results of the path analysis explain that there is a significant direct influence between potential newcomer variables, supplier strength, buyer strength, the substitution product availability and competitor's strength to marketing strategy.

Differentiation of service influential Positive and Significant Against Business Performance Creative Industries sub sector Crafts in the city of Padang.

Based on the results of data analysis and hypothesis testing that has been done, obtained the result that service differentiation has a positive and significant effect on Business Performance of Creative Industry of handicraft sub sector in Padang city. For service differentiation variables which obtained obtain t count of $3.423 > t$ table of 1.67022 with a significant value of $0.001 < \alpha = 0.05$, means H_a accepted and H_0 rejected thus can be said that there is a positive and partially significant influence on differentiation Service to business performance of creative industry of handicraft sub sector in Padang City.

Increasing service differentiation by one unit will improve the performance of creative industry business of handicraft sub sector in Padang City equal to 0,205 unit. This is because regression differentiation service to the business performance of creative industries handicraft sub sector in Padang has coefficient value (b_1) equal to 0,205 unit.

Overall, the management of craftsmen is in the medium category that has an average TCR of 78.26%. This proves that the differentiation of service to the consumer is good and can affect the business performance partially. Service differentiation affects business performance of 78.26%, while the rest of 21.74% is influenced by other variables not included in this study.

The results showed that the craftsmen creative industry sub-sector of handicraft industry in the city of Padang has a differentiation of good service.

Where goods are ordered consumers always on time, The goods we send in accordance with consumer orders.

The results of this study in accordance with research conducted by Dwiendah sustainable (2005) with the title

V. CONCLUSION

Based on the results of data analysis has been done can be concluded as follows:

Differentiation of Products on Business Performance Creative industry handicraft sub-sector in Padang city. Based on data analysis and hypothesis testing that has been done obtained t count of $3.374 > t$ table of 1.67022 with a significant value $0.001 < \alpha = 0.05$. This shows that product differentiation significantly affects the performance of creative industries business in the handicraft sub-sector in Padang City

Service differentiation has a positive and significant effect on Business Performance of Creative Industry of handicraft sub sector in Padang city. For service differentiation variables which obtained obtain t count of $3.423 > t$ table of 1.67022 with a significant value of $0.001 < \alpha = 0.05$, means H_a accepted and H_0 rejected thus can infered that there is a positive and partially significant influence on differentiation Service to business performance of creative industry of handicraft sub sector in Padang City.

Differentiation of personnel obtained value t count 9.508 of $> t$ table of 1.67022 with a significant value $0,000 < \alpha = 0.05$ means H_a accepted and H_0 rejected so it can be concluded that there is a positive and significant influence partially between the differentiation of personnel to the performance of creative industries business Handicraft sub-sector in Padang City.

Differentiation of product, service differentiation and personnel differentiation have a positive and significant effect to business performance of creative industry of handicraft sub sector in Padang City. This can be seen from the data processing using SPSS version 16.0, can be seen in table 27 above shows that the value F count $150.048 > F$ table 2.76 and significant value $0,000 < \alpha = 0.05$. This means H_0 is rejected and H_a accepted.

Based on the conclusions that have been described previously, the researcher suggests suggestions that are expected to be useful in improving business performance. The suggestions are shown to:

From the results of the average score of product differentiation variables with Respondents Achievement Level (TCR) of 66.45 %,,. This shows that the craftsmen have run product differentiation to its consumers are already categorized being. There are 4 pieces of statement items with bad category that is in statement number 9 with the following statement embroidery motif that we use adjusted to the age

and work of the consumer, the statement no 12 with the following statement, the job I give to the employee is an easy job To fix, statement no 13 with the following statement The embroidery style we produce is an embroidery style, in accordance with the order, and statement no 14 with the following statement, each style of embroidery in each fabric has its own meaning. Thus it can be suggested to the craftsmen to always try hard to run product differentiation to consumers about the different products on offer and improve business performance.

The average score of service differentiation variable with Respondent Achievement Level (TCR) was 78.26%. This shows that the craftsmen have run differentiation services to its customers and have been categorized being. Thus it can be suggested to the craftsmen to always try hard to run the differentiation of services to consumers so that consumers comfortable in the transaction to improve business performance.

The average score of personnel differentiation with Respondent Achievement Level (TCR) was 77,95%. This shows that the craftsmen have run the personnel differentiation to consumers and have been categorized being. Thus it can be suggested to the craftsmen to always try hard to run the personnel differentiation to the consumer so that consumers are comfortable in the transaction to improve business performance.

