



CONFERENCE PROCEEDINGS

Malaysia Indonesia International Conference on Economics, Management and
Accounting (MIICEMA) 2016

Hosted by Faculty of Economics and Business, University of Jambi
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**The Strategy For Improving Competitiveness to win
the ASEAN Economic Community (AEC)**

Conference Proceedings
Malaysia Indonesia International Conference on Economics, Management and Accounting
(MIICEMA) 2016

The Strategy For Improving Competitiveness to win the ASEAN
Economic Community (AEC)

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Faculty of Economics and Business, University of Jambi

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FOREWORD

The Malaysia Indonesia International Conference on Economics, Management and Accounting (MIICEMA) is an annual international conference that gathers academics and practitioners from Malaysia, Indonesia and around the World to facilitate the presentation and sharing of research findings particularly in the areas of economics and management.

Numerous benefits have been achieved from the sharing of knowledge and building of working relationships through presentations of working papers after the organisation of 16 series of the conference. The conference has become an important platform for academics to share information regarding current issues and new economic and business challenges prevalent in both South East Asia and globally.

As a continuation of the memorandum of understanding between Universiti Kebangsaan Malaysia, Universitas Syiah Kuala, Institut Pertanian Bogor, Universitas Muhammadiyah Surakarta and Universitas Bengkulu as the founding institutions of MIICEMA, 2016 is witnessing once again the organising of the 17th MIICEMA. Following the tradition of the long-established friendship, the honour of becoming the main organiser and host to the 17th MIICEMA has now been transferred to University of Jambi, Jambi through the Faculty of Economics and Business.

Through the organising of the conference, the research findings that will be presented by academics in various fields such as economics, management and accounting will surely become guides and models for other academics in developing the branches of knowledge and for the industry in managing and strengthening their businesses.

The chosen theme for this year MIICEMA is " The Strategy For Improving Competitiveness to win the ASEAN Economic Community (AEC) ". Global economic climate has been undergoing shocks that adversely affecting government and business organisations. The economic turmoil has been considered by few as the worst in the century that prudent and solid business strategies must make accurate market interpretation of both opportunities and constraints. With this in mind, the 17th MIICEMA aims to provide a platform for both academicians and practitioners to sit together and elaborate on these challenges.

The goals and objectives of this international conference are as follows:

- to become a platform for academics in the South East Asia to share latest research findings on economic, management and accounting issues.
- to identify emerging economic and business challenges prevalent in South East Asia and around the world amidst the 2016 economic turmoil.
- to gather input on new opportunities in the domain of business within the contexts of South East Asia and global amidst the 2016 economic turmoil.
- to sustain research collaborations that produce high impact outputs.
- to elevate the status of MIICEMA member institutions through presentation of internationally-recognised research results.

Following the phenomenal successes of the previous conferences, MIICEMA will be proudly brought to you again this October by University of Jambi, Jambi, Indonesia. This year MIICEMA will be organised in conjunction with the Seminar and Annual Meeting of the Western Division of Economics Institutions Cooperation. This is an annual event involving 27 state universities and several private universities that offer Economics programmes in Indonesia. In 2016, the Western Division of Economics Institutions Cooperation meeting will be hosted by the Faculty of Economics and Business, University of Jambi, Jambi, which will also serve as the main organizer of MIICEMA 2016.

This year MIICEMA highlights the current issue facing economies in the region through a theme of " The Strategy For Improving Competitiveness to win the ASEAN Economic Community (AEC) ". This theme is to be supported with few key tracks; Microeconomics, Macroeconomics, Monetary Economics, Public Economics, Regional and Urban Economics, International Economics, Natural Resource Economics, Industrial Economics, Labor Economics, Development Studies, Business, Management and Organization, Marketing, Finance, Human Resources, Financial Accounting, Managerial and Behavioral Accounting, Auditing, Accounting Information Systems, Public Sector Accounting, Social and Environmental Accounting, Islamic Economics, and other related areas.

This collection does not include the totality of the papers presented at the conference, as not all contributors submitted their written papers for publication.

Dr. Junaidi, SE, M.Si
Conference Chair

**WELCOMING SPEECH
DEAN OF THE FACULTY OF ECONOMICS AND BUSINESS
UNIVERSITY OF JAMBI**

I would like to welcome all participants to the 17th Malaysia Indonesia International Conference on Economics, Management and Accounting (MIICEMA) in Jambi, Indonesia. It is truly an honor and a privilege for Faculty of Economics and Business, University of Jambi to host this International conference.

I have no doubt in my mind, that this conference will be a worthwhile experience. We have an opportunity to learn each other from some of the best experts in different decipline. Hence I hope after the conference finished, we are enriched with a better understanding of contemporary issues in economics and business in South East Asia. Furhtermore, as the member of MIICEMA, we can enrich the network for some important aspects such as publication a student exchange.

I would like to express our sincere gratitude and appreciation to many individuals for their invaluable input to make succes this conference. I would also like to extend a special thank you to our Institutions' partners for their support to organize this event successfully.

So, I wish you have a pleasant International Conference and enjoy your stay in Jambi.

Drs. H. Amril, ME
Dean of the Faculty of Economics and Business
University of Jambi

WELCOMING SPEECH RECTOR OF UNIVERSITY OF JAMBI

I extend my warm welcome to all of the distinguished speakers and participants of the 17th Malaysia Indonesia International Conference on Economics, Management and Accounting (MIICEMA) which held by Faculty of Economics and Business, in October 24-25, 2016.

As a Rector of University of Jambi, I am pleased to witness the 17th MIICEMA, it provides a unique opportunity for scholars, experts, researchers, to assemble and share ideas on critical issues and trends in economics and business. Furthermore, I hope this conference could develop the valuable network and international collaboration amongst universities in Indonesia and Malaysia, as well as to facilitate publications of research by Indonesia and Malaysia scholars in international journal.

I congratulate the Dean of Economics and Business, the chairman of the conference, all the renowned speakers and delegates for their participation that makes this conference possible. I welcome you all to University of Jambi.

As a part of the provincial cultural promotion, we hope you enjoy the entire traditional and unique cultural atmosphere. I urge you also to enjoy the beautiful of Muaro Jambi temple and Gentala Arsy Bridge. Muaro Jambi Temple as it has been revealed is the place of Buddhism taught not only for the ancient of Indonesian but for South Asia Countries.

Last but not least, we thank you to every person both that comes from internal and external organization who makes this conference conducted. Finally, I hope God bless you all as long as you follow the conference.

Prof. H. Johni Najwan, SH, MH, Ph.D
Rector of University of Jambi

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MANAGEMENT

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MAPPING A TRUE SUPPLY NETWORK STRUCTURE: AN IMPLICATION TO THE PRACTICE OF SUPPLY CHAIN MANAGEMENT

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Abstract. Over the years, management of a supply chain have becoming more and more complex. The complexity arises from factors such as formal and informal inter-firm relations have created difficulties to the managers in managing the evolving supply chain. An important source of this complexity is the understanding of the true structure of supply chain in the different forms of interfirm relations. thus this research embark on the objective of determining the true structure of the supply chain taking into consideration the complexity factors (i.e. type of interfirm relations) that may cause the evolution in the structure. Findings of the research show a different degree of complexity depending on the different type of supply chain relations. Consequently, the impact of the findings was discussed and future research directions were given.

Keywords: *Supply chain management, inter-organizational study, social network analysis, network studies*

INTRODUCTION

The supply chain network, otherwise known as the supply base, refers to supply network consisting of suppliers or organizations who supply materials to the focal firm for the production of products and services (Choi & Krause 2006). Choi and Krause (2006) stated that a source of supply chain complexity naturally arises from the fragmented, yet extensive inter-firm relationships existing between firms in the upstream supply chain. Managing the complexity of the supply chain network can be a difficult task for managers of the supply chain.

Literature in the field of operation and supply chain management has addressed inter-firm relationships such as supplier–supplier relationships (Wu, 2003) and buyer–supplier relations (e.g., Helper, 1991). At different stages of the transformations process, values are added to the processes. Thus, in its essence, this concept models the supply chain as a linear series of value adding stages that transfer raw materials and services to the focal firm. Figure 1.0 displays a simplified, common interpretation of the supply chain network depicting a linear flow of materials and services in the supply chain from the raw material suppliers to the end consumers. This refers to raw materials transferred from the upstream suppliers to the focal manufacturing firm to be transferred into finished products and services. They are then ultimately distributed to the downstream customers through the distribution agents and retailers.

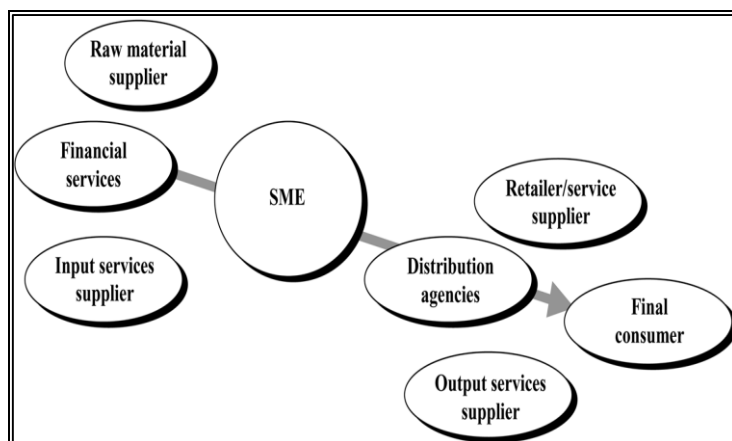


Figure 1.0 Linear Supply Chain
Source : Ritchie and Brindley (2000)

Consequently, the overarching linear model of the upstream supply chain has been adopted by many scholars in the field of operation and supply chain management to develop an effective and efficient means of managing the supply chain.

For example, the traditional reductionist arguments state that firms may opt for the removal of partners who are not meeting the performance requirements of the supply chain in an attempt to manage the complexity arising from extensive inter-firm relationships (Choi & Kim 2008). Cooper and Elram (1993) studied the characteristics of supply chain management and investigate the impact on strategy development in an organization. Lee and Billington (1993) developed the material management guides in a supply chain. In a later work Lee, Padmanabhan and Whang (1997) investigate information distortion phenomena in the supply chain and coined the term *bullwhip effect* to illustrate how a small variation in information from downstream (e.g. distributors or final consumers) of the supply chain would have a huge implication for the upstream section (e.g. second tier or third tier supplier) of the chain. Wilding's (1998) seminal work studied how three interacting factors, namely: the uncertainty, demand variation and parallel interaction at the various stages of the value adding process can contribute to increasing complexity in managing the supply chain. More recent works adopted a linear perspective in explaining how internal and external complexity factors among firms in the supply chain (such as supply input, lead time and demand variations) would impact upon manufacturing plant production capacity (Bozarth et al. 2009).

By formal administrative relations, the focal firms enforce formal relations through contractual terms and regulations upon its upstream suppliers. Alternatively, a focal firm may also pressure its immediate suppliers to source materials from preferred firms which create the informal administrative control of the focal firm in the upstream supply chain network company (Choi and Krause 2006).

Over the years, various structures of the supply chain have evolved and become more complex. Although previous studies have contributed significantly to the understanding and development of the supply chain management, some scholars proposed that a linear view of the supply chain is insufficient to uncover the holistic structure of the supply chain inter-firm relations and its implications (Borgatti & Li 2010; Choi & Kim 2008). One important finding of Womack (1990) is that, in a supply chain, the exchanges between the firms not only concern the formal exchanges of materials from the upstream suppliers to the downstream customers. Most importantly, it also involves informal forms of relations such as other commercial transactions including information-sharing and referral activities, which create a significant competitive advantage to the firms embedded in such relationship structures (Lazzarini 2000; Borgatti and Lie 2010).

In addition, the embeddedness theory argues that these interactions or inter-firm relations can be in the form of formal commercial transactions activities, such as: contractual relations of a web of informal social exchanges, including information-sharing and referral activities (Poppo and Zenger 2002). These two types of inter-firm relations can be either complementary or substitutes of the other. Consequently, a more accurate interpretation of the supply chain is required.

These scholars posited that the linear view of the interconnected firm, one which is argued to be insufficient, disregards the natural ways in which interactions or inter-firm relations in the supply chain are formed and evolved (Dooley 1997; Harland et al. 2001; Lamming et al. 2000; Li et al. 2010; Pathak et al. 2007; Surana et al. 2005). Thus, it is argued that the supply chain now contains a mix of more formal and informal inter-firm relationships, thereby creating a much more complex network structure (Choi & Kim 2008). This inevitably creates a complex structure of relationships between the entities in the supply chain. It also indicates that the supply chain has become a more complex network because of the activities and exchanges that have increased over the years.

The main objective of this research is then to determine the true structure of the supply network considering the various inter-firms relations that may exist in a complex supply network thus determining the pattern of embeddedness of firms in a supply network. Even though the linear approach has been the widely accepted forms of supply network, yet, the complexity driven by inter-firm relationships in the upstream supply chain network, leaves a question remains, will the effects of a firm's communications in the different type inter-firm relations in the supply network structure leaves the linear structure intact or will a new forms of supply network structure emerged? This question is valid because the existence of a powerful focal firm in the upstream supply chain network may introduce an unknown impact on relational capital outcomes in the context of the upstream supply chain network structure. Thus, the research question for this research seeks to investigate the relationship inter-firms relations in a supply chain network and the overarching supply structure which reads:

What is the actual pattern of embeddedness of firms in supply network structure depending on the different type of supply network relations?

This research paper took the position of non-linear structure to the supply network compared to the previous linear forms. Findings of this study are significant as it will help shape appropriate strategy formation for the management of the supply chain. It will also assist in effective and efficient resource allocation approach for managers involve in networking and marketing.

LITERATURE REVIEW

Complexity in the Supply Chain

The complexity literature indicates that complexity arises from the fragmented yet extensive inter-connectivity between the varied elements in the system structure towards achieving consensus goals. Because the supply chain is also a composition of varied yet inter-connected firms that work together to produce finished goods and services, the supply chain represents a system, or more specifically, a complex system of interrelated firms. Thus, when referring to the supply chain as the system, it can be argued that the complexity in a supply chain arises from the fragmented yet extensive inter-firm relations between the varied firms in the network structure (Choi and Krause 2006).

These descriptions of complexity would justify the argument that the supply chain network is also complex and the inter-firm relations represent the interconnectivity between the elements in the system (Choi & Krause 2006; Mason-Jones & Towill 1998; Sivadasan, S et al. 1999; Vickers & Kodarin 2006) which in contrast to the previous simple, linear perspective of the supply chain. By these definitions (e.g. Choi and Krause, 2006a; Vickers and Kodarin, 2006; Mason-Jones and Towill, 1998; Sivadasan et al., 1999) supply chain network is a complex network of interrelated firms. Based on the literature review, the complexity in the upstream supply network can be identified into three elements, as follows.

First, one source of complexity in the supply chain arises from the sheer number of firms operating in the supply chain (Bozarth et al. 2009; Choi & Krause 2006; Milgate 2001). The number of firms has been identified in earlier literature to influence the performance of the supply chain network (Beamon 1999a). The argument is that, as the number of firms within the supply chain network increases, this consequently increases the managerial and operational requirements needed to maintain the relationship with the other firms across many boundaries (Vachon & Klassen 2002). Choi and Krause (2006) refer to complexity in the supply chain network as “the degree of differentiation of the focal firms suppliers, their overall number and the degree to which they interrelate” (p.643). On a similar note, Bozarth et al.(2009) put forth (and empirically tested) a model of supply chain complexity that includes the high number of suppliers and customers (both upstream and downstream of the supply chain) as components of the complexity. The result shows that the supply of a high number of firms increases the operational burden and subsequently the performance of the focal firm in the supply chain.

The second dimension that spurred complexity in the supply chain is the differences of the respective firms in the supply chain (Choi & Krause 2006). Variety between firms in the supply chain can result from the differences that exist between firms as a result of capacity, organizational culture, geographical location and years of operation and size (Adobor & McMullen ; Choi, S 2009; Gibson & Gibbs 2006; Harrison & Klein 2007; Mayo & Pastor 2005; Reagans & Zuckerman 2001; Van Knippenberg & Schippers 2007).

Third, other than the number of firms and the differences, the supply chain complexity also results from the degree of inter-relationship between firms in the supply chain (Choi & Krause 2006; Wilding 1998). Inter-relationship between firms in the supply chain could be in the form of physical goods exchanges (Ding, Sun & Kallaus 2007) or information exchanges such as market data or financial flows (Sivadasan, S et al. 1999).

In the context of the supplychain network structure particularly, Choi and Krause (2006) have stated that the supply chain network or the supply base have been experiencing increased complexity through this fragmented yet extensive inter-firm relationship. For example, in an upstream supply chain of car manufacturers, a supplier may supply parts to a manufacturer, while this manufacturer may at the same time supply other parts to the same supplier company. One intriguing fact is that many of these working relations among suppliers in the upstream supply chain network often exist beyond the knowledge of the focal firm.

A firm in the upstream supply chain network may welcome the inter-firm relations if the information exchanged promotes better coordination of the supply chain network. However, it may be unwelcome if the inter-firm relations contribute to leakage of information in the upstream supply chain network. Consequently, a firm’s perceptions regarding a good partner may change abruptly. Therefore, inter-firm relations among firms in the upstream supply chain network are an important aspect of the upstream supply chain complexity. The inter-firm relations among firms in the upstream supply chain network (no matter whether the firms compete or cooperate with one another) have been found to significantly impact upon the economic performance of the focal firm or manufacturer (Choi et al. 2008). This second stream of research indicates that the evolution of a supply chain creates a more complex structure arising from the inter-firm relations existing for the production of finished goods and services. What makes the upstream supply chain network more complex is that, to date, current studies in the operation and supply chain management literature have only been focusing on the formal materials flow type of relations among the firms in the supply chain? However, in fact, there are other forms of inter-

firm relations which contributed to the overall complexity in the supply chain. But, as indicated by the embeddedness theory and the studies of scholars such as Borgatti and Li (2010), the formal commercial transactions in the supply chain are embedded in a web of informal social exchanges (Grannovetter 1985).

In summary, inter-firm relations contribute to increasing complexity in the supply chain network contributing to the antecedents of network firms, particularly in the upstream supply chain network structure. Choi and Krause (2006) have concluded that the inter-firm relationship is one of the drivers of complexity in the supply base and deeper understanding is needed to overcome the complexity resulting from these inter-firm relationships. More specifically, the fragmented yet extensive relations between them create a level of complexity which demands effective and efficient management strategies from managers. These different sources of complexity demands a clear elucidation of the structure of the supply network for effective and efficient management of the supply network.

Research Proposition

The supply chain is an amalgamation of relationships or activities between buyer-supplier organizations (Croxtton et al. 2001; Lambert & Cooper 2000). In supply chain management, one strategic way for organizations to achieve their objective is through cooperation with other organizations in the chain, since chains can raise performance levels above those attainable in normal market operations (Johnston et al. 2004). Through the amalgamation of their resources organizations manage and organize the supply process from the upstream organizations to the downstream consumers, in the end forming their network of multiple member organizations. The description of the supply chain has been described in many early definitions of the supply chain (see Lamming et al. 2000; Mentzer et al. 2001). The combinatorial emphasis of these definitions is that: the transfer flow of resources and interaction activities between the organizations consequently create a network of transacting organizations (Beamon 1998). This network concept of the supply chain is supported by Lambert and Cooper (2000). Lambert and Cooper (2000) relate supply chain to network through three arguments. First, Lambert and Cooper (2000) argue that the supply chain involves several stages of intra- and inter-organizational vertical coordination. These various coordination spans from the initial source of resources to end users. Second, the supply chain involves multiple independent organizations. Thus managing the relationship between member organizations is utmost important. Third, a supply chain involves bidirectional links. Bidirectional links includes formal and informal ties associated within managerial and operational activities.

Structurally then, supply chain is virtually formed by the connectivity or links between buyer-supplier organizations where the integration progressively forms the ultimate structure, which is the supply network itself. The relationship is also known in the literature as the buyer supplier relationship (Choi & Kim 2008; Claro 2004; Cox, Sanderson & Watson 2001; Provan 1993). According to Choi and Kim (2008) a buyer-supplier relationship represents a dyad, or two nodes and one link, in network terms. Each node can be conceptualized as an actor performing activities for the purpose of generating value (Carter, Ellram & Tate 2007). The buyer organization needs resources from its supplier organization, and the supplier needs contracts and payments from the buyer. On top of that the buyer-supplier organization interacts to share information regarding market opportunities and new threats (Cousins et al. 2006). As a consequence, these phenomena create a link and form a dyad or a buyer-supplier relationship. Because a buyer organization often has links to other organizations, the buyer organization then brings to the dyad new indirectly connected organizations. Similarly with the supplier organization, this will also bring to the dyad their links with other organizations either directly or indirectly (Choi & Kim 2008). Conclusively, a buyer-supplier relationship is a dyad, it is also part of a network that has come to bear on individual nodes to the relationship through each other's extended business relationships.

Within a supply chain, the buyer supplier relationship may take several forms such as contractual ties, or market transactions to informal information sharing ties (Carter, Ellram & Tate 2007; Galaskiewicz 2011a; Kim et al. 2010; Mueller, Buergelt & Seidel-Lass 2007). Slack, Chamber and Johnston (1995) identified these ties base on five types of organizing relationships which include short term trade; semi and long term trade; coordinated-profit sharing; long term alliance; and joint venture. According to the authors, short-term trade refers to a formal single transaction after which the relationship ends. Semi and long-term trade agreements refer to the trade agreements without formal contracts that legally bind the organizations. Van der Vorst and Beulens (2002) view the supply chain as lying between fully vertically integrated systems and those in which the member organizations are totally independent of each other. In our opinion, the buyer supplier relationship in the supply chain may take on many forms as discussed above, bounded by one extreme by pure hierarchical integration and at the other extreme by the pure market creating a network of interrelated and interdependent organizations.

These streams of literature provide a fundamental justification in their explanation of dynamics of buyer supplier network. The attributes of the buyer-supplier organizations are the relevant embeddedness driver. However, the literature falls short of addressing the importance of ascertaining the

extent to which the involvement or embeddedness of these buyer-supplier organizations relates to the type of relationships. Furthermore, the focus on the organizations or the partnership as the unit of analysis and the external environment are too atomistic (Cousins et al. 2006). When evaluating potential course of actions, such assumption lacks a certain variable which equally important: the actions of other organizations or the relationships which the buyer supplier organizations are embedded in (Brookes & Singh. 2008; Brookes, N & Singh 2008). In addition, the literature ignores the interactive elements of the connectivity, whereby organizations obtain information from this connectivity. It is important to note that, although the buyer supplier relationship is essentially a dyadic tie between a buyer and a supplier, the outcomes and processes associated with the ties can be linked to the social network structure within which the buyer-supplier organizations are embedded in.

Since the relevance of network structure is prevalent in the current evaluation of the supply chain, this article made the following propositions:

Proposition : *The supply chain assumes a unique network structure depending on the type of supply network relations that the firms are connected to each other to.*

RESEARCH METHODOLOGY

As mentioned above, because of a network concern relational among the entities of the network, one must comprehend how these relations materialized and are visualized structurally. Proponents of network in the supply chain research (e.g. Borgatti & Li 2010; Choi & Kim 2008; Lazzarini & Chad 2002) proposed and applied the network approach regularly to study the inter-firm relationship in the context of the supply chain network. As a result, this research will follow the exploratory social network analysis approach found in literature studies in order to determine the supply chain network structure within the various types of inter-firms relations that exists. In this section, the researcher briefly discusses and justifies the adoption of the SNA methodology.

Structuring of network of relations has an important implication for actors of the various networks (Knoke and Yang 1998). Given a collection of actors, a social network analysis can be used to study the structural variables measured on actors in the respective network. These structures involve the pattern of ties among the actors. A network analyst would seek to model these ties to depict the structure of a group. One could then investigate the impact of these structures on the functioning of the network or the influence of these structures on actors embedded within these network structures (Hanneman and Riddle 2005).

Investigation of the implication of these structures upon the embedded firms requires a method that can analyse not only the characteristics of the actors, but also the relations between the firms that form the structures. Wasserman and Faust (1994) documented that the unit of analysis in network study is not just the actor, but consists of an entity made up from the collection of the actors and the linkages among them. An actor of the network, stressed Knoke and Kuklinski,(1982) can be an individual, a team or even organisations. Consequently, the unit of analysis of this study comprises the relationships between the firms and the attributes of firms of the APMMHQ-1 upstream supply network.

In addition, Wasserman and Faust (1994) as well as Lusher (2000) argued that the standard statistical method and analysis is not adept at measuring relations. One important fact behind this argument is that standard statistical analyses disavow the existence of relationships between firms in a network through the assumption of independence of observation. However, the network approach, more specifically the Social Network Analysis (SNA), focuses on the relations between firms and the pattern of the relations and the implication of the relationships (Wasserman and Faust 1994)

Because the focus of this study is not only concentrated on attributes of firms but also on the relations between firms, this study has consequently adopted the social network analysis (SNA) method strategy by which to obtain valid results for this study. Social network analysis is a research method which has its origins in the field of sociology, anthropology and politics (Scott 1998; Borgatti and Li 2010). SNA focuses on the relationships or ties between network entities, not just the attributes of the network entities (Wasserman and Faust 1994). According to SNA scholars, a network is made up of actors which could be either individuals or organizations which are interconnected to each other through different kind of social interactions (Scott 2000; Hanneman and Riddle 2005). The interactions can be in the form of hard ties or soft ties (Borgatti and Li 2010). The objective of a social network analysis is not to determine the attributes of the actors that impact upon the network, but rather on how the interconnectivity between the network actors influences network performance (Mueller 2000).Hence, social network analysis allows the researcher to investigate how firm embeddedness in the centralized upstream supply chain network structure would influence the organizational social performance.

A network of firms operating in an upstream supply network of a small maritime industry company formed the population of this study, i.e. the APMMHQ-1 (pseudonym rounded for the purposes of anonymity). The APMMHQ-1 is a manufacturing company in the Malaysian shipbuilding industry

involved in ship repairs, maritime works and engineering. To date, the company has awarded contracts to local vendors and suppliers totalling RM31 million for the development of small vessels in the region. Network data was analyzed using the analytic techniques, namely: exploratory network analysis. Exploratory network analysis was applied to explore patterns of interactions among firms which used to interpret the overall pattern of embeddedness of firms in the APMMHQ-1 upstream supply chain network. This analysis was performed using socio network software packages, i.e. UCINET (Borgatti, Everett & Freeman 2002), NetDraw, Mage and, Pajek (Nooy, Mrvar & Batagelj 2005).

Determining study sample

The first step of social network analysis is to determine the population of the study to be surveyed. There are two sampling units in this study, namely: the firms that occupy the APMMHQ-1 upstream supply network for the product RHIB and the ties or relationship between them. The sampling frames for the firms and for the connections between them are nested. In network studies, the method used to sample relations is part of the survey instrument.

One of the difficulties in conducting social network research is that of determining the boundary for the network study (Wasserman and Faust 1994). An accurate boundary specification technique will allow the network researcher to correctly identify the target population, as well as permitting an effective description of the population under study. An incorrect boundary specification strategy may produce erroneous network measurements. The difficulties associated with setting up the proper boundary specifications in network study demands careful treatment of any particular strategy chosen by the researcher (Knoke & Kuklinski 1982).

Diani (2002) argued that, in order to overcome the shortcomings of in boundary specification strategy, a boundary specification strategy that combine both nominalist and realist strategies should be adopted. For example, in accordance with Diani's (2002) proposition, Krauss, Mueller and Luke (2004) applied both boundary specification strategies in their study of a five state tobacco control network. The authors initially used the nominalist strategy and then supplemented the network with a realist strategy. Through the adoption of the nominalist technique, Krauss, Mueller and Luke (2004) developed a network roster of all organisations that are involved in the five state tobacco control program using criteria such as: 1) geographic location; 2) level of program capacity (e.g., funding level, age of program); 3) presence of tobacco farming and 4) type of lead agency (state health departments or independent organisation). Following this, to identify the population of this study (i.e. the firms in the centralized upstream supply chain network of APMMHQ-1 for product RHIB), this researcher followed the guidelines of Diani (2002) and Krausse, Mueller and Luke (2004). These researches begin by setting up the research boundary with a nominalist approach and follow this up with a realist approach.

Survey

Leading network researchers such as Galaskiewicz and Marsden (1978), Knoke and Kuklinski (1982), Burt (2004), and Borgatti and Li (2009) asserted the ability of surveys to obtain network data on inter-firm relations such as: information transfer, resource transfer and joint activities. A survey is suitable for this type of study because it allows the researcher to investigate the participants' subjective perceptions of interactions (Diani 2002).

The survey questionnaire consisted of closed-ended questions and open-ended questions. It begins by asking general questions and is followed by more specific and probing questions. In general, the questionnaire was framed following the standard of Choi and Hong (2002), Provan and Milward (1995), Stone (2001), Corteville and Sun (2009) and Cross and Parker (2004) respectively.

One category of questions investigates the network ties between the firms in the APMMHQ-1 centralized upstream supply chain network. In this section, the survey shows a table with the names of all the firms listed in the first column of the table. Based on this, the respondents were asked to indicate by a check on the table the list of firms that they have been in communication with for each type of relationship listed in the last sixth months. These four types of ties are important in order to understand both formal and informal relationships among organisations (Choi & Hong 2002; Corteville & Sun 2009; Provan & Milward 1995). The four types of ties investigated were, specifically: contracts, information-sharing, referral made and received ties. The contractual tie questions show how formally linked one firm is with another in the upstream supply network. The survey instrument asked the key informants to indicate on the roster the list of firms with which they have formal service contracts relating to the supply of materials for the product RHIB. The firms can be in tier two supplying materials to the tier one supplier who in turn supplies the focal firm (i.e. APMMHQ-1) with the materials necessary for the production of RHIB (Provan & Milward 1995).

The information-sharing ties illustrate the norm of collaboration and cooperation between the organisation/unit that is asserted in formal links or ties. Network data on information-sharing ties reveal collaboration in a network. Information-sharing was assessed in the network survey by asking key

informants to indicate on the rosters which of the firms listed below might have an exchange of information to accomplish their work (Cross & Parker, 2004).

Data Analysis

This study will analyse the network data obtained in two approaches. First, we will provide the numerical score of three structural measures: network density, centralizations and clustering coefficient scores. These measures implied the degree of connectivity of actors in the different network structure. The measures are also an indicator of patterns of interactions between actors depending on the type of relationships. They are applied to holistically describe interaction pattern within the different type of buyer supplier relationship networks. Network measures will form a first half of the data analysis using the UCINET. A second analysis technique captures the other half of the study question. These structural measures are not exhaustive. However, they have been used rather extensively in social network analysis research which involves inter-individual studies. The application in the context of inter-organizational study has only been proposed in the last decade (Choi & Kim 2008; Kim et al. 2010; Krause, Handfield & Tyler 2007). This section of the data analysis was done using the Ucinet software.

In the second analysis, we present the network plots of the different relationships focusing on both buyer-supplier organizations. This analysis is done using NetDraw and Mage. The generated network plots will fully capture the research question as it will graphically indicate the extent of embeddedness of buyer-suppliers organizations in the network base on the different type of relationships.

DESCRIPTION OF THE NETWORK STRUCTURE

In this study, to provide the preliminary answer to the research question, we argue in favor of Cousins et al. (Cousins et al. 2006) which stated that to the extent that sharing information is a form of informal buyer supplier relationships or linkages and contractual ties is a form of formal buyer supplier relationships or linkages (Borgatti & Li 2009), the management mechanism of buyer supplier relationships such as contracts and information sharing can be viewed on an axis. Informal integration such as information sharing will be located at one end of the axis. Formal integration such as contracts will be located at the other end. Referral linkages fall in the middle of the continuum because referrals can be based on both informal collaboration among managers or administrators and formal arrangements based on contractual requirements.

In the next section we will discuss the definition of the network structural measures, followed by a comparison table of density, centralization, and clustering coefficient scores of the buyer supplier relationship, which includes contractual ties, referrals and information sharing.

Network Structure: Density Score

Density score is the ratio of the actual number of ties in the network (n) to the number of potential ties ($2L/g*(g-1)$), where L and g are the number of ties present in the network and the number of actors (represented by nodes) in the network respectively (Hanneman & Riddle 2005). Density scores are presented on a score of 0 or 1. A higher density score indicates a greater degree of interaction among the members in the particular buyer supplier relationship. In Table 1, the first column represents the density scores of the ties or linkages. Because each tie in this study generated its own matrices, the density scores in Table 1 is the density score for each of the contractual ties, information sharing ties, and referrals received ties. Based on Table 1, we could see that among the buyer supplier relationship network density, the information sharing ties has the highest density score of 0.2965. It is followed by contractual ties density with 0.1660, and referral density scores of 0.1847. The density scores illustrate that there are more information sharing ties in a centrally governed supply system than there is contractual tie linkages between the member organizations.

Table 1: Network Ties Density

Type of Linkages	Density	Integration Continuum
Contractual	0.1660	Formal
Referral Received	0.1847	
Information Sharing	0.2965	Informal

This finding is consistent with findings from studies in other field of inter-organizational studies (Cousins et al. 2006; Oh, Chung & Labianca 2004). It is argued that less formal interactions took place rather frequently among organizations and information gathered from the informal ties is more fluent than informal ties. Furthermore, the norm to collaborate among organizations minimizes the requirements for formal ties because informal collaboration reciprocity is the yardstick rather than exclusion. Hence organizations more often than not involve themselves with informal ties or activities with multiple types of organizations than in formal administrative activities based on contracts or transmittal of funds. This argument is further supported from the following numerical statistics of clustering the coefficient of the

related buyer supplier relationship networks. We calculate the network density score using the following algorithm in the Ucinet software: *Network>Cohesion>Density*

Clustering Coefficient

The clustering coefficient is the extent to which any two organizations in the network are connected to the same organizations, are also directly connected to each other. In other words, the clustering coefficient score indicates the degree to which inter-clique interactions may exist in the particular buyer supplier network. A higher cluster coefficient score may indicate more collaborative activities between different sets of cliques. Hence interactions in this network are expected to be higher. In this study we found that collaborative groups exist more in informal buyer supplier relationships than in formal relationship (Table 2).

Table 2: Network Clustering Coefficient score

Type of Linkages	Overall Clustering Coefficient	Integration Continuum
Contractual	0.461	Formal
Referral Received	0.487	
Information Sharing	0.572	Informal

As indicated in Table 2, formal buyer supplier relationships, specifically the contractual buyer supplier relationship recorded a score of 0.461. The informal buyer supplier relationship recorded a clustering coefficient score of 0.572 for information sharing, and a score of 0.487 for the referral linkages. The score indicated that collaborative activities or inter-clique interactions occurs more in an informal network compared to a formal network. Organizations in an informal network interact not only with the organizations they are directly connected with but also to others indirectly. The higher number of inter-clique linkages translated into a higher degree of density for the particular network. The clustering coefficient phenomena however could have both benefits and disadvantages. Choi and Kim (2008) pointed out that in structural embeddedness phenomena, suppliers might share sensitive information or they could also be the source of new market opportunities. We calculate the network density score using the following algorithm in the Ucinet software: *Network>Cohesion>Clustering Coefficient*.

Centralization

Centralization measures the extent to which a network is around one of few actors (Freeman 1979). The centralization score is between 0 and 1 with higher values indicating that there is a high degree of centralization in the network around a central actor or actors. Table 3 documented the centralization score of the three linkage matrices. In Table 3, the centralization index of contractual ties and referral received ties are 0.3142 and 0.3174 respectively. The centralization score for information sharing is 0.4724. This score suggests that formal buyer supplier tiers such as contract matrices are less centralized than a lesser continuum of the buyer relationships. It is common in a centrally managed system such as the MMEA ISSSN to have the focal organizations to closely monitor the activities within which the network makes up.

Table 3: Network Linkages Centralization Score

Type of Linkages	Network Centralization	Integration Continuum
Contractual	0.3142	Formal
Referral Received	0.3174	
Information Sharing	0.4724	Informal

The monitoring and control are done through the policies and rules set up prior to committing into formal business linkages. However, contracts and policies remove some of the needs for communications as information is aptly documented. We calculate the network density score using the following algorithm in the Ucinet software: *Network>Cohesion>Centralization*.

The information sharing matrix linkages centralization score is 0.4724. Because the MMEA ISSSN supply delivery network is a centrally governed system, and most organizations in the six regions of the MMEA ISSSN rely on their ties with the MTU ISS and MMEA, the high centralization score of the information linkages indicates that the network is dominated by the focal organizations of the MTU ISS and the MMEA. Although previous studies have found that in other contexts, such as health care organizations, the information sharing centralization index displays a very low score, we found that in the context of the supply of materials and services the centralization index remains high. This could be due to the fact that, in supply chain phenomena, the focal organizations dictate the flow of resources within the network. Because of that, other organizations seek information directly or indirectly from the focal organizations in the form of orders and supply on a constant basis. These make the focal organizations

the centre of information sources and provide the focal organizations with a powerful positional advantage.

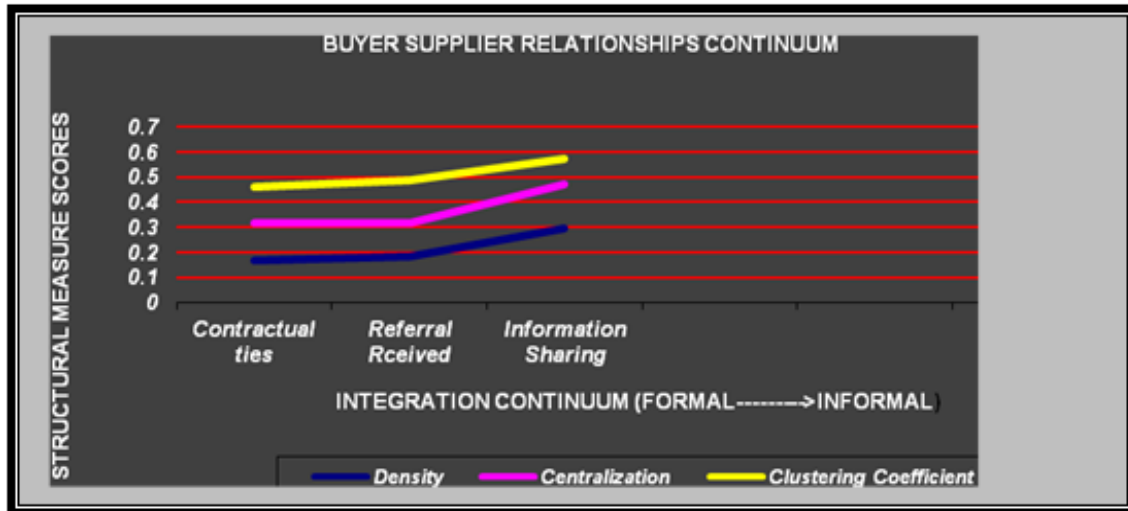


Figure 2: Integration Continuum of Buyer Supplier Relationship Network

The amalgamation of the network structure measure is illustrated in the continuum graphic as illustrated in Figure 2. Based on the network measure of the three different buyer supplier relationships, we propose an integration continuum for the different types of buyer supplier relationships. Figure 2 is the graphical illustration of the network measure score (density, centralization and clustering coefficient of the linkages pattern). It is the integration continuum of the buyer supplier relationships in a network. The distribution of the network clustering coefficient, density and centralization score shows an interesting pattern. The information sharing buyer supplier network has the highest clustering coefficient score, density score and centralization score. The contractual linkage show lowest density and clustering coefficient and centralization score. This pattern suggests the following: firstly, informal buyer supplier relationship orientation tends to be based on centralized, clustered and dense structure ties. Second, formally integrated buyer supplier relationships tend to be based on sparse, less centralized structure with less collaborative potentials. Third, a mix of informal and formal buyer supplier relationship such as referrals relies on moderately dense and moderately centralized structures of ties integration. Finally, collaborative acts tend to emerge more in informal integration than formal.

Description of Network Plot

Network structural measures such as the clustering coefficient, centralization and density scores are primarily concerned with the pattern of the whole network interaction (Burt, Ronald S. 1995; Burton 2010; Freeman 1979). They indicate the cohesiveness of the network structure. It is an indication of how connected actors in a network are depending on the type of relationship being considered. In the case of a buyer supplier network such as the supply chain, understanding the pattern of connectivity based on the different types of relationships is key to managing the structural embeddedness complexity (Choi & Kim 2008). Although the network structural measure illustrates the whole network connectivity pattern, it lacks the ability to indicate the dominant type of players in a network. Through our review of the literature, such illustration can be accomplished through either an ego network study, whereby an analysis of each of actor in the network would have to be undertaken or through network plots of the different type of buyer supplier relationships. Because this study population is high, we opted for the latter.

Network structural plots give an interesting approach in describing the structure and the embeddedness of the organizations. It shows the extent of connectedness of an actor to other actors in the network through the number of lines. An actor that is more connected to another actor would have more lines connecting it to other actors. Hence, the high number of lines would place the actor in a central position in a network. The Ucinet software external to the whole network structural plot would locate an isolate or actor without any ties to other actors. However, in this preliminary report, we adhered to Kilduff and Tsai (2003) who stated that network plots are only useful to the degree that they complement and assist in answering theoretically motivated questions (Kilduff & Tsai 2003). In this study the network plots approach will be used for that purpose. Using NetDraw and Mage, we provide the embeddedness description of organizations in a centrally governed supply network based on the different types of buyer supplier relationships and types of organizational type (buyer versus suppliers).

In this section, we will first present the network plots based on three different types of buyer supplier relationships (contract, information sharing and referral received). Then we provide a graphical diagram that combines the network plots together and give the interpretation of this diagram with regard to the study question.

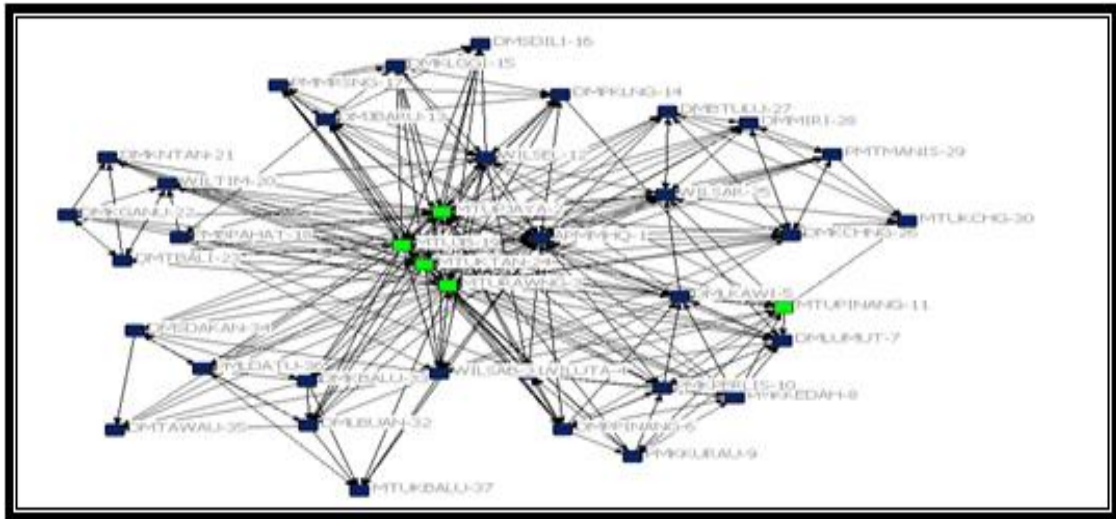


Figure 3: Network Plot for Contractual Buyer Supplier Relationship.

N=37, ■ Suppliers, ■ Buyers

In the network plot for the contractual buyer supplier relationship, the network is dominated by the supplier organizations, which are coloured in green. Almost all organizations have contracts directly with the MTU ISS organizations or are indirectly connected through other mediator organizations. For example MTURWANG-3 has 33 direct and indirect contractual ties with other member organizations in the network. The second most organizations with most contractual ties with other organizations in the network are the MTUKTAN-24 and MTUJB-19, both with 32 ties. We could see clearly from this network plot that supplier organizations are predominantly centrally located in the plot based on the high amount of ties. In this contractual buyer supplier relationship, suppliers are likely to be more involved and more embedded in the central location of the network. The network plot in Figure 3 indicates that in formal buyer supplier relationships, central roles are played by supplier organizations. Contractual maintenance activities such as ordering and replenishment activities are actively monitored by supplier organizations to ensure a timely supply of materials when needed by the users.

Figure 4 displays the network plot for the information sharing buyer supplier relationship network. Based on the diagram, we could see that there are linkages with every organization in the network. This network plot indicates a rather centralized structure of connectivity between member organizations in the network. Furthermore, in this network plot we could also identify that, unlike in a contractual network where the supplier organizations are dominant, buyer organizations such as APMHQ-1 have become part of the core organizations in the exchange or sharing of information activities. WILTIM-20 and WILSEL-12 have also more information sharing ties with other supplier and buyer organizations. Supplier organizations such as MTUJB-19 and MTUKTAN-24 have now settled in the periphery of the network structure. The network plot shows that central positions in information sharing buyer supplier networks are dominated more by buyer organizations than supplier organizations. Hence information sharing buyer supplier relationship of the network is more likely to be dominated by buyer organizations than suppliers.

In the context of a supply chain network inter-firm relationship, it can be seen that related parties in the network of relationships encounter conflicts through goal incongruences and suspicions of assets abuse. Consequently, the researcher addressed the issue of inter-firm relationship in the supply chain network by investigating the pattern of firm embeddedness through its network structural positions in the two types of inter-firm relations. It was evident from the exploratory network analysis of the network maps that firm embeddedness in the centralized supply chain network was related to the degree of formality of the network tie.

The results found in the exploratory network analysis regarding the relationship of firm embeddedness and the formality or informality of the tier coordination mechanism indicate a different stance compared to the traditional view of linear structure.

The difference between the perspectives of network structure found in this study and the traditional linear perspective of embeddedness begs the question of how can these divergences be elucidated. The explanation that the researcher provides here will focus on the unique form of the firms and the dynamics of the centralized upstream supply chain network.

Using exploratory network analysis, the researcher first developed the network maps of network ties which are, namely: the network contract tie and network information-sharing in order to determine the network embeddedness pattern. This provides a general outlook of the supply chain network structure. It is important to note that, in this analysis, based on earlier findings of organizational studies (Cousins et al 2001); the network ties are viewed on a continuum of ties coordination's (formal versus informal relations).

The first arguments relate to the pattern of embeddedness of firms based on the types of network relation of coordination. In the context of the supply chain network structure, firms were found to be more embedded or involved in network relations that require less formal coordination approaches than in the network relations that were formally managed through terms and regulations. An example of this is the contract tie, as evidenced through the increased level of connectivity among firms shown in Figure 5.4 (contract tie network map), Figure 5.6 (information-sharing tie network map). Network maps indicate that in formal relationships, such as contract ties, the extent of firms' embeddedness is lower. On the other hand, in informally integrated relationships, the results show a high level of embeddedness or involvement, as indicated by the high score of network structural measures of embeddedness.

The results of the exploratory network analysis conformed to similar findings in literature. For example, Polanyi (1957) posited that the embeddedness of economic actions was supplemented by market approach in the post-industrial societies. In addition, Granovetter (1985) reiterated this position in his study, wherein the author posited that all economic actions are embedded in networks of social relations. Following that, Uzzi (1997) found that in the apparel business, although contracts govern the transactions between firms, the author found that firms rely most upon the web of social exchanges.

The finding of the exploratory network analysis adds to the views of Polanyi (1957), Granovetter (1985) and Uzzi (1997). Similar to these authors, this study found that, at least in the APMMHQ-1 upstream supply chain network for RHIB, formal coordinative relations (such as the contract tie) only represent a small part of the actual interaction that exists in the upstream supply chain network structure. It was also determined that the other (or maybe the larger) portion of the network economic actions is transmitted through a network of social relations.

Second, the finding of the exploratory network analysis also indicates that in the context of the upstream supply chain network, firms are embedded or involved with other firms in the network structure. This is accomplished through an integrated form of a network of formal and informal inter-firm relations. Furthermore, a study by Uzzi (1997) of the New York apparel industry also confirmed that contractors in the said industry formed an integrated structure of embedded ties (social relations) and arms-length ties (formal relations) when dealing with other manufacturers or contractors. The existence of an integrated form of relations coincides with Uzzi (1997), who argued that an integrated structure of embedded ties (informal relations) and arms-length (formal relations) is the optimal form of integrated structure. In addition to that, Cousins et.al (2001) also posited that, in the supply chain network, both informal and formal relations exist towards ensuring an efficient and effective management of the supply chain network.

Consequently, this finding means the existence of a heterogeneous form of firms in the context of the centralized upstream supply chain network structure. As the firms are embedded in different types of network ties, such as the formal contractual tie network and informal information-sharing tie network, these different ties impact upon the embeddedness nature of the organization in the network. The reason for this is that, although the two ties are distinct, it is essentially an overlapping network structure which created an organization having a distinct characteristic to attend to both the formal and informal ties at the same time in the network. Essentially, we could refer to these organizations as heterogeneous

organizations (of formal and informal characteristics) as they are both formally and informally embedded based on type of ties.

Third, our examination of the structure of the contractual tie network map reveals the existence of a hub and spoke structure in the centralized upstream supply chain network structure.

Combining the results of the network maps indicate that in informally integrated ties, firms are more involved or embedded in the informal network structure than in formal ones. Thus, this would suggest that firms' embeddedness in the centralized supply chain network differs based on the different types of inter-firm relations.

Therefore, in answering research question, it is clear from the exploratory network analysis that the supply chain network structure have evolved from a linear structure to a more network type of structure this may due the fact that firms are more embedded or involved in a network of relations that requires less formal coordination than in a formal network of relations.

What this answer also indicates is that, in the supply chain network structure, both the formal relationships and informal relationships co-exist. This can inadvertently mean the presence of both the formal and informal forms of management or coordination approaches to inter-firm relationship management. Thus, practically, the ideal strategy of management goals of inter-firm relations complexity may be achieved by the application of the formal and informal coordination strategies at the inter-firm level. Thus, this could lead to the creation of a heterogeneous form of firm.

The heterogeneous structure is useful, because of the synergy of both the formal and informal structures of the network. The formal structure provides increased control, coordination and responsibility; while the informal network increases confidence, flexibility and responsiveness. Conceptualizations of organizational forms have focused on the market, hierarchy and networks (Powell, 2003). However, researchers have argued that the three different types of organization form can be combined into a more synergistic plural. For example, in the field of organizational studies, Adler (2001) found a mix of informal and formal mechanisms when managers attend to issues of business management. This research suggests a mix of formal and informal coordination mechanisms in business arrangements in the context of supply chain networks. The combination of formal and informal relations in the supply network can be a new addition to the mode or form of organization in the context of supply chain management.

CONCLUSION

In summary, while answering research question of this study, the researcher found that, in the context of the supply chain network structure, firms' embeddedness or involvement is contingent upon the type of network relations thus creating a new structure other than the traditional linear structure of the supply chain. Clearly, the exploratory network analysis has given a strong indication that, in the supply chain network structure, more attention and resources (as forming new alliances requires time and even money) of the embedded firms are dedicated to informal networks of relations than to the formal ones.

Through the utilization of exploratory network analysis (network maps and network structural measures tests) of the firms relationships, i.e.: contract ties, information-sharing, it is clear that the network embeddedness of firms in the supply network is related to the nature of the type of ties or firm relationships that are being considered. The findings of the exploratory network analysis indicated that, in a more formal form of firms' relationships, such as the contract tie, the firms are less embedded in the network structure. However, in the less formal ties or firm relationships (such as the information-sharing ties), firms are more embedded in their network structure as indicated by the network structural measures of embeddedness. More importantly, because the definition of embeddedness relates to the degree of involvement of firms in the firm's relationship, this finding suggests that firms are less involved within the network of formal ties compared to the informal inter-firm relations. For example, Uzzi (1997), Cousins et. al. (2001), Adler (2001) and Powell (2003) found that, in inter-firm networks of relationships, firms are connected to each other through multiple types of inter-firm relations.

Through our findings, this study found similar conditions in the supply chain network, where firms are embedded in contract ties, information-sharing, respectively. In addition, this study also went a step further by classifying these inter-firm relations into the formal and informal nature of its coordination. The results indicate that, in the supply chain, firms having inter-firm relationships are more embedded in the informal network of inter-firm relationships than in the informal inter-firm relations (Uzzi 1997). Although this finding contradicts the work of Granovetter (1985) (which argues that the strength of ties influences actor embeddedness in networks), our finding is in line with the work of Uzzi (1997) who found that in inter-firm networks, firms are embedded in arms-length type of ties and the embedded ties.

Thus, overall, the researcher found that, in the context of the upstream supply chain network structure, firms' embeddedness or involvement is contingent upon the type of network relations. Firms

are more embedded in informal networks of relations than in formal ones thus creating a non-linear structure of the supply chain.

This study contributes to the literature by testing the implications of firms' embeddedness in formal and informal networks of inter-firm relations simultaneously. It also tests the interaction implications of the positions in the two classifications of inter-firm relations. To the best of the researcher's knowledge, research has not yet looked at the embeddedness effects of the firms in the two networks in the context of the supply chain network. Thus, this research makes the initial step into understanding of the impact of multiple inter-firm networks on the firms in the centralized network structure.

The discussion of the results of the analysis certainly has had an impact on the body of knowledge. This has occurred at least from the perspective of, namely: confirming the different effects of ties on the structure of the supply chain. The debate between the complementary versus substitute roles of formal and informal relations and to the argument that the analytical level of the supply network should no longer be viewed from the traditional individual dyadic ties, but rather from the extended networks relations.

The overall findings of this study have implications for the supply base management strategy, at least within the context of the SBSR in Malaysia.

The APMMHQ-1 upstream supply chain network, as with other supply networks, is known for its complexity. Although the APMMHQ-1 supply network was within national boundaries, it is important to note that firms of any supply network are either knowingly or unknowingly connected to the larger network picture through the relevant firm relationships. There is also the issue of geographical dispersions of the firms in the supply network, since the production and distribution points are mostly far away from each other. These, as well as similar, issues must be considered when evaluating the important managerial questions.

First, the researcher was able to demonstrate that firm network involvement, or its embeddedness in the supply chain network or supply base, is generally related to the firm's types of network relationships. More specifically, it is beneficial to know that firms which become aware of and are involved in the supply chain network relations will generally experience increased levels of trust and influence. Even though it is not the goal of this study to explore the impact of network involvement on accounting or financial indicators, it is however important to note that Reagans et al. (2004) argued that relational capital such as trust and reputation facilitates transactions. As a result, it could reduce costs, as well as increase performance and innovativeness of the related parties. What this means for managers of the supply chain is the ability to identify and capitalize on the important network structural position that can contribute to increase relational capital outcomes. The findings of this study have indicated the relevant position or degree of involvement for the generation of trust and influence; it is the initiative of the managers to determine their respective positions in the centralized upstream supply chain network structure and make the necessary adjustments.

In conclusion, by considering the overall implications of our study, we may conclude that supply chain evolves. Managers need to consider their firm's existing embeddedness in order to exploit the competitive advantage of supply network inter-organizational relationships. Firms that fail to understand the underpinnings of these relationships stand to face more difficulties within the network itself. For this reason, managers who intend to obtain competitive advantages from the network must engage with other partners more effectively. No doubt, some firms are at an adequate standing, while others are struggling in some areas. The framework of this study can be applied by managers who are committed to engaging other network members.

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ATTRIBUTION THEORY PERSPECTIVE TO OBSERVE THE IMPACT OF CULTURE TOWARD SERVICE FAILURE: IT'S IMPLICATION ON SERVICE INDUSTRY

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Abstract. This study aimed to investigate service failure from attribution theory perspective. Attribution theory perspective is valuable in identifying consumers' assessment regarding the cause of the service failure and interpretation of the perceived causes influence their emotions and post-consumption behavior. Moreover, this study also identifies the role of culture to explore consumers' responses to service failure. In the service industry, consumers generally have two preferences for experienced service failures, namely: 1) economic preference, and 2) social preferences. Consumer response will have different impact depending on the culture, such as: consumers with an individualist culture more consider economic preferences compare with social preferences. Similarly, consumers with high power distance are believed to be more consider an economic preference compare with social preferences. Therefore, investigating the influence of culture on service failure is very important. Hypothesis testing is done by using 2 X 2 between subject designs ANOVA. To test the structural model developed, this study uses a quantitative research design that aims to investigate the inter-relationship between the variables in the model proposed. Our research employed a mixed-design experiment using a survey method. This approach made it possible to test for causal relationships and include a more representative sample of service failures and customer responses than is possible using recall-based designs. Number questionnaire distributed in this study was 108 questionnaires. The results of this study are very valuable in providing the theoretical understanding of consumer behavior across cultures and provide specific guidance to manage service failures across different cultures.

Keywords: *attribution theory, culture, individualism, power distance, service failure, service industry.*

INTRODUCTION

Many studies have attempted to reveal service failure phenomenon and its implications on post-consumer behaviors. But on the contrary, not many studies have tried to reveal the cause of the phenomenon of individuals undergoing complaint. This study attempts to reveal the phenomenon of service failure in terms of attribution theory perspective. Attribution theory agree on how individuals interpret an event or behavior in terms of causal inference (causal connection), and their interpretations played a significant role in influencing the reaction on events experienced or behaviors (Kelley and Michela, 1980). Weiner (1979) classify the causes of service failure into three constructs, namely: attribution of locus, attribution of controllability and attribution of stability, which is the most common category of attribution adopted when investigating the failure of a product or service.

Moreover, the study also aims to investigate the role of culture on individual levels in influencing consumers' responses to service failure. In the field of marketing, research that systematically investigated the influence of multi-aspect of culture is still very rare (Maheswaran and Shavitt, 2000). (Vargo and Lusch, 2004) suggested that the urgency arises in the field of empirical to investigate consumer response across-culture on service failure, in line with the shift in economic trends centered on service.

The model most studied and validated to describe and compare the culture is individualism versus collectivism (e.g., Hofstede, 1980, 1991; Hui and Triandis, 1986; Oyserman *et al.*, 2002). In a culture where individualism prevails, people tend to view themselves as an independent entity and define themselves apart from others. In a culture where collectivist prevails, people tend to view themselves as members of a group and to define themselves in relation to others. Because of differences in the concept of cross-cultural, individualist cultures focus on personal goals, personal well-being, personal freedom, and personal responsibility; whereas collectivist cultures emphasize social relevance, social roles, collective interests, and obligations to others.

In the field of marketing, systematic study of the influence of multi cultural aspect is still rare (Maheswaran and Shavitt, 2000). There is an urgent need for cross-cultural research in relation to the consumption of services. This study attempts to explore consumer response to the service failure in the service industry. In the service industry in general consumer has two preferences against service failures experienced, namely 1) economic preference, and 2) social preferences. Consumer response to the service

failure will have different impacts depending on the culture. Consumers are individualists believed to be more focused on the economic preferences of the service failure caused the company. Consumers in more individualist types feel a loss in terms of economic resources compared with consumers in a collectivist culture that is more focused on the social aspects. Classification of consumer response will be seen from the aspect of individualist - collectivist cultures. Furthermore, this study also investigates consumer response to the failure of the services from the aspect of power distance.

LITERATURE REVIEW

Service Failure

A service failure is defined as service performance that falls below a customer's expectations (Hoffman and Bateson, 1997). Service failure is defined as a disorder, delays, or bottlenecks in service delivery (Hoffman and Bateson, 1997). According to Maxham (Magnini and Ford, 2004), service failure are defined as any service related mishaps (real or perceived) that transpire during a customer's experience with a firm.

Some researchers conduct an investigation to determine the cause of the service failure (Lewis and Spyropoulos, 2001). Kotler (2000) states that the service failures caused by factors such properties or characteristics unique of services (intangibility, perishability, inseparability, and variability) and psychographic factors of the individuals involved in the process of presentation of services. Another study conducted by Bitner *et al* (1990) concluded that the employee's response to the service failure directly related to customer satisfaction and dissatisfaction. Such failures can be grouped into three categories. First, employee's response against service failure in the delivery system; Second, employee's response to the needs of individual and special request from customers; Third, employee actions are not quick and unsolicited. Research conducted by Johnston (1994) concluded that service failure is not only caused by factors the company or employees, but customers took part in the whole process.

Various studies indicate service failure that are not treated quickly and correctly will be bad for the company concerned for a long period of time (Kotler, 2000; Roos, 1999;). Liu et al (2000) state that 'service failure could be costly because they could lead to negative word-of-mouth'. Various studies show that the customer experience has been linked to complaints made over the failure of services that occurred (Tax and Brown, 1998, and Singh, 1990).

National Culture

The concept of culture is widely interpreted in the academic literature. Kluckhohn (1962) defines culture as the part of human makeup "which is learned by people as the result of belonging to a particular group, and is that part of learned behavior that is shared by others. Hofstede (1980, 1991 and 2001) defined culture as the "collective programming of the mind which distinguishes the members of one group or category of people from those of another". Hofstede's typology of culture is one of the most important and popular theories of culture types. Hofstede (1980, 1991, and 2001) established five dimensions of national culture: power distance, individualism, masculinity, uncertainty avoidance, and long-term orientation. Although these dimensions initially were developed from employees of just one firm, they have been found to be "generalizable" and to represent differences between cultures. Hofstede argues that countries can be placed differentially on these dimensions according to their institutions and core values, including those that are work related.

Researchers have investigated linkages between service failure and national cultural values (Chan and Wan, 2008; Smith *et al.*, 1999; Maheswaran and Shavitt, 2000). Chan and Wan (2008) discovered strong associations between individualist - collectivist and the elements of service failure (process failure and outcome failure). While the evidence attests to the fact that these relationships exist, the theoretical basis for the findings has not been straightforward. Rather than attempt to address all national culture dimensions, in this paper we focus on only two dimensions in order to more fully explore the nature of the relationships between culture x service failure on attribution theory. Evaluation of the other three cultural dimensions is left for another investigation.

The following section reviews the results of past research that addresses aspects of the effect of power distance and individualism national cultural values on the differences of customer response toward service failure and proposes several hypotheses.

Attribution Theory

Attribution theory is a collection of several theories regarding the causal decision-making process of individuals to an event and how the interpretations produced affect the evaluation and behavior (Swanson and Kelley, 2001). Attribution theory views people as rational information processors whose actions are influenced by their causal inferences. In the context of consumer complaining behavior, attribution theory predicts that the perceived reason for a product's failure influences how a consumer responds (Bettman, 1979)

According to Chang and Wu (2014) attribution theory agree on how to interpret an event or behavior in terms of causal inference, and their interpretations played a significant role in influencing reactions on the events experienced or behaviors. Another view says that the attribution theory is used as the basis of the conclusions of consumer behavior and the success or failure of a product (Kelley and Michela, 1980). Moreover, Kelley and Michela (1980) also states that some researchers have proposed different constructs in the investigation of their research on the role of attribution in the modeling study.

Attribution theory has evolved from various streams of research (Swanson and Kelley, 2001). Some pioneer studies that investigated the attribution theory, among others: studies by Kelley (1967, 1971, 1972, 1973) regarding external attribution, as well as studies by Weiner (1980, 1985a, 1985b) regarding the attribution theory in social psychology. Various phenomena of social interaction where the attribution theory can be applied in it have made this theory became one of the important paradigm in social psychology. As a result, attribution theory has also been widely adopted by scholars marketing (e.g., Folkes 1984; Curren and Folkes 1987; Wofford and Goodwin 1990; Gooding and Kinicki 1995). Attribution theory even has produced a conceptual framework useful in investigating consumer reaction to the failure of the product (Bettman, 1979; Richins, 1983; Valle and Wallendorf, 1977). Folkes *et al.* (1987) even investigate more complex model of the consumer attribution for product failures associated with the desire to re-purchase and to complain about the problems that occur.

Previous attribution theory has provided significant insight into the experience of product failure. For example, failure caused sellers are more likely to: 1) give rise to a complaint to the company and a warning to others (Richins, 1983; Curren and Folkes 1987); 2) contribute to low levels of satisfaction (Oliver dan DeSarbo 1988); and 3) the influence of the belief that customers receive an apology and / or refunds (Folks 1984; Kelley, Hoffman, and Davis 1993). If the customer determines that the party responsible for the failure to have control over the causes they will be angry, have the intention of buying back lower, and has a great desire to complain (Folkes, Koletsky, and Graham 1987). In summary, attribution has been found to affect how consumers communicate (Richins 1983; Curren and Folkes 1987; Folkes, Koletsky, and Graham 1987), satisfaction or dissatisfaction (Oliver and DeSarbo 1988), A preferred recovery (Folkes, 1984; 1988), and intention to repurchase in the future (Folkes, Koletsky, and Graham 1987). Such as the failure of the product, the attribution theory can also provide insights into consumer perceptions and intentions relative to the experience of service recovery.

Dimension's of Attribution Theory

Weiner (1979) classified into three constructs attribution, namely: attribution of locus, attribution of control-liability and attribution of stability, which is the most common category of attribution adopted when investigating the failure of a product or service. In situations where there is sufficient information, consumers make conclusions about the cause of the incident refers to the three constructs: attribution of locus (who is associated with these events?), *attribution of controllability* (whether the failure is able to be controlled or not able to be controlled?), and attribution of stability (whether this failure is very often or temporary?)

Attribution of locus

Attribution of locus is defined as the extent to which the cause of the failure boils down to good service from the service provider and consumer (Browning *et al.*, 2013; Pon *et al.*, 2004). Attribution of locus associated with the desire of consumers to communicate their bad experience. When a customer dissatisfaction arising from a failure caused by the seller or manufacture as compared to consumers, consumers tend to complain to the seller or manufacturing and engage in negative word of mouth on failure (Chang *et al.*, 2014).

Attribution of controllability

Attribution of controllability is the extent to which consumers perceive the cause of the failure was the will of the service provider (Browning *et al.* 2013; Hess *et al.* (2007). Although the environmental constraints on the service providers may lead to failure, sometimes they have a chance to prevent the failure occurred. For example, a flight is delayed for storm-snow that obscures the flight is an event that cannot be controlled by airline; however, delays due to slow boarding procedure is an event that is able to be controlled (Weiner, 2000). When customers find that the failures are actually able to be avoided, they will be upset and are less willing to make repeat purchases. Moreover, service failure can provoke retaliatory behavior to harm the company's business (Folkes *et al.*,1987).

Attribution of stability

Attribution of stability means the extent to which the cause is seen as temporary (fluctuates from time to time) or permanent (Browning, 2013). When consumers attribute cause failure for reasons stable, they expect the problem will occur repeatedly, and will warn friends and acquaintances not to subscribe to the seller or manufacturer (Curren and Folkes, 1987). Browning *et al.* (2013) stated that consumers are

more likely to be satisfied with the service if the failure attributed to stable causes, such as failure of continuous services and the failure of previous services.

Based on the theoretical description, the hypothesis can be formulated as follows:

- H1: When a service failure occur consumer in a collectivist culture attribute more responsibility to the service provider.
- H2: When a service failure occur consumer in a high power distance culture attribute more responsibility to the service provider.
- H3: When a service failure occur consumer in an collectivist culture attribute more ability to control to the service provider.
- H4: When a service failure occur consumer in a high power distance culture attribute more ability to control to the service provider.

RESEARCH METHOD

Research Design

Our research employed a mixed-design experiment using a survey method. This approach made it possible to test for causal relationships and include a more representative sample of service failures and customer responses than is possible using recall-based designs, such as the critical incident technique (Smith *et al.*, 1999). Respondent evaluated a series of service failure in the process of service delivery through scenarios set in the context of service organizations they recently had patronized. The primary advantage of using scenarios is that they eliminate difficulties associated with observation or enactment of service failure incidents in the field, such as the expense and time involved (due to low incidence rates), ethical considerations, and the managerial undesirability of intentionally imposing service failures on customers (Smith *et al.*, 1999). Furthermore, the use of scenarios reduces biases from memory lapses, rationalization tendencies, and consistency factors, which are common in results based on retrospective self-reports (Smith *et al.*, 1999).

Measurement of Variables

All variables were measured with multiple-item scales derived from previous studies. A seven-point Likert-type scale was used to ensure uniformity in measuring the variables. Individualism and power distances were measured using scales developed and validated by Kanousi (2005) from original article (Hofstede 1991, p.27, p.51). The advantage of these scales over those of Hofstede (1980, 1991 and 2001) is that the instrument is applicable to general consumer situations, rather than limited to work related situations. Service failure (outcome failure and process failure) were measured using scales developed and validated by Chan and Wan (2008); Smith *et al.* (1999). Attribution of locus and attribution of controllability were measured using scales developed and validated by Chang *et al.* (2015); Hess *et al.* (2003), and Poon *et al.* (2004).

Table 1. Operationalization of Variables

Construct	Definition	Items	Adopted from
Outcome Failure	Outcome failure occurs when some aspect of the core service is not delivered, so that the consumer incurs a loss of economic resources (e.g., money, time)	<ul style="list-style-type: none"> Service provider delivered professional quality of service (reverse coded) Quality of service from service provider was not good 	Chan and Wan (2008); Smith <i>et al.</i> (1999).
Process Failure	Process failure occurs when the core service is delivered in a deficient manner, resulting in a loss of social resources (e.g., status, esteem).	<ul style="list-style-type: none"> The front-line employee's did not show you respect Front-line employee's attitude was acceptable, (reverse coded) 	Chan and Wan (2008); Smith <i>et al.</i> (1999).
Individualist (Versus Collectivist)	Individualism: "pertains to societies in which the ties between individuals are loose; everyone is expected to look after himself or herself and his or her immediate family". Collectivism: (the opposite of individualism) "pertains to societies in which people from birth onwards are	<ul style="list-style-type: none"> Everyone grows up to look after him/herself and his/her immediate family only. People are identified independently of the groups they belong to Other member in exchange for loyalty should protect an extended family member 	Hofstede 1991, p.51; Kanousi (2005).

Construct	Definition	Items	Adopted from
	integrated into strong, cohesive groups, which throughout people's lifetime continue to protect them in exchange for unquestioning loyalty".	<ul style="list-style-type: none"> • People are identified by their position in the social networks to which they belong 	
Power Distance	The extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally	<ul style="list-style-type: none"> • Inequalities among people are both expected and desired. • Less powerful people should be dependent on the more powerful • Inequalities among people should be minimized • There should be, and there is to some extent, interdependencies between less and more powerful people 	Hofstede 1991, p.27; Kanousi (2005).
Attribution of Locus	The extent to which the cause of failure is located at the service provider	<ul style="list-style-type: none"> • I think service provider caused the complainer's unpleasant experience • I think service provider should be blamed for any undesirable outcomes 	Chang <i>et al.</i> (2015); Poon <i>et al.</i> (2004).
Attribution of Controllability	The extent to which customers perceive the cause of failure as controllable by the service provider	<ul style="list-style-type: none"> • I think service failure was controllable by service provider • I think service failure was preventable by service provider • I think the service failure was avoidable by service provider 	Chang <i>et al.</i> (2015); Hess <i>et al.</i> (2003).

Source: Literature Review from Previous Studies

Sampling Procedure

This study adopts data collection method that is done by Chan and Wan (2008). Chan and Wan (2008) are using 104 undergraduate students from a large, international university. Half were from the United States, and the other half were from mainland China. This study is only using culture in Asean perspective that represented by Indonesian culture. Indonesian culture, like other Asean countries is represented by collectivism culture and high power distance.

Undergraduate students in the University of Bengkulu are using as sample respondent in this study. The total number of respondents is 108 people.

Experimental Design

The mixed-design experiment involved a 2 x 2 between-subjects design, in which type of failure (outcome versus process) were manipulated. Referring to Chan and Wan (2008) studies, researchers adopted a scenario-based methodology to maximize internal validity. Participants were given a booklet in which they were exposed to a service scenario characterized by either an outcome or a process failure (Chan and Wan, 2008):

Outcome failure: Your computer has broken down. You take the machine to a local computer shop for repair. Since the hard disk is damaged, it takes two days for the shop to get the disk replaced. Two days later, you go back to the shop to pick up the computer. You test the computer at the shop. You find that the start-up time is longer than before. Moreover, when you run your favorite program, the computer flashes an error message before execution.

Process failure: Your computer has broken down. You take the machine to a local computer shop for repair. Since the hard disk is damaged, it takes two days for the shop to get the disk replaced. Two days later, you go back to the shop to pick up the computer. You talk to the technician on duty. When you show him the receipt and ask him about your computer, he looks impatient. Moreover, he is quite rude in answering your questions.

Next, after read the booklet, they must completed questionnaire survey. This scenario aims to provide an overview to the respondents about the phenomenon of service failure in certain service industries and the differences between process and outcome failure.

RESULT

Most of the proposed relationships are supported in both collectivist and power distance culture. The empirical evidence in this study is consistent with previous study (Chan and Wan, 2008). There is a culture x failure type interaction on attribution of locus. These studies found that collectivist culture attribute more responsibility to service provider in the process failure compare than outcome failure. The results of this study also found that cultures with high power distance attribute more responsibility to the service provider at the process failure compare than outcome failure. This study in line with the finding of Chan and Wan (2008) who found that Americans (versus Chinese) are more dissatisfied with an outcome failure but less dissatisfied with a process failure.

Moreover, there is a culture x failure type interaction on attribution of controllability. These studies found that collectivist culture attribute more ability to control to the service provider in the outcome failure compare than process failure. This result is contrary to the findings of Chen and Wang (2008) who found that Americans culture (versus Chinese) more sensitive with an outcome failure but less sensitive with a process failure. Americans culture was represented by individualist culture. This study used a sample computer repair as did Chan and Wan (2008). On the computer repair services consumers do not get too involved in the process of service delivery so that they are expecting the service provider to be able to manage the outcome failure to avoid. In contrast, the study found that high power distance culture attributes more ability to control to the service provider in the process failure compare than outcome failure. Otherwise the results found in this study that showed that consumers with high power distance culture tend to associate the service provider's ability to control the process failure than a outcome failure. This is caused by the interaction between front-line employees - customers where the cultures that have high power distance they tend to prefer appreciated and respected in the delivery of services.

DISCUSSION AND IMPLICATION

The first objective of this research was to develop a comprehensive model of service failure of cross cultural, based on attribution theory. The proposed model substantially expands our understanding of the theoretical principles explaining customer responses to service failure. A second objective was to determine the effects of service failure on customers' evaluations. The results of the hypothesis tests provide strong support for the effects of culture in showing variations in the cause of service failure. The third objective was to provide managerial guidelines for effectively responding to customers by establishing the proper fit between a service failure and be able to manage service failures that occur across different cultures.

Our research suggests that collectivists react more negatively to process failure in case of attribute more responsibility to service provider, thus pointing to the relative importance of outcome and process controls in the respective cultures. In collectivist cultures, for example, service provider should pay close attention to process attributes, such as courtesy and helpfulness. However, even in the apparently outcome-dominant service provider should pay close attention to outcome attributes such as convenience and selection, which are the primary drivers of customer satisfaction.

The results of the study have implications for service providers that failure should be managed proactively. If a failure occurs, the service provider must be able to proactively respond to failure as acknowledged the failure and offer timely compensation. The study shows that attribution more responsibility to the service provider associated with collectivist cultures tend to occur in process failure so that recovery efforts should be directed toward restoring social resources (with emphasis regret movement) in a collectivist culture compared with the recovery effort towards restoring economic resources (by emphasizing the compensatory measures) in individualist cultures.

CONCLUSION

We believe that the results of this study contribute to both academia and practice. With regards to academia, our study builds on previous studies that have investigated the role of culture on service failure, and is the first one to do so in looking service failure phenomenon from attribution theory perspective. In addition, our results could be helpful for researchers interested in the globalization of services.

With regards to practitioners, our findings provide guidelines for identify the cause of service failure across different cultures. These strategies describe the aspects of service failure hat are equally important globally, and those that have to be treated with extra attention when dealing with customers from certain cultures.

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THE CHARACTERISTICS OF THE ENTREPRENEUR AND THE DESIRE TO BECOME ENTREPRENEURS AMONG UNDERGRADUATE STUDENTS

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Abstract. The purpose of this study is to (i) classify potential students and alumni to be a young entrepreneur and (ii) identify the impact of the entrepreneur characteristics towards the desire to become entrepreneurs. This research is a quantitative research with Muhammadiyah Surakarta University undergraduate students as the subject. The data used is primary data. Analysis tool to answer the first purpose is the test of Intelligence Quotient. As for the second objective is multiple regression analysis. The results showed that most (75 percent) of the students had little potential in the success of running a business (self-employment). The interest of students to become young entrepreneurs affected by the high level of energy, leadership, an obsession against creativity and the ability to adapt, the point of internal controls, the need for achievement, confidence, awareness on the urgency of time and tolerance on ambiguity. Therefore, the necessary strategic roles of the authorities at the University level to facilitate and encourage students to become young entrepreneur.

Keywords: *Young entrepreneur, Desirous of being a young entrepreneur, Characteristics of entrepreneur*

INTRODUCTION

Indonesia is among the countries with relatively high unemployment rate, which amounted to 8,319,779 people in 2015, (Central Bureau of Statistics (2015). The high unemployment rate is not solely caused by the inability of the government to provide jobs, but also supported by the paradigm of people who think that the entrepreneurial sector cannot guarantee a better personal life. Efforts the development of the economy, especially its real sector more dynamic and prosperous Indonesian society, ideally needs a population of entrepreneurs amounting to 2 percent of the total population of Indonesia, or about 5 million entrepreneurs by assuming the Indonesian population of 250 million people. While the fact that the number of entrepreneurs in Indonesia only around 0.8 percent of the population, or about 450 thousand people. This shows that the business sector has not been able to move the wheels of the economy optimally.

Universities should serve to encourage as many students and graduates choose to become entrepreneurs, in an effort to minimize the unemployment rate in higher education. The seriousness of the college plays a role in fostering entrepreneurs also of the vast implications for the provision of jobs in Indonesia, due to the growth of small businesses that contribute the economic growth rate significantly.