The average score of business performance variable with Respondents Achievement Level (TCR) of 77.27 %. This shows that the craftsmen have been carrying out business performance with the provisions that exist in the company already meant medium category. Thus it is advisable for the craftsman to always try to use the strategies to market the product.

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The Colours Of Sports Organization Fringe Benefit In Malaysia

**Zulkiflee Abd Rahim, Abu Dzarr Muhammad Rus, Halimi Bin Poniran,
Mohd Reza AbdolGhani**

Faculty of Business, University Selangor, Malaysia
zul_rahim@unisel.edu.my

ABSTRACT

Fringe benefit is a tool to retain employees and a factor that contribute to job satisfaction. Wondering this issue, a study was conducted to determine the relationship between the types of fringe benefit and job satisfaction in a sports organization. A total of 100 respondents were selected from the National Sports Council of Malaysia to become the respondents for this study. Questionnaire method was used for data collection by using purposive random sampling. The finding shows, job satisfaction has a positive relationship with the pension plan, allowance, flexible working hours and vacation pay. In addition, flexible working hour and allowance were the major types of fringe benefit to achieve job satisfaction among the employees of the National Sports Council of Malaysia. The implication of this study indicates that non-monetary and monetary types of fringe benefit influence the job satisfaction.

Keywords: *fringe benefit, job satisfaction, sports organization, Malaysia.*

I. INTRODUCTION

The fringe benefit in the scope of human resource management is are care in addition to direct wages or salaries such as a company car, house allowance, medical policy, paid vacations, and pension schemes or subsidized meals to the employees whose work with the system. Fringe benefits stand as an important part of compensation and also it can act as substitutes for wages (Baughman, DiNardi and Holtz-Eakin, 2003). Evidence suggests that by giving out the fringe benefit to the employees somehow will increase their satisfaction towards the job and develop employees productivity or performance in the company (Wang and Feng, 2003; Odunlade, 2012; Jazairy et al., 2014).

Issues arise when the company is providing a fringe benefit which takes less use of employees, then carried out the employees feel demotivated. When this is happening, the employees itself will certainly not satisfied with the job and give up or select to turnover. This study is to focus on the fringe benefits that affect job satisfaction among the operation staff. The fringe benefit stand as a fundamental element of the worker's compensation to the staff (Wang and Feng, 2003; Wright and Bonett, 2007; Odunlade, 2012).In fact, the employees' satisfaction has constantly

fluctuated of these factors, no matter how intrinsically fringe benefit or extrinsically fringe benefit has direct links with human nature.

This study is aiming to identify the fringe benefit that could affect job satisfaction among workers at National Sports Council of Malaysia and to provide any recommendation for the organization to improve the situation which includes satisfying employee's unsatisfied needs. Specifically, this will look into how effective the types of the fringe benefit that could affect job satisfaction among the operating staff at National Sports Council of Malaysia. As well as what is the relationship between the types of fringe benefit and job satisfaction among the workers in National Sports Council of Malaysia.

Fringe benefits

According to Artz (2008), fringe benefits are a significant function of compensation, but confirming their role in finding job satisfaction has been mixed at the very best level, however, the theory suggesting this role is unclear. Fringe benefits correspond to a desirable sort of compensation but might result in decreased net earnings and reduced job mobility. Employees are more concerned with working in an enjoyable environment. Compensation and benefit are important issues for the employers because not only salary but also fringe benefits influence the employees who are fascinated too and remain with an organization (Odunlade, 2012).

Moreover, psychological and commercial perspectives by considering fringe benefits and distributive justice have focused on aspects of job rewards and perceived organizational features rarely included in sociological models of job satisfaction-fringe benefits and distributive justice (Hill, 1998).

Job satisfaction

Job satisfaction is one of the essential variables in organizational behavior and in work organizations. The higher the job satisfaction, the more likely workers will preserve a positive attitude toward their jobs (Wang and Feng, 2003). Workers with a higher level of job satisfaction would show a less tendency to search for a new job and will have fewer tendencies to leave the organization (Wright and Bonett, 2007).

People's levels degrees of job satisfaction can range from extreme satisfaction to extreme dissatisfaction. People also can have attitudes about different components of their jobs comprising the work they perform, their coworkers, supervisors or subordinates and their pay (George and Jones, 2008). Job satisfaction also has long been connected with the elements of the work environment, productivity, quality of work and, most importantly, quality of life (Jazairy et al., 2014).