The research on entrepreneurship is still rarely done in college. The objectives of this study were: (1) Identify the characteristics of entrepreneurs and their influence on the desire to be an entrepreneur; and (2) Mapping potential students and alumni of UMS into reliable young entrepreneurs.

LITERATURE REVIEW

Characteristics and Attitudes Entrepreneurs

The entrepreneur is someone who creates new business by taking risks and uncertainties in order to achieve profitability and growth by identifying important opportunities and combine resources in the resources needed to capitalize on those resources (Zimmerer and Scarborough, 2008).

Figure 1 shows the personality characteristics of entrepreneurs identified by Daft (2007), namely: internal control point (internal locus of control), high energy levels (high energy level), the need for achievement (need to Achieve), tolerance for ambiguity, critical awareness its time (awareness of passing time) and self-esteem (self-confidence).

According to Daft, (2007; Bateman and Snell, (2008), the characteristics of entrepreneurs is 1) Confidence (self-confidence), 2) oriented tasks and outcomes, 3) Dare to take risks, 4) Leadership, 5)

Originality, and 6) Oriented future. Based on these characteristics can be identified attitudes inherent in an entrepreneurship namely: (Calvin, 2002); 1) Discipline, 2) high commitment, 3) Honestly, 4) Creative and Innovative, 5) Independent, and 6) Realistic.

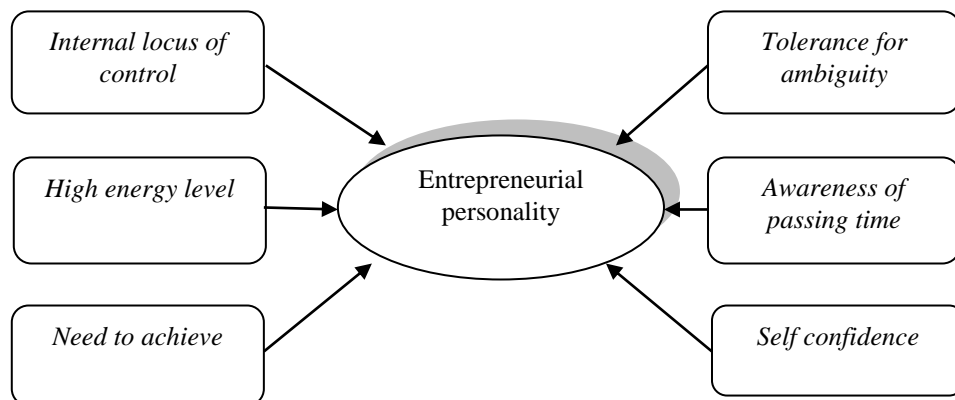


Figure 1: the personality characteristics of entrepreneurs

Empirical Overview

Research conducted by Yohnson et al., (2003), which aims to determine the most dominant factor in motivating so that a person has a desire to become entrepreneurs, by setting research focused on alumni of Petra Christian University. The study identifies 25 factors that affect someone choose self-employment, by using factor analysis found that the most dominant factor motivating scholars to become entrepreneurs is a chance factor, the factor of freedom, and life satisfaction factor.

Preliminary survey conducted by Rosyadi (2010) of the 110 respondents are students who follow courses Portfolio Theory and Investment Analysis (TPAI), about the types of jobs that demand by students after completing the study of his, explaining that 80 percent of respondents choose want to become civil servants (PNS), and or employees in agencies and national or multinational private companies, while the remaining 20 percent interest in the business and pursue the world or being pioneered and helped run (continue) his parents business.

Results of research conducted by Baum and Locke (2004) about the personality of entrepreneurship, to the conclusion that there are some characteristics of the person (a person's personality) who contributed greatly to the success as an entrepreneur, namely: (i) the commitment and determination, (ii) leadership, (iii) have an obsession to the opportunities, (iv) tolerance for risk, ambiguity, and uncertainty, (v) creativity, reliable, and has the ability to adapt and (vi) the motivation to achieve the best.

RESEARCH METHODS

Research coverage

This study focused on efforts to design models of the role of universities to develop small businesses over the last two years is run by students and alumni of higher education. The role of higher education is to provide and facilitate the development of business units such as, depots, boutiques, services, shops, MLM, suppliers and so on.

Population and Sample

The study population was active students and alumni of the University of Muhammadiyah Surakarta (UMS), which over the last two years running a small business (SMEs) in the region of the former Surakarta residency. The method chosen for sampling in this study was a non-probability sampling with purposive sampling type, the sample criteria were 100 active students and alumni UMS students who for the last two years running a small business as much as 100 people.

Data collection

The data used are primary data and secondary data. Secondary data were obtained from the office of the rector and Board of Academic Administration (BAA) associated with the data UMS alumni, academic and student affairs. While primary data obtained through interviews with the questionnaire technique to uncover more about: (i) map UMS students interested in jobs after graduation, (ii) the characteristics and potential students and alumni become young entrepreneurs; and (iii) the factors that affect the interests of the students and alumni pursue the world of business (entrepreneurship)

Variable Operational Definition and Measurement

The variables involved in the study, can be defined as follows:

- a. Characteristics of the entrepreneur is focused on understanding personality characteristics include: a high energy level, leadership, have an obsession to opportunities, creativity and ability to adapt, internal control points, need for achievement, self-confidence, awareness on the urgency of time and tolerance to ambiguity.
- b. Potential young entrepreneurs is the probability of students to become entrepreneurs.
- c. Factors that encourage students and alumni choose self-employment include, continuing a family business, variety of work, a determination not to be subordinate and so on

Analysis method

The analytical method used to answer the first research purpose is multiple regression analysis. This method was chosen for this study to analyze the relationship between the dependent variable (the desire to be an entrepreneur) with several independent variables (high energy levels, leadership, obsession with the opportunity, creativity and ability to adapt, the point of internal controls, the need for achievement, confidence, awareness on exigencies of time and tolerance to ambiguity). Equation econometric model of this study are as follows:

$$DBE = \beta_0 + \beta_1 HE + \beta_2 Lead + \beta_3 OtO + \beta_4 Crea + \beta_5 IC + \beta_6 NfA + \beta_7 C + \beta_8 TimeAp + \beta_9 Tole + \delta$$

- Where, DBE = Desire Become Entrepreneurs;
- HE = High Energy;
- Lead = Leadership;
- OtO = Obsession to Opportunities;
- Crea = Creativity and Ability to Adapt;
- IC = Internal Control;
- NfA = Need for Achievement;
- C = Confidence;
- TimeAp = Time appreciation;
- Tole = Ambiguity tolerance;
- δ = error.

The analytical method used to answer the second research goal is to test the Intelligence Quotient (IQ) self-employment initiated by Daft (2010).

RESULTS AND DISCUSSION

Characteristics and Desire Become Entrepreneurs

As stated in the hypothesis that the characteristics of the entrepreneur affect the desire to become entrepreneurs. This research aims to determine the effect of independent variables, namely: a high energy level, leadership, obsession with the opportunity, creativity and ability to adapt, the point of internal controls, the need for achievement, confidence, awareness on the urgency of time and tolerance to ambiguity which is a proxy of the characteristics entrepreneurs on the dependent variable, namely the desire to become entrepreneurs. The test results are summarized in Table 1.

Table 1 Regression Analysis; Entrepreneurial Characteristics of Desire Become Entrepreneurs

Parameter	Coefficients	Beta	t-Statistics	Probability
(Constanta)	0,486		0,813	0,4958
HE	0,034	0,221	2.144	0,0756***
Lead	0,398	0,328	3,758	0,0446**
OtO	0,213	0,124	2,683	0,0012*
Crea	0,278	0,267	2,455	0,0255**
IC	0,119	0,213	3,672	0,0082*
NfA	0,254	0,269	3,657	0,0455**
C	0,365	0,276	3,626	0,0000***
TimeAp	0,355	0,268	3,557	0,0026*
Tole	0,205	0,234	3,278	0,0014*

F-stat = 23,236
Sig. F = 0,000*
R-squared = 0,712

Remarks:
* Significant at $\alpha = 1\%$
** Significant at $\alpha = 5\%$
*** Significant at $\alpha = 10\%$

Accuracy Testing Model Estimates

To test whether the model is an appropriate predictor (goodness of fit), F test and R2 were used. Based on Table 1 it can be seen that R2 = 0.712 (71.2%) means the desire to become entrepreneurs variation is explained by a high energy level, leadership, obsession with the opportunity, creativity and ability to adapt, internal controls, need for achievement, confidence, awareness on exigencies of time and tolerance to ambiguity by 71.2% while the remaining 28.8% is explained by other variables outside this research model. While the significance of test results F, because the p-value (F sig = 0.000) <0.01; it can be interpreted that the energy level is high, leadership, obsession with the opportunity, creativity and ability to adapt, internal controls, need for achievement, confidence, awareness on the urgency of time and tolerance to ambiguity simultaneous and significant effect on the desire to become entrepreneurs. So based on test R2 and significance of F can be inferred that the regression model used in this study is a predictor models that fit.

Hypothesis Testing Results

As shown in Table 1. The t-value variable high energy (HE) of 2.144 (p-value = 0.0756) and significant at the 10 percent significance level. This shows that high energy significantly influence the desire to become entrepreneurs. Meanwhile, in effect, is a positive direction as indicated by HE regression coefficient of 0.034, meaning that the stronger a student has a high energy personality level, the greater the interest of students to choose to become young entrepreneurs. Thus the results of the regression analysis supporting statement of the hypothesis that a high energy level and significant positive effect on the desire to become entrepreneurs. The results of this study are consistent with the findings of the study reported by Daft (2010); Bateman (2008) who found that the desire to be an entrepreneur is influenced by high energy levels in a person.

Statistical value leadership variables (Lead) of 3.758 (p-value = 0.0466) and significant at the 5 percent significance level. This suggests that leadership significantly affect the desire to become entrepreneurs. Meanwhile, in effect, is a positive direction as indicated by "Lead" regression coefficient of 0.398, meaning that the more perfect the characteristics of a leader are gathered inside a student, the stronger the students wish to become young entrepreneurs. Thus the results of the regression analysis supports the hypothesis that personality leadership and significant positive effect on the desire to become entrepreneurs. The study's findings are consistent with the findings of research conducted by Daft (2010); Zimmer and Scarborough (2008) who found that the personality characteristics of leadership inherent in a person's influence on the desire to become entrepreneurs.

Statistical value of the variable "obsession toward opportunity" (OtO) was 2.683 (p-value = 0.0012) and significant at the 1 percent level of significance. This means that obsession toward opportunity significantly impact the desire to become entrepreneurs. Meanwhile, regression coefficient

“OtO” 0.213, means that the higher the student's obsession for business opportunities that can be run successfully, the stronger the students wish to become young entrepreneurs. Thus, analysis of the regression results support the hypothesis statement that the obsession with the opportunities and significant positive effect on the desire to become young entrepreneurs. The findings of this study are consistent with the findings of the research Zimmer and Scarborough (2008) who found that success to become entrepreneurs is heavily influenced by the size of the obsession for business opportunities that can be executed successfully.

Variable statistical value creativity and ability to adapt (Crea) was 2.445 (p-value = 0.0255). This shows that the creativity and ability to adapt to significantly affect the desire to become entrepreneurs. Regression coefficient of “Crea”, 0.278, means that the more creative ideas that can be done by a student, the stronger the students wish to become young entrepreneurs. Thus the results of the regression analysis supports the hypothesis that creativity affect positively and significantly related to the desire to become entrepreneurs. The study's findings are consistent with the findings of the study reported by Baum and Locke (2004) who found that the higher the creativity a person has, the higher the chances of someone becoming a successful entrepreneur.

Internal control variable statistical value (IC) of 3.672 (p-value = 0.0082) and significant at the 1 percent level of significance. This shows that the internal controls significantly affect the desire to become entrepreneurs. Directions effect is positive as indicated by the regression coefficient 0.119, ie, the greater confidence in the ability of a student to control his own future; the stronger the students wish to become young entrepreneurs. Thus, the result of the regression analysis supports the hypothesis that internal locus of control influence positively and significantly related to the desire to become entrepreneurs. The study's findings are consistent with the findings of the study reported by Daft (2010); Zimmer and Scarborough (2008) who found that the personality characteristics of internal locus of control inherent in a person's influence on the desire to become entrepreneurs.

Statistical value of the variable needs for achievement (NfA) of 3.657 (p-value = 0.0455) and significant at the 5 percent significance level. This suggests that the "need for achievement" significantly affect the desire to become entrepreneurs. The regression coefficient of 0.254 indicates a positive influence. This means that the greater the motivation of a student to achieve business excellence, the stronger the students wish to become young entrepreneurs. Thus the result of the regression analysis supports the hypothesis that need to achieve a positive and significant effect on the desire to become entrepreneurs. The study's findings are consistent with the findings of research conducted by Baron and Markman (2000) who found that the need for achievement affects the desire to become entrepreneurs.

Statistical value variable "self-confidence" (C) of 3.626 (p-value = 0.0000) and significant at the 1 percent level of significance. This shows that the "confidence" significantly affect the desire to become entrepreneurs. Direction is a positive effect, as shown by the regression coefficient of 0.365. That is, the higher the person's level of confidence of students to the success of efforts being initiated and or developing, the stronger the students wish to become young entrepreneurs. Thus the results of the regression analysis supports the hypothesis that the confidence of a positive and significant effect on the desire to become entrepreneurs. The study's findings are also consistent with the findings of the study reported Daft (2010); Zimmer and Scarborough (2008) who found that the levels of the personality of confidence is high and convincing commonly found in successful people in business (entrepreneurship) in the US.

Variable statistical value of time appreciation (TimeAp) of 3.557 (p-value = 0.0026) and significant at the 1 percent level of significance. This shows that the awareness on the urgency of time significantly affect the desire to become entrepreneurs. Meanwhile, TimeAp regression coefficient of 0.355, meaning the greater the level of awareness of students on the use of time urgency, the stronger the students wish to become young entrepreneurs. Thus, analysis of the regression results support the hypothesis that awareness on the importance of time "influence positively and significantly related to the desire to become entrepreneurs. The study's findings reinforce the results of research conducted by Daft (2010); Zimmer and Scarborough (2008), which concluded that one's awareness that time is precious in every activity of life, affect the desire to become entrepreneurs.

Statistical value of the variable tolerance to ambiguity (Tole) of 3.278 (p-value = 0.0014) and significant at the 1 percent level of significance. This suggests that tolerance to ambiguity significantly affect the desire to become entrepreneurs. Directions effect is positive as indicated by “Tole” regression coefficient of 0.205, which means that a student is getting stronger tolerance to uncertainty or the stronger the courage of a student taking decisions under conditions of uncertainty, the stronger the students wish to become young entrepreneurs. Thus, the results support the hypothesis that states that tolerate ambiguity and significant positive effect on the desire to become entrepreneurs. The study's findings are consistent with the findings of research conducted by Daft (2010); Zimmer and Scarborough (2008), where the level of one's courage in decision-making in situations of uncertainty largely determines the success of a person running a business (entrepreneurship).

Potential Students to Become Entrepreneurs

Figure 2 shows the proportion of test results quotient intelligence (IQ) of student entrepreneurship. The results of this test can predict the chances of (potential) a student to succeed or not to succeed in business or self-employment (Daft, 2010). Design IQ test is asking questions to students in the form of questionnaires relating to 15 the behavior and characteristics of entrepreneurs. Based on the results of IQ tests on 100 respondents (students of higher education) found that 10 percent of college students have IQ scores of entrepreneurs of 50-60, 15 percent of students have IQ scores of entrepreneurs at 30-50 and the rest of his, 75 percent of students have IQ scores of entrepreneurs <30. These results show that the majority (75 percent) students at the Muhammadiyah University of Surakarta have little potential to run a successful business (entrepreneur).

Potential students to become entrepreneurs could also be mapped by eight (8) questions posed to the students related to personal considerations become entrepreneurs. Students are only required to give a "yes" or "no" (Robbins and Coulter, 2010; adapted by Rosyadi, 2012)

- (1) Are you ready to be an entrepreneur?
- (2) Do you have the capability to do what you choose?
- (3) Are you emotionally ready to deal with the stresses and challenges of becoming an entrepreneur?
- (4) Are you ready to accept rejection and failure in entrepreneurship?
- (5) Are you ready to work hard in entrepreneurship?
- (6) Do you have a realistic picture of the micro businesses that you do?
- (7) Do you have to educate yourself regarding the financial problems?
- (8) Are you willing and ready to do the financial analysis and other analysis of its ongoing basis?

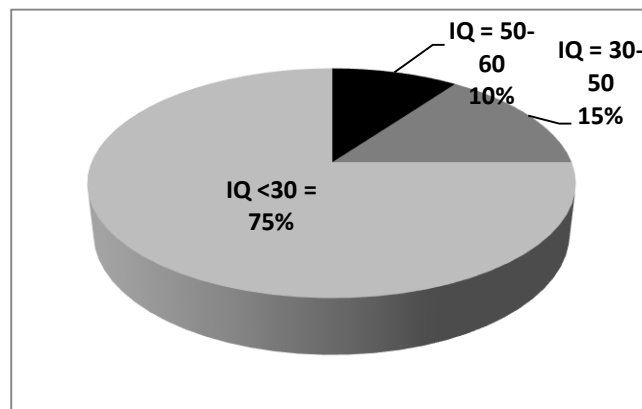


Figure 2 Proportion of Student Entrepreneurial IQ Test Results

Eight (8) points the questions posed to 100 respondents (students in higher education). As a result, discovered that respondents who answered "yes" consistently as many as 12 students or 12 percent; answered "no" consistently as many as 78 students, or 78 percent, while the rest of 10 students or 10 percent answered "yes" and "no" are not consistent. These results can be concluded that students at the University of Muhammadiyah Surakarta interested or has the potential to become entrepreneurs is comparatively low. So that the necessary strategic role of the university, especially the policy makers at

the level of the rector to facilitate and encourage students to become young entrepreneurs, for example, starts with providing training entrepreneurs, business incubators, internships in SMEs are considered a success until the policy provide soft loans and revolving capital to students who already started his business or to groups of students through the selection of proposals entrepreneurs (business plan students).

CONCLUSIONS AND SUGGESTIONS

Referring to the discussion of the results of research, some conclusions can be drawn: (1) The characteristics of entrepreneurial persona simultaneous and significant effect on the desire to be an entrepreneur; (2) The interest of students to become young entrepreneurs will be even greater if he had; personality "high energy" which is getting stronger, the characteristics of the leader gathered in itself more perfect, the higher the obsession for business opportunities, more and more creative ideas, the more confident of being able to control his future, the greater the motivation to achieve business excellence, the higher his conviction for success in business is being pioneered, increasingly appreciate the time, the more tolerant of uncertainty or more courageous in making decisions under conditions of uncertainty. (3) The majority (75 percent) of students in the University of Muhammadiyah Surakarta has little potential to run a successful business (entrepreneurship)

Researchers do not pretend that this study is perfect accuracy; there are some limitations that can be identified, namely:

- (1) This research has not entered variable demographic and environmental characteristics in the model of research and analysis
- (2) Not to pull through in-depth interviews to the decision maker at the university level as a primary data source.

Based on some of the limitations that have been identified, researchers expect to subsequent researchers to enhance research by considering some of the following:

- (1) Incorporating demographic characteristics variables and environmental characteristics to generate better research models
- (2) Setting the research needs to be expanded to produce more accurate research results
- (3) It is necessary primary data obtained from the leadership at the university level.

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THE EFFECT OF BRAND ASSOCIATIONS TOWARD BRAND EQUITY AND BRAND LOYALTY AS INTERVENING VARIABLE OF HONDA MOTORCYCLE IN JAMBI CITY

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Abstract. The purpose of this study is to examine the relationship between brand associations, brand loyalty, and brand equity of Honda motorcycle in Jambi City. Previous researches have shown controversial result on how the relationship of brand associations on brand equity and the role of brand loyalty on it. To analyze brand loyalty as mediating or intervening variable, SEM with SmartPLS software is used to confirm the relationship between variables. There are 100 respondents who are as Honda motorcycle user and decision maker of buying it in Jambi City, that participated in this research by fulfill questionnaires. The results show that brand associations and brand loyalty are important variables which each variable has a strong influence on brand equity, and brand loyalty acts as a mediating variable that strengthen the effect of brand associations to the brand equity. The manager of Honda motorcycle is expected to more focus on resources and marketing activities to build and increase brand associations of Honda which is as basic of purchasing decision and brand loyalty of consumers. This study uses more specifics model of Aaker Brand Equity Model, so that in the future research the complex model can be used, and the researcher can develop with compare more than one category and brand of product or services.

Keywords: *brand equity, brand associations, brand loyalty*

INTRODUCTION

As consumers' life becomes more complex, in a rush, and time-consuming, the ability of the brand to simplify decision-making and reduce the risk has been becoming something worthwhile. Brand identifies the source or product maker and allows consumers, individuals and organizations to claim responsibility for the performance of producers, manufacturers or particular distributors (Kotler and Keller, 2009).

Brand also carries out the functions which is valuable to the company (Kotler and Keller, 2009). Brand simplifies the handling or product search. Brand helps to organize inventory records and accounting. The brand also offers legal protection to companies for features or unique aspect of such products through the registered trade name. The determination of the brand comes into a useful tool for securing the company's competitive advantage. The brand represents the various characteristics such as identity, promotional tool, image fostering, and market controlling. Eventually, the brand is an asset that is legally owned by one organization or company (Johannes et al., 2010).

Intensified competition in an industry with the emergence of numerous similar products offered in the market generates the significant role of the brand. Brand plays an important role in marketing, brand stick on the customer's perception, and as a result, it is assumed as competition of brand perception for the customer (Hasan, 2008). The higher the value of a brand, the better the brand will have positive effect to the consumers and companies. This is known as the concept of brand equity.

Brand equity was a concept born in the 1980s (Barwise, 1993). The high level of brand equity is known to cause higher consumer preferences and purchase intentions (Cobb-Walgren et al., 1995) as well as higher stock return (Aaker and Jacobson, 1994). High brand equity brings expansion opportunities, the resistance to the pressure of competitor promotion, and creates barriers for competitors (Farquhar, 1989). No wonder the brand becomes one of the most valuable assets owned by a company. This is what has aroused interest in the study of brand equity which is increasingly popular in the business strategies of the various industries.

Brand equity became an important study material for academics throughout the 1990s by Aaker (1991), Srivastava and Shocker (1991), Kapferer (1992) and Keller (1993, 1998). However, there was no definition and content (Vazquez et al., 2002; Keller, 2003), as well as the measurement of brand equity that was universally accepted (Washburn and Plank, 2002; Fayrene and Lee, 2011).

There are four well-known models, namely Brand Asset Valuator (BAV) Model, Brandz Model,

Brand Resonance Model, and Aaker Model (Kotler and Keller, 2009). Aaker Brand Equity Model and Dimension (1991) is the model most often used and developed its use. According to Aaker, there are five categories of assets which increase the brand equity, namely brand awareness, brand associations, perceived quality, brand loyalty, and other proprietary assets.

Initially, the previous research centered on brand equity measurement using various techniques of financial (Farquhar et al., 1991; Swait et al., 1993; Kapferer, 1997). In its development, brand equity was then defined in the context of customer-driven (Keller, 1993), known dimension; brand associations, brand loyalty, perceived quality, and brand awareness, which was later expanded, in which include the effects of brand preference and purchase intention (Cobb-Walgren et al., 1995; Van and Alba, 2000), and the brand alliance (Rao and Ruekert, 1994). While the dimension of other brand assets or the last dimension of Brand Equity measurement model by Aaker (1991) were excluded from the measurement model in marketing research, because they had no direct relationship with the customer (Gil et al., 2007; Sun and Ghiselli, 2010).

Therefore the researcher focuses on the measurement model of brand equity with the development of Aaker model and other researchers which are observed from the context-based customers to find research gap of previous research, in which driven by an idea that is based on the statement of Aaker (1991) which stated that loyalty was the core dimension from the brand equity and the association was the basis for purchasing decision and brand loyalty.

If the measurement model of Aaker Brand Equity which is generally described and used in the marketing research, shows separated relationship between dimensions, what with Aaker statement. How is exactly the role of brand loyalty in the measurement of brand equity. Results of research Gil et al. (2007) showed that the dimension of brand loyalty was closer to the concept of brand equity as a whole compared with the dimension of brand awareness, brand associations and quality perception. This is reinforced by Kim et al. (2008) where he thought the brand associations effect on loyalty.

However, few studies had explored the relationship between brand associations and brand loyalty (Sun and Ghiselli, 2010). Even the result of research conducted by Sun and Ghiselli (2010) showed no direct relationship between brand associations and brand loyalty and brand equity, perceived quality has a role as mediating between them.

Based on the research gap, the focus of researcher is a study to observe the role of brand loyalty as variable which mediates the brand associations relationship and brand equity with Honda Motorcycle case study in Jambi city. Motorcycle as the research object, because from the various type of transportation, motorcycle is a popular means of transportation and the most often used nowadays. The existence of the motorcycle is extremely important in life. Days demanding high mobility make most individuals prefer to ride and own a motorcycle. High flexibility and affordability made transportation the most widely used by people, particularly in Indonesia (Fonda, 2005).

Speaking of market share of motorcycle industry, according to the data from the Indonesian Motorcycle Industry Association (AIS), Motorcycle Brand of Honda has always led the market. According to the data from 2014, Honda led the national motorcycle market with market share of 63,92 %, followed by Yamaha with market share of 30,23 %, Suzuki with 3,48 %, Kawasaki with 2,09 %, and TVS with 0,28 % (Prasetyo, 2015). In Jambi, Honda led with market share of more than 60 % (Jambi Update, 2014; Putra, 2015; Rahadiansyah, 2015).

Besides, since it is the product brand in a category/industry, familiar to sample/respondents, the major brands, and positioned in the top position (Dollatabady, 2011; Sun and Ghiselli, 2010; Gil et al., 2007), Honda Motorcycles may represent the concept of loyalty and brand equity.

LITERATURE REVIEW

American Marketing Association (AMA) in Kotler and Keller (2009) defines brand as "name, term, sign, symbol, or design, or combination, intended to identify the goods or services of either seller or group of sellers and to differentiate them from the competitors. The purpose of the use of the brand, including (Hasan, 2008); as identity, promotional tool, fostering image, creating a competitive advantage (provide a defense against competition of competitive price, companies can easily launch a brand extension because the products have high credibility, able to survive at a higher price than competitors, the bargaining of producers and powerful distributors, lower marketing costs).

The Marketing Science Institute (Leuthesser, 1988) defines brand equity as a series of association and behavior by consumers, members of the channel, and the parent company of a brand that allowed the brand gained volume or greater margins, making it a strong, sustainable, and provide benefits which is different than other competitors. Aaker (1991) defines the brand equity as consumer values associated with a brand, as reflected in the dimension of brand awareness, brand associations, perceived quality, brand loyalty, and other proprietary assets.

Brand equity is extremely important to discuss and learn due to several reasons. They are; brand equity and identify the dimension of brand equity, is useful to examine the contribution of brand associations, brand awareness, perceived value, and brand loyalty toward the brand equity which aims to determine the equity of a brand in the market, what strategy to build a strong brand equity, brand success, which can distinguish (product/service) from its competitors (Aaker, 1991); a high level of brand equity led to higher consumer preferences and purchase intention (Cobb-Walgren et al., 1995) as well as higher stock return (Aaker and Jacobson, 1994); high brand equity will bring expansion opportunities, the resistance to the pressure of competitor promotion, and create barriers for competitors (Farquhar, 1989); prevent a decline in market share during the price war and promotion (Kamakura and Russell, 1991; Johnson, 1991), and to give time to the company to respond to the threat of competition (Aaker, 1991); strong brand equity will help customers reduce the risk of quality evaluation in its involvement with purchasing decision (Murray, 1991; Templeton, 1991).

Association is the basis for purchasing decision and brand loyalty (Aaker, 1991). Brand associations is the most accepted aspect of brand equity (Aaker and Biel, 1992). Brand associations related to thoughts, feelings, perception, image, experience, belief, attitude (Kotler and Keller, 2006) and related matters in the memory of a brand. Other researchers (Farquhar and Herr, 1993; Chen, 1996; Brown and dacin, 1997; Biel, 1992) identify various types of association that contribute to brand equity. Chen (2001) categorizes two types of brand associations, the product and organization.

Loyalty is a core dimension of brand equity. Aaker (1991) defines brand loyalty as "the attachment that a customer has to a brand", in other words, the consumer must be attached to a brand, not with other brands. Grembler and Brown (1996) described the various levels of loyalty. Loyalty behavior associated with consumer behavior in the market which can be demonstrated by the number of repeat purchases (Keller, 1998) or a commitment to buy back the brand as the main option (Oliver, 1997, 1999). Cognitive loyalty means that the brand comes to consumer mind, when the need to make purchasing decision arise, then it becomes the first choice of consumers. Cognitive loyalty is closely connected with the highest level of consciousness (top-of-mind), if specific category is mentioned; the familiar brand will be firstly remembered. Thus, the brand should be the first choice of respondents (cognitive loyalty) and because it was purchased repeatedly (behavioral loyalty) (Keller, 1998).

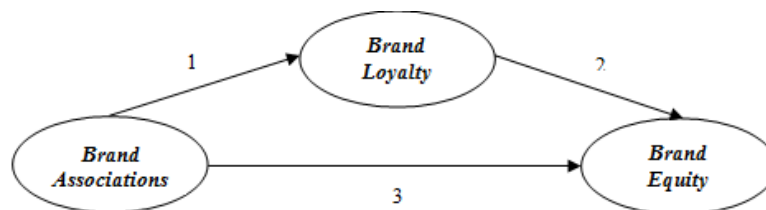


Figure 1. Framework Model

Source:

1. Kim et al. (2008); Sun and Ghiselli (2010)
2. Grover and Srinivasan (1992); Cobb-Walgren et al. (1995); Dollatabady (2011)
3. Aaker and Keller (1990); Biel (1992); Dollatabady (2011)

Sun and Ghiselli (2010) stated that all dimensions of brand equity (brand loyalty, perceived quality, brand awareness and brand associations) have a causal relationship and have a significant dependency which increase among dimensions. Therefore, it can be said that the dimension of brand loyalty positively affects brand associations dimension, and conversely brand loyalty dimension is also positively affected by the dimension of brand associations. Kim et al. (2008) found that the association has an effect on the brand loyalty. Then it can be postulated as follows:

H1: The higher the brand associations, the higher the brand loyalty is

Aaker and Keller (1990) examined the effect of brand associations on brand equity where the result showed that the positive brand associations has a significant effect on the brand equity. The result of research supported by Biel (1992) showed that the association of the brand was able to improve the attributes of a product with perception and memory, which in turn can improve brand equity. Dollatabady (2011), in his research proved that the four dimensions of brand equity (brand associations, brand awareness, brand loyalty, perceived quality) in the Aaker Model has effect on brand equity. Then it can be postulated as follows:

H2: The higher the brand associations, the higher the brand equity is

Brand loyalty is the basis of brand equity created by various factors, the main factor is the using experience. Loyal customers show better response to a brand than consumers who do not or who show

switching behavior (Grover and Srinivasan, 1992). Brand loyalty makes the consumers to purchase on a regular basis and anti moved on to other brands. This causes the brand become stronger so that it will enhance the value of brand equity. Research conducted by Dollatabady (2011), also strengthen the Aaker model, which showed the role of brand loyalty in affecting the value of brand equity. Cobb-Walgren et al. (1995) described the relevant test result influence the effectiveness of advertising on brand loyalty in enhancing brand equity, which suggests that the effectiveness of advertising are able to contribute to brand loyalty and give positively significant effect, and brand loyalty affect brand equity and strong brand equity will cause consumers to put a brand in their preference. Then it can be postulated as follows:

H3: The higher the brand loyalty, the higher the brand equity is

METHOD

This research was conducted in Jambi city by implementing the method of convenience sampling which is a non-probability sampling due to the difficulty of obtaining access to the sales data of motorcycles from Honda motorcycle dealers in Jambi city, totaling 28 dealers (PT. Astra Honda Motor (PT. AHM) 2015).

The study involved 100 respondents who are purchasing decision makers and users of the product (Sun and Ghiselli, 2010; Dollatabady, 2011; Gil et al., 2007). Respondents aged ≥ 24 years, which has entered the age of productive work (assuming the maximum age has completed bachelor degree and have worked). It is based on the idea that, according to the Labor Law No. 13 year 2003, they were classified as labor/productive age, age between 15 years to 64 years. However, because students do not include in the labor force, where the average age of graduating bachelor degree is 22-23 years (Kurillahayu, 2015), and then assumed to work for 1-2 years.

The questionnaires was directly and evenly distributed across the sub-districts in Jambi city, with the data collection time range for approximately 3 weeks, as well as the locations such as garages, laundry motors, public parking in the Office, Mall, Restaurant, Supermarket, and also the hangout such as Aur Duri Bridge, Governor's Office square, as well as tourist attractions and parks such as Ancol, Tugu Juang which the Respondent may be encountered.

Table 1. Operational Variable

Variable Name	Variable Concept	Indicator	
Brand Equity (EM)	Brand equity as a series of brand assets and other assets associated with a brand, which can increase product value for customers. According to Aaker there are five categories of assets that increase brand equity, namely brand awareness, brand associations, perceived quality, brand loyalty, and other proprietary assets.	1	Preference to choose the brand which is equal in quality or price.
		2	Preference to choose the brand though the product features still similar.
		3	Preference to choose the brand even as good as other brands.
		4	Preference to choose the brand even if there is no difference with other brands.
Brand Loyalty (LM)	Brand loyalty is a measurement of customer proximity and positive feeling toward a brand.	1	Loyalty to the brand.
		2	Preference to repurchase the same brand.
		3	Desire to recommend the brand.
		4	The tendency to always suggest the same brand to other people.
Brand Association (AM)	Brand associations is everything related to the brand in a memory or a set of brand Which is associated (related) formed by the consumers or formed in their minds.	1	The brand characteristics come quickly to mind. The brand logo or symbol can be recalled quickly.
		2	
		3	The brand has a strong personality.
		4	The brand is different from other brands.

Source: Aaker (1991), Gil et al. (2007)

The variables and measurement referring to Gil et al. (2007), was translated and adapted. It is based on the premise that those measurements include the dimension which is most commonly accepted from brand equity (Aaker, 1991; Gil et al., 2007), and has been used in context and different countries (Sun and Ghiselli, 2010; Yoo and Donthu, 2001; Gil et al., 2007), as well as some items are added or modified to obtain a better understanding (Aaker, 1996). All variables were measured using a five-point Likert scale (Gil et al., 2007; Sun and Ghiselli, 2010). As for the demographic data on the questionnaire consisted of open questions and closed questions.

After the data is collected, it is followed by the coding. Then, in order to qualify the data

processing, the data coding result of brand associations, brand loyalty and brand equity, transformed into interval data with ORDI program. ORDI is a program in the form of add-in Excel and is designed for the purpose of transforming data from ordinal scale to interval scale. Ordi Version 1.0 is designed to operate in an environment of Microsoft Office Excel 2003 and 2007 (Chaniago, 2010).

The technical analysis used Structural Equation Modeling (SEM) with SmartPLS software, which consists of two main stages of evaluation, the evaluation of the measurement model or outer model and structural model evaluation or inner model. Analysis of frequency distribution and descriptive statistic, cross tabulation, as well as the validity and reliability tests were conducted at the beginning.

RESULTS AND DISCUSSION

The majority of consumers of Honda motorcycle are male (71 %), ranging from age 30 years and under (53 %), 54 % are married and 46 % unmarried, and mostly worked as private sector employees (50 %). Having an average monthly income of less than Rp 2,500,001 (64 %), preferring to use Matic type/mode motorcycle (46 %), and 21 % had Honda motorcycle more than one unit with different type, but still selecting Matic type/mode as a choice (81 % of 21 %).

Generally matic motorcycle is more desirable because it is lighter, easier to ride, comfortable, and has a larger space, while the underbone type becomes the second favorite, known for its economical value. Sport type motorcycle is still dominated by men, while women dominate the Matic motorcycle. The more increasingly age and income, the more the trend of Honda motorcycles declining, consumers tend to use four-wheeled vehicles, or switch to other brands such as Kawasaki Ninja, Harley Davidson.

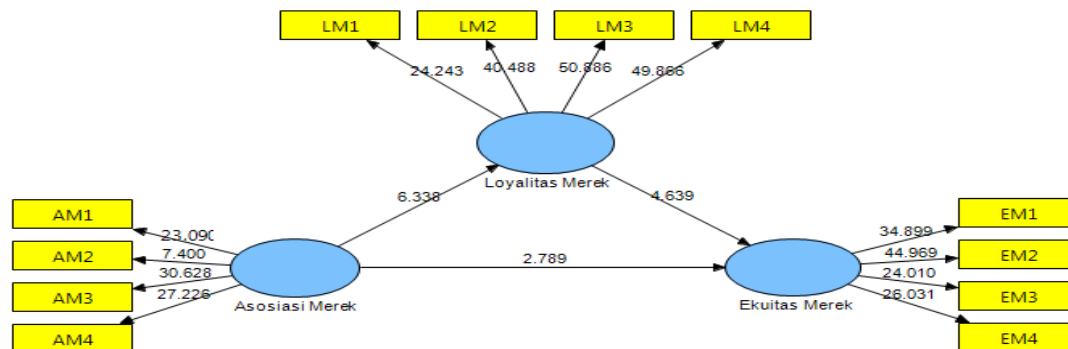


Figure 2. Effect Model of Brand Associations toward Brand Equity and Brand Loyalty as an Intervening Variable with Bootstrapping

Table 2. Path Value and the Value of t-Statistics on Relationship among Variables in the Model

	Original Sample	t-Statistics	H ₀	Significance
Brand Association -> Brand Equity	0,327305	2,788503	Rejected	There is significant effect and has positive value
Brand Association -> Brand Loyalty	0,567721	6,338395	Rejected	There is significant effect and has positive value
Brand Loyalty -> Brand Equity	0,564482	4,639304	Rejected	There is significant effect and has positive value

Table 2. shows the significant effect of brand associations and the positive value of the brand equity where the value of t-Statistics 2,788503 > 1,96. Brand Associations has significant effect and has positive value on Brand Loyalty in which t-Statistics 6,338395 > 1,96. Then Brand Loyalty has significant effect and positive value to the Brand Equity where the value t-Statistics of 4,639304 > 1,96. Therefore, Ho is rejected and the hypothesis proposed by the researcher in the study of the effect of Brand Associations toward Brand Equity and Brand Loyalty as an intervening variable is accepted.

Hypothesis testing using t value indicates that the Brand Associations has significant effect (significant) and a positive value to the Brand Equity which indicate that the higher the level of relationship or memory formed by the consumer or formed in their mind regarding everything related to the brand of Honda motorcycles, then the higher the value of the brand equity of Honda motorcycle.

The effect of Brand Associations and its positive value toward Brand Loyalty indicate that the higher the brand associations level of Honda motorcycle customers, the higher the level of their loyalty.

Brand Loyalty significant effect (significant) and a positive value to the Brand Equity indicate that the higher the size of customer proximity and positive feelings toward the brand of Honda motorcycles, the more it will increase the value of a series of assets and other assets associated with the brand Honda motorcycles.

Table 3. The Amount Percentage of Direct Impact, Indirect, and Total Effect of Brand Associations Variable and Brand Loyalty toward Brand Equity

Variable	Direct Rho	Indirect Rho	Total Effect on EM	Total (%)
Brand Association	0,327305	0,320468	0,647773	64,78%
Brand Equity	0,564482	-	0,564482	56,45%

1. Brand Associations and Brand Loyalty toward Brand Equity

$$\eta_1 = \gamma_3 * \xi_1 + \gamma_2 * \xi_2$$

$$\eta_1 = 0,327 * \xi_1 + 0,564 * \xi_2$$

2. Brand Associations toward Brand Loyalty

$$\eta_2 = \gamma_1 * \xi_1$$

$$\eta_2 = 0,568 * \xi_1$$

Information:

ξ_1 = Brand Associations Variable

ξ_2 = Brand Loyalty Variable

η_1 = Brand Equity Variable

η_2 = Brand Loyalty Variable

γ_1 = Brand Associations -> Brand Loyalty Coefficient

γ_2 = Brand Loyalty-> Brand Equity Coefficient

γ_3 = Brand Associations -> Brand Equity Coefficient

Table 3. shows that the Brand Associations affects directly and indirectly to the Brand Equity. Result of parameter coefficient test between Brand Associations toward Brand Equity shows there are direct effects of 32,73 %, while the indirect effect of Brand Associations toward Brand Equity through Brand Loyalty obtained by multiplying path coefficients (Brand Associations → Brand Loyalty) with a path coefficient (Brand Loyalty → Brand Equity) and summed with the path coefficient (Brand Associations → Brand Equity) to obtain the total value of 0,647773 or by 64,78 %.

It can be concluded that the Brand Equity Measurement Model of Honda Motorcycles shows no separated relationship among dimensions. Brand Associations and Brand Loyalty are the important variables in the measurement model of Brand Equity for Honda Motorcycles customers in Jambi city, where each variable has a strong effect on Brand Equity as indicated by the total value of 0,647773 and 0,564482, and Brand Loyalty acts as an intervening variable that strengthen the influence of Brand Associations toward Brand Equity.

The managerial Party of Honda Motorcycles is expected to focus resources and activities of marketing to improve relationship, memories, everything associated with the brand Honda Motorcycle in consumers thoughts; (Brand Associations) forming a positive attitude, and strong perception, as well as reasons to purchase. Therefore, it will increase the value of Brand Equity directly, or by increasing the Brand Loyalty beforehand, where the brand becomes the first choice of consumers (cognitive loyalty) and because it is purchased repeatedly (behavior loyalty), which ultimately will increase the value of Honda Motorcycle Brand Equity as a whole. This helps the managerial party of Honda Motorcycles in determining priority of decision-making in planning related to the policy of increasing the value of Honda Motorcycle brand equity which in turn is expected to have an effect on the company progress and profits. In other words, the steps taken in the initial period focus on marketing activities to build, enhance Honda brand associations as a basis for purchasing decision and brand loyalty for consumers.

The Effort of managerial in building and improving Brand Associations from the stage to change the level of brand awareness from Unwariness of Brand to the stage Top of Mind on the product category of Motorcycles can be done either through the product itself, which is associated with functional attributes (products that are reliable, friendly environment, durable, economical) and non-functional attributes (social image, confidence, positioning, country of origin), or through an association of organization (Corporate Ability and Corporate Social Responsibility (CSR)) PT. AHM.

Brand Associations through the association product of Honda motorcycles can be reached with the managerial party which actively and continuously communicate the "fault-free" product, durability of the product, "competitive advantage" of product than its competitors, the quality of purchasing service and sale services, country of origin of the brand, the social image, positioning associated with the symbol/logo, tagline, and other attributes that indicate the identity of the product. In addition, it is expected that not careless and complacent, as mistakes that have been done where the sale of Honda

Motorcycles was defeated by Yamaha Motorcycles and Yamaha Motorcycle managed to erode the market of underbone nationwide, with innovation and good communication in educating the market on The new product line of motorcycle type Matic. Be proactive and responsive to the market change by constantly innovating with offering the products and its attributes that can meet and satisfy the customers' want. It is an absolute must-have by Honda Motorcycle Company in order to lead and expand the market.

Besides the product association, market demand which is more intelligent and responsive to the social issues and global, forcing Honda Motorcycles companies in this case PT. AHM as an own brand associated with its product brand (when an organization appears as in goods or services) involved in improving the brand associations of Honda Motorcycles, which is known as associate organization through Corporate Ability and Corporate Social Responsibility (CSR), such as Micro Hydro Power Plant Activities, Tree Planting, Safety Riding Campaign and the Provision of Attributes, the Donation of Production Robot Machine to Untar and Honda Modif Contest (HMC).

This study is more specific, involving only two dimensions of brand equity, brand associations and brand loyalty, in order to provide an accurate and better level of assessment. In the future, more comprehensive research can be done by involving the overall dimensions of brand equity such as the dimension of brand awareness, perceived quality, and other proprietary assets, as well as the interactive relationship among them.

The study only involved a brand of a product category. In the future it can be developed with the involvement of two or more brands on a single product category, and form a comparison. Or involve more than one category of product as well.

Measurement on the dimension of brand equity directly used the indicator. Research can be developed with a measurement model that involves the dimension construct of brand equity, and for the measurement of brand associations may involve indicator of organization association.

There is a difference between building a service brand with the brand of a product "tangible". Research on brand equity in service industries is also relatively new and can be counted. Future research can be conducted on the product brand from service industries, such as hotels, restaurants, and can also be compared to product "tangible" for services.

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EFFECT OF REWARD MANAGEMENT ON JOB SATISFACTION

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Abstract. This study investigates the relationship between reward management and job satisfaction. A quantitative survey method was employed to collect self-administered questionnaires from employees who work at government agencies in Selangor, Peninsular Malaysia. The outcomes of linear regression analysis showed three important findings: first, communication was positively and significantly correlated with job satisfaction. Second, participation was positively and significantly correlated with job satisfaction. Third, performance appraisal was positively and significantly correlated with job satisfaction. This result confirms that communication, participation and performance appraisal act as important determinants of job satisfaction in the organizational sample. Further, discussion, implications and conclusion are elaborated.

Keywords: *Reward management, job satisfaction, linear regression analysis, Malaysia*

INTRODUCTION

Reward is an important function of human resource management where it is given to individuals as recognition of service, effort or achievement (Oxford English Dictionary, 2007; Kamus Dewan, 2005). Most reward systems are designed based on two major variables: internal alignment (e.g., corporate strategy, management philosophy, types of job and level of productivity) and external competitiveness (i.e., economic pressures, government policies, laws and regulations) (Milkovich et al., 2014; Martocchio, 2015). These variables strongly motivate employers to plan and implement various types of reward system based on essential criteria; job factor (e.g., tenure, length of service and/or seniority) and performance (e.g., merit pay, variable pay, incentive and/or profit sharing). How well these reward systems are designed they will be able to support the organization and human resource department's goals if these reward system are not competently managed in organizations (Henderson, 2009; Ismail & Zakaria, 2009; Milkovich et al., 2014).

A review of the recent literature pertaining to workplace reward system highlights that competent reward management system has three salient components: communication, participation and performance appraisal (Ismail, 2011; Dareehzereshki, 2013). In a compensation management perspective, communication is often implemented in two major types: communication from employees to the organization and communication from the organization to employees (Colquitt, 2013; Salim et al., 2015). In practice, communication from employees to the organizations is often defined as employees deliver and share broad information, feedback and suggestions to stakeholders (Henderson, 2009; Milkovich et al., 2014). Conversely, communication from the organization to employees is usually defined as the amount of reward information that is disseminated from the organization to enhance employees understanding about the value of reward and policy and procedures of reward system (Henderson, 2009; Martocchio, 2015).

Conversely, participation in reward system is usually defined as employees involve in input and output. Involvement in input refers to employees who work in different hierarchy levels and categories are given more opportunity to provide ideas in the establishment of reward systems to achieve the major goals of its systems, stakeholder's needs and/or organizational strategy (Aimi et al., 2014; Milkovich et al., 2014). While, involvement in output refers to employees involve in providing suggestions to determine the enterprise's goals, resources, and methods, as well as allow employees to share the organization's rewards in profitability and/or the achievement of productivity objectives (Milkovich et al., 2014; Salim et al., 2015). These participation styles will encourage management and employees to be honest in making personal contributions and support the workplace reward management program (Colquitt 2013; Aimi et al., 2014). Further, performance appraisal in reward management refers to measurement methods used by administrators to determine employee performance and outcomes of the performance appraisal will be used to allocate the type, level and/or amount of rewards based on employee achievements in organizations (Ismail, 2011; Dareehzereshki, 2013).

Remarkably, extant studies about successful organization reveal that the ability of administrators to appropriately implement communication, participation and performance appraisal in managing various types of reward systems may have a significant impact on employee outcomes especially job satisfaction (McClausland, Pouliakas&Theodossiou, 2005; Ismail et al., 2014). In an organizational behavior perspective, job satisfaction is often defined as pleasurable emotions and/or positive attitudes of employees resulting from evaluating their jobs in organizations (Colquitt, 2013, Ismail et al., 2014).

Within the workplace reward system model, many scholars think that communication, participation, performance appraisal and job satisfaction are distinct, but highly interrelated constructs. For example, the ability of managers to openly communicate the information about reward systems, actively participate in reward systems and appropriately implement performance appraisal in determining reward systems may lead to greater job satisfaction in organizations (Ismail et al., 2011, Milkovich et al., 2014). Even though the nature of this relationship is interesting, the role of reward management as an important predicting variable is given less attention in the workplace reward management research literature (Ismail et al., 2011; Martocchio, 2015). Thus, this situation motivates the researchers to fill in the gap of literature by quantifying the effect of reward management on job satisfaction.

Purpose of The Study

This study has three major objectives: first, is to measure the relationship between communication and job satisfaction. Second, is to measure the relationship between participation and job satisfaction. Third, is to measure the relationship between performance appraisal and job satisfaction.

LITERATURE REVIEW

The role of reward management as an essential predictor of job satisfaction is consistent with the notion of Lawler's (1971) discrepancy theory which posits that employees usually make a comparison between the amount of reward that they receive than that of a referent other (e.g., effort and/or contribution). If they view that the actual rewards that they receive are equally allocated based on their expectations this may lead to greater positive behavior. The notion of this theory receive strong support from the research reward literature. For example, several recent studies were conducted using a direct effects model to examine reward system based on different organizational settings like perceptions of 2,336 employees in a large public sector research organization (Brown et al., 2010), 132 employees at Malaysian private institutions of higher learning (Ismail, 2011), 175 employees at airline companies in Iran (Tourani, 2012), 133 employees at Multinational companies in Malaysia (Dareehzereshki, 2013), and 50 employees at a district council in Peninsular Malaysia (Ismail et al., 2014). Outcomes of these surveys reported that ability of management to openly communicate the information about reward systems (e.g., discussion, better explanations, and negotiation), actively encourage employees to participate in reward systems (e.g., suggestion and involve in decision making), and appropriately implement performance appraisal in managing reward systems had been important predictors of job satisfaction in the respective organizations (Brown et al., 2010; Dareehzereshki, 2013; Ismail et al., 2014; Ismail, 2011; Tourani, 2012). Thus, it was hypothesized that:

- H1: There is a positive relationship between communication and job satisfaction
- H2: There is a positive relationship between participation and job satisfaction
- H3: There is a positive relationship between performance appraisal and job satisfaction

METHODOLOGY

A cross-sectional research design was employed because it allows the researchers to integrate the performance based reward literature and the actual survey as main procedure to collect data for this study. This data collection procedure may help the researchers to gather accurate data, decrease bias and increase quality of data being collected (Cresswell, 2014; Sekaran&Bougie, 2013). This study was conducted at public sector in Malaysia. At the early stage of this study, telephone interview method was conducted involving four officers who had working experience of more than 10 years in the organizations. The information gathered from the interview method helped the researchers to understand the nature and features of performance based pay management, and job satisfaction, as well as the relationship between such variables in the organizations. Next, the information gathered from the participants was used to improve and verify the content and format of the survey questionnaire for an actual research. Further, a back translation technique was employed to translate the survey questionnaires; thus, there are English and Malay versions in order to increase the validity and reliability of research findings (Cresswell, 2014; Sekaran&Bougie, 2013).

The survey questionnaire consists of four major parts: first, communication had 8 items adapted from performance based pay management literature (Anuar et al., 2014; Singh, 2009; Milkovich et al., 2014). Second, participation had 5 items adapted from performance based pay management literature

(Brown, Hyatt & Benson, 2010; Ismail et al., 2011; Milkovich et al., 2014). Third, performance appraisal had 5 items adapted from performance based pay management literature (Ismail et al., 2011; Milkovich et al., 2014). Fourth, extrinsic job satisfaction had 3 items and intrinsic job satisfaction had 5 items adopted from the Warr, Cook and Wall's (1979) job satisfaction scale. All these items were measured using a 7-item scale ranging from "strongly disagree/dissatisfied" (1) to "strongly agree/satisfied" (7). Demographic variables were used as controlling variables because this study emphasizes on employee attitudes.

A purposive sampling technique was utilized to collect 179 survey questionnaires from employees of the studied organizations. This sampling technique was used because the management of the organization had not given the list of registered employees to the researchers and this situation could not allow the researchers to apply a random technique in choosing respondents for this study. The participants gave their consent prior to answering the survey questions, and it was done on a voluntary basis.

A Statistical Package for Social Science (SPSS) version 23.0 was used to analyse the questionnaire data. Firstly, exploratory factor analysis was used to assess to validity and reliability of measurement scales (Hair et al., 1998). Secondly, Pearson correlation analysis and descriptive statistics were conducted to determine the collinear problem, further confirm the validity and reliability of constructs and thus test research hypotheses (Tabachnick et al., 2001; Yaacob, 2008). Finally, linear regression analysis is to investigate the relationships between the independent variables (communication, participation and performance appraisal), and dependent variable which is job satisfaction.

RESULTS

The majority respondents were female (65.4 percent), age between 25 to 34 years old (62.6 percent), workers who held diploma (41.3 percent), workers who worked between 5 to 14 years (63.1 percent), workers with permanent type of service (72.6 percent) and workers comes from non-management position contribute to (57.5 percent), monthly salary between Malaysian Ringgit RM2500 to 3999 (45.8%), and married employees (69.3%).

Table 1 show the results of validity and reliability of instrument. The survey questionnaires consisted of 23 items, which related to four variables: communication (8 items), participation (5 items), performance appraisal (5 items) and job satisfaction (5 items). The factor analysis with the varimax rotation was done for all variables. The results of factor analysis process which all of the 23 items is retained. Further, Kaiser Meyer-Olkin (KMO), Bartlett's test of sphericity, eigenvalue, variance explained and Cronbach alpha were conducted for each variable in order to determine the goodness of data.

Table 1: Validity and Reliability of Instrument

Measure	Item	Factor Loadings	KMO	Bartlett's Test of Sphericity	Eigenvalue	Variance Explained	Cronbach Alpha
Communication	8	0.566 – 0.959	0.776	1045.338	4.790	59.876	0.882
Participation	5	0.669 – 0.865	0.839	656.932	3.646	72.912	0.899
Performance appraisal	5	0.576 – 0.801	0.856	522.610	3.508	70.164	0.886
Job satisfaction	5	0.569 – 0.927	0.827	555.879	3.543	70.862	0.896

Table 2 shows the results of Pearson correlation analysis and descriptive statistics. Means for the variables are from 4.2 to 5.0, signifying that the levels of communication, participation and performance appraisal ranging from high (4) to highest (7). The correlation coefficients for the relationship between the independent variable (i.e., communication, participation and performance appraisal) and the dependent variable (i.e., job satisfaction) were less than 0.90, indicating the data were not affected by serious collinearity problem (Hair *et al.*, 1998). This result further confirm that the measurement scale has met the acceptable standards of validity and reliability analyses.

Table 2: Descriptive Statistics and Pearson Correlation Analysis

Variables	Mean	Standard Deviation	Pearson Correlation (r)			
			1	2	3	4
1. Communication	5.0	.79	(1)			
2. Participation	4.2	1.11	.405**	(1)		
3. Performance Appraisal	4.9	.90	.478**	.516**	(1)	
4. Job Satisfaction	5.1	.85	.405**	.561**	.652**	(1)

Note: Correlation Value is significant at * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$
Reliability estimation is shown diagonally (value 1)

Tables 3, 4 and 5 show the results of testing hypotheses using a linear regression analysis. Firstly, communication was positively and significantly correlated with job satisfaction (See Table 3: $\beta=0.405$; $p<0.000$), therefore H1 was supported. Secondly, participation was positively and significantly correlated with job satisfaction (see Table 4: $\beta=0.561$; $p<0.000$), therefore H2 was supported. Thirdly, performance appraisal was positively and significantly correlated with job satisfaction (see Table 5: $\beta=0.652$; $p<0.000$), therefore H3 was supported. This result confirms that communication, participation and performance appraisal act as important predictors of job satisfaction in the compensation program models of the studies organizations.

Table 3: Linear Regression Analysis Results

Independent Variable	Dependent Variable (Job Satisfaction)			R square=0.164 Adjusted R square=0.160 T value=34,814; p=0.000
	Beta Standardized	T Statistic	Significant Level	
Communication	0.405	5.900	0.000	

Table 4: Linear Regression Analysis Results

Independent Variable	Dependent Variable (Job Satisfaction)			R square=0.315 Adjusted R square=0.311 T value=81.237; p=0.000
	Beta Standardized	T Statistic	Significant Level	
Participation	0.561	9.013	0.000	

Table 5: Linear Regression Analysis Results

Independent Variable	Dependent Variable (Job Satisfaction)			R square=0.425 Adjusted R square=0.422 T value=130.805; p=0.000
	Beta Standardized	T Statistic	Significant Level	
Performance Appraisal	0.652	11.437	0.000	

DISCUSSION AND IMPLICATIONS

The findings of this study show that communication, participation and performance appraisal act as important predictors of job satisfaction in organizational sample. In the context of this study, management has planned and implemented reward systems based on broad compensation policies and procedures as set up by their stakeholders. The majority of employees view that the levels of communication, participation, performance appraisal and job satisfaction are high. This situation explains that implementation of communication, participation and performance appraisal may lead to an enhanced job satisfaction in the organization.

The implications of this study can be divided into three main categories: theoretical contribution, research methodology and practical contribution. In terms of theoretical contribution, this study has highlighted an important finding that communication, participation and performance appraisal may lead to an enhanced job satisfaction. This study also has supported and extended studies by Boardman and Sunquist (2009), Ismail et al. (2011), Dareehzereshki (2013), and Ismail et al. (2014).

In regard with the robustness of research methodology, the survey questionnaire has achieved the acceptable standards of validity and reliability analyses. This achievement could lead to produced accurate and reliable findings.

With respect to practical contribution, the findings of this study can be used to improve reward management in government agencies. This objective can be achieved if management consider the following aspects: first, the type, level and/or amount of reward packages should be revised according to employees who work in different levels and categories. Second, the type, level and/or amount of reward packages should be revised based on employees' equity and need principles. Third, human oriented leadership training methods and content should be promoted to all management levels in order to improve their interactional skills. Finally, level of monetary rewards should be increased in order to fairly recognize high performing employees. If these suggestions are given attention this may strongly motivate employees to support the organizational reward strategies and goals.

CONCLUSION

This study shows that communication, participation and performance appraisal are important predictor of job satisfaction in the studied organization. This finding also has supported and extended previous studies mostly published in Western countries. Therefore, the current research and practice in

compensation system need to incorporate communication, participation and performance appraisal as key dimensions of reward management domain.

Findings of study should cautious with limitations of this study. First, this study used a cross-section research to collect data for this study. Second, this study only tested the general independent variable and dependent variable. Third, the result analysis only focuses on the description of the variant reward system based on variable involved in this study, but there are many more factors that are important (for example, the demographic characteristics of the respondents, the types of reward system) should be included to estimate the degree of robustness of the relationship between variables. Fourth, this research use only employees in a public organization and they are selected using a simple sampling techniques. Therefore, this study only describes the pattern of the relationship between the study variables in general only and may not be generalizable to different organizational background. Finally, the sample for this study were collected using a purposive sampling technique in one organizational sector.

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ANTECEDENTS OF TOURIST SATISFACTION AND ITS IMPACT ON LOYALTY TO A PARTICULAR DESTINATION

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Abstract. This study aimed to analyze the influence of the destination image and the perceived value to the tourists satisfaction in visiting tourist destinations in the province of Bengkulu. This study is also aimed to determine the effect of satisfaction on loyalty. This research is quantitative research that aims to determine the size and causal correlation between the variables in the model and determine the significance of each of hypotheses proposed. Data was collected using questionnaires distributed by self-administered in each municipality/district in the province of Bengkulu. The population in this study was tourists who visit certain tourist destinations in the municipality/district in the province of Bengkulu. Using tourists who visit to a particular destination in the province of Bengkulu as a sample deemed appropriate because their impressions still embedded in each respondent. This study used a non-probabilistic sampling as data collection techniques with purposive sampling as a data collection method. The sample size used in this study was 200 respondents. To test the relationship modeling between variables is established, this study uses Structural Equation Modeling with the help of software Amos 16.0. Questionnaire was used as a data collection tool. Questionnaires were distributed to respondents targeted with the help of enumerators. The results of this research contributing to the development of body knowledge in the field of tourism marketing.

Keywords: *destination image, perceived value, tourist satisfaction, loyalty.*

INTRODUCTION

The tourism sector has long been believed play an important role in sustaining the economic sector in Indonesia and other developing countries and even in developed countries around the world. Tourism has brought many developing countries to move from dependence on agribusiness and manufacturing industries (Tooman,1997). The tourism sector also contribute in the form of foreign exchange earnings, employment creation, opening up opportunities for the community, or even create a turnover of foreign currency for entry to Indonesia. Therefore, some economic experts have even suggested that the tourism sector contributes exports in the economy of a country. Although the tourism sector as an export commodity has the characteristics of intangible, but the role of this sector in the economy is increasingly regarded as important and can not be underestimated. Various benefits offered from the tourism sector have stressed the importance of tourism development in a planned, sustainable and synergistic. This is very important, because the development of a country can not be separated from the role of the tourism sector.

Bengkulu Province has many objects of tourist destinations which, if managed properly can become a potential source of revenue of the region and the expansion of employment and business opportunities for the community. Destinations in the province of Bengkulu relatively diverse, ranging from nature tourism, cultural tourism, historical tourism, agro tourism, entertainment, the arts, health, etc. Many kinds of tourist destinations objects owned, reflecting that the Bengkulu Province has the power supply side of tourism product. However, demand against tourism products owned by Bengkulu Province is still relatively low. Although the tourism sector is believed to be able to contribute to improving the local economy, particularly local revenue, but Bengkulu Province is still not able to take advantage of this sector to the fullest and have not been able to increase value added of the tourism sector.

Despite the development of tourism in Bengkulu Province began to intensively conducted, the lack of a good knowledge of the preferences and wishes of visitors will be attributes of a particular destination can lead to errors in planning or strategic policy-making related to the development of tourism destinations. Some studies claim that the identification of the attributes of a destination needs to be done to find out the important factors considered by tourists in deciding to visit a particular travel destination (Echtner and Ritchie, 2003). Study of the most popular tourist destinations associated with the attribute is destination image. Destination image of is deemed important because it determines the visitors decision concerning the selection of a specific destination area to be visited. Some researchers say that destination image can attract visitors pre-visit, even though they have never entirely been to visit to the tourist destinations (Echtner and Ritchie, 2003; Henkel *et al.*, 2006). However, the image formed by a visitor pre-visit may change when the actual condition of a tourist destination is not in accordance with what they expect.

Therefore, identifying the factors believed to be important for visitors to decide the option to visit a particular destination is important. Deep understanding of the destination image is believed to be able to provide a significant contribution will be in-depth knowledge in the field of tourism, such as the rating decision making and voting behavior destination (Fakeye and Crompton, 1991; Goodrich, 1978). Previous research has found that destination image have significant effect on the choice of destination by tourists pre-visit, travel-related decisions, and behavioral intention to visit (Echtner and Ritchie, 2003; Henkel *et al.*, 2006;

Rittichainuwat *et al.*, 2001). Destination image is also significantly influence buying behavior during the visit and the level of satisfaction with the destination (Chon, 1990).

Despite the increasing popularity of studies that investigated the attributes of tourist destinations, but nearly all the research investigation conducted in a country other than in Indonesia. Many investigations were carried out research on travel destination that already have a good brand popularity. Not many studies try to identify the attributes considered important for the tourists to a particular travel destination in a destination that still do not have a good level of popularity (*the developing countries*). There is a growing urgency for the area to conduct a study that identifies the attributes of tourist destinations. It is important to be able to provide strategic recommendations to support the development of its tourism sector. Furthermore, some researchers also cited a study that investigated about a service company that provides services to foreign consumers in the domestic market such as the tourism industry, education, and hospitals are still relatively limited (Bianchi, 2010; Bjorkman and Kock, 1997). Therefore, this study aims to investigate the factors considered important for travelers to visit a particular destination and its relation to the level of satisfaction of tourists at a destination.

LITERATURE REVIEW

Destination Image

In the context of tourism, tourist destination consists of a collection offers both tangible and intangible, and can potentially be viewed as a product or perceived as a brand. Brand image is an important concept in consumer behavior research (Dobni and Zinkhan, 1990). Destination image is described as the whole idea of an area or place as a destination (Echtner and Ritchie, 1991). Destination image have a substantial impact on the selection of destination, the decision about the trip, and the intention of the travel behavior (Echtner and Ritchie, 1991; Henkel *et al.*, 2006). Further, the destination image is a key factor for the success of destination marketing.

Destination image is formed when the traveler creates a mental picture of a destination based on the information they receive from the actual experience of media and advertising, and other marketing media (Gartner, 1994). Individuals can develop destination image even without personal experience at a destination. Destination image formed before the visit may change after the individual doing the actual visit, because the image of the destination before the visit may include information that is inaccurate or personal bias (Balogu and McCleary, 1999; Beerli and Martin, 2004).

Table 1 Definitions selected from Image and Destination Image Literature

Authors	Definitions
Assael (1987)	The overall perception of a destination that is formed by processing information from a variety of sources over time.
Baloglu and McCleary (1999a)	Individual mental representations of knowledge, feelings, and the overall impression about a destination.
Chon (1990)	The result of the interaction of beliefs, ideas, feelings, expectations and impress someone on a destination.
Crompton (1979)	The image can be defined as a set of beliefs, ideas, and impressions that a person has of a destination.
Dichter (1985)	The concept of the image can be applied to political candidates, product, or country. Image not describe the characteristics or qualities of individuals but the overall impression & identities are formed in the mind of someone.
Echtner and Ritchie (1991, 1993, 2003)	The perception of the attributes of the individual destination and holistic impression formed by a destination.
Fakeye and Crompton (1991)	The image is the mental construct developed by potential travelers based on a few impressions selected among a set of impressions.
Hunt (1975)	Impression that a person or many people have about a situation where they do not live there.
MacKay and Fesenmaier (1997)	Mixtures of various products (attractions) and attributes are incorporated into the overall impression.
Moutinho (1987)	Individual attitudes toward the attributes destination based on your knowledge and feelings.
Phelps (1986)	Perception or impression of a place.
Reynolds (1965)	The construct mental formed by consumers based on some impression of the overall impression that there.

Destination Image Toward Satisfaction And Loyalty

Researchers brand (Aaker, 1996; Kapferer, 1997) argues that brand image is a fundamental requirement of a strong brand. Strong brands can differentiate the products / services of the company compared to competitors (Lim and O'Cass, 2001). For consumers, brands can reduce search costs (Biswas, 1992), minimizing the risk perceived (Berthon *et al.*, 1999), an indication of high quality (Erdem, 1998), and satisfying the functional needs and emotional consumers (Bhat and Reddy, 1998). In the literature, a number

of emerging theoretical framework for understanding the brand, brand image, brand building and brand management (Keller, 1993; Aaker, 1996; Kapferer, 1997; de Chernatony, 2001).

Similarly, the concept of destination image which has been believed to be the deciding factor of decision making visitors, forming impressions of visitors to the destination, as well as determining the behavior of visitors post-visit. Many studies have tried to develop operationalization instrument of measurement about destination image in literature. Beerli and Martin (2004) found that the destination image is formed by two main factors, namely the stimulus factors (external factors) and the behavior of visitors (internal factors). Sun, Zi and Xu (2013) find that the destination image is formed by three main factors, namely: environment and tourism activity, natural resources and culture, and internationalization.

As many studies have operationalized the image of the destination through a multi-attribute or through a technical approach to unstructured, multi-attribute approach became the most frequently used approach (Chi, 2012; Echtner and Ritchie, 1991, 1993). In a multi-attribute approach, tourist image is evaluated through a series of attributes that were assessed using a Likert scale or semantic differential scale, in order to obtain the overall image as an average or total score of attributes (Bigne, Sanchez, and Sanchez, 2001). Although the use of a series of attributes to operationalize the image of the destination, but still criticized (Andn, 1996), but there is still no accepted theory to replace the model of multi-attribute (Pike, 2002). When constructs the image of destination proved difficult to measure, the overall perception of consumers of destinations may be favorable or unfavorable, and the possibility of influencing the decision making process travelers and their satisfaction with the destination (Chen and Tsai, 2007; Milman and Pizam, 1995).

Attributes destination used in this study is the image of the destination. Some researchers believe that the image of the destination is an individual's perception of a set of attributes of the destination and overall impression formed from a particular destination Echtner and Ritchie (1991, 1993, 2003). Destination Image may also be defined as the expression of all knowledge, impressions, prejudices and emotional thinking an individual or group of objects or a specific place (Lawson and Baud-Bovy, 1977). Destination Image has a significant role in the choice of destination, the decision making process, and in choosing a particular activity at the destination location, such as lodging, choice of attractions to visit, participate in certain activities, etc. Destination image is believed to also play a significant role in influencing individual assessment after the visit, such as the perceived value, satisfaction, and behavioral intentions post-visit (Chen and Tsai, 2007; Lee *et al.*, 2005).

Formation of destination image and change of destination image is different during each stage of the trip, help explain the image of the destination and visitor satisfaction with their trip (Chon, 1989). Visitors who have a positive image of destination run into an enjoyable experience in a destination which leads to the high level of satisfaction and positive behavioral intention to re-visit destination (Lee, Lee, and Lee, 2005). Some researchers believe that the study on the relationship between the image of the destination and trip satisfaction assist in the development of methods to increase intention to revisit and willingness to recommend the destination to others (Beerli and Martin, 2004; Chi and Qu, 2008). Further, the destination image is also seen as another approach to access competitive position as a destination and to create a positioning strategy (Haahti, 1986; Pike and Ryan, 2004).

Many studies confirm that the investigation in the process of selecting a destination, by potential visitors, entering the strengths and weaknesses of the destination, which is a fundamental factor that ultimately affect the sustainability of a destination (Baloglu, 2000; Baloglu and McCleary, 1999a, 1999b; Echtner and Ritchie, 2003; Fakeye and Crompton, 1991; Goodrich, 1978; Hunt, 1975). These findings have been affecting the destination marketers to look more closely at the factors destination images that can help to develop a successful marketing strategy. Furthermore, Destination image to be considered as a key component in a successful destination marketing.

In a study investigating the relationship between destination image, perceived quality, satisfaction, intent to return and willingness to recommend destination, Bigne *et al.* (2001) concluded that the image of the destination is a direct antecedent of perceived quality, satisfaction, intent to return and willingness to recommend destination. Mahasuweerachai and Qu (2011) reported that destination image has a significant influence on perceived value, satisfaction and loyalty. The findings of Chen and Tsai (2007) also supports a significant positive relationship between destination image, perceived value and satisfaction. Lee (2009) found that destination image directly affect tourist satisfaction Taiwan and indirectly affect their behavior in the future. Based on the explanation above, the hypothesis proposed in this study are as follows:

Hypothesis 1: Destination image has a significant effect on tourist satisfaction.

Hypothesis 2: Destination image has a significant effect on loyalty.

Perceived Value On Satisfaction And Loyalty

Boksberger and Melsen (2011: 231) states that perceived value is a ratio based on the total benefits received for their sacrifice. If a company can maximize customer value higher than competitors, the company can be successful. If the product or service the company provide less perceived customer value, then it will fail. (Tandjung, 2004: 18). Furthermore, Yonggui Wang et al (2004: 169) states that the value of the customer is a strategic weapon in attracting and mastering the customers and became one of the factors most significant in the success of both the business of manufacturing and service providers. Wang et al (2004: 169) suggests that customer satisfaction may also be influenced by the value of customers who use their influence on the

performance-based customer relationship management customer behavior continuously. For example, customer value contributed to an increase in customer satisfaction and customer satisfaction is a consequence of the customer value created (Hallowell, 1996). Customer satisfaction is usually formed into a key indicator of a market share and profits, and an important indicator of a company's financial health. Furthermore, Mazumdar (1993) states that the value of the customer to be more oriented to the satisfaction of tourists and indirectly affect their behavior in the future. Based on the explanation above, the hypothesis proposed in this study are as follows:

Hypothesis 3: Perceived value has a significant impact on tourist satisfaction.

Hypothesis 4: Perceived value has a significant effect on loyalty

Impact Of Satisfaction On Loyalty

Satisfaction is one of the most widely studied concepts in modern marketing thinking and practice for satisfaction is the essence of any business continuity (Bolton and Drew, 1991; Churchill and Surprenant, 1982; Oliver, 1997; Spreng and Chiou, 2002). In the tourism sector, satisfaction is also one of the topics of research investigations most favored (Kozak et al., 2003). In the tourism sector, visitor satisfaction is a key factor that determines traveler loyalty and their subsequent behavior in the future. Much of the focus of research investigations which then puts satisfaction as the central factor in the tourism context. Approaches and theories used in observational studies revealed the phenomenon is relatively diverse in expressing satisfaction level of tourists.

Another approach that is also widely used by the researchers is that the equity theory states that satisfaction is trade-off between what consumers are giving up and what they earn (Oliver and Swan, 1989). The theory of equity is considered as one of the theories of justice. An individual would consider that he is treated fairly if he sees a gap that he remove the input to the output obtained when compared to those around him. This often happens when people around tourist destination looking as objects of profit and not view them as a long-term outlook. For example, many vendors in tourist areas significantly differentiate prices among the local population with a foreign customer, and sometimes even selling price also significantly differentiated by domestic consumers. This of course affects the perception and rating assessment of the level of overall satisfaction for visiting tourist destinations.

In a market as fairly high level of competition, companies began to compete to provide satisfaction to its customers so that customers have a loyalty to the services offered by the company. Jones and Sasser (1994) state that customer loyalty is an endogenous variable that is caused by a combination of satisfaction so that customer loyalty is a function of satisfaction. If the relationship between satisfaction and customer loyalty is positive, then the high satisfaction will increase customer loyalty.

Hypothesis 5: Satisfaction has a significant effect on Loyalty

From the literature review conducted by the researchers, the study was composed of the following models:

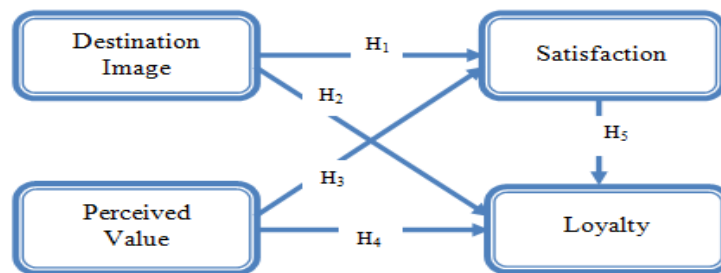


Figure 1 Research Framework

This model was developed from Sun, Chi, and Xu (2013); Deng, Yeh, and Sung (2013)

RESEARCH DESIGN

This research is a descriptive, which aims to make a systematic description, factual, and accurate information on the nature of the population. Besides this research is quantitative research, which aims to identify the factors that are considered important for travelers in deciding to visit an object of tourist destinations. Data was collected using questionnaires distributed instrument is self-administered in each city / regency in Bengkulu. The number of questionnaires is planned to be spread 200 copies, with minimal consideration obtained 20 copies in each district / city in the province of Bengkulu.

Research Instruments

Development of the survey instrument referring to the recommendation procedure proposed by Churchill (1979) and DeVellis (1991) to develop standardized survey instrument. Developed measurement instruments is evaluated by a group of tourism experts to assess the validity of the content of the indicators developed. Experts comment on the content and make it easier to understand than the indicators used as well as helping to edit and improve the clarity, as well as more readable and understandable by the target respondents.

They were also asked to identify any items that are redundant (ambiguous) and provide suggestions to improve the scale proposed. After assuring that the survey instrument has content validity, then such instruments finalized.

Tabel 2 Constructs, Measurement Items, and Source

Constructs	Measurement Items	Source
Destination Image	<ul style="list-style-type: none"> ✓ Condition of roads to the tourist attractions ✓ Spatial system in tourist areas ✓ The facilities available in the tourist area ✓ Society being friendly towards tourists ✓ Local people are to be a guide for tourists ✓ Participation of community in maintaining security in the destination area ✓ Society continues to provide products / services required by travellers 	Sun, Chi, and Xu (2013)
Perceived Value	<ul style="list-style-type: none"> ✓ Considering what I spent, I had reasonably good quality experience from visiting Bengkulu ✓ Cost of visiting Bengkulu is reasonable ✓ Visiting Bengkulu is a right decision ✓ Overall, visiting Bengkulu is valuable and worthy 	Sun, Chi, and Xu (2013); Deng, Yeh, and Sung (2013)
Satisfaction	<ul style="list-style-type: none"> ✓ My overall experience with Bengkulu was higher than my expectations ✓ Visiting Bengkulu was a wonderful experience ✓ Bengkulu is one of the best destinations I have ever visited 	Sun, Chi, and Xu (2013); Deng, Yeh, and Sung (2013)
Loyalty	<ul style="list-style-type: none"> ✓ I will revisit Bengkulu. ✓ I will probably revisit Bengkulu in two years ✓ I will recommend Bengkulu to others. ✓ I will encourage other people to visit Bengkulu. 	Deng, Yeh, and Sung (2013)

Sampling Frame

The population of this study was tourists who visit certain tourist destinations in the district/city in the province of Bengkulu. Travelers who involve in this study is domestic and foreign tourists. Using tourist who visit certain destination in the province of Bengkulu as a sample of survey respondents deemed appropriate, because their impressions of Bengkulu tourism is closely embedded in each respondent. Nevertheless, limited sampling frame becomes irrelevant using probabilistic sampling. Therefore, this study used a non-probabilistic sampling as data collection techniques with data collection method is purposive sampling. The sample size used in this study was 200 respondents. The measure is considered more than adequate as a prerequisite for the use of Structural Equation Model (SEM) as a tool of primary data processing. Questionnaires used as a data collection tool in this study. Questionnaires were distributed to respondents with the help of enumerators.

DATA ANALYSIS METHOD

The analysis tool used is Structural Equation Modeling (SEM). SEM is a multivariate statistical technique which allows the testing of a series of causal relationships between variables simultaneously. Each exogenous and endogenous variable can be either latent or unobservable construct that can be measured directly in the research process (Hair, et al., 2010). The data analysis will be carried out using structural equation modelling (SEM) with the help of software AMOS. SEM is a technique that combines aspects of multivariate factor analysis and multiple regressions that allows researchers to test simultaneously a series of interrelated dependence relationships between variables and latent constructs measured and also among some latent constructs (Hair et al., 2006, h. 710).

Structural Equation Model

There are two steps that need to be done in testing the model framework using SEM, namely 1) the development of the measurement model, and 2) testing the structural model.

Testing Measurement Model

Measurement model used to test a set of items of measurement used to represent the underlying constructs (Hair *et al.*, 2010, h.695). Measurement model aims to assess the contribution of each indicator variable to represent the underlying constructs and measures how well the combination of a set of indicators that represent the constructs (reliability and validity). The result of SEM shows that reliability of variables which measured with Cronbach's Alpha meet the required reliability criteria. Reliability testing is also done using construct reliability which is considered be better to assessing the reliability of each variable in the model compare with Cronbach's Alpha. The results of reliability testing using construct reliability consistent with test results using Cronbach's alpha is found that every variable in the model proved to be statistically reliable. Measurement model testing is also performed to assess the construct validity in the model. The results show that the indicators used were able to present well the underlying latent constructs which proves that the proposed latent variable proved statistically valid.

Tabel 3 Construct Reliability, Cronbach alpha, and AVE

Dimensions	Construct Reliability	Cronbach alpha	AVE	√AVE
Destination Image	0.880632	0.836	0.648646	0.805385
Perceived Value	0.873682	0.845	0.634253	0.7964
Satisfaction	0.819183	0.841	0.602617	0.776284
Loyalty	0.836881	0.783	0.563199	0.750466

Source: data analysis

Testing Structural Model

After testing the measurement model that includes the validity and reliability on all latent variables, the next step is to test the structural model. There are two stages in testing the structural model, Testing Goodness of fit model and test the significance of the path coefficient. Testing structural model in this research can be described as follows..

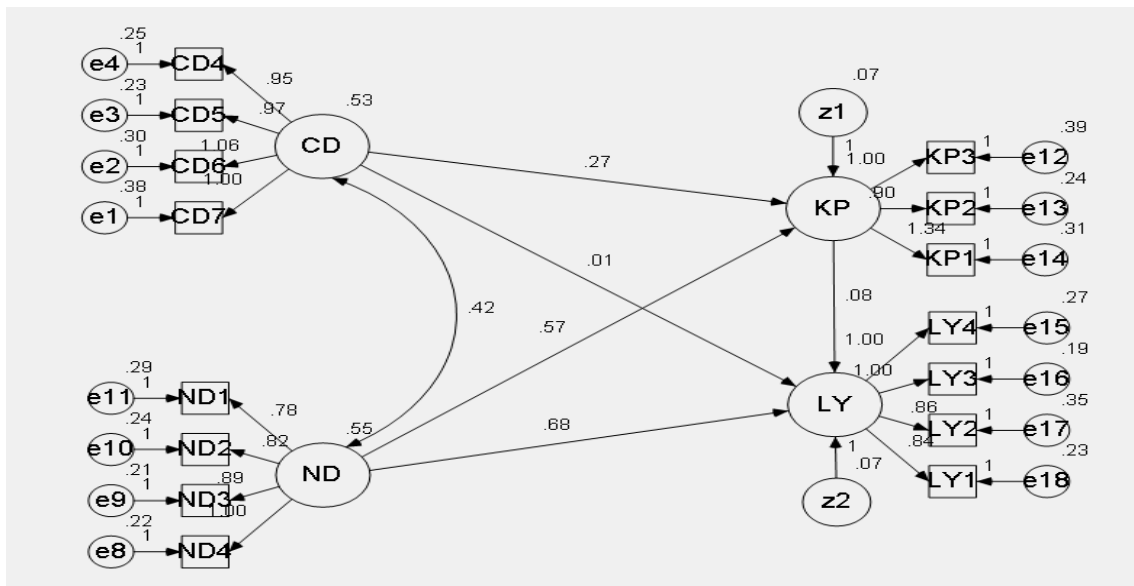


Figure 2 Structural Relationship Modelling using AMOS 16.0

The test results of the structural model to measure the extent to which the proposed model is able to represent real phenomena observed. In statistical language model testing structural termed the Goodness of Fit Index. There are several criteria used to test the suitability index models with reality. Goodness of fit index results from the proposed model are as follows.

The test results of the proposed structural model shows that not all of the criteria of goodness of fit get good results. Goodness of fit index (GFI) provide acceptable results which means that the proposed model can still statistically acceptable because the value of fit model is not far adrift of the required. RMSEA and parsimonious fit index (CMIN/DF) shows that the model produces a good result, so statistically the structural model has been able to interpret research. Summary correlation between variables in the structural model are summarized in the following table.

Tabel 4 Goodness of Fit Index

Goodness of fit index	Expected value	Index	Conclusion
Absolute fit			
χ^2 (Chi square)	Kecil	194.357	good
RMSE of approximation	< 0.08	0.113	acceptable
Goodness of fit index	> 0.90	0.821	acceptable
Incremental fit			
Adjusted Goodness of fit	> 0.90	0.744	acceptable
Comparative Fit Index	> 0.95	0.894	acceptable
Tucker Lewis Index	> 0.95	0.867	acceptable
Parsimonious fit			
CMIN/DF	≤ 5.00	2.314	good

Table 5 Correlation between variables in Structural Equation Modelling

Covariances			Estimate	S.E	C.R	P
Destination Image	→	Satisfaction	0.266	0.127	2.103	0.035
Destination Image	→	Loyalty	0.013	0.129	0.098	0.922
Perceived Value	→	Satisfaction	0.570	0.129	4.416	0.000
Perceived Value	→	Loyalty	0.675	0.208	3.243	0.001
Satisfaction	→	Loyalty	0.083	0.264	0.314	0.754

DISCUSSION

Summary of results of testing the correlation between variables in the model revealed that only three of the five proposed hypotheses that proved significant, whereas the other two hypotheses are not proved significant. The hypotheses proved significant in this study were 1) the relationship between destination image toward satisfaction of visitor; 2) the relationship between the perceived value toward satisfaction of visitors; and 3) the relationship between perceived values toward the loyalty of visitors.

Lately, the central government began to encourage the growth of the tourism sector in every region and province in Indonesia. The tourism sector is believed to have a multiplier effect which increased economic growth in an area or region around the neighborhood destinations. Some developed countries even begin to prioritize the tourism sector as a major source of state revenue. The tourism sector is able to attract more foreign currency movements into the country, which means an increase in the country's economy. The focus of tourism development one is to improve the image of the destination. Destination image is an important factor to consider in deciding visitors to travel to a particular destination. The results of hypothesis testing found that destination image have a significant effect on customer satisfaction. Chon (1989) in his research found that the impressions of visitors to the destination image can be different at every stage of the journey experienced by visitors to a destination. Positive destination image when experiencing a pleasant experience at point of destination is believed to impact on the high level of satisfaction and positive behavioural intention to re-visit destination (Lee, Lee, and Lee, 2005). Thus, this study proves that the destination image directly affect tourist satisfaction so that the stakeholders need to create a positive impression to the tourist visitors in the form of attractive package that describes the image of tourist destinations.

The influence of the relationship between destination image toward visitor loyalty was not proven in this study. This shows that the image of the destination does not directly affect visitor loyalty. Destination image that perceived positively by visitor may not be able to attract tourists to come back to a particular travel destination. The results provide evidence that there are other variables that have not been identified in this study is believed to be a powerful influence in shaping customer loyalty.

The influence of the relationship between satisfaction with loyalty of visitors also not proven in this study. In the context of travel destinations found contradictory findings when compared with the business sector. In the context of business, marketing researchers believe that satisfaction is an important antecedent of customer loyalty. While in the context of tourist destinations, the satisfaction experienced by the visitor does not necessarily affect the behavior after their visit, particularly in terms of loyalty. Travelers tend to have characteristics like new things, explore, love a challenge, and looking for fun. This behavior perception stimulates them to visit a destination with the only aim to satisfy curiosity. After this, they will seek other destinations preferences they have not yet visited. So that satisfaction with a destination not has proven significant effect on loyalty.

In the last section, this study proves that the perceived value of significant effect on satisfaction and loyalty. In line with the opinion of Wang et al. (2004: 169) that the product or service the company plays an important role and strategic to the success of a company. If the product or service the company is perceived less provides more value to customers, the company will fail. (Tandjung, 2004:18). In this study, values perceived by customer have been proven significant effect on increasing customer satisfaction. In line with the views Hollowell (1996) that customer satisfaction is a consequence of the perceived value by customers. Customer satisfaction is usually formed into a key indicator of a market share and profits, and an important indicator of a company's financial health entirely from. Furthermore, this study is also consistent with the findings of Mazumdar (1993) which states that the value of the customer to be more oriented to the satisfaction of tourists and influences their behavior in the future, either in the form of satisfaction and loyalty.

CONCLUSIONS AND RECOMMENDATIONS

This study has several objectives to be achieved. From the results of tests carried out showed that destination image have a significant effect on visitor satisfaction. The test results also show that perceived value have a significant effect on satisfaction of visitors. Moreover, the results of the analysis also found that perceived value is also proven have a significant effect on loyalty of visitors. The study's findings contribute and add insight in the marketing literature on tourism marketing concept that identifies the influence of the relationship between destination image and perceived value on satisfaction and loyalty.

This study can not be separated from weakness in the analysis and interpretation. Some suggestions are given, among others: generalization of research on other tourism sectors need to be considered carefully. The different characteristics of each destination cause limitations in generalizing the study on the other tourism sector. Further studies are also needed to assess the effect of the image of destinations on other phenomena; The results also give a recommendation to the parties concerned and interested in the tourism sector to perform routine and periodic data collection related to various matters relating to tourism in order to formulate strategies and appropriate policies and measurable.

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MONETARY POLICY AND MACROECONOMIC RESPONSES: SVAR STUDY OF EGYPT

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Abstract. This paper examines the effects of monetary policy and foreign shocks on output, inflation and exchange rate in Egypt using non recursive SVAR model and quarterly data for the period 1990 to 2011. The empirical results reveal that monetary policy shocks, through changes in interest rates or money supply, have statistically significant effects on output, inflation and exchange rate. Moreover, foreign shocks, namely world oil prices, foreign output and foreign interest rates, also have significant effects on output, inflation and exchange rate in Egypt.

Keywords: *monetary policy; SVAR.*

INTRODUCTION

An interesting aspect in examining the effectiveness of monetary policy in Egypt is that an economic reform and structural adjustment program (ERSAP) has been in place in Egypt since 1991⁴. The ERSAP incorporated developments in tools and objectives of monetary policy, which aimed to improve the effectiveness of monetary policy. Central Bank of Egypt (CBE) implemented several monetary policy strategies. Firstly, the CBE liberalized interest rate and eliminated interest rate and credit ceilings in 1991. The banks had the liberty to determine interest rates on deposits and loans. The banks, as financial intermediaries, can play a vital role in transmitting monetary policy shocks to the real sector. Secondly, the exchange rate of the Egyptian pound was floated in 2003⁵. This is because the exchange rate channel was not effective during the fixed exchange rate regime⁶. Thirdly, the operational target of monetary policy was changed from banks' excess reserves to overnight interest rate on interbank transactions in 2005. This is because the money demand function was unstable and the central bank was not the final determinant of money supply⁷. Fourthly, the CBE depended more on indirect instruments to conduct monetary policy during the ERSAP, such as open market operations, discount rate and Treasury bill rates.

During the implementation of the ERSAP, the Egyptian economy faced various internal and external shocks, such as Luxor's terrorist attack in 1997 and East Asian financial crisis in 1997, that had an impact on economic growth, price levels and exchange rate stability (Awad 2011). Firstly, the economy experienced a significant slowdown in growth from 6.1% in 1999 to 2.4% in 2002. Though, in 2007, the growth rate rebounded to 7.1%, it declined to 4.7% in 2009 because of onset of the global financial crisis. Secondly, the inflation rate rose significantly from 2.7% in 2002 to 11.3% in 2004, following the introduction of the floating exchange rate in 2003. Thirdly, the CBE floated the exchange rate of the Egyptian pound in 2003, which led to an increase in the US dollar exchange rate from 4.6 in 2002 to 6 Egyptian pounds in 2003 (CBE). Therefore, this paper raises the question of how effective is monetary policy in influencing output, inflation and exchange rate in Egypt?

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⁴ The ERSAP in Egypt comprised three components; stabilization program, structural adjustment program and social program. The stabilization program included fiscal and monetary policies and was aimed at decreasing total demand. The fiscal policy was directed at decreasing the budget deficit by reducing public expenditure and increasing public revenue. The objective of the structural adjustment program was to increase total supply by reforming the public sector, liberating prices and foreign trade, and encouraging private sector investment. Meanwhile, the social program was targeted at addressing the negative effects of the reform program (Abdel Khalek 2001; Subramanian 1997).

⁵ The Egyptian pound was still fixed against the US dollar during the period 1991 to 2002.

⁶Awad (2011) found that the exchange rate channel is not effective before the floating of the exchange rate, whereas, it is effective after the floating of the exchange rate in Egypt.

⁷ The money demand became unstable due to the financial innovation that brought changes in the velocity of circulation, introduced new monetary assets and led to substitution between demand deposits and other financial assets.

⁸ The public and banks influence the money supply by adjusting the currency ratio and reserves.

This research contributes to the existing literature on the effectiveness of monetary policy on output, inflation and exchange rate in terms of three aspects. Firstly, this research examines the role of the three most important trading partners, namely the United States, Italy and Germany, to capture the impact of external shocks⁹. However, Awad (2011) included one foreign country (the United States) to represent the trading partners of Egypt. Secondly, this study uses non recursive SVAR model and block exogeneity restrictions to examine the effect of monetary policy and foreign shocks on macroeconomic variables. According to Kim and Roubini (2000), non recursive SVAR is better than recursive SVAR because the solution of price puzzle is partial in recursive SVAR. However, Awad (2011) employed the recursive SVAR model to examine the effectiveness of monetary policy in Egypt. Thirdly, this study uses two monetary variables, namely money supply and interest rate, to represent monetary policy. This is because the monetary policy targeting was shifted from money supply to interest rate in 2005. However, the existing studies in Egypt did not take into account the change in monetary policy targeting in that year.

Several interesting features emerge from this study. Firstly, the empirical results reveal that monetary policy shocks, through changes in interest rate or money supply, have a significant effect on output, inflation and exchange rate in Egypt. Secondly, the world oil prices and foreign output also have significant impacts on output, inflation and exchange rate in Egypt, while the foreign interest rate has a significant effect on domestic output and inflation. These results indicate that the Central Bank of Egypt (CBE) should adjust interest rate in order to stabilize inflation, output and exchange rate. By stabilizing inflation, output and exchange rate, the CBE would be able to achieve the ultimate targets of monetary policy, namely price stability and economic growth.

LITERATURE REVIEW

The identification of monetary policy is crucial in examining the effects of monetary policy on macroeconomic variables. This differs between closed and small open economies. Cushman and Zha (1997) referred to the block exogeneity restrictions to identify monetary policy in a small open economy, which exploits the assumption that the small open economy model includes foreign variables that are regarded as exogenous variables. However, the closed economy model (the US only) does not include foreign variables because the United States is a large economy, which is not affected significantly by small economy shocks¹⁰. Therefore, the empirical studies could be divided into two groups: closed economy and small open economy studies.

Closed Economy Studies

The empirical studies in the United States are divided into three groups, according to the variable used to identify monetary policy: money supply, interest rate and non borrowed reserves. Firstly, many empirical studies have supported the effect of money supply on output and prices, such as Friedman and Schwartz (1963), Sims (1972) and Friedman and Kuttner (1992). The pioneer was Friedman and Schwartz (1963) who studied the relationship between money supply and output and found that movements in money supply precede movements in income and there is a causal relationship from money supply to income, but not vice versa. Therefore, they recommended that the quantity of money supply should grow at a constant rate, which is associated with productivity growth. Also, Christiano and Ljungqvist (1988) examined the relationship between money supply and output using Granger-causality test and found that money supply has a significant effect on output. Buiter (1980) and Mishkin (1982) supported the significant effect of anticipated and unanticipated monetary policy on macroeconomic variables.

Secondly, many studies in the United States have used interest rate as a monetary policy variable, such as Sims (1980), Litterman and Weiss (1983), Bernanke and Blinder (1992), Friedman and Kuttner (1992), Bernanke and Gertler (1995), Kim and Roubini (2000), Boivin and Giannoni (2003), Voss and Willard (2009), and Forni and Gambetti (2010). For instance, Sims (1980) who introduced VAR model, studied the effect of money supply and interest rate on output during interwar and postwar periods in the United States, using VAR model. Prior incorporating interest rate, a significant relationship between money supply and output existed in both periods. However, the central role of money supply dissipated in the postwar period when interest rate was included. Additionally, Bernanke and Blinder (1992) studied the effect of interest rate on output, using VAR model and found that interest rate is the best indicator for monetary policy actions and there is a significant relationship from interest rate to

⁹ The United States, Italy and Germany were the three biggest trading partners of Egypt during the period from 1990 to 2011, where the average percentage of trade between Egypt and the United States, Italy and Germany are 14%, 7% and 6% respectively.

¹⁰ According to Cushman and Zha (1997), the United States is treated as a closed economy but other countries are treated as small open economies.

output. Finally, Voss and Willard (2009), and Forni and Gambetti (2010) found that interest rate has a significant effect on output, prices and exchange rates in the United States.

Thirdly, some empirical studies in the United States have employed non borrowed reserves as a monetary policy variable. For example, Eichenbaum (1992) argued that non borrowed reserves (NBR) should be used as a monetary policy variable because reserves are determined by regulations and controlled by the monetary authority. He used both NBR and interest rate, as monetary policy variables, and found that this approach increases the effect of monetary policy on output from 32% to 45% (Sims 1992). Additionally, Strongin (1995) used the percentage of non borrowed reserves to total reserves (NBR/TR) as an indicator of monetary policy and found that this approach has more explanatory power on output than interest rate. Furthermore, Bernanke and Mihov (1995) stated that Strongin model is better than Bernanke and Blinder (1992), and Eichenbaum (1992) models because it allows the proportion of NBR/TR to vary over time.

Small Open Economy Studies

The empirical studies in small open economies are divided into four groups, based on the models used to identify monetary policy: VAR model, SVAR model, sign restrictions VAR model and other models. Firstly, some empirical studies have employed the VAR model to identify monetary policy, such as Tang (2006), Dedola and Lippi (2005), Horvath and Rusnak (2008), Sun et al. (2010), Barakchian and Crowe (2013), and Bhattacharya (2014). For example, in Malaysia, Tang (2006) examined the effect of monetary policy on output and price using the VAR model and quarterly data. He found that interest rate has an important effect on domestic prices and output. In France, Germany, Italy and the United Kingdom, Dedola and Lippi (2005) found that interest rate has a significant effect on output. In China, Sun et al. (2010) supported the significant effect of monetary policy on output, exports and imports.

Secondly, many empirical studies have used the SVAR model to examine the impact of monetary policy on macroeconomic variables, such as Kim and Roubini (2000), Brischetto and Voss (1999), Zaidi and Fisher (2010), Wulandari (2012), Ono (2013) and Chandra and Unsal (2014). For example, Kim and Roubini (2000) studied the effect of monetary policy on exchange rate, prices and output in Germany, Japan, France, the United Kingdom, Italy and Canada, using the non recursive SVAR model, and found that the effect of monetary policy on output, prices and exchange rate is significant. In Malaysia, Zaidi and Fisher (2010) used the non recursive SVAR model to determine the relationship among monetary policy and output, prices and exchange rate. They found that interest rate shocks have a significant effect on output, inflation and exchange rate. In Russia, Ono (2013) found that money supply has a significant impact on real output during boom and recession periods. In China, India, Indonesia, Korea, Malaysia, Philippines, Taiwan, and Thailand, Jain-Chandra and Unsal (2014) supported the significant effect of interest rate on output using SVAR model.

Thirdly, the sign restriction approach that is introduced by Faust (1998) and Uhlig (2005), was employed to identify monetary policy. For example, Canova and Nicoló (2002) examined the importance of monetary policy shocks in Japan, Germany, the UK, France, Italy and Canada, using the sign restriction VAR model. They found that monetary policy shocks affect significantly output and inflation in these countries. In Germany, France and Italy, Rafiq and Mallick (2008) used the sign restriction VAR model and found that tight interest rate shocks lead to reduce output in Germany and France. Moreover, interest rate has a significant effect on prices and money supply in the three countries. Additionally, it affects exchange rate significantly in France and Italy. In Malaysia, Zaidi and Karim (2014) used the sign restriction SVAR model and found that interest rate affects significantly output, inflation and exchange rate. Moreover, foreign output, foreign inflation and foreign monetary policy shocks have significant effects on domestic macroeconomic variables and the effect of Singapore is bigger than that of the US and Japan.

Fourthly, some studies have used other models, such as FAVAR and TVAR, to identify monetary policy. For example, In Turkey, Çatık and Martin (2012) studied the effect of monetary policy on output and inflation after the reform program using the TVAR model and found that monetary policy has a stronger impact on output and inflation after the reform program in Turkey. In China, He et al. (2013) employed the factor augmented VAR model with monthly data and found that interest rate has a small effect on industrial production and prices, whereas, money supply and loans have significant effects on these variables. In Pakistan, Zakir and Malik (2013) used quarterly data and univariate Box-Jenkins analysis to examine the effect of monetary policy on output and found that monetary policy affects output significantly during lower growth periods, whereas, its effect is minimal during higher growth periods.

This research uses non recursive SVAR model with block exogeneity approach to examine the effectiveness of monetary policy in a small open economy (Egypt) for three reasons. Firstly, the SVAR model is adopted because it gives enough restrictions on the contemporaneous structural parameters and allows non recursive restrictions based on the economic theory (Kim & Roubini 2000). According to

Bernanke (1986), “the recursive VAR model estimates the disturbances via Choleski decomposition, which embodies strong assumptions about the economic restructure”. Secondly, Kim and Roubini (2000) argued that the solution of price puzzle is partial in recursive restrictions. Therefore, non recursive restrictions are better than recursive restrictions in solving the price puzzle. Thirdly, the block exogeneity approach is adopted because foreign variables should be included in a small open economy model and treated as exogenous variables. This permits to assess shocks from a diversity of sources (Cushman&Zha 1997).

Empirical Studies in Egypt

The empirical studies in Egypt are divided into two groups according to monetary policy model: VAR model and SVAR model. The empirical studies by Moursi et al (2008), Al-Mashat and Billmeier (2008), and Rageh (2010) used the VAR model to identify monetary policy in Egypt. Firstly, Moursi et al. (2006) used the VAR model and found that monetary policy shocks have a significant impact on inflation only. However, the impact of monetary policy shocks on real output is insignificant. Secondly, Al-Mashat and Billmeier (2008) used the VAR model and monthly data for the period 1996 to 2005. The variables were inflation, exchange rate, interest rate, NBR, total reserves, gross domestic product, world oil prices and foreign interest rate. They found that interest rate channel is still weak. Thirdly, Rageh (2010) used the VAR model and found that the effect of monetary policy on inflation is significant, whereas, its effect on real output is insignificant.

The empirical studies by Hachicha and Lee (2009), Abdel-Baki (2010) and Awad (2011) identified monetary policy in Egypt using SVAR model. Firstly, Hachicha and Lee (2009) used SVAR model with closed economy identification scheme and found that interest rate does not have a significant effect on output or inflation. Secondly, Abdel-Baki (2010) employed the non recursive SVAR model and found that the effect of interest rate on output and inflation is insignificant. Thirdly, Awad (2011) used recursive SVAR with open economy identification scheme and found that foreign variables (output, inflation and interest rate of the US) have significant effects on domestic output and inflation. Additionally, monetary policy has a significant impact on inflation, but not output.

Most of existing studies in Egypt did not concentrate on the effect of foreign economic variables on domestic variables, except the study by Awad (2011). However, the study by Awad (2011) has three defects. Firstly, Awad (2011) used recursive SVAR model. However, this study uses non recursive SVAR model because non recursive restrictions are better than recursive restrictions in solving the price puzzle. As argued by Kim and Roubini (2000), the solution of price puzzle is partial in recursive restrictions. Secondly, Awad (2011) found that interest rate has a positive effect on output (output puzzle). However, the output puzzle is not present in this study. Thirdly, Awad (2011) included one foreign country (the United States) to represent the trading partners of Egypt. However, this study uses three countries to represent the trading partners of Egypt. Therefore, this study reexamines the effect of monetary policy on domestic variables by using the non recursive SVAR model with the block exogeneity restrictions.

RESEARCH METHODOLOGY

This study uses the non recursive SVAR model to examine the effect of monetary policy on output, inflation and exchange rate in Egypt. An identification scheme for a small open economy, as proposed by Cushman and Zha (1997), is used by assuming that foreign variables are totally exogenous variables in contemporaneous and lagged restrictions.

SVAR Model

In the SVAR model, the dynamic relationship between the selected variables is given by this equation:

$$BY_t = (T_1L + T_2L^2 + \dots + T_kL^k)Y_t + \varepsilon_t \quad (1)$$

where B is a matrix (n x n), which summarizes the contemporaneous relationship between the selected variables. Y_t is a vector (n x 1) of the selected variables $[O^*, Y^*, R^*, Y, \pi, Mp, E]$, which are world oil price (O^*), foreign output (Y^*), foreign interest rate (R^*), Egyptian output (Y), domestic inflation rate (π), monetary policy (Mp) and real effective exchange rate (E)¹¹. T L is the k^{th} order matrix polynomial in the lag operator (L). ε_t is a vector (n x 1) of structural innovations $[\varepsilon_{O^*}, \varepsilon_{Y^*}, \varepsilon_{R^*}, \varepsilon_Y, \varepsilon_\pi, \varepsilon_{Mp}, \varepsilon_E]$, where its mean equals zero $E(\varepsilon_t) = 0$. By multiplying equation (1) with (B^{-1}) , the reduced form of the VAR model is presented as follows:

$$Y_t = B^{-1}(T_1L + T_2L^2 + \dots + T_kL^k)Y_t + e_t \quad (2)$$

The estimated residuals (e) and the structural innovations (ε) are related by: $e_t = B^{-1}\varepsilon_t$. If \sum_ε is the variance-covariance matrix of the structural innovations and \sum_e is the variance-covariance matrix of the estimated residuals, the relationship between \sum_e and \sum_ε is as follows:

¹¹ Monetary policy (Mp) includes two variables money supply (M2) and interest rate (R).

$$\Sigma_{\varepsilon} = B \Sigma_{\varepsilon} B' \quad (3)$$

Maximum likelihood estimation of variance-covariance matrix of the estimated residuals (Σ_{ε}) and the contemporaneous matrix (B) can be obtained through the sample estimation of variance-covariance matrix of the structural innovations (Σ_{ε}). Since (Σ_{ε}) matrix contains $n \times (n+1)/2$ parameters, at least $n \times (n+1)/2$ restrictions are needed. However, the contemporaneous matrix (B) needs $n \times (n-1)/2$ restrictions to achieve just identification conditions. This can be attained by normalizing the parameters on the diagonal of the contemporaneous matrix to be one. In the VAR model with Cholesky decomposition identification, the contemporaneous matrix is assumed to be triangular (recursive). However, in the SVAR model, the contemporaneous matrix can be any structure form (non recursive) as long as it has enough restrictions (Kim&Roubini 2000).

The following equation (4) indicates the set of restrictions assumed in the contemporaneous structural parameters (B) in the non recursive SVAR model. The coefficients on the diagonal are normalized to unity and the number of zero restrictions is twenty one. Therefore, the contemporaneous matrix (B) in SVAR model is just identified because the number of zero restrictions equals the number of B's restrictions.

$$BY_t = \begin{pmatrix} 1 & 0 & 0 & 0 & 0 & 0 & 0 \\ B_{21} & 1 & 0 & 0 & 0 & 0 & 0 \\ B_{31} & B_{32} & 1 & 0 & 0 & 0 & 0 \\ B_{41} & B_{42} & B_{43} & 1 & 0 & 0 & 0 \\ B_{51} & B_{52} & B_{53} & B_{54} & 1 & 0 & 0 \\ B_{61} & 0 & B_{63} & B_{64} & B_{65} & 1 & B_{67} \\ B_{71} & B_{72} & B_{73} & B_{74} & B_{75} & B_{76} & 1 \end{pmatrix} \begin{pmatrix} O^* \\ Y^* \\ R^* \\ Y \\ \pi \\ Mp \\ E \end{pmatrix} \quad (4)$$

where (B_{ij}) is the effect of a variable (j) on a variable (i). For example, (B_{76}) is the effect of monetary policy on real effective exchange rate. Additionally, the SVAR model includes also two dummy variables, which represent the structural change in monetary policy targeting in Egypt and the global financial crisis. The first dummy variable represents the structural change in monetary policy targeting in Egypt and takes the value one during the period from 2005 (Q1) to 2005 (Q4) and zero otherwise. The second dummy variable represents the global financial crisis and takes the value one during the period from 2007 (Q3) to 2009 (Q2) and zero otherwise. The dummy variables are added in the model to control major economic events that represent the structural changes in the economy. The dummy variables take out the effect of the crises in the model to ensure the stability of the impulse response function.

It is important to determine whether the SVAR model should be specified in first difference or unrestricted levels. Ramaswamy and Slok (1998) pointed to the trade-off between the loss of information (when the SVAR is estimated in first difference) and the loss of efficiency (when the SVAR is estimated in unrestricted levels). They recommended that in cases, where there is no prior economic theory that clarifies either the long run relationships or the economic interpretation of these relationships, it is not reasonable to impose cointegration restrictions. This is because using inappropriate cointegration relationships leads to biased estimations and impulse responses. This study adheres to their recommendation and uses SVAR model specified in levels.

Variables

The SVAR model contains seven variables [$O^*, Y^*, R^*, Y, \pi, Mp, E$] and these variables are separated into two blocks: foreign and domestic blocks. The foreign block contains three variables [O^*, Y^*, R^*]. The domestic block includes four variables [Y, π, Mp, E]. The exogenous components include three variables. Firstly, the world oil price (O^*) is included as a proxy for world commodity prices. Secondly, the foreign output (Y^*) is the trade weighted real gross domestic product of the three foreign countries, namely the United States, Italy and Germany¹². These countries are selected because they are the biggest three trading partners of Egypt during the period of study. The average percentage of trade among Egypt and the United States, Italy and Germany are 14%, 7% and 6% respectively, in which representing 27% of total trade (IMF 2010, 2005 and 1995). Thirdly, the foreign interest rate (R^*) is the

¹² Using three trading partners is consistent with the empirical study by Zaidi, M. A. & Karim, Z. A. 2014. Impact of Singapore, Us and Japanese Macroeconomic Shocks on Malaysian Economy: A Sign-Restricted Svar Analysis. *Jurnal Pengurusan* 41(113 - 122..

interest rate of the US, Italy and Germany, expressed as percentage of trade. The foreign interest rate is included as a proxy for foreign monetary policy shocks.

The endogenous components contain four variables. The first variable (Y) is the real gross domestic product of Egypt, which represents internal activities in Egypt. The second variable (π) is domestic inflation, which is represented by percentage change in consumer price index (CPI). The third variable is monetary policy, which is represented by two variables: money supply and interest rate. Money supply (M_2) is selected because money supply was used as an intermediate target for monetary policy in Egypt during the period 1991 to 2005¹³. After that, interest rate (R) has been selected as an intermediate target of monetary policy since 2005 (CBE, 2005/06). Interest rate is represented by the discount rate because the interbank interest rate and the discount rate show the same trend (Abdel Baki 2010). Additionally, Awad (2011) used discount rate to represent monetary policy in examining the effect of monetary policy on output and inflation in Egypt. However, interbank interest rate is not used to represent interest rate because data on interbank interest rate was not available for the period 1991 to 1997, though it is available from 1998 onwards. The last variable (E) is the real effective exchange rate of the Egyptian pound against the three trading partners' currencies. The effective exchange rate is in the form of trading partners' currencies per one Egyptian pound. The increase in real effective exchange rate means appreciation in the Egyptian pound, whereas, the decrease in real effective exchange rate means depreciation in the Egyptian pound.

Identification Scheme

The main argument in SVAR model for small-open economy is the identification of the contemporaneous coefficient. This study uses the identification of monetary policy in a small open economy, which is introduced by Cushman and Zha (1997). The non recursive SVAR model contains three foreign variables and four domestic variables. The three foreign variables are world oil price, foreign output and foreign interest rate [O^*, Y^*, R^*], which affect the domestic variables in Egypt [Y, π, Mp, E] that are output, inflation, monetary policy and exchange rate. The standard identification of the variables is as follows:

The identification of foreign variables includes three variables. Firstly, the world oil price (O^*) influences all variables contemporaneously because it reflects the inflationary supply shocks (Kim & Roubini 2000). Moreover, changes in world oil prices influence Egyptian exports and input prices, which affect inflation and output (Zaidi & Karim 2011). Besides, the world oil price provides the monetary authority expectations about future inflation that assists in solving the price puzzle (Christiano et al. 1999; Kim & Roubini 2000; Sims 1992). Secondly, foreign output (Y^*) refers to trade weighted output of the United States, Germany and Italy, which affects all domestic variables contemporaneously except monetary policy¹⁴. Foreign output affects domestic output because changes in foreign output affect Egyptian exports, which impact domestic output. Further, foreign output influences exports, total demand and inflation in Egypt. Moreover, foreign output impacts foreign interest rate because foreign interest rate responds to inflation and output shocks, based on Taylor's rule. On the other hand, foreign output responds to world oil prices because changes in world oil prices affect input prices of the real sector and hence foreign output. Thirdly, foreign interest rate (R^*) refers to trade weighted interest rate of the US, Germany and Italy, which affects contemporaneously all domestic variables¹⁵. The foreign interest rate affects domestic output and inflation as changes in foreign interest rates influence exchange rates, which affect Egyptian exports and input prices. Changes in Egyptian exports and input prices affect domestic output and inflation. Moreover, the foreign interest rate affects monetary policy contemporaneously because it reflects foreign monetary policy, which affects the Egyptian monetary policy through capital markets, based on Mundell-Fleming's model with rational expectations. On the other hand, the foreign interest rate responds to foreign output, based on Taylor's rule.

The domestic variables do not affect the foreign variables in contemporaneous or in lagged restrictions because Egypt is a small economy and therefore unlikely to have a significant impact on other countries. The identification of domestic variables includes four variables. Firstly, domestic output has an effect on inflation because inflation rate is determined by the expected inflation and output, based on augmented Phillips curve (Roberts 1995). Additionally, changes in output affect monetary policy because monetary policy reacts contemporaneously to both output and inflation, based on Taylor's rule (Taylor

¹³ The broad definition of money (M_2) is the sum of currency in the hands of the public plus demand deposits as well as saving deposits.

¹⁴ The trade weighted output is estimated by multiplying the percentage of trade for each country with its output and totaling all together.

¹⁵ The trade weighted interest rate is estimated by multiplying the percentage of trade for each country with its interest rate and totaling all together.

1993; Taylor&Williams 2010). Moreover, domestic output influences exchange rate because changes in output affect interest rate, which impact exchange rate. On the other hand, the domestic output responds to world oil price, foreign output and foreign interest rate because changes in these variables affect Egyptian exports and input prices of real sector, which have an impact on output. Secondly, inflation rate responds to world oil prices, foreign output and foreign interest rate. Further, inflation reacts to domestic output as inflation rate is determined by the expected inflation and output, based on augmented Phillips curve¹⁶. On the other hand, inflation affects monetary policy because this study assumes that interest rate, as a monetary policy variable, is determined by equilibrium real interest rate, inflation rate, inflation target and output gap, based on Talyor's rule. In addition, the Central Bank responds concomitantly to inflationary shocks because price stability is an important target of monetary policy (Taylor 1993; Taylor&Williams 2010). Inflation affects exchange rate since exchange rate, as a financial variable, responds contemporaneously to inflationary shocks.

Thirdly, the identification of monetary policy is that the Central Bank of Egypt (CBE) sets interest rate after observing the contemporaneous values of domestic output, inflation and exchange rate. The CBE reacts to inflation and output because this study assumes that interest rate is determined by the equilibrium real interest rate, inflation, inflation target, and output gap, based on Talyor's rule¹⁷. Moreover, monetary authority in Egypt responds contemporaneously to exchange rate shocks because changes in exchange rate affect Egyptian net exports, input prices, which impact inflation and output. Apart from domestic variables, the CBE has to observe the external shocks, namely world oil prices and foreign interest rate. On the other hand, changes in interest rate affect exchange rate, based on uncovered interest rate parity. Fourthly, exchange rate responds simultaneously to all variables since it is a financial variable that responds quickly to all information (Brischetto&Voss 1999; Cushman&Zha 1997; Kim&Roubini 2000). On the other hand, exchange rate affects monetary policy. The interdependence between exchange rate and monetary policy helps in solving the exchange rate puzzle (Kim&Roubini 2000). This pattern of identification is used in many empirical studies, such as by Kim and Roubini (2000).

Data Source

This research uses quarterly data from the Central Bank of Egypt, the International Financial Statistics and Data Stream for the period 1991(Q1) to 2011(Q4). This study covers the period beginning from 1991 because the ERSAP began in that year. The study period is up to 2011 because after that the Egyptian revolution broke out. Thus, during the period of study, there was political stability in the Egyptian economy. The gross domestic product (GDP) data is not available on a quarterly basis from 1991 to 2002. Therefore, GDP annual data is converted to reflect quarterly figures, using the Chow-Lin procedure. World oil price, foreign output, Egyptian real gross domestic product, money supply and real effective exchange rate are transformed into natural logs, whereas, foreign interest rate (R^*), domestic inflation (π) and domestic interest rate (R) are used in percentages. The detailed descriptions about the variables are provided in Table 1.

Table 1: The detailed descriptions about the variables

Variables	Definition	Sources
world oil price	petroleum average crude price (in US\$ per barrel).	IMF
foreign output	the trade weighted real gross domestic product of the US, Italy and Germany (base year 2005 and in US\$).	Data Stream
foreign interest rate	the trade weighted interest rate of the US, Italy and Germany (%).	Data Stream
domestic output	the real gross domestic product of Egypt (base year 2005 and in US\$).	IMF
inflation	percentage change in consumer price index (%).	IMF
interest rate	discount rate (%).	CBE
money supply	broad money supply (M2).	CBE
exchange rate	real effective exchange rate of the Egyptian pound against the three partners' currencies.	Data Stream

¹⁶ The equation of inflation in the new Keynesian theory is: $\Delta P_t = C_0 + E\Delta P_{t+1} + C_1 Y_t + \varepsilon_t$. Where: P_t is the log of the actual price at time (t), $E\Delta P_{t+1}$ is the expected price at time t+1 and Y_t is output at time t.

¹⁷ Based on Taylor rule, the simple equation of short term interest rate is: $i_t = r^* + \pi_t + 0.5(\pi_t - \pi^*) + 0.5y_t$. Where: r^* is equilibrium real interest rate, π_t is inflation rate at time t, π^* is inflation target and y_t is output gap (the percent deviation of real GDP from its potential level).

RESULTS

The results are presented into two sections. The first section covers the effect of monetary policy on domestic output, inflation and exchange rate, which is represented by the effect of money supply and interest rate shocks. The second section deals with the effect of foreign shocks on domestic output, inflation and exchange rate, which are represented by the effects of world oil price, foreign output and foreign interest rate shocks.

Table 2 reports the selection of lag length criterion using Akaike Information Criterion (AIC) and the Schwarz Bayesian Criterion (SBC). The optimum lagged of SVAR model is identified through minimizing the criterion. The results of lag length test indicate that two lags are the optimal lag based on AIC. However, one lag is the optimal lag based on SBC. The two lags are selected in the model because it is adequate to capture the dynamic of variables and does not lose many degrees of freedom. This research uses the stability test to determine whether the model is stable or not. The stability test indicates that all eigen values in absolute value in the model are less than one, which implies that this model is stable.

Table 2: The lag length test and stability test

number of lags	AIC	SBC
Lags 4	-1898	-1808
Lags 3	-1900	-1831
Lags 2	-1930	-1882
Lags 1	-1921	-1895
stability test		
0.97 0.97 0.87 0.73 0.73 0.31 0.31 0.61 0.37 0.09 0.09 0.20 -0.18 0.06		

The SVAR model explains the relationship between the variables using impulse response function. The impulse response represents response of one variable to shock of another variable. The impulse response is significant if both upper and lower confident intervals are above or below zero during the period under study. The confident intervals are estimated by using the Bootstrapping method and have nominal coverage probability of 0.68 (one standard error).

The Effect of Monetary Policy

The impact of monetary policy on output, inflation and exchange rate could be captured from the impulse responses of output, inflation and exchange rate to interest rate and money supply shocks over twenty four quarters, as shown in Figure 1. Based on the economic theory, the contractionary monetary policy (decreasing money supply or increasing interest rate) reduces inflation, declines consumption, squeezes investment and decreases output levels but boosts the exchange rate of Egyptian pound (appreciation of Egyptian Pound), and vice versa.

Figure 1 shows the responses of output, inflation and exchange rate to one standard deviation positive shock in interest rate and money supply. Firstly, the interest rate has a significantly negative relationship with output and inflation, whereas, the interest rate has a significantly positive relationship with exchange rate of Egyptian pound¹⁸. These results are consistent with the economic theory and the economic anomalies are not present in these results, such as output, exchange rate and price puzzles. For instance, one standard deviation increase in interest rate reduces output significantly after one quarter, which reaches the lowest point after three quarters approximately, while interest rate shock dissipates after five quarters. One standard deviation increase in interest rate reduces also inflation significantly, which reaches the lowest point after one quarter, while interest rate shock fades away after seven quarters. However, one standard deviation increase in interest rate boosts the real effective exchange rate significantly, which reaches the highest point after three quarters approximately, and interest rate shock ceases after twenty five quarters.

Secondly, the money supply has a significantly positive impact on output and inflation, whereas, the money supply has a significantly negative impact on real effective exchange rate of Egyptian pound. These results are consistent with the economic theory and the non recursive SVAR model does not encounter output, price and exchange rate puzzles. For instance, one standard deviation increase in money supply induces output significantly, which reaches the highest point after approximately three quarters, while money supply shock dissipates after five quarters. Also, one standard deviation increase in money supply raises inflation significantly, which reaches the highest point after two quarters approximately. However, one standard deviation increase in money supply reduces exchange rate significantly, which reaches the lowest point after one quarter approximately.

¹⁸ The significant response of output to interest rate only occurs after one quarter.

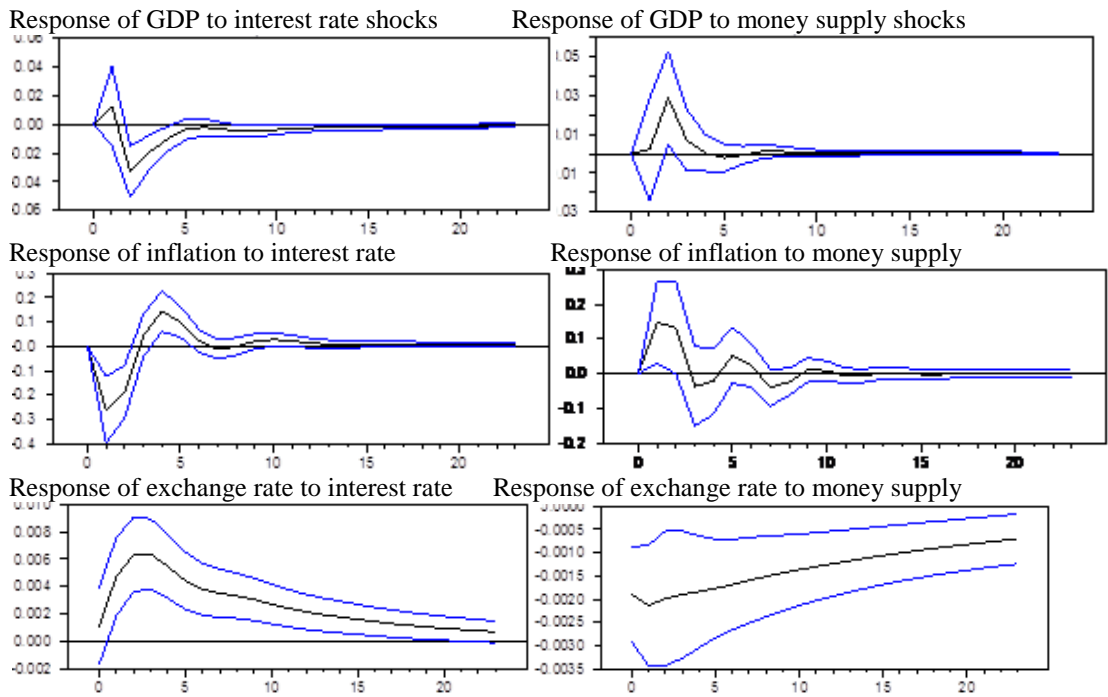


Figure 1: the effect of interest rate and money supply on output, inflation and exchange rate in Egypt.

The Effect of Foreign Shocks

The responses of output, inflation and exchange rate in Egypt to world oil price, foreign output and foreign interest rate shocks are captured in Figure 2. An increase in world oil price raises input costs, which in turn leads to an increase in inflation rates and a decline in output in Egypt. However, an increase in foreign output boosts the demand for Egyptian goods, increases Egyptian exports and raises domestic output in Egypt. Changes in foreign interest rate affect exchange rate, which influences Egyptian exports, input prices, output and inflation. Also, foreign interest rate affects money supply and interest rate through capital markets.

It is evident from Figure 2 that one standard deviation increase in world oil prices leads to decrease output significantly, whereas, one standard deviation increase in world oil prices leads to increase inflation and exchange rate significantly. This is can be explained as follows: an increase in the world oil prices gives rises to an increase in input costs, which turn would lead to a decline in output levels and higher inflation rates. Growth in the world oil prices raises the revenue of Egyptian oil exports, which boosts the Egyptian pound exchange rate.

Secondly, one standard deviation increase in foreign output raises domestic output significantly, whereas, it decreases domestic inflation and exchange rate significantly. This is can be explained as follows: the growth in foreign output raises Egyptian exports and foreign investment in Egypt, which have a positive relationship with Egyptian output. On the other side, the foreign output increases the supply of foreign goods, which decreases the price of Egyptian imports and declines inflation in Egypt.

Finally, one standard deviation increase in foreign interest rate has a significantly negative effect on output and inflation in Egypt, whereas, it does not have a significant effect on exchange rate. This is can be explained as follows: the change in the foreign interest rate leads to decrease in foreign output, foreign prices and foreign investment, which in turn decrease domestic output and inflation rates in Egypt. Therefore, world oil prices and foreign output have statistically significant impacts on output, inflation and exchange rate in Egypt, whereas, foreign interest rate has a statistically significant effect on output and inflation only. These results are robust by using recursive SVAR model.

These current results support the relevance of foreign shocks by Kim and Roubini (2000), Zaidi and Fisher (2010), and Zaidi and Karim (2014). In Egypt, Awad (2011) supported the significant effect of foreign output, foreign inflation and foreign interest rate of the United States on domestic output, inflation and exchange rate. This study supports also the significant effects of foreign shocks, namely world oil price, foreign output and foreign interest rate, on output, inflation and exchange rate in Egypt.

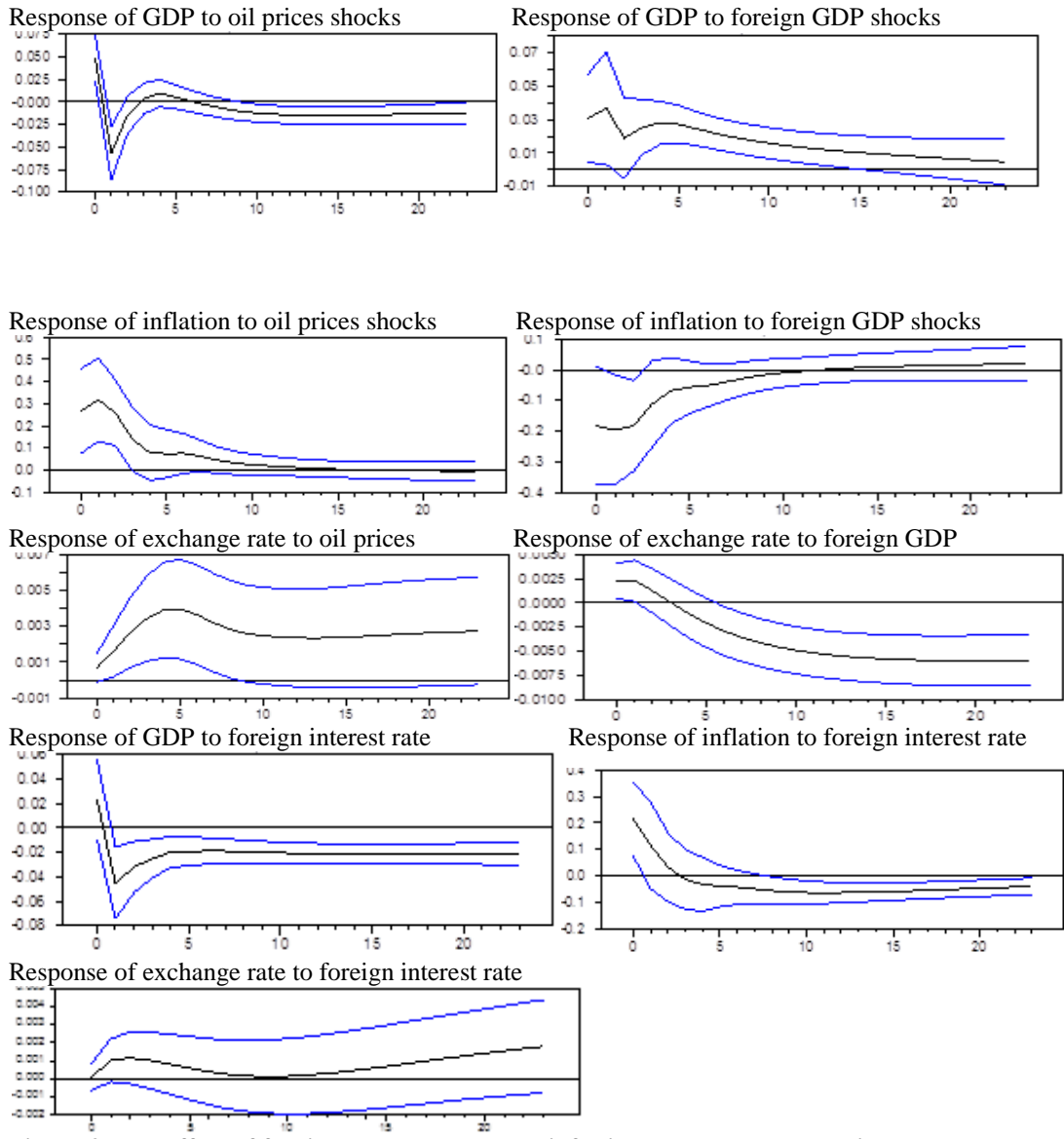


Figure 2: The effect of foreign shocks on output, inflation and exchange rate in Egypt.

These current results support the results of monetary policy by Bernanke and Blinder (1992), Sims (1980), Kim and Roubini (2000), and Zaidi and Karim (2014). Firstly, this study supports the significant effect of monetary policy variables, namely interest rate and money supply, on output, inflation and exchange rate in Egypt. Therefore, the Central Bank of Egypt (CBE) should adjust interest rate in order to stabilize output, inflation and exchange rate. However, the existing studies in Egypt did not support the effect of monetary policy on output, such as Al-Mashat and Billmerier (2008), and Awad (2011). Secondly, the current results support the results of foreign shocks by Kim and Roubini (2000), Awad (2011), Zaidi and Karim (2014). This study sustains the significant effect of foreign economic variables, namely world oil price, foreign output and foreign interest rate, on output, inflation and exchange rate in Egypt. Therefore, the monetary authority in Egypt should adjust interest rate to mitigate the negative effect of foreign shocks on domestic output, inflation and exchange rate.

Robustness Checking

The SVAR model could be sensitive to the assumptions used in its estimation. In particular, changes in identification scheme and sample length could affect the results of the baseline model. This section considers the robustness of the results of baseline SVAR model to these factors.

Different Non recursive Identification Scheme

As an alternative to the baseline model, this study considers two other identification schemes. Firstly, monetary policy does not respond contemporaneously to inflation or output shocks by restricting $B_{64}=B_{65}=0$. As argued by Sims and Zha (1995), monetary policy does not respond contemporaneously

to inflation or output within monthly data, based on the absence of information assumption. However, in the baseline model, it is assumed that monetary policy responds contemporaneously to inflation and output because this study uses quarterly data. Also, Sims and Zha (1995) stated that “policy makers obviously have other sources of information about the economy than the published data and might have a strong interest in using it to get accurate current assessment of the state of the economy”. Secondly, domestic output and inflation do not respond contemporaneously to foreign output shocks by restricting $B_{43}=B_{53}=0$.

The results of the impulse response function of output, inflation and exchange rate to interest rate and money supply shocks for different identification schemes are shown in Figure 3. In general, the responses of output, inflation and exchange rate to interest rate and money supply shocks are quite similar in baseline, first and second restrictions models. Thus, the results of baseline SVAR model are robust to alternative non recursive identification schemes.

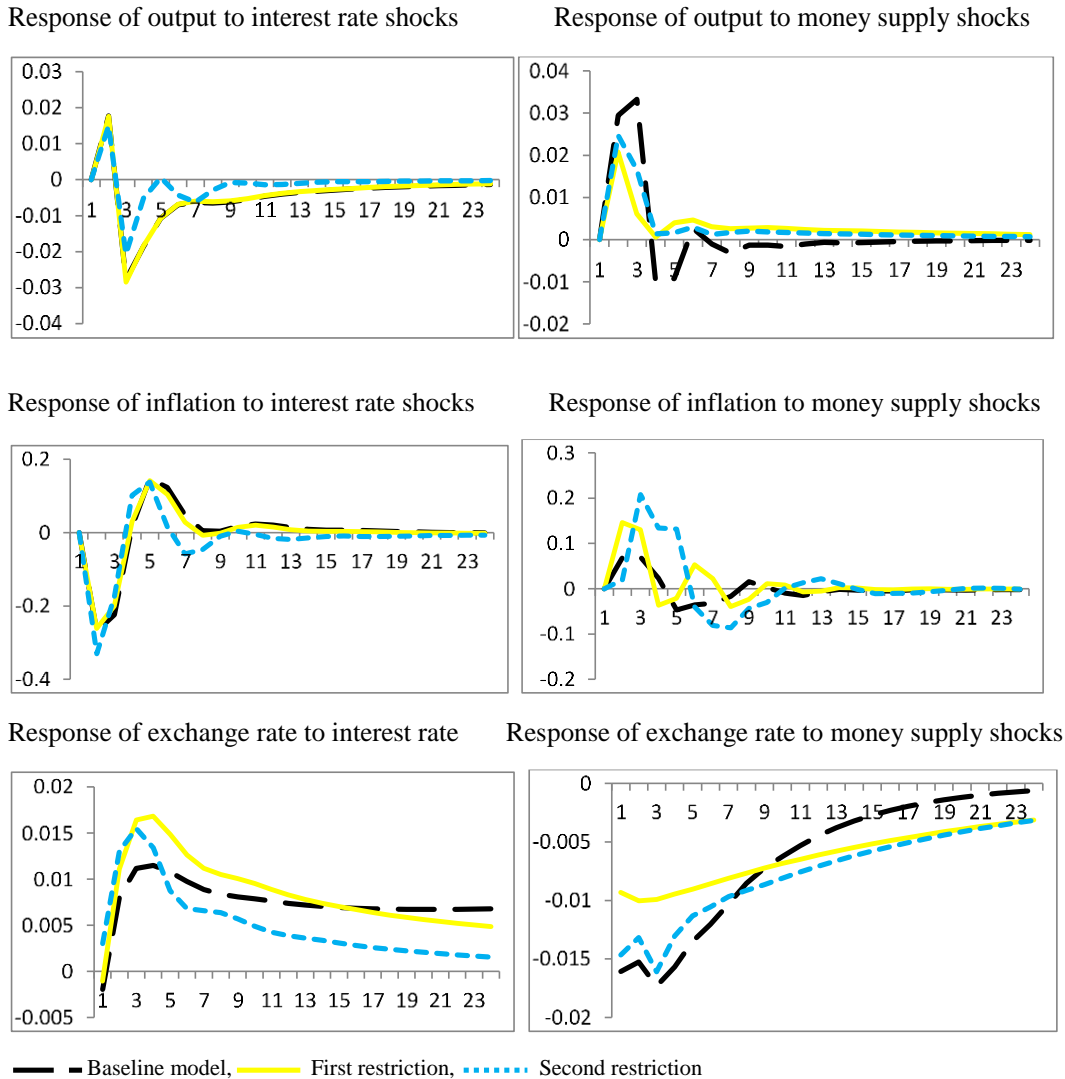


Figure 3: the impulse response functions of output, inflation and exchange rate to interest rate shocks and to money supply shocks using different identification scheme.

Different Sample Length

As argued by Berkelmans (2005), the robustness of the results with respect to the sample period is tested by estimating the model for two subsamples. The first subsample removes the first two years and hence covers the period from 1993:Q1 to 2011:Q4. The second subsample takes out the last two years and

so covers the period from 1991:Q1 to 2009:Q4¹⁹. The results of the impulse response functions of output, inflation and exchange rate to interest rate and money supply shocks over these two subsamples are shown in Figure 4. In general, the responses of output, inflation and exchange rate to interest rate shocks are similar in the baseline and the two subsamples models. Moreover, the responses of these variables to money supply shocks are almost identical in the baseline and the two subsamples models. These results indicate that the results of baseline SVAR model are robust to different sample periods.

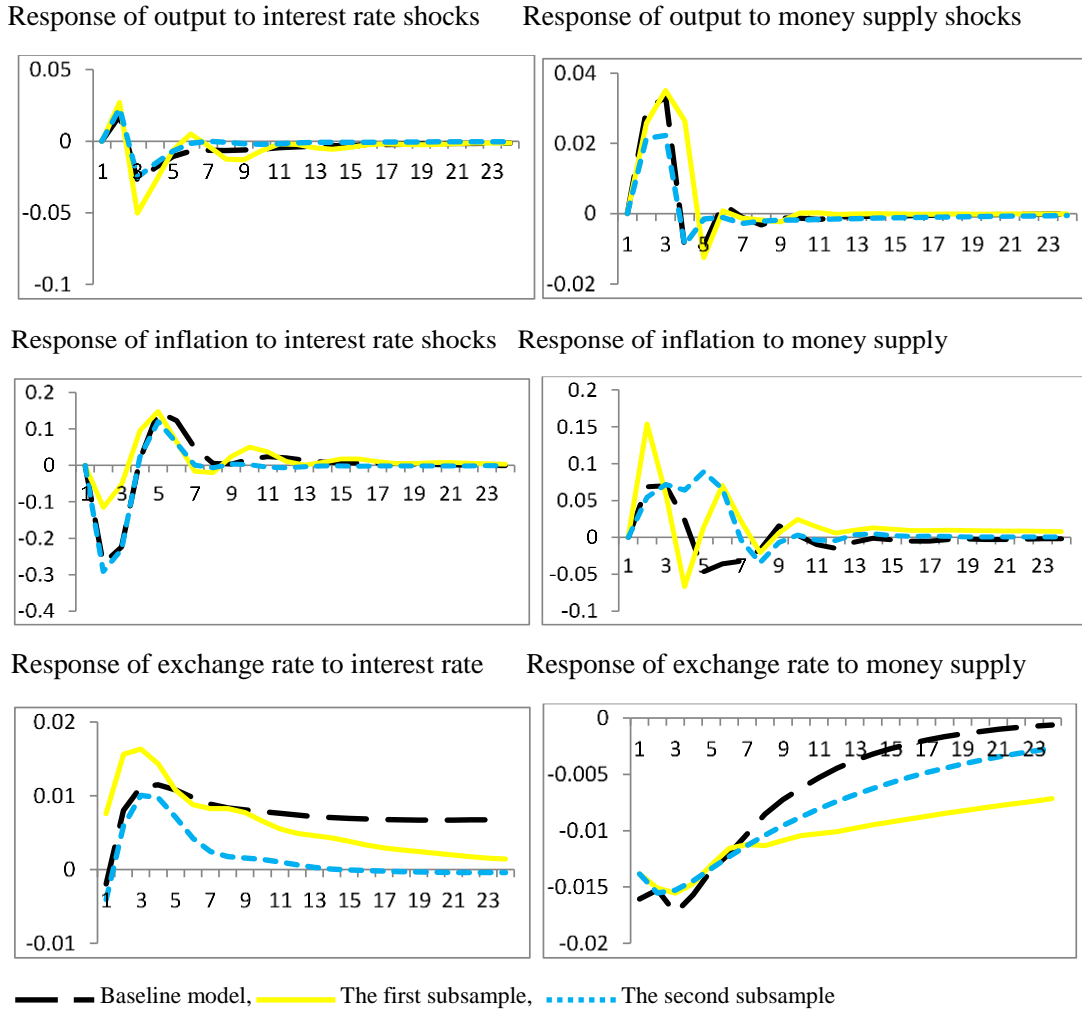


Figure 4: the impulse response functions of output, inflation and exchange rate to interest rate and money supply shocks using different sample length.

SUMMARY AND CONCLUSION

This study examines the effect of monetary policy, namely money supply or interest rate, on output, inflation and exchange rate in Egypt using non recursive SVAR model with small open economy identification scheme. This study examines also the effect of foreign variables (world oil prices, foreign output and foreign interest rates) on domestic output, inflation and exchange rate in Egypt.

This study found that monetary policy, through money supply or interest rate, has a significant effect on output, inflation and exchange rate during the reform program in Egypt. Therefore, this study sustains the relevance of interest rate and money supply channels in Egypt. However, the studies by Moursi et al (2006), Rageh (2010) and Awad (2011) supported the effect of monetary policy on inflation in Egypt and did not support its effect on output. Secondly, the world oil price and the foreign output have significant effects on domestic output, inflation and exchange rate in Egypt. Finally, the foreign interest rate has a significant effect on domestic output, inflation, whereas, it does not have a significant effect on

¹⁹ The estimation of subsamples during and after subprime crisis is not really practical because of the large number of parameters involved.

exchange rate in Egypt. Therefore, this study supports the significant effect of foreign shocks on domestic output, inflation and exchange in Egypt. These results are consistent with many empirical studies, such as Bernanke and Blinder (1992), Kim and Roubini (2000) and Zaidi and Karim (2014).

The policy implications from the effectiveness of interest rate channel in Egypt indicate that the Central bank of Egypt should take cognizance of the stability of interest rate in order to stabilize the inflation, output and exchange rate. By stabilizing inflation, output and exchange rate, the Central bank of Egypt is able to achieve the ultimate targets of monetary policy, namely price stability and economic growth. Secondly, the policy implications from the importance of foreign economic shocks indicate that the Central bank of Egypt should use an expansionary monetary policy during the financial crisis to mitigate the negative effects of foreign shocks, namely world oil price, foreign output and foreign interest rate, on domestic macroeconomic variables in Egypt.

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THE STRATEGY FOR IMPROVING COMPETITIVENESS TO WIN THE ASEAN ECONOMIC COMMUNITY (AEC) USING THE ECONOMIC LANDSCAPE (CASE STUDY OF JAMBI PROVINCE)

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Abstract. In assessing the economic impact of a sector or a group of sectors on a single or multiregional economy, input-output analysis has been proven to be a popular method. This paper explores the degree of structural change of the Jambi Province economy using the input-output frame work. It examines how linkages among economic sectors have evolved from 1998-2014 and identifies which economic sectors exhibited the highest inter-sectoral linkages. The study finds that manufacturing inconsistently becomes the key sector in the Jambi Province economy. Jambi Province cannot afford to leapfrog the industrialization stage and largely depend on a service-oriented economy when the potential for growth still lies primarily on manufacturing. The graphical presentation of inter-industry relationship through the “Multiplier Product Matrix” (MPM) and its associated “economic landscape” provides a visualization of the Jambi Province economic landscape for selected years and how it has changed over time.

Keywords : *economic landscape, input output model, key sector*

INTRODUCTION

Economic growth becomes one of the important targets that must be achieved in economic development in order to increase national income. Besides growth, economic development process will also bring by itself a fundamental change in the economic landscape. Long-term sustainability growth will convey economic change through demand effects and in turn the change will become the economic growth trigger factor. It is assumed that a positive correlation between economic growth and structural change exists. Structural transformation is a scientific phenomenon that has to be experienced by every growing economy. Economic growth measured from GDP (Gross Domestic Product) growth is assumed to be the cause of structural transformation in Indonesian economy during the time period (Kurniawan 2011). The more serious and well-planned economic development in Indonesia started at the beginning of the implementation of The First Five Year Development Plan (Repelita I) in 1969, and the process had gone smoothly from then until the economic crisis occurred in 1997-1998.

The data of Statistics Indonesia, Regional office of Jambi Province (*BPS Provinsi Jambi*) also shows changes in the economic landscape in Jambi Province, which is in accordance with the development rate of economic growth. GDP structural change as illustrated in Figure 1 is the result of industrialization in Jambi Province (Kurniawan 2016).

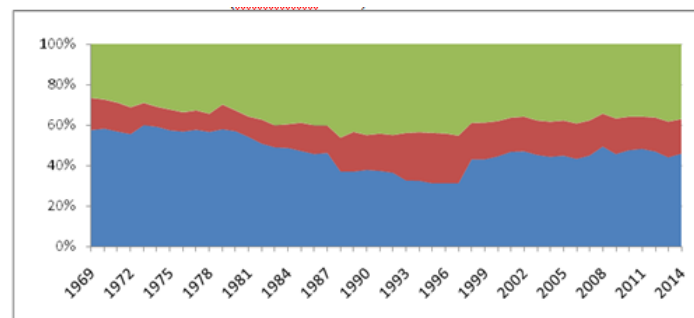


Figure 1. GDP Structure of Jambi Province 1969-2014

The industrialization process in Indonesia has begun since the end of 1980 (Dasril 1993) and, based on the criteria of United Nation Industrial Development Organization, become part of the semi-industrial country category until 2008.

Regional growth theory stated by Kaldor in Dasgupta and Singh (2006) remarks that manufacturing sector is the engine of growth for a country or region. This theory has prompted many countries to perform industrialization to obtain rapid economic growth. Based on Kaldorian approach analysis conducted by Dewi (2010), it can be concluded that the manufacturing sector has become the

engine of economic growth during the industrialization stage and spurred the development of sectors other than manufacturing. However, the de-industrialization process has been moving towards negative direction since 2002, marked by, among others, the low trade balance.

The phenomenon that has occurred in Indonesian economy since 2002 clearly shows signs of deindustrialization process (Ruky 2008). De-industrialization that has occurred is not the natural impact of a highly advanced development process, but it is more due to the shock on Indonesian economy.

The important implication from the structural change of Gollin *et al.* (2002) developed from the neoclassical growth model is that the productivity growth of agriculture sector is the significant key of growth process. Factors that cause structural change are very different for each region. Structural change can be caused by the impact of a policy, changes in resources, population, and social conditions that have permanent characteristics. Many agree that one of the necessary conditions to achieve structural transformation from agriculture (primer) to industry (secondary) is the strong linkage of agriculture and industrial sectors (Kuncoro 1996). Various theories have explained how the linkage between sectors affects the economy of a country; some of them are deduction from Mellor and Lele (1973), Mellor (1976, 1986, 1989) that is famous for the rural led strategy of growth model, and Johnston and Kilby (1975) that developed the concept of agricultural and structural transformation model.

The question is whether fundamental structural changes in *Jambi Province* economy have occurred in line with the economic growth? What is the role of sectoral in the structural transformation process in *Jambi Province* economy? Which economic sectors that have high inter-sectors linkage and become the keys in *Jambi Province* economy?

This study aims to conduct empirical study on the changes of economic landscape in Jambi Province within the input output (IO) model framework during the period of 1998 to 2014. In particular, this study aims to identify and analyze the dynamics of the key sectors in the structural transformation process of Jambi Province economy.

RESEARCH METHOD

The study was conducted by reviewing Jambi Province IO tables from BPS, covering data from 1998, 2007 and 2014. The sectors in the IO data series are uniformly aggregated (*common set*) into 57 sectors referring to the classification in the IO Table Year 1998 to see the comparison between observation years and support the purpose of analysis. The main data used in this study originates from total transaction based on producer's price table. List of sectors' name and code can be seen in Table 1.

Table 1. Sector Classification in the Input Output Table of Jambi Province 1998-2014

(1) Paddy	(30) Sawmill and wood processing industry
(2) Corn	(31) Plywood industry
(3) Cassava	(32) Furniture industry
(4) Potato	(33) Rubber and plastic goods industry
(5) Peanuts	(34) Paper, paper product, and carton industry
(6) Soybeans	(35) Chemical industry
(7) Vegetables	(36) Fertilizer and pesticide industry
(8) Fruits	(37) Oil refinery
(9) Other food crops	(38) Non-metal mineral goods industry
(10) Rubber	(39) Metal product, machines, tools, and fittings industry
(11) Coconut	(40) Other goods industry
(12) Palm Oil	(41) Electricity, gas, and water supply
(13) Coffee	(42) Construction
(14) Cassiavera	(43) Trade
(15) Other plantation crops	(44) Restaurants and hotels
(16) Free-range Chicken and their products	(45) Land transportation
(17) Poultry and their products	(46) Ocean freight
(18) Animal husbandry	(47) River transportation
(19) Timber	(48) Air transportation
(20) Other forest products	(49) Transportation vehicle and repair industry
(21) Marine Fisheries	(50) Communication
(22) Other Fisheries	(51) Finance institutions
(23) Oil, gas, and geothermal mining	(52) Insurance agency
(24) Other mining and excavation	(53) Building rental and company service
(25) Oil and fat industry	(54) Public administration and defense
(26) Rice mill industry & flour industry, all kinds	(55) Social service
(27) Other food industries	(56) Other services
(28) Beverage industry	(57) Other activities that are not clearly defined
(29) Textile, clothing, and leather industry	

Source: BPS, Regional office of Jambi Province 2015.

Analysis method used in this study will describe the linkages between sectors in the economic structural transformation process in Jambi Province. The result of Multiplier Product Matrix is presented in three-dimensional graph to visualize economic landscape. Multiplier Product Matrix (MPM) is a matrix that shows the value of first order-intensity and field of influence of the whole cells, which explains the first occurring reaction in the field of influence of each cell, if there is a change in a cell of Leontief Inverse Matrix due to external shock (Jiemin and Planting 2000).

MPM values illustrate the role of a sector in the economy. The MPM of each period that is arranged in series according to 1998 hierarchy shows the economic structural change process during analysis period. The MPM of each period that is arranged according to the hierarchy of previous period describes the final change that shape the mentioned economic landscape.

RESULT AND DISCUSSION

Key Sector Dynamics

Linkage analysis between sectors can identify which sectors that can become the key sectors, which in this case are the sectors that have linkage index value, both forward linkage (FL) and backward linkage (BL), more than 1. Primary sectors do not have sectors with IBL value, as well as IFL value, bigger than 1; meaning there is no primary sector that can be named as key sector. Based on the classification of 57 sectors during analysis period, there are three sectors that process agriculture products which can be identified as key sectors; i.e. “other food industries (27)” in 1998, 2007 and 2014; “rubber and plastic goods industry (33)” from 1998-2014; and “paper, paper product, and carton industry (34)” in 1998. Other industrial sectors that become the key sectors are “fertilizer and pesticide industry (36)” in 1998; “oil refinery (37)” in 2007-2014; “metal product, machines, tools, and fittings industry (39)” in 1998 and “other goods industry (40)” in 2007-2014.

Trade (43) sector was a tertiary sector that only became a key sector in 2007, and is different from “land transportation (45)” sector that had become a key sector since 1998 until 2014. Other tertiary sector that became a key sector is “transportation vehicle and repair industry (49)” sector in 2007 and 2014.

Table 2 shows 11 (eleven) sectors that have become the key sectors during analysis period. Key sectors that survived the crisis (after 1998) maintain their position in the next period. Industrial sectors that process plantation commodities and food products are able to survive as key sectors; i.e. “other food industries (27)” and “rubber and plastic goods industry (42)” sector.

Table 2. The Key Sectors of Jambi Province Economy

Sectors	Key Sector		
	1998	2007	2014
(27) Other food industries	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(33) Rubber and plastic goods industry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(34) Paper, paper product, and carton industry	<input type="checkbox"/>	-	-
(36) Fertilizer and pesticide industry	<input type="checkbox"/>	-	-
(37) Oil refinery	-	<input type="checkbox"/>	<input type="checkbox"/>
(39) Metal product, machines, tools, and fittings industry	<input type="checkbox"/>	-	-
(40) Other goods industry	-	<input type="checkbox"/>	<input type="checkbox"/>
(41) Electricity, gas, and water supply	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(43) Trade	-	<input type="checkbox"/>	<input type="checkbox"/>
(45) Land transportation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(49) Transportation vehicle and repair industry	-	<input type="checkbox"/>	<input type="checkbox"/>

Note: The mark (√) shows the existence of a key sector in a period

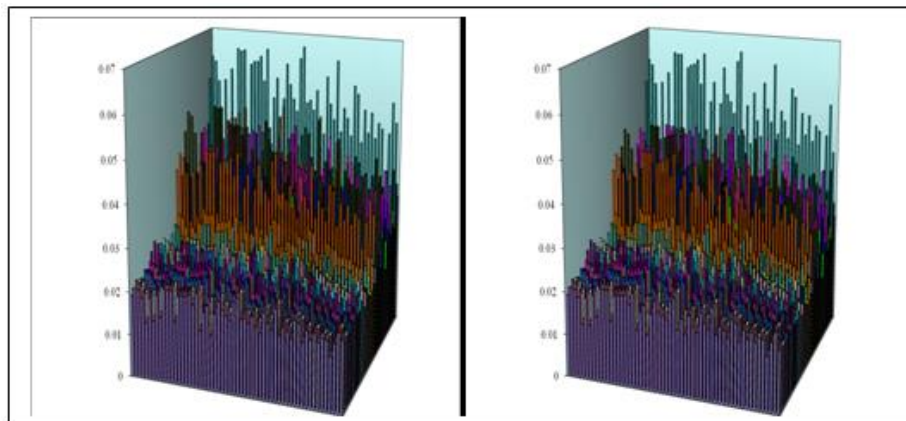


Figure 2. Economic Landscape of Jambi Province Based on 1998 Hierarchy

Multiplier Product Matrix

Multiplier Product Matrix (MPM) that is graphically illustrated shows the economic landscape change of Jambi Province from 1998 to 2014. Quantitative measure variation on inter-sector relations derived from MPM can be arranged based on a certain hierarchy, where FL values are ranked from the smallest value and BL values are graded from the biggest value.

Figure 2 provides the visualization of *Jambi Province* economic landscape year 1998 and 2014 based on 1998 hierarchy²⁰. The highest cell in 1998 hierarchy is (35;26) and the lowest is (54;57). “Chemical industry (35)” sector has the highest IFL and “rice mill industry & flour industry, all kinds (26)” sector has the highest IBL. In the early period of the study, “public administration and defense (54)” sector has the lowest linkage index, same like “other activities that are not clearly defined (57)”.

The graph shows that there are changes in the economic landscape of Jambi Province from 1998 to year 2014, where economic landscape visualization is not as smooth as 1998, even though there is no drastic change. The height differences of bar graphs in each cell for both periods show the existence of linkage changes between inter-sectors with other sectors or structural changes in the economy. Structural changes can be seen in more detail in the discrepancy of MPM rate for each cell. Cell with fairly big discrepancy value indicates a relatively big change in the interaction between those sectors in the economy.

Occurring changes between period 1998 to 2007, among others, are linked to the several sectors. Relatively significant negative changes almost always take place on MPM cells related to “chemical industry (35)”, “metal product, machines, tools, and fittings industry (39)”, “fertilizer and pesticide industry (36)”, “rice mill industry & flour industry, all kinds (26)” and “trade (43)” sector. This shows that the trade sector’s role tends to decrease in the economy. Meanwhile, significant positive changes occur in several cells that, among others, are linked with “finance institutions (51)”, “oil, gas, and geothermal mining (23)”, “other goods industry (40)”, “oil refinery (37)”, “other activities that are not clearly defined (57)”, and “marine fisheries (21)” sector.

The small changes (not significant) also occur in several cells between period 2007 to 2014. Positive changes occur in several cells that, among others, are linked with “fertilizer and pesticide industry (36)”, “paddy (1)”, “animal husbandry (18)”, “oil, gas, and geothermal mining (23)”, “public administration and defense (54)” and “metal product, machines, tools, and fittings industry (39)” sectors. Meanwhile, negative changes occur in several cells that, among others, are linked with “finance institutions (51)”, “electricity, gas, and water supply (41)”, “chemical industry (35)”, “building rental and company service (53)” and “other activities that are not clearly defined (57)” sectors.

Figure 3 shows the changes that occur in the economic landscape of Jambi Province from 1998 to 2014. The decrease of role can be seen, among others, in several cells related to “chemical industry (35)”, “trade (43)”, “metal product, machines, tools, and fittings industry (39)”, “fertilizer and pesticide industry (36)” and “rice mill industry & flour industry, all kinds (26)” sectors. The increase of role during time period 1998 to 2014, among others, is related to two secondary sectors, which are “other goods industry (40)” and “oil refinery (37)”. This increase is also connected with “marine fisheries (21)” sectors. Tertiary sectors that are linked to the increase of role are “finance institutions (51)”, and “other activities that are not clearly defined (57)” sectors.

CONCLUSION

Primary sectors don’t have high inter-sectoral linkages; thus, they never become the key sectors in *Jambi Province* economy, and even some sub-sectors have relatively high export dependence. Most secondary sectors don’t have high linkages with primary sectors. Sectors that survived the economic crisis have the tendency to stay exist as key sectors. Based on the visualization of economic landscape change, the increase in role occurs, among others, related with “oil, gas, and geothermal mining (23)”. This increase is also associated to “other goods industry (40)” sectors. Meanwhile, tertiary sectors that are linked with the increase of role are “finance institutions (51)” sectors.

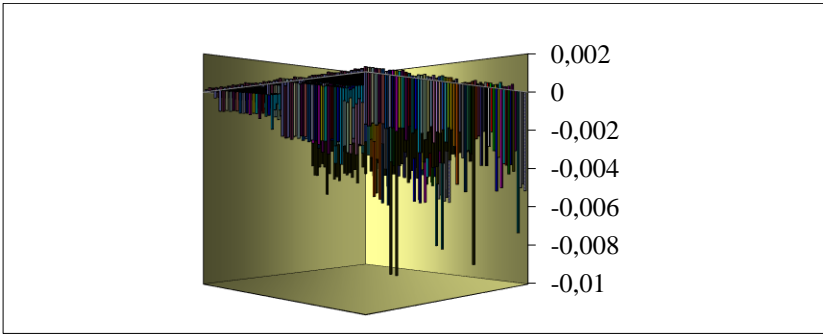
²⁰ Sector sequence:

FL (sort ascending)

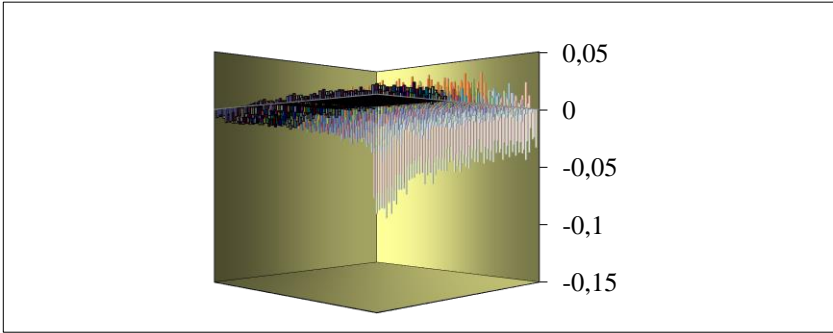
;54,3,7,4,57,16,9,28,17,2,5,8,18,22,47,55,15,20,46,31,32,52,13,48,6,25,14,38,49,23,21,50,40,44,56,51,26,12,42,11,10,30,24,29,41,19,27,36,33,53,34,45,1,37,39,43,35

BL (sort descending)

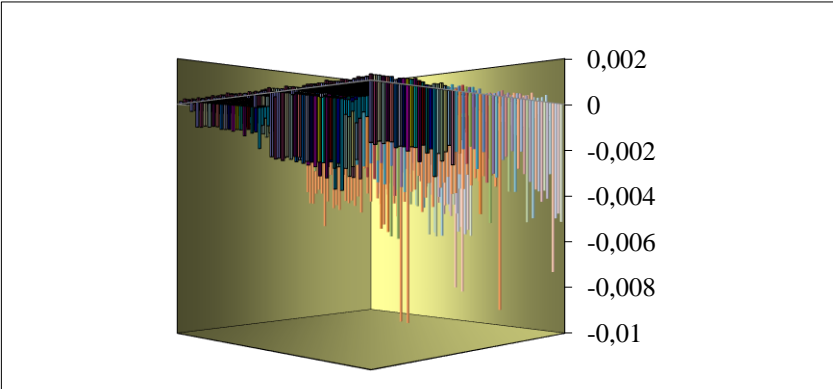
;26,44,34,33,36,27,35,25,42,40,32,29,38,48,41,46,31,45,30,39,55,49,54,14,28,43,47,22,16,10,53,50,51,17,13,56,12,52,1,21,7,15,20,24,8,18,2,19,5,11,6,9,3,23,4,37,57



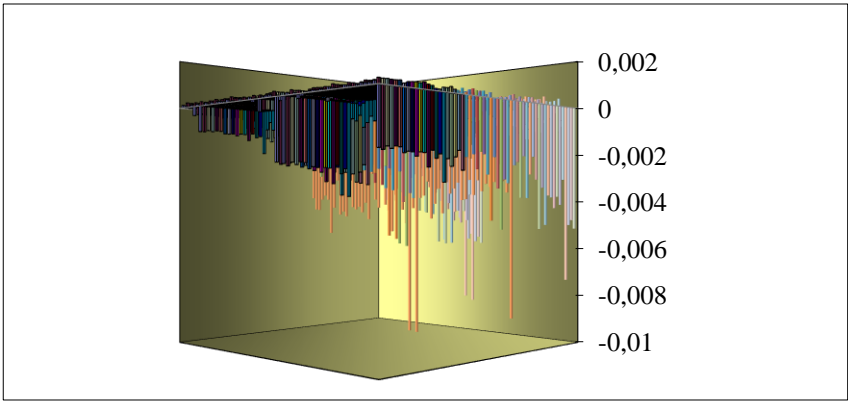
1998-2007



1998-2014



2007-2014



1998-2014

Figure 3. The Changes of Sectoral Role between Periods

The high distribution capacity of secondary sectors that is not ensued by high sensitivity degree of the primary sectors indicates that there is no link and match between developed industry and available raw material resources. The not-so-precise industrialization strategy causes the deindustrialization process in Jambi Province to move unnaturally and trend to be negative. It is better for industrialization policy to consider the link and match between developed industry and available raw material resources. Exploring of *Jambi Province* economic landscape can be used to draw up a strategy for improving competitiveness to win the ASEAN Economic Community (AEC).

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E-RETAILING: CONSUMER MOTIVATION TO SHOP IN INDONESIA AND THAILAND

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Abstract. The purpose of this research is to determine the factors that customer motivation to shop e-retailing in Indonesia and Thailand. In addition, this research also intent to find the different between Indonesia and Thailand consumer motivation to shop in e-retail. An online questionnaire approach is employ in this research study to obtain the most appropriate information for identifying the most dominant factor that motivates customer to shop in e-retail in Indonesia and Thailand in the context of the study. Type of the data in this research is primarily data in which is method of purposive sampling that used as sampling method research. A survey on line with 215 respondents who ever shop through e-retailing in Indonesia and Thailand conducted. Then, factor analysis is use as method analysis data. Factor analysis is a multivariate statistical technique to reduction from many factors to be fewer. Pursuant to the result of analysis data in the research, there are eight factors that drive consumer motivation to shop e-retailing in Indonesia and Thailand. The eight factors are: (1)internetuniqueness; (2)e-retailingexperience; (3)e-retailingkindness; (4)company barrier; (5) corporate image; (6)customer barrier; (7)product benefit; and (8)additional value.

Keywords: *e-Retailing , Consumer Motivation, Indonesia, Thailand*

INTRODUCTION

Nowadays, the developments cannot be separated from one field to another field. That is, the progress made by the industry cannot be separated from other areas that mutually support each other. An example is the trading world, especially the retail industry recently which is growing in high speed. According to Jackson (2008), there are several important lessons for retail and franchise businesses. It is not enough just to have the ultimate goal of being a national or international business with thousands of stores; you need to define how you are going to get there in a way that drives competitive advantage and profitability along the way. Retailing refers to the activities involved in selling goods or services directly to final consumer and only used for personal use and not for business. Retail industry is as an intermediary structure that's communicate consumers and producers, with the development of economy development (Littler and Hudson, 2003).

In Indonesia, the growth of the retail business is rapidly increased. In 2012, GDP distribution at current prices showed that household consumption expenditures was 24.5 percent on food and 30.5 percent on non-food items (2012 GDP was \$875 billion/IDR 8,241 trillion). Furthermore, Indonesia middle class consumers are well educated and have a growing interest in imported goods, particularly for consumer products such as processed foods. (Rangkuti and Wright 2013). In addition, growth in retail sales in 2012 amounted to US \$ 334,946 million. Increase from the previous year of US \$ 326,778 million (2013 Outlook for the Retail and Consumer Products Sector in Asia, 2013). While at the level of countries in ASEAN, Thailand is one of the countries that should be taken into account in the development of the retail business. Thailand retail sales growth in 2012 amounted to US \$ 122,179 million. Rise of the year 2011 of US \$ 112,248 million (2013 Outlook for the Retail and Consumer Products Sector in Asia, 2013). There has been significant development of this sector in the past decades with the entrance of new and more modernized players operating under various trade formats in response to the evolving consumers' behavior.

According to e-Marketer projections, global B2C e-commerce sales will grow by more than 20 percent this year to reach US\$1.5 trillion, and surpass US\$2.3 trillion by 2017. Forrester Research projections indicate this growth will be partly driven by five of the largest online retail markets in the Asia-Pacific region- China, Japan, South Korea, India, and Australia - which will see e-commerce sales rise from US\$398 billion in 2013 to US\$858 billion in 2018 at a compound annual growth rate of more than 16 percent. At the regional level, the benefits of retail e-commerce (e-Retail) development go beyond direct economic impact. It can be a vehicle for economic development, social cohesion, and cultural exchanges that contribute to regional integration. e-Commerce can also propel ASEAN globally (A.T. Kearney report, 2015). Based on that Asia Briefing reports (2014), annual online sales in Indonesia are forecasted to grow from US\$1 billion-\$3 billion in 2014 and reach US\$10 billion by the end of 2015.

With its population of nearly 10 million and relatively well-developed network infrastructure, the capital, Jakarta, led initial growth in the market; recently, however, orders from outside the country's capital have begun to swell, hinting at big opportunities for growth in second and third-tier cities. Paypal Research (2012) estimates the Thai online B2C market size to be US\$477m, only 0.5% of total retail sales, with approximately 2.5m online shoppers or 3.8% of the population. Meanwhile UBS report (2014) estimates, based on bottom-up website hits and conversion rates, assuming an average spend per transaction of US\$40 (vs US\$161), implies only US\$144m.

However, according to Nikolaeva (2006), there are many retail firms that do not transact over the internet yet. What distinguishes them from those who do? Zhu et al. (2003) point out that understanding the drivers and barriers of e-commerce adoption becomes increasingly important. Better insight into entry determinants can help companies in improving their strategies and coping with the impact of new entry. Therefore, awareness of the industry evolutionary dynamics is important both for new entrants and incumbents. Meanwhile, trust is very important, especially in the relationship between the consumer and the vendor/seller of e-Retail (Ratnasingham, 1998). According to Mayer et al., (1995) there are three factors that make up a person's belief in conduct online transaction such as ability, benevolence and integrity.

Amongst the main obstacles to online sales are the perception that the internet is complicated to use; the difficulty of judging the quality of products – particularly fresh produce (Rajish, 2004); delivery costs; and the absence of any social links (Roberts et al., 2003). Ghosh (1998) reported that it was difficult for executives at most companies to estimate the value of their internet investments. According to report of A.T. Kearney (2015), there are effort to lifting the barriers to e-Commerce in ASEAN countries such as a strong pipeline of transport infrastructure projects, investment projects in warehouse capacity, increasing competition in last-mile delivery and the most important is the ASEAN single window to optimize data exchange to facilitate regional customs integration. The application of e-commerce technology is one of the important factors for the success of a product from a company. Furthermore, the increasing maturation of the internet and web technology, this technology will be able to improve the ability of the company in terms of business communication and information sharing. The increasing number of consumers in the use of e-commerce technology proves that this technology is increasingly needed in the future. In other words, it becomes a challenge for retailers to be able to implement e-commerce technology into the business.

The objective of this study is want to analyzes what is factors that motivate customer to shop in e-Retail in Indonesia and Thailand and to assess the difference between Indonesia and Thailand consumer perceptions to shopping in e-Retail.

LITERATURE REVIEW

According to Berman and Evans (2004), retail covering business activities involving the sale of goods and services to consumers for personal use, family, or household purposes. Meanwhile, according to Levy and Weitz (2004), retail is a series of business activity that adds value to the products and services sold to consumers for personal or family use. Retailing is all activities involved in selling goods or services directly to end consumers for consumers' personal use and not for business use (Kotler and Armstrong, 2004). Retailers or retailing become the last link in the distribution process. Moreover, the development of retail business in the electronic retail (e-Retail) provides an attractive alternative for consumers shopping. Retailing is a highly diverse and dynamic sector (Jones et al., 2005) that provides a supply of most household necessities to the consumer. There has been an intense transformation of the retailing industry over the past few decades, which has seen consumers making fewer trips and spending less at traditional shops since they are more attracted to electronic retailing (e-Retail) concepts (Morganosky, 1997).

Types of Retail

There are several retail function proposed by Levy and Weitz (2004), namely:

1. **Providing Assortments**
Offer of very diverse retail allows consumers to choose from a variety of brands, designs, sizes, colors and prices in one location.
2. **Breaking Bulk**
Retailer offers products in smaller quantities that are tailored to the consumption patterns of consumers as individuals or for households.
3. **Holding Inventory**
The main function is to maintain inventories of retail products. Thus, consumers can store product inventory at home in small quantities.
4. **Providing Services**

Retailers provide services that make it easier for consumers to buy and use the products. Retailers offer credit system and also arrange product such that customers can see and try the product before buying it.

Definition of e-Commerce

The development of the Internet led to the formation of a new world, commonly called the cyber world. Over the past decade the internet has changed our global culture, communications, interactions, and methods of conducting business. The internet's influence on the global business environment is bound to evolve and increase, with its technology and access being diffused from developed to developing countries over the next decade (Ariguzo et al., 2006). The birth of the internet as a mass communications medium is attributed to two events driven by Marc Andreessen: the February 1993 birth of Mosaic and the March 1994 birth of Netscape as easy-to-use Graphic User Interfaces (GUIs), making the internet in general and more specifically the World Wide Web accessible to those less technically astute (Connolly, 2000). The report from eMarketer (2003) identifies the main business uses of the internet, namely e-marketing (74%), customer support/sales (73%), e-commerce (50%), procurement/MRO (33%), human resources (32%), finance and accounting (30%), sales force automation (28%) and supply chain management (26%). (The total exceeds 100% because responding firms were able to indicate multiple uses.)

E-commerce, according to Javalgi and Ramsey (2001), is all about speed, connectivity, and sharing and exchanging goods, services and information. E-commerce is business-to-consumer sale of goods requiring physical delivery to the buyer, conducted via the internet, excluding orders via manually typed e-mails (Copenhagen Economics, 2013). Turban et al. (2002), define e-commerce as: "An emerging concept that describes the process of buying, selling, or exchanging services and information via computer networks". Raymond (2001) defines ecommerce as: "The functions of information are exchange and commercial transaction support that operate on telecommunications networks linking business partners (typically customers and suppliers)." Chaudhury et al., (2012) states that Electronic commerce is an online business where the selling and buying of services or products are done over electronic systems, including the Internet and various computer networks. It is a strategy for a company to enter into the market even if it does not physically exist, hence increased productivity.

e-Commerce Strategy

Definition of e-Commerce strategy is the formulation and execution of a vision of how a new or existing company intends to do business electronically (Plant, 2000). According to Barnes and Vidgen (2002), qualities of website associated with "site design" and "usability"; for example, website design, ease of navigation, and convenience to user. Gunasekaran and Ngai (2005) said that the overall usage on the internet influences the success of e-commerce in a country. For example, in some countries, the internet is mostly used for messaging and browsing, and not for buying or selling products or downloading files. This might be due to an overall understanding as represented in the culture of buying and selling behavior in a particular country. In addition to this, country-specific factors such as culture, technology competency, government policy, educational level were influences the level of application of e-commerce. Farhoomand et al. (2000) conducted a field study of ten companies in Hong Kong and Finland to identify the major barriers to e-commerce across borders. In addition to several country-specific barriers to global e-commerce, resistance to change and lack of education about the potential of global e-commerce were found to be the key inhibitors.

Companies are constrained in doing business on the internet because of the lack of a legal framework for conducting e-commerce on the internet. A lack of trained and qualified people was the major barrier to implementing e-commerce. The lack of security was rated as the next major barrier (Gunasekaran and Ngai, 2005). In fact, the advantages of web pages in assisting existing and potential customers, increasing international exposure, and enhancing a company's image will help to improve overall organizational competitiveness (Gunasekaran and Ngai, 2005). Premkumar et al. (1994) said that technological complexity and organizational compatibility have an influence to success factors of e-Commerce implementation. Wen et al. (2001) said that e-Commerce brings the benefits of product promotion, timely information, shortened remittance time, information consistency, better customer relationships, customization of products and competitive advantages.

A review of the literature indicates the following as being the major benefits of the internet for e-commerce: quick response to access global information; improvement in customer service by establishing effective lines of communication; a platform for low-cost advertising and hence for selling and buying products; low-cost entry for a network of firms for possible strategic alliances and collaboration; and the potential for a global market (Gunasekaran and Ngai, 2005).

Development of e-Commerce in Indonesia

The rapid growth of e-commerce market share in Indonesia is already cannot be doubted. With the number of Internet users reached 82 million people, or about 30% of the total population in Indonesia, e-commerce market into a gold mine that is very tempting for some people who can see the potential for the future. This growth is supported by data from the MCIT, which states that the value of e-commerce transactions in 2013 reached Rp130 trillion (<http://startupbisnis.com/data-statistik-mengenai-pertumbuhan-pangsa-pasar-e-commerce-di-indonesia-saat-ini/>). This is a figure which is fantastic considering that only about 7% of Internet users in Indonesia who have been shopping online, is based on data from McKinsey (2013). Compared with China, which has reached 30%, Indonesia is still lagging far away, but you should remember that this number will continue to rise in line with the growing use of smartphones, internet penetration in Indonesia, the use of debit and credit cards, and consumer confidence to shop online. If we look at Indonesia as a vast archipelagic country, e-commerce is a growing market potential is very large in Indonesia. The following figure shows the estimated in B2C e-commerce sales in some Asian countries. Although the number of sales in Indonesia is still low compared to other countries, but look fairly rapid development of Indonesia, it is possible Indonesia will compete with other Asian countries that have been used to generate sales of e-commerce over Indonesia.

Development of e-Commerce in Thailand

Thailand has been one of the most successful developing countries, averaging an annual economic growth rate of 8% during the period 1976–96 (Richter, 2006). This progress came to a sudden halt in 1997 when the Asian financial crisis hit this country. However, Thailand responded by creating a favourable environment for business incubation as a high priority at the national government level (Sukasame et al., 2008). Through its support for new and growing firms, especially e-commerce firms, the government tried to facilitate the unemployed to start their own businesses and the existing small business to grow, generate income, and create jobs (National Electronics and Computer Technology Centre [NECTC], 2005). By 2003, gross domestic product (GDP) growth in Thailand, Southeast Asia's second largest economy, was 6.7% (Richter, 2006).

According to Laosethakul and Boulton (2007), Thailand is a Southeast Asian developing country with a population of 66 million. In 2006, Thailand had seen a steady growth of Internet users from 4.8 million in 2002 to 7 million in 2004 (Internet World Stats). Due to the increasing number of Internet users, the e-commerce volume in Thailand reached US\$500 million in 2003 and US\$750 million in 2004. However, according to e-Commerce Growth in Thailand market research conducted by STAT-USA, the expansion of e-commerce business in Thailand could be moving at a much faster pace and the majority of companies in Thailand still find it difficult to aggressively engage in e-commerce. The difficulties include the shortage of IT infrastructure and a lack of confidence in the electronic legal framework and payment system (Laosethakul&Boulton, 2007). The Thailand Internet User Profile 2004 Survey reported that the top four reasons that prevent Thai consumers from making an online purchase were that they cannot see/feel products, they do not trust online merchandisers, they do not want to reveal credit card numbers, and processes are too complicated. The same survey also reported viruses and slow speed were that the top two perceived problems concerning the Internet.

Electronic Retailing (e-Retailing)

the internet as a commercial medium, new ways of doing business have developed in almost every industry sector (Anckar et al., 2002) and retailing is no exception. This recent evolution has involved a shift towards non-store formats, especially through electronic means (Mulhern, 1997) opening up new perspectives on shopping in the future. Electronic retailing is currently the newest non-store retailing format, and while catalogue and TV shopping are fairly established within non-store retailing, shopping via the internet and www is new and emergent, representing the fastest growing segment within retailing (Dholakia and Uusitalo, 2002). Electronic retailing is the sale of products and services to the consumer market over the internet. It is also referred to variously as e-retailing, e-tailing and business to consumer (B2C) electronic commerce (e-commerce) (Kolesar and Galbraith, 2000).

Recently electronic retailers have been attacking stationary retailers' market position. Dotcoms or virtual stores like Amazon.com have entered the market and taken serious market share from existing players (Kennedy and Coughlan, 2006). The basic characteristics of these virtual e-tailers are that they do not have any physical stores and market direct to consumers through the internet (Kotzab and Madlberger, 2001). As competition on the internet increases pure e-tailers have in turn come under increasing pressure to find new ways of attracting and retaining customers (Kennedy and Coughlan, 2006). Simultaneously traditional retailers have reached a point where they can no longer ignore the importance of online retailing and the exponential growth of e-tailers (Enders and Jelassi, 2000).

Meanwhile, Enders and Jelassi (2000) debate the converging business models of internet and bricks and mortar retailers suggesting that the emerging trend in the industry is the convergence of these

two models of retailing. Dennis et al. (2002) concur that the future of shopping lies in multi-channel retailing where, rather than competing with the internet, retailers should adopt a hybrid strategy merging online and offline activities through a bricks and clicks approach. If retailers support traditional retail practices by engaging in e-commerce as a parallel strategy, they can provide customers with the opportunity to switch to internet-based shopping and easier delivery or to combine traditional and online shopping, depending on the products in question (Oinas, 2002). Otto and Chung (2000) refer to such a hybrid as cyber enhanced retailing, a paradigm melding the advantages of e-commerce with those of traditional physical retailing.

As both e-tailers and traditional retailers try to meet emerging market challenges by expanding their business models, for now it seems sensible for firms to design a multi-channel business model with multiple points of contact with the customer (Kennedy and Coughlan, 2006). This includes both a physical store and an online presence and in essence represents a hybrid format (Enders and Jelassi, 2000) or bricks and clicks approach. Ellis-Chadwick et al. (2002) define the first stage of web retailing as the communication platform, where information on store location, product information, etc. is made available. Additionally interactive features are offered which may prompt the user to take some form of action, such as catalogue ordering or joining a mailing list (Scott et al., 2003). The second stage is defined as the electronic shop where retailers present their off-line shop online. The third and final stage is that of a trading community where retailers move beyond the e-shop model and develop or participate in portals, creating a shopping mall online (Scott et al., 2003).

Online Marketing

Sophistication, computerization and technological innovation radically change the way in which many organizations do business with their customers. They can make a major contribution to the delivery of quality service. Schlesinger and Heskett (1991) states that technological advances offer opportunities to improve services in a variety of ways to improve the competitive stance.

Online marketing is done through an online computer system, which connects customers with sellers electronically. According to Fisher & Paddison (2003:4), internet marketing is the process of building and maintaining relationships with customers through online activities to facilitate the exchange of ideas, products and services to meet the wishes of both parties. Besides Fisher & Paddison (2003: 4) divides the three types of online marketing, namely:

1. Commercial Online Services, Internet service that offers information and online marketing services to customers who pay a monthly fee, such as America Online, CompuServe and Prodigy.
2. The Internet, global computer network website broad and growing rapidly which do not have central management and ownership.
3. Electronic Commerce (e-commerce) general term for the process of buying and selling that is supported by electronic means. Electronic market is a market space not a market place where vendors offer products and services them electronically, and buyers are looking for information, they identify what they want, and book by using a credit or electronic payment advice other.

According to Tehrani, Nadji (2005) online marketing has several advantages, including:

1. Low cost: a large audience that is achieved at a fraction of traditional advertising budgets, which allows the company to create ads that can attract consumers.
2. Flexibility and convenience: consumers can purchase products and services at their leisure.
3. Analytics: Statistical results efficiently facilitated without additional cost. Some selection advertising tools including pay per click advertising, e-mail marketing and local search integration (like Google Maps).
4. Demographic targeting: consumers based on demographics targeted much more effectively reach the online rather than offline process.

Analysis Framework

There are 30 indicators which is finding from relevance study. It is about e-Commerce strategy and particularly in e-Retail industry. The primary objective of this research is would like to analyze the factors that motivate customer to shopping through e-Commerce in e-Retail industry especially in Indonesia and Thailand. That is why from indicators table appearance arrow to another table. It is meaning 30 indicators were identified as factors that probably customer motivation to shopping through e-Commerce strategy of e-Retail industry.

The indicator consists of Ease of Navigation, Website design, Convenience, Messaging, Browsing, Downloading, Purchasing, Quick Response to Access Global Information, Improving Customer Service, Low Cost, Ability, Lack of Technical Skills, Lack of Security, Increase in International Exposure, Enhance Company Image, Assistance to Existing and Potential Customers, Benevolence, Culture,

Technology Competency, Resistance to Change, Lack of Education, Product Promotion, Timely Information, Shortened Remittance Time, Information Consistency, Competitive Advantages, Better Customer Relationship, Customization of Products, Complexity, Integrity.

RESEARCH METHODS

Research Design

The type of research conducted by the authors is quantitative research and the method used is the survey research method which conducted through online. Survey is a study that takes a sample of the population and using the questionnaire as a measure of basic data (Burns, Alvin. 2003:172). This research provides an explanation to seek any factors which led to the e-Retailing industry want to implement develop factor of people shop in online retail market that have an impact on increasing the competitiveness of the company and enable customers easier to get the products that they want.

The unit of analysis in this research is individual, where the data is used as a source of research data are individuals. This research uses the one shot time dimension (cross-sectional), namely the collection of data at a particular place and period (Burns, Alvin. 2003:122).

Data Collection Methods

Sampling Techniques

Sample is a part of population that chosen which procedures to be as representatives of its population (Sugiarto, 2003). Sample take with non-probabilistic sampling, this is because everyone has same opportunity to chosen as sample. Non-probability sampling is some member of the eligible target population has a chance of being chosen for participation in the survey and others do not (Fink 1995). Especially, purposive sampling will use in this research. Purposive sampling is described as a random selection of sampling units within the segment of the population with the most information on the characteristic of interest. The purposive sampling technique is a type of non-probability sampling that is most effective when one needs to study a certain cultural domain with knowledgeable experts within. Choosing the purposive sample is fundamental to the quality of data gathered; thus, reliability and competence of the in-formant must be ensured (Tongco 2007).

In this research, there are two type of sample group, Indonesian and Thai. The eligible sample is people who ever shop one or two e-retailing store research object in the last three months. They were aged minimum 17 years or older. In that aged, respondents will know about e-Retail store basically. In determining the sample, due to this research used factor analysis so to determine the sample in accordance with the terms of use factor analysis or multivariate analysis is 1: 5 or 1: 10 (Hair, 1998). In this research, using 1: 5 with 30 indicators bringing the total to 150 respondents and that the minimum number of respondents, while the maximum is 1: 10 for a total of 300 respondents. Hair (1998), states that the number of respondents which is ideal for the use of maximum likelihood estimation in structural equation model is about 100-200 respondents. Thus, in this research a sample of 150 respondents was considered ideal.

Type of Data

Type of data that used in this research is primary data. Primary data is the source of research data which is obtained directly from the original source, based on the answers of the respondents were obtained by spreading questionnaires.

Data Collection Tools

Primary data in this research is data which is obtained directly from the respondents (consumers who shop in e-Retail stores in Indonesia and Thailand) to acquire the factors that customer motivation to shop online in Indonesia and Thailand through deployment questionnaire.

Online Questionnaire Development

The questionnaire in this research is consisting of a list of statements and questions that have been made by researchers' referenced with e-retailing related to consumer motivation to shop in Indonesia and Thailand. The questionnaire was conducted online by using the internet and offline by using printed out questionnaire form in order samples. There are stages to develop the questionnaire that used by researcher which is consist of:

- a. Examine statements and questions which will be used as online and offline questionnaire.
- b. For online surveys, statements and questions made in the form of online questionnaire in free website online questionnaire development namely www.kwiksurveys.com. In making online questionnaire on the site www.kwiksurveys.com, researchers are required to create an account first by registering on the site. With that account, the researcher can see the results of the survey and the number of respondents who filled out an online questionnaire.

- c. Before filling the questionnaire, respondents are expected to read the instructions of the questionnaire first.
- d. Respondents will ask to answer the initial questions that will be used by researchers to determine the answers to the questionnaire whether eligible or ineligible to use. It is intended that the results of the survey are completely accurate due to understanding of success factors of e-Retailing which is used as an indicator to be easily understood by respondents who actually has experience in visited e-Retail store research object.
- e. Respondents were asked to agree or disagree with the statement which contained in online questionnaire. In offline questionnaire, respondent who willing to answer questionnaire was mean agreed. The answer consists of five options namely Strongly Disagree (1), Disagree (2), Neutral (3), Agree (4), Strongly Agree (5). Due to in this research using a Likert Scale, scoring for answers Agree namely rated 5, and so on up to Strongly Disagree given a value of 1.

In online survey, the questionnaire has been created will be distributed on facebook either in a post on researchers own facebook page or sent via message to facebook friends or posting online survey on online discussion forums and send e-mails to contacts who are known. In offline survey, the questionnaire will distribute by ask and meet friend who eligible to fill the questionnaire form.

Measuring Techniques

The scale of measurement is an agreement that used as a reference to determine the length of the interval in the measurement which will be able to generate quantitative data. With this measurement scale, then the value of the variable that is measured with the instrument can be expressed in the form of numbers that would be more accurate, efficient and communicative. The most frequently used to determine the score is the Likert scale. Likert scale is used to measure the attitudes, perceptions and opinions of a person or group about social phenomenon (Kinnear. 1996). The questionnaire is using a Likert Scale.

Analysis Method

In this research, the type of analysis used to support this research is statistical analysis. This research aims to gain the develop factor of people shop in online retail market that occurs in e-Retailing industry in Indonesia and Thailand. Statistics were selected namely parametric inferential statistics with the requirements of the number of population are known and have the sample frame. Sample frame in this research is society in Bengkulu (Indonesia) and Songkhla (Thailand) who has had the experience of shopping in e-Retail store in their respective areas. Analysis of the data used in this research is factors analysis. Thus, in this research did not test any hypothesis but to gain develop factor of people shop in online retail market in Indonesia and Thailand from indicators that have been tested.

Reliability Test

The reliability test is important to determine whether reliable or unreliable construct. Reliability test is a test to measure questionnaire which is an indicator from variables or constructs. A questionnaire will identify reliable if respondent answers on the statement is consistent or stable over time. The measurement of reliability in this research will use by one shot method (one measurement only). There is only one time measurement and then the result will compare to other questions or measure correlation among answers of question. A construct or variable identified as reliable if the Cronbach Alpha value >0.60 . Reliability refers to the consistency of the results of the data recording (Suryabrata, S.2005:52).

Validity Test

Validity test used to measure whether a valid or invalid questionnaires. Questionnaires will valid if the questions on the questionnaire are able to express something that will measure from the questionnaire. The validity measurement conducted with analysis factor that use numeral Loading Factor wherein if loading factor less than 0.5. It is mean that questionnaire indicators ineligible of requirement. According to Suryabrata (2005) Validity refers to how extent the instrument measures from measurement point In research activities, at least factor analysis is used to: a. Testing the construct validity. An item will identify as shaper factors if the numeral correlation more than or equal to (\geq) 0.5. b. Testing the validity of factors. If found that fairly strong correlation between the factors shaper, it will identify as variable shaper. The magnitude of the correlation matrix that commonly used is 0.5.

T – Test

One sample T-Test is analysis technique to compare one independent variable. This technique is used to examine whether a value has different or not according to signification with comparison of sample average. T test is also known as technique to analysis independent variable with partial way. It is done to find signification from independent variable influence with individual way to dependent variable.

RESEARCH RESULT

Respondent Characteristic

Total of sample in this research is 215 respondents. It is comprise of 109 Indonesian respondents and 106 Thai respondents. It had taken by online questionnaire through Facebook account to each respondent. Researcher did it since April, 25th 2015 to May, 15th 2015. It means that it was spent 21 days for spread the questionnaires. That almost of respondents in this research are people who have age under 30 years old. It is caused by respondents in this research are Facebook youth active users. Researcher sent link of online questionnaire to people who have age more than 17 years old. It is because respondents who live in that age is hoped have objective perception for statement and question in this research. For sex or gender, respondents in this research are dominated by woman both in Indonesia and Thailand. Education background of respondent in Thailand is dominated by student of Bachelor Degree in university. It is show us almost of respondents are come from student in university. However, education background of respondent in Indonesia is dominated by student of Senior High School. Meanwhile, there are also student of Senior High School, student of Diploma and student of Master Degree both in Indonesia and Thailand. For occupation percentage, there are respondents who have occupation as student, civil servant, employee, entrepreneur and others that could not tell. In table 4.1 and table 4.2, there is respondent characteristic data in this research in Indonesia and Thailand. hipotesis (Bollen,1990).

Respondent Perception for Research Variable

To see responses of respondent especially for several item of statement about e-retailing: consumer motivation to shop in Indonesia and Thailand, measurement and scoring of respondent perceptions is implemented. The scale of measurement that used in this research is Likert scale. This scale indicates respondents response from strongly disagree statement, disagree statement, neutral statement, agree statement and strongly agree statement. For Indonesian respondents, there is amount 3.29 of total weighted average respondent perception toward develop factors that influence people shop in online retail market. Then for Thai respondents, the total weighted average is amount 3.16. This answer is known as agree criteria. It can be indicated that develop factors in this research is identifiable as development factors that drive people shop in online retail market in Indonesia and Thailand.

The highest indicator (develop factors) that customer motivation to shop in online retail market in Indonesia is “I will be shopping through the internet because of I able to knew previous customer comments” with average score 3.8. It means customer motivation from Indonesian to shop in online retail market because an opportunity to find and read testimonials of previous customer. The second highest indicator that is “I will be shopping through the internet because I able to obtain information about products on the web site” with average score 3.65. Then, the third highest indicator is “I will be shopping through the internet because of I knew the good image of the company” with average score 3.6. Meanwhile for Indonesian respondent, indicator with the lowest average score 2.19 is “I will not be shopping through the internet because of I do not understand about the internet”. It is caused by majority of customer of online retail market in Indonesia is young age which know well about internet.

In Thai respondents said that, the highest indicator that customer motivation related to e-retailing market in Thailand is “I will be shopping through the internet because of I able to knew previous customer comments” with average score 3.53. From this data, there is no difference between Thai and Indonesian perception. With the average score 3.42, indicator “I will be shopping through the internet because of I knew the good image of the company” become the second highest indicator. Online retail market is one of Thai option to buy casual things for example bag, shoes, or fashion.

The third highest indicator with average score 3.35 is “I will be shopping through the internet because of the integrity of the company”. Online retail market is identified as virtual place which really need of integrity and trust of Thai customer . Customer motivation in Thailand , indicator “I will not be shopping through the internet because of I do not understand about the internet” become indicator that got the lowest average score nearly 2.82. With the same case of customer motivation from Indonesian, it is caused by majority of customer of online retail market in Thailand is young age which know well about internet.

CONCLUSION AND SUGGESTION

The information is a fundamental basis for any research. It is important to state that the analysis data is not enough to answer research question and it is required to interpret data. The interpretation means the explanation and finding the meaning of data. Since the explanation of data without analysis is very difficult or impossible, therefore it is necessary to interpret the result achieved after analysis, enabling us to reach truths and use of it result. In this chapter researcher will state the results of this research. Based on the result of this research, it can be taken some conclusion as follow:

1. There are eight factors that customer motivation to shop in online retail store in Indonesia and Thailand that are: (1) Internet Uniqueness, (2) e-Retailing Experience; (3) e-Retailing Kindness; (4) Company Barrier; (5) Corporate Image; (6) Customer Barrier; (7) Product Benefit; (8) Additional Value. These eight factors can be guidance how to develop e-Retailing in Indonesia and Thailand.
2. The most dominant factor that customer motivation to shop in online retail market (e-Retailing) in Indonesia and Thailand is Internet Uniqueness. Internet Uniqueness is known as factor that has to develop appropriate with customer needed to improving customer service, assistance to existing and potential customer, culture, technology competency, timely information, shortened remittance time, customization of product and integrity.
3. There is significant positive correlation and there is relationship customer motivation to shop online between Indonesian and Thailand. It can be concluded between Indonesian and Thai in factor that customer motivation to shop online retail market in Indonesia and Thailand is difference.

Suggestion

In this section researcher hopes can give suggestions for some groups include stakeholders in Indonesia and Thailand, and also stakeholders in e-Retailing market business.

1. The government of Indonesia has to look e-Retailing as one of potential economics growth in Indonesia. Indonesia has potential competitiveness as country that has online retail market to shop. The government of Indonesia or businessman who interesting to build e-retailing have to develop online retail market guided by strategy of development using 8 factors that resulted by this research. It will take attention of local customer or international customer shop in online retail market in Indonesia.
2. E-retailing companies in Indonesia and Thailand should think more creative. There are many things that sellers can do to attract customer shop in online retail market. It such as create creative website design, improve the technical skills, fix security issue, and offer product promotion. If the seller in online retail market can be unite with the same vision and mission to attract customer by develop online retail market, the seller can be together for developing online retail market refers to eight factors that resulted in this research.

Customers will be better to try for shopping in online retail market as a campaign of supporting and evolving online retail market. Presently, almost of online retail market in Indonesia face high competition with modern market. For Indonesian, online retail market is unique because online retail market offers easy access and quick response.

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STRATEGY MODEL OF OPTIMAZING FOR MINIMARKET RETAIL BUSINESS PERFORMANCE: STUDY IN JAKARTA AND BANDUNG, INDONESIA

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Abstract. This study aims to examine the influence of the attractiveness of the retail industry and the uniqueness of resource capabilities on competitive and alliances strategy as well as evaluating its implications for the business performance of retail minimarket in Jakarta and Bandung. Descriptive and quantitative methods used in this study with analysis units are the mini-market retail business. The Managers and supervisors are being as observations unit from retail outlets in Jakarta and Bandung. The result shows that the management in formulating its business strategy has examined the appeal of an attractive retail industry, capabilities of the unique, competitive and alliance strategy with appropriate and the performance of business minimarket well. The attractiveness of the retail industry is an important factor in the formulation of competitive strategy. Alliance and competitive strategy mediate the effect of retail industry attractiveness and uniqueness of the performance capabilities of the minimarket. The study found a superior performance optimization strategy model for mini-market business that has not been found by previous studies.

Keywords: *attractiveness of the retail industry, the uniqueness of capabilities resources, alliance strategy, competitive strategy, minimarket business performance.*

INTRODUCTION

Background

Some researchers claim that business execution can be measured by development in deals, piece of the overall industry, and productivity (Wheelen & Hunger, 2014; Best, 2013). Furthermore, many experts recommend that the measurement of business performance can be divided into two dimensions financial performance or nonperformance financial. (Barney & Hesterly, 2012; Kaplan & Norton, 2010). However, from the perspective of the measurement have limitations in performance measurement for other purposes such as social responsibility and employee development.

In this regard, one of the performance measurement tool business is the Balanced Scorecard (BSC) is applied with money and included three points the views of non-budget, which is becoming a particular client, procedures and learning and development (Kaplan & Norton, 1992, 1996), Balance scorecard became one of the most performance measurement tool that a little criticized, most popular and are widely accepted and implemented as a means to measure performance. (Paranpajape, Rossister, & Pantano, 2006; Evans, 2006).

However, based on observations and previous research, measurement of business performance using the Balanced Scorecard for the retail business has never been found and studied, this study used the Balanced Scorecard approach to measuring business performance minimarket.

Furthermore, in conditions of reality business competition between retail companies minimarket national and international brand in Indonesia is very tight which is dominated by two mini-market retail companies, namely Alfamart and Indomaret, each with a market share above 43%. Based on data from a preliminary survey in 2015 can be described that the financial performance of retail minimarket Indonesia, shows the numbers fluctuate over a period of 5 years from 2010 to 2014 of 5 mini-market retail largest in Indonesia, each Alfamart, Indomaret, OMI, Ceriamart and Circle K Indonesia.

Referring to the above business competition conditions, the low performance of the retail business in Indonesia minimarket, still have a disadvantage in designing competitive strategy. Competitive strategy is supposed to meet few conditions (Simon, 1988; Mintzberg, 1996; Walters and knees, 1989; Brooksbank, 1994; Corstjens & Doyle, 1989). It should be related into the ownership of a viable and

significance with a focus on customer segments; viewed by the client; maintainable, and not effortlessly imitated by contenders.

Furthermore, according to Barney (2010), competitive strategy can be formed through a strategy of differentiation, cost leadership strategy and the strategy of speed. Based on the preliminary results of the survey conducted on the leader minimarket outlets in the city as many as 30 people, when questioned the accuracy of the implementation of competitive strategy revealed that the competitive strategy that has been implemented by the company relative mini-market retail is still not entirely appropriate. The phenomenon of competitive strategy mini-market retail companies in Indonesia precisely whether or not the management of minimarket in implementing the competitive strategy of the dimensions seen leadership cost strategy, differentiation strategy, and speed strategy.

In addition, no determination of the optimal performance of the business and competitive strategy allegedly caused partnership strategy has not woven optimally among retail companies minimarket. Based on the concept of Cravens (2013: 196) the partnership is an effort to cooperate with stakeholders, including strategic alliances that are used by many companies, competing worldwide.

Based on the presentation of the concept of partnership at the top, then build a strategic partnership in this study refers to the concept of Organizational Relations (Cravens, 2013) the Partnership's internal, Supplier Relationship, Customer Relationship and Partnership Lateral coupled with the strategic concept of the alliance (Wheelen & Hunger, 2014), in the face of the modern retail industry competition. Preliminary survey results illustrate that today there is a tendency that management was not fully able to develop a partnership strategy optimally. This is indicated by the still not optimal business relationship between the company minimarket with suppliers in terms of trading terms, private labels, and distribution cost.

In connection with the appeal of the retail industry, according to Walker, et al (2009; 57) the attractiveness of the market / industry can be measured through market size, market growth, competitive intensity, price levels, profitability, sophistication, and government regulations. While Day (1999; 107) reveals that the attractiveness of the market can be measured through government intervention, changes in technology and market developments, while the Best (2013; 107) more fully stated that the attractiveness of the retail / market can be measured by market size, competitive intensity and market access.

In accordance with the results of a preliminary survey known phenomenon attractiveness industry competition issue mini-market retail company in Indonesia. Mini-market retail companies are still often too late and not optimal in anticipation of the appeal newcomers. Besides mini-market retail companies also have not been able to effectively meet customer expectations that the longer likely to be a smart shopper and value seekers.

In addition to the phenomenon of fascination industry competition problems aforementioned, it turns out the mini-market retail company management has not yet been able to effectively perform resource development (unique capability). Collin & Montginery (1998: 27-28) proposes two classes of retail venture asset minimarket i.e. substantial resources, elusive resources, and authoritative abilities. As per the consequences of a preparatory study of the state of the novel capacities of the issue on the small scale showcase retail company in Indonesia has not demonstrated the capacity really to be a one of a kind asset.

Based on the phenomenon of the problem above and previous research is a reference in the preparation of this research is that there has been no research specifically examines the attractiveness of the retail industry and the unique capabilities of the resource and its influence on competitive and partnership strategies and the implications on the minimarkets business performance in Jakarta and Bandung.

Research Purposes

This research is to build up the idea of a business technique to enhance business execution minimarkets in Jakarta and Bandung. Particularly the goals to be accomplished in this examination is to pick up a dialog about the bid of mechanical studies and the novel capacities of the retail on focused procedure and association methodologies and the suggestions on the business execution minimarkets in Jakarta and Bandung.

Literature Review

The attractiveness of the retail industry is one that must be observed by business management minimarket. Cravens & Piercy (2013: 137) states that Retail / market attractiveness can be measured by market growth rate projections and attractiveness assessment made by management. Meanwhile, Walker, Boyd, and Larre'che (1996: 57) revealed that the attractiveness of the market can be measured by market size, market growth, competitive intensity, price levels, profitability, technology, sophistication, and government regulation. While the Best (2013: 275) more fully explained that the attractiveness of the retail / market can be measured through market forces, competitive intensity, and market access.

The uniqueness of the capabilities of the firm can be classified into tangible assets, intangible assets and organizational assets. This is similar to Collins & Montgomery (1995), which states grouping resources of the company into three groups, namely: tangible assets, intangible assets and assets of the organization.

Competitive strategy becomes an important part of developing a business in the fierce competition. This is similar to what is disclosed by Wheelen & Hunger (2014: 183) that the competitive strategy of focusing on developing better competitive position of business units engaged in goods and services. Then, according to Pearce & Robinson (2014: 215) contends that aggressive system is an exertion for the making of a feasible upper hand through the uniqueness of the item and cost administration

Berman (2010) states in *Competing Though Times* which is the business lessons from various retail companies world-class in the United States, has further developed the theory of competitive strategy Porter, namely: Cost-Based Strategy, Differentiation-Based Strategy, and Value-Based Strategy. Furthermore, in addition to competitive strategy, partnership strategy is no less important part in formulating the business strategy, particularly minimarket business. Wheelen & Hunger (2014) states that the partnership strategy can also be used to create a competitive advantage in an industry by working with other companies.

This study utilized an adjusted scorecard way to deal with measure the execution of the retail business, on the grounds that balance scorecard is a gathering of coordinated execution measures got from the organization's procedure and backing the organization's technique all through the association. A balance scorecard approach, top administration lays out its procedure into execution measures with the goal that workers comprehend and can actualize something to accomplish the methodology. Measuring the success of the business unit's performance based on the balanced scorecard approach is divided into four perspectives, (Kaplan & Norton, 1996), namely: Financial Perspective. Customer Perspective. Internal Business Process Perspective.

RESEARCH METHODS

In accordance with the objectives to be achieved then the form of research is descriptive and verification, which is a type of research that aims to know the description of study variables and relationships between variables through hypothesis testing something.

Sources and Information Data

The examination information was sourced from essential and optional information. Essential information was acquired from field research, namely data from interviews with management minimarkets in Jakarta and Bandung, represented by the head of the shop and supervisors. While secondary data obtained from the management company as well as related institutions such minimarket APRINDO. The composition of the number of respondents from each of the mini-market retail outlets in Jakarta and Bandung are respectively 160 respondents to the two areas.

Variable operationalization

Operationalization of the variables used to obtain data and information from the research variables. Studies asymmetrical relationship, in particular there are two kinds PLS latent variables are exogenous variables (free) and endogenous variables (bound). This study has two exogenous variables (free) were given the symbol X is the attractiveness of the retail industry (X1) and the unique capabilities of the (X2). While endogenous variable that business performance minimarket (Z) with an intervening variable (mediating) is the competitive strategy (Y1) and strategic partnerships (Y2).

Research Model

This study tries to analyze the attractiveness of the retail industry and the unique capabilities of the on competitive and alliance strategy and its implications for business performance minimarkets in Jakarta and Bandung.

III. RESULTS AND DISCUSSION

Based on research inter variable relations image that corresponds to the research paradigm, the result more from data analysis using SEM SmartPLS 3.0, which involves all the dimensions of each constructs of measurements can be shown in the following figure:

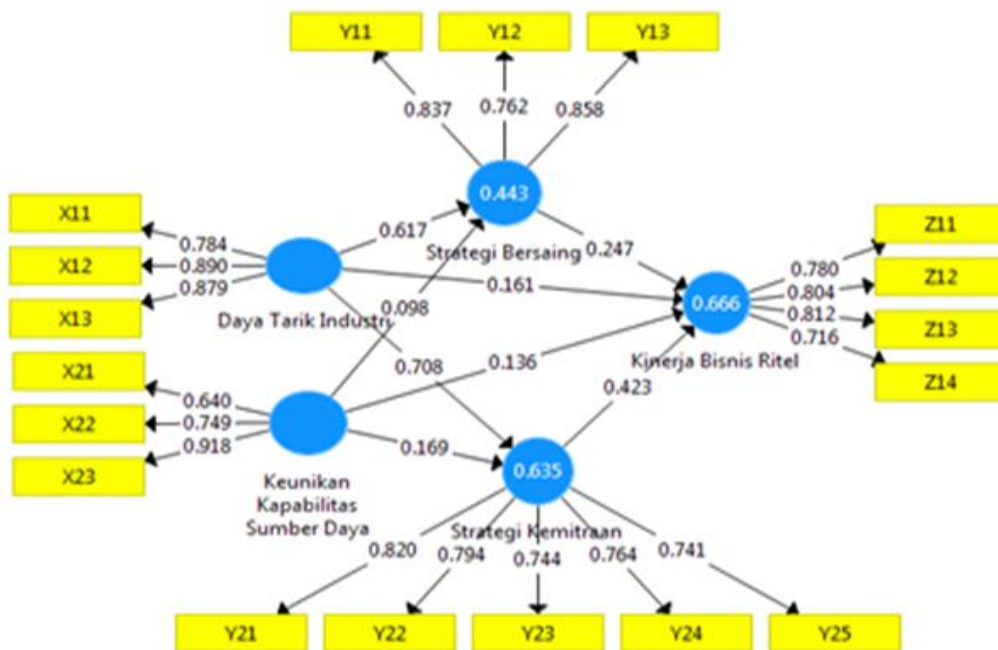


Figure 1. Path Coefficient Value

Based on the picture above is to show coefficient parameter or the path coefficient between the variables of the study. As for seeing the significance level of influence can be seen in the image below:

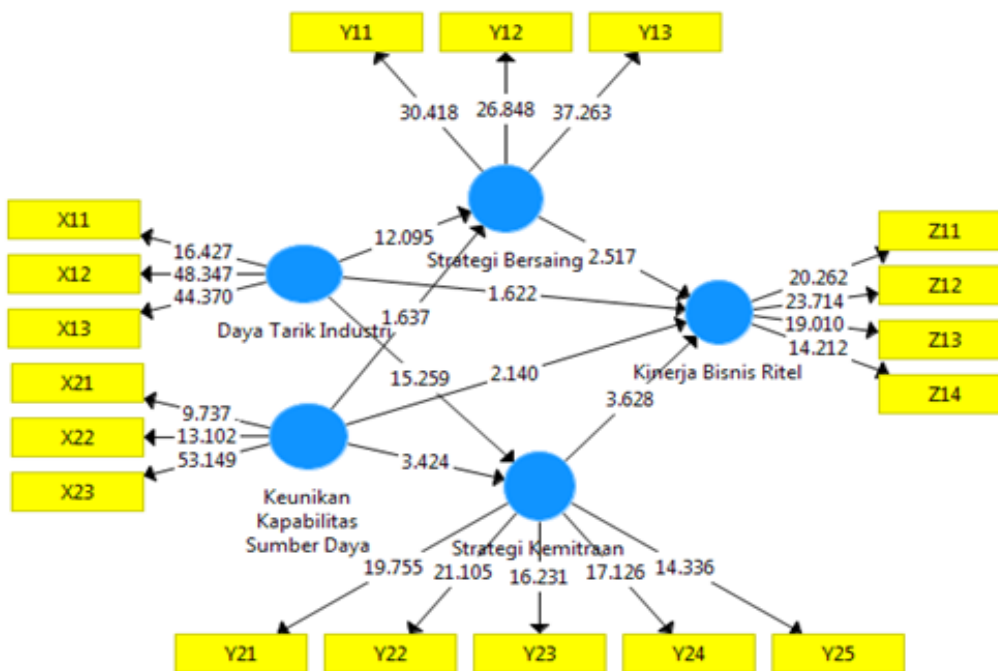


Figure 2. The value of t-statistics

Based on the test results can be explained that the appeal construct retail industry has a dimension which reflects the attractiveness of the retail industry in order are as follows: competitive intensity (X12) with a value of 48.347 and Market Access (X13) with a value of 44.370; Market power (X11) with a value of 16.427. These results indicate that the testing of each indicator has a strong influence on the dimensions of the attractiveness of the retail industry.

Furthermore, the unique capabilities of the dimensions that reflect the unique capabilities of the sequentially as follows: Asset organization (X23) with a value of 53.149; Intangible assets (X22) with a value of 13.102 and physical assets (X21) with a value of 9737. Results of testing the indicator give the sense that asset organization dominant influence in the formation of the unique capabilities of the dimensions.

Competitive strategy has dimensions that reflect the competitive strategy can be broken down sequentially as follows: a value-based strategy (Y13) with a value of 37.263; the cost-based strategy (Y11) with a value of 30.418 and a strategy based on differentiation (Y12) with a value of 26.848. It is clear that the indicator value-based strategies influential in the formation of competitive strategy, followed by indicators based on expense and differentiation strategies.

As alliance strategy has dimension which reflects a strategy of partnership with the order as follows: Partnership with suppliers (Y22) with a value of 21.105; Partnership with the internal (Y21) with a value of 19.755; Lateral (Y24) with a value of 17.126; Partnership with customers (Y23) with a value of 16.231 and partnership strategy (Y25) with a value of 14.366. The test results are visible indicators that the partnership with suppliers provides high enough influence in the formation of strategic partnerships.

Business performance minimarket have dimensions will reflect business performance minimarket with details of the order is as follows: The customer perspective (Z12) with a value of 23.174; Financial perspective (Z11) with 20.262; Internal business process perspective (Z13) with 19 010 and the value of learning and growth perspective (Z14) with a value of 14 212. This result explains that the business performance minimarket is shaped and influenced by a considerable influence on the customer's perspective followed by financial perspective, business of internal process and learning and growth.

CONCLUSIONS

The study concluded that the management in formulating its business strategy has examined the appeal of an attractive retail industry, capabilities of the unique, competitive strategy and partnerships with proper road and the performance business minimarket well. The attractiveness of the retail industry is an essential variable factor in the formulation of competitive strategy.

Alliance and competitive strategy mediates the retail industry attractiveness and uniqueness of the resource capabilities to business performance minimarket. The study found a model of performance optimization strategy wow minimarket business that has not been found by previous studies.

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RURAL INDUSTRIAL MANAGEMENT: THE IMPLEMENTATION OF SIMPLE-BASED TECHNOLOGY IN SUPPORTING THE ECONOMIC RESILIENCE AS PERCEIVED BENEFITS

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Abstract. This study solely attempts to identify and formulate the specific models of women's economic empowerment in rural communities. Hereby, the productive economic activities based on local potential are introduced. The particular appropriate technology in terms of hygienic integrated coconut-based processing products is driven to an increase of value added. Given that, the approach employed in our study focuses on implementing a particular model of action research within three years of study. Observation, brain storming, focus group discussion, indepth interview and participant observation are carefully utilized in generating the main data. In addition to this, our subjects were meticulously determined by employing purposive sampling technique, in which the results of descriptive qualitative data analysis are provided. Our findings display five important results; first, the benefits of coconut-based home industrial groups in improving the local economy resilience reflect positive increases. Second, the observation output shows that people's willingness in investing their money on coconut-based home industrial products performed an incremental pattern. Third, there has been a shift in coconut farmers' mindset regarding to the objective of creating and developing coconut-based home industrial products. Fourth, we found a dynamics of knowledge and an accretion of people's interest in terms of group creation for coconut-based home industrial products. Fifth, our findings finally note that high commitment in group activities exists due to the opened comprehension of local coconut farmers in North Bengkulu district.

Keywords: *rural development, coconut-based products, home industry, economic resilience*

INTRODUCTION

The available plantations area in Bengkulu province is currently around 14.05 million hectares, in which around 3.94 million hectares has been planted by coconut trees. This plantation area generally cultivated in monoculture and mixed method of farming. In particular, the most famous coconut plantation in Bengkulu Province is located in Ketahun, an area of coconut farms in the District of North Bengkulu. The total area of this coconut plantation farms is around 2,521 ha (Central Beuarou Statistic, 2007). Here, almost 94% of the total area is categorized as people's plantations, which is one of mainstay source of incomes of the local farmers in North Bengkulu district. The number of production of this plantation is around 1.29 tons per each hectare on average (APPC, 2004 in Damanik, 2007). The productivity level is obviously still under the target of palm oil production in North Bengkulu district that is equal to 1.54 tonnes /ha in each year (Pranowo & Lunt, 1993 in Damanik, 2007).

Coconut farm in the district of North Bengkulu is currently not much connected to the processing industrial activity, downstream industry, service industries, finance, and marketing. Consequently, coconut agribusiness industry in North Bengkulu district was unsuccessfully distributing its value added in an optimal and proportional production. Therefore, this circumstance was insignificantly influencing the income of coconut farmers'. Farm management methods are still traditionally managed, in which a limited number of capital and the low quality of products are still being a serious issues. Recently, this condition is still the same as the previous condition which contributes to the unchanged of circumstance and the multiproducts were not able to significantly increase its value added and to compete in market. In reality, market share in terms of coconut products are widely opened, particularly for specific products such as cake, coconut shell charcoal, coconut fiber and desiccated coconut.

An effort in increasing the level of productivity and its impact towards farmers' income is by implementing the optimal and effective input management which consist of labor, income, education, land and the participation of farmer groups. The active and independent management of Farm-based organizations and community groups are supposed to increase the bargaining power and position of farmers in the market. The increasing of farmers bargaining power in determining the price of products such as coconut granules and copra will optimally help the farmer in optimizing their production and sales (Lunt et al., 2005 in Damanik, 2007). In general, the form of organizational management of the coconut-based poducts in Indonesia has depicted several characteristics which focus on; (i) output

orientation, (ii) business orientation, and (iii) the orientation of regional development (Coconut-Based Home Industrial Association, 2003).

The system of development strategy in coconut agribusiness industry is a function of the production process. This system will eventually lead on the optimal and efficient production of related products. That strategy should be integrated and continuously cooperated on each subsystem of agribusiness (Suprpto, 1998). A comprehensive understanding regarding to the function management in production activity has been discussed by seminal economists. Take for example, Nicholson (1999) states that the production function is a type of sequence process that shows the level of achieved-production by employing several multiple inputs in a certain amount. Moreover Rinse, (1992) reveals that the production function is displayed as the physical connection between the used numbers of production factors and the production quantities produced per unit time. While Sudarman & Alghifari, (1992) note that the production function is a reflection of mathematical equation which shows the functional relationship between the number of inputs and outputs.

Beattie & Taylor, (1996) specifically report that the function of production is described as a mathematical or quantitative description from various kinds of variables. This also could be related to the employment of technical production as faced by farmers in their farming activities. In specific report, the function of production with crop stream method is commonly able to increase farmers' income bigger than the implementation of monoculture farming method (Hasni, 2004). As a general overview, in palm agro-industry performance which is located in Indragiri Hilir currently generates a wide range of coconut products, such as copra, virgin coconut oil, cooking oil, coconut water, coconut milk and coconut flour. However, in actual, all of these products obviously need to increase its models and management of technological implementation in its agro-industry (Yasin, 1998).

Coconut water as part of coconut fruit is still untapped. Though that, coconut water is the raw material of nata de coco products. In addition, coconut water has a good nutritional composition. Therefore, it can be used as raw material for healthy drinks product. With a coconut plantation area as of 3.7 million ha and production of 3 million tons of copra in 2001 will actually able to be a powerful strength in creating a more competitive coconut-based products (Djunaedi in Barlina et al, 2007). Also, based on the available number of coconut farms area as previously mentioned, as much as 4.5 billion liters of coconut oil can be obtained.

The unoptimal utilization of coconut fruit, especially in boosting the economy of families who live near and have daily activity as coconut farmers shows that most of them are generally just farmers who work in the process of crop yields. Also, virtually all of the related farmer are just working and not owned the farms area by their ownselves. Their knowledge and skills are still limited and have not previously ever been obtained technological innovation knowledge. In addition to this, they also do not have a specific ability in the context of business development yet. Therefore mostly all of the causes of low living standards lead on the poor and bad circumstance for coconut farmers.

Problems as faced by coconut-farmers, traders and consumers are necessarily important to overcome. The right and best solution which does not bring any negative impact to them is obviously needed. An approach that can be used in overcoming these issues is an effort of product diversification. The diversification of fruit processing technology should be adaptive, healthy, hygienic and put more attention on the competitive quality which does not require an expensive cost in its production activity. Several types of appropriate technologies can be introduced and developed in the community of farmers, such as copra processing technology, processing technology of coconut cooking oil, nata de coco, processing technology of virgin coconut oil (VCO) and the most important is the business development skills.

The location of our research was conducted in the village of Bukit Makmur and Giri Kencana, sub-district of Ketahun. These areas are administratively located in the North Bengkulu district. According to the Central Beaurou Statistic (CBS) report in 2007, Bengkulu Province has a good prospect in terms of development and palm oil processing industry. In general, the population in the area of research study has shown an enough number of labor capitals in the local human resource. Administratively, District of Ketahun has a total area as of 400.60 km², where the population in both of the villages is around 3.927 people or equal as 1.500 households, consisting of 1.043 men and 2.184 women.

The most common problem as faced by the local farmer is about processing technology, particularly coconut fruit processing technology. Coconut products have always traditionally been sold in form of seeds, and this product has the lowest selling prices compared to the other type of coconut-products. Beside the human factors and capital factors, the low utilization of coconut-based products is also caused by the limited range of marketing area. Hereby, there is a real gap of problem for the farmer in fulfilling the needs of wider market, and most of farmers has no more access towards post-harvest technology that can be utilized to incerase their production and variety of coconut-based products.

In order to empowering the women farmer families, and due to very low role-participation in activities and involment of women to support their household economy, brain storming with respect to women participation in household economy is totally needed. Suminar et al., (1996) report that the time allocation of women farmers to the productive economic activities is just around 23.6 percent, while the remaining 76.4 per cent is allocated for reproductive activities, and when the potential and time of women families farmers are used for productive business, it will provide a substantial contribution in generating the family income of farmers. In addition, women farmer relatively have a lack of institutional-economic institutions which directly can be used as a couching media in actualizing their economic role. Also, the development of women economic activities is needed to be adapted to the various levels of market, such as in the level of local, regional and national area (Soengkono, 2002).

Based on these facts, the needs for the introduction of productive economic activities based on local potential (human resource capabilities and natural resurces) through the utilization of appropriate technology in form of integrated coconut processing production is obviously required. With this technology, the community is no longer limited to only selling the coconut just in form of seeds, but is able to process the coconut commodities in more various products with higher value added. As consequence, the various numbers of coconut-based products will be able to be a prospective commodity in the development of domestic economic activity and economic resilience. The application of appropriate technology integration is focused on a simply technology that is easily absorbed and carried out by women family farmers. This technology concentrates on the activity of post-harvest processing industry, particularly for sub-industrial commodities such as copra oil, cooking oil, nata de coco, virgin coconut oil, coconut shell charcoal, and so forth.

Our study contributes to the burgeoning number of literatures which focuses on elaborating the implication of simple-based technology implementation in coastal area. In more specific way, we focus our object toward the empowerment of society who live near the coastal area and work as coconut farmer. The empowerment also concentrates on the involvement of women in supporting the economy of their family. Hereby, the coconut-based home industrial product is obviously explained. We note that the important reasons of utilizing the issue of women empowerment is based on the creation effort of value added obtained from coconut farm.

Hereby, the simple based technology of management and its issues management in our study are focused on (1) the number of women in the area of field study, (2) the number of available raw materials (coconut) which is sufficiently provided to ensure the continuity of refined oil production, (3) the utilization and improvement product of coconut which is expected to result in the increasing number of marketable products, (4) the process and opportunity of marketing the coconut commodities post-harvest activity, especially the traditional farmers which are still have very limited and merely comprehension regarding to specific subsystem in accelerating the welfare of coconut farmer families, (5) transferring the knowledge of appropriate and simple technology as can be easily used and adopted by the targetted group, which does not require high operating costs, (6) the diversification of coconut-based products which have potential to be diversified on various products. Hereby, the multiplier effects in terms of double benefit can be obtained from the processing of coconut. Take for examples, the waste from coconut water can be used for specific beverage product which is famously known as nata de coco. The shell of coconut itself can be utilized as charcoal briquettes, and so forth.

LITERATURE REVIEW

Coconut is one species of *Arecaceae* family. It is the only species in the genus of *Cocos*, and the tree reaches a height of 30 m. Coconut is also known as the name of fruit from the coconut trees. Coconut trees are usually grew up on the beach area. Coconut (*Cocos nucifera*), is classified into the type of palm tree, which has a large of fruit size. Coconut trees generally grow uprightly and unbranched where its branch can reach from 10 up to 14 meters. Coconut fruit is wrapped with fibers and the shell of coconut fruit is strong enough. So as in order to obtain the water and the content of coconut, it should be peeled first. Also, a large and fertile coconut tree can produce from 2 up to 10 coconuts on each stem.

A various benefits can be obtained from coconut. Some even mention that coconut is a kind of versatile plant. It denotes that starting from the stem, the leaves until the fruit itself can be utilized by humans entirely. Therefore, coconut trees are often called as the tree of life due to its benefits in supporting human life. However, in Indonesia, the potential of coconut tree is still overshadowed by one of its relatives, such as palm trees. Nevertheless, in terms of the range of products, coconut tree is able to provide more diverse kinds of products compared to oil which is only produced by palm tree. Several types of products as produced from coconut tree which cannot be found in palm tree consisting of cooking oil, coconut milk, palm sugar, and nata de coco. Besides, other products that can be obtained from coconut tree are consisting of wood, charcoal and various crafts that can be produced by utilizing every part of the coconut tree.

Coconut is supposed as one of agricultural products which undergone in further processing, and is expected to provide higher income than if the fruits are only sold in pieces. The processing procedure of coconut as often made by employers is only about the processing of virgin coconut oil, and then goes through the processing of coconuts into copra. Copra processing activity by using 5 grains of coconuts fruits will be able to produce 1 kg of copra. According to Rendengan, (2004) the selling price of copra never reached USD 4000/ kg in the year of 1998. Worsely, the selling price of copra ever dropped in the year of 2000 to Rp 850/ kg. While in middle of 2003, the selling price of copra began to increase, but was not able to reach its highest price point, and finally stood at Rp 1.700 / kg. By the decreasing of selling price of copra tend to direct most of the entrepreneurs begin to creatively thinking to gain better profit. Eventually, the processing of coconut oil into virgin coconut oil was began to be considered.

Virgin Coconut Oil (VCO) was more reconsidered by the entrepreneurs, and this condition is also confirmed by the opinion of Endang Paimin, (2004) who note that of 100 coconuts, 10 liters of VCO, 2 liters of cooking oil, and 40 kg coconut water can be obtained. The selling price of VCO is around Rp9000/litre, and followed by coconut water as Rp150/litre. At least, by utilizing the previous capital, entrepreneur will be able to earn Rp122.000. Thus, the value of coconut increased to Rp1220.00/ grain, even if the raw materials purchased as for Rp 900/ items, a profit as Rp 32.000/ day is still acceptable. By putting attention on the selling prices at the producer level, it is finally able to provide more income than if the coconut fruit is processed into the refined products such as copra.

VCO starts to be known by the people due to its benefits to support human body and human health. VCO is supposed to be able to prevent some indication of diseases such as heart disease, cancer, diabetes, and other degenerative diseases. Also, it helps to improve human digestion, boost the immune system, prevent the infection of HIV and SARS viruses, and can be used to decrease the weight lose as well. This versatility is not found in any soybean oil, corn oil, palm oil, sunflower oil, or animal oil, but from coconut oil which is now commonly known as Virgin Coconut Oil (Anonymous, 2005).

Coconut crop in Bengkulu Province is one of the endemic plants because most of the land in Bengkulu is suitable to support the cultivation of coconut crops. However, in the present days, not all areas in Bengkulu province have been developed with coconut crop. While, in reality, the economy opportunity of coconut crop still widely opened. According to the data of Central Beuarou Statistic of North Bengkulu District in 2007, the production of coconut in Ketahun was around 198.46 tons. Coconut production was still too low compared to the potential of coconut plantations in the district of Ketahun. The low utilization of coconut crop which is done by the local farmers in the district Ketahun exist due to the limited range of marketing area (Damanik, 2007).

Moreover, the female family members of coconut farmers, as a potential development asset of family are having some problems in the development of simple based-tehnology system. The low quality of human resources is shown by the low level of education and skills. An overview of poverty farmers have shown by the result of Mubyarto et al., (1984) who argue that poverty in the context of farming communities is influenced by several complex factors.

In several cases in the District of Ketahun, oil production activities show specific symptoms in terms of gender roles. Hereby, men have already been dominating from the process of production up to the management of post-production in the related product. However, the results and the output of the products are still low. While, women have almost performed no economic activity, which actually can be used to increase the family income. This phenomenon has been demonstrated by the research of Suminar (1997) in the district of South Kaur. He reports that the participation rate of women in the household economy activity is very low. This is demonstrated by the low average allocation of women's time for specific activities that can generate more income for their family. Statistically, the difference of women and men in their time allocation to work is 1.85 hours per day for women, versus 6.50 hours for men. This gap is caused by the pattern of production activity in the agricultural sector, which almost does not involve the women in the overall process of production.

Studies conducted by Azehari (1991), Suhapti (1991), Ahmad (1992), and Fitiyah (1990) regarding to the role of women displayed several indications; (i) the role of women in the household economy tends to be static, and is influenced by the attitude of the local community. (ii) The level of skill is currently low. (iii) Most of women tend to be bounded by their status as wife who taking cares of household problem alone. (iv) The availability of productive economic opportunity is limited. (v) The proportion of women role as labor has been taken over by their husbands, and (vi) the quality of skills in transforming the raw-material into end-product is still low, and is determined by the lack of training as provided by other parties. Therefore, the position and contribution of women toward their family economy is been cornered.

Changes in women's behavior can be engineered as the opinion of Achmad (1992). The provision of information to women in form of training and education has been supposed as the most significant change in social lifestyle, such as doing farming activity and becoming entrepreneurship in the same time.

Changes in women's behavior should be developed based on the local conditions. Thus, people can effectively and naturally evolve to defend their environment (Widodo, 2008).

One alternative way in increasing women's empowerment in sub-district of Ketahun, North Bengkulu district is by discovering an integrated technological model for processing the coconut fruits and giving the value added as the end-product. Thus, this activity will lead on the increasing ability of the family's income. This technology is classified as a simple technology that is easy to learn, to be absorbed and carried out by the community. Hereby, the relatively low operating costs, availability of raw material and easiness to obtain equipment in each region are important to be considered (Suparman, 1989).

By the implementation of simple-based technology, it is a huge hope that the local farmers can utilize and optimize the process of production in more effective and efficient way. The goal is to increase the value added of coconut-based product and gain more profit from the value added process toward their end-products. In the end, the objective is to penetrate wider marketing area, and creating the competitive commodities in terms of coconut-based home industry in North Bengkulu District. The appropriate and integrated technology should be able to support the hygienic processing of products such as providing the technology in producing hygienic coconut cooking oil, technology of nata de coco, technology of virgin coconut oil (VCO), and quality control to increase the worth selling of coconut-based products to the market and small business management.

RESEARCH METHOD

A qualitative approach is utilized in our research design. Also, the type of action research is employed which directly led to the current circumstances and perpetrators without reducing the related elements in it. By utilizing this approach, it can be more comprehensively understood the reality of people's lives, especially of poor farmers in location of research. Hereby, we particularly focus on identifying the women's economic empowerment of poor farmers based on the potential of human resources (HR), and the potential of natural resources (HR). Further, we also concentrate on finding and understanding the main factors behind the observed issues. Meanings and concepts used in our study can also be determined using qualitative methods (Bogdan & Taylor, 1995). Structurally, this research is a case study and exploration study which aims to develop the in-depth knowledge about the specific object in question (Vredendrecht, 1988).

Conceptualization and Work Definition

Conceptualization and work definition of this study is aimed to provide a clear direction to the next operational steps, particularly in relation to the elaboration of analysis of our results. Therefore, the specific conceptualization and work definition in our study is described as; (i) Women poor farmers are the women who live in poor family, and have job as farmer, including the poor people who live in remote and isolated areas. This concept is appropriate and relevant to use as a definition of women who work as poor farmers in the location of our study. (ii) Integrated and appropriate technology is a simple technology that is easily absorbed and carried out by the women poor farmers, as well as the operational costs are relatively cheap. This concept is appropriate and relevant as a working definition of women economic empowerment of poor farmers through the integration of appropriate technology. (iii) Empowerment is the strategy of capital aid in terms of production equipment and services attempted to get around the mastery of various productive and useful skills as tools in supporting the work and entrepreneur activity. This concept is relevant as a working definition of women's economic empowerment.

RESULTS AND DISCUSSION

Dynamism in the Development of Production

In developing the process of oil production, specifically in coconut-based home industrial products, all of groups member were invited to jointly undertake the analysis of production development. This is important in terms of increasing the comprehension of coconut farmers with respect to the efforts in developing and creating products with higher value added. Hereby is enclosed the consecutive stages of the cycles regarding to the product diversification conducted by the members of each group in the targeted location of study.

Table 1. Respondents' comprehension accretion about the product diversification

No	Wilingness	Pre activity		The end of the first cycle		The end of the second cycle		The end of the third cycle	
		Freq	%	Freq	%	Freq	%	Freq	%
1	Very low apprehension	2	10	0	0	0	0	0	0
2	Low apprehension	5	25	0	0	0	0	0	0
3	Normal apprehension	10	50	6	30	0	0	0	0
4	High apprehension	2	10	10	50	8	40	0	0
5	Very high apprehension	1	5	4	20	12	60	20	100
	Total	20	100	20	100	20	100	20	100
	Mean	2.53		3.05		3.44		5.00	

Source: the results of field observation, 2014.

The results of observation toward our respondents as described in the Table 1 indicate the level of understanding of the members on the efforts of product development, especially through the increasing of product diversification. At the beginning of experiment (pre activity), the average level of society's comprehension is around 2.53 on average, which denotes that they firstly had no understanding at all (very low apprehension). In the first cycle of the measure toward respondents' comprehension, the average level of society understanding about product diversification increased from 2.53 to 3.05 which denote that the respondents have normal apprehension. Further, in the second cycle of measure on the average of respondents' comprehension of society stood around 3.44 which is categorized as has a high apprehension. While in the third cycle of public participation, the society understanding in regard to the comprehension accretion of product diversification is clearly increased 5.00. This indicates that respondents has performed very high apprehension toward coconut-based products diversification.

Furthermore, in the process of production and development activities, members of the group were also given an understanding with respect to the importance of improving the product quality and or product quality assurance. Hereby, the stages of the specific cycle in increasing the depth understanding of quality assurance as conducted by the joint venture member is written as follow.

Table 2. Respondents' understanding regarding to product quality assurance

No	Wilingness	Pre activity		The end of the first cycle		The end of the second cycle		The end of the third cycle	
		Freq	%	Freq	%	Freq	%	Freq	%
1	Very low apprehension	2	10	0	0	0	0	0	0
2	Low apprehension	5	25	0	0	0	0	0	0
3	Normal apprehension	10	50	6	30	0	0	0	0
4	High apprehension	2	10	10	50	8	40	0	0
5	Very high apprehension	1	5	4	20	12	60	20	100
	Total	20	100	20	100	20	100	20	100
	Mean	2.82		3.14		3.68		5.00	

Source: the results of field observation, 2014.

Our result in regard to the increasing knowledge of community about the product quality assurance is displayed in Table 2. As described in the Table, our output shows that understanding of community towards the importance of product quality assurance in coconut-based home industry has increased, and it is reflected in the first, second and the last cycles. At the beginning of the experiment, our result shows that the value of community's comprehension regarding to the product quality assurance is around 2.82 (normal apprehension) on average. However, on the second cycle, the inclination of community's comprehension about the product quality assurance is still in the same category 3.14 (normal apprehension) on average. This number is followed by the second cycle value as 3.68 (high apprehension) on average and 5.00 (very high apprehension) for the last cycle. These results reflect that the knowledge of coconut-based home industry provides additional understanding in effort of developing woman empowerment to support their economy circumstance, especially in improving the quality of local products and its marketing strategy.

Furthermore, in terms of production development activities, all of the members should also given a comprehensive understanding about the importance of creating attractive packaging which is focused on market needs and oriented to consumers preference. Hereby are enclosed the stages of each cycle in

increasing the comprehension of quality assurance in the coconut-base products, especially in terms of members' knowledge of packaging activity.

Table 3. Respondents' comprehension regarding to the packaging of product

No	Wilingness	Pre activity		The end of the first cycle		The end of the second cycle		The end of the third cycle	
		Freq	%	Freq	%	Freq	%	Freq	%
1	Very low apprehension	0	0	0	0	0	0	0	0
2	Low apprehension	0	0	0	0	0	0	0	0
3	Normal apprehension	17	85	5	30	0	0	0	0
4	High apprehension	2	10	11	55	9	45	2	10
5	Very high apprehension	1	5	4	20	11	55	18	90
	Total	20	100	20	100	20	100	20	100
	Mean	2.53		3.05		3.44		4.76	

Source: the results of field observation, 2014.

Our output in Table 3 indicates the information with respect to the level of public understanding about packaging activity. In particular, this activity concentrates on the focus of market-oriented. Referring to the information as provided in each cycle, before the research was conducted, group's comprehension about the attractive packaging is only around 2.53 on average. However, it is different after the treatment was implemented toward the subject of our research. Hereby, we note that in the first cycle, the group's comprehension is about 3.05 on average. In the second cycle, our outputs draw higher average value as 3.44. In line with the previous cycles, the third cycle also performed higher value of response as 4.76 on average.

Facilitating the Development of Small Business Management

In developing the production of coconut-based products, all groups member were also invited to jointly undertake specific basic programs of business analysis, business development, and small business management curriculums. Thereby, publics' and stakeholders' understanding regarding to the sustainability of coconut farmers is crucially important. Here are several phases relating to the development cycle of efforts in improving the understanding of business management.

Table 4. Respondents' comprehension about business management process.

No	Wilingness	Pre activity		The end of the first cycle		The end of the second cycle		The end of the third cycle	
		Freq	%	Freq	%	Freq	%	Freq	%
1	Very low apprehension	2	10	0	0	0	0	0	0
2	Low apprehension	5	25	0	0	0	0	0	0
3	Normal apprehension	10	50	6	30	0	0	0	0
4	High apprehension	2	10	10	50	8	40	0	0
5	Very high apprehension	1	5	4	20	12	60	20	100
	Total	20	100	20	100	20	100	20	100
	Mean	2.53		3.05		3.44		5.00	

Source: the results of field observation, 2014.

The results of observations in Table 4 depict the level of understanding of the group members in terms of management process. At the beginning of our experiment, the level of comprehension of group member is around 2.53 on average. This value is classified into low apprehension in regard to business management process. Further, in the first cycle, the group members has already started to know the basic of business management process as of the value of group comprehension increase to 3.05 on average (normal apprehension). Then in the second cycle, group's member comprehension has increased to 3.44 on average. This result indicates that group member knowledge has positively increased and classified into individual who has performed high apprehension. Moreover, in line with the previous tendency, in the third cycle we find that the understanding of the community group has increased from 3.44 to 5.00 and classified as participants with high apprehension.

Furthermore, our study also focuses on the production development activities. The members of the group were also given an understanding regarding to the importance of enhancing the capacity of

business through a good marketing management. Thereby, several phases have been noted in order to display the steps and the stages of subjects' knowledge with respect to marketing management.

Table 5. Respondents' comprehension in regard to marketing management

No	Usefulness towards groups	Pre activity		The end of the first cycle		The end of the second cycle		The end of the third cycle	
		Freq	%	Freq	%	Freq	%	Freq	%
1	Very low apprehension	2	10	0	0	0	0	0	0
2	Low apprehension	5	25	0	0	0	0	0	0
3	Normal apprehension	10	50	6	30	0	0	0	0
4	High apprehension	2	10	10	50	8	40	0	0
5	Very high apprehension	1	5	4	20	12	60	20	100
	Total	20	100	20	100	20	100	20	100
	Mean	2.82		3.14		3.68		5.00	

Source: the results of field observation, 2014.

The output in the Table 5 performs a quite complementary analysis in our study. Hereby, the apprehension of group's members with respect to the coconut-based home industrial product is relevant to be elaborated. Our results note that home industry can be more success if marketing management can take over its role in order to support the group's activities, as shown in the increase of each cycle in Table 5. Before we had done the pre experiment, we report that group members understanding about marketing management is around 2.82 on average (normal apprehension). Moreover in the first cycle, public perception increased to 3.14 on average (normal apprehension) even though this number is still in the same range of scale. Then in the second cycle, average value increased to 3.68 (high apprehension) and in the third cycle the level of understanding of groups' members increased to 5.00 (very high apprehension). These results inferred that the facilitation as undertaken by researchers can be claim succeeded as well.

In terms of business development activities, members of the group were also introduced toward a financial management system. Hereby the specific stages of the cycles since the first time we have conducted our first experiment regarding to financial management system, is described as follow.

Table 6. Resondents' comprehension regarding to financial management

No	Usefulness towards groups	Pre activity		The end of the first cycle		The end of the second cycle		The end of the third cycle	
		Freq	%	Freq	%	Freq	%	Freq	%
1	Very low apprehension	0	0	0	0	0	0	0	0
2	Low apprehension	0	0	0	0	0	0	0	0
3	Normal apprehension	17	85	5	30	0	0	0	0
4	High apprehension	2	10	11	55	9	45	2	10
5	Very high apprehension	1	5	4	20	11	55	18	90
	Total	20	100	20	100	20	100	20	100
	Mean	2.53		3.05		3.44		4.76	

Source: the results of field observation, 2014.

Our observation for the next issue regarding to the observation of financial management comprehension indicates an increasing pattern on each cycle. As can be seen in the Table 6, at the beginning of the event, the level of public understanding stood around 2.53 on average (low apprehension). Meanwhile the mean score obtained from the first first cycle is around 3.05 which categorized in normal apprehension. Moreover, the second cycle and third cycle are around 3.44 (high apprehension) and 4.76 (very high apprehension) respectively.

For further action, we also focus on elaborating the information with respect to the subject perception on human resource management. Hereby, we give specific explanation regarding to the basic human management system and its implementation in small business activity. This competence is needed due to the work force management issue which relates to the main aim that is concentrating on increasing production efficiency. The following Table 7 performs the related issue and explanation of threes cycles used in our study.

Table 7. Respondents' comprehension regarding to human resource management

No	Usefulness towards groups	Pre activity		The end of the first cycle		The end of the second cycle		The end of the third cycle	
		Freq	%	Freq	%	Freq	%	Freq	%
1	Very low apprehension	0	0	0	0	0	0	0	0
2	Low apprehension	0	0	0	0	0	0	0	0
3	Normal apprehension	17	85	5	30	0	0	0	0
4	High apprehension	2	10	11	55	9	45	2	10
5	Very high apprehension	1	5	4	20	11	55	18	90
	Total	20	100	20	100	20	100	20	100
	Mean	2.53		3.05		3.44		4.76	

Source: the results of field observation, 2014.

The last elaboration in regard to the understanding of human resource management is depicted by the result of observation in Table 7. As described by the information obtained from Table 7, it is obviously known that firstly, before we did the the pre experiment, the the mean score of subjects' understanding about their knowledge towards human resource management in coconut-based home industry is in low apprehension (2.53). Meanwhile, the result of observation in the first cycle shows normal apprehension as gained from the subjects as of 3.05 on average. Moreover, this result is followed by the average value of the second cycle which indicates an increasing value as 3.44 (high apprehension). The same circumstances can also be found in the last cycle which performs higher value as 4.76 on average.

Food security is one of the national development orientation. Food security is defined as a system which comprising of subsystems availability, distribution, and consumption. Subsystem of food availability functions guarantee the number of food supplies in order to meet the needs of the entire population. This is relevant to both in terms of quantity, quality, diversity and safety. Subsystem in terms of distribution function tries to realize the distribution system that effectively and efficiently ensuring households needs of food sufficiency. Also, the balance of quantity and quality is crucially important to be maintained all over the time in a condition of affordable price. Meanwhile, the subsystem in consumption function is directed to the utilization of patterns among national food needs, the rules of quality, diversity, nutrient content, security and its halal status.

Siswono Yudo Husodo (2001) explains that the priority activities in the development of food security is empowering people in terms of helping themselves in achieving food security. The community empowerment is commonly pursued through several methods such as capacity building, institutional building society, and providing production facilities, technology and capital in order to be more competitive in the competition of labor market and business opportunities. Thereby, this circumstance can stimulate and create the increasing economy of household.

In our study, we have tried to utilize the concept of economic development which is based on the local competitive advantage in empowering the local society, especially the role of women who live near the coastal area. Also, model through coconut-based home industry products is clearly a local strength. The initial orientation of our research is conducted in three-years of study in order to catch comprehensive and up-to-date portrait of the local condition of society who work as coconut farmers, in the village of Bukit Makmur and the village of Giri Kencana. In the first year of research, these two villages are obviously showing that they actually have a good prospect and sizeable quantity of production for coconut-based products in the District of Ketahun. Our initial identification consecutively showed that: (i) the potential of coconut fruit is quite high and is still sold in traditional and raw commodity form, (ii) the capacity and quality of human resources are still low, therefore most of coconut farmers in general do not have specific expertise in developing a more sophisticated coconut-based products, and (iii) generally, the condition of the peasant societies of coconut farmers are poor.

The dynamics in the coconut-farming community throughout the development of knowledge in coconut-based home industry is one of the best solutions in empowering the local society. This is important in order to wisely fostering the understanding and awareness as well as the entrepreneurial spirit of local society. Besides, the existing potential capital is one of strength in developing the living standards of local society who live and work as coconut farmers. Therefore, socialization and the given understanding towards coconut farmers' activities ware carried out as the first step on identifying and investigating the local problems and its needs. Moreover, community development activities have also been done in the first year of the study.

In the second year of study, researchers provide supporting facilitation and assistance in terms of business development process. Empowering communities through the supporting facilitation toward the development of business is conducted by; (i) providing learning and skills about the development of production which is carried out through the extension system and direct practice, in which the purpose of this activity is to enhance the knowledge and skills of the community that lead on the increasing revenue, (ii) increasing the participation of members in the group, in which the purpose of empowering the system is solely focused on determining the potential of community, and cooperating the management system of institutional home industry in terms of supporting the food security program.

The community empowerment in terms of strengthening farming business is carried out through some alternative ways such as; (i) provision of production, in which the focus of this program is to offset the cost of production, especially the initial capital in the form of production equipment. By employing the model of provision the means of production, farmers can increase value added of their local commodities. In this case, coconut oil product is relevant in supporting the effort to strengthen the institutional group. Thereby, food security program in the countryside can be achieved, (ii) the development of business groups as a form of empowerment is meant to foster the entrepreneurial spirit. Hereby, coconut farmers are the objects of effort in increasing the local economy and entrepreneurial spirit, and (iii) preparation of human resource in order to be ready in accepting the development programs which is implemented by the government.

In the development of small business activities, the coconut farmers along with the researchers have been conducted a sequence discussions, exploration and reflection towards the problems that are faced in exploiting the potential of local economic activities. In this discussion, coconut farmers are motivated to have a more comprehensive understanding and try to be more sensitive toward the different condition of ideal expectation and reality. Hereby, the slow pace of efforts in improving the economy and prosperity of family is investigated through the brainstorming and focus group discussion methods.

In case of the understanding of participants significantly increase, they should have actually realize and aware on the effort of improving their economy. Thereby team of researchers were introducing and inviting all the participants in order to start a specific analysis and assessment of enterprise development. Here, the orientation of development activities focuses on the economic improvement, and at the same time it is expected to perform a positive impact on the improvement in regard to the economy of family itself.

The result of brainstorming which is conducted through field observation in the same time with the participants, has been increasing the level of comprehension of local society. Hereby, socialization concern on the importance of developing the existing businesses. Public interest toward the process and activities of socialization and training has significantly grew, and it is proven by the increasing understanding of society and their participation in each phase of the planned activities. Moreover, the seriousness of the coconut farmer communities in managing and developing the activities of coconut-based home industrial group is demonstrated by the high motivation of participants. Also, most of coconut farmer community has always been actively participated to pursue any activity in each group stages of the second year of study.

The process of empowerment by creating a situation or social climate will allow the potential of local advantage developed in a more comprehensive and specific ways. This process is done in form of increasing motivation of coconut farmer in order to strengthen their knowledge and ability in managing the local factor of production. Our results performed consistent findings as the opinion revealed by Maslow (1956). Hereby, Maslow (1956) notes that firstly, every individual is motivated by the basic needs of live. This will automatically lead the people on the increasing dissatisfaction of the new needs. Therefore, they need to find the way out of surviving. Furthermore, McClelland (1961) explains that an individual will be intensively developing their potential through higher motivation of achievement. Here, achieving higher motivation relates to three types of needs, namely: (1) the need for achievement (2) the need for power, and (3) the need for affiliation.

Strengthening the potential or the power of local coconut community, which have no owned-farm is a process of empowerment in terms of providing the factor of productions (input) to enforce the position of farmers itself in developing the institutional group. Moreover, the empowerment process is done through the strengthening efforts of provision and access toward the market information. Therefore, the local farmer can effectively determine the development and the dynamics of price commodity such as coconut, rice, palm, and so forth in every harvest season. Hereby, this condition will not make the local farmers trapped by debt-bondage system that is constantly evolving in the countryside. Besides strengthening the potential of local communities through the empowerment process, several infrastructure development is currently needed to support the economic development. Government, as the policy maker has to provide the farmer better access in order to support farmers encountering obstacles. These obstacles can be consisted of complex farming processing activity and the process of marketing activity

which relates to farm production activity. This is in line with the opinion of Hendriyati et al., (2005) who argue that the construction of basic infrastructure such as roads, irrigation, electricity, schools, and others is an important aspect in strengthening society's potential. Therefore, it is supposed to fully support opening the condition of remoteness and backwardness in the specific population in a region.

The process of community empowerment through the institutional strengthening of farmer groups can be done to protect farming communities from all weakness. The process of community empowerment is focused on increasing the value added of coconut as owned by farmers. Increasing the value added is necessary important to maximize the selling price and profit which results in the increase of coconut production in the market. This effort needs to be sustained by the relevant stakeholders in order to provide protection and ease in which the coconut farmers will tend to have strong institutional efforts in supporting the national food security program.

CONCLUSION REMARKS

The general results obtained from the location as of the village of Giri Kencana and Bukit Makmur village had reflected that most of society, who works as coconut farmers and their family members (women) display strong and good participation on following every stage as of the sequence steps in our study. Besides, the participants also performed good commitment in developing a group business which targetted coconut oil as one of their competitive product in market and industry. Therefore, this model with respect to the empowerment activity in coconut farmer family is expected to be an innovation to build more positive socio-economic live in relation to the awareness of local community. Hereby, by identifying the increasing number of participant from the society of coconut-farmer will enable them to broadening and exploiting their potential which eventually leads on the improvement of welfare and the prosperity of the family itself.

Moreover, we note that the pattern of populist economic empowerment should be started from the basic identification of local potential, alternative businesses, production, marketing, profitability and business development in a sustainable manner. Here, we also argue that sustainable development is needed in efforts to stabilize the auxiliaries and the stabilization of efforts by improving the specific processes and products. The improvement of business should be adapted to the dynamics environmental conditions, in which it is concentrating either on internal or external business.

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FACTORS INFLUENCING INTERNET USAGE AMONG WOMEN ENTREPRENEURS

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Abstract. Malaysian women are recognised to play a major role in the growth of Small and Medium Enterprises (SMEs). Previous studies show that ICT is an important factor influencing the growth of women entrepreneurs in Malaysia. This study aims to analyse the Internet skills among women entrepreneurs and the influencing factors encouraging them to use Internet in their business activities. A survey was conducted on 51 women entrepreneurs in Putrajaya, Malaysia. The study showed positive relationship between Internet skills and influencing factors on Internet usage in business. However, only factors “ease of use” and “social influence” have significant relationships toward the intention of Internet usage among the entrepreneurs. Thus, Internet usage among the entrepreneurs are influenced by the ease of use of technology and social factors. Social influence from media, family members and fellow entrepreneurs have pushed these entrepreneurs to use Internet as a new medium to improve their business activities.

Keywords: *Women entrepreneurs, Internet skills, ease of use and social influence*

INTRODUCTION

Today, Internet has changed our ways of living either personally or professionally. Internet is the platform for entrepreneurs to conduct electronic transaction which is also known as e-commerce. The extension of Internet has given access and opportunity to do business with the capability of technology. Malaysian entrepreneurs are no exception in implementing and using Internet to improve the communication and information technology for their businesses.

Emasria (2006), explained that e-commerce is commonly linked to bigger market place that involves direct transactions with the customers, business to customer (B2C) and trades between companies, business to business (B2B). In 2012, the Ministry of Communication and Cultural Information has introduced the 1Malaysia Internet Broad Band as an effort to encourage Malaysian to use Internet. Government incentive such as tax deduction towards e-commerce activities has given new hope for companies especially local entrepreneurs.

Knowledge in using Internet and latest technology has become one important factor for entrepreneurs to successfully compete in business today. Besides business transactions, Internet provides channel for various parties to share information and technology. Factors that influence business people to use Internet need to be identified in order to help them to choose the best medium to their business activities. Entrepreneurs need to know the benefits that they will get when they are in fluent in using the Internet. They should realize that the Internet should be recognized as an important media alternative in view of its preference and effectiveness of advertising execution (Yoon, S-J. & Kim, J. H., 2001). Using Internet, challenges and problems in their business can be detected earlier and solved more effectively.

Problem Statement

The study analyses the level of Internet skills among the entrepreneurs and the factors that influence the entrepreneurs in using Internet in their business. The aspects of the study include;

- What is the skill level of the entrepreneurs in Internet usage?
- What are the factors that encourage entrepreneurs in subscribing Internet?
- What are the relationship between the influencing factors and Internet usage?

The purpose of the study is to assess the Internet knowledge of women entrepreneurs and the factors that attract them to do business online. The study aims to analyse the relationships between the factors and the Internet usage among women entrepreneurs. Using Internet has become important in conducting business during this global environment. In addition, this study is consistent with the government intention of ensuring business people, contractors and suppliers to use Internet in their daily routine which enable the to compete effectively.

LITERATURE REVIEW

Entrepreneurs will create new ideas or develop new products and also market them. On the other hand, businessmen only conduct their transactions with customers and seldom sell products that are from their own creation. Zafir, Hizam and Fazilah (2013) identified entrepreneurs as individuals who create new products or services. Entrepreneurs are also those who can assess and take opportunities from the changes in economy, provide financial needs and take risks.

Women Entrepreneurs

Entrepreneurship is of critical importance to women because it provides a means to becoming self-sufficient, in charge of one's own career path, and as a way to rise above the "glass ceiling" of the corporate world. There is a correlation between female entrepreneurship and economic growth (Minniti,2009). In the U.S. the number of women-owned companies have grown 68% since 2007, compared with 47% for all businesses (The Atlantic, 2015. Adult females provide an available group of potential entrepreneurs to improve economies in all areas (Deamer & Earl,2004).

Women are motivated to start a business for different reasons than their male counterparts (Hornaday,1982); these reasons include self-realization, status, financial success, autonomy, and personal development and are heavily influenced by the early socialization experiences of women as they grow up (Marshall & Oliver, 2005). Gender role socialization implies that traditional attitudes about gender roles and the accompanying stereotypes had a tremendous influence on women's career choices and occupational self efficacy during the early years of the 20th century through the late 1970's (Klein & Cook,2005).

Malaysian women entrepreneurs are increasingly recognised to play an important role to the unprecedented rate of growth of the Small and Medium Enterprises (SMEs) and indirectly to the Malaysian economy. In 2003, there were 1,122,000 or 36.8% of women entrepreneurs from the total employment in SMEs (Nurwahida & Abdul Manaf, 2011). According to Hamisah (2002), 445 of Malaysian women surveyed professed desire for self-employment. Women participation in economic activity has become a growing importance to the development of Malaysia (Abdul Jumaat & Jasmani, 2012). Women are not compelled to do their duty at home but majority of them has participated in business. Their courage and high commitment in business has shown a tremendous success in contributing to the nation success (Norudin, Suzanna & Siti,2008).

Internet Skills

Effective usage of Internet usage has a strong link on their previous experience in using the Internet. Skills of using Internet is referred to the ability to organize, implement and complete tasks related to the Internet successfully (Eastin & LaRose, 2000). Van Gelderen, (2007) noted that entrepreneurial skills are the ability of translating one's behaviours or actions as an entrepreneur. These skills include the ability to start new business, make decisions, identify opportunities, manage time, communicate well and solve problems creatively. Since Internet enables us to work more productively and efficiently, ability in using Internet is another important skill for the entrepreneurs.

Couple with the need of women entrepreneurs to serve the women market, businesses need more women in order to capture the full benefit of diverse thinking and problem solving of making decisions and managing strategies based on their expectations on business growth. However, there are some significant barriers remain for women establishing and growing businesses. As shown in Fig 1, these barriers can be summarised to four elements, i.e. financial and capital assistance; network; education, training and counseling; and usage of ICT, which impact on the growth of women entrepreneurs in the development of SMEs in Malaysia.

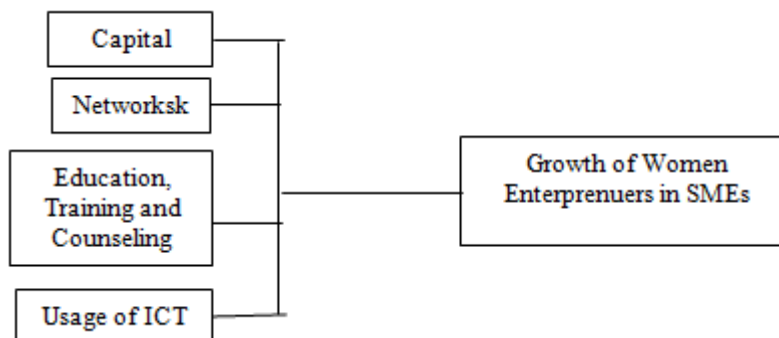


Figure 1: Factors on Growth of Women Entrepreneurs

Source; Wendy, T. & Siong-Choy, C. (2008)

The use of ICT is crucial and arguably unique in allowing small businesses and their entrepreneurial owners to sharpen their strategies in order to achieve success (Martin & Wright, 2005). The wide-reach of technology provides businesswomen with greater access to the market, networking opportunities, and greater promotional capabilities which will undoubtedly augment the competitive advantages for their businesses. There exists a “digital gap” between urban and rural women even though the government and NGOs have jointly organized many training programmes and seminars on ICT.

This resulted in the development of a research framework which points out that financial assistance, networking, training, education and counseling, and usage of ICT are critical factors to the success of women entrepreneurs in the SMEs.

Factors Influencing the Usage of Internet

i. Trust

A study done by Jarvenpaa, Tractinsky and Vitale (2000) found that trust is important to issues related to risks via electronic exchanges. This shows that trust is the main factor given by consumers when using any applications in a website. In addition, Cho, Kwon and Lee (2007) noticed that trust is an important and complicated aspect in an environment such as e-commerce as compared to conventional business transaction.

Trust has also becoming a basic factor in any e-purchasing website (Lim, Lim, & Heinrichs, 2008). High acceptance of trust in a particular website will improve the confidence of the customers. Therefore, factor of trust is the determinant factor whether a customer will decide to use the application and make a purchase or not (Emasria. 2006).

ii. Usefulness

Davis, Bagozzi and Warshaw(1989) used two variables such as usefulness (very important and useful) and ease of use on their study of acceptance of new technology. From the study, they found that factor of usefulness had a strong significant level on the usage of the new technology such as e-mail system.

Meanwhile, Lee (2009) identified that the variable of usefulness had shown positive relationship that could influence the usage of Internet banking in Taiwan. Hence, usefulness will influence the customer intention of using new technology.

iii. Ease of Use

Research have shown that ease of use factor can effect the intention of an individual to buy online or through offline methods (Kloping & McKiney, 2004). Users will analyse and try any application by ensuring that it is easy to use and eventually effect the customers’ purchase decision. Ease of use is another important factor that can influence the customers to purchase electronically (McCloskey, 2004). For entrepreneurs, ease of use of electronic equipments is important in order for them to operate their business electronically.

iv. Social Influence

Social factor also influences the intention of the entrepreneurs to use Internet in their business activity. Fan and colleagues (2005) discovered that users like to give proposals and ideas to others if they are satisfied with the service rendered. In general, they will inform and recommend their close friends to try and use the system available.

Social influence certainly has a direct influence on the acceptance of e-commerce system among the entrepreneurs. Previous study had confirmed the significant effect of social influence on the application of e-commerce in doing business (Wei, et al., 2009). Consequently, social media such as Facebook and Twitter have become major websites for people to do business electronically (Normah, et al., 2013).

Intention of Internet Usage

Internet has provided various facilities to society including e-mail, websites, internet relay chat (IRC), telnet and others. Society should be wise enough to choose the appropriate application for their needs. Internet has become one of the main platforms of business that facilitates business transactions and e-commerce. Business has increased the Internet usage because several ways; marketing, selling products and accepting payment electronically. In addition, companies are able to create corporate

network through “intranet”.Online business have proven to bring in lucrative incomes to new entrepreneurs (Anon, 2008).

Intention to use technology is equally important not only to encourage new technology but also to encourage people to use technology continuously without any hesitation (Man & Waiman, 2001).Based on previous studies, the study framework is as follows.

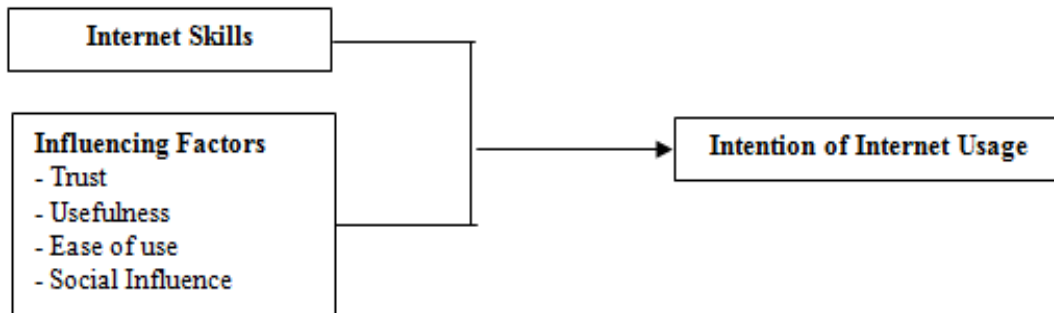


Figure 2: Study Framework

METHODOLOGY

Research Instrument

The study is descriptive in nature and questionnaire is used as the instrument of data collection. The instrument is divided into four (4) sections. Section A begins with information related to the demographic profile of respondents. Section B seeks information on Internet skills and Section B has questions related to the factors influencing the use of Internet in business. Finally, Section D has questions on the intention on Internet use among entrepreneurs. The statements were adopted from Micheal Ringgit (2008) and Sara Naimi Baraghami (2007).

Sampling

Respondents of the study were women entrepreneurs and convenience sampling method was used in the study. The questionnaires were distributed to 70 companies that are located in Putrajaya, Malaysia. The collected data was then analysed using SPSS for Window version 22.0.

ANALYSIS

Respondents' Profiles

Overall, 51 questionnaires were collected for the study, i.e 72.9% response rate. Table 1 shows the distribution of the respondents according to age, education level, marital status and business type. In terms of age, most of them (84.3%) are between 31 to 40 years old. This means these women entrepreneurs are considered to be young and lower middle age groups. In education, majority of them (64.7%) have secondary education. However, 17 (33.3%) of them are university graduates.

From the data analysed, most of the respondents are married (82.3%) and three of them (5.9%) are single. In terms of business ownership, most of the businesses (90.2%) in Putrajaya are owned by the women entrepreneurs themselves. Only 5 outlets (9.8%) are managed through partnership.

Table 1: Profiles of Respondents (N = 51)

Age	Freq	Educ Level	Freq (%)
Less 30 yrs old	2 (3.9%)	Lower Secondary	1 (2.0%)
31 – 35 yrs	21 (41.2%)	Up. Second & Diploma	33 (64.7%)
36 – 40 yrs	22 (43.1%)	Degree	15 (29.4%)
41 – 45 yrs	5 (9.8%)	Post Graduate	2 (3.9%)
Above 46 yrs	1 (2.0%)		

Marital Status	Freq	Business Type	Freq
Single	6 (11.8%)	Sole ownership	46 (90.2%)
Married	42 (82.3%)	Partnership	5 (9.8%)
Single mother	3 (5.9%)		

Descriptive Analysis

For reliability, the values of Cronbach Alpha must be above 0.5 (Sekaran, 2003). In this study, the Cronbach Alpha ranges from 0.7 to 0.94. Hence, the study achieved between high and very high reliability values.

Mean values are used to describe the perceptions of the respondents on the studied variables. Based on the 5-Likert scale of 1 to 5, the values are divided into three; low, moderate and high. Table 2 shows the mean values of each variable. The results showed that each variable has different level of means. For instance, “trust” has the lowest mean value of 2.64 depicting moderate level, while “intention of internet usage” has the highest value of 4.25. Both “intention of internet usage” and “usefulness” showed high level and the other four variables showed moderate level.

Table 2: Descriptive Analysis of Respondents

	Mean	Std Deviation	Level
Internet Skills	2.98	1.21	Moderate
Trust	2.64	0.80	Moderate
Usefulness	3.86	0.57	High
Ease of Use	2.98	1.14	Moderate
Social Influence	3.05	1.18	Moderate
Intention of Internet Usage	4.25	0.84	High

Correlation

Correlation tests were done to investigate the relationship between independent and dependent variables. Davies scale (1971) was used to assess the strength of the relationships ranging from low (0.01 – 0.1) to very strong (above 0.70).

Relationships among Internet Skills, Influencing Factors and Intention of Internet Usage

The results of the correlations between the variables are shown in Table 3. The study showed positive relationship between Internet Skills with Intention of Internet Usage. In terms of strength, the relationship is low with r value of 0.241 with no significant relationship between the variables ($p = 0.066$).

There are positive relationships between the Influencing Factors and Intention of Internet Usage. Overall, the strength of the relationship is at low level ($r = 0.187$). Specifically, factors such as “ease of use” and “social influence” showed significant relationship with the Intention of Internet Usage. This means the women entrepreneurs tend to use Internet in doing business when they are influenced by others especially fellow entrepreneurs and if the process is easy to use. Meanwhile, factors “trust” and “usefulness” have low relationships and not significant to Internet usage. The women entrepreneurs are not confidence of using Internet because of security reasons. Also, with very low strength ($r = 0.047$), some of the entrepreneurs did not consider factor of “usefulness” in Internet when running their business. Hence, they still use the traditional way of doing business transactions.

Table 3: Correlations between Independent Variables and Intention of Internet Usage

	Pearson Correlation (r)	Sig. (2-tailed)	Level
Internet Skills	0.241	0.066	Low
Influencing Factors			
- Trust	0.206	0.117	Low
- Usefulness	0.047	0.727	Very Low
- Ease of Use	0.488 **	0.000	Moderate
- Social Influence	0.507**	0.000	Strong

** Significant at 0.01 level (2-tailed)

* Significant at 0.05 level (2-tailed)

CONCLUSIONS AND DISCUSSION

The study showed positive relationship between both independent and dependent variables. However, only “ease of use” and “social influence” factors have significant relationships toward the intention of Internet usage among the women entrepreneurs. Consequently, Internet usage among the entrepreneurs are influenced by the ease of use of technology and social factors. Social influence from media, family members and fellow entrepreneurs have pushed the entrepreneurs to use Internet as a new medium to improve their business activities.

The study helps to inform the authority to plan and improve the Internet technology in Malaysia so that new systems are developed that have “ease of use” factor to optimize the usage of e-commerce among the entrepreneurs. Government have invested a lot of money to develop systems that expedites the process and affairs related to entrepreneurship such as company registration, Finance Ministry’s e-perunding (<https://eperunding.treasury.gov.my/v41/>) and the GST system.

In this era, entrepreneurs should equip themselves with skills and knowledge of the latest technology since Internet enables the company to achieve its mission and objectives (Thomas Coney, 2012). Also, entrepreneurs should realise that they need to have staff that are competent and experience in using Internet. Couple with government incentives on innovations and investment on the infrastructures, business people especially women entrepreneurs should grab the opportunities of easy access of doing business not only in Malaysia but also internationally.

The government should invest more on the necessary infrastructure to make online business possible so as to encourage more young women entrepreneurs to involve themselves in Internet activities and other ICTs. Entrepreneurs should be given some form of incentives in developing their internal IT infrastructure, such as tax relief. In addition, training programmes on the use of IT infrastructure should be provided to the women entrepreneurs. They must be made to realise that the digital revolution has taken place and the involvement in Internet activities will definitely help the entrepreneurs in opening up opportunities for their business ventures.

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THE SHARIA BANKING PERFORMANCE BASED ON ISLAMIC INDICES IN THE ASEAN COUNTRIES

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Abstract. Islamic banking industry has been growth widely in the last few years related with the growth in the global economy. On the South East Asian (ASEAN), many countries which hold Islamic banks such as: Indonesia, Malaysia, Brunei, Singapore, Thailand, and Philippines. This paper aimed to compare the performance of Islamic banking on the ASEAN countries based on Islamic Indices which consists of Islamic Disclosure Index and Islamic Performance Index. The serial data financial reports from 2011 through 2014 obtained from the website of Islamic banking, the central bank, as well as capital markets in these objects. The results of this research indicate that the performance of Islamic banking in Indonesia has higher performance index compare with Malaysia, Brunei Darussalam, and Thailand. The implications of this research indicate that the performance of Islamic banking in Indonesia still has a great opportunity to be able to grow in the future, especially for the management of Islamic banking in Indonesia as well as the central bank (Bank Indonesia) as a regulator.

Keywords: *Islamic Indices, Islamic Disclosure Index, Islamic Performance Index, Sharia Bank.*

INTRODUCTION

Islamic banking industry has been growth rapidly and widely on past few decades. This growing is possibility influencing by many factors, such as: economic, political, social, cultural, geographic, and security (Wibowo, 2015). The growth and development of Islamic banking and financing in South East Asian countries have the variation level. Malaysia and Indonesia are the central dynamics of developing industries in the region and as a center of global Islamic economic development in the future. In addition, Brunei Darussalam as a member of ASEAN countries also has attention to develop Islamic economic system. Minority Muslim countries such as Singapore, Philippines, and Thailand are also encouraged to develop their industry.

The good of growth Islamic banking currently must be balanced with the performance to realize the trust of stakeholders. So, the Islamic banking should do the performance measurement of Islamic bank on their financial statements based on Islamic values. Therefore we need a tool for evaluating and measuring the performance of Islamic banking (Meilani et. al., 2016).

Evaluation of Islamic banking performance is very important, because the roles and responsibilities not only limited to the financial needs of various stakeholders. However, these institutions conduct their business and what measures are used to ensure that all activities are carried out in accordance with the provisions of sharia.

Previous studies related with the performance of Islamic banking more focused on financial performance or business only. This is not in accordance with the inception of Islamic Banking. Various measures of Islamic banking performance used in recent studies are: CAMELS, Balance Scorecard, Return on Investment is only revealed materialistic values. So, we need a special performance measures that are not only able to express the materialistic values, but also the spiritual values and social embodied in Islamic Banking. The values include spiritual and social values of justice, lawful and purity.

ASEAN will be growth as platform for Islamic financial services. Demand for products and services of Islamic finance in this region are significantly, especially from Indonesia, Malaysia and Singapore (Zuraya, 2014). South East Asian is one of the economic powers in Asia. Every country in the region are also developing Islamic finance industry with different levels. The unification of the power of South East Asian conducted through the ASEAN Economic Community in 2015 (Yogie, 2014). So, this

paper focused on comparing the performance of Islamic banking by using Islamic Indices on the ASEAN countries.

LITERATURE REVIEW

Sharia Enterprise Theory

Sharia enterprise theory (SET) is a theory which has internalized the values of Islam in order to produce a transcendental theory and more humanists (Purwitasari, 2011). The theory recognized the responsibility not only to the owners of the company but to the wider group of stakeholders. According to the SET, stakeholders include God, man, and nature. God is the highest and to be the only goal of human life. The God as the highest stakeholder. The “*sunnatullah*” is used as the basis for the construction of Sharia accounting. The point is that sunnatullah, and sharia accounting just built based rules or the laws of God.

SET is not seated man as the center of everything. But instead, SET put God as the center of everything. God becomes the center of a return of humans and the others Therefore, people just as his representative (khalitullah fil ard) has a consequence adhere to all the laws of God. Compliance man (and nature) solely in order to return to God with a quiet soul. The process of returning to God requires a process of union with our fellow human beings and nature as well as with the laws inherent in it.

Islamic indices

One way of measuring the organization performance is a performance index. There are several indices are compiled to measure the performance of the organization, but not many indices that can be used to measure the Islamic financial institutions performance. Hameed et al. (2004) has developed an index called Islamic indices, which consists of Islamic Disclosure Index and Islamic Performance Index. This indices aim to help stakeholders in assessing the performance of Islamic Banks.

a. *Islamic Disclosure Index*

Islamic Disclosure Index is intended to test the Islamic Banks disclose useful information to stakeholders. Islamic Disclosure Index consists of three main indicators, namely the sharia compliance, corporate governance, and social / environment indicators.

b. *Islamic Performance Index*

Islamic Performance Index is a performance measurement tool that is capable of expressing the materialistic and spiritual values in Islamic Banks. Performance measurement by Islamic Performance Index is based on information provided in annual financial statements. Hameed et al. (2004) stated the financial ratio is used for a performance measurement method on Islamic Banks, such as:

1. **Profit Sharing Ratio (PSR).**

One of the main goals of the Islamic Bank is the return. Therefore, it is important to identify how Islamic Banks have successfully achieved the goal of their existence in the returns through this ratio. The revenue from the contract can be obtained by two ways. The first is *mudharaba*. It placement of funds from the fund manager to perform certain business activities, with the division based on profit and loss sharing. The second is *Musharaka*. It is the agreement between the owners to incorporate the capital in a certain business with profit sharing that has been agreed in advance, and the loss is borne by the owners of capital based on the proportion of each capital.

2. **Zakat performance ratio (ZPR).**

Zakat must be one of the first sharia accounting purposes. Zakat is one of the commands in Islam. Hameed et al. (2004) believes the performance of Islamic Banks should be based on the payment of zakat Banks to replace conventional performance indicators Earnings Per Share (EPS). A bank's wealth should be based on net assets rather than net income that emphasized by conventional methods.

3. **Equitable distribution ratio (EDR)**

Equitable Distribution Ratio is a ratio that measures percentage of earnings distributed to a variety stakeholders. It obtained from the amount of money spent on qard and donations, employee expense, and others. For each of these items, is calculated by assessing the amount to be distributed (to the social community, employees, investors and the company) divided by total revenue was reduced by zakat and taxes. This ratio showed the average distribution of income to stakeholders.

4. **Directors - Employees welfare ratio.**

Directors-Employee Welfare Ratio is the ratio of the director's salary compared with the money used for the welfare of employees. It is used to identify how the money is used for a

director's salary in comparison to the money used for the welfare of employees. Employee benefits include salaries, training, and others.

5. Islamic Investment and Non-Islamic Investment.

Islamic Investment and non-Islamic Investment is a ratio that compares the halal investment with a total investment made by Islamic Banks as a whole (halal and non-halal). Where the resulting value is a measure of the halal aspect and the successful implementation of the basic principles of Islamic Banks are free from elements of usury.

6. Islamic Income and Non-Islamic Income.

A concern in today's economy is the practice of Islam has explicitly prohibits transactions involving usury, gharar and gambling. However, there are still many common trade practices are not suitable with Islamic environment. Therefore, it is important for Islamic Banks to disclose truthfully any income which are considered lawful, and which are forbidden in Islam. Islamic Banks should receive income from halal sources. If Islamic Banks derive revenue from transactions that non-halal, then the bank must disclose information such as the number, source, how determination and most importantly, what procedures are available to prevent the entry of transactions prohibited by sharia. In the financial statements the amount of non-halal revenue can be seen in the statement of sources and uses qardh. This ratio aims to measure income derived from halal sources.

PREVIOUS RESEARCH

The history of Islamic banking in Indonesia inspired the development of Islamic banks such as the establishment of MitGhamrpadah Bank at 1963 in Egypt. Dubai Islamic Bank in 1975, the Islamic Development Bank in 1975 in Saudi Arabia, Faysal Islamic Bank in 1977 in Sudan, Kuwait Finance House in 1997 and Bank Islam Malaysia Berhad (BIMB) in 1983 in Malaysia (Al-Mansury, 2015). On 1983, Malaysia had been established 16 Islamic Banks, Brunei Darussalam had Islamic Bank established in 1991 and 2005, Singapore and Thailand had Islamic bank established in 2007 and 2002. A new Islamic Bank in Indonesia started up in 1992, namely Bank Muamalat and now it has 12 Islamic Banks and 25 Islamic business units. Based on acceleration system of Islamic Banks in Indonesia is better and has great potential compared with other ASEAN countries.

Hameed et. al (2004) in Islam the performance evaluation is highly recommended. Mushabahah concept is a fundamental representation of the performance evaluation, which can be applied to individuals or companies. It then becomes important philosophical foundation of why it is necessary to do a performance evaluation for Islamic Banks.

Awareness of social objectives - economic sharia banking produces measuring instruments for Islamic Banks are unique and more comprehensive (Usman Khan, 2012). This Indices aim to help stakeholders in assessing the performance of Islamic Banks. The formulation was applied to Islamic Banks performance Index to evaluate the performance of Bank Islam Malaysia Berhad (BIMB) and Bahrain Islamic Bank (BIB) descriptively.

Previous research carried out by Hameed et al (2004), based on Islamic indices the performance of Bahrain Islamic Bank (BIB) is better than Bank Islam Malaysia Berhad (BIMB). Mohammed et al (2008) used maqashid index found that amongst six sharia banks no bank had high performance. The most of Islamic banks in Malaysia, Bahrain, Kuwait and Jordan had high profitability and sharia compliance (Kupussamy et.al., 2010). And Antonio et al (2012) between sharia banks in Indonesia and Jordan had differences performance. The sharia banks were not reached the high maqashid indices for their performance.

RESEARCH METHOD

The sample research is all Islamic Banks in Indonesia, Malaysia, Brunei Darussalam, Thailand, and Philippines. Data from Statistics Islamic Banking per January 2015. The number of Islamic Banks in Indonesia is 12 Banks, Malaysia is 16 banks, Brunei Darussalam is 2 Banks, Thailand and Philippines only have 1 bank. The sample selection is not random that the information obtained by certain considerations or judgment sampling. Criteria for selecting the sample research were as follows:

1. Bank operates nationally and registered in their central bank during the observation 2011-2014 periods.
2. Bank published the fully annual report during the study (2011-2014 periods).
3. The annual report data completely related the variables. It was to avoid a partial period in the calculation of financial ratios.

This study used secondary data. Source of data from the website of each Islamic bank on the ASEAN countries, as well as www.bi.go.id (Indonesia), www.bnm.gov.my (Malaysia), www.bsp.gov.ph (Philippines), www.bot.or.th (Thailand) and www.ambd.gov.bn (Brunei Darussalam). Techniques of

data analysis used content analysis and descriptive statistics for computing the performance index by:

1. Islamic Performance Index, consists of:
 - a. Profit Sharing Ratio (PSR)
 - b. Zakat performance ratio (ZPR)
 - c. Equitable distribution ratio (EDR)
 - d. Directors - Employees welfare ratio (DER)
 - e. Islamic Income vs Non-Islamic Income (PH)
2. Islamic Disclosure Index, consists of:
 - a. Shari'ah compliance Indicator. (There are sixteen indicators)
 - b. Corporate Governance Indicator. (There are thirty-five indicators or assessment component Governance).
 - c. Social/Environment Indicator. (There are fourteen indicators or assessment component Social/Environment).

Researchers give a score of 1 if the indicator is disclosed in the annual report and 0 if the indicator is not disclosed in the annual report.

RESULT AND DISCUSSION

Research sample

The initial sample consisted of 19 banks, 11 banks (Indonesia), 5 banks (Malaysia), 1 bank (Brunei Darussalam), 1 bank (Filipina), and 1 bank (Thailand). The sample research can describe in the table 1.

Islamic Indices

a. Islamic Disclosure Index.

Table 2 presented the Islamic Disclosure Index in the ASEAN countries with 3 indicators. The table showed that *Islamic Disclosure Index* of sharia banks in Indonesia has the highest score. It is 78.5% and Filipina has the lowest score as 15%. *Islamic Disclosure Index* used to disclose information for stakeholders. It means the most of sharia banking in Indonesia during 2011-2014 had a good criteria and disclose adequate information to stakeholders and useful for decision making. This information includes sharia compliance, good corporate governance and social/environment information.

b. Islamic Performance Index

1. Profit - Sharing Ratio (PSR).

This ratio used to compare the profit from *mudharabah* and *musharakah* with total financing. This value is performance indicator from sharia perspective (table 3). There value of PSR in Indonesia, Malaysia and Brunei Darussalam is increasing. It means that profit performance in sharia banks in Indonesia, Malaysia and Brunei Darussalam are better for guarding the uncertainty contract (*mudharabah dan musyarakah*) compare with certainty contract (*Murabahah, Istishna, salam, dan Ijarah*). Uncertainty contract is partnership contractual between banks and customer and the receive their profit based irregular form because the profit sharing based on the business condition. While *certainty contract* is the contractual with the exactly value because this contractual is more dominated from buying-selling contractual, so the profit can be counted the valid value.

2. Zakat Performance Ratio (ZPR).

Zakat Performance Ratio is the ratios for measuring zakat which expend from banks divide the total assets. The value of zakat performance ratio based on the comparison this formula with the current issue and trend this ratio (Table 4). The Islamic Banks from Philippines and Thailand do not disclose the zakat expenditure. The rasio must be over than 2.5%. This findings show that the expenditure for zakat is very small. It shows that the expenditure for zakat is not have maximum value.

3. Equitable Distribution Ratio (EDR).

Equitable Distribution Ratio is the ratio for measuring the revenue which distribute to the many stakeholders. It showed from the money spent for gard and donation, employee expense etc. For these expenditures, it counted from total money spent to them divided into total revenue after tax and zakat. Table 5 describes the EDR ratio from many countries. The EDR sharia Banks in Brunei Darussalam had allocated the revenue to the stakeholders better than other country. This is for community/public (0.51%) employee (16.99%), shareholders (11.44%), to the company (31.47%). In general, sharia Banks in the ASEAN countries more focus for this company rather than for allocating to social and public aspect. It means shodaqoh (alms) paid by the Islamic bank its value is still too low.

4. Directors–Employee Welfare Ratio

Directors-Employee Welfare Ratio is ratio to measure the wealth of employee. Employee welfare is including salaries, training, bonus, pensions, development of career, etc. (Table 6).

The director salary is more than their employee. The differences salary is significantly with their employee especially in Indonesia. The justice and equal principle must be enforced. It can reduce the gap between the managers and their employee. The emphatic and response to employee also reduce the unequal. So the fairness based on the Islam principles must be applied in all of companies.

5. Islamic Income and Non-Islamic Income

Islamic income and non-Islamic income is the ratio to compare the banks revenue from halal revenue and non halal revenue. The value showed the implementation of sharia principle. The revenue must be free from riba (Table 7).

The Islamic income and non-Islamic income during 4 years had increasing in Indonesia, Thailand and Filipina. It means the most of revenue is from halal transaction. So, the revenue in sharia banks applied the Islam principles that are not riba in their transaction.

The non-halal revenue in sharia banks is including in statement of source and financing virtue fund. This make the customer satisfy because they are not doubtful about their funds which invested to their banks. Trend of halal revenue in Indonesia, Thailand and Filipina have the increasing number and their mean values are more 90%. Development banking industries in many countries in ASEAN is variation. Indonesia and Malaysia are the leader for the progress. But another countries in ASEAN such as Thailand and Philippine which had the population are non-Muslim majority is the challenge for introduce the sharia principles to another.

The differences of many characteristics on the countries make the different values for measuring performance. Based on these indicators for valuing the sharia banks performance, it looks sharia banks in Indonesia had the best performance compare with the others except for Zakat Performance Ratio and Directors-Employee Welfare Ratio. It found that Indonesia less awareness for paying zakat and the gap salaries between manager and employee is very high. The most advantage about the development financial sharia in Indonesia is regulatory. In Indonesia the power for giving regulatory about sharia principle is centralized in Dewan Syariah Nasional (DSN), Majelis Ulama Indonesia (MUI) that is independent institutions. In the other countries, regularly can be given by individual so this is possibility has the differences perception and implementation among them. In Malaysia, organization structure this institution is under Bank Negara Malaysia (BNM), not an independent institution (Alamsyah, 2012).

Besides this, the sharia products from Indonesia have the wide market share in ASEAN because they accepted these products. The other countries such as Malaysia and Brunei Darussalam products are not accepted in Indonesia and the Middle East countries. So if the offer the new products, they will have watch out their products that accepted for other countries.

Related with Sharia Accounting Standard, only Indonesia has this regulation. Malaysia also has the sharia standard, but not completely. It shows Indonesia has a good qualities compare with another countries (Al-Mansury, 2015). Based on these advantages and position, Indonesia must be a leader for development of sharia financial in the world. Based on competitiveness Report during 2013-2014 and UKs Global Islamic Finance Report 2013, the sharia finance in Indonesia including the rapid growth market and dynamic market categories. That is fair because Indonesia has opportunity becomes the global player on sharia finance as: (1) the majority population is Muslim and has the big population; (2) the rapid growth economic (range 6.0% - 6.5%) and have the good economic fundamental (3) the increasing investor for domestic financing especially in sharia financing industries (4) has the natural and human capital resources for supporting the sharia financing industries. (Alamsyah, 2012).

CONCLUSIONS

Indonesia has the higher performance in sharia banking compare with the other ASEAN countries excepted on Zakat Performance Ratio dan Directors-Employee Welfare Ratio. It found that Indonesia less awareness for paying zakat and the gap salaries between manager and employee is very significant. The implication for this research is sharia banking industries in Indonesia has an opportunity for growth rapidly in the future and made the leader in the world. It is the challenge for managers of sharia banking and Bank Indonesia as regulator for improving the performance sharia banking industries.

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Table 1 Research sample

NO.	BANKS	COUNTRIES
1.	PT. Bank Syariah Mandiri	Indonesia
2.	PT. Bank Syariah Muamalat Indonesia	Indonesia
3.	PT. Bank Syariah BNI	Indonesia
4.	PT. Bank Syariah BRI	Indonesia
5.	PT. Bank Syariah Mega Indonesia	Indonesia
6.	PT. Bank Jabar dan Banten	Indonesia
7.	PT. Bank Panin Syariah	Indonesia
8.	PT. Bank Syariah Bukopin	Indonesia
9.	PT. Bank Victoria Syariah	Indonesia
10.	PT. BCA Syariah	Indonesia
11.	PT. Maybank Indonesia Syariah	Indonesia
12.	AFFIN Islamic Bank Berhad	Malaysia
13.	Al Rajhi Bank	Malaysia
14.	AMMB Holding Berhad	Malaysia
15.	Bank Islam Malaysia Berhad	Malaysia
16.	Standard Chartered Bank Malaysia Berhad	Malaysia
17.	Bank Islam Brunei Darussalam Berhad	Brunei Darussalam
18.	Al – Amanah Islamic Investment Bank of the Philippines	Filipina
19.	Islamic Bank Of Thailand	Thailand

Secondary data source, 2016.

Table 2 Islamic Disclosure Index

COUNTRIES	Shari'ah Compliance	Corporate Governance	Social / Environmental	Total
Indonesia	44.5	24	10	78.5
Malaysia	42.5	27	4.2	73.7
Brunei Darussalam	23.5	5.7	6	35.2
Thailand	36	23.1	12.8	71.9
Filipina	9.5	0.9	4.6	15

Secondary data source, 2016.

Table 3 Profit - Sharing Ratio

COUNTRIES	PSR (%)				Mean
	2011	2012	2013	2014	
Indonesia	29.39	41.25	48.81	58.98	44.61
Malaysia	0.94	0.92	7.56	12.08	5.38
Brunei Darussalam	0.07	0.75	0.99	1.8	0.90
Thailand	n.a	n.a	n.a	n.a	n.a
Filipina	n.a	n.a	n.a	n.a	n.a

Secondary data source, 2016.

Table 4 Zakat Performance Ratio

COUNTRIES	ZPR (%)				Mean
	2011	2012	2013	2014	
Indonesia	0.09	0.05	0.06	0.17	0.09
Malaysia	0.29	0.26	0.33	0.20	0.27
Brunei Darussalam	0.28	0.28	0.27	0.27	0.28
Thailand	n.a	n.a	n.a	n.a	n.a
Filipina	n.a	n.a	n.a	n.a	n.a

Primary data source, 2016.

Table 5 Equitable Distribution Ratio

COUNTRIES	EDR (%)			
	Qard and Donation	Employees Expense	Share Holders	Net Profit
Indonesia	0.18	28.67	1.20	19.68
Malaysia	0.20	6.99	2.64	12.72
Brunei Darussalam	0.51	16.99	11.44	31.47
Thailand	0.27	15.04	1.48	23.61
Filipina	0.00	96.37	n.a	n.a

Primary data source, 2016.

Table 6 Directors–Employee Welfare Ratio

COUNTRIES	DEWR (times)				Mean
	2011	2012	2013	2014	
Indonesia	18.98	20.25	22.97	22.83	21.26
Malaysia	5.64	7.26	8.15	8.62	7.42
Brunei Darussalam	1.56	1.63	2.06	2.03	1.82
Thailand	4.87	7.95	2.50	1.86	4.29
Filipina	1.88	0.99	1.59	1.13	1.40

Primary data source, 2016.

Table 7 Islamic Income and Non-Islamic Income

COUNTRIES	Revenue (%)				Mean
	2011	2012	2013	2014	
Indonesia	99.91	99.96	99.97	99.98	99.95
Malaysia	34.09	36.15	34.92	28.66	33.45
Brunei Darussalam	18.07	17.42	17.73	11.58	16.20
Thailand	98.96	99.01	98.73	99.12	98.95
Filipina	99.99	99.99	99.99	99.99	99.99

Primary data source, 2016.

PERFORMANCE OF ISLAMIC INDICES: RISK ADJUSTED RETURNS OF SHARIA COMPLIANT STOCKS (STUDY ON JAKARTA ISLAMIC INDEX AND DOW JONES ISLAMIC TURKEY FOR THE YEARS 2010-2014)

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Abstract. The purpose of this research was to analyze the performance of Islamic indices compared to their counterparts. The research elaborated the performance of Islamic index in developing countries, which were Indonesia and Turkey represented by Jakarta Islamic Index and Dow Jones Islamic Market Turkey. This research was conducted during the period of 2010 until 2014. Populations in this research were all of companies listed in Jakarta Islamic Index, Dow Jones Islamic Market Turkey and their counterpart index. While sample was determined by purposive sampling method to eliminated stocks listed in both Islamic and counterpart index (dual listing). Data collection techniques used was method of documentation, literature review and internet search. The result based on three risk adjusted performance measurements consist of Sharpe, Treynor and Jensen Alpha, Islamic index did not significantly result in poor performance compared to its counterpart. Moreover, Islamic index in Indonesia has insignificantly outperformed its counterpart LQ45 index, while in Turkey has insignificantly underperformed it counterpart Dow Jones Turkey Titans 20 index. This study also revealed that Sharia compliant did not significantly affect the performance of Islamic index related to risk and return payoffs. Therefore, investors who are concerns with investing in Sharia compliant stocks could also benefit by holding portfolio of investments adhering to Sharia principles.

Keywords: Risk Adjusted Performance, Sharia Compliant stocks, Islamic Index, Counterpart Index, Risk, Return

INTRODUCTION

Research Background

Islamic investment has become a new phenomenon after the global financial crises in 2008. Islamic investment was able to moderate the consequences of capitalist financial system and proved to be more resilient to the financial shock (Kassim & Majid, 2010; Asutay, 2012). Thus, investors are more interested in Islamic investment which based on *Sharia* compliant as the basic tenets in investment activities. As a result, the global assets of Islamic Finance are estimated to be around \$1.5 trillion at the end of 2014 (Hayat, 2015). Moreover, a number of stock exchanges have also launched Islamic index to facilitate and accommodate *Sharia* compliant investments such as Dow Jones Islamic Market Index (DJIM), Financial Times Islamic Index Series (FTSE), Standard & Poor *Sharia* Index (S&P), Jakarta Islamic Index (JII), etc (Wilson, 2007).

Islamic stock index measures the performance of a certain group of securities which based on *Sharia* compliant to screen prohibited stocks (Powell & Delong, 2014). Islamic index excludes securities using two types of criteria: business activity and financial ratios (Habib & Ul Islam, 2014). Involvement of the primary business in *Riba*-based financial services; gambling; manufacture of non-*halal* products; conventional insurance; entertainment activities that are non-permissible according to *sharia*; manufacture or sale of tobacco-based products or related products; stock-broking or share trading in non-*sharia* approved securities are not permissible in the Islamic index (Kassim, 2010). *Sharia* compliant also do not allow investment in companies which deriving significant income from interest or companies that have excessive leverage, thus Islamic index uses financial restrictions to screen stocks. However, regarding the financial restrictions, different Islamic index requires different financial ratio to screen stocks.

Dow Jones Islamic Market Index (DJIM) requires upper limits of 33% for the debt ratio, 45% for the accounts receivables to total assets and 5% for the interest income to revenue (Listyaningsih & Krishnamurti, 2014). While, Jakarta Islamic Index (JII) uses 45%, 55%, and 10% respectively for debt ratio, account receivables to total assets and interest income from revenue (Listyaningsih &

Krishnamurti, 2014). Having different screening criteria might lead to difference in returns (Albaity & Ahmad, 2011).

Moreover, the performance of *Sharia* compliant indices has remained a research gap which needs further examination. Few studies concluded that these investments underperform the conventional ones due to the lower diversification benefits (Hassan, 2002; Bauer et al., 2005). Habib et al (2014) found that Islamic index in India has underperformed the conventional index based on the return and risk adjusted measurement.

However, Hanafi (2012) found that JII does not result in poor performance compare to its counterparts. Powell & Delong (2014) also found that DJIM index performance has outperformed in return to the comparable conventional indices. Albaity and Ahmad (2011) found that stock market returns between three Islamic stock market indices, Kuala Lumpur Syariah Index (Malaysia), Dow Jones Islamic Market Index (US), and Financial Times Stock Exchange Global Islamic Index (UK) do not significantly different from their counterparts.

Despite the increasing attention and growth of Islamic equity market, empirical studies on Islamic index in developing countries are scarce. Past studies have more concerned on popular Islamic Market which are Malaysia, US and UK (Albaity & Ahmad, 2011). Therefore, this study is interested to compare Islamic index in Indonesia and Turkey as most profitable index in developing countries (Chievo, 2011; GSIA Review, 2014). Moreover, both Indonesia and Turkey have Muslim as the majority of the population; therefore there is a large potential market for Islamic investment.

Based on the explanation above, researcher is interested in conducting a comparative study of both types of investments by comparing two Islamic indices from two different countries and their conventional counterparts with the proposition "Performance of Islamic Indices: Risk Adjusted Performance of *Sharia* Compliant Stocks (Study on Jakarta Islamic Index and Dow Jones DJIM Turkey for the years 2010-2014)".

Problem Formulation

Based on the background research above, then the problem can be formulated as follows:

1. Did Islamic Market Index in Indonesia outperform its counterpart?
2. Did Islamic Market Index in Turkey outperform its counterpart?
3. Did Islamic Market Index in Indonesia achieve lower return compare to its counterpart?
4. Did Islamic Market Index in Turkey achieve lower return compare to its counterpart?
5. Did Islamic Market Index in Indonesia bear higher risk than its counterpart?
6. Did Islamic Market Index in Turkey bear higher risk than its counterpart?
7. Did *Sharia* Compliant have significant impact on the performance of Islamic Market Indices?

Research Objectives

Based on the research problems that have been described previously, the objectives in this study can be formulated as follows:

1. To analyze whether the performance of Islamic index in Indonesia outperforms its counterpart.
2. To analyze whether the performance of Islamic index in Turkey outperforms its counterpart.
3. To analyze whether Islamic index in Indonesia achieves lower return compared to its counterpart.
4. To analyze whether Islamic index in Turkey achieves lower return compared to its counterpart.
5. To analyze whether Islamic index in Indonesia bears higher risk than its counterpart.
6. To analyze whether Islamic index in Turkey bears higher risk than its counterpart.
7. To analyze the impact of *Sharia* Compliant on the performance of Islamic Indices.

Hypothesis

H1a: Jakarta Islamic Index outperforms its conventional counterpart.

H1b: Dow Jones Islamic Market Turkey Index outperforms its conventional counterpart.

H2a: Jakarta Islamic Index achieves lower return compare to its counterpart.

H2b: Dow Jones Islamic Market Turkey Index achieves lower return compare to its counterpart

H3a: Jakarta Islamic Index bears higher risk than its counterpart.

H3b: Dow Jones Islamic Market Turkey Index bears higher risk than its counterpart.

H4: *Sharia* Compliant has significant impact on the performance of Islamic Market Index.

DATA ANALYSIS METHOD

Type of this research was a comparative study which uses quantitative approach in order to obtain measurement data and interpretation of result analysis from problem formulation. The population and sample selection criteria in this study were presented as follow:

Population and Sample

Population

The population is the sum of the whole group of individuals, events which attract researchers to study or investigation (Sekaran, 2000). The population in this study is closing prices of Jakarta Islamic Index, LQ45 Index, DJIM Turkey Index and DJ Turkey Titans 20.

Sample

While the sample is a portion of the population whose characteristics will be investigated and considered to represent the population (Sekaran, 2000). The sampling method used is purposive sampling method is based on the determination of the sample with certain criteria that can provide maximum information (Gujarati, 2004: 637). To assess the performance of indices, average monthly raw returns, risk adjusted monthly returns and ratios are calculated using time series data of index closing prices (Habib & Ul-Islam, 2014). Furthermore, to assure a proper comparison between *Sharia* and Conventional Investments this study will use several criteria to select samples. Criteria samples taken are as follows:

1. Stocks included in the index must not have dual listing. Stocks which are listed in Islamic index and also listed in conventional index will be excluded from the Islamic Index sample.
2. The time period is limited to 2010-2014. The time period is chosen to capture the increasing interest of Islamic index after the global financial crisis in 2008. Moreover, latest period data is more relevant to be examined.
3. Price of Index must completely available for the reference period. The reference period consists of 5 years i.e. January 2010 – December 2014.

Conceptual and Operational of Variables

1. Index Return

Returns are calculated using the compounded return formula (Albaity & Ahmad, 2011). The calculation is done as follows:

$$R_{it} = \ln \left(\frac{P_{i,t}}{P_{i,t-1}} \right)$$

where R_{it} is the return for the index i at time t , $P_{i,t}$ is the price for the index i at time t and $P_{i,t-1}$ is the price of index i at time $t-1$.

2. Index Beta

Beta specifically is a measure of the volatility, or systematic risk, of a security or portfolio compared to the market as a whole (Klein et al., 2010: 335). Beta is calculated as a factor in the Capital Asset Pricing Model (CAPM) as represented below:

$$E(R_i) = R_f + \beta [E(R_m) - (R_f)]$$

Where $E(R_i)$ represents the expected return of the index (either JII or DJIMTR), R_f represents the risk free rate, R_m is the expected return on the market. For risk free rate of Indonesian Index, this study uses Treasury Bills of Indonesian Government. Then, risk free rate for Turkey Index will use Turkey Government Bond.

3. Risk Adjusted Performance

While Beta calculation for each index is important to show the overall correlation of Islamic Index and its counterpart, it does not account for the risk associated with a portfolio that invests in the index (Powell & Delong, 2014). Since the Islamic indices and their index counterparts are not from the same category of risk, and since the raw returns are not adjusted for risk, it's necessary to utilize the Capital Asset Pricing Model (CAPM) in order to estimate the risk-adjusted returns (Hussein, 2005). There are three kind of risk-adjusted performance measurements that commonly used by researchers to examine the performance of the index. These methods are:

a. Sharpe Ratio

Sharpe ratio divides average portfolio excess return over the sample period by the standard deviation of returns over that period. It measures the reward to (total) volatility trade-off. The Sharpe ratio is expressed as:

$$Sharpe = \frac{(R_i - R_f)}{\sigma_i}$$

Where R_i represent the return of the index, R_f is the risk-free rate and σ_i is the standard deviation of the index's returns (Kevin Dowd, 2000).

b. Treynor Ratio

Treynor ratio measures excess return per unit of risk, but it uses systematic risk instead of total risk (Hakim et al., 2004). The Treynor ratio is expressed as:

$$Treynor = (R_i - R_f) / \beta_i$$

Where R_i represents the return of the index, R_f is the risk-free rate and β_i equals the Beta of the index (Hakim et al, 2004).

c. Jensen Alpha

A disadvantage of the Treynor and Sharpe measures is that they produce relative, but not absolute, rankings of portfolio performance (Reilly & Brown, 2003). Jensen alpha has advantage over the Treynor and Sharpe, because it is estimated from a regression equation, it is possible to make statements about the statistical significance of the index's performance level, or the difference in performance levels between two different indices. The Jensen measure of performance requires using a different Risk Free Rate for each time interval during the sample period (Reilly & Brown, 2003).

Jensen's measure is the average return on the portfolio over and above that predicted by the CAPM, given the portfolio's beta and the average market return. Jensen's measure is the portfolio's alpha value.

$$E(R_i) = RFR + \beta_j [E(R_m) - RFR]$$

$E(R_j)$ = the expected return on index

RFR = the one-period risk-free interest rate.

β_j = the systematic risk (beta) for the index.

$E(RM)$ = the expected return on index portfolio of risky assets.

DATA ANALYSIS METHOD

To examine the difference in performance between Islamic indices in comparison to the counterpart indices, and the difference in performance Islamic indices in JII and DJIM, this research will use the t-test statistical method

1. Descriptive Statistics

The objective in descriptive statistics is to quantitatively describe data (Fabozzi et al., 2014). Descriptive statistics are calculated from a sample of data. Descriptive statistics measure the geometric mean of data (and the arithmetic mean of the data (Brooks, 2014: 60-64).

2. t test

The t-test assesses whether the means of two groups are statistically different from each other (Trochim, 2006: 287). This analysis is appropriate to compare the means of two groups (Trochim, 2006: 287). The t-test uses ratio to compare the statistical difference, thus this study uses Sharpe ratio, Treynor ratio and Jensen alpha to assess the statistical difference of Islamic indices.

To examine the differences between scores for two groups, it's necessary to determine the means relative to the spread or variability of group scores (Trochim, 2006: 288). If the variability of the group means is homogeny and the sample amount of each group is relatively not same, formula for the t-test is:

$$t = \frac{\bar{X}_i - \bar{X}_c}{SE(\bar{X}_i - \bar{X}_c)}$$

\bar{X}_i = average Islamic index ratio

\bar{X}_c = average index counterpart ratio

SE = standard error of the groups

$$SE(\bar{X}_T - \bar{X}_C) = \sqrt{\frac{var_i}{n_i} + \frac{var_c}{n_c}}$$

var_i = variability of Islamic index ratio

var_c = variability of counterpart index

n_i = number of Islamic index ratio
 n_c = number of counterpart index ratio

Result Analysis and Discussion

1. Normality test

Preliminary analysis on the data distribution has been carried out using One-sample Kolmogorov-smirnov. All of the index monthly returns show greater value of asymptotic significance than α (0.05). The asymp.sig (Z tailed) for JII is 0.412 greater than 0.05. The asymp.sig (Z tailed) for LQ45 is 0.436 also greater than 0.05. Both DJIM Turkey and DJ Turkey Titans 20 are greater than 0.05 with asymp.sig (Z tailed) of 0.144 and 0.963. Thus, based on the result of normality, all of the sample data were eligible to be examined.

2. Descriptive Statistics

Descriptive statistics table below showed that Jakarta Islamic Index has greatest mean return than others. While, Dow Jones Islamic Market Turkey has lowest return compared to others. Jakarta Islamic Index yielded greater return on monthly basis than its counterpart LQ45, while DJIM Turkey has lower return compared to its counterpart Dow Jones Turkey Titans 20.

When indices were compared on the basis of volatility, JII experiences higher standard deviation than its counterpart. On the other hand, Dow Jones Islamic Market Turkey (0.0533) possesses lower standard deviation compared to its counterpart. Therefore, Jakarta Islamic Index resulted in superior performance and DJIM Turkey performed relatively inferior based on monthly raw return and total risk basis (σ).

Table 1 Descriptive Statistics

Index	Mean Return	Standard Deviation
JII	0.016426	0.1271915
LQ 45	0.009585	0.0475153
DJIM Turkey	0.006347	0.0532524
DJ Turkey Titan 20	0.007443	0.0690904

3. Risk Adjusted Performance

Since the Islamic index and its counterpart were not from the same category of risk, thus this study used CAPM model to estimate beta of the sample indices. Furthermore, risk adjusted performance measurements consist of Sharpe, Treynor and Jensen Alpha were used to estimate the overall index performance.

a. Index Beta

Beta measured the sensitivity of all the stocks in both conventional and Islamic indices to a very broad index. A Beta of 1 represented a perfect correlation with the market. A Beta of 0 demonstrated that the index has no correlation with the overall market. A negative Beta indicated an inverse relationship with the market and could be used to hedge against market downturns (Hakim & Rashidian, 2004). As noted in the table, JII and LQ45 have high correlation with the market movement. A beta higher than 1 also indicated both JII and LQ45 were riskier than the market.

Table 2 Index Beta

Index	Beta
JII	1.176944
LQ 45	1.022237
DJIM Turkey	0.651376
DJ Turkey Titan 20	0.664935

b. Sharpe Ratio

Sharpe ratio represented the excess return of the index per total unit of risk. A higher Sharpe ratio indicates a greater return per unit of total risk.

From the result of Sharpe ratio in the table below, JII and DJIM Turkey showed lower value compared to their counterparts. These results indicated that Islamic indices experienced lower excess return per unit total risk than conventional indices.

Table 3 Sharpe Ratio

Index	Sharpe Ratio
JII	0.0935700
LQ 45	0.106506
DJIM Turkey	0.0120281
DJ Turkey Titan 20	0.025132

c. Treynor Ratio

Treynor ratio was calculated in the same way as the Sharpe ratio, the difference was it represented the excess return of the index per total unit of systematic risk (β). The Treynor ratio as noted in the table indicated different results from both country indices. The JII showed higher Treynor ratio than its counterpart which referred to superior performance. Conversely, Dow Jones Islamic Market Turkey did not perform as well as JII. According to Treynor ratio, Islamic index in Turkey showed lower return compare to its counterpart Down Jones Turkey Titans 20.

Table Treynor Ratio

Index	Treynor Ratio
JII	0.010112
LQ 45	0.004951
DJIM Turkey	0.000983
DJ Turkey Titan 20	0.002612

d. Jensen Alpha

The intercept of the regression (alpha) was the performance measure. A positive alpha meant that the index achieves excess return relative to the market, and negative alpha means underperformance (Ho, et al., 2013).

Jensen Alpha indicated Islamic market in Indonesia perform better than its counterpart LQ45. JII experienced positive alpha while LQ45 indicated negative alpha. Meanwhile, DJIM Turkey experienced lower alpha value compared to its counterpart Dow Jones Turkey Titans. However, the positive alpha value of DJIM indicated positive excess return. Therefore, DJIM Turkey did not result in poor performance compared to the market as a whole

Table 4 Jensen Alpha

Index	Jensen Alpha
JII	0.003378869
LQ 45	-0.00234
DJIM Turkey	0.00005766
DJ Turkey Titan 20	0.001142

4. Hypothesis Testing

a. Hypothesis $H1a$

Based on risk adjusted performance measurements, JII experienced superior performance compared to its counterpart. However, this result was not statistically significant according to t test. Thus, JII insignificantly outperformed its counterpart and the $H1a$ is **accepted**.

This result was consistent with some previous research such as Girard & Hassan (2005); Hussein & Omran (2005); Ho et al. (2013); Powell and Delong (2014) and Zamzami (2014). Moreover, this result supports the finding from Ni'mah (2006) who separated pure Islamic stocks from conventional index due to dual listing problem.

b. Hypothesis $H1b$

DJIM Turkey also indicates insignificant lower return than its counterpart based on Sharpe, Treynor and Jensen Alpha. Despite the fact that the differences were not statistically significant, it also failed to reject the null hypothesis that risk adjusted returns of Islamic index outperform its counterpart. Thus, the hypothesis $H1b$ was **rejected**.

This result is consistent with the previous finding from Gozbazi (2010) who suggested that Dow Jones Islamic Market Turkey did not significantly differ from its counterpart. Others reported that the Islamic portfolios provides slightly less mean returns performance relative to the conventional counterparts, though the result was also shown a statistically insignificant difference (Mansor & Bhatti, 2011; Dharani & Natarajan, 2011).

c. Hypothesis $H2a$

The average monthly raw return of Jakarta Islamic index as noted in the descriptive statistics table above showed highest value than other indices. Moreover, the t test result also revealed that JII did not achieve lower return compared to its counterpart. P value also indicates insignificant value at 5% (0.699 0.05). Thus, the hypothesis stated Jakarta Islamic Index achieves lower return than its counterpart is **rejected**.

This result was in line with previous research found that Islamic investment achieved higher return compared to conventional index (Hussein, 2004; Kassim, 2013; Powell & Delong, 2014). This result was interesting since in this study eliminated stocks which have dual listing in JII and LQ45.

d. Hypothesis $H2b$

T test indicates that DJIM Turkey does not experience significant lower monthly raw return than its counterpart. Nevertheless, the raw return of DJIM Turkey has lower value, the finding in this study concluded that DJIM Turkey overall return can not reject the given null hypothesis. Thus, $H2b$ is **rejected**.

This result confirms the result reported by Hussein, 2004; Gozbazi & Erdem, 2010; Kassim, 2013. They concluded that Islamic index slightly experienced insignificant lower returns than its counterpart.

e. Hypothesis $H3a$

To gauge the risk involved in the two categories of Indices standard deviation has been used. The t test value is higher than t table (2.597 1.860), thus it reject the null hypothesis. Furthermore, p value also indicates value lower than α (0.032 0.05). This result shows that Islamic index bears higher standard deviation as the measure of portfolios volatility. Hence, $H3a$ is **accepted**.

Previous researches who have studied in earlier time periods and in other indices have with similar and different methodology come to the same results (Hashim, 2008; Hooi & Parsva, 2012; Reddy & Fu, 2014). Moreover, Setiawan and Oktariza (2013) argued that conventional portfolio is more risky than Islamic stocks in Indonesia.

f. Hypothesis $H3b$

The result from descriptive statistics showed lower standard deviation value of DJIM Turkey compare to its counterpart Dow Jones Turkey Titans 20. The t test value shows lower value than t table (-3.048 1.860), thus DJIM Turkey experienced lower risk than its counterpart. Hence, Hypothesis $H3b$ is **rejected**.

This result is consistent with the result for Hakim & Rashidian (2004) that DJIMI has lower risk than the comparable benchmarks. Furthermore, other researchers also concluded that Islamic index yielded lower risk than its conventional index (Albaity & Ahmad, 2006; Ashraf, 2013; Habib & Ul-Islam, 2014).

g. Hypothesis $H4$

The null hypothesis was Islamic Indices did not perform any differently than their counterparts. If Islamic Indices did not perform any differently than their respective benchmarks then α

should not be statistically different than zero and β should be equal to 1 (Ashraf, 2013). If null hypothesis was not rejected, it would implied that the *Sharia* compliant applied by Islamic Indices did not affect the performance and produce similar risk and return payoffs as the benchmark index (Ashraf, 2013).

The statistical significance of α value for both JII and DJIM Turkey indicated lower value than table. Thus, it can be concluded that α value for both JII and DJIM Turkey did not significantly different from zero. Beta also indicated insignificantly different from 1 based on statistical significant as noted in the t test above. This result suggested that the performance of Islamic indices is similar to their respective benchmark indices. Thus, the hypothesis $H4$ was **rejected**.

This result was in line with the finding from Ashraf (2013) who found that the difference in screening criteria does not significantly affect the performance of Islamic index compared to conventional index. Hanif et al. (2013) also reported that *Sharia* compliant securities and screening has made no impact on pricing of securities by investors during period under review.

5. Discussion

The result of this study particularly followed the wisdom of finance where the higher risk of an asset will yield higher return and *vice versa*. JII has high return and followed by high risk. Meanwhile, DJIM Turkey yielded low return with low volatility. Nevertheless, those results were not statistically significant according to t test statistics.

JII has not only experienced greater returns than its counterpart but also performed better than Turkey Islamic and conventional index. JII also experienced higher volatility than compared to its counterpart as noted in the value of standard deviation. This result indicated that portfolios JII as a weighted combination of a group of assets returns were not well diversified portfolios (Myers, 1972). Since Sharpe ratio was based on the total risk (σ) involvement in the excess return, higher standard deviation supposedly is due to smaller diversification benefit in JII portfolios (Habib & Ul-Islam, 2014). This was likely because this study eliminated some of stocks which has dual listing problem from the index, thus it limited the diversification opportunity. The pure Islamic stocks in this study might have high correlation with each other and shares much of the same kind of riskiness in the index portfolios.

Meanwhile, DJIM Turkey performance was not statistically different from the counterpart index returns in the term of risk-adjusted performance. It indicated that DJIMTR could effectively reflect the benchmark index returns. Although mean and risk-adjusted returns were lower than the benchmark index, DJIMTR has less non-systematic risk and systematic risk compared to DJ Turkey Titans. It can be concluded that Islamic market in Turkey did not significantly different from its conventional counterpart index. In overall, Islamic index did not result in poor risk-based returns.

The lower return of DJIM Turkey stems from relative riskiness of Islamic index with respect to conventional indices used as benchmarks. This also means that investing in the benchmark index, was on average, equivalent to investing in the Islamic index, without significant differences in return or risk (Schroder 2007). The result also implied that the Islamic index promises higher return along with higher risk as suggested by modern portfolio theory. The risk of the Islamic index was tolerable and the level of risk achieved is adequate for the level of return achieved. This study concluded that the filtering criteria adopted to eliminate non-compliant firms leads to an Islamic index with a unique risk-return characteristics that are not affected by the broad equity market.

The fact that the performance of Islamic index did not significantly result in different performance to other investment securities indicates that investor who put their money in Islamic index can expect a similar risk-return payoff as conventional index. Furthermore, Elf & Rizzo (2012) found that investors who are concerned with investing in *Sharia* compliant stocks are not worse off than non-restricted investors.

Most previous studies suggested that Islamic index outperformed its conventional index only during the bearish economic trend and the crisis period. That was actually the reason why Islamic securities are preferred as hedging instruments during financial collapse and economic slowdown periods. Hence, the result of this study was interesting to provide more information about the characteristics of Islamic securities performance aside from economic slowdown periods.

In addition, this finding concluded that the behavior of the Islamic indices did not differ from that of their conventional counterparts, with Islamic Market in Indonesia outperformed its conventional counterpart and in Turkey insignificantly underperformed its counterpart. Overall, similar reward to risk and diversification benefits existed for both types of indices. This study also demonstrated that Islamic and conventional index displayed different performances under different market.

CONCLUSION AND IMPLICATIONS

Conclusions

1. Jakarta Islamic Index (JII) has outperformed its counterpart index (LQ45).
2. Dow Jones Islamic Market Turkey (DJIMTR) did not outperform its counterpart index (Dow Jones Turkey Titans 20). However, it also did not statistically result in poor performance.
3. Jakarta Islamic Index (JII) achieved higher return than LQ45 index.
4. Dow Jones Islamic Market Turkey (DJIMTR) achieved insignificant lower return than Dow Jones Turkey Titans 20.
5. Jakarta Islamic Index (JII) experienced higher risk than LQ45 index.
6. Dow Jones Islamic Market Turkey (DJIMTR) experienced lower risk compared to Dow Jones Turkey Titans 20.
7. *Sharia* compliant screening criteria did not significantly affect the performance of Islamic index.

Implications

1. The finding suggested that the behavior of the Islamic indices does not differ from that of their conventional counterparts after global financial crises in 2008. The result of this study provides more information for non-Muslim investors about the characteristics of Islamic securities performance aside from economic slowdown period.
2. Overall, similar reward to risk and diversification benefits exist for both types of indices. This study also demonstrated that Islamic and conventional index displayed different performances under different market. This is interesting for global investors who seek for diversification in their portfolio investments.
3. These results indicated that investors who are concerned with investing in *Sharia* compliant stocks are not penalized in the long-term decision making as long as the portfolios track the index. The result assures that the Islamic index is keeping up with the performance of the market in terms of risk and return.
4. Islamic index in Turkey is suitable for investors who plan for low volatility return from the investment selection based on the market trend performance because DJIMTR provide less risk which in line with the nature of Islamic value to invest in small uncertainty (*Gharar*).

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HOW SPOUSAL SUPPORT AND WORK-FAMILY BALANCE CAN INFLUENCE TO CAREER SUCCESS?

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Abstract. Work and family are two domains that cannot be separated in human life. Every people want to have the career success, and in the other hand, they also want to have the happy family life. Both roles must be balanced as they are equally important. Unfortunately, mostly research in the field of career focused on individual and organizational factor as the predictor of career success. Meanwhile, mostly research in the field of work-family balance focused on the benefit of work-family balance to organization. There is a little attention on the relationship of work-family balance to interest of individual such as career success. This paper will view the benefit of work-family balance from the employee perspective, specifically on how spousal support and work-family balance can influence to career success. To explain the relationship between spousal support, work-family balance and career success, the role theory, the spillover theory and the conservation of resources theory are used. By investigating the process, it can explain how and why spousal support, work-family balance are related to career success. It can also find a mediator variable that explains the mechanism through which spousal support influences work-family balance and career success that will provide a new perspective to the existing literature on work and family area.

Keywords: *Spousal support, work-family balance, career success*

INTRODUCTION

Career success reflects the symbol of prestige. It is viewed as a source of power, happiness, satisfaction and acquisition of materialistic advancement at the individual's perspective (Yu 2012). Every people want to have career success and many researchers have been interested to identify variables influencing career success. As the result, the antecedents of career success have been established in the literature namely individual, organizational, and behavioral factors (Judge, Cable, Boudreau & Bretz 1995; Ng & Feldman 2010).

However, social trends today indicate that the increasing female workforce participation and dual-career couples has further underscored the linkages of work and family domains as important issues in influencing career success (Lyness & Judiesch 2008). Traditionally, the husband takes the work role as the basic necessities of life seeker. Meanwhile, the wife takes the family role as the caretaker of children. Today, women have more significant role in many domains, not only in family, but also in work and society. As its consequence, women are now more active in professional work-life, whereas men are more involved in family life (Barnett & Hyde 2001). Then, work-family balance is a challenge faced by dual earner couples all around the world and becomes a relevant topic to be discussed.

To achieve balance of both roles, there is a need for negotiation and share between an individual and his/her related partner (Carlson, Grzywacz & Zivnuska 2009; Grzywacz & Carlson 2007). The scarcity of resources such as time, energy and knowledge, makes the role of spousal support pertinent to the balancing of work and family roles. As shown by previous study, without spousal support, under the scarcity of resources condition, it is hard to balance the multiple roles. Without the balance of work and family role, it is hard to focus on and feel success in career. To get an in-depth understanding of the consequence work of family balance, this study will discuss the role of work-family balance as the mediator of career success. By discussing the process, it can explain how and why spousal support and work-family balance are related to career success. It can also identify the mediating variable that explains the mechanism through which spousal support influences work-family balance and career success, providing a new perspective to the existing literature on work and family.

Previous research on work-family balance area has mostly used the social exchange theory to discuss the linkage between work-family balance and positive work attitudes (Aryee, Srinivas & Tan 2005; Lu, Siu, Spector & Shi 2009; Muse & Pichler 2011). This study will use role theory, spillover theory, and conservation of resource theory to clarify the role of work-family balance as a mediating variable for the relationship between spousal support and subjective career success.

DISCUSSION

What is career success?

Researchers such as Arthur, Khapova and Wilderom (2005), Dries, Pepermans and De Kerpel (2008) and Mulhall (2011) define career as an evolving sequence of a person's work experience over time. Career is also a major life constituency (Baruch 2006). It indicates a source of identity, creativity, challenge of life, status and access to social networking. Therefore, a career is like a life journey (Baruch 2006).

Although the term of career success is known by people, it is challenging to define it consistently. Individuals evaluate their careers through the lens of personal advantage such as income, status and personal development and family life, while, organizations assess careers through the lens of organizational advantage such as the competitive advantage to the organization that was given by their staff (Inkson & King 2011). People judge someone's career success based on objective and visible criteria such as amount of salary, acceleration of promotion, and prestige of occupation (Jaskolka, Beyer & Trice 1985), while people will judge their own success based on their own goal, internalized aspirations and expectation (Heslin 2005; Jaskolka et al. 1985). This phenomenon shows that the meaning of career success varies depending on who assesses it.

As people have a variety of criteria for measuring career success (Baruch 2006; Callanan 2003; Jaskolka et al. 1985), the actual standard in the society and the individual feelings must also be captured in a solid comprehension of measurement (Judiesch & Lyness 1999). Hence, drawing from previous researchers, career success is defined as an accumulation of work experience in the real and perceived achievements (Judge & Kammeyer-Mueller 2007). —This definition implies that career success has two dimensions: positive psychological as the subjective career success and the accumulation of the outcomes or achievements of work experiences as objective career success. Subjective career success refers to individuals' evaluation of their career progress, accomplishments and anticipated outcomes which are related to their goals and aspirations (Seibert & Kraimer 2001). Objective career success reflects observable and socially recognized indicators such as income and advancement (Judge et al. 1995).

There are three well-known determinants of career success: individual, organizational, and behavioral perspectives (Ballout 2008). In individual factor, employees must know their strengths and interests; in organizational factor, employees must know the career system that challenges their human capital such as education, experience, motivation, and attitude. Further, in behavioral factor, employees must build, maintain, and use informal relationship to signal their ability and potential capability.

Recently, researchers provide evidence that other important predictors of career success also relate to family factor such as work-family conflict (Ballout 2008; Martins, Eddleston & Veiga 2002), spousal support, satisfaction with childcare arrangements, family identity (Aryee & Luk 1996), work-life balance (Lyness & Judiesch 2008) and family responsibilities (Mayrhofer, Meyer, Schiffinger & Schmidt 2008).

As work and family cannot be separated from human live and people have scarcity resources to meet work and family demands simultaneously, the balance of multiple roles may give significant impact to career success.

What is Work-Family Balance?

It has been acknowledged that the definition of work-family balance is elusive (Kalliath & Brough 2008; Greenhaus, Ziegert & Allen 2012), hence, the variety of work-family balance definition is conceptualized by different scholars in various ways (Greenhaus, Collins & Shaw 2003). Some researchers define balance in term of satisfaction between multiple roles. For instance, Higgins, Duxbury and Johnson (2000) view work-family balance as a sense of satisfaction between multiple demands of work and family domains. They argue that the difficulties in time management and higher levels of conflict will be experienced by individuals who have difficulty in balancing work and family role. Therefore they then operationalized work-family balance as the perceived ability to manage individual and family time and perceived work-family conflict that consist of role overload, interference from work to family and interference from family to work (Higgins et al. 2000).

Similarly, Clark (2001) defines work-family balance as satisfaction and good functioning at work and at home with a minimum of role conflict. She forwarded five aspects of work-family balance: work satisfaction, home satisfaction, work functioning, family functioning, and role conflict. Additionally, she states that balance refers to the absence of role conflict. After then, she concludes that although a person feels satisfied toward her/his work and home and has good functioning in each, it does not necessarily mean that she/he is free of role conflict. It implies that balance is mostly a rare occurrence (Clark 2001).

The two definitions of Higgins et al. (2000) and Clark (2001) above indicate that work-family balance emphasizes the role fulfillment between work role and family role without having role conflict and achieving satisfaction because of work-family balance is achieved. It initially implies that work-

family balance has two dimensions, dealing with satisfaction and no role conflict. However, theoretically, satisfaction and conflict are two different concepts. Indeed, it is said that work-family balance is in essence similar to the absence or minimum role conflict (Clark 2001; Greenblatt 2002; Pichler 2009; Slan-Jerusalim & Chen 2009), but putting satisfaction and the absence of role conflict simultaneously in one definition of work-family balance may create ambiguity in the concept. As Clark (2001) recognizes, although a person feels satisfied with work and family role, it does not guarantee the absence of role conflict. This happens because people always have multiple roles in their lives. For instance, someone may have a role as a dean and a lecturer or a role as a mother and a daughter of his/her parents simultaneously. Someone may feel satisfied with her role as a dean and a mother, but she may have a role conflict as a lecturer. The tight schedule of activities as a dean may bring a number of consequences in the schedule of activities as a lecturer such as teaching, supervising students, and researching to be delayed.

Another scholar perceives work-family balance as equity across multiple roles. Greenhaus et al. (2003) describe work-family balance as the extent to which an individual is equally engaged in-and equally satisfied with his or her work role and family role. They propose three components of work-family balance: time balance, involvement balance, and satisfaction balance. Each of the work and family activity requires equation of time, involvement, and satisfaction to achieve work-family balance.

However, the way to define balance will determine the way to measure it. Thus, someone must be careful when defining work-family balance. Greenhaus et al. (2003) recommend using satisfaction as a component of work-family balance and measuring satisfaction balance by comparing career satisfaction and family satisfaction. This, however, will create conceptual and practical problems (Grzywacz & Carlson 2007). Conceptual problem occurs because satisfaction does not adequately capture the fundamental meaning of work-family balance (Grzywacz & Carlson 2007). Some studies indicate that satisfaction reflects the satisfied feeling toward a job, career or family individually (Lounsbury, Steel, Gibson & Drost 2008), while work-family balance reflects how individuals manage multiple roles (Ferguson, Carlson, Zivnuska & Whitten 2012). Hence, by defining work-family balance in terms of satisfaction, it does not measure what should be measured.

Practical problem occurs because satisfaction indicates psychological construct. Viewing work-family balance as a psychological construct means perceiving work-family balance as an individual problem (Carlson et al. 2009). Therefore, it is challenging to formulate systematic strategies to assist employee in balancing their multiple roles. Practically, to achieve work-family balance was influenced by not merely sourced from individual factor, but also sourced from social factor. Limitation of resources such as time and energy are the sources on why individual cannot achieve the multiple roles without the assistance their partner-related roles. Therefore, it is more suitable to classify work-family balance not only as psychological construct but also as a social construct that reflect the balance will be achieved by social support such as spouse, family, co-worker and organizational support. By categorizing work-family balance as a social construct, it will help the organization to create a work environment that supports in achieving work-family balance (Grzywacz & Carlson 2007). For instance, creating family supportive supervision in helping employee to balance their work and family responsibilities.

Further, defining the balance as the psychological definition raises a question about how realistic the balance is achieved. Greenhaus et al. (2003) assess the equality of time, the equality of involvement, and the equality of satisfaction between work and family activity to measure work-family balance. They stated that if the three components are equal, it means work-family balance is achieved. In other word, time-saving technique is the way to achieve the balance. It creates confusion in terms of understanding the concept of achieving the balance and achieving the efficiency of time (Caproni 2004). Hence, this definition lacks applicability in real life (Reiter 2007).

Furthermore, Grzywacz and Carlson (2007) define work-family balance as the accomplishment of role-related expectations that are negotiated and shared between an individual and his/her role related partners in the work and family domains. They suggest that to conceptualize work-family balance by separating an individual's experience from the social context cannot reflect the dynamic and complex realities of daily work and family life. Then, they believe work-family balance as a psychological and social construct, different from Higgins et al. (2000), Clark (2001) and Greenhaus et al. (2003) who look at work-family balance as simply a psychological construct. Grzywacz and Carlson (2007) emphasized on negotiating and sharing role-related expectations as the interaction of work and family life. It indicates that in achieving work-family balance, an individual not necessary to be a superstar in work and family spheres (Carlson et al. 2009).

Based on the discussions above, it was concluded that work-family balance is individual perception on how to manage his/her work and family roles harmoniously. To achieve the balance of multiple roles, it is needed the support of role-related partner such as spouse, family, co-worker and supervisor. Achieving the balance of work and family role can enhance satisfaction in job, career, family

and life. However, work and family balance is not have the equal meaning with satisfaction. Work family balance means the minimum role conflict between work and family domain, whereas satisfaction means individual satisfaction toward something such as job satisfaction, career satisfaction, family satisfaction, marital satisfaction, life satisfaction and another satisfaction.

What Type of Spousal Support?

It was well-established in the literature that spousal support is a part of social support (Michel, Mitchelson, Pichler & Cullen 2010). However, there is a lack of consensus in categorizing the social support as the foundation in defining spousal support (House 1983). For instance, Cobb (1979) as was cited in House (1983) suggests three aspects of social support as emotional support, esteem support and network support. On the other hand, Pinneau (1975) as was cited in House (1983) distinguish three aspects of social support as tangible support, appraisal support and emotional support. Then, House (1983) categorizes four type of social support as emotional support, instrumental support, informational support and appraisal support. Although House (1983) recognize that appraisal and informational support are the most difficult to clearly define and distinguish from other forms of support, however, he believes that the four of type of social support is more inclusive than any of the conceptions previously addressed.

Recently, mostly researchers (Carlson & Perrewe 1999; Michel et al. 2011 and van Daalen, Willemssen & Sanders 2006) agree to categorize social support on four types as House (1983) suggested. In more detail, van Daalen et al. (2006) explains that the term instrumental support refers to providing actual aid in time, money and energy. On the other hand, emotional support refers to providing empathy, care, love and trust. Informational support refers to providing advice, information and suggestion and appraisal support refers to providing information relevant to self-evaluation. Based on the four categorization of social support, some researchers such as Carlson & Perrewe (1999) and Michel et al. (2011) then define social support as instrumental aid, emotional concern, informational, and appraisal functions of others that serve to heighten one's feelings of self-importance.

The social support can sourced from work domain such as support of coworkers, supervisor and the organization itself; and from family domain such as spousal support and the other member of family support (Michel et al. 2011). This study focused on spousal support and its relationship in achieving work-family balance and perceived career success. Hence, it is more appropriate to categorize the type of spousal support only in term of direct and indirect assistance. Based on these two categorizations, in short, spousal support can be defined as the direct and indirect assistance that was given by a spouse that can enhance performance at work and performance at the household (Grossbard-Shechtman & Izraeli 1994). Indirect assistance means the activity that spousal help may enable their partner to spend more time at work or to motivate a person in facing obstacles at work. Direct assistance will contribute to help their partner at work domain directly (Grossbard-Shechtman & Izraeli 1994).

Studies on the relationship of spousal support to work related outcomes have emerged from research on perceived organizational support (Baruch-Feldman, Brondolo, Ben-Dayana & Schwartz 2002). Overall, the result of these studies suggests that the perceived quality of spousal support is associated with work-related variables. For instance, the positive impact spousal support on work-family balance (Carlson & Perrewe 1999; Greenhaus & Beutell 1985; Greenhaus & Parasuraman 1999; Marcinkus, Whelan-Berry & Gordon 2006). As implied by role theory, an individual has multiple demands and expectations within the work and family domains. Through spousal support, it can facilitate the fulfillment of family role. Subsequently, the individual should experience a reduction of role pressures within the family domain, and maintenance of limited physical and psychological time, attention, and energy. Therefore, increased spousal support will result the increasing of ability to balance of work and family role and in turn will influence the perception in performing the multiple role successively.

The Relationship Between Spousal Support, Work-Family Balance and Career Success

Two theories help to explain why spousal support could be linked to career success. The first explanation is based on the social support theory (House 1983). As a part of social support, House (1983) suggests that spousal support may reduce work stress, improve health, enhance work-related motivations and make workers more satisfied with themselves and their jobs, including their subjective career success. People cannot attain career success without support both from work and non-work sources. This is because people have scarce resources such as time, energy and knowledge. People have particular needs and necessities that cannot be fulfilled by themselves; thus, they need help and support from others. Spousal support can meet human needs, such as empathy, caring and love which can affect individual's attitude, performance, and perception towards their careers.

A spouse can contribute to the successes of his or her partner through direct and indirect assistance (Grossbard-Schetman & Izraeli 1994). Direct assistance means helping the partner to do his or her work directly, such as clerical help and access to information through personal contacts. This kind of assistance can reduces the fulfillment demands and pressures within the work domain. As implied by the

role theory (Kahn, Wolfe, Quinn, Snoek & Rosenthal 1964), success means fulfilling the demands and responsibilities of multiple roles. Scarcity of resources such as time and energy, is the reason why people have difficulty to fulfill their multiple roles and responsibilities. Therefore, they need support of their partner to fulfill the demands and responsibilities of multiple roles (Grzywacz & Carlson 2007). This implies that spousal support also contributes to career success of his or her partner.

Indirect assistance means the partner gets moral support to face obstacles at work. Through moral support, the partner may feel more motivated and more satisfied with his or her achievement. This condition will affect attitudinal and behavioral reactions in both work and family domain (Aryee & Luk 1996). In line with this phenomenon, a study conducted by Marcinkus et al. (2006) shows that individual perceptions regarding spousal support may be a stronger predictor of achievement of desirable outcomes, including career success. It indicates that spousal support can influence an individual's appraisal of circumstances both at work and at home.

The second explanation is based on the human capital theory of career success. Human capital is defined as any skill and knowledge people have which enhances their potential productivity and success in performing valuable activities (Ng & Feldman 2010). It is believed that a person's success at work is because of supports received from others. Sharing skills and knowledge in a marriage contributes more to enhance human capital compared to others kinds of support, such as from co-workers, supervisors and the organization itself (Grossbard-Schetman & Izraeli 1994). Individuals are more willing to share skill and knowledge with their spouses for two reasons. First, the physical proximity and ease of communication can enhance the frequency of sharing skill and knowledge. Second, sharing skill and knowledge can lead to increased occupational attainment. This attainment will be directly beneficial to the couple in terms of household income or a rise in the family's status (Bernasco, de Graaf & Ultee 1998). For that reason, it is suggested that spousal support contributes to career success.

However, the role theory posits that people have multiple roles in work and family domains. On the other hand, people also have scarcity of resources, such as time and energy to meet the demands of multiple roles. The time and energy used in one role will affect the availability of time and energy for other roles (Edwards & Rothbard 2000). Hence, the multiplicity of roles has a tendency to produce role conflict and role overload (Kahn et al. 1964). Consequently, people who have multiple roles will tend to have imbalanced roles in family and work domains.

One of the ways to reduce imbalance of the roles is by negotiating and sharing between an individual and his/her role-related partner, such as by giving spousal support (Carlson et al. 2009; Grzywacz and Carlson 2007). There are two ways to show the role of spousal support as the antecedent of work-family balance. First, spousal support can provide emotional support, such as listening and empathizing with each other concerning work-family struggles. This can reduce work-family conflict and achieve work-family balance (Muse & Pichler 2011). Second, spousal support means actively sharing family responsibility, i.e., reducing the workload of the household, for instance, sharing household tasks and offering suggestions on how to better manage the multiple roles to achieve a balance of work and family roles (Carlson et al. 2009; Grzywacz & Carlson 2007; Muse & Pichler 2011). Therefore, under the role theory, it can be said that work-family balance occurs when there is the spousal support.

The other theory that supports the relationship between spousal support and work-family balance is the conservation of resources theory by Hobfoll (1989). The conservation of resources theory argues that individuals strive to obtain, protect and build resources that help them cope with stress. Hobfoll (1989) classifies the resources as objects, conditions, personal characteristics and energies. The imbalance of work and family roles means there is an incompatibility between the work and family roles (Greenhaus & Beutell 1985). It occurs because the usage of resources in one role leads to a diminution of resources in another role (Kahn et al. 1964), hence, inadequacy of resources arises in the role. The conservation of resources theory proposes that insufficient resources can cause psychological stress. Hence, individuals will strive to attain and sustain resources that can help them reduce inconvenient situations (Hobfoll 1989). As the loss and gain of resources are continual and revolving processes, one mechanism to attain and maintain the resources is by accumulation of resources (Hobfoll 1989).

Spousal support is one of the resources that can be accumulated. Talking and sharing experiences with one's spouse may significantly reduce the psychological stress caused by imbalanced roles. It should help recharge one's resources to enable an employee to better focus on the work domain and share household tasks. Through the accumulation of resources, spousal support may help employees to achieve the required balance (Ferguson et al. 2012). In other words, spousal support is related to work-family balance.

If employee perceives they can achieve work-family balance through spousal support, it means they have a positive experience at the family domain. With regards to the spillover theory, employees will carry this positive experience at the family domain into the work domain (Crouter 1984). As a result, this positive spillover will influence their performance at work, including their positive perception about their

career achievement and satisfied feeling toward their careers. In other words, work-family balance is the bridge between the family domain (where partner support occurs) and the work domain (where the career success occurs). This is in line with Grzywacz and Carlson's (2007) work-family balance definition. Their definition indicates an interaction between work and family life through negotiation and sharing of roles with the role-related partners to achieve work-family balance. It implicitly also supports the spillover effect of work and family roles which influence work outcomes.

Although research that investigates the role of work-family balance as mediator on the relationship between spousal support and career success is still limited, nonetheless, by using the work-family conflict approach, previous studies have shown that spousal support is an antecedent of work-family conflict (Carlson & Perrewe 1996; Ford, Heinen & Langkamer 2007; Muse & Pichler 2011). Several studies on the connection between work-family conflict and career success have been undertaken. The study by Martins et al. (2002) shows that work family conflict is a crucial antecedent of career satisfaction, where the higher the work family conflict, the lower career satisfaction. Similar to this finding, Slan-Jerusalim and Chen (2009) demonstrated that work family conflict contributes to job and career satisfaction negatively. Indeed, extant research on work-family balance has largely used work family conflict as a proxy for work-family balance (Ferguson et al. 2012), although those concepts are theoretically and empirically distinct (Carlson et al. 2009).

The relationship between work-family conflict and career success reported by previous researchers is essentially similar to the relationship between work-family balance and career success, even though the first one is from a negative angle and the latter is from a positive angle. Although work-family conflict and work-family balance have different meanings, some researchers such as Clark (2001), Greenblatt (2002), Pichler (2009), and Slan-Jerusalim and Chen (2009) recognized that the minimum role of conflict, in essence, is similar to the attainment of a work-life balance situation. A lack of work-family balance leading to work family conflict has already been shown by empirical evidences (Grzywacz & Bass 2003; Major, Klein & Ehrhart 2002). Several researchers also agree that the integration of work and family roles can significantly enhance the efforts and contributions towards greater career success (Ballout 2008; Voydanoff 2005). In line with this concept, it can be said that when there is a negative relationship between work-family conflict and perceived career success, there is also a positive relationship between work-family balance and subjective career success.

The discussion above shows both theoretical and empirical evidence that spousal support leads to work-family balance and work-family balance leads to subjective career success. Based on these relationships, this study proposes work-family balance partially mediates the relationship between spousal support and subjective career success.

CONCLUSION

The relationship between spousal support, work-family balance and career success can be explained by using the role theory, the conservation of resources theory and spillover theory.

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KNOWLEDGE MANAGEMENT, STRATEGIC THINKING AND SUSTAINABLE COMPETITIVE ADVANTAGE IN SMALL EKONOMIC ENTERPRISE BATIK BASUREK INDUSTRY AT BENGKULU CITY

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Abstract. Sustainable competitive advantage is essential for the company and organization. Knowledge management and strategic thinking are important things to gain the sustainable competitive advantage and best performance of the organization. This study was conducted to determine whether the small and medium enterprises in the City have implemented knowledge management, strategic thinking and a sustainable competitive advantage? And what about the influence of knowledge management and strategic thinking on sustainable competitive advantage. The data used are primary data from 20 small and medium enterprises Batik Basurek in Bengkulu City, with a number of owners and crafters are 293 people. The sample used in this study were 10 small and medium enterprises and 25% or 73 owners of small and medium enterprises crafters Batik Basurek. The sampling method used is random sampling and the data were analyzed using multiple linear regressions. The results of the research were obtained that there is a positive and significant influence knowledge management and strategic thinking towards a sustainable competitive advantage in the small and medium enterprises Basurek Batik industry in the Bengkulu City.

Keywords: *knowledge management; strategic thinking; sustainable competitive advantage.*

INTRODUCTION

In the current economic context, the growth of knowledge in the organization is synonymous with improved economic performance, creating economic added value and improve the operational efficiency of each organization. The success of organizations today is strongly influenced by how companies acquire and use knowledge in practice in the form of a real, innovative products and services. In these conditions, the performance of a knowledge based organization, inseparable from the Knowledge Management (KM), namely the ability to take advantage of opportunities created by the development of the knowledge acquired (Popsa and Nicula, 2014).

Ghannay et.al (2012) citing that the organization has a lot of resources, but this resources are unique, inimitable, and valuable is the most important for competitive advantage (Barney, 1986, 1991; Prahalad and Hamel, 1990; Wernerfelt, 1984). Knowledge is one of the organization's resources. According Civi (2000) and Gupta *et al* (2000), the only competitive advantage that will be owned by the organization in the 21st century is what they know and how they use. This is because the management and proper knowledge can encourage organizations to become more adaptive, innovative, smart and sustainable (Wong and Aspinwall, 2004a).

Knowledge Management (KM) has become an important strategy to enhance the competitiveness and performance of the organization to apply them to the areas of production, marketing, research and development, labor, planning and innovation and is also considered as creating a sustainable competitive advantage (Sustainable Competitive Advantage / SCA) for the organization (Raja and Zeithaml, 2001; Johannessen and Olson, 2003; Lado and Wilss, 1994; Ofek and Sarvary, 2001). Thus, the KM vision is to enhance the competitive strength of companies or to maintain the competitive strength of companies. KM is the management of knowledge assets within an organization to increase competitive power with focus on product leadership, operational excellence, and customer intimacy. KM is an operational strategy and help the company gain knowledge and information related technology markets. KM also assist companies in innovation, circulation, transformation, apply, store and maintain or improve the company's competitive advantage in the long run (Lee dan Chen, 2005).

In order to remain competitive in an increasingly global environment and volatile, Bonn (2001) stated that the ability to think strategically (Strategic Thinking / ST), it is important for the company. His research identified major weaknesses in the organization is the lack ST on their organizations. To remedy that, he advises organizations split on two different levels, namely the individual level and the level of organisasi. Analisisnya shows that at the level of individuals, especially senior managers, must have a holistic understanding of the organization and its environment; they must be creative and must have a vision for the future organization. At the organizational level should design selection and assessment

process that focuses on the ability of ST and or adaptation to changes, is no longer the traditional selection criteria such as experience and past performance. At the organizational level, it is necessary to make "Stratgis Thinking Forum" as a place processes and systems that drive continuous strategic dialogue between top management team and harness the ingenuity and creativity of every employee. This requires the company's commitment to promoting innovation and change and a willingness to involve people throughout the organization. Organizations that successfully manage ST at the level of individuals and organizations will be able to create core competencies to facilitate interaction and learning organizations across Strategic Business Units and functional areas. These core competencies will be difficult to imitate competitors, making the organization more flexible and adaptable to change, and help to survive and succeed in a turbulent environment in the twenty-first century.

Sustainable competitive advantage (Sustainable Competitive Advantage / SCA) is the most important thing for the company, even more so for profit-oriented company. There are many SCA understanding of some of the results of research, cited by Alpirefic *et al* (2005) interpreted in terms of being able; get ... an ongoing basis; above-average profit on invested capital in relation to the competition (Grant, 2002), surplus value of the product over the cost of production (Porter, 1985), or, the best performance in "competitive arena". Some of the new definition of relevant states that SI is "superior value provided consumers and differentiate your business from its competitors" (Ryan, 2003), Creation of a system that has a unique advantage outranking (Heizer, 2003).

According to Davies (2005), there are two approaches to improve SCA, the first market-based approach (market based view), based on industry analysis of the strengths, weaknesses, opportunities and threats, and the positioning of the company. This approach evolved since 1980 with Michael Porter as its main author. According to Porter to run a market-based ST to acquire SCA there are two things to do that select attractive industry and choose strategies generic cost leader, differentiator or focused firm. However, market-based view, failed to explain why the company at the same level in the industry are performing differently or why companies have different levels have the same performance? With missed her these questions, then conducted various studies and obtained a second glance, resource-based view that emerged since 1990. This approach can be explained that SCA can be enhanced by having a unique resource, it is difficult to substituted and imitated, long-term value that can be maintained by the owner of the company. Resource-based view can be tangible (equipment and space), intangible (intellectual property, patents and reputation), or the ability (skills, routines and culture). However, the intangible resources and capabilities more may increase the advantage, because it is more difficult to replicate.

KM and ST plays an important role for all companies in maintaining and improving the company SCA. Although KM, ST and SCA is very important for the company, but has not been much research done on small businesses. In fact, Micro, Small and Medium Enterprises (SMEs) become a mainstay of the economy in Indonesia, because when economic conditions fell SMEs can always survive. SMEs reached 99 percent of the total number of businesses in Indonesia; therefore the government is attempting to develop the SME sector to be more advanced and can become the backbone of the economy in Indonesia. Various attempts have been made such as the development of SMEs, which is done through training to SMEs and SME board funding agencies, dissemination of results of research, education, and dissemination to SMEs on financial management, and information exchange (Kompas.com 2013).

Bengkulu province is also developing small and medium businesses by implementing regulations and training as an effort in kcil and medium enterprise development. One area of SMEs developed and preserved is Batik Besurek industry, by maintaining and developing motifs and still preserve its existence Batik Basurek. Various attempts have been made to develop it. Such efforts include the provision of capital in the form of loan / credit from financial institutions, provide training to artisans and establish batik Basurek as mandatory uniforms for elementary school students to high school. Batik Besurek also be made mandatory attire for Civil Servants in the region of Bengkulu province since 1990 (Kompas/12/2011). This study was conducted to determine whether the small and medium enterprises in the city of Bengkulu have implemented knowledge management / KM, strategic thinking / STdan sustainable competitive advantage / SCA? and what an important role both in influencing the competitive advantage?

Knowledge Management (KM)

Aktharsha (2011), knowledge is an important organizational resources. Unlike other information sources organizations institutions, the application of existing knowledge has the potential to generate new knowledge. Knowledge is not only rechargeable but can also be combined and merged to generate new knowledge. Once created, the knowledge can be articulated, shared, stored and re context to generate options for the future. For all these reasons, knowledge has the potential to improve outcomes across space and time.

KM is a key factor that can help the organization to maintain the SCA in a volatile environment. Organizations should switch keinisiatif KM and technology to utilize the resources of knowledge. KM can be defined as a systemic and organizational processes specific to acquire knowledge, organize, and communicate with other employees so that employees can take advantage of such knowledge to be more effective and productive in their jobs (Kankanhalli, Tan, and Wei, 2005). KM is also important in the relationship between organizations.

Another opinion, KM is a routine based capability (Mustaghfir, 2009), and is the only source of SCA for an organization (Grant, 1996; Kogut and Zander, 1992). Gould et al. (2001) and Lee and Choi (2003) shows how some aspects of the culture of the organization, structure and technology directly related to KM. Similarly, research conducted by Nonaka (1994) revealed that some aspects of the organizational structure and the influence of organizational culture to create a process of knowledge within the organization.

KM is today considered a process rather than product (Moustaghfir, 2009). This recognition has resulted in a large number of knowledge management framework defining the activities which are of KM in an organization (Heisig, 2009). Most frameworks KM activities include identifying, acquiring, creating, storing, sharing and utilization of knowledge by individuals and groups within the organization (Heisig, 2009; Soliman and Spooner, 2000; Zhengetal, 2009). KM performed through three processes: knowledge acquisition, knowledge creation, knowledge utilization and knowledge sharing (Davenport and Prusak, 1998; Gold *et al.*, 2001; Heisig, 2009). Knowledge acquisition refers to the process by which new knowledge is obtained from outside sources, creation of knowledge is a process of transformation of newly acquired knowledge to the context of the organization, and utilization of knowledge and sharing is a process of continuing to implement (or exploit) new knowledge is created and shared from individual to individual or group, Heisig (2009), suggests four factors that context is essential for knowledge management: 1) human-oriented factors such as culture, people, and leadership; 2) the organizational process and structure; 3) technology; and 4) management processes such as strategy, objectives, and measurements, (Sun, 2010).

KM can be defined in various ways, Gaoetal. (2002) identified KM as a process that requires the activities undertaken to initiate a purpose. Sun (2010), said KM as a process due to growth. In some cases KM referred to as a technical platform that is used to maintain and provide knowledge (Liebowitz, 2004; Marshall and Brady, 2001; Randeree, 2006) while others see it as an activity that is realized by people (Datta and Acar, 2010; Mohamed *et al.*, 2006). KM as the activities are realized, the merger of the team as a sub-process of KM will be experienced in improving the effectiveness, efficiency, and production organization. Lastres (2011) defines KM as the collective wisdom of the organization on how to recognize (know-how) to create systems and processes to support and facilitate the identification, arrest, dissemination and use of knowledge organization to meet business objectives". Many organizations have realized that the collective wisdom of this lies in the intellectual capital of its employees. Creation process can be done by utilizing the team as a sub-process for the KM to get the organization's goals.

Strategic Thinking (ST)

Bonn (1994) explains the difference between the ST (Strategic Thinking) and strategic planning and argued that focusing on the strategic planning and analysis related to articulation, elaboration and formalization of existing strategies. ST on the other hand, emphasizes on the synthesis, using intuition and creativity to create "an integrated perspective of a company ", that strategic planning is a process that must occur after ST.

Bonn (2005) defines the ST, as a way to solve strategic problems by combining rational and convergent approach to the process of creative thinking and divergent. The orientation of these processes focuses on how the efforts of senior managers in managing the organization to understand and take strategic action in a very complex environment, ambiguous and competitive. It is essential for strategic decision making and may provide a key to better understand the phenomenon of organizational change and ultimately, the performance and survival of the organization. ST is very closely linked to sustainable action and interrelated processes.

A major element in ST by Bonn (2005), is a system thinking is characterized by change of view the organization as a conglomerate of divided compete for resources, to view and manage the corporation as a holistic system that integrates every part in relation to the whole Kaufman (1991), the ability to stay out of trouble for daily operations (Garrat 1995), and to see how different problems and issues that are connected to one another, how they influence each other and what the effects of the solutions are certain things to it -hallainnya (Liedt, 1998). Creativity is about ideas and the development of new solutions to create SCA, ST must find new and better approaches to imagine ways of doing things. Creativity is the creation of something valuable, useful new product, service, idea, procedure, or process by individuals who work berama together in complex social systems (Woodman et al. 1993), combine or make

connections between things that may seem unrelated (Robinson and Stern, 1997), how to approach to the problem and the solution - their capacity to put ideas exist together in new combinations (Amabile, 1998), the ability to produce many alternative solutions to problems and to develop or identify an association or pattern (Ford, 1996). Vision, are the values, priorities, and clarity about preferensi- to help them develop an appropriate strategy and design appropriate action (Weick, 1995), for conveying the direction and provide a focus for all activities within the organization (Collins and Porras, 1998).

Sustainable Competitive Advantage (SCA)

Since two decades ago, the concept of SCA is defined as the ability of organizations to implement a strategy that would fully utilize the internal strength while effectively neutralize external threats. The organization is believed to have gained a competitive edge when they are able to create and implement a strategy that is not exercised by their current competitors. SCA, on the other hand, is achieved when the current competition or even competition in the future can not duplicate the development strategy of the organization. (Nadarajah and Kadir 2014).

Competitive advantage occurs when a company has one or more competencies that enable to create superior value, relative to competitors, to some market segments (Hunt and Morgan, 1995). Porter and Kramer (2006), proposes that the advantages of sustainability is "inescapable priority for business leaders in each country. So that the company can maintain a sustainable advantage, it should be difficult for competitors to duplicate the competences of the company due to the fact that they are rare, valuable, can not be imitated perfectly and have little strategic substitution (Barney, 1991).

Furthermore Barney (1991) explains that the organization wanted the SCA needs to instill four key attributes for SCA, value, rarity, not able to be replicated, and there is no substitute. Values shown the ability to exploit the element of SWOT covering strengths, weaknesses, opportunities, and threats. Rare relates to the ability to create a unique set for perusahaan differentiate from rivals. Next, unable to be imitated is the ability to create value that is difficult for competitors to duplicate. Difficulties could be due to the high investment cost, complexity or particular skill. Finally, there is no substitution (replacement) is when a rival can not replace capabilities with other similar resources. There are instances when a rival, after learning capability will try to emulate. However, when the rivals realize that the ability can not be imitated, they will rearrange or replace with the same resources. Capabilities with the ability not biased imitated elements would be difficult for any rival to search for the same resources for substitution.

Sustainability does not refer to a specific period of time calendar, nor does it imply that the benefits last forever (Gunther et al., 1995); it depends on the likelihood and degree of duplication competitive. Fahy (2000) states the assumption that the desired result of managerial effort in the enterprise is SCA.

In some studies, conventional terms such as market share and profitability (Bharadwaj et al., 1993) have also been used as a barometer measuring superior performance that lead to SCA. In their proposed conceptual model, Bharadwaj et al. (1993) made an effort to integrate SCA factors from various fields such as management, marketing and economic organization of industry to explore the implications of the distinctive characteristics of the company to achieve SCA (Fahy, 2000). They noted that it is an internal resource. Companies that are not available to competitors who have a great potential to generate superior competitor advantage as opposed to environmental factors are very much available for all other competitors. In addition to capabilities such as team-embodied knowledge, organizational culture and history, Bharadwaj et al. (1993) also includes a set of formal rules and structures that govern the way people connect and enterprise culture and history as an important point for the success of an organization. This view is shared by (Barney, 1986; Dennison, 1984; Kotter and Heskett, 1992) which states that a company with strong values, a shared belief and vision of the company will outperform weak.

According to Grant (1995) SCA is a dimension of durability, mobility and impersonation. Endurance is a measure of the ability and resilience of the organization to counteract imitation from competitors. Mobility, on the other hand, refers to the extent to which resources can be transferred between the competitors together and impersonation that describes the ease with which resources can be copied by competitors (Chaharbaghi and Lynch, 1999). Based on all points of view, sustainability, basically, consists of various subsets internal and external to the organization and (Chaharbaghi and Lynch, 1999), best thought of as a dynamic process rather than konsep statis locked in time. SCA can be termed as the prolonged sustenance value-creating and value-providing strategies that non imitable or not simultaneously carried out by a rival organization currently.

Knowledge Management, Strategic Thinking, and Sustainable Competitive Advantage

Since 1990 (Clarke, 2006), KM is increasingly recognized as a source for the company SCA. Drucker (1991) states, improved knowledge and productivity of workers is a priority of major economic and social pressures are also a challenge for developing countries. Models of competency-based

companies view organizations as a collection of competencies that can be developed, maintained, merged or removed to create SCA (Prahalad & Hamel, 1990).

Knowledge is increasingly considered as a means of survival in a dynamic and competitive environment (Laudon and Laudon, 2000). Nissen (2004) stressed that an efficient flow of knowledge is critical to the performance of the company. Despite the important role of knowledge, is often not managed systematically and its contribution to the company's success is often overlooked. The company believes that investment in knowledge processes is unlikely to increase their business and generate enough revenue (Hiebeler, 1996) only companies that can organize KM properly can preserve the SCA.

Honey (2003), the knowledge needs of the organization formed by the business context in which the organization operates. In addition to traditional components in a business context (such as competitors, customers, suppliers, and the regulatory environment), new factors are becoming increasingly visible (Drucker, 1992; Prahalad & Hamel, 1990), which makes business become more complex. Author literature management and strategy (Champy, 1995; Drucker, 1995; Hamel & Prahalad, 1994a; Hammer & Champy, 1993; Porter, 1990) agree on changes affecting four main areas of business: 1, the organizational structure; 2, the demographics of the workforce; 3, the role and responsibilities of the employee; and 4, information technology, and therefore required the resources of knowledge in the organization to respond to the changing business environment is becoming increasingly important to quickly and effectively (Prahalad & Hamel, 1990; Stewart, 1993).

KM has become increasingly important with the results of a study proving effective KM contribute to the SCA (Connor and Prahalad, 1996, Hall, 1993) improved financial performance (Teece, 1998; Wiig, 1997); innovation (Antonelli, 1999; Carneiro, 2000; Dove, 1999; Nonaka and Takeuchi, 1995); anticipate problems (Carneiro, 2000); improvement of organizational learning (danCarter Buckley, 2000); and the use of superior information (Carneiro, 2000), and empirically (Darroch, 2005) proved that KM significant effect on innovation and company performance. This was in line with the theory of Penrose (1959), knowledge of employees is based on skills and experience and its ability to absorb new knowledge. Therefore, while knowledge is a resource in itself, the way in which knowledge is managed and digunakan affect the quality of service that can be used from any resource owned by the company. An alternative way to look KM is considered as a coordination mechanism that allows resources to be converted into capabilities (Nelson and Winter, 1982). Furthermore, Nelson and Winter (1982) proved, coordination mechanisms are needed to ensure people not only know their own job but also be able to interpret and respond to information flowing into the organization, knowledge management is a simple way to use it.

Organizational management based on knowledge serves to ensure the regulatory system in the organization in accordance with the evolution of modern organizational and customer requirements. Knowledge is a key factor for productivity and innovation for any organization. Especially for the modern enterprise, it is very important to use management tools to identify the most appropriate way to maximize the volume of knowledge, in order to develop a mutually beneficial relationship with the organization's stakeholders (Popsa and Nicula, 2014).

One of the main conditions for the success of the company in a competitive environment is to identify how to maintain the SCA. To develop and exploit the SCA, the company must have the ability to be used to create a valuable resource, rare and difficult to imitate (Barney, 1991). Enterprise resource-based theory indicates that the company's resources and its ability to influence the growth and performance of the company (Penrose, 1959; Barney, 1991; Mahoney and Pandian, 1992).

RESEARCH METHODS

This type of research is descriptive quantitative research to obtain an overview of KM at Batik Basurek business in the city of Bengkulu. Sugiyono (2005) gives an idea of the quantitative descriptive research as a method in researching the status of human groups, an object, a set of conditions, a system of thought or class events in the present. The purpose of this descriptive study was to create a description, picture or painting in a systematic, factual and accurate information on the facts, nature and the relationship between the phenomenon investigated by calculating the statistics and hypothesis testing.

Operational Definition

1. KM activities include identifying, acquiring, creating, storing, sharing and utilization of knowledge by individuals and groups within the organization are carried out through three processes: the acquisition of knowledge, creation of knowledge, and the use and sharing of knowledge in the environment Batik Basurek Enterprises in the city of Bengkulu.
2. ST is a way to solve strategic problems by combining rational and convergent approach (centered) with the process of creative thinking and divergent (spread to all members of the organization), which

is an act that is sustainable and interrelated processes with dimensions of system thinking, creativity and vision in Batik Basurek Business environment in the city of Bengkulu.

3. SCA's competitive advantage is the company that has one or more competencies that enable to create superior value, relative to competitors for several market segments, by implanting four key attributes for SCA, value, rarity, not able to be replicated and no substitution.

Data Collection Technique

Data collection techniques used in this study are: questionnaire method is a technique used for data retrieval in order to obtain information that is really needed by making a list of questions, disseminate and collect back. In response to questions questionnaire, used measurements with "Likert scale". This method is a systematic way to give it a score on the index (Singarimbun and Effendi, 1995: 111), each of which is given a score, Alternative answer Strongly Agree (SS) by a score of 5, the answer Agree (S) by a score of 4, the answer quite Agree (CS) by a score of 3, the answer Disagree (TS) by a score of 2, and the answer Strongly Disagree (STS) were given a score of 1.

Respondents Determination Techniques

The population in this study are all Batik Besurek industry registered at the Department of Industry and Trade of the city of Bengkulu, which amounted to 20 businesses which has 293 owners and workers. Batik Besurek enterprises selected using simple random sampling of 50% of the total population, ie as many as 10 businesses Batik Basurek and respondents by 25% with the number 74 and pekeranya owner. To analyze the data, the method used is multiple linear regression.

ANALYSIS AND DISCUSSION

Knowledge management applied to small and medium enterprises in the city of Bengkulu is good. Knowledge management is the process by which organizations acquire knowledge. Dimension highest conducted on knowledge management in small and medium enterprises is the creation of knowledge. Knowledge creation is done by means of dialogue fellow team members to discuss new things about the job. Before carrying out the work and at the time of carrying out the work, the workers used to coordinate with artisans/ employees of the business owner and co-workers to discuss the work to be done, efforts to improve the quality of work, preparing the follow-up action will be taken, and discuss all things related to the job.

KM is starting from the acquisition of knowledge. The acquisition of knowledge in this study had an average score of the lowest compared with the average score ratings overall knowledge management. The acquisition of knowledge means that artisans/ employees are always acquiring new knowledge from various sources. However, employees/ crafter very rarely do job rotation, resulting in them only know one kind of work alone. For the craftsman/ employee must strive to seek knowledge for themselves. Knowledge can be obtained from the business owner, books, internet, and social media at their disposal. Craftsman/ employee should always seek new knowledge from various sources individually, or together prajin other and business owners, especially over the trsdia latest knowledge about small and medium enterprises from a variety of sources.

Knowledge creation is done after the acquisition of knowledge. Knowledge creation has an average score highest, where the craftsman/ employee support policies and regulations that have been established business owner, always in dialogue, communicate and has a good social relationship between one part and another. Activities tersbut course will bring new ideas, and new knowledge.

Furthermore, the dimensions of the use and sharing of knowledge is also an important dimension. If the knowledge that has been collected then discussed but not utilized and shared with fellow artisans / employees in the field or in other fields, the knowledge becomes beneficial, stored or used only for us. It turned out that this condition is consistent with the findings (Fong and Choi, 2009), which states, despite the important role of knowledge, but knowledge is often not managed systematically, and its contribution to the company's success is often overlooked. The Company believes that this kind of investment in the process of knowledge is unlikely to improve their business and generate significant revenue.

In the future it is necessary for small and medium enterprises to further increase investment in an effort to cultivate a knowledge management by buying books, bulletins, e-book, or other means to improve knowledge so that knowledge acquisition process is easy to implement. The acquisition of knowledge is necessary to continue with the creation of knowledge through discussions weekly or monthly, so it will obtain new knowledge and ultimately can be used to improve the performance of small and medium businesses and can ultimately improve competitive advantage. (Hiebeler, 1996) only companies that can manage with good knowledge can preserve its competitive advantage.

Sustainable Competitive Advantage (SCA)

In general, small and medium enterprises in the city of Bengkulu has had a good SCA, and the most dominant is the dimension of value, in which artisan learns the powers that be in the business of small and medium businesses, and they also know the opportunities that are in the business. On the dimension of no substitution / replacement, can not be imitated and rare, is below the average SCA as a whole. This means that although existing SCA on small and medium enterprises especially on batik Basurek, but has not become a tool for creating sustainable competitive advantage.

Future must be pursued in order indicator SCA on small and medium enterprises actually appear to produce valuable products, which perain and workers to know their strengths, weaknesses, opportunities and threats of its products. This knowledge will pndorong crafters to be responsive to the needs of local and national consumer, understand the threats that may arise from competitors, and capable menadikan weaknesses and threats as a business opportunity. Craftsmen are able to produce high quality products, using high quality raw materials, are able to make products with motifs, patterns and colors that are different from competitors. In the end, small and medium enterprises, especially Batik Basurek must have values that are difficult to follow by other businesses, has a special way of working, have special skills and become difficult to duplicate. For that mreka should be able to find ways to make investments increased knowledge through training, internships, study and further studies can obtain funding source willing to pass up or sharing payment for his efforts.

Knowledge Management (KM) dan Sustainable Competitive Advantage (SCA)

Simple regression calculation results show that KM positive and significant effect of the SCA. That is, if the acquisition of knowledge, knowledge creation, use and sharing of knowledge can be improved, it will hopefully be able to increase the SCA on small and medium enterprises.

CONCLUSION

The survey results revealed: Knowledge management in Batik Basurek SMEs in the city of Bengkulu has been executed, ST has gone well, and SCA has run well too. KM and ST directly affect knowledge management positively and significantly.

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UNDERSTANDING HOW SMEs CREATIVE INDUSTRIES CAN IMPROVE INNOVATION PERFORMANCE

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Abstract. This study aims to understand factors which affecting innovation performance in SMEs creative industries. SMEs in Indonesia have proved its existence. SMEs were able to survive in the financial crisis of 1998 and the economic crisis of 2008 while many large companies being collapse. Literature review from previous studies found that the innovation performance can be formed if an organization adopts a market-oriented strategy, an innovation-oriented strategy and a service-oriented strategy in their business models. The third strategy can not be realized if SMEs does not have an excellence in term of service culture. This study seeks to interpret causal correlation that shape innovation performance into a structural relationship model. Model testing is done using a sample of 300 respondents' of SMEs creative industries in Bengkulu Province. The data were obtained using a questionnaire instrument distributed by purposive sampling. The results showed that only market orientation strategy and service innovation strategy which effectively impacting on innovation performance. This study is also proved that market orientation can be created if an organization having good service culture. The significance of this relationship shows that SMEs that have a strong service culture tend to be market oriented. Market orientation and service orientation conducted by SMEs will affect innovation performance.

Keywords: *service culture, market orientation, service innovation, service orientation, and innovation performance.*

INTRODUCTION

Data from various countries show that Small and Medium Enterprises (SMEs) have important role for their national economies. As an example, European Commission report in 2011 states that the number of micro enterprises in 27 countries that joined the European Union (EU-27) of about 19 million companies (91.84%) and absorb 39.6 million workers (29.7%) (Daskalakis, *et al.*, 2013). Central Bureau of Statistics Sweden states that in 2005 approximately 98% companies hiring employees' just less than 250 people (Agndal and Chetty, 2007). Singapore which is a neighbor of Indonesia has 80 thousand companies that contribute added value to the economy of this country of about 30% and employs about 40% of the workforce in this sector (Ghosh, *et al.*, 2001).

In Indonesia, SMEs have to prove its existence. They were able to survive in the financial crisis of 1998 and the economic crisis of 2008. This is because their ability to adapt quickly to a changing environment and make decisions more quickly and decisively, without going through the procedures and bureaucracy. The contribution of SMEs to GDP Indonesia can not be underestimated. According to the report from State Minister for Cooperatives Small and Medium Enterprises in 2012 approximately 44.45% Indonesian GDP sourced from SMEs. In addition, SMEs can create jobs in a very large amount, ie about 97.24% of the workforce in Indonesia or about 101.722 million workers.

Although the majority of SMEs able to survive in conditions of economic crisis, it does not mean SMEs do not face obstacles in their activities. One of the factors that hinder the development of SMEs is low competitiveness compared with large companies. The inability of SMEs achieve economies of scale, meant to describe the higher production costs (O'Dwyer, *et al.*, 2009) and ultimately have an impact on the selling price of the product is more expensive compared to large enterprises. Other constraints faced by SMEs are (1) lack of resources, both financial, time, and knowledge of marketing, (2) lack of specific expertise (owner generally not a specialist), and (3) a limited impact on the market (Gilmore, *et al.*, 2001).

In addition to its limitations and constraints, SMEs has several advantages better than the big companies. Ghosh, *et al.* (2001) research result concluded that one factor of success SMEs has excellent performance is the capability of a good market orientation. Another advantage is because SMEs more innovative (Hughes, 2006). Forrest (1990) believes that small companies can not compete with the use of economies of scale against large companies, but they have a competitive advantage lies in the development of innovative products or processes. In addition to the development of innovative products and processes, SMEs can initiate and implement innovations in technology and administration (Salavou, *et al.*, 2004). According to O'Dwyer, *et al.* (2009), when the SMEs facing limited growth conditions and compete with competitors that have big resources, SMEs can compete by combining innovation and

pioneering work. Pioneering SMEs resulting from the adoption of the business structure, strategy and culture are flexible.

Researchers such as Becker and Homburg (1999) and Matsuno *et al.* (2002) found the tendency of companies to innovate only is not enough, because the company requires market orientations that have a positive impact on the performance of organizations. Results from other studies found that small firms that innovate can increase their chances to survive in competition and growth (Cefis and Marsili, 2003; de Jong and Marsili, 2006). Therefore, market-learning oriented firms produce innovation that is more profitable than technologically-oriented firms. Salavou, *et al.* (2004) concluded that market-oriented SMEs tend to face fierce competition situation. However, they have a tendency to be more innovative.

Other researchers have also revealed the role of the organization in creating innovation. For example, research carried out by O'Reganet, *et al.* (2006) concluded that innovation is driven by corporate culture, leadership and strategic planning. Results of research Humphreys, *et al.* (2005) showed that organizational culture is much more important in promoting innovation in comparison with companies that focus to new products, technologies, and processes. Service culture within an organization is key in generating innovation leadership and ultimately the company can create and implement these innovations successfully (McAdam *et al.*, 2010). Other opinions on the relevance of innovation and corporate culture raised by Johnes and Davies (2000) and Carroll (2002). According to them, innovation from SMEs is the embodiment of the corporate culture that encourages participation, networking, inclusion, and experiments across the organization.

LITERATURE REVIEW

Service Culture

Service culture is defined as a culture that focuses on customers (customer centric culture) to be able to meet customer expectations and produce superior value through the development of services and competencies performance (Beitelspacher, *et al.*, 2011, pg.215). Additional views submitted by Grönroos (2000) which defines service culture as “a culture where respect for service excellence grow, and the provision of services to internal and external customers is considered as a way of life and is considered as one of the most important norm for all members of the organization”. According to Zeithaml and Bitner (2000), this definition has implications on employee behavior. First, service culture will arise if there is an appreciation for good service. This expression does not mean that the service provider has an advertising campaign that emphasizes the importance of service, but people know that good service appreciated and valued. The second point asserts that the definition of service excellence provided to internal and external customers. Promising excellent service to external customers are not enough. Everyone in the organization deserves excellent service quality. Employees who are satisfied with the internal services tend to meet the needs of external customers. Finally, in service culture context, service excellence is the way of life of all people and service excellence is an important norms in the organization.

Service Orientation

Research which was studying of service climate in organizations is increasingly gaining interest among academics lately. The interest of researchers stimulated by the results of research studies conducted by Lytle, Hom, and Mokwa (1998) and Shneider, White, and Paul (1998). Their research is based on the strategic philosophy should be done by service organization to achieve competitive advantage through the creation of more value to customers. The emphasis on more value obtained through the presentation of excellent service to customers. Lytle and Timmerman (2006) stated that delivery of service excellence is not enough simply to prioritize presentation of superior service to external customers but also to provide good service to internal customers. Organizations oriented to service excellence adheres to the idea that excellent service is a strategic priority and the service greatly influenced the creation of superior value, competitive advantage, growth, and profitability (Lytle and Timmerman, 2006).

Lytle, Hom, and Mokwa (1998) define organizational service orientation as: “*An organization-wide embracement of a basic set of relatively enduring organizational policies, practices and procedures intended to support and reward service-giving behaviors that create and deliver "service excellence."*”

Definitions are almost same was stated by Schneider, White, and Paul (1998). They conducted a study to learn about a climate for service in terms of consumer perception about the quality of service. Shneider, White, and Paul (1998) mentions that a climate for service is: “*Employee perceptions of the practices, procedures, and behaviors that get rewarded, supported, and expected with regard to customer service and customer service quality.*”

The similarity of the definition put forward by the two groups of researchers has provoked a polemic that service climate is deemed equal to the service orientation. Lytle, Hom and Mokwa (1998) states that service orientation is a dimension of organizational climate as a whole. Therefore, practices,

procedures, and policies that provide support to delivery of excellent service to customers will provide direct implications for service climate. Kelley (1992) argued that service climate is one of the characteristics of service delivery and quality of service that differentiates an organization to another. Kelley (1992) also mentioned that the results of service climate include individual behavior in organizations. Opinions Kelley (1992) implies that organization that have a positive service climate engaged in the practices, procedures, and certain policies that encourage employee behavior in presenting an excellence service.

Market Orientation

Kohli and Jaworski (1990) looked at market orientation as an attempt by an organization to understand their customer (needs and preferences) as a whole in the current and in the future. Understanding customer as a whole means that not only focus on the customer, but also an understanding of the external factors that can influence customer behavior such as competition and government regulations. In this case, the view of Kohli and Jaworski (1990) more emphasis on the process or behavior within market orientation. It is of course different from the opinion and Narver Slater (1995) who view the market orientation as a part of culture. Market orientation is defined by Slater and Narver (1995) as (1) culture which positioned the highest priority on the creation of favorable earnings and maintenance of superior customer value without ignoring the interests of other key stakeholders and (2) provide the norms of behavior for the development of the organization and the ability respond quickly to the information in the market.

Kohli and Jaworski (1990) states that the market orientation can be explained by three constructs, namely intelligence generation, intelligence dissemination, and responsiveness. Other researchers, Narver and Slater (1990) states that the market orientation construct consists of three components of market orientation in terms of aspects of behavior (customer orientation, competitor orientation, and interfunctional coordination) and two decision criteria (long-term focus and profitability). Customer orientation with respect to the company's efforts to seek information about consumer needs (current needs and requirements in the future) and take action based on this information while competitor orientation relating to the company's efforts to seek information about the strengths and weaknesses of competitors, strategies and the ability of the company itself in the long term, and to take action on this information. Meanwhile, the company's efforts to coordinate action taken in the creation of value for customers by distributing information about competitors and customers internally is interfunctional coordination. The conclusion made by Narver and Slater (1990) concerning customer orientation, competitor orientation, and interfunctional coordination as part of the construct of market orientation is consistent with that expressed by Kohli and Jaworski (1990).

Moreover, Kohli and Jaworski (1990) states that the market orientation should be viewed as a process rather than as a cultural. Narver and Slater (1990) also define market orientation as a culture that is highly effective and efficient in creating behavior for the creation of more value for consumers. Furthermore, market orientation can be divided into three components: customer orientation, competitor orientation, and coordination between functions. Similarly Deshpande, et al. (1993) which states that the market-oriented culture that leads to the pattern of distribution of values and beliefs that put the interests of consumers as the main. Market-oriented organization committed to the business strategy to attract and give satisfaction to the consumer.

Service Innovation

Innovation is essential for any company that wants to remain competitive (Darroch and McNaughton, 2002). To be successful in the increasingly fierce competition, the company's main task is to understand the perceptions, needs, and desires of the market and then create products with superior value. Considering superior value is highly subjective and exists only in the minds of customers, companies also need to learn their opinion about the values of products. In another sense, companies need to conduct research on the opinions and perceptions of customers about what consumers get from consuming the product (product benefits) and what they have to sacrifice to obtain a product (product costs). Learning from customer needs and competitor behavior reflects a thorough understanding on both and ultimately provide valuable input to the process of innovation (Weerawardena, 2003).

According Weerawardena (2003, hal.412), innovation is defined as: "...application of new ideas for the company and create added value for the company either directly or indirectly to customers, regardless of whether the novelty and value-added embodied in products, processes, work systems organization or marketing system".

External factors that can affect innovation in SMEs is the type of market (Sebora et al., 1994), strategic orientation, market orientation, and the level of competition (Laforet, 2008 and Salavou, et al., 2004). In the literature, the factors relating to competition, in particular industry concentration and barriers to entry have been known as the main determinants of innovation (Kraft, 1989). In this case,

Kraft (1989) argues that the lack of competition makes innovation less necessary. Other studies, such as Dasgupta (1980) concluded that companies operating in the environmental characteristics of the greater competition, lower concentration and barriers to entry are not difficult tend to have better performance in product innovation. But on the other hand, Abernathy and Utterback (1978) has a different opinion, that intense competition may eliminate the desire to innovate. According O'Regan and Ghobadian (2005), the company that gives greater attention on innovation and operates in a highly dynamic environment has the characteristics of short product cycles, rapid technological change and intense competition.

Meanwhile, Godfrey, et al. (1995) defines service innovation as an innovation in process and product innovation in existing services within the organization. Service innovation is described as a development of the activity of the company in providing value added to the product's core services for the company's core services to make products more attractive in the eyes of consumers. Development is done tends to involve interaction with customers and products associated with existing services or new service products. John and Storey (1997) argued that the company should develop service products appropriately and in accordance with the interests of consumers since the service interaction is an important part of the company's offerings. Service innovation is then adjusted with an assortment of product delivery or value-added of services to enhance the customer service experience. Service innovation can be influenced or affected by the product's core services.

Innovation Performance

The company's fruitfulness to delivering customer satisfaction, increase market share and win competition inseparable from company's ability to continue developing sustainable innovation. Innovation has provided benefits for the company and these innovations give something valuable and unique in the eyes of consumers, while competitors are not able to do so. Conversely, innovation performance becomes more difficult to achieve when innovation created easily imitated or substituted for other products by competitors (Laursen and Salter, 2006; Tsai, 2009). Innovation performance with respect to the results achieved by the company is how much the company has introduced new products or improve its services in the market (Wang, 2015).

Research Hypotheses

Hypothesis in this study are:

- H1 : Service culture have significant effect on market orientation
- H2 : Service culture have significant effect on service innovation
- H3 : Service culture have significant effect on service orientation
- H4 : market orientation have significant effect on innovation performance
- H5 : service innovation have significant effect on innovation performance
- H6 : service orientation have significant effect on innovation performance

RESEARCH METHOD

Research Design

Type of research used in this study is causal, which aims to investigate the possibility of a causal link that explains phenomenon (Cooper and Schindler, 2008; Sekaran and Bougie, 2010). In addition, this research is quantitative research, which aims to clarify and examine the effect of market orientation, service innovation and service orientation on the innovation performance. The role of a service culture is also a review of the investigation in this study. This study will only be done at a particular time that would indicate a phenomenon to answer research questions that will be examined, so this study was using research design of cross sectional (Neuman, 2006, h.36; Cooper and Schindler, 2011, h.142). The methods used in this study were interviews with leaders in the public sector and a survey using a questionnaire as a basis to analyze about self-belief or behavior (Neuman, 2006, h.273).

Sampling Design

The study population was all SMEs creative industries in the city of Bengkulu. The number of the population cannot actually be known because there is no accurate data on SMEs creative industries in Bengkulu. Because no sampling frame that can be used as a reference to use probabalistic sampling techniques, the sampling technique used is non-probabilistic sampling. This study uses data collection methods that are accidental. Questionnaires will be distributed to SMEs creative industries in the city of Bengkulu. With respect to the number of variables indicators of this research and application of SEM analysis, respondents who had filled and sent back the questionnaire as many as 300 people.

Data Analysis Method

The analytical method used in this research is Structural Equation Modeling (SEM). SEM is a multivariate statistical technique that allows testing of a relatively complex structural relationships simultaneously. SEM is a combination of the two methods of analysis, confirmatory factor analysis and

path analysis. Confirmatory factor analysis aims to describe or confirm empirically the characteristics or the structure of a construct or latent variables seen by the manifest variables or indicators conceived as a shaper of the latent variable. While the path analysis is a causal relationship between the latent variable and not manifest variables (Ferdinand, 2000).

In SEM, the model fit test is done by using Goodness-of-test (GOF). Basically, GOF measurement consists of three, which is absolute fit measures, incremental fit measures, and parsimonius fit measures. From many measurement of GOF, at least six measurements that most frequently used which is follows:

Table 1. Goodness-of-fit Test from Structural Equation Modelling

GOF Criterion	Decision Criterion	Boundary of Acceptance
Chi-square	$Chi-square = 0$ (perfect fit)	X^2 value
RMSEA	RSMEA = 0 (perfect fit)	0,08 (fit model criterion)
GFI dan AGFI	0 (doesn't fit) – 1 (perfect fit)	0,90 (fit model criterion)
TLI dan NNFI	0 (doesn't fit) – 1 (perfect fit)	0,90 (fit model criterion)
NFI	0 (doesn't fit) – 1 (perfect fit)	0,90 (fit model criterion)

Source: adapted from Schumacker and Lomax (1996), Hair, et al., (2010)

Interpretation of the results is done based on the output AMOS program that includes: path diagram, output of measurement model, output of structural model and decomposition of correlation between variables. After estimating the model, researchers can still make modifications to the model developed, if these estimates have production levels are not as expected.

Structural Equation Modelling

There are two steps that need to be done in testing the research model using SEM, namely 1) testing of measurement model, and 2) testing of structural model.

1) Testing of Measurement Model

Measurement model used to test a set of items of measurement used to represent the underlying constructs (Hair et al., 2010, h.695). An application of SEM aims to assess the contribution of each indicator variable to represent the underlying constructs and measures how well the combination of a set of indicators represents the constructs (reliability and validity). From the results of testing reliability constructs in the measurement model using Cronbach's alpha can be concluded that all variables in the model meets the required reliability criteria. Reliability testing is also done using construct reliability because assessed better in assessing the reliability of each variable in the model. The results of reliability testing using construct reliability consistent with test results using Cronbach's alpha is found that every variable in the model proved to be statistically reliable. Measurement model testing is also performed using the value of average variance extracted (AVE). AVE value serves to assess construct validity in the model. AVE value ≥ 5 shows that the indicators used were able to present well the underlying latent constructs. Results of analysis showed that all latent constructs have value AVE ≥ 5 which proves that the proposed latent variable proved statistically valid.

Table 2 Construct Reliability, Cronbach alpha, and AVE

Dimensions	Construct Reliability	Cronbach alpha	AVE	\sqrt{AVE}
Service Culture	0.832487	0.836	0.573542	0.757326
Market Orientation	0.835591	0.845	0.564625	0.751415
Service Innovation	0.847935	0.841	0.525325	0.724793
Service Orientation	0.780342	0.783	0.414756	0.644016
Innovation Performance	0.826845	0.812	0.547564	0.739976

2) Testing of Structural Model

After testing the measurement model that includes the validity and reliability on all latent variables, the next step is to test the structural model. There are two stages in testing the structural model, namely goodness of fit and test the significance of the path coefficients. Testing of structural model can be described in Figure 1.

Modelling structural relationship aims to examine the relationship between variables in the model proposed. The test results of the structural model to measure the extent to which the proposed model is able to represent real phenomena observed. There are several criteria used to test the suitability index models. Goodness of fit index results from the proposed model can be described in Table 3.

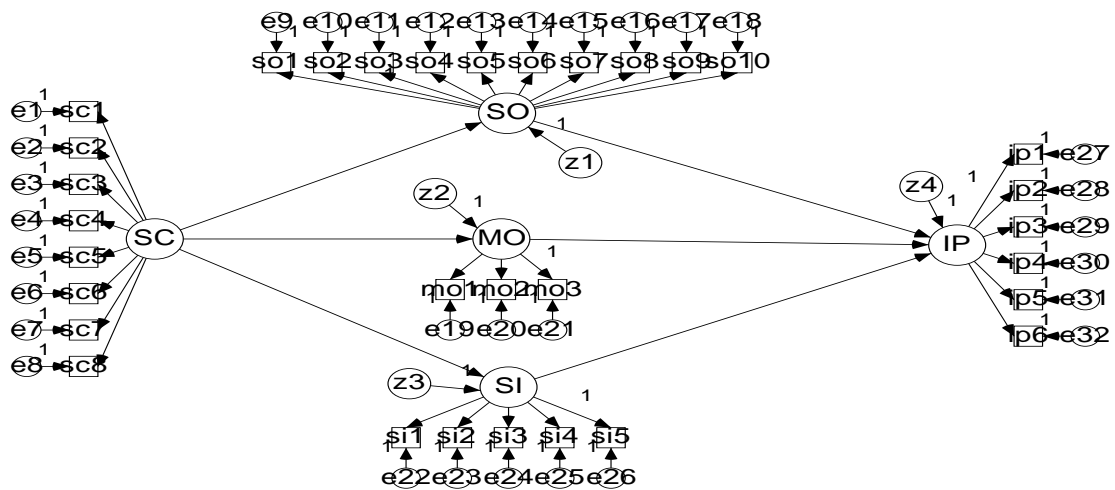


Figure 1 Structural Relationship Modeling using AMOS 16.0

Table 3 Goodness of fit index

Goodness of fit index	Expected value	Index	Conclusion
Absolute fit			
χ^2 (Chi square)	Kecil	582.790	good
RMSE of approximation	< 0.08	0.078	good
Goodness of fit index	> 0.90	0.864	good
Incremental fit			
Adjusted Goodness of fit	> 0.90	0.875	good
Comparative Fit Index	> 0.95	0.927	good
Tucker Lewis Index	> 0.95	0.916	good
Parsimonious fit			
CMIN/DF	≤ 5.00	1.994	very good

The test result of the proposed structural model shows that not all of the criteria of suitability models get good results. Goodness of Fit Index (GFI) provide acceptable results which means that the proposed model can still statistically acceptable because the value fit model is not far adrift of the required. RMSEA value and Parsimonious Fit Index (CMIN/DF) shows that the model produces a good fit the criteria, so statistically the structural model has been able to interpret. Correlations between variables in the structural model are summarized in the following table.

Table 4 Correlation in the model

Covariances		Estimate	S.E	C.R	P
Service Culture	→ Market Orientation	0.646	0.094	7.376	0.000
Budaya Layanan	→ Service Innovation	0.176	0.259	1.756	0.153
Budaya Layanan	→ Service Orientation	0.142	0.214	0.712	0.362
Market Orientation	→ Innovation Performance	0.476	0.119	6.733	0.033
Service Innovation	→ Innovation Performance	0.562	0.108	7.242	0.018
Service Orientation	→ Innovation Performance	0.357	0.198	4.712	0.082

Summary results of testing the correlation between variables in the model revealed that only three of the six hypotheses proposed that proved significant, whereas the other three hypotheses are not proved significant. The results of the correlation between variables will be described in the next section.

CONCLUSIONS AND RECOMMENDATIONS

This study aims to develop structural equation modeling between constructs of service culture, market orientation, service innovation, service orientation and innovation performance partially and simultaneously. Modelling the relationship between construct is needed to be able to conceptualize the real phenomenon of observation into the conceptualization of structural equation model. Modelling the relationship between five variables proposed in this study is also based on the findings and the conceptualization of previous studies. Based on the results of hypothesis testing, it is found that only three of the six proposed hypothesis proved significant, while the other three hypotheses are not proved significant. Hypothesis that proved significant in this study is 1) the relationship between service culture

on market orientation; 2) the relationship between market orientation on innovation performance; 3) the relationship between service innovation on innovation performance. The significance of this relationship shows that SMEs that have a strong service culture tend to be market oriented. Market orientation conducted by SMEs will affect innovation performance. Furthermore, service innovation by SMEs also has an impact on innovation performance.

As an empirical study, the results of this research could yield useful findings for policy makers in an effort to encourage the creation of innovations in SMEs creative industries. From the findings of this research note that an important factor affecting innovation performance of SMEs is market orientation and service innovation. Furthermore, market orientation can be created if SMEs have a strong service culture. These research findings illustrate that if SMEs want to survive amid fierce market competition and a dynamic market, SMEs should be market oriented. Market orientation includes three essential components, namely customer orientation, competitor orientation, and coordination between functions. Market orientation based on the findings of this study can be created if SMEs have a strong service culture. SMEs that have a strong service culture will tend to be market-oriented and will eventually establish innovation performance.

The results also show that the innovation performance of SMEs shape a commitment which emphasizes on service innovation. If SMEs want to enable employees to be innovative, the important factor to consider is encouraging employees to be sensitive to the needs and desires of customers. Identify the needs and desires of customers are not enough if the organization does not realize it in the form of real action. This is popular with the term of service innovation, which is the embodiment of a real application attribute organizations in developing new services to meet the needs and wishes of the users of the service.

Besides useful for small business owners, this study is also expected to provide benefits for researchers further. Results of this study still need to be verified the reliability when applied to other research. Researchers can replicate, modify, or develop the conceptual framework of this research on advanced research that tries to observe the same topic. For further research the results of this study can also be used as a reference and comparison with other similar studies. This study provides theoretical implications in expanding and adding new direction in the research that investigating relationship modelling between service culture, service orientation, market orientation, service innovation, and innovation performance.

Lastly, managerial recommendations are also given for SMEs that want to develop innovation performance in their business which are expected can develop better market orientation and good service innovation in the organization. Market orientation will enable employees (*internal marketing*) perform a variety of innovative services in accordance with the needs and desires of customers, anticipating competitors' strategies, and good coordination between functions within the organization. Good service innovation can boost innovation performance for SMEs.

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THE ROLE OF STRATEGIC IMPLEMENTATION OF CORPORATE SOCIAL RESPONSIBILITY AS SUSTAINABLE DEVELOPMENT STRATEGIC CONSIDERATION FOR BASIC SITUATION MANAGEMENT DECISIONS MAKING IN BUSINESS COMPETITION ASEAN ECONOMIC COMMUNITY (AEC) (A QUALITATIVE STUDY AT PAMOR GANDA CRUMB RUBBER LTD)

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Abstract. This research study purposed to explore and reveal the strategic role of the implementation of corporate social responsibility PT. Pamor Ganda of as sustainable development strategy that will be used for the basic of the extent of management decision making in business competition situation ASEAN Economic Community (AEC). The study is a qualitative research study used a series of field studies that structured interview and participant observation as the primary data collection techniques and the principle have the documentation, and literature as a comparison information. Researcher as a single instrument determining the informant from internal and external parties *Pamor Ganda Ltd.* Through sampling technique which is originated from proportional sampling technique towards snowball sampling with the aim of solving the formulation of three focus studies have been set. The search result of first focus study indicates that the objectivity of the implementation of corporate social responsibility *Pamor Ganda Crumb Rubber Ltd.* Until today lead implementing sustainable development, but in a reasonable commitment in making behavioral impact is not yet really exist in the practice of good corporate governance. Subsequently, a search on the second focus study showed that the company is aware of the approach of CSR in the form of a strategy aimed to impact the interest of economic, social, and environmental as it's commitment to achieving the long term goals of this company. In the end, the search result of the third focus research has made specificity strategic role that business competition situation ASEAN Community will bear the demands of well being in which the implementation of CSR *Pamor Ganda, Ltd.* Will be as the basis for consideration of management decisions that have implications for the implementation of sustainable development strategies of the company.

Keywords: *Corporate Social Responsibility, Sustainable Development Strategy, Basic Management Decision, ASEAN Economy Community, Pamor Ganda Crumb Rubber Ltd.*

RESEARCH BACKGROUND

Interest and Research Interests

The new round of ASEAN Economic Community (AEC) global competition today is a decision for the many challenges of the business world that express the commitments series and contracts so that must be realized by all management levels of the company. As reported by kemendag.go.id, the application of AEC that began in December 2015 would establish four competition momentum, they are market unity and production base in Southeast Asia, the economic region with a high level of competition, the economic region with the special interests dynamics and arise full integration boost to the global economy. Company management Sector is finally responding the situation as the impact or pressure that is seen as strategic by management with the aim to intensify the company's existence that is constituted by a number of interest motives.

Both internal and external parties, strategic decisions express the various demands of the interests that called stakeholders claims that is seen have the basic sustainability of the company (*corporate sustainability*). The interest Claims must be directed to satisfy the stakeholders is often a figure of "ghost" when surprisingly volatile in a interests chain. And in the end, the fulfillment reaction of company claims ensued through huge compensation costs that incurred in order to fulfill the *stakeholders* satisfaction through the activities that called *Corporate Social Responsibility*. The management anticipatory attitude also raises the cost which is known as corporate social responsibility cost that would have sustainability development impact.

Corporate Social Responsibility, or better known as CSR raises many phenomena for the company to make it as a "machine" approach. Researchers looked at three forms of the implementation of CSR phenomenon into the facts behind their economic interests and political motives. First, the CSR phenomenon that arises because product promotions boost such as giving the product for free customers. Second, CSR phenomenon that arises because of compliance impetus permit development and company

expansion to be more global such as environment social-themed development with the aim to captivate the government's generosity. Third, CSR phenomenon that arises because of the encouragement of social investment such as a support community development efforts with the goal of empowerment that will deliver value to the company. The tertiary of CSR phenomenon prove that Indonesian companies are increasingly aggressively to support the company viability.

Resond the discourse, potential problems in the estate world business that may arise is *first* the appearance of newest technologies plantation using in AEC era tend to impact the shifting use of the number of workers or human resource capacity. *Second*, the possibility of productivity targets boost were higher than the previous year that causing additional environmental problems because management does not pay attention to the environmental conditions surrounding the business so that it can affect the environment quality. *Third*, by the competition pressure in AEC era that enable high business practice, it also will issue a high compensation cost. So the management tendency will behave reduce costs associated social responsibility related to the employee's performance. (Ferry, 2015).

In line with this issue, PT. Pamor Ganda *Crumb Rubber* as one of the privately rubber plantation industries thatbeen acting nearly three decades, has demonstrated its contribution to economic development in North Bengkulu. Based on the observation of pre fieldwork, the company has been incorporated in the Rubber Association of Indonesia (GAPKINDO) has been do a lot of social investment such as establish private primary schools Tunas Kita Pamor Ganda that impacting the education progress for society in the corporate environment. But it can not be a full reflection as CSR practices that qualified as *Good Corporate Governance* (GCG), it could be argued to save the company face in the public eyes.

Explains the researcher searches in order to express the reality of the CSR implementation of PT. Pamor Ganda that happened until now by looking at the findings and views on: the fulfillment of company sustainable development or just demands of social tensions in society and concludes through linkage effects of ethical behavior management that illustrated by the support of the *Good Corporate Governance* (GCG) principles practice.

Benefits of research

1. Theoretical benefits

Is for the development of science of accounting study in particular management accounting, sustained accounting and strategic management, especially in the *Corporate Social Responsibility* strategic concept which can be used as a dynamic thought benchmark and shaped by the fact findings and the researchers views so can to be the goal of accounting transformation to the social sustainable accounting,

2. Practical benefits

First, the importance of *Corporate Social Responsibility* implementation that expected can be applicable for other companies so that become part of the management approach strategic can increase the corporate sustainability value. Second, information study of CSR implementation is integrated in the business competition situation ASEAN Economic Community (AEC) as a decision making basis for enterprise rubber plantations management industry in Indonesia.

Literature

1. **Stakeholder theory (Stakeholders Theory)**

Stakeholder theory reflects that the company is not an entity that only operates for its own account, but it should provide benefits to *stakeholders* (shareholders, creditors, customers, suppliers, government, the public, analysts and others) Thus, the existence of a company is strongly influenced by the support given by stakeholders to the company (Ghozali & Chariri, 2007).

2. **CSR (Corporate Social Responsibility)**

Is the organization responsibility against the impacts of decisions and activities on society and the environment are realized in the behavioral transparent form and ethical that is consistent with sustainable development and social welfare; considering the expectations of stakeholders, in accordance with established laws and international behavior norms; as well as integrated with the organization as a whole (draft 3 ISO 26000, 2007) "

3. **Business Ethics and CSR behaviour (Management Strategic Perspective)**

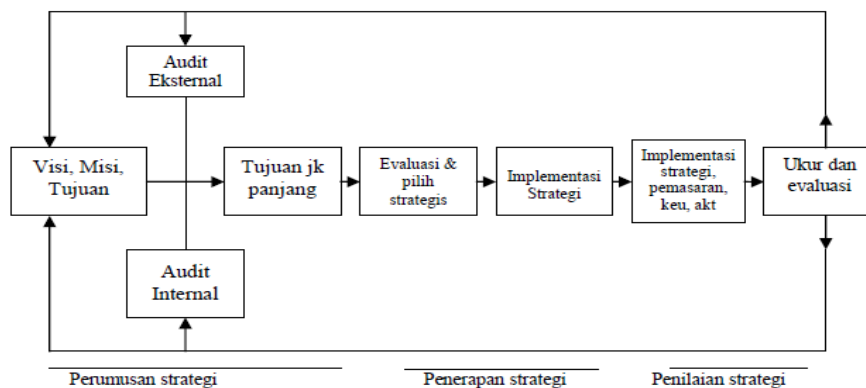
Business ethics is a employers' behaviour code based on the moral values and norms that serve the demands and the behaviour Code in company running, or attempting (Pearce and Robinson, 2007).

The ethical behavior concept in the management strategic perspective is the foundation that focuses on the behavioral effects of economically sustainable advantage so that the benchmark is the business autonomous limitation. Carrol (1980) ruled that the business ethical behaviour gave rise to four types of responsibilities that

- a. Economic responsibilities related to payment of benefits to shareholders and economists
- b. Legal liability related to the rules binding on the government

- c. Ethical responsibilities related to general belief against ethics
 - d. The choice freedom responsibility related company obligations assumed voluntarily to all parties
4. **Good Corporate Governance concept Application**
 Good Corporate Governance(GCG) according to *the World Bank* (2003) is set of laws, rules, and theorem that must be fullfil to encourage the performance of company resources efficiently, result sustainable economic value for shareholers and society as a whole. In short, GCG encompasses the relationship between managers, directors and company shareholders. Also the relationship between the own company's with the shares buyers and the public. GCG may also include a laws combination, regulations, rules, registration and personal practices of healthy companies.
5. **Linkage Strategy Basic Concepts, Citra and CSR implementation**
 Strategy-making process consists of three stages: strategy formulation, strategy implementation, and assessment strategies.

Figure 1.1 Stages of Strategic Management



Source: Pearce and Robinson, 2007

- In general, there are four types of CSR implementation strategy, namely: *Obstruction strategy*, *Defensive strategy*, *accomodative strategy*, and *Proactive strategy*,
6. **Sustainable Development Strategy concept**
 In this case, according to Fauzi (2004), there are four components of the reference as a sustainable development strategy, namely:
- a. **Guaranteeing Development Equity and Social Justice**
 Development-oriented equity and social justice must be based: the unequal distribution of land resources and production factors, the prevalence of women's roles and opportunities, economic inequality is achieved by balancing the distribution of welfare .
 Development Respecting Diversity
 - b. **Development Using Integrative Approach**
 Sustainable development priority to the relationship between humans and nature. Humans affect nature in a manner beneficial or destructive.
 - c. **Development Request Long-Term Perspective**
 People tend to rate the present over the future, implications of sustainable development is a challenge that underlies this assessment. Sustainable development requires a different assessment carried out by *discounting* assumptions.
7. **Management Decision Making on the CSR Implementation**
 The basic theory of decision making includes a step in terms of solving problems, while the seven steps in Siagian (2002) are as follows:
- a. Identify problems and make definitions
 - b. Collect and process data
 - c. Identify the various alternatives that may be pursued
 - d. Analyzing and assessing every alternative has been identified
 - e. Settled on one of the best alternative
 - f. Implement the decisions taken
 - g. Assess whether the results obtained match expectations and plans.

RESEARCH METHODS

The approach used in this study is a qualitative descriptive approach, with the type of analytical studies that provide an open and critical view of the CSR implementation at PT. Pamor Ganda with three research focus formulated earlier researchers.

In this study design, the researchers intend to explore the social situation openly regarding the CSR implementation in PT. Pamor Ganda so that data generated through structured interviews, participant observation and documentation using the natural environment, namely internal and external environment management. Researchers also wanted to reveal his findings regarding the CSR implementation with business competition situation of the ASEAN Economic Community (AEC) in which meaning issues have become key findings by the researchers there so this study will highlight the processes that combined thought researcher (Sugiyono, 2009).

Sampling technique

Sanafiah Faisal in Sugiyono (2009), suggests that the social situation is sample beginning to explore the data source so that researchers are able to find the object and subject of research that meets the criteria as an informant. Informants Determination must be done to get the maximum information and overall concept, not to generalize.

In this qualitative study, the sample data source selected by *purposive sampling*, meaning researchers conducted observations first on PT. Pamor Ganda in order to provide judgment based on the information criteria, then set the informant that influence the CSR implementation.

Data collection technique

1. Research field studies that researchers plunge directly to find out how far the views attributed theoretically in order to obtain objective data (Sugiyono, 2009)
2. Documentation and Assessment of Field Study
Is how researchers gather evidence that contains information to complete and support data from interviews and observational studies. In this study, data collection through the documentation done for the benefit of the expected data based on research objectives that have been formulated.

Data analysis technique

According to Miles and Huberman (1984), activity analysis consists of three flow of activities occurring simultaneously, namely data reduction, data presentation conclusion. The analysis was performed in two processes, namely before entering the field and during field studies in progress.

1. Analysis Before Field
Researchers conducted preliminary testing through sustainable financial statements of PT. Pamor Ganda as a reference to determine the research focus. In this study, an analysis to see the CSR costs development from year to year, the Management plans related to CSR and examine the truth evaluation of the CSR implementation.
2. Analysis During on the Ground Miles and Huberman model is illustrated in figure 3.1 below:

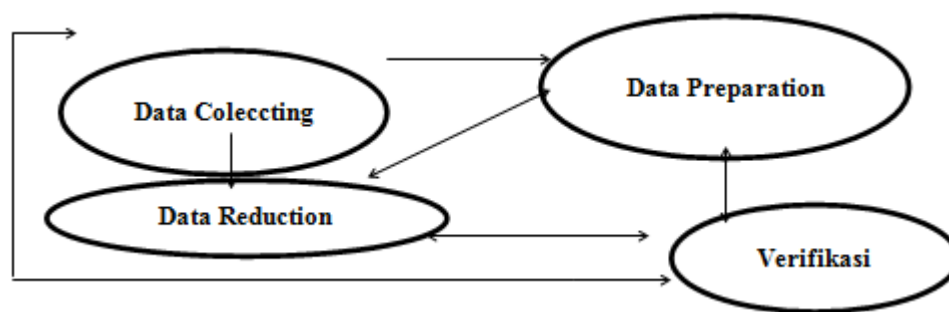


Figure 3.1 Data Analysis Interactive Model

Source: Miles and Huberman, 1984

Mechanical Testing Data Credibility

According Sugiyono (2009), there are some of the most accurate techniques to examine the validity particularly in this study are as follows:

- a. Increases perseverance

Observation by researchers more closely and continuously. In this study, researchers tried to find information through precision in interviews and observations. All data on the phenomenon of CSR is implemented by PT. Pamor Ganda of *Crumb Rubber* done by systematically checking. This way is

increasingly emphasized by the record regarding the CSR implementation that took place in the period that ended. Thus, increased persistence resulted delineate the processed data is accurate.

- b. Peer discussion is observation way via premises discussion with students of human resource management concentration Bengkulu University.
- c. Triangulation
A suitability examination techniques to test the validity of the data and consists of several methods:
 1. Source triangulation. Attempt to test the credibility of the data with various informants that of the internal management. Thus, from various informants categorize of the data by looking at the same view and different and the data source specifics.
 2. Triangulation data collection techniques are checking the data through interviews, observation and documentation have been implemented. In this study, the viewpoint of the informant as a benchmark suitability of the information through full disclosure.
 3. Triangulation inspection through checking the following observers outside researchers who helped examine the results of data collection where in research, case studies lecturers act as observers (*expert judgment*) to provide input and compatibility view.
 4. Triangulation theory through checking by using various theories relating to CSR to ensuring that the data collected are qualify the theoretical described in the literature review.

RELATIONSHIP BETWEEN THE VISION MISSION AND CSR IMPLEMENTATION

Vision Mission in the World of Natural Rubber Plantation Industries

According to the theoretical study of strategic management, that the vision and mission of the company is a whole but separate meaning and significance. Vision is a statement about the picture to be achieved by a company in the future globally. While the mission is general statement of what should be done by the company in realizing its vision. Thus, the vision and mission of the company will be manifest in the life of the business environment in accordance with the interests influence based on driven sector in the business.

Vision mission of company expressly revealed that the absolute essence walk in harmony and in line with the interests of the rubber plantation industry. Thus, researchers consider that the interests of natural rubber plantation industry such as PT. Pamor Ganda generally assert some basic background interest mission vision company. *First*, the problem of the external environment plantation is society Subdistrict Putri Hijau and Ketahun in particular that causes vision of company was formed as a form of responsibility. *Secondly*, the consent leasehold (HGU) term limited, causing vision of company formed to maximize the internal interests in particular interest concerning the profitability of the company.

Explicit and Implicit basic Birth Vision Mission PT. Pamor Ganda

- a. Organizational culture
In this case, the DL. Sitorus as the founder of the Company PT. Pamor Ganda has laid the organizational culture in plantation industry which tends to lead the *controlling* behavior or a strong control to be able to monitor the results of rubber plantations in the form of latex rubber (*latex*) because rubber tapping process does not using the machine. While prevention behaviors in Crumb rubber processing plants sector in order to minimize the risk of workplace accidents in the operation of rubber processing machinery wet and dry. This makes the establishment of a mission vision will be reflected through behavioral aspects in the execution of this industrial activity overall.
- b. Target / Interests Target
In this case, PT. Pamor Ganda as a company in the category of locked company, sets out the production of crumb rubber as the primary target so that it express the vision mission outlined by the achievement
- c. Achievement of Company Values with top management is DL. Sitorus as its founder. As a private estate industry, the founders have put the interests through Excellence
In this case, PT. Pamor Ganda as the rubber plantation industry would be on the competition world between the rubber industry companies both national and global. This allows the demands of DL. Sitorus to be able to achieve of strength in the market crumb rubber products thus enabling vision and mission of the company was formed for the confidence and eventually express a strategy to support the competitiveness of the industry as an aspect not be financial support.

The Meaning Behind Vision Mission of PT. Pamor Ganda

In general vision and mission of the estate company is based on the interests to get the maximum added value with the growth and production of rubber plantations that satisfy *stakeholders*. Quoting statements of the interview, the researchers looked at the existence of a meaning that PT. Pamor Ganda formed through the thought design of the owner in question are the owner and part of the top management

/ executives. The formulation of the vision mission of company originated from thinking that was defined by the owner who certainly influenced by a number of achievement factors, but remains on the of the basic objectives namely get profit optimally. The vision and mission shape each level of management where their compliance requires all workers to be subject on the founder purpose.

PT. Pamor Ganda as a company manufacturing natural rubber plantation that has been engaged in cooperative relations import-export of rubber, the vision and mission of the company is a real reflection of the company strength where it is certainly spawned the strategy and policy into a tool to favor themselves for the best achievement in the rubber business competition,

Thus, the researchers conclude that the vision and mission of the company is directing its management to the upheld goodness principle, that:

- a. Usefulness principle relates to the value generated by revenue and costs incurred by PT. Pamor Ganda so that financial and nonfinancial benefits achieved through the efficiency and effectiveness of the profits.
- b. The justice principle relates to how the PT. Pamor Ganda management committed to achieve equality of human rights for all Human Resources (HR) owned by the art for the best achievement as the competitiveness of the industry.

Social Responsibility Implementation At PT. Pamor Ganda

a. CSR Background of PT. Pamor Ganda

Through the company's public discourse study and combined with interviews and participant observation data is collected, the researchers formulate the points reasons that become the base for CSR implementation at PT. Pamor Ganda as follows:

- The emergence of concession rights for 5855 hectare since the establishment of PT. Pamor Ganda which originated from cocoa plantations in 1990 that effected the remuneration as a form of unavoidable public obligations.
- Then, the agreement attempts to reduce the number of unemployed as a partner of the North Bengkulu government that require the PT. Pamor Ganda employs community of the Putri Hijau and Ketahun District in accordance with their qualifications.
- Furthermore, the construction for the building devoted to the surrounding community and employees of PT. Pamor Ganda to achieve the welfare demands is evidence insistence that indirectly affect the mindset of top management to realize CSR.
- At the public compliance stage, the issuance of Law No. 40 of 2007 affirms the duty of all companies engaged in the Natural Resources field of both state-owned and private sectors to conduct social responsibility (*corporate social responsbilty*).

b. CSR Implementation program of PT. Pamor Ganda

1. Social Affairs

Based on data from participant observation and study of the documentation gathered researchers in the field, CSR program PT. Pamor Ganda in the social is implementation effort that impact on the society development progress through increased development of Human Resources companies and local communities around the area of rubber plantations which is in Ketahun District and factory processing/ Pamor Ganda *Crumb Rubber Factory*, which is in Putri Hijau District. Overall, CSR programs in this field are the relationship aspects of harmony for all parties.

In this field, researchers grouped influential social aspects based allocation program include:

- a. Education aspects seeks to improve the public education quality of workers PT. Pamor Ganda and local communities in the Putri Hijau and Ketahun District through the provision of infrastructure.
- b. Religious aspects seeks to support the worship rights respect to all religious people through the worsip places construction in the PT. Pamor Ganda business environment.
- c. Security aspects that are supposed to guarantee the safety of all PT. Pamor Ganda workers during the operational implementation rubber plantations and processing plants and the avoidance from danger and threat of local society companies.
- d. Culture and society Aspects that attempted to shape the personality noble values of society in the PT.Pamor Ganda area and uphold the solidarity through the local culture preservation.
- e. General mobilization Aspects seeks to ensure convenience to the PT. Pamor Ganda society will have trips access and work that transportation directed impact.
- f. Handling Natural and social disasters Aspects that are supposed to guarantee the survival of the PT. Pamor Ganda community from response of all potential hazards and natural hazards.

2. Economist

In this field, the researchers managed to collect CSR programs that have been implemented in some economic aspects that affect the:

- a. Income aspect seeks to increase the economic value practically of the work contribution in plantation management and processing plant PT. Pamor Ganda on the management motivation basis.
- b. settlement Aspects sought for the provision of the housing facilities for all staff and employees of PT Pamor Ganda
- c. Partnership and guidance Aspects which attempted to establish the benefit relationship, especially for rubber smallholdings farmers and partners who could potentially add value to the company.
- d. Health aspects seeks to improve the nutritional quality and tackling health issues reserved for internal communities of PT. Pamor Ganda and the local community.
- e. Needed fulfillment Aspects seeks to provide ease of getting basic needs for the workers society.

3. Environmental Sector

- a. Conservation and land environment beauty Aspects, regard to the arrangement of the industrial area. PT. Pamor Ganda upholding the protection of flora and fauna are protected, the location cleanliness from the trash and life enjoyment.
 - Air quality Aspects, regard to activities that cause air pollution from rubber processing factory environment through undertaken actions in test anticipation
 - Water resources quality Aspects , regard to the wastewater arrangement that have an impact on water quality so that follow up the watershed area (DAS).
 - protection of

Vision Mission PT. Pamor Ganda, a concept or CSR program relationship?

As a private plantation company engaged in the collection of natural rubber latex and processing into Crumb Rubber products at the same scale *Standard Indonesian Rubber* 10-20, PT. Pamor Ganda have been actived and contributed to the achievement of the company objectives since has been working for over three decades. Vision and mission of PT. Pamor Ganda has made it as the spirit embodiment of the company's success in maintaining the company sustainability so it to be able to survive in the present. As a result, North Bengkulu Public has rated the company as a committed company to the development life aspects as evidenced by an award from the Bengkulu Governor in 2009 as an industrial company plantation in synergy building interests. Such evidence became one of the highest achievements for its success in implementing the vision and mission of the company.

Vision and Mission CSR implementation embodiment of PT. Pamor Ganda ?

Through the mission statement that has been previously disclosed, that the four points of the mission PT. Pamor Ganda Company by clearly stating its commitment to engage in its efforts in relation to all stakeholders (*stakeholders*). Thus, the researchers looked at it as a entirety destination that directed to the prosperity interests.

Through the researchers observations, researchers concluded from various theoretical study that there is a strong link between the vision and mission of PT. Pamor Ganda about the CSR programs implementation that have been implemented in the company described as follows:

- a. CSR program Implementation of PT. Pamor Ganda is as a tool to communicate the company's vision and mission to all *stakeholders*.
- b. Vision and mission of PT. Pamor Ganda will allow changes to the tune that became the meaning and benefits of CSR programs implemented. Birth CSR is not without reason that is considered *simple* but causes beyond the ordinary in terms of encouraging a independence spirit of this company as stipulated in the vision of PT. Pamor Ganda.
- c. CSR is a commitment to achieve company vision formulated through CSR program or CSR policies that are determined tcontain an order of ethical principles and morality

RESEARCH FOCUS DISCUSSION

Sustainable development issues, CSR Pressure PT. Pamor Ganda?

CSR Implementation in the PT. Pamor Ganda Company represents the attitude and actions embodiment as a compliance form with many regulatory demands and the constitution that affirms the importance and necessity of corporate social responsibility. *First*, precepts to 5 on Pancasila which reads "Social Justice For All People Indonesia" is the real proof CSR is a necessity support the creation of all

the creatures interests in the area of PT. Pamor Ganda. *Secondly*, Law Environmental Law No. 32 of 2009 which confirms the protection and environment management such as areas inhabited by PT. Pamor Ganda that direct contact with Seblat Protected Forest areas. *Third*, Law Forestry Law No. 18 of 2013 governing the use and layout of the plantation industry in accordance with their development objectives. *Fourth*, the Government Regulation No. 37 of 2012 finally explicitly requires all industrial estates companies such as PT. Pamor Ganda to abide by the rules that implemented the social and environmental responsibility.

Management measure of PT. Pamor Ganda to realize their business environment issues both internally and externally indirectly is an indication of a boost in order to realize its CSR activities that directly require companies doing sustainable development efforts. However, it seems management awareness at all company management levels of must be accompanied by a boost from the executive.

Explicitly researchers revealed that the CSR implementation is the only and absolute tool to be able to create sustainable development. CSR Implementation will be unidirectional and aligned with the benefits, goals and objectives are achieved towards sustainable development in the PT. Pamor Ganda environment. There are several important points into the researchers formulation in a field study trip related to this which is expressed in the following explanation:

- a. If the CSR implementation by PT. Pamor Ganda stopped or stalled so the sustainable development efforts getting away from the " process " because the researcher likens sustainable development is the life sources, while CSR is action to realize that life.
- b. If the CSR implementation of PT. Pamor Ganda considered problematic or not have an effect, then CSR will reflect the problems that can ultimately lead to management conflict based on the *stakeholders* decisions, while the effect is on sustainable development lies in the imagery.
- c. CSR Implementation by PT. Pamor Ganda in the economic, social and environment sector is universal coverage in a real sustainable development efforts. However, in essence there are many considerations that should be the basis for the extent of the issues involved.

CSR Behavior PT. Pamor Ganda born from Its management Behaviour?

Management Awareness of PT. Pamor Ganda can be located on the second runway, but things become potential indecision hitherto on one side PT. Pamor Ganda have strong autonomous rights as the closed company and not as a Limited Liability Company is required to establish the foundation of a sustainable manner. Therefore, researchers understand that the indecision situation creates uncertainty for the company's organizational culture that has been built and the resulting instability of management actions in relation to its stakeholders called management behavior.

Researchers saw that the organization behavior for the rubber plantation industry PT. Pamor Ganda is an ethical order form that combines elements of the suitability of organizational culture, goals, values and life norms that applies particularly in the corporate environment. That's causes business practice in the rubber plantations world are considered to have more profitable company than on community life building. And in the end it will cause an interest upheaval that began with the issue to the demands fulfillment which can cause conflict friction between the two sides.

Dilemma in the CSR realization by PT. Pamor Ganda must not be separated from the internal and external management conditions as a form of management's view of the mismatch, mismatch even interest misalignment and the main interests of the rubber plantation industry. In line with this, based on the researchers findings there are some basics that cause differences in the mismatch. *First*, production targets fulfillment of *crumb rubber* as much as 8,500 tons / year direct interested parties to the CSR mission is diverted before the target production level has not been achieved. *Second*, top management hopes on the *surplus* outcome of production target *crumb rubber* so that the surplus can be used as replacement costs are directed at the CSR implementation.

CSR behavior Dilemmas appeared to have led to the management of PT. Pamor Ganda being in a uncertainty situation in implementing CSR realization. Researchers looked that PT. Pamor Ganda need to have a strong commitment and aligned with the management decision makers. Based on the researchers findings in the field study, it was concluded that the company is subject to all the superiors orders even though his form is veiled but all the parties of management levels centralized their activities with the executive branch wishes of the PT. Pamor Ganda. It also raises concerns and fears if the executive wishes are collided with the CSR implementation that is being realized so that researchers consider that the need for the free from any intervention interest parties to be able to bridge the alignment of interests.

CSR Commitment PT. Pamor Ganda, express GCG ?

Thus, the GCG principles, implicitly envisaged that it serve as the basis used to increase public confidence in the potential and the business activities of the plantation industry. In line with this, the CSR implementation was further clarified its association with the *responsibility* principle as a fulfillment

stakeholders act of. The linkage is an important element for the CSR implementation in order to be implemented as the achieving goal of sustainable development which overall includes three development pillars. It certainly should be a profound management awareness so that in every CSR implementation received a positive response from the public's attention. Through the course of field studies and observations directly studied by researchers at the company location is gathered from internal informants, then researchers propose some findings thus be important notice for the researchers to see how the company's CSR is true to the good corporate governance principles which are described as follows:

Thus, the embodiment of good corporate governance (*GCG*) at PT. Pamor Ganda has proved that the closed company like to realize all of the interests in its commitments under the autonomous power of the chief executive. This was reinforced by the views of informants Finance, Mr. Master expressed through the following interview excerpt:

"This management may not have transparency because yes it internal auditor moves toward into? So, here continue to exist dismissal without cause, reports coming in tends to shake. myself feel, honestly internal auditor here walk without direction, so arbitrarily. Yes, that may be there was ".

The researcher believes that the CSR implementation activity that is realized will be answered as honestly frank commitment to compliance with the Good Corporate Governance principles. Any management awareness of all parties, the attitude and the consistency of the CSR decision maker and control measures are a series of road to the GSG principles realization. Thus, although not met expectations yet, PT. Pamor Ganda will find true goodness of CSR if committed *GCG* as CSR commitments and CSR implementation as a commitment to sustainable development.

End of the First Search Stories

Sustainable Development (*sustainable development*) with insight and ongoing basis today is a concept that has always been and too *mainstream* echoed many companies in Indonesia, in order to steal the public's attention that the company was impressed follow the intent and purpose that is poured into government policy that requires every company in accordance with the *Good Corporate Governance* principles. Because the true Sustainable Development is always talk of responsibility, liability and responsibility as a means to achieve it.

As far as researchers search through field studies, Natural Rubber Plantation Industries Company PT. Pamor Ganda of this time, only in the category already managed to implement appropriate CSR third aspect impact direction. However, in reality experiencing great hesitancy among managing cultural existence of the "cultivation" of existence. CSR Implementation that implemented during the company's lead on the way to meet the social demands and global issues that affect so tend to "cultivate" fame socially responsible management that affects the short-term only. Whereas a cultural existence form which is confirmed through the whole CSR program and its implementation is not just on situational, will be commitments root cultural existence thriving by itself when the company's management with ongoing awareness implementing CSR is not a demand. Thus fulfilling the demands of social pressure too churned through the CSR implementation.

When assessed in impact and benefits terms of implementation, then CSR by PT. Pamor Ganda which have been realized, it can be categorized into the realm of sustainable development with a narrow category of perception is also due to the fact, implementation is just continue and continue without animating the process based on the principles of development. Economic sustainable development paradigm that always be the main subject matter and unwittingly PT. Pamor Ganda have felt the moral and business ethics turmoil that ultimately lead to indecision which is defined as the CSR dilemma.

When the management character of PT. Pamor Ganda is currently a "cultivate" CSR existence through the *good corporate governance* principles will be the final proof of the spirit as a public decision. Currently, the Rubber Association of Indonesia (GAPKINDO) has formulated criteria for Sustainable Natural Rubber (*Sustainable Natural Rubber*). This company, as its members are still in the planning in the follow up, whereas CSR implementation guidelines based sustainable development actually been born in it. Therefore, corporate governance PT. Pamor Ganda still in the transition stage with reasonable care and CSR will be the corporate culture.

RESEARCH FINDINGS AND CONCLUSIONS

Research focus

1. CSR implementation in PT. Pamor Ganda until now dominated on the basis of the fulfillment of the social tensions demands in society and still limited in the context of sustainable development in the short term. The researchers concluded that corporate social responsibility (CSR) PT. Pamor Ganda which have been implemented until now is a management effort, especially by CSR parties related to avoid interest public conflicts, especially North Bengkulu Regency people.

2. CSR Implementation of PT. Pamor Ganda not reflect good corporate governance practices (*Good Corporate Governance / GCG*) thoroughly as their CSR dilemma reality that has not ethical behavior .

CRITICISM, SUGGESTIONS AND RESEARCHERS RECOMMENDATIONS

- a. Criticism and Suggestions to the Executive Parties as Decision Makers
As far as field studies by researchers, it is this which makes transparency demands intensified by the public and in the end it can be used as an error that "disguised" which will be strengthened in the competitive business situation MEA. Responding to the demands, the executive must be willing to take initiatives to lead the change of transparency of CSR disclosure for industrial rubber plantations that have not *gone public* in Indonesia so that it will minimize the risk of error is deemed "disguised" them.
- b. Criticism and Suggestions on CSR Implementing CSR Unit
Cooperation must be the key priority for implementing Satkers to be any CSR implementation of PT. Pamor Ganda not only on target but rather to foster values the humanity development as a manifestation of the deep concern in this unlimited era. It can be successfully carried out, if the satkers of company CSR is trying to reform management scope.
- c. Criticism and Suggestions of the Environmental Sector
The living environment from the rubber processing factory scope PT. Pamor Ganda until now show no signs of the achievement of the company environmental management. PROPER team (Performance Assessment Program) Assessment as an environmental management effort still seems closed up. It is time for environmental field companies have opened the eyes of the public through the actualization of true commitment to environmental management that leads to sustainable development.
- d. Criticism and Suggestions on Personnel Affairs or HR scope
These parties need to see a sense of awareness and high empathy, motivational thorough attention of all employees of PT. Pamor Ganda. Because the facts on the ground, human resources management of the company follow the standard ISO 9001: 2008 is not enough to understand that the workers' demands are met completely. Seeing this reality, the field personnel must hold a humanistic approach is to dig up information demands and desires more than 1200 workers held. Then, the next action is to identify the social demands into some aspects of development and standards compliance.
- e. Criticism and Suggestions on Public Relations and Public Affairs
This scope is appropriate become the most important forum in formulating CSR policies toward imaging strategies in particular reap broad sympathy with the local community. As the parties involved in the process of fulfilling interests outside the company there are times when this scope has prepared a strategic move CSR as part of the plantation industry struggles to find the point of welfare to be achieved. Suggestions to this field like doing the invention to be able to convince the executives of the proposed budget of CSR in the company's external parties.

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CAN BALANCED SCORECARD BE APPLIED TO ANALYZE THE MISSIONS OF LOCAL GOVERNMENT? DOUBLE CASES OF INDONESIAN LOCAL GOVERNMENT MISSIONS

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Abstract. A useful tools to design effective organization, balanced scorecard is rarely applied to analyze the effectiveness of organization. This paper shows that balanced scorecard can be applied to analyze Indonesian local government missions. The methods are comparing the perspectives of the balanced scorecard to the missions, forming the strategy map and developing strategy keys that support the mission achievement. The result is balanced scorecard can analyze the local government missions. The perspectives show how comprehensive are missions, and the strategy map and strategy keys show how focused are missions. Balanced scorecard can be used to analyze local government missions.

Keywords: *Balanced Scorecard, Local Government, Missions*

INTRODUCTION

Introduced firstly by Robert Kaplan and David Norton in 1990s, balanced scorecard is a very popular tool to design effective organization. Not only pure business organizations apply balanced scorecard to design their organizations, but public organizations do also. The application in public organization is very wide: health such as clinical laboratories and hospitals, education and universities, public institutions including libraries and public services, air forces and sports. (Severović & Halmi, 2013).

The reason behind the growing interest to use balanced scorecard is its comprehensive and accurate content. Balance scorecard incorporates financial performance with other performances. Furthermore, balanced scorecard translates strategy into action. Among performance measurements, it is the best to face competitiveness environment and to serve consumers. (Kuncoro, 2011).

Small and medium enterprises (SMEs) also design their organizations using balanced scorecard. Several of them is success, success after solving big obstacles or choosing to implement part of balanced scorecard. However some are failed to implement balanced scorecard. (Rompho, 2011).

Balanced scorecard is expected to be used to analyze Indonesian local government missions because Indonesian local government missions are rarely examined. Local government missions is essential. It is obligated by Indonesian governmental as an important part of a local government strategic planning such as obligated by governmental decree number 108/2000 and number 8/2003. Mufiz (2004) argued that missions is important to guide local government so that political rationality can be incorporated into substantial rationality and serving society, and to face any significant changes and uncertainties.

Strategic planning and its variations in the public sector are analyzed from many perspectives, such as studied by Sithole, Chirasha, & Tatire (2013), Deželan, Maksuti, & Uršič (2014) Mugambi, Gakure, & Orwa (2014), Apriandes, Ranius, & Syakti (2013), Budiman & Anggono (2012), Suprawito & Darmawan (2011), Sirojuzilam (2005), Misrina (2010), and Paramasari (2009). All of them analyzed strategic planning, but missions as one of the important content of a strategic planning was not analyzed.

Nine important components of mission is studied by Papulova (2014), David, David, & David (2014) or Rajasekar (2013). In addition, factors affect and affected by missions are observed by Marina & Wahjono (2013), Anthony (2012), or Darby (2012). However, these studies focused on enterprises or on local governments but failed to consider local government mission content.

The goal of this study is to analyze how balanced scorecard can be used to analyze local government mission. This analysis will strengthen balanced scorecard usage. Balanced scorecard is not only to redesign local government organizational, but also to analyze local government organization, especially local government missions. Furthermore, this study will strengthen local government missions analysis. Usually, missions are analyzed using 9 components or characteristics of missions. Balanced scorecard can be an alternative as a tool of missions analyzing.

THEORITICAL REVIEW

Balanced Scorecard

Balanced scorecard is a tool to design effective organization. Balanced scorecard designs an organization by assuming that organization vision and strategies should be operated clearly. The method is by developing 4 balanced perspectives, deriving a cause and effect strategy map and its key strategies based on the perspectives, and monitoring all of the relevant performances. Balanced scorecard designs working strategies and accomplished comprehensive performances. (IŠORAITĖ, 2008). The focus of balanced scorecard is the cards called the perspectives. They are learning and development, internal processes, finance and citizen perspectives. All of them should be balanced so that organizations and firms can develop their strategies and increase their performance. (IŠORAITĖ, 2008).

Balanced scorecard causes a manager is like a pilot in the airplane cockpit. The manager obtains all of complex informations so that he can measure anything. Furthermore, he can drive organization into its performances. (Kaplan & Norton, 1992).

Adjustment should be implemented when balanced scorecard is used to design public sector organization. The adjustment is in the cause and effect strategy map. The causes are financial, internal processes, and learning and growing perspectives, while the effect is customer/public perspective. The reason behind the adjustment is the public sector orientation. The public sector organization does not seek profit. (Irwin, 2002).

Public balanced scorecard was applied in many areas. Irwin (2002) is considered as the first to apply balanced scorecard in the public sector. He applied balanced scorecard to the UK Small Business Service Organization. Yongping (2008) explored balanced scorecard in Qingdao Municipality in China. Anthoula & Alexandros (2011) transformed the usual balanced scorecard for local authority organization, stated that balanced scorecard can be linked to Analytic Hierarchy Process (AHP) tool and analysed that the application of balanced scorecard to local government in Greece is documented in 2 municipalities: Amaroussian and Ierapetra municipalities. Bigliardi, Dormio, & Galati (2011) implemented successfully balanced scorecard to a medium municipality in Emilia Romagna region in Italia. Not only the important aspects of balanced scorecard are established such as the performance indicators and the strategy map, but is also the balanced scorecard dashboard for the municipality. Sivaraman, Al Balushi & Rao (2014) designed strategy map and key performances indicators for engineering college in Oman, while Pietrzak (2014) designed strategy map as a communication tool among Warsaw University of Live Science stakeholders. Hagood & Friedman (2002) studied the development and implementation of balanced scorecard in the human resources information system of CIA. Bolivar, Hernández and Rodriguez (2010) studied the application of balanced scorecard, strategy map and performance indicators to the municipal agency of sport in Granada, Spain.

Balanced scorecard is also used to analyze local government organization. Chan (2004) analyzed that not more than 8% of municipalities in the USA and Canada implemented balanced scorecard. Perera, Schoch, & Sabaratnam (2007) analyzed limited municipalities in Sydney Metropolitan Area that adopted balanced scorecard. The limitations were caused by some constraints such as financial and human resources, time constraints, or organizational culture. Butts (2009) analyzed 14 local government organizations and concluded that local governments balanced all of performances including financial performance. Latifah, Fitria, & Zubaidah (2016) implemented perspectives of balanced scorecard to analyse performances of Bangil Local Hospital in East Java Province of Indonesia. It is found that the average performance of financial and others performances is moderate.

Local Government Missions Statement

Missions are important aspects of a strategic management and planning. Missions are different to the vision. Both are established in the second phase of strategic management and planning called strategy formulation, and derived from stakeholder aspirations. However, missions are general activities showing specific identity of organization, while vision is the future of organization. Therefore, missions are important to actualize vision and the future of organization (Joachim, 2010). Missions are also important because are on the middle position of the strategy formulation. Before missions are vision, and after missions are strategic objectives and strategy development. Therefore, missions are important because serve as a global strategies of organization from vision and will be derived into operational strategy. (Papulova, 2014).

The problem facing by missions--and also by vision--lies on their implementation. Missions are often presented only as a compiled report but are not implemented. Organizations often run without the enlightenment of missions. In some cases, organizations even operate contrary to their missions.

Two solutions to this problem exist: an implicit or an explicit statement of (vision and) missions. According Darby (2012) the second solution is the more common. The implicit statement can relegate

mission to a compiled thick report but cannot ensure their implementation, whereas placing the mission statement throughout the organization allows these components to be better understood. Additionally, such a statement is expected to control (and inspire) all stakeholders' activities. The explicit mission statements are placed in strategic locations around the organization to address the problem of implementing them.

However, missions are rarely analyzed. Several previous studies have analyzed strategic planning without including mission analysis. Sithole, Chirasha, & Tatire (2013) analyzed the implementation of strategic planning in local authorities in Zimbabwe. Based on a case study of Nyanga Rural District Council, the study described a gap between strategic planning and its implementation caused by political orientation, central governmental financial support and stakeholder participation. Deželan, Maksuti, & Uršič (2014) analyzed strategic development plannings in some Slovakian cities and municipalities. It is found that all of the plannings suffer from some weaknesses such as structure inconsistencies, ignoring inclusivity planning, financial insufficiency, without measurable performance indicators, and not considered to the global crisis effect. Mugambi, Gakure, & Orwa, (2014) analyzed that strategic planning did not have an effect in the Kenyan Secondary School. Some Teachers rejected the performance contract. The reason is teachers were not involved in the strategic planning arrangement.

Apriandes, Ranius, & Syakti (2013) employed the strength, weakness, opportunity and threat method to develop strategic planning for e-government in Muara Enim municipality. That study provided useful information to develop global planning and strategic planning for e-government implementation. Budiman & Anggono (2012) analyzed the strategic planning of PD Kebersihan, a company owned by Bandung city. Financial, operational and organizational scenarios for restructuring the one-year strategy are presented. The results for

5 years after the restructuring include increased revenue, reduced costs and positive prosperity for employees. Suprawito & Darmawan (2011) developed software to map strategic planning for city or municipality educational unit based on district planning information support system (DPISS). Sirojuzilam (2005) analyzed strategic planning of Medan City Indonesia. It is analyzed that the planning recognized regional planning by considering industry as the leading sector, Medan is one of the development centres for west of Indonesia and Medan has international competency.

Misrina (2010) analyzed the implementation of the 2008-2013 strategic planning by the Department of Industry, Trade and Cooperation of Banyumas municipality. The strategic plans were derived from annual planning that occurred in 2008 and 2009. However, municipal budgetary limitations in 2008 and 2009 resulted in the failure to implement several planned activities. Paramasari (2009) analyzed strategy implemented by the Department of Cooperation and Small and Medium Business of Surakarta city based on strategic management and planning to help the public sector develop small and medium-sized businesses. That study found that the strategic plans to develop small and medium-sized businesses were derived from national strategic plans made by the central government's Department of Cooperation and Small and Medium-sized Business. The study also found the small and medium-sized businessmen themselves challenged the activities to develop small and medium-sized businesses, particularly their minimal entrepreneurial spirits.

Other studies have attempted to analyze different aspects of mission. These types of studies can be classified into 3 groups. The first group tried to analyze any force that influences missions. For example, Marina & Wahjono (2013) analyzed the role of business ethics in designing hospital missions. Analyzing Muhammadiyah's hospital in Ponorogo municipality, the study identified 3 influential Islamic ethics: the intentions to help others, support one another and compete in goodness. These principles influenced the vision and mission of Muhammadiyah's hospital in Ponorogo municipality. The second group of studies attempted to analyze the impact of mission. For example, Anthony (2012) observed the missions of the private sectors in Abeokuta, Nigeria. Using the correlation method, the study concluded that mission influence organizational effectiveness. Darby (2012) analyzed the effect of mission on the employees of academic, financial and administrative organizations serving the public in Ghana and other West African countries. The employees felt that they were not influenced by the vision and mission because these components did not belong to them, and as a consequence they were not influenced by the vision and mission.

The third group analyzed the content of missions. Papulova (2014) analyzed 242 Slovak Republic enterprises. It is found that 22% of them did not have a mission statement, while 5% that have a mission statement, their missions were not effective missions and not implemented. Much of them were micro and small enterprises. David, David, & David (2014) claimed the importance of 9 components of missions to be viewed from consumer perspective. Combining missions building to the marketing management causes missions can be easily implemented. Future researches are recommended to consider prepositions indicating the relationship between missions building and consumer satisfaction. Rajasekar (2013) analyzed 45 Omani companies. Based on 9 components of missions statement it is found that the

content of missions are firm philosophy and product/service, while other components (technology, geographic market, employees, distinctive competence, concerns for growth/survival, public image, and customers) are not recognized. Another finding is the missions are not readability missions because the mission statements are too long.

RESEARCH METHOD

A content analyzing method is used. The balanced scorecard tools will be used to analyze missions of 2 local governments. Three steps will be performed:

- a. The Perspectives of the balanced scorecard will be compared to the content of the local governments missions. The perspectives are learning and development, the internal processes, the finance and the citizen perspectives. (IŠORAITE, 2008). The focus of the comparison is the similarity comparison. If similarity is found, then a perspective contains a mission content.
- b. Forming the adjusted strategy map. The technique to form the strategy map is the cause- and-effect relationship between contained-missions perspectives.
- c. Developing strategy keys that support the strategy map. The pre-determination technique is used to develop the strategy key.

Objects representing municipality and city missions are selected to produce a comprehensive analysis of a local government missions. The objects are the missions of Sragen municipality and Surakarta city governments in the Central Java Province of Indonesia. They are selected based on general assumption that they can represent all of Indonesian local government missions statement. The mission statement are obtained from each local government websites, while the necessary supporting data are obtained from local government data.

RESULT AND ANALYSIS

Missions of Sragen Municipality and Surakarta City

The missions of Sragen municipality are (1) Reform bureaucracy toward a clean and public service-oriented apparatus with a sound budget to eliminate criminal corruption (2) Establish professional and ethical human resources quality, (3) Extend an opportunity to all to participate in planning, directing and controlling development and obtaining benefits from development output, (4) Solve the problem of development stagnation so that society prospers, particularly in terms of wisely improving purchasing power, education and health quality, and (5) Develop a small economy based on sustainable development of the agricultural sector. Sragen's missions can be viewed online at sragen.go.id

This missions were articulated in 2011 to address the existing conditions of Sragen municipality. The main condition is the potential for citizen occupation. Most citizens work in the primary sector, such as paddy, corn and soybean farming; log and timber foresting; and garut and sugar cane plantation. This potential is supported by an extensive agricultural area. Approximately 42.55% or 400 km² of Sragen land is agricultural. Another area of potential is the city's strategic position. The Surabaya-Jogyakarta main road passes through Sragen, which supports industry and trade activities. The governmental sector also has potential. Employing more than 13,000 local government officials, the government provides public services and important infrastructure. The Sragen governmental expenditure in 2011 was approximately 15% of its Regional Gross Domestic Product (RGDP).

The Surakarta missions were established in 2000 due to the city's unique culture, economic potential and the role of important infrastructure. Besides Yogyakarta city, no other city is more central to Javanese culture than Surakarta. It includes many cultural heritage sites, such as Surakarta Palace, and periodic cultural activities. Surakarta is the center of economic agglomeration for its surrounding municipalities, such as Klaten, Boyolali, Sragen, Karanganyar, Sukoharjo and Wonogiri municipalities, as indicated by the growth of trade, services and hotels and the high population density. Some infrastructure plays a significant social role. For example, Manahan Sport Centre is one of five large in Indonesia, and it is used for daily and international sport activities.

Both local governments' mission statements are consistent to Darby (2012), Rajasekar (2013), David, David, & David (2014), and Papulova (2014) argumentation. The missions are stated explicitly, and they convey important information. Missions can be used as a basis for the activities of stakeholders in Sragen municipality and Surakarta city and as a check on their activities.

Comparing Perspectives of the Balanced Scorecard to the Missions of Sragen Municipality and Surakarta City

The perspectives of balanced scorecard compares to the missions of Sragen Municipality and Surakarta City in 3 ways: 1) A full similarity comparison, 2) A partial similarity comparison and 3) Disimilarity. Full similarity refers to the clear similarity between perspectives and missions. A perspective contains one mission. Missions 2, 4 and 5 of Sragen municipality and all missions of

Surakarta city indicate full similarity to the perspectives. The partial similarity comparison is a partial comparison. The perspectives contain part of the missions. Missions 1 and 3 of Sragen municipality indicate partial similarity. The dissimilarity comparison occurs when the perspective does not contain missions. For example, the internal and finance perspectives do not contain any missions of Surakarta city. The perspectives of a balanced scorecard is described in the missions of Sragen Municipality and Surakarta City.

Table 1 presents the comparison between the perspectives of balanced scorecard to the missions of Sragen municipality and Surakarta city. The first column indicates the perspectives of the balanced scorecard. The second and third columns refer to Sragen municipality and Surakarta city missions. The missions are not in order but are adjusted to the perspectives. The fully comparisons are indicated by regular fonts of missions, while the partially comparison indicated by underlined fonts and the dissimilarities are indicated by blank cells.

Table 1. Similarity of Perspectives of Balanced Scorecard to Sragen Municipality and Surakarta City Missions

Perspectives	Sragen Municipality Missions	Surakarta City Missions
Learning and Growing Perspective	(2) Establish professional and ethical human resources quality	(2) Increase the quality of human resources to empower innovation and social integration in science, technology and art based on devotion to God
	(1) Reform bureaucracy toward a clean public service-oriented apparatus with a good budget to eliminate criminal corruption	(4) Civilize the role and function of the law, human rights implementation and democratization to all, particularly the government
Internal Perspective	(1) Reform bureaucracy toward a clean public service-oriented apparatus with a good budget to eliminate criminal corruption	-
	(3) Extend an opportunity to all to participate in <u>planning, directing and controlling</u> development and obtaining benefits from development output	
Financial Perspective	(1) Reform bureaucracy toward a clean public service-oriented apparatus with <u>a good budget to eliminate criminal corruption</u>	-
Citizen Perspective	(3) Extend an opportunity to <u>all</u> to participate in planning, directing and controlling development and obtaining benefits from development output	(1)Revitalize partnership and participation for all to encourage a cohesive society based on the value of “Surakarta as Cultural City” and a commitment of loving Surakarta city
	(4) Solve the problem of development stagnation so that society prospers, particularly in terms of wisely improving purchasing power, education and health <u>quality</u>	(3) Develop the macro economy so that the small and medium economy is competitive and supported, the potential for tourism is supported and applied environmentally technology is supported
	(5) Develop a small economy based on sustainable development of the agricultural sector	

The missions of the Sragen municipality have 2 characteristics. First, the missions match to the perspectives of the balanced scorecard. The missions can be classified into learning and growing, internal, financial and citizen perspectives. Second, some comparisons are full comparisons, and others are partial comparison.

The missions of Surakarta city are characterized by full and dissimilarity comparisons. Not all missions match the perspectives of the balanced scorecard. The missions match the learning and growing and citizen perspectives but not the internal process and financial perspectives.

The comparison indicates that local government missions represent perspectives of a balanced scorecard. There are 2 meanings. First missions as comprehensive identities. Second, missions as strategies to reach purpose and direction. As comprehensive identities, missions show all of local government identities. The missions show learning and growing, internal, financial and citizen identities. As strategies, missions have relationship among them, and can be formed as strategy map. These are in line to Rajasekar (2013), David, David, & David (2014) and Papulova (2014).

The missions that represent the learning and growth and the citizen perspectives are considered to be dominant identities and strategies. The reason is the intention to change from unresponsive to responsive local government as stated by Alwi (2005) and Pujiono (2006). Consequently, the local governments focus on their low human resources quality that are expected as the source of unresponsiveness. The quality of human resources is developed. Additionally, the local governments focus on their citizenship services that are expected as the fact of the local government unresponsiveness. The quality of citizenship services are increased. Therefore, considering missions as an identity and a strategy, the local governments focus on the learning and growth and the citizen perspectives.

Strategy Maps of Sragen Municipality and Surakarta City

The strategy maps for Sragen municipality and Surakarta city describe the cause-and-effect relationship between missions. The effect is missions that contain citizen perspectives and the cause is missions that contain financial, internal, and learning and growing perspectives. The strategy maps connect all of missions so that Sragen municipality and Surakarta city become focused organizations.

A professional, ethical and public service-oriented apparatus is expected to have a dual impact. The apparatus will influence the services provided to citizens, such as reducing discrimination in public health and education services and the development process and its result. The apparatus will also influence improvements to the system and administration, such as enhancing the management of development and reducing criminal corruption.

Improving the management of development and reducing corruption will encourage efficient and effective budget management. Citizens of Sragen municipality can also participate in development, potentially encouraging a healthy local government budget and using it to influence public services.

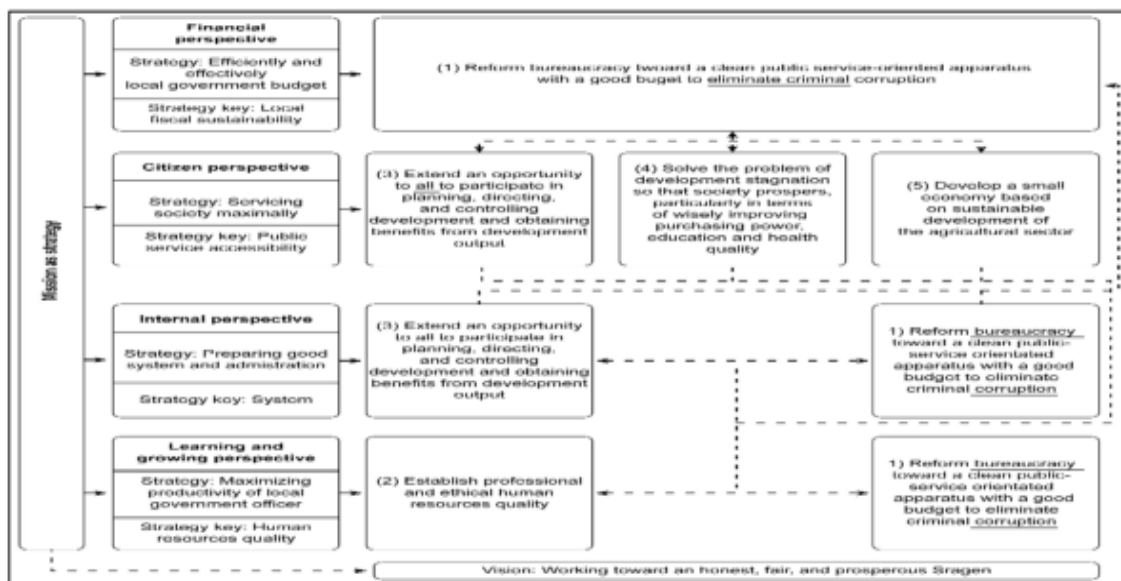


Figure 1. Strategy Map of Sragen Municipality

The strategy map of Surakarta city is a simple strategy map. As presented in Figure 2, the strategy originates from the learning and growing perspective and the citizen perspective. No strategies emerge

from other perspectives. The mission derived from the citizen perspective is a goal mission that will be achieved by the missions derived from the learning and growing perspective.

Improving the quality of the Surakarta city local government human resources in science, technology, art, law, and ethics is an important strategy. Increasing the quality of human resources can support social development and economic development such as big-, medium-and small-scale business development. Consequently, many problems can be solved.

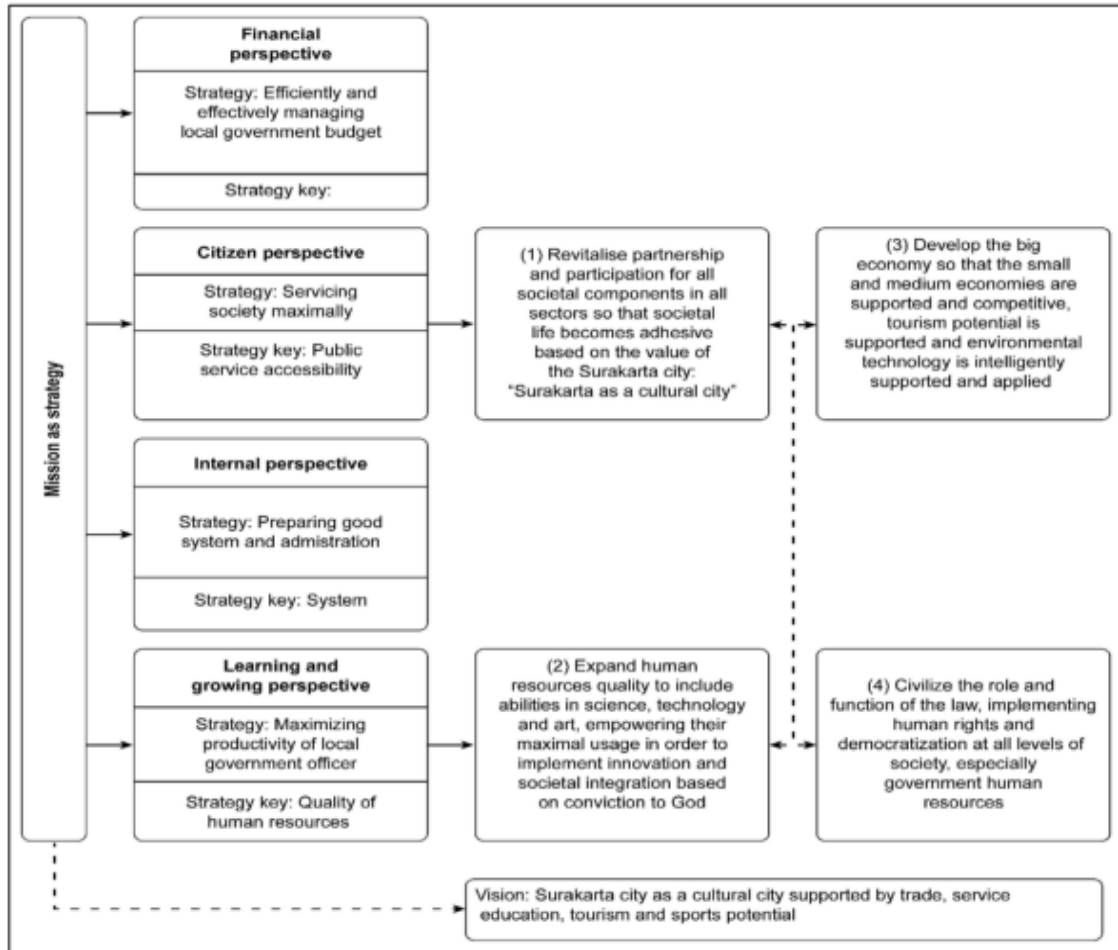


Figure 2. Strategy Map of Surakarta City

The Strategy Key

As depicted in Figure 1, the strategy keys of Sragen municipality are human resources quality, the system, the local fiscal sustainability and the accessibility of public services. All of these strategy keys support the learning and growing, internal business, financial, and citizen perspectives, respectively. All of them are keys of the Sragen local governmental organization.

The strategy keys of Surakarta city as indicated in Figure 2 are human resources quality and public service spending. All of these strategy keys support the learning and growing, and citizen perspectives, respectively. All of them are keys of the Surakarta local governmental organization.

Overall Analysis

The similarity of missions to the perspectives of balanced scorecard, the strategy map and the strategy keys of Sragen municipality and Surakarta city confirm several important informations. First, balanced scorecard can be used as a tool for analysis. This enriches studies done by Chan (2004), Perera, Schoch, & Sabaratnam (2007) and Butts (2009). Balanced scorecard can be used not only to analyse that municipality and city recognize all performances although facing many difficulties, but balanced scorecard can be used to analyse in depth local governmental organization as a focused organization. Second, missions can be analysed using balanced scorecard. This gives an alternative to missions studies. Organizational missions can be studied by analyzing the implementation and the

effectiveness of missions especially based on 9 elements of mission such as Papulova (2014), David, David, & David (2014) and Rajasekar (2013) or by applying balanced scorecard to the missions as strategies. Third, Indonesian local government missions characterized by a similarity to perspective of balanced scorecard, a public sector strategy map and containing some strategy keys. These characteristics are important because strengthen a local government as a responsive local government such as indicated by Mufiz (2004), Alwi (2005) and Pujiono (2006). However, the missions should be improved so that they state balanced scorecard perspectives and governmental strategy map completely.

CONCLUSION

Balanced scorecard can be used as a tool to analyse local government missions. Balanced scorecard opens an opportunity to analyze missions completely such as the similarity of perspectives to missions, the strategy map developed from missions and the strategy keys determined from missions. Balanced scorecard can analyse how comprehensive and focus is a local government missions.

Balanced scorecard is an alternative tool to analyse missions besides 9 elements of missions statement. Both of them offer complete perspectives and elements, but balanced scorecard has advantages in form of strategy map and strategy keys development. Balanced scorecard can be used to analyse local government missions.

Double cases of Indonesian local government missions show that balanced scorecard is a good tool to analyse missions. Sragen municipality missions shows that Sragen local government concerns to learning and growing, internal, financial and citizen perspectives, while Surakarta city missions shows that Surakarta local government concerns to learning and growing and citizen perspectives. The level of comprehensiveness and focused of missions can be analysed by balanced scorecard.

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PERCEPTION ON JUSTICE, TRUST AND TAX COMPLIANCE BEHAVIOUR IN MALAYSIA

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Abstract. The research intends to study the relationship between justice and trust with tax compliance behavior in Malaysia. Previous studies acknowledged perception on justice does have an impact on tax compliance. This study distinguishes justice into procedural justice, distributive justice and retributive justice. Therefore, this study will examine the effect of these three types of justice on tax compliance. Trust also influences the act of tax compliance and it also has relation to the element of justice. Perception from individual taxpayers were gathered with questionnaires from the previous studies. The findings suggest only procedural justice and trust affect tax compliance and procedural justice is positively and significantly correlated to trust. However, trust does not mediate the relationship between justice and compliance. This research will contribute to the tax literature with widened scope on justice in Malaysia.

Keywords: *distributive justice, procedural justice, retributive justice, tax compliance, trust.*

INTRODUCTION

Malaysian tax system is currently practicing Self-Assessment System (SAS) which empowers taxpayers to assess, determine and pay their tax liability in accordance to tax legislation. This system encourages taxpayers to be more transparent and responsible in their tax computation. Nevertheless, some taxpayers may try to manipulate their financial matters for less or zero requirement for tax payments (Murphy, 2004).

Considering the possibility, Inland Revenue Board of Malaysia (IRBM) as the Malaysian tax authority take efforts to cope with non-compliance issue. As an example, civil and criminal tax investigation on high profile cases were conducted in order to increase tax compliance. In 2013, 588 cases with tax penalty of RM485.6 million for civil tax investigation was completed (LHDN, 2013). In the same year, 29 investigation reports based on criminal tax investigation were completed with RM24.8 million (LHDN, 2013). In 2014, 618 cases of civil and criminal investigation were settled (LHDN 2014). Other than that, under Section 104, Income Tax Act 1967 taxpayers who fail to pay their tax liability and will be prevented from leaving the country. 25,811 income taxpayers were barred in 2014 with tax arrears amounting to RM494.94 million.

The statistics indirectly reveal evident of non-compliance by taxpayers in Malaysia even when strict actions have been taken by the Malaysian authority. Non-compliance may happen due to their perception on justice that influence their action (Natrah, 2009). This is more so in a situation where the taxpayers think that the individuals in same economic standing or income must be taxed at the same rate (Gravelle&Gravelle, 2006). In another word, taxpayer with the same income, wealth and liability must be taxed at the same rate.

Justice is also one of the four characteristics of tax system, as discussed by Adam Smith in 1776 (Lymer& Oats, 2009). The principle of justice emphasized that individuals must be taxed according to their ability that had been explained in horizontal and vertical justice. In horizontal justice, individuals with the same income must be taxed at the same rate or be liable to the same tax liability. Meanwhile, vertical justice distinguishes individuals from different income position (Barjoyai, 1987).

Thus, perception on justice in tax system is seen to influence the level of compliance among taxpayers. A few studies found that taxpayers are more inclined to comply when a country's tax system is perceived to be fair and just (Alm, Cronshaw, & Mcknee, 1993; Richardson, 2005; Gilligan & Richardson, 2005; Anna & Perumal, 2008).

This study is different from other studies on the subject of justice that have been done previously. Firstly, previous studies adapted various dimensions and used factor analysis to measure perception on justice such as vertical justice, horizontal justice, justice exchange, administrative justice and et cetera. According to Wenzel (2002a), finding from factor analysis depends on the suitability of measure to the analysis where dimensional concept could not be determined in empirical research. He introduced justice framework as a guideline for systematic measure in studying the role of justice on the behaviour and action of taxpayers. Wenzel (2002a) classified justice into procedural justice, distributive justice and retributive justice which are commonly used in social psychology. Therefore, this study will examine the

relationship between the three types of justice with tax compliance. Several studies found that there is a relationship between the three justice and tax compliance.

Secondly, this study also differs from other previous studies on justice conducted in Malaysia such as Anna and Perumal (2008); Natrah (2009) and Natrah (2012). Anna and Perumal (2008) used justice dimensions developed by Gebing (1988) and the results showed that perception of justice exist in Malaysia. However, the study did not unearth the impact of perception on justice upon tax compliance. On the other hand, Natrah (2009) and Natrah (2012) studied on the role of perception on justice upon tax compliance as well as the impact of tax knowledge and tax complexity on justice. Natrah (2009) found that taxpayers perceive current tax system in Malaysia as fair, however there is no evidence shows that this perception influence tax compliance behaviour. The same finding also found by Natrah (2012) for the perception of justice on taxpayers in Malaysia and New Zealand. Taxpayers in Malaysia were found to be more significantly positive on tax system in Malaysia compared to the taxpayers in New Zealand. However, taxpayers in New Zealand are more compliance compared to the Malaysian taxpayers.

Thirdly, this study will also study the relationship of the three types of justice with trust upon tax authority and its relations to tax compliance. This is because trust is also an indicator to assess the authority's level of procedural justice (Konovsky & Pugh, 1994). In another study, trust could also influence tax compliance. For example, studies done by Wahl, Kastlunger, and Kirchler (2010) and Kastlunger, Kirchler, and Schabmann (2013) found high trust on tax authority could increase tax compliance. Kirchler (2007) classified trust as a factor which has positive and significant relationship in increase of tax compliance. In addition, this study also determine the relation between distributive justice and retributive justice and trust which is not yet explored. This study will examine the impact of these factors (justice and trust) on tax compliance.

Currently, there is no thorough study to identify the relation between perception on procedural justice, distributive justice, and retributive justice with tax compliance in Malaysia. Therefore, this study is an effort to fill the gap. The main objective is to determine the relation between perception on justice in terms of procedural justice, distributive justice and retributive justice as well as trust with tax compliance behaviour in Malaysia. Furthermore, this study will examine the relation between the three types of justice with trust.

This study is structured as followed with previous studies on the research variables and construction of hypotheses will be discussed in the next part. Research methodology is discussed afterwards followed by findings at the end of this study.

Previous Studies and Hypothesis Development

Relationship between Justice and Tax Compliance

According to Murphy and Tyler (2008), if taxpayers are treated nicely and fairly by tax authority, they will cooperate and be more inclined to comply with the decisions made by tax authority. Wenzel (2002b) found procedural justice could predict compliance level of taxpayers in Australia. From his study, taxpayers are more compliant when they believe that tax officers serve them fairly and with respect. Procedural justice refers to perception on service or treatment received by individuals from the authority (Murphy, 2009) and it also relates with process of resource division by the authority (Kirchler, 2007).

In taxation, research on procedural justice showed positive impact on tax compliance. Empirical studies indicated if an individual perceives that the authority exercise fair existent procedure, they are more likely to trust the authority (Murphy, 2004) and more compliant with any decision made by the tax authority (Murphy & Tyler, 2008). However, previous studies on procedural justice did not show consistent findings. Some researchers reported procedural justice has a positive impact (van Dijke & Verboon, 2010), in contrast another researcher have different findings (Worsham, 1996).

For distributive justice, previous studies acknowledged the effects of this factor on tax compliance behaviour. Distributive justice refers to the perception of how far the input provided can garner expected result in achieving equity (Adams, 1965; Walster, Walster, & Berscheid, 1973).

Most studies found distributive justice to have an impact upon tax compliance. Taxpayers evade tax payment when they believe in injustice in exchange relationship between taxpayers and the government (Porcano, 1984; Kim, 2002; Verboon & van Dijke, 2007). Taxpayers whom did not receive public exchange from the government believe injustice happen compared to those who do. The same situation applies when taxpayer disagree with the government spending policy or in the opinion that they did not receive fair exchange from the government, thus making them feel suppressed and affect them to tax non-compliance (Kim, 2002).

Moser, Evans, and Kim (1995) in their study proved tax non-compliance happened when respondent was taxed higher than other taxpayers and did not receive public goods in equivalent to their

tax paid. The higher the return from tax received, the higher is their level of tax compliance (Alm, McClelland, & Schulze, 1992a; Alm, Jackson, & McKnee, 1992b).

Even though there is less research done to analyse the relationship between retributive justice with tax compliance, the findings shows the two variables are related. Retributive justice refers to the perception on suitable punitive action when an act is against the norm. It comprises the requirement of responsibility upon those who committed the wrong by inflicting suitable punishment to the wrong done (Kirchler, 2007). In taxation various punishment are imposed on tax non-compliance, thus the punishment must be suitable with the severity of the wrong (Natrah, 2011).

Tax compliance will increase when taxpayers perceive justice in tax system to detect and punish those who fail to pay tax (Natrah, 2011). Besides punishment, rewards for compliant taxpayers also influence compliance behavior (Falkinger & Walther, 1991). Therefore, the following hypotheses are constructed to determine the relationship of the three types of justice with tax compliance. According to discussion, the hypotheses below were established:

H1a: Procedural justice has positive relation to tax compliance.

H1b: Distributive justice has positive relation to tax compliance.

H1c: Retributive justice has positive relation to tax compliance.

Relationship between Justice and Trust

Procedural justice and trust on the authority can explain the relationship between the authority and the citizen (De Cremer & Tyler, 2007). If the individual perceive that the authority has exercised fair procedures, then they will have more trust in the authority (Murphy, 2004). In taxation, relationship between taxpayers and the authority exist when trust and cooperation is instrumental for tax compliance. Fair treatment received by taxpayers will boost confidence and trust on tax authority and assist in achieving high tax compliance.

In Australia, trust on tax authority is low due to unfair treatment received by taxpayers (Murphy, 2004). It is clear that there is a correlation between fair treatment received by taxpayer and trust on tax authority. This study also examine the relation between distributive and retributive justice with trust through the following hypotheses:

H2a: Procedural justice has positive relationship with trust.

H2b: Distributive justice has positive relationship with trust.

H2c: Retributive justice has positive relationship with trust.

Relationship between Trust and Tax Compliance

Trust emphasizes on the relationship between taxpayer and tax authority resulted from the trust of the taxpayer upon tax authority's actions. If a taxpayer has high trust on tax authority, tax compliance is perceived to increase as well (Kastlunger et al., 2013).

Wahl et al. (2010) in their research in studying the effect of power and trust on tax payment found positive impact derived from power and trust on tax payment. High reliability and trustworthiness of tax authority could increase tax compliance either voluntarily or through enforcement. The same findings are mentioned in the studies by Muehlbacher, Kirchler, and Schwarzenberger(2011) and Kogler et al. (2013), in which they find trustworthiness of tax authority increase voluntary tax compliance. This hypothesis was then constructed:

H3: Trust has positive relationship with tax compliance.

Other than that, trust is also seen as a factor that could strengthen the relationship between procedural justice and tax compliance as mediator (Murphy, 2004). Trust is regarded as indicator to assess the authority's level of justice (Konovsky & Pugh, 1994). Therefore, besides having direct impact on tax compliance, the relationship between procedural justice and tax compliance is also correlated to trust on tax authority. This study will ascertain mediating effect of trust upon the three types of justice. The following hypotheses are then established:

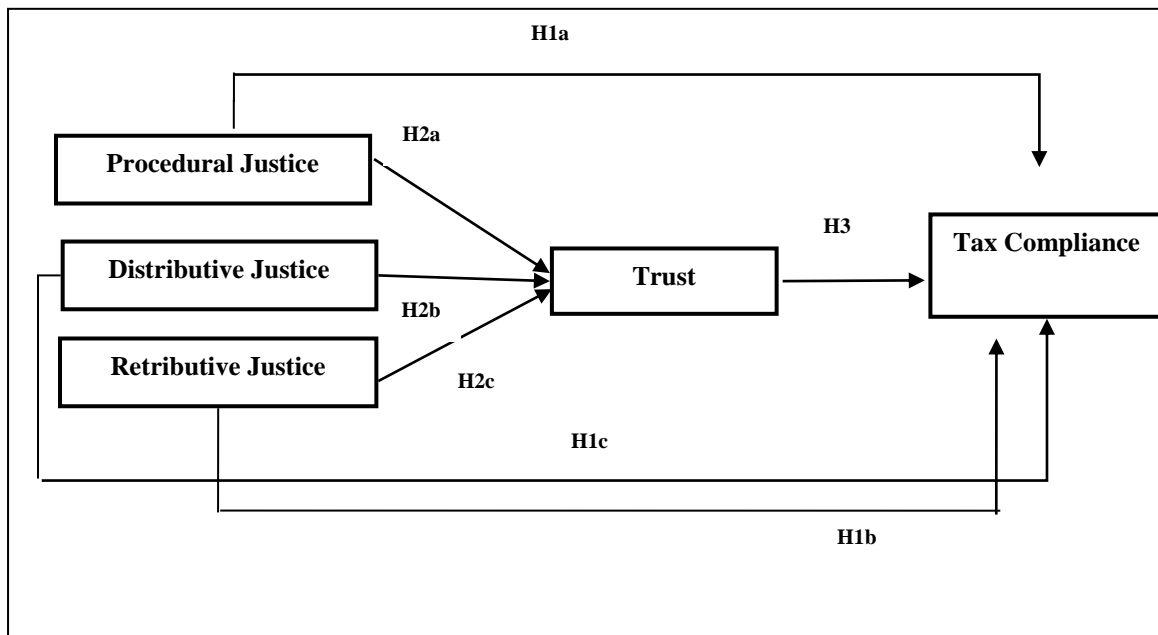
H4a: Trust mediate the relationship between procedural justice and tax compliance.

H4b: Trust mediate the relationship between distributive justice and tax compliance.

H4c: Trust mediate the relationship between retributive justice and tax compliance.

The following Figure 1 is the framework for this study:

Figure 1 Research Framework



Research Methodology

This study applied quantitative approach to get respondents' perception on justice in Malaysian tax system. Data were collected from field work using questionnaires and distributed randomly to the selected respondents. 300 respondents were selected from 57,613 of academicians who are teaching in the public and private higher institutions in Klang Valley (Selangor and Kuala Lumpur) (Ministry of Education, 2013). These states were chosen due to the most highly located public and private higher institutions. The number of samples selected are determined by looking at the Krejcie and Morgan (1970) table as suggested by Sekaran (2006).

The questionnaire were adapted from previous studies on trust and tax compliance done by Kirchler and Wahl (2010) and Kastlunger et al. (2013), procedural justice adapted by Murphy (2009) initially constructed by Tyler (2006), distributive justice sourced from Verboon and van Dijke (2007) and retributive justice from study done by Natrah (2011). Questions were modified according to Malaysian situation and in English version.

Questionnaire used in this study consist of statements to measure each variable. Variables were measured through respondents' perception on tax compliance, trust, procedural justice, distributive justice and retributive justice. Respondents' perception were measured using Likert scale to determine level of agreement with the statement given (5 point Likert scale in which 1 = highly disagree, 2 = disagree, 3 = not certain, 4 = agree and 5 = highly agree).

Findings and Discussion

From 300 questionnaires were distributed, only 90 questionnaires could be accepted for data analysis. Table 1 shows the descriptive data of the respondents that comprise of 53 lecturers (58.9%), 29 senior lecturers (32.2%), six associate professors (6.7%), one professor (1.1%) and one assistant lecturer (1.1%). From the total, 31 (34.4%) respondents were male and 59 (65.6%) were female, with 62 (68.9%) from public institutions and 28 (31.1%) from private institutions. 49 of respondents had teaching experience more than ten years (54.4%), 22 of respondents with five to nine years teaching experience (24.4%), 16 respondents with one to four years experience (17.8%) and three of respondents worked less than one year (3.3%).

Table 1 Descriptive data

	Respondents (n=90)	Percentage
Gender		
Male	31	34.4
Female	59	65.6
Academic position		
Professor	1	1.1
Associate Professor	6	6.7
Senior Lecturer	53	32.2
Lecturer	29	58.9
Assistant Lecturer/Tutor	1	1.1
Institutions		
Public learning institution	62	68.9
Private learning institution	28	31.1
Teaching experience		
< 1 year	3	3.3
1 – 4 years	16	17.8
5 – 9 years	22	24.4
> 10 years	49	54.4

Regression Test

Before conducting the regression, the reliability is tested to determine the consistency of the items in the questionnaires. Basically, the reliability is measured by referring to the value of cronbach alpha that should be at least 0.70 (Hair et al., 2007). Table 2 indicates the cronbach alpha scores for each variable. From the table, only retributive justice has cronbach alpha less than 0.70. However, according to Hair et al. (2007), the strength of association is considered moderate if the cronbach alpha is between 0.6 to < 0.70. Thus, this study decided to use this variable for analysis.

Table 2 Reliability test

Variables	Cronbach alpha
Compliance	0.761
Trust	0.928
Procedural justice	0.948
Distributive justice	0.770
Retributive justice	0.600

After determine the reliability, the study is continued with the analysis. This study used regression test to analyse the relationship between all variables. To test H1a, H1b and H1c, the following model was developed:

$$y = \beta_0 + \beta_1\chi_1 + \beta_2\chi_2 + \beta_3\chi_3 + \varepsilon$$

- y = Compliance behaviour
- χ_1 = Procedural justice
- χ_2 = Distributive justice
- χ_3 = Retributive justice
- ε = Error

Table 3 shows multiple regression result between justice and tax compliance. The results identifies procedural justice, distributive justice and retributive justice have positive relations with tax compliance. However, only procedural justice is significantly related to tax compliance in Malaysia at $p = 0.000$. This result explains that tax compliance increases when taxpayers believe they were treated fairly when dealing with the tax authority. Therefore, H1a is accepted.

Table 3 Multiple regression between justice and tax compliance

	R ²	β	Sig. <i>p</i> *
Outcome: Compliance			
Predictors:	0.169		
Procedural justice (χ_1)		0.377	0.000
Distributive justice (χ_2)		0.070	0.518
Retributive justice (χ_3)		0.109	0.313

*Significant at *p* value < 0.05

Meanwhile, for relationship between the three types of justice with trust (H2a, H2b and H2c), the following model was established:

$$y = \beta_0 + \beta_1\chi_1 + \beta_2\chi_2 + \beta_3\chi_3 + \varepsilon$$

- y = Trust
- χ_1 = Procedural justice
- χ_2 = Distributive justice
- χ_3 = Retributive justice
- ε = Error

Table 4 shows regression result for justice and trust. The result indicates that, only procedural justice can influence trustworthiness of tax authority with positive significant relationship (*p* = 0.000). That means when the tax authority provides good services and fair treatment to taxpayers, it influences taxpayers' trust to the tax authority. Thus, only H2a is accepted.

Table 4 Multiple regression between justice and trust

	R ²	β	Sig. <i>p</i> *
Outcome: Trust			
Predictors:	0.617		
Procedural justice (χ_2)		0.759	0.000
Distributive justice (χ_1)		0.015	0.841
Retributive justice (χ_3)		0.129	0.081

*Significant at *p* value < 0.05

Next, in order to test H3 which the relationship between trust and tax compliance behaviour, the simple regression model was developed $y = \beta_0 + \beta_1\chi_1 + \varepsilon$ with *y* = Compliance behavior and χ_1 = Trust. The result shows that trust on tax authority has positive significant relationship with tax compliance at *p* = 0.000 (see Table 5). The result means taxpayers perception on trustworthiness of tax authority can influence their tax compliance behaviour. Therefore, H3 is also accepted.

Table 5 Simple regression between trust and compliance

	R ²	β	Sig. <i>p</i> *
Outcome: Compliance			
Predictors:	0.165		
Trust (χ_1)		0.406	0.000

To test the mediating effect of trust in the relations between all types of justice with tax compliance, multiple regression was used as suggested by Baron and Kenny (1986) and Frazier, Baron, and Tix (2004) because this study has low response rate to perform Structural Equation Model (SEM) (Baron & Kenny, 1986). There are three steps to be established in testing mediating effect using multiple regression (Frazier et al., 2004) see Table 6, 7 and 8, the first step, the relation between predictor (procedural justice, distributive justice and retributive justice) and outcome (compliance) are tested. The results shows that only procedural justice have significant relationship with tax compliance behavior (the unstandardized regression coefficient *B* = 0.218 at the *p* < 0.001). Therefore, the requirement for mediation in step one was met for procedural justice. If step one does not show significant result, the analysis still can be continued because sometime small sample size may not be able to predict the significant relationship between the predictor and outcome (Shrout & Bolger, 2002). Thus, step two will be proceed to distributive justice and retributive justice to determine the mediating effect of trust.

Second step, assessing the relation between the predictors with the mediator (trust). However, only procedural justice has significant relationship with trust (the unstandardised regression coefficient = 0.774 and $p < 0.001$) not distributive justice and retributive justice. If trust is not associated with distributive justice and retributive justice, then trust cannot possibly mediate any variable even though in step three result is significant. Thus, next step to determine mediating effect will be only applicable for procedural justice since step two is met.

Next step is to test the predictor simultaneously with mediator and outcome. The finding indicates that trust is not significant in relation with procedural justice and compliance (the unstandardised regression coefficient = 0.158 and $p > 0.001$). This result did not prove trust mediate the relation of procedural justice with compliance since both types of justice did not fit step three that it must be significant direct result between justice and tax compliance. An additional step (step 4) only will be conducted if step three is met. As conclusion, trust does not mediate the relationship between procedural justice, distributive justice and retributive justice with tax compliance behavior in Malaysia. As a result, H4a, H4b and H4c are eliminated since trust has no impact on the relation between the three types of justice and tax compliance. Then, H4a, H4b and H4c were rejected.

Table 6 Testing mediator effects using multiple regression for procedural justice

	<i>B</i>	<i>SE B</i>	95% CI	β
Step 1:				
Outcome: Compliance				
Predictor: Procedural Justice	0.218	0.056	0.106, 0.329	0.383**
Step 2:				
Outcome: Trust				
Predictor: Procedural Justice	0.767	0.067	0.634, 0.900	0.774**
Step 3:				
Outcome: Compliance				
Mediator: Trust	0.158	0.088	-0.018, 0.333	0.275
Predictor: Procedural Justice	0.097	0.087	-0.077, 0.271	0.170

CI = confidence interval

**Significant at p value < 0.01

Table 7 Testing mediator effects using multiple regression for distributive justice

	<i>B</i>	<i>SE B</i>	95% CI	β
Step 1:				
Outcome: Compliance				
Predictor: Distributive Justice	0.053	0.084	-0.113, 0.220	0.068
Step 2:				
Outcome: Trust				
Predictor: Distributive Justice	-0.031	0.146	-0.322, 0.259	-0.023
Step 3:				
Outcome: Compliance				
Mediator: Trust	0.234	0.056	0.123, 0.346	0.408*
Predictor: Distributive Justice	0.061	0.077	-0.092, 0.213	0.077

CI = confidence interval

**Significant at p value < 0.01

Table 8 Testing mediator effects using multiple regression for retributive justice

	<i>B</i>	<i>SE B</i>	95% CI	β
Step 1:				
Outcome: Compliance				
Predictor: Retributive Justice	0.167	0.097	-0.025, 0.359	0.181
Step 2:				
Outcome: Trust				
Predictor: Retributive Justice	0.365	0.167	0.034, 0.696	0.228
Step 3:				
Outcome: Compliance				
Mediator: Trust	0.221	0.057	0.107, 0.335	0.385**
Predictor: Retributive Justice	0.086	0.092	-0.097, 0.269	0.094

CI = confidence interval

**Significant at p value < 0.01

From the results, we can conclude that most of the respondents would improve their tax compliance behavior if they perceived the tax authority manages to conduct good and fair treatment in doing tax activities and procedures. Fair treatment is more important than fair benefits or fair punishment received by taxpayers to increase tax compliance. This justice perception also will increase taxpayers' trust on tax authority in which this factor can also enhance tax compliance behavior. However, trust has been proved not having effect in the relation between procedural justice and tax compliance. The findings indicates that the tax authority in Malaysia will get trust, cooperation, and more compliant taxpayers if they treat taxpayers nicely and fairly in performing tax procedures.

CONCLUSION AND RECOMMENDATION

The objective of this study is to investigate opinion and perception from the respondents on the impact of justice and trust with tax compliance in Malaysia. Justice are divided into three types which are procedural justice, distributive justice and retributive justice suggested by Wenzel (2002a). Therefore, this study tested four factors that may influence tax compliance in Malaysia. The finding from the questionnaire indicates perception on procedural justice in tax system and trust towards the tax authority could increase tax compliance. Respondents believe that their compliance behaviour will be increased if they received fair and just treatments when dealing with tax authority and when they have trust on the tax authority. The findings will recommend for the tax authority to enhance the compliance through their actions on the taxpayers. The punishment approach may not be applicable on certain taxpayers.

This study however has its limitations. The low response rate may prevent findings to be generalized to the population of taxpayers in Malaysia. However, this research is still in the initial phase with finding which did not support a few hypothesis due to minimal response rate. In addition, the respondents may not be able to distinguish between different types of justice lead to insignificant effect of the distributive justice and retributive justice. Unclear definition and justification on the different may contribute to this results.

Future research on different types of justice should be conducted incorporating the views of different types of taxpayers obtain a more complete views on the matter. Besides, further research on the effect of distributive justice and retributive justice on compliance need to be considered since these two justice have positive perception from the respondents but insignificant.

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STRATEGIES FOR INCREASING THE COMPETITIVENESS OF SMEs IN THE PROVINCE OF YOGYAKARTA SPECIAL REGION ENTERING THE ASEAN ECONOMIC COMMUNITY

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Abstract. This study aims to formulate the strategy of enhancing the competitiveness of Micro, Small and Medium Enterprises (SMEs) to enter the ASEAN Economic Community (AEC). The results of this study are able to contribute to SMEs to survive free market MEA. This study uses primary and secondary data. Primary data were obtained from field surveys as many as 94 SMEs, while secondary data obtained from various sources publications, that are the central bureau of statistics (BPS/Biro Pusat Statistik), department of industry, trade and cooperative (DISPERINDAGKOP/ Dinas Perindustrian Perdagangan dan Koperasi) and related agencies. The method used is descriptive analysis approach. These results indicate that the problems faced by SMEs can be overcome with some proper strategy and operations. The development of the concept of local eco-tourism and spiritual value. Strengthening SME technology for product quality improvement and mass production. Foster cooperation between SMEs with universities and large enterprises. SMEs bankable capital improvements and protected by the government. Human resources development is based on continuous learning knowledge management is accelerating the improvement of competitiveness of SMEs entering the free market MEA.

Keywords: Strategy, Competitiveness, SMEs, AEC

INTRODUCTION

Nowadays Micro, Small and Medium Enterprises (SMEs) enter a new era of ASEAN free trade that Asian Economic Community (AEC). Each MEA member countries competing to encourage SMEs to boost its role and competitiveness of SMEs in the MEA market. Ten ASEAN member countries such as Indonesia, Malaysia, Philippines, Singapore, Thailand, Brunei, Vietnam, Laos, Myanmar and Cambodia, competing enters the MEA market by providing optimal attention and efforts to maintain and develop its SMEs.

Indonesia has always tried to encourage UMKMnya to be able to actively participate in the ASEAN free trade area. Thus, the role of SMEs in the national economy are concerned and continue to be encouraged to develop well, either in the national and international level. This is consistent with the objectives of SMEs according to the Law of the Republic of Indonesia number 20 of 2008 is to grow and expand its business in order to build a national economy based on fair economic democracy.

SMEs Indonesia are very potential to be developed as its have a great ability in the country's economy and are proved to withstand the global economic crisis. SMEs are able to absorb a lot of labor. The total number of workers in Indonesia reached 110 million people, about 97.3% of workers are in the SME sector. As for the rest, only 2.7% were working in the firms or large corporations.

Unfortunately, the productivity of SMEs is not linear with the number of businesses and workers. This is evident from the contribution of SMEs to the gross domestic product (GDP), only about 57.9%. While companies or big corporations are contributing in the GDP by 42.1%, although the portion of workers is only 2.7%. According to Hamid and Susilo (2011)¹, the problems faced by SMEs in the province of Yogyakarta are classified into two aspects, namely internal and external aspects. According to Imam (2016)², the causes of low productivity of SMEs is on aspects of efficiency, effectiveness, and ability to develop, as well as the low-capital.

The SME development strategy formulation had to be done to anticipate low productivity of SMEs. What is the strategy pursued to improve the competitiveness of SMEs in Yogyakarta to enter the Asian Economic Community? Answers to these questions will be the focus of this study. Initially, we need to explore in advance the various problems faced by SMEs in Yogyakarta, and also a survival strategy that has been done by the SMEs in order to compete in the MEA markets.

UMKM PRODUCTIVITY

Hamid and Susilo (2011)¹ reviewed the development strategy of small micro and medium enterprises in the province of Yogyakarta. Cross sectional study conducted through secondary data analysis and surveys of 220 SMEs. Results of research shows that the problems faced by SMEs are: (1) Marketing; (2) Capital and funding; (3) Innovation and utilization of information technology; (4) Use of raw materials; (5) The production equipment; (6) Absorption and empowerment of labor; (7) business development plan; and (8) readiness to face the challenges of the external environment. To overcome these problems, a strategy should be done is establish the support from stakeholders, such as business associations, universities. In addition, good cooperation with the agency or related parties at the district, town, and province have to build.

The government set a policy to encourage the development of SMEs in Yogyakarta. The policy is applied to accelerate the transformation of SMEs, ranging from the formation phase to the stabilization phase, which includes: (1) training programs on variety of product development and quality-oriented, with local resource-based; (2) machinery revitalization program and more modern equipment; (3) product development program that is highly competitive with local characteristic; (4) banking credit policies with low interest and simpler process that will support the acceleration of the process of revitalization of the production process; (5) quality improvement program of physical and non-physical infrastructure to reduce distribution costs so that SME products will have higher competitiveness; (6) Support for the promotion of the development policy of export and domestic markets with a variety of media that is more modern and varied.

Fafurida and Nihayah (2012)³ conducted a study of the development of small industrial business unit, through the mapping method and a "needs assessment" in the village Gunungpati. Data were obtained from the survey by questionnaire and Focus Group Discussion. A sample of this study is 47 UMKM in Village Gunungpati, that are divided into 12 kinds of businesses, among others; ampyang, ceriping, wood crafts, crackers, cutting wood, rice mills, red bricks artisans, furniture makeovers, rempeyek, rengginang, tofu, and tempe. The results showed businesses in Gunungpati had been long established, but the majority of these SMEs do not have a good business management. It can be seen from several aspects, among other aspects of accounting and finance, production and marketing. In addition, each type of industry has the varied condition and different spread. There is only one type of industry which form large clusters namely red brick-making industry in the area Ngrembel. The results showed that the UMKM need training on administrative, preparation of a financial report, innovation of the means of production, packaging, marketing techniques, access to raw materials and waste management. The training is needed to increase the capacity of the business.

THE STRATEGY FOR IMPROVING THE COMPETITIVENESS OF SMES

Susilo (2010)⁴ conducted a study on strategies to improve the competitiveness of SMEs in facing the implementation of CAFTA and MEA. The purpose of research is to provide recommendations on strategies to improve the competitiveness of SMEs in the face of CAFTA and MEA.

The results of this study explain that SMEs should improve the competitiveness of businesses and product competitiveness. The owners of SMEs should have the power to improve the competitiveness of its business with entrepreneurship and innovation. Increased competitiveness will drive the creation product competitiveness. In addition, SMEs have to improve cooperation between small business units or between the centers of small business and also enhance network with stakeholders.

The role of government is needed as a complement to encourage improving the competitiveness of SMEs. The business climate created by the government will facilitate small businesses to improve the competitiveness of SMEs. Stakeholders also need to improve the partnership created by small businesses, both in the form of education and training, promotion, and other supporting facilities.

Triharini, et al., (2014)⁵ conducted a study on the potential development of local handicrafts, using the approach of One Village One Product (OVOP) for Crafts pottery at Plered, Purwakarta. The purpose of OVOP is to promote applied strategies in accordance with the basic principles of OVOP and to resolve problems faced by the industry in the area of craft products. The aim of this study is to evaluate the application of OVOP in Indonesia that has been ongoing since 2008 and prepare a recommendation for the potential development of handicraft products with OVOP approach, by taking a case study in Plered, Purwakarta.

Recommendations addressed to the government as policymakers, the public as the executor, and the private sector, especially academics designer or professional designers. Besides the importance of consistency of government and public participation in the implementation and supervision of the program that had been developed, the development of handicraft product design plays a very important. The role of the designer is required to develop and design products that match market needs while maintaining local values.

RESEARCH METHOD

This study is using secondary and primary data. Secondary data were obtained from various sources published journals, the Central Bureau of Statistics (BPS), Department of Industry Trade and Cooperatives and SMEs Yogyakarta Province. The primary data obtained by survey method using questionnaires and in-depth interviews with respondents (Kuncoro, 2009)⁶.

The research location is in Yogyakarta, which covers four counties (Bantul, Sleman, Kulon Progo, Gunung) and the city of Yogyakarta. Industrial centers were selected from each region. The field survey was conducted from March through May 2016.

Respondents in this study were 94 owners of productive SMEs in Yogyakarta province. Sample selection is done by purposive sampling (Sekaran and Bougie, 2010)⁷. This research is a descriptive statistical analysis. Steps of research are illustrated in Figure 1.

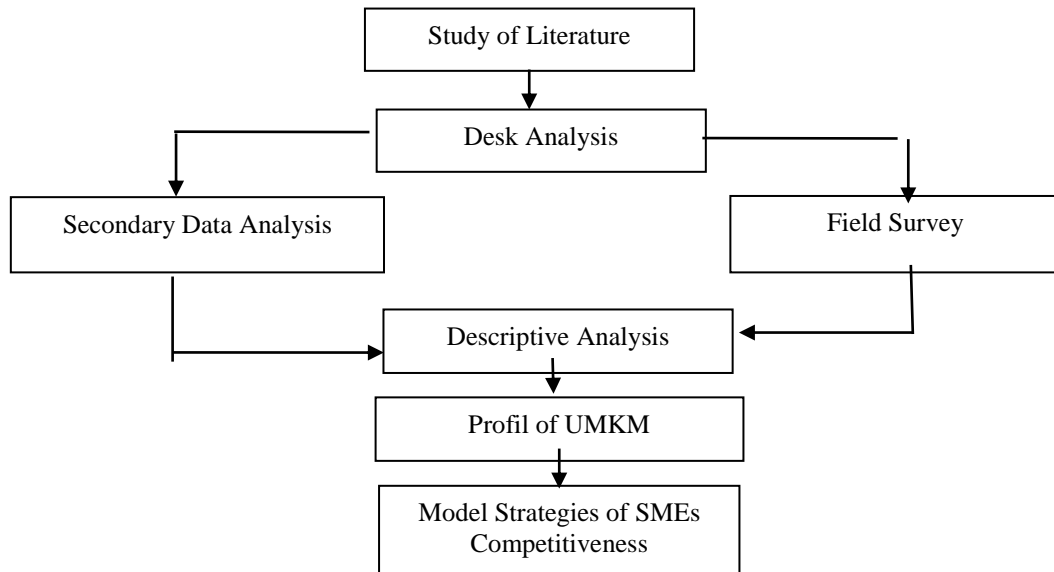


Figure 1. Steps of Research

This research uses descriptive analysis of strategies for improving the competitiveness of SMEs to face the Asean free trade. Step this study begins with the study of literature. The study of literature is done by analyzing multiple sources, such as books, scientific journals, and resources from the Central Bureau of Statistics (BPS), Department of Industry Trade and Cooperatives and SMEs Yogyakarta Province. All descriptions idea then combined in a series of work in mind, in order to provide adequate information in accordance with the purpose of research.

RESULT

Table 1 describe about respondent of this research, that grouped by area.

Table 1. Respondent by Area

No	Area	Size of UMKM
1	Yogyakarta	23
2	Bantul	28
3	Sleman	17
4	Kulon Progo	15
5	Gunung Kidul	11
Total		94

Source: Processed Primary Data

SMEs whose numbers are located mainly in the region of Bantul, as many as 28 SMEs. The number of respondents who came from Yogyakarta as many as 23 SMEs, as many as 17 SMEs in Sleman, Kulon Progo as many as 15 SMEs and Gunung Kidul as many as 11 SMEs. This information illustrates that the Bantul began to rise again to move the industry SMEs, after the earthquake in 2006. The southern part of Yogyakarta area also began to increase business informal sectors.

The respondents of this study are mostly in the diverse business category as many as 31 SMEs, food category as many as 29 SMEs, craft industry category as many as 23 SMEs and fashion category as many as 11 SMEs. Such information is described in Figure 2.

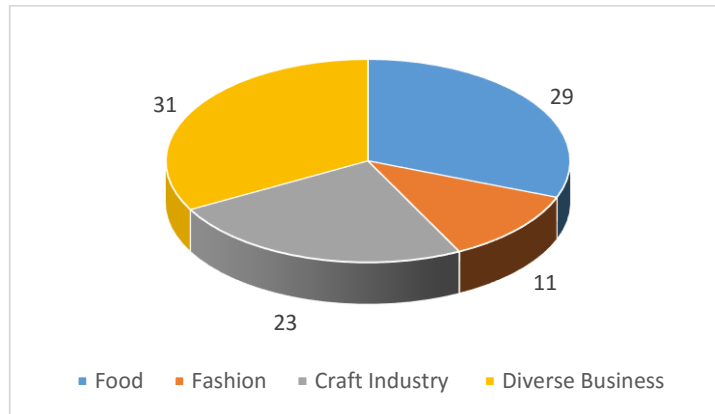


Figure2. Business Category of Respondent
Source: Processed Primary Data

SMEs that have been established over 25 years amounted to 19%, while the SMEs that have been established between 21 and 25 years amounted to 31%, between 16 and 20 years amounted to 28% and between 11 and 15 years amounted to 22%. The results of this study showed that the proportion of SMEs that have been established over 20 years by 50%. The condition shows that the business climate in the province of DIY is very favorable because it can trigger the growth of new SMEs in order to encourage the progress of the regional economy. Such information as shown in Figure 4.

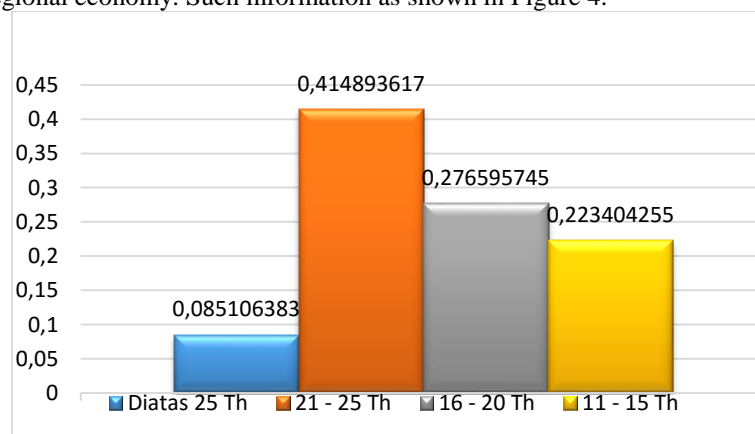


Figure3. Age of UMKM
Source: Processed Primary Data

Strategies for Improving Competitiveness of SMEs In Yogyakarta

SMEs in Yogyakarta mostly already established more than 20 years, but still managed in the traditional way, then that SMEs do not have high competitiveness. This condition occurs due to many problems and constraints faced by SMEs, such as weak innovation content of local values, the ability of human resources are limited, the constraints the use of technology in the production process, the availability of working capital is limited, weak cooperative relationships with other parties as well as the lack of planning vision and business mission. This finding is consistent with results from studies conducted by Sudaryanto et al., (2014)⁸, Meliala et al., (2014)⁹ Hamid and Susilo (2011)¹, Susilo (2010)⁴, Susilo et al., (2008)¹⁰, and Tarin and Susilo (2008)¹¹.

The strategy to improve competitiveness needs to be aligned with the development of local eco-tourism concept, which considers aspects of the destination and market aspects. The strategy formulation considers aspects of the environment and culture, that it contains spiritual values and natural tourist attraction, by considering various characteristics and market behavior. In addition, for the preservation of the environment, both in the short term and the long term, it should be considered some components such as (1) Ecology, (2) Ethnology, (3) Economic (4) Education, and (5) Aesthetics accordance with the principles of local eco-tourism.

Utilization of information technology to develop the business has succeeded in providing flexibility in mass production, facilitate delivery to customers in a more rapidly and efficiently, and may perform cheap international marketing. Unfortunately, most SMEs do not apply information technology (IT) optimally. Most of the human resource in SMEs do not have the technical knowledge.

In this case, the government has a strategic role in encouraging the use and utilization of technology for SMEs. The government is able to create a center of IT-based SMEs, as a form of national movement. The programs conducted by the government could be training and provision of IT facilities, which are able to reach all SMEs to every corner of Indonesia. Creation of IT-Based SMEs Center will accelerate the improvement of the competitiveness of SMEs that excel in technology, both in production technology, packaging or marketing, in order to have a positive impact on the success of the national development.

Changes in technology and an increasingly competitive business environment have impacted on the management of the Human Resources (HR). The function and role of HR are very important to produce superior-performing SMEs. The concept of Continuous Learning Knowledge Management for SMEs should begin to be applied because of the experience and intelligence of the human brain is more important for SMEs than the physical skills (Budihardjo, 2016)¹².

Strategy for improving the competitiveness of SMEs can not be separated from human resource capabilities in managing SMEs. Every human resource has diverse knowledge management capabilities, in order to improve the business processes SMEs as efficient and effective as possible. SMEs must be able to recognize and develop knowledge of management, therefore human resource is able to manage optimally and useful for other human resources as feedback. Every human resource needs to build a culture of sharing knowledge, both tacit knowledge and explicit knowledge, to other human resources. The key to the success of knowledge management is the creation of a culture of sharing knowledge and the elimination of organizational barriers and build a culture of communication with every SMEs. Thus, the development of knowledge management, with a talent-based management can be performed optimally in order to support the creation of a knowledge culture. Knowledge culture is needed to accelerate the development of SMEs

Strategies to improve the competitiveness of SMEs can not be separated from the support of banks in lending, which is protected by the government. Therefore, the government also needs to provide training and assistance to SMEs to prepare financial statements in accordance with banking needs. Governments should also develop policies and information systems are used as guidance in the preparation of financial statements (Setyaningsih, 2014¹³, Artawan at al, 2015)¹⁴. The financial statements are prepared by considering the type of existing entities, namely business services, trade, manufacturing. Furthermore, guidance for the preparation of financial statements SMEs needs to consider scale SME.

To support the acceleration of competitiveness, SMEs need to develop cooperation with universities and large enterprises. Training and mentoring are integrated into the system becomes important things to conducted (Kumorotomo, 2008)¹⁵. Success in improving the competitiveness of SMEs is highly dependent on the role, strategy and government policy in order to build synergies between SMEs and universities, large companies and banks. Besides, the government also contributed in providing a variety of facilities, technology and information. The banking industry has contributed in lending to SMEs that is cheap and simple. Large companies contribute to training and teach the best practices of the business processes for SMEs. Furthermore, universities contribute significantly to assistance to SMEs for the implementation of best practice which is simple and easy to do (Setiajatmika and Utama, 2010)¹⁶.

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ASSESSING SERVICE QUALITY LEVEL: A STUDY ON THE LIGHT RAIL TRANSIT (LRT)

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Abstract. Provide the best quality to consumers is the ultimate goal of any service provider. Good quality of service will create positive perceptions, consumers' adoption and satisfactions among consumers. Measurement of service quality, however, is not an easy task due to the characteristics of services itself which is intangibility, Inseparability, Perishability, and Variability. Therefore, this study was conducted to assess the quality of services of Light Rail Transit (LRT, the Light Rail Transit) in the Klang Valley. SERVQUAL approach involving the five elements, namely reliability, assurance, tangible, empathy and responsiveness was used in this study to measure the quality of service of LRT. A total of 100 questionnaires eligible for analysis were used for the purpose of writing this report. Its' consist of commuters who used the LRT service in the Klang Valley. Descriptive statistical techniques were used to examine the demographic distribution of the LRT service. To review the quality of services, apart from distribution tables, measures of central tendency is also used. In addition to that analysis of association and differences is also adopted. In general, studies show that the service quality of LRT is at a moderate level. As conclusion, thereis still a room for improvements that need to be done by the service provider to improve the quality of services offered to consumers.

Keywords; Customer perception, consumer satisfaction, SERVQUAL, service provider, LRT

KEPUASAN PENGGUNA: SATU KAJIAN KE ATAS KUALITI PERKHIDMATAN DAN INFRASTRUKTUR SISTEM TRANSIT ALIRAN RINGAN

Abstrak. Memberikan kualiti terbaik kepada pengguna merupakan tujuan utama mana-mana penyedia perkhidmatan. Kualiti perkhidmatan yang baik menimbulkan persepsi yang positif, penerimaan di kalangan pengguna serta dapat memberikan kepuasan kepada pengguna. Bagaimanapun pengukuran terhadap kualiti perkhidmatan bukanlah suatu yang mudah kerana ciri-ciri perkhidmatan itu sendiri di mana ianya bersifat tidak dampak, tidak dapat dipisahkan dengan penyedia perkhidmatan, tidak tahan lama serta kualiti yang berbeza-beza. Oleh itu, kajian ini dijalankan bagi menilai kualiti perkhidmatan dan infrastruktur Transit Aliran Ringan (LRT, Light Rail Transit) di Lembah Klang. Pendekatan SERVQUAL yang melibatkan lima elemen iaitu kebolehpercayaan, jaminan, keketaraan, empati dan tindak balas telah digunakan dalam kajian ini bagi mengukur kualiti perkhidmatan LRT. Sejumlah 100 soalasesidik yang layak untuk dianalisis telah digunakan bagi tujuan penulisan laporan ini. Mereka terdiri dari pengguna-pengguna yang menggunakan perkhidmatan LRT di Lembah Klang. Teknik statistik deskriptif digunakan untuk meneliti taburan demografi pengguna perkhidmatan LRT. Bagi mengkaji kualiti perkhidmatan, selain jadual taburan, ukuran kecenderungan memusat digunakan di samping analisis perhubungan dan keterbezaan turut digunapakai. Secara umumnya kajian menunjukkan bahawa kepuasan pengguna terhadap kualiti perkhidmatan LRT berada di tahap yang sederhana. Oleh yang demikian banyak lagi ruang-ruang untuk penambahbaikan perlu dilakukan oleh pihak penyedia perkhidmatan bagi meningkatkan lagi kualiti perkhidmatan yang ditawarkan kepada para pengguna.

Katakunci : Persepsi pengguna, kepuasan pengguna, SERVQUAL, penyedia perkhidmatan, LRT

PENGENALAN

Pengangkutan awam merupakan satu komponen penting yang boleh menjadi pemangkin kepada pembangunan ekonomi di sesebuah kawasan. Pengenalan mod pengangkutan Sistem Transit Aliran Ringan (LRT) di Bandaraya Kuala Lumpur berkait rapat dengan proses pembangunan ekonomi dan menangani masalah kurang berkesannya perkhidmatan pengangkutan awamsediaada iaitu bas dan teksi. Masalah kesesakan lalulintas yang serius di Kuala Lumpur sejak dekad 70'an telah menyebabkan kerajaan memperkenalkan pengangkutan awam berasaskan rel di negara ini dan dilancarkan pada tahun 1996. Projek LRT yang menelan perbelanjaan yang cukup besar diberikan kepada pemaju iaitu STAR dan PUTRA bagi merealisasikan harapan ini.

LRT yang mula dilaksanakan oleh Sistem Transit Aliran Ringan (STAR) menjadi ciri penting rangkaian pengangkutan bersepadu yg digabungkan dengan perkhidmatan bas dan rel penyambung. Fasa

1 meliputi laluan sejauh 12 kilometer dari Ampang ke Jalan Sultan Ismail di mana 13 stesen dibina di sepanjang laluan telah dilancarkan pada tahun 1996. Setiap keretapi mengandungi dua gerabak sepanjang 28 meter dan selebar 2.68 meter setiap satu dengan enam pintu di setiap gerabak. Setiap gerabak boleh membawa sehingga 396 penumpang. LRT beroperasi 8 jam setiap hari, dari 6:00 pagi hingga 12.00 tengah malam. PUTRA yang merupakan singkatan bagi “Projek Usahasama Transit Ringan Automatik Sdn Bhd”, syarikat yang membina sistem PUTRA LRT pula memulakan operasi perkhidmatan seksyen 1 dari Depoh Subang ke Pasar Seni, KL pada 1 September 1998 dan seksyen 2 pada 1 Jun 1999 iaitu dari Pasar Seni ke Terminal Putra yang merangkumi landasan bawah tanah pertama di Malaysia. Dari tahun ke tahun Sistem LRT ditambahbaik dengan memperperluaskan liputan laluan, menambah bilangan tren dan gerabak, mengganti gerabak yang lama dengan gerabak yang barudan pelbagai lagi bagi meningkatkan kecekapan perkhidmatan. Kini semua LRT dimiliki dan diurus oleh syarikat Prasarana Malaysia Berhad yang di bawah pemantauan Suruhanjaya Pengangkutan Awam Darat (SPAD)

PERMASALAHAN DAN OBJEKTIF KAJIAN

Pelaksanaan sistem LRT kini telahpun menjangkau 2 dekad usianya setelah mula dilancarkan pada tahun 1996. Sedikit sebanyak ianya telah menyediakan sistem pengangkutan awam yang moden di bandaraya Kuala Lumpur. LRT menggunakan keretapi moden berkuasa elektrik dan bergerak di atas dua landasan telah menawarkan pilihan yang selesa dan boleh dipercayai untuk bergerak dalam kawasan bandar Kuala Lumpur. Ianya juga telah disepadukan dengan rangkaian pengangkutan bersepadu yang lain seperti perkhidmatan bas dan rel penyambung di samping kemudahan teksi di Kuala Lumpur.

Walaupun secara umumnya dengan pengenalan dan pelaksanaan LRT di Kuala Lumpur telah banyak membantu memodenkan perkhidmatan pengangkutan awam di Malaysia namun masih terdapat berbagai rungutan dari para pengguna berhubung system pengangkutan ini. Terdapat kajian yang menemukan rasa kurang puas hati pengguna di samping pelbagai rungutan terpampang di pelbagai media tentang perkhidmatan tersebut. Menurut Faizah Izzani Zakaria (25 Jun 2010), masalah kesesakan jalan raya terutama di bandar-bandar besar seperti Kuala Lumpur masih tetap berlaku. Jumlah mereka yang memandu di jalan-jalan raya tidak pernah berkurangan. Keadaan ini berlaku di bandar raya Kuala Lumpur disebabkan pelbagai faktor seperti ketiadaan kemudahan sistem pengangkutan yang terbaik, sistem pengangkutan yang tidak efisien, perjalanan lambat disebabkan kesesakan, sikap penduduk yang sangat 'sayang'kan kenderaan mereka dan sebagainya. (Utusan Malaysia Online 25 Jun 2010). Perkhidmatan ini juga dikatakan tidak diintegrasikan dengan cekap dengan system pengangkutan “feeder” yang lain, jadual ketibaan yang tidak teratur dengan pengangkutan penyambung yang lain, gerabak yang tidak mencukupi serta liputan laluan yang belum cukup meluas.

Menurut Mariatul Qatiah Zakaria (20 Mei 2010), keadaan lebih tertekan bagi penumpang wanita yang terpaksa bersesak, berebut dan berhimpit dengan lelaki untuk masuk ke gerabak. Ada ketikanya disebabkan penumpang terlalu ramai penumpang wanita dihimpit lelaki. Situasi itu cukup meruncing pada waktu puncak iaitu dari pukul 6.30 pagi hingga 9.00 pagi dan pukul 4.00 petang hingga 8.00 malam. Selain gangguan seksual semasa bersesak dan berhimpit penumpang wanita juga terdedah kepada risiko jenayah ragut dan seluk saku. Kalau diberi pilihan, mereka tentunya tidak sanggup berhadapan dengan keadaan itu setiap hari. (Utusan Malaysia Online 20 Mei 2010)

Selain itukadar tambang bagi penumpang LRT adalah dianggap mahal terutamanya bagi mereka yang berpendapatan rendah. Khairy Jamaluddin Abu Bakar, Ketua Pemuda UMNO ketika berucap pada Persidangan Pemuda UMNO sempena Perhimpunan Agung UMNO 2015 di Pusat Dagangan Dunia Putra (PWTC), Kuala Lumpur, meminta kerajaan menghentikan segala kenaikan baru selepas ini termasuk tol dan tambang pengangkutan awam yang memberi kesan besar kepada rakyat berpendapatan rendah kerana rakyat yang semakin terhimpit akibat kenaikan kos sara hidup (Berita Harian Online 9 Disember 2015)

Faktor keselamatan juga merupakan masalah utama yang dihadapi oleh para pengguna pengangkutan awam kerana akan memberi kesan kepada rutin harian pengguna. Menurut Hafiz Johari (22 Julai 2015) Menurut jurucakap Bomba, Balai Bomba dan Penyelamat Keramat masalah brek telah mengakibatkan kira-kira 300 penumpang Transit Aliran Ringan (LRT) Setiawangsa Jalan Jelatek di sini hari ini berhadapan detik mencemaskan selepas terlihat asap tebal daripada bahagian bawah gerabak kereta api (Berita Utusan Online, 22 Julai 2015).

Berdasarkan permasalahan yang disebutkan di atas, objektif kajian ini adalah seperti berikut:

- i. Menenalpasti penggunaan LRT di kalangan pengguna, dan
- ii. Menilai kepuasan pengguna terhadap kualiti perkhidmatan LRT yang disediakan.

KAJIAN LITERATUR

Sistem LRT di Malaysia

Sistem Transit Aliran Ringan (*LRT, Light Rail Transit*) adalah salah satu sistem pengangkutan awam yang digunakan di Kuala Lumpur milik syarikat Prasarana Malaysia Berhad di bawah pemantauan

Suruhanjaya Pengangkutan Awam Darat (SPAD). LRT menggunakan keretapi moden berkuasa elektrik dan bergerak di atas dua landasan untuk menawarkan pilihan yang selesa dan boleh dipercayai untuk bergerak dalam kawasan bandar. Perjalanan menggunakan LRT ini merupakan satu alternatif bagi orang ramai untuk mudah bergerak dari satu tempat ke tempat yang lain.

Revolusi dan inovasi penciptaan Pengangkutan Rel di Malaysia jelas menunjukkan pihak kerajaan Malaysia komited dalam menyediakan kemudahan untuk penggunaan rakyat Malaysia. Untuk kajian ini, pengkhususan hanya kepada penggunaan LRT di Lembah Klang. Pada ketika ini terdapat dua perkhidmatan LRT yang beroperasi di ibu negara iaitu PUTRA-LRT dan STAR-LRT yang masing-masing menyediakan perkhidmatan antara Gombak sehingga Kelana Jaya dan Ampang ke Sentul Timur serta Sri Petaling. STAR mula dilancarkan pada tahun 1996 dan PUTRA pula pada tahun 1999.

Banyak perancangan yang telah dibuat bagi memperluaskan lagi liputan system LRT ini. Kerajaan Malaysia juga telah memperuntukan jumlah yang besar dalam menaik taraf mutu dan kualiti sistem pengangkutan awam seperti dapat dilihat dalam Pembentangan Bajet 2016 seperti di bawah:

“Keutamaan Pertama: Memperteguh Ketahanan Ekonomi Negara melalui menambahbaik infrastruktur logistik. Demi keselesaan penduduk di kawasan bandar, sistem Pengangkutan Awam yang efisien sedang rancak dibangunkan. Ini semua dilaksanakan dengan peruntukan yang besar kerana kita mahu memudahkan kehidupan rakyat di kawasan bandar. Izinkan saya memberi sedikit status terkini, tentang antara projek terbesar dalam sejarah negara, iaitu projek pengangkutan awam bersepadu MRT-LRT. Bagi projek sambungan LRT Laluan Ampang, dengan jarak 18.1 kilometer, akan boleh kita naiki pada Mac 2016. Manakala, bagi projek sambungan LRT Laluan Kelana Jaya sehingga Putra Heights, dengan jarak 17.4 kilometer pula, akan boleh dinaiki pertengahan tahun 2016. Kedua-dua projek sambungan ini, bernilai 10 bilion ringgit. Projek MRT jajaran Sungai Buloh - Semantan pula, juga dapat digunakan pada tahun 2016, pada bulan Disember. Manakala, Fasa 2 Semantan - Kajang dijangka siap pertengahan 2017. Projek ini, dengan jarak 51 kilometer sedang dilaksanakan dengan kos 32 bilion ringgit” (Perdana Menteri Malaysia, Datuk Seri Najib Razak, Pembentangan Bajet 2016, Berita Harian. (23 Oktober, 2015)

Selain itu, pihak SPAD juga telah menyediakan kemudahan infrastruktur yang secukupnya bagi memantapkan kemudahan pengangkutan awam darat di Malaysia;

Telah meningkatkan kapasiti Landasan Kelana Jaya (KJL) dengan penambahan 35 set tren empat gerabak. Dengan kapasiti tambahan ini, kekerapan semasa tempoh puncak dikurangkan kepada 2.5 minit dan bilangan penumpang bertambah daripada 4.8 juta penumpang pada Januari 2012 kepada 6.8 juta menjelang Disember 2012 selain mengekalkan ketepatan masa perkhidmatan pada kadar 99% (Laporan Tahunan, Suruhanjaya Pengangkutan Awam Darat (SPAD), 2012).

Malah, pihak Prasarana Malaysia Berhad juga menyokong usaha kerajaan dengan menaik taraf mutu perkhidmatan LRT;

KUALA LUMPUR 28 April - Prasarana Malaysia Berhad (Prasarana) bercadang menaik taraf kemudahan di semua stesen Transit Aliran Ringan (LRT) supaya pengguna mendapat perkhidmatan yang lebih baik (Utusan Online, 29 April 2015)

Hasil daripada usaha yang telah dilaksanakan oleh pihak SPAD dan pihak syarikat Prasarana sendiri telah menunjukkan peningkatan penggunaan dan penerimaan LRT. Statistik menunjukkan bahawa penggunaan LRT meningkat sebanyak 40% pada tahun 2013 berbanding tahun 2012 pada waktu puncak sebelah pagi.

Kualiti Perkhidmatan dan kepuasan pelanggan

Secara umumnya kualiti merujuk kepada ciri-ciri yang berbentuk fizikal dan bukan fizikal yang terdapat pada sesuatu produk atau perkhidmatan yang ditawarkan. Dari sudut MS ISO 9000, kualiti ialah keseluruhan ciri-ciri sesuatu entiti (produk dan perkhidmatan) yang dapat memenuhi kehendak pelanggan sama ada yang dinyatakan dan juga yang tersirat. Menurut Ibrahim (1997), kualiti menjadi suatu strategi asas bagi sesebuah perniagaan dalam menghasilkan barangan atau perkhidmatan yang dapat memenuhi keperluan dan kepuasan pelanggan. Menurut Shemwell, Yavas dan Bilgin (1998), institusi yang menawarkan perkhidmatan menghadapi pelbagai cabaran untuk terus bersaing dalam menyediakan perkhidmatan berkualiti tinggi yang akan membawa kepada kepuasan pelanggan.

Perkhidmatan pula merujuk kepada apa-apa tindakan atau aktiviti yang dapat ditawarkan oleh suatu pihak kepada pihak yang lain, yang pada asasnya tidak nyata dan tidak mengakibatkan pemilikan suatu apapun (Kotler, 1997). Ciri-ciri Perkhidmatan yang menurut Kotler (2002) adalah seperti berikut:

- i. Tidak nyata
- ii. Tidak dapat dipisahkan dan tidak dapat digantikan,
- iii. Tidak tahan lama; dan
- iv. Berbeza-beza

Memberikan perkhidmatan berkualiti merupakan suatu cabaran yang besar kepada mana-mana penyedia perkhidmatan kerana sifat-sifat yang disebutkan di atas. Ia banyak bergantung kepada pandangan pelanggan terhadap keunggulan sesuatu perkhidmatan tersebut. Dengan lain perkataan pelangganlah yang sebenarnya bertanggungjawab untuk menentukan sesuatu perkhidmatan itu berkualiti ataupun sebaliknya (Berry, Parasuraman dan Zeithaml, 1988; Cai dan Jun, 2001; Johnson dan Nilsson, 2003).

Menawarkan perkhidmatan yang berkualiti dapat memberikan kebaikan dan faedah kepada penyedia perkhidmatan. Matlamat asas pengguna adalah untuk merasa kepuasan apabila mereka membeli produk atau perkhidmatan. Dengan yang demikian pengguna memperuntukkan kewangan mereka bagi mendapatkan produk dan perkhidmatan bagi memaksimumkan kepuasan mereka (Chen-Yu, William dan Kincade, 1999). Engel, Blackwell dan Miniard (1995) menekankan bahawa pengguna yang berpuas hati sering berkongsi pengalaman mereka dengan saudara-mara dan rakan-rakan mereka dan menggalakkan mereka untuk mencuba produk atau perkhidmatan.

Perkhidmatan yang berkualiti akan dapat meningkatkan kepuasan pelanggan yang secara tidak langsung akan dapat meningkatkan penguasaan pasaran (Hoffman dan Bateson, 1997). Kualiti perkhidmatan yang cemerlang akan menyebabkan tahap kepuasan pelanggan tinggi. Menurut Zulkifli (2011), kepuasan pelanggan merupakan satu penilaian subjektif yang melibatkan beberapa faktor iaitu psikologi, emosi dan rohani seseorang individual yang akan menghasilkan penilaian terhadap tahap kepuasan berdasarkan pemerhatian, keyakinan, dan keamatan apabila menggunakan sesuatu perkhidmatan.

Oleh itu, kualiti adalah penting dalam institusi yang berteraskan perkhidmatan kerana ia mempunyai hubungan langsung dengan kepuasan pelanggan (Zarina, 2013). Kepuasan pelanggan juga didapati menjadi alat yang penting untuk mewujudkan dan mengekalkan pelanggan yang setia (Aurand, Gordan dan Schoenbachler, 2004), manakala persepsi pelanggan yang positif terhadap penyampaian perkhidmatan dan kualiti boleh memberi kesan kepada keuntungan jangka panjang organisasi (Kee, Kumar dan Manshor, 2009). Pelanggan yang setia akan menyumbang untuk pembelian yang lebih banyak dan berulang-ulang (Hui dan Law, 2003). Sehubungan dengan itu, kualiti perkhidmatan haruslah diurus dengan sebaiknya bagi sesuatu entiti perniagaan bagi memenuhi kepuasan pelanggan yang akan membantu untuk meningkatkan daya saing dan keberkesanan institusi.

Servqual

Pengukuran kualiti perkhidmatan bukanlah suatu perkara yang mudah dilakukan atas sifat-sifat perkhidmatan yang telah dijelaskan sebelumnya. Parasuraman et al. (1985) menyatakan bahawa ada 3 tema untuk dipertimbangkan dalam menjelaskan kualiti sesuatu perkhidmatan iaitu:

- i. Penilaian kualiti perkhidmatan oleh pelanggan adalah lebih sukar berbanding kualiti produk
- ii. Pandangan kualiti perkhidmatan timbul disebabkan oleh perbandingan antara jangkaan pelanggan dan prestasi sebenar sesuatu perkhidmatan,
- iii. Penilaian kualiti tidak hanya pada hasil perkhidmatan tersebut, tetapi juga melibatkan penilaian terhadap cara perkhidmatan itu disampaikan.

Bagaimanapun model SERVQUAL telah banyak membantu dan digunakapakai oleh ramai penyelidik dalam menilai samada sesuatu perkhidmatan itu berkualiti atau tidak. SERVQUAL yang dibangunkan oleh Parasuraman et al. (1988) mengemukakan lima dimensi dalam menilai sesuatu perkhidmatan iaitu Kebolehpercayaan, Tindak balas, Keketaraan, Jaminan dan Empati.

Dimensi Kebolehpercayaan merujuk kepada bagaimana syarikat itu dapat melaksana dan melengkapkan perkhidmatan yang dijanjikan kepada pengguna dalam konteks kualiti dan ketepatan dalam keperluan yang diberikan oleh syarikat kepada pelanggan. Kebolehpercayaan memberi tumpuan kepada hasil perkhidmatan (Berry et al., 1988). Kebolehpercayaan muncul sebagai penentu yang paling kritikal dalam mengukur kualiti perkhidmatan syarikat-syarikat insurans hayat untuk menyempurnakan janji, menawarkan rekod yang benar dan mampu memberi jaminan kepada pelanggan (Affaine dan Zalina (2008).

Dimensi jaminan pula merujuk kepada kebolehan dan kemahiran pekerja syarikat dalam mendapat kepercayaan dari pelanggan. Jika pelanggan tidak selesa dengan pekerja, besar kemungkinan bahawa pelanggan tidak akan kembali untuk mendapatkan perkhidmatan dari sesebuah syarikat. Sehubungan itu adalah penting bagi pekerja untuk mempunyai hubungan dengan pelanggan bagi membolehkan mereka membuat dan menyediakan perkhidmatan berkualiti (Bitner, Booms dan Tetreault, 1990). Kelakuan pekerja adalah penting dalam membina kepercayaan dan kepuasan pelanggan (Ahearne, Jelinek, dan Jones, 2007). Memandangkan pelanggan kini boleh mendidik diri sendiri penawaran produk dan perkhidmatan oleh syarikat-syarikat tertentu, adalah penting bagi pembekal perkhidmatan menyediakan jaminan kepada kualiti perkhidmatan mereka (Jones, 1986)

Keketaraan merujuk kepada kewujudan persekitaran dan kemudahan fizikal; peralatan; kakitangan; dan cara komunikasi. Dalam erti kata lain, dimensi keketaraan adalah berkaitan dengan mewujudkan tanggapan pertama mengenai persekitaran dan kemudahan-kemudahan yang disediakan.

Memandangkan perkhidmatan adalah dalam bentuk tidak ketara, ianya sukar bagi pelanggan untuk memahami perkhidmatan yang ditawarkan (Baker dan Legg, 1996). Sebab itulah pelanggan membuat andaian kualiti perkhidmatandengan menilaikemudahan-kemudahan yang dapat dilihat seperti bangunan dan susun atur fizikal sesebuah syarikat(Bitner, 1990). Kemudahan dan akses juga dianggap sebagai sebahagian daripada dimensi keketaraan sesuatu kualiti perkhidmatan. Lokasi yang memudahkan bermaksud pelanggandengan mudah boleh berurusan dengan syarikat itu secara berterusan (Levesque danMcDougall, 1996).

Empati merujuk kepada bagaimana syarikat itu mengambil berat dan berupaya untuk memberiperhatian kepada pelanggan mereka secara individu, untuk membuat pelanggan berasabernilai dan istimewa. Jika pelanggan merasakan mereka mendapat perhatian secara peribadi dan maka terdapat peluang yang sangat besar untuk mereka kembali dan berurusan dengan syarikat tersebut. kakitangan perkhidmatan diharapkan bersifat lebih empati terhadappelanggan (Donthu dan Yoo, 1998).

Responsif merujuk kepada kesediaan syarikat untuk membantu pelanggandalam menyediakan perkhidmatan yang bagus, berkualiti dan cepat. Ini juga merupakan dimensi yang penting, kerana setiap pelanggan berasa lebih dihargai jika mereka mendapatkualiti yang terbaik dari sesuatu perkhidmatan. Pelanggan tidak perludidekatati oleh kakitangan yang lembab perkhidmatan lemah (Furrer, Liu danSudharshan, 2000; Matilla, 1999).

METHODOLOGI KAJIAN

Kajian ini menggunakan rekabentuk pluralistik di mana ia dimulakan dengan kajian bersifat penerokaan di mana penilitian dibuat terhadap bahan-bahan sekunder serta menemubual beberapa orang “key personel” berhubung perkhidmatan LRT di Kuala Lumpur. Kemudian ianya disusuli dengan rekabentuk deskriptif di mana soal selidik berstruktur disediakan bagi mendapatkan tentang penggunaan LRT dan kepuasan pengguna kualiti perkhidmatan LRT. Soalselidik berstruktur disusun mengikut bahagian-bahagian tertentu mengikut instrumen SERVQUAL (P- Zeithaml dan Berry, 1988) di mana, kualiti perkhidmatan telah dibahagikan kepada 5 dimensi. Dimensi-dimensi tersebut ialah kebolehpercayaan, tindakbalas, jaminan, empati dan keketaraan.Di samping itu maklumat profail responden juga turut dikutip.

Tahap kepuasan pengguna diukur menggunakan skala likert dengan skor 5 poin iaitu dari 1 hingga 5 iaitu dari sangat tidak puas hati hingga sangat puas hati. Bagi memastikan soalan yang dibangunkan adalah boleh dipercayai, ujian kebolehpercayaan telah dilakukan terlebih dahulu sebelum analisis lain dilakukan. Nilai Alpha Cronbach menunjukkan kebolehpercayaan yang tinggi bagi semua dimensi seperti yang ditunjukkan dalam jadual 1 di bawah:

Jadual 1: Ujian Kebolehpercayaan Setiap Dimensi Kualiti Perkhidmatan

Dimensi	Bilangan Item	Cronbach's Alpha
Kebolehpercayaan	5	.847
Jaminan	5	.853
Empati	5	.892
Tindakbalas	5	.919
Keketaraan	20	.963

Kajian ini menggunakan persampelan mudah (Convenience Sampling). Di bawah persampelan mudah ini mana-mana responden yang berada di tempat lapangan kajian akan ditemubual secara bersemuka. Di samping itu kaedah “drop-off” juga dilakukan di mana sebahagian soalselidik diedarkan ke pejabat dan penyelidik telah mengutipnya kemudian. Sejumlah 114 soalselidik telah diedarkan untuk kajian ini. Responden yang dipilih adalah pengguna LRT di Lembah Klang bertempat di sepanjang laluan LRT bermula dari arah Taman Melawati sehingga ke Kelana Jaya. Para pengguna LRT yang telah di pilih di pelbagaikan dari segi umur, bangsa, tahap pendidikan dan tahap pendapatan bagi memastikan ia sebolehnya dapat mencerminkan pengguna LRT sebenar. Data yang dikutip kemudiannya dianalisis menggunakan perisian SPSS 22.0. Jadual taburan kekerapan, ukuran kecenderungan memusat serta beberapa statistik inferensi iaitu Ujian-T dan ANOVA telah digunakan bagi menjawab persoalan kajian.

PENEMUAN KAJIAN

Profil Responden

Daripada sejumlah 114 soalselidik yang digunakan, sejumlah 100 soalselidik telah layak untuk dianalisis berikutan terdapat beberapa soalselidik yang tidak dikembalikan dan berlaku keraguan pada data yang diterima. Butiran terperinci mengenai profail responden boleh dilihat dalam jadual 2 berikut.

Jadual 2: Profil responden

Profil Responden	Peratus (%)
Jantina	
Lelaki	32%
Perempuan	68%
Jumlah	100%
Taraf Perkahwinan	
Bujang	57%
Berkahwin	43%
Jumlah	100%
Umur	
16 tahun hingga 20 tahun	2.0%
21 tahun hingga 25 tahun	26.0%
26 tahun hingga 30 tahun	51.0%
31 tahun dan ke atas	21.0%
Jumlah	100%
Bangsa	
Melayu	95.0%
India	2.0%
Cina	2.0%
Lain-lain	1.0%
Jumlah	100%
Sektor Pekerjaan	
Sektor Awam	31.0%
Sektor Swasta	54.0%
Bekerja Sendiri	2.0%
Pelajar	6.0%
Lain-lain	7.0%
Jumlah	100%
Pendapatan bersih dalam sebulan	
Bawah RM1,000.00	12.0%
RM1,001 hingga RM3,000.00	64.0%
RM3,001.00 dan ke atas	24.0%
Jumlah	100.0%

Secara umumnya peratusan perempuan adalah lebih tinggi berbanding lelaki, peratusan yang bujang melebihi yang telah berkahwin dan majoritinya adalah dari kaum Melayu (95%). Dari segi umur sebahagian besar berada dalam kohort umur yang muda di mana hampir 80% berumur 30 tahun dan ke bawah. Lebih 80% adalah mereka yang bekerja samaada dalam sector kerajaan ataupun sector swasta. Majoriti (64%) responden memperoleh pendapatan antara RM1,001 hingga RM3,000 dan hanya 24% responden yang memperoleh pendapatan melebihi RM3,001. Dari segi pemilikan kenderaan pula di dapati 75% memiliki kenderaan sendiri samaada kereta ataupun motosikal.

Penggunaan LRT

Tujuan paling utama menggunakan LRT adalah untuk pergi ke tempat kerja dan membeli belah dibandar di mana masing-masing melibatkan 73% dan 51% dari kesemua responden yang dikaji. Kurang dari 10% responden yang menggunakan LRT selain dari 2 tujuan utama yang disebutkan.

Jadual 3. Tujuan menggunakan LRT

Tujuan menggunakan LRT	Peratusan (%)
Tempat Kerja	73%
Sekolah / Kolej / Universiti / Asrama	7%
Riadah	9%
Tempat Beribadat	6%
Pusat Beli Belah	51%
Lain-lain	5%
Jumlah (N=151)	100.0%

Majoriti responden (75%) menggunakan LRT 10 kali dan kurang dalam seminggu. Ini bererti tidak semua responden yang bekerja menggunakan LRT setiap hari untuk ke tempat bekerja. Mereka nampaknya masih juga menggunakan kenderaan sendiri walaupun perkhidmatan LRT disediakan.

Jadual 4. Kekerapan menggunakan LRT dalam seminggu

Penggunaan LRT dalam seminggu	Peratusan (%)
Kurang daripada 5 kali	37.0
5 hingga 10 kali	38.0
11 hingga 15 kali	16.0
16 hingga 20 kali	4.0
Lebih 20 kali	5.0
Jumlah	100.0

Masa menunggu di terminal LRT ditunjukkan dalam jadual 5 berikut. Hampir 90% responden hanya perlu menunggu kurang dari 10 minit sebelum menikmati kemudahan LRT menampakkan tentang kecekapan system LRT ini.

Jadual 5. Jangka masa menunggu di terminal LRT

Jangka masa menunggu di terminal	Peratusan (%)
Kurang daripada 3 minit	28.0
4 minit hingga 6 minit	42.0
7 minit hingga 9 minit	18.0
10 minit hingga 15 minit	10.0
Lebih daripada 15 minit	2.0
Jumlah	100.0

Jadual 6 di bawah menunjukkan faktor-faktor atau sebab-sebab responden menggunakan LRT. Faktor utama pengguna menggunakan LRT adalah disebabkan factor kemudahsampaian di mana ia melibatkan 72% responden. Faktor-faktor lain yang penting adalah lebih menjimatkan berbanding menggunakan kenderaan sendiri atau pengangkutan awam yang lain seperti teksi (25%) dan ketepatan masa sampai ke destinasi (20%). Faktor-faktor lain hanya melibatkan kurang dari 20% responden.

Jadual 6. Jangka masa menunggu di terminal LRT

Faktor/Sebab menggunakan LRT	Peratusan (%)
Kemudah Sampaian	72.0%
Ketepatan Masa	20.0%
Maklumat Laluan	17.0%
Keselesaian	13.0%
Pilihan pengangkutan yang terhad	16.0%
Lebih menjimatkan	25.0%
Lain-lain	1.0%
Jumlah (N=164)	100.0%

Kepuasan Pengguna Terhadap Kualiti Perkhidmatan LRT

Jadual 7 di bawah menunjukkan kepuasan pengguna terhadap tahap kualiti perkhidmatan LRT di Lembah Klang. Berdasarkan pengukuran skala 1 hingga 5 iaitu dari sangat tidak memuaskan kepada sangat memuaskan, nilai skor purata bagi 5 dimensi pengukuran kualiti perkhidmatan adalah di antara 3.14 hingga 3.38 sahaja. Ini bererti secara umumnya pengguna berpuas hati dengan perkhidmatan dan kemudahan yang ditawarkan oleh system LRT walaupun tahap kepuasan tersebut hanyalah pada tahap sahaja.

Secara terperinci dimensi keketaraan berada di hadapan sekali dengan skor 3.38. Ini diikuti oleh dimensi Kebolehpercayaan (3.34), Jaminan (3.27), empati (3.20) dan yang paling rendah adalah tindak balas (3.14).

Jadual 7. Jadual keseluruhan skor min

Aspek	Skor Min	Interpretasi
Keketaraan	3.38	Sederhana
Kebolehpercayaan	3.34	Sederhana
Jaminan	3.27	Sederhana
Empati	3.20	Sederhana
Tindak Balas	3.14	Sederhana

Seterusnya kajian cuba melihat adakah wujud sebarang perbezaan tahap kepuasan pengguna terhadap kualiti perkhidmatan LRT berdasarkan ciri-ciri pengguna yang berbeza. Sehubungan dengan ujian T- Sampel Bebas telah dilakukan ke atas angkubah jantina dan status pekerjaan iaitu bekerja

ataupun tidak. Berdasarkan jadual 8 di bawah, ianya menunjukkan bahawa tidak ada perbezaan tahap kepuasan yang signifikan antara lelaki dan perempuan terhadap semua dimensi kualiti perkhidmatan LRT. Bagaimanapun dari segi status pekerjaan terdapat perbezaan tahap kepuasan yang signifikan terhadap dimensi Keketaraan di mana skor kepuasan di kalangan mereka yang tidak bekerja adalah lebih tinggi berbanding mereka yang bekerja iaitu masing-masing dengan nilai purata 3.47 dan 3.36. Sila rujuk kepada Jadual 9.

Jadual 8. Ujian T-sampel bebas terhadap Tahap Kepuasan Pengguna ke atas 5 Dimensi Kualiti Pehidmatan LRT Mengikut Jantina

Dimensi	Jantina Responden	N	Mean	Sig.
Kebolehpercayaan	Lelaki	32	3.46	.702
	Perempuan	68	3.29	
Jaminan	Lelaki	32	3.37	.981
	Perempuan	68	3.23	
Empati	Lelaki	32	3.29	.163
	Perempuan	68	3.16	
Tindak_Balas	Lelaki	32	3.24	.192
	Perempuan	68	3.09	
Keketaraan	Lelaki	32	3.58	.265
	Perempuan	68	3.28	

Jadual 9. Ujian T-Sampel Bebas terhadap 5 Dimensi Kualiti Pehidmatan Mengikut Status Pekerjaan

Dimensi	Jantina Responden	N	Mean	Sig.
Kebolehpercayaan	Bekerja	85	3.31	.300
	Tidak Bekerja	15	3.50	
Jaminan	Bekerja	85	3.26	.364
	Tidak Bekerja	15	3.32	
Empati	Bekerja	85	3.17	.980
	Tidak Bekerja	15	3.32	
Tindak_Balas	Bekerja	85	3.12	.413
	Tidak Bekerja	15	3.22	
Keketaraan	Bekerja	85	3.36	.049
	Tidak Bekerja	15	3.47	

Ujian ANOVA juga telah dibuat bagi melihat sama ada perbezaan yang signifikan wujud antara pengguna dalam kategori pendapatan yang berbeza terhadap kepuasan mereka kepada perkhidmatan LRT. Walau bagaimana dari jadual 10 di bawah menunjukkan bahawa tidak terdapat perbezaan yang signifikan yang wujud. Walaupun skor purata berbeza mengikut kategori pendapatan tetapi perbezaan tersebut tidaklah signifikan.

Jadual 10. Ujian ANOVA terhadap Tahap Kepuasan Pengguna Ke atas 5 Dimensi Kualiti Perkhidmatan LRT Mengikut Tahap Pendapatan

Dimensi		Sum of Squares	df	Mean Square	F	Sig.
Kebolehpercayaan	Between Groups	1.469	2	.735	1.710	.186
	Within Groups	41.674	97	.430		
	Total	43.144	99			
Jaminan	Between Groups	1.856	2	.928	2.231	.113
	Within Groups	40.346	97	.416		
	Total	42.202	99			
Empati	Between Groups	1.772	2	.886	2.177	.119
	Within Groups	39.468	97	.407		
	Total	41.240	99			
Tindak Balas	Between Groups	2.962	2	1.481	2.927	.058
	Within Groups	49.078	97	.506		
	Total	52.040	99			
Keketaraan	Between Groups	1.956	2	.978	2.270	.109
	Within Groups	41.789	97	.431		
	Total	43.744	99			

KESIMPULAN DAN CADANGAN

Secara umumnya sistem LRT adalah suatu sistem pengangkutan moden yang baik bagi warga Lembah Klang. Majoriti pengguna tidak banyak membuang banyak masa menunggu di stesen-stesen bagi mendapatkan perkhidmatan LRT. Hampir 90% pengguna menunggu kurang dari 10 sebelum mendapat perkhidmatan tersebut. Di samping itu lebih 70% pengguna berpendapat LRT memudahkan mereka untuk sampai ke tempat yang dituju.

Dalam konteks kepuasan pengguna terhadap sistem LRT, pengguna umumnya berpuas hati cuma tahapnya adalah diperingkat yang sederhana sahaja dan kurang membanggakan. Dapatan kajian ini mempunyai dapatan yang sama dengan kajian yang dilakukan oleh Fadilah Mat Nor, Safura Ahmad Sabri & Khairuddin Khalid (2014). Lima (5) aspek yang telah diuji dalam mengukur tahap kualiti perkhidmatan iaitu aspek kebolehpercayaan, jaminan, empati, tindak balas dan aspek keketaraan. Penemuan kajian menunjukkan min bagi kelima-lima aspek ini di dalam urutan tertinggi hingga paling rendah adalah Min Aspek Keketaraan = 3.38, Min Aspek Kebolehpercayaan = 3.34, Min Aspek Jaminan = 3.27, Min Aspek Empati = 3.20 dan terakhir adalah Min Aspek Tindak Balas = 3.1400.

Melihat kepada kedudukan ini, aspek empati dan aspek tindak balas adalah merupakan aspek yang paling penting di dalam sektor perkhidmatan. Kedua-dua aspek ini memainkan peranan penting dalam membina imej organisasi. Kajian ini telah menunjukkan sedikit kelemahan pihak organisasi dalam menyampaikan perkhidmatan oleh para petugas khidmat pelanggan. Menurut kajian Cheng dan Tam (1997) juga menyatakan kelemahan dalam proses menyampaikan perkhidmatan kepada pelanggan atau pengguna akan menyebabkan berlakunya ketidaksempurnaan, timbul ketidakpuasan hati di kalangan pelanggan dan kualiti perkhidmatan tidak akan tercapai.

Elemen pengukuran setiap aspek kualiti juga menunjukkan satu petanda yang berguna kepada industri pengangkutan awam di Malaysia dimana setiap item yang diuji memberikan gambaran yang jelas untuk menafsir tahap kecekapan perkhidmatan yang diberikan. Nilai min yang ditunjukkan memaparkan nilai prestasi sebenar tahap kualiti perkhidmatan yang secara keseluruhannya berada pada tahap yang sederhana.

Satu perkara yang dianggap tidak memuaskan oleh pengguna adalah kemudahan tempat meletak kenderaan. Hal ini disebabkan oleh pengguna LRT majoritinya adalah terdiri daripada pengguna yang memiliki kenderaan sendiri. Tujuan utama menggunakan LRT adalah untuk memudahkan ke tempat kerja selain menjimatkan kos sara hidup. Ada juga pengguna yang menggunakan LRT kerana untuk mengelakkan daripada kesesakan lalu lintas dan menjimatkan perbelanjaan dan masa. Kemudahan yang disediakan oleh LRT terhadap kawasan meletakkan kenderaan yang terhad telah menyebabkan kesesakan di sekitar kawasan LRT. Hal ini telah mendatangkan kesusahan kepada para pengguna sama ada mempunyai kenderaan sendiri atau pun tidak.

Sebagai kesimpulannya, perkhidmatan LRT di Malaysia masih mempunyai potensi dan peluang untuk menjadi lebih maju di masa hadapan. Hal ini terbukti kerana hasil dapatan menunjukkan LRT menjadi salah satu pilihan utama warga kota untuk ke tempat kerja, sekolah, taman dan sebagainya. Selagi satu-satu perkhidmatan itu di percayai dan diyakini keselamatannya pengguna masih akan terus menggunakan perkhidmatan tersebut. Cadangan kepada pihak organisasi supaya memainkan peranan yang lebih agresif dalam menangani isu tiada tindak balas yang baik serta sikap empati dalam menjalankan tugas.

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COMMERCE ETHICS of MUHAMMAD PBUH' AND UNIVERSAL VALUES IN ERA OF PROPHET HOOD

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Abstract. Muhammad PBUH, primarily business along with his father since as early as his childhood. Whilst he grown up, he commenced to setup his own venture and also have a joint venture with Siti Khadijah based on mudharabah scheme. He is gifted with great wisdom in trading and has allowed him gaining great benefit through it. Due to his moral in trading, it leads to his marriage with Siti Khadijah. Unquestionably there were features on the ethics and morals in the trade that Muhammad PBUH has represented. A matter of concern was his morality that shown during trade leads to his marriage with Siti Khadijah who was initially his business colleague previously and what was the commercial strategy that empowers him to a vast profit during trading. Thus, this study endeavor to define and detail the ethics and morals in trading that has been shown by Muhammad PBUH prior his prophet hood. The results of this study display the conflicting fact in practices that has been applied amongst the community back at that time. His is abundant in honest, fairness, friendly and compassionate to the buyer, and never setup a high price, and also detail in transaction record consequential him loved by many people. Alongside the combination of his aptitude in negotiation and intelligence, he was proficient to "read" the market opportunities and learning cultural and geographical conditions of each target market led him to higher profits than other merchants. In addition, this study also articulated twelve Muhammad PBUH' universal values in commerce such; honest, trustworthy, fair, polite and affectionate in trade, buy-sell applies only based on mutual consent, not involved in usurious practices', only legitimate and permitted item that will sell, avoid argument with partners and buyers, no oath in the name of idols, hoarding the goodies (*ikhtisar*) is not allowed, damaged item' replacement policy, avoid competition on price, small profits is acceptable, pay his employee as soon as the job is done. Those ethics and values actually resemble to such practice by Islamic merchants to highlight Islamic values in commerce nowadays.

Keyword: *Trading Business Ethics, Muhammad PBUH, prior to prophet hood.*

PERNIAGAAN MUHAMMAD SAW SEBELUM KENABIAN: ETIKA DAN NILAI-NILAI UNIVERSAL PERNIAGAAN

Abstrak. Muhammad SAW telah mula berniaga bersama bapa saudaranya semenjak kecil lagi. Apabila mula dewasa beliau berniaga sendiri, selain itu ia juga berkongsi usaha dengan mengambil upah berdasarkan mudharabah membawa barang dagangan Siti Khadijah. Kebijaksanaannya dalam berniaga telah membolehkannya memperoleh keuntungan yang banyak malah akhlaknya dalam berniaga telah menyebabkan Siti Khadijah tertarik untuk mempersuamikannya. Pastinya ada keistimewaan dalam etika dan akhlak dalam berniaga yang ditunjukkannya. Persoalannya adalah, apakah akhlak yang ditunjukkan semasa berniaga sehingga Siti Khadijah jatuh cinta kepadanya dan apakah strategi perniagaan yang dipeloporinya sehingga berupaya memperolehi keuntungan yang besar. Lantaran itu kajian ini cuba memperincikan etika dan akhlak perniagaan yang ditunjukkan oleh Muhammad SAW ketika berniaga di era sebelum kenabiannya. Hasil kajian merumuskan bahawa etika perniagaan yang ditunjukkan berlainan dengan amalan masyarakat ketika itu. Sikapnya yang jujur, adil, ramah dan mesra kepada pembeli, dan tidak menentukan harga yang tinggi serta rinci dalam mencatat transaksi perniagaan

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membuatnya disukai ramai orang. Kemampuannya dalam tawar menawar dan kecerdikannya membaca peluang pasar serta mengetahui kondisi budaya dan geografis setiap pasar yang dituju membuatnya selalu memperoleh keuntungan yang lebih tinggi daripada peniaga lainnya. Selain itu, kajian ini juga merumuskan enam belas nilai-nilai universal perniagaan Muhammad SAW diantaranya; jujur, amanah, adil, sopan dan mesra dalam berniaga, perniagaan berlaku suka sama suka, tidak terlibat amalan riba', tidak menjual barangan haram, tidak mendebat mitra dan pembeli, tidak bersumpah atas nama berhala, tidak menimbun barangan (*ikhtisar*), mengganti barangan yang rosak, menghindari persaingan pada harga, tidak menolak keuntungan sekecil apapun, membayar pekerja sebelum kering keringatnya, rinci dalam mencatat tiap-tiap transaksi dan bersikap dermawan. Etika dan nilai-nilai sedemikian sebenarnya sesuai untuk diamalkan oleh peniaga Islam bagi menonjolkan nilai-nilai Islam dalam perniagaan masa kini.

Kata kunci: *Perniagaan, Etika Bisnes, Muhammad SAW., dan Sebelum kenabian.*

PENGENALAN

Pada zaman Jahiliah pandangan mengenai moral dan nilai baik atau buruk serta halal dan haram dalam ekonomi merupakan hasil daripada pemikiran manusia yang disesuaikan dengan kepentingan – kepentingan individu dan kelompok tertentu. Tidak berbeza dengan pandangan sains sekular, ide-ide tentang moral dan nilai adalah produk pemikiran manusia juga.²⁴ Ini dikeranakan mereka berpikir bahawa ilmu moral merupakan ilmu tersendiri dan terpisah dengan ilmu sains dan teknologi yang bersifat ilmiah. Meskipun Adam Smith sendiri mengakui bahawa sumbangan utama daripada agama kepada proses perkembangan ekonomi dan perniagaan ialah nilai agama itu sendiri sebagai sebuah mekanisme penguatkuasaan moral.²⁵ Namun pengakuan Smith ini agaknya bercanggah dengan teori *invisible hand* yang menganggap manusia sebagai *creature of self-interest* yang terlepas daripada morality dan agama.²⁶

Menurut Kenneth Lux (1990), dalam pandangan sekular kajian terhadap ekonomi dan moral adalah terpisah kerananya memasukkan wahyu kedalam kajian dianggap tidak ilmiah,²⁷ Sehingga pemikiran sekular inilah yang menjadikan sistem perniagaan Jahiliah moden wujud, kerana pada 1434 tahun yang lampau sebelum datangnya Nabi Muhammad SAW iaitu pada zaman Jahiliah juga berlaku perniagaan yang mengabaikan moral dan etika, perniagaan yang menghalalkan segala cara untuk mendapatkan keuntungan (*profit*).

Konsep “ekonomi dan perniagaan” dalam Islam sepertimana pemahaman para ulama Islam dan berdasarkan sumber Islam itu sendiri (al Quran dan al Hadis), tidak boleh disamakan dengan konsep yang difahami di barat pada hari ini. Itu kerana Islam tidak mengenal adanya dikotomi (pemisahan) atau pengasingan antara agama dan Ilmu sains (al Attas, 1984). Dalam Islam semua jenis pengetahuan, samaada yang *logis-empiris*, mahupun yang sifatnya wahyu (*revelational*) harus diakui sebagai sesuatu yang ilmiah.²⁸

Ilmu ekonomi sebagai ilmu moral yang bersumber daripada al Quran dan al Hadis seperti yang telah diajarkan dan dicontohkan secara lengkap oleh nabi Muhammad SAW telahpun banyak dikaji oleh para pemikir besar Islam seperti Abu Yusuf (meninggal th. 182 H), Yahya bin Adam (meninggal th. 303 H), al-Gazali (meninggal tahun 505 H), Ibnu Rusyd (meninggal th. 595 H), al-'Izz bin 'Abd al-Salam (meninggal th. 660 H), al-Farabi (meninggal th. 339 H), Ibnu Taimiyyah (meninggal th. 728 H), al-Maqrizi (meninggal th. 845 H), Ibnu Khaldun (meninggal th. 808 H), M.A. Mannan (1970), Nejatullah

²⁴ Lihat Osman Bakar, *The Spiritual and Ethical Foundation of Science and Technology in Islamic Civilization*, <http://i-epistemology.net/science-a-technology/845-the-spiritual-and-ethical-foundation-of-science-and-technology-in-islamic-civilization.html>

²⁵ Anderson, Gary M. 1988, “Mr. Smith and the Preachers: The Economics of Religion in the Wealth of Nation,” *Journal of Political Economy*, Vol. 96, No. 5, hlm. 66-88.

²⁶ Adam Smith adalah orang pertama yang menjadikan sains ekonomi terpisah dengan agama dan falsafah juga etik, sehingga buku karangannya “The Wealth of Nation” bertanggung jawab terhadap ketiadaan agama dalam ekonomi moden. Lihat Spiegel, H.W. (1991), *The Growth of Economic Thought*, 3rd ed., Duke University Press, Durham, NC.

²⁷ Lihat Kenneth Lux, *Adam Smith's Mistake; How a Moral Philosopher Invented Economics and Ended Morality*; Shambhala, 1990, hlm. 80-97

²⁸ Oliver Leaman menjelaskan bahawa ilmu pengetahuan dalam Islam ada dua jenis: *Ilm* yang mengungkap alam *syahadah* atau alam yang diakrabi dan terpapar dalam sains alam; dan *ma'rifah* yang mendedahkan *alam al-ghaib* atau alam yang tersembunyi dan karenanya lebih daripada sekedar pengetahuan proposional (*propositional knowledge*). Cara memperoleh pengetahuan jenis kedua ini adalah melalui wahyu. Lihat Oliver Leaman, *A Brief Introduction to Islamic Philosophy*, terj. Musa Khzhim dan Arif Mulyadi, *Pengantar Filsafat Islam: Sebuah Pendekatan Tematis*, Bandung: Mizan, 2002, Cet. II, hlm. 66

Siddiqi (1988), Afzalurrahman (1975), Umar Chapra (2000), dan Khurshid Ahmad (1981), serta banyak lainnya lagi. Namun sangat sedikit kita temukan kajian-kajian oleh para ahli dan pemikir tentang perniagaan Muhammad SAW terutamanya perniagaan sebelum kenabian. Oleh itu, tulisan ini bertujuan mengkaji epistemologi dan falsafah perniagaan Muhammad SAW sebelum kenabian, sehingga daripadanya boleh ditemukan nilai-nilai universal perniagaan yang boleh digunakan oleh peniaga Islam bagi menonjolkan nilai-nilai Islam dalam perniagaan masa kini.

Kajian ini penting mengingat praktik perniagaan yang langsung dicontohkan oleh baginda hanya berlaku sebelum kenabian. Selain itu, kajian ini menjadi sangat penting manakala kita melihat bahawa kebanyakan peniaga masa kini kehilangan moral dan etika di dalam berniaga, sehingga tidak dapat dibezakan antara peniaga Islam dan peniaga barat (konvensional). Perilaku bisnis yang tidak beretika berlaku pada hampir semua negara, misalnya Mitsubishi Electric, perusahaan Jepun yang terlambat menarik produk TV-nya yang ternyata menyebabkan terlalu panas dan kebakaran. Perusahaan Nike membayar upah pekerja yang rendah di pelbagai negara berkembang untuk membuat sepatu yang berharga tinggi. Di Indonesia, praktek bisnis yang tidak beretika semakin terlihat setelah Orde Baru runtuh di awal 1998. Dari kes Edi Tanzil, BLBI (Bantuan Likuiditas Bank Indonesia), PT Newmont, Freeport dan yang sekarang lagi hangat ialah kes bank Century yang merugikan Negara sampai 6.5 triliun rupiah. Di Malaysia pula sekarang ini tengah hangat-hangatnya kes tabung haji-IMDB yang dianggap merugikan rakyat sehingga rakyat kehilangan kepercayaan kepada pemerintah. Di Eropa pula, perusahaan yang mengabaikan etika misalnya; Enron, Merck, Xerox, Global Crossing, Rite-Aid, Oracle, ParMor, AOL Time Warner, Citigroup dan lain-lain. Salah satu penyebabnya ialah dikeranakan peniaga masa kini khususnya peniaga Islam tidak lagi memiliki idola (contoh) pengusaha berjaya yang boleh dijadikan rujukan (panutan) di dalam melaksanakan perniagaan yang menjunjung tinggi nilai-nilai moral dan etika.

KONSEP ETIKA PERNIAGAAN

Perniagaan merupakan rangkaian kegiatan yang terdiri daripada tukar-menukar, jual beli, pengeluaran, pemasaran, bekerja dan interaksi dengan manusia lain dengan maksud untuk memperolehi keuntungan.²⁹ Dengan demikian, perniagaan merupakan aktiviti yang cakupannya sangat luas. Ia meliputi aktiviti galian atau pertanian dari bumi, memproses bahan-bahan mentah, membuat pelbagai barangan, mengedarkan barangan, menyediakan perkhidmatan, menjual dan membeli barang perniagaan, ataupun aktiviti yang berkaitan dengan suatu pekerjaan yang bertujuan untuk memperolehi hasil (*profit*).³⁰

Ahmad Munawir (1997) dalam Kamus al-Munawwir menjelaskan, perniagaan merupakan suatu kegiatan usaha individu yang berorganisasi untuk menghasilkan keuntungan dengan menjual barang dagangan atau menjual perkhidmatan untuk mendapatkan keuntungan dalam memenuhi keperluan masyarakat.³¹ Daripada luasnya makna perniagaan ini maka ianya dapat juga diertikan sebagai keseluruhan usaha yang meliputi pertanian, produksi, pembangunan, pengedaran, pengangkutan, komunikasi, usaha tenaga dan pemerintahan yang bergerak dalam bidang yang menghasilkan dana, memasarkan barangan dan perkhidmatan kepada pengguna.

Mohd Nasir Omar (2005) pula mendefinisikan etika atau akhlak sebagai suatu hal atau maruah diri yang menjadikan seseorang itu boleh melakukan sesuatu perbuatan secara serta merta dan tanpa ada perencanaan terlebih dahulu. Beliau menyebutkan ada dua perasaan yang timbul daripada akhlak, iaitu kebiasaan yang kurang baik seperti: cepat marah, takut, dan lain-lain, serta perasaan yang baik seperti: konsisten, disiplin diri, dan lain-lain.³²

Etika perniagaan menurut *Business and Society-Ethics and Stakeholder Management* dinyatakan seperti berikut:

*“Business ethics, therefore, is concerned with good and bad or right and wrong behavior that takes place within a business context. Concepts of right and wrong are increasingly being interpreted today to include the more difficult and subtle questions of fairness, justice, and equity”.*³³

Selanjutnya dalam tulisan ini, istilah “perniagaan” yang dimaksud ialah suatu urusan atau kegiatan dagang, industri atau keuangan yang dihubungkan dengan pengeluaran atau pertukaran barangan

²⁹Lihat K. Berten, 2002. *Pengantar Etika Perniagaan*. Yogyakarta: Kanisius, hlm. 17.

³⁰ Gunardi Endro, 1999. *Redefinisi Perniagaan: Suatu Penggalan Etika Keutamaan Aristoteles*. Jakarta: Pustaka Binaman Pressindo, hlm. 15.

³¹ Ahmad Munawwir, *Kamus al-Munawwir, Arab Indonesia*, Edisi ke-2. Cet ke-14. Jakarta: Pustaka Progresif, hlm