Job satisfaction implies doing a job one enjoys, doing it well and being rewarded for one's efforts. Job satisfaction further suggests excitement and happiness with one's work. Job satisfaction is the central factor that leads to recognition, income, publicity, and the achievement of other ends that contribute to a notion of fulfillment (Kaliski, 2007). Woodbury (1983) found that workers are

willing to give up wages for more benefit as they view the benefit and wages as a substitute.

Relationship between fringe benefit and job satisfaction

As a manager in the global organization, one must be fully aware of the numerous cultures in the organization as well as the human resources practices required to set up the exceptional workable solutions for an optimal reward strategy. If one has some of these elements successfully applied within the organization, it would eventually lead to better performance of individual and organizational (Jensen et al., 2007).

A compensation package that employees obtain is one of the factors that can influence the job satisfaction. Evidence indicates that higher compensation helps in producing higher job satisfaction among employees (Boyd et al., 2008). Study of the job satisfaction in Ghana police services by Quarrey and Attitogbe (2013) found a positive correlation between job performance with the compensation packages and employee satisfaction. Luthans (2008) argues that work activities, pay, supervision, co-workers, and promotion have a positive relationship with the job satisfaction. A study by Grace and Khalsa (2003) reveals that a salary package is the most important factor in order to increase job satisfaction.

Pension plan

Many companies offer pension plans to help employees plan for their financial future. Pension plan had a positive impact toward job satisfaction. Heywood and Wei (2006) found a positive relationship between estimates of pension's plan's impact on job satisfaction. Base on the research conduct by Bender and Heywood (2006) among Ph.D. graduates using the 1997 Survey of Doctorate Recipients, the result shows that pensions give a positive impact on job satisfaction.

Employers offer pension plans as a voluntary benefit in society to increase the employee's satisfaction toward their job. Job satisfaction is the factor that leads to recognition, income, promotion, benefit plan, including pension plan and the achievement of other goals (Kaliski, 2007). Job performance will be affected by various aspects of their job such as the category of work they do, their co-workers, supervisors or subordinates, their pay and their benefit plan include the pension plan (George and Jones, 2008). According to Aziri (2011), job satisfaction represents a feeling about their job including benefit to employees after retirement.

Flexible working hour

Flexible working hour carries a positive wage payment that can satisfy employees (Winder, 2009). The introduction of flexible work options is to match employer's needs for flexibility or to reduce the costs, while they may also have fulfilled the employee's desires and satisfaction (Krausz et al., 2000). Yang and Lu (2011) argue, there is no evidence that employees whose are working on the flexible

time will have a lower productivity than those on conventionally fixed work schedules.

Base on a survey of Dutch public sector employees showed that access to flexible working time schedule influences the job satisfaction (Possenriede and Plantenga, 2011). Flexitime, in particular, was found to be the most important contributor to this indirect factor in worker productivity over the longer term (Grzywacz et al., 2008). A compacted weekly work schedule was unrelated to absenteeism and productivity (Facer and Wadsworth, 2008). Employers appear to get the benefit when employees able to work in a flexible working hour as it will improve worker health, through reduced stress and increased job satisfaction (Possenriede, 2011).

Health insurance

Medical insurance is a compensation paid to the employees as a non-wage benefit (Weathingtonand Jones, 2006). Some organizations are concerned about their employees' health insurance benefit with looking beyond the way to increase their employee's satisfaction about their job in the company and focus more on how to deliver higher quality care (Love et al., 2008).

From the previous studies, job satisfaction and commitment to the organization affected by unsatisfied health care employees and it will negatively affect the quality of care (Atkins et al., 1996 and Fahad Al Mailam, 2005). Based on a study done by Curran (2001) amongst the nurses, indicated that they display loyalty to patients, but rarely felt the same level of loyalty to their employers because they feel hospital executives are not in touch with the demands of employee health benefit. George and Jones (2008) argue that employees will give attitude toward their job performance including insurance plan and medical payment.

Allowance

Incentives, rewards, and recognitions are the prime factors that impact on employee motivation. As the employees engage in their working activities purposely for owns sake, then they will feel intrinsic motivation in their behaviors as their activities will essentially be enjoyable and satisfactory (Vansteenkiste, 2005). Allowances and compensations which are given on the periodic basis as well as on special occasions to the employees can influence the employee's motivation (Danish and Usman, 2010). Chimanikire et.al. (2007) also found that the allowance has a significant impact on job satisfaction. Respondents feel dissatisfied if the employers didn't give an adequate allowance and they will show the anegative attitude towards their current job.

Paid Vacation

Another fringe benefit that company provide is paid vacation which is days off from work to their employees. It is employers' choices to provide this benefit to employees as a part of a comprehensive benefits package. Based on research done

on Casino hotel chefs' shows that the issues of paid vacation, salary and sick leave days will lead to low-satisfaction levels (Chuang et al., 2009). Meanwhile, O'Leary and Deegan (2005) reported that the reasons for the employees changing companies, changing career or leaving the hospital industries because of the extrinsic factor such as a paid vacation.

Donohue and Heywood (2004) also report that there is a significant relationship between variables as sick pay and paid vacation with the job satisfaction. Employers realize that their workers require a break sometimes. That is the reason companies offer paid time off in form of vacation days, holidays, personal leave, and sick leave. Companies gift time off to allow employees down time and to manage non-business related issues. Regardless of the high expenses of paid time off, companies offer this employee-friendly benefit mainly to be competitive in keeping and attracting talented employees. The manager cannot force an employee to perform nor would he be able to fulfill everything their needs. However, the manager able to influence workers to perform well and to experience job (Coetsee, 2003).

Loan facility

Loan facility to be exact is a loan offered by the employers to their employees with interest-free or low rates. Many companies offer some form of loans or advances to employees as one benefit. There are different types of loan that are provided by the employers for their employees. For instance, housing loan, car loan and computer loan are the most usual cases of loan that are catered by an establishment. An organization may provide loans such as housing and car loans to the employees with the lowest interest rates in order to help their employees, especially for those who have financial difficulty (How,2001).

Chimanikireet.al. (2007) found that the accessibility of allowance and loans had a significant impact on job satisfaction. Most of the respondents interviewed tend to show a negative attitude towards the delivery of a job as they feel dissatisfied with their current task and the benefit. Dissatisfaction emanated from inadequate wages and allowances, loans to facilitate the purchase of homes, housing stands, and cars as easily as an increasing intensity of employment.

According to Ahmad, Yei and Bujan (2013), there is a positive relationship between employees retentions' and the loan facility. The resulting base on the study conducted at Malaysian public university. Designing compensation program such as loan benefit is significant in personnel management because of its direct influence on employees' satisfaction and performance in the company (Osibanjo et al., 2014).

II. METHOD

Research design

Questionnaires were designed specifically for employees' working at National Sports Council of Malaysia to obtain information regarding their perception on job satisfaction and benefits. Questionnaires were developed comprising eight sections.

Sections A to section F consisted of 30 questions regarding element in fringe benefit. Section G comprised of five questions about job satisfaction. Section H consisted of six questions regarding the participant's biographical information. The respondents were informed that the purpose of the questionnaires was to gather responses on how they perceived the impact that fringe benefits have on employees' job satisfaction.

Population and sample size

Parahoo (1997) defines population as "the total number of units from which data can be collected", such as individuals, artifacts, events or organizations. Burns and Grove (2003) describe a population as all the elements that meet the criteria to include in a study. For this study, all operation staff in the organization was requested to complete a questionnaire. The criteria for the inclusion in this study were registered staff working in and also among the lower level operational staff in National Sports Council of Malaysia. In this study, we have distributed about 80 set of questionnaires to a random operational staff in the National Sports Council of Malaysia.

Instrumentation and Procedures

In this study, we are using questionnaires to gather information from the employees in National Sports Council of Malaysia. The questionnaires were handed to the entire employees for completion through human resource admin assistance. The completed questionnaires were sent back later. Researchers have chosen five points Likert scale for the sake of variance due to the limited samples.

The data was collected through the standardized questionnaires where the variables are measured by requesting the respondents to indicate, on a five-point Likert-type scales, anchored on "1 = strongly disagree", "2 = disagree", "3 = neutral", "4 = agree" and "5 = strongly agree". Their agreement or disagreement with a series of statements that will characterize the factors that affecting fringe benefit on employees' job satisfaction in National Sports Council of Malaysia.

Data analysis

The survey will be conducted by using questionnaires method. After that, the questioners will organize, records and categorize or coding the data to help the process of analyzing the data statistically by using SPSS format. The coding will take several periods of time to fulfill with the full report. Based on this, the frequency, mean, mode, the percentage will obtain together and all the conclusion could be made out of that figures.

Reliability test

A pilot study is a test run done before the main study of a few subjects in the same population as planned for the eventual study. Such a pilot study would be conducted to investigate the practicality of the proposed study and to discover conceivable imperfections in the information accumulation instruments such as time and length of the questionnaire, confusing instructions or wording, insufficient time

limits and whether the variables set by operational definitions were actually observable and measurable (Brink, 1996).

Result gains from the pilot test are made to test and evaluate how a sample of people from the survey population responds to the questionnaires. Researchers have distributed 15 questionnaires to test the reliability of the questionnaires. The Cronbach's alpha test proceeds by associating each measurement item with another to obtain the average inter-correlation. In this study, a set of questions was used to determine the impact of fringe benefit towards the employees of the National Sports Council of Malaysia.

III. RESULT AND DISCUSSION

To obtain the information regarding the perceptions on job satisfaction and benefits in sport industry, a questionnaire was constructed. This questionnaire consists of eight sections (Section A- Section H). Section A to section F discussed more on the fringe benefit and section H discussed more on job satisfaction. 80 questionnaires were distributed to the staff at National Sports Council of Malaysia by using purposive sampling method. This sampling method allows us to select only the registered staff.

After getting the data, the descriptive analysis was conducted. This analysis allows to us to detect if there is any missing value. From the data obtained, it is depicted that most of the respondents is between 28-32 years old (30%). Majority of the respondents are Malay (80%) and mostly the respondents have the diploma in their expertise area (47.5%)

To test for the significance of relationship between fringe benefit and job satisfaction, a regression analysis was conducted. This method allows us to determine the factors that influence job satisfaction in the sports sectors. The results (Table 2: Dependent Variable Summary Statistics) revealed that pension plan (p-value= 0.022), flexible working hours (p-value= 0.000), allowances (p-value= 0.000) and vacation pay (p-value= 0.027) has affected the job satisfaction among member in National Sport Council of Malaysia. The results also depicted that these four significance variables (pension plan, flexible working hours, allowances and vacation pay) contribute about 37.4% (R-square= 0.347) toward job satisfaction while another 62.6% contribution is from another factors that are not within the scope of the study.

Table 1. Regression Model Summary Statistics

| Model | Sum of Squares | df | Mean Square | F | Sig. |
|------------|----------------|----|-------------|--------|-------------------|
| Regression | 6.490 | 6 | 1.082 | 33.503 | .000 ^a |
| Residual | 2.357 | 73 | .032 | | |
| Total | 8.847 | 79 | | | |

Table 2. Dependent Variable Summary Statistics

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-----------------------|-----------------------------|------------|---------------------------|-------|----------------|
| | B | Std. Error | Beta | | |
| (Constant) | -.405 | .462 | | -.876 | .384 |
| Pension plan | .147 | .062 | .152 | 2.361 | .021*** |
| Flexible working hour | .299 | .067 | .314 | 4.472 | .000*** |
| Health insurance | .017 | .046 | .024 | .366 | .715 |
| Allowance | .576 | .065 | .633 | 8.909 | .000*** |
| Vacation pay | .119 | .053 | .150 | 2.263 | .027*** |
| Loan facility | -.060 | .069 | -.058 | -.868 | .388 |

***significance at 0.05

IV. CONCLUSIONS

Fringe benefit plays a significant role to increase job satisfaction in the organization. It has been a great challenge for human resource managers, general managers and also for researchers to select possible fringe benefit suitable with each employee need. This study provided evidence that employees at National Sports Council of Malaysia, Bukit Jalil needed appropriate fringe benefit so that they can be more satisfied with their current job and avoid an excessive turnover.

The result shows that respondents put their priority toward allowances and flexible working hour as a fringe benefit rather than a pension plan, vacation pay, loan facility and health insurance. The allowance will definitely help them cover some of their current expenses as their salary can be considered as low when facing with the current economic condition. An employee at National Sports Council of Malaysia, Bukit Jalil also prefers to have a flexible working hour, so they can manage their time on their own and it will help them reduce work stress. Fringe benefits can help employers attract and retain staff, but there is a little research into their impact on low-paid workers. Therefore, on researchers' recommendation, employers must reward the low-paid worker with more fringe benefits suitable with their need that will increase the job satisfaction in an organization.

From this research, an evident shows overall level relationships that exist between fringe benefit and job satisfaction at the National Sports Council of Malaysia is high. We hope that the empirical findings will encourage more research in this area. This research was conducted in a single organization. Therefore, to increase the accuracy of the research, this research scope can be widened to others sports organizations or other corporate organizations if practicable.

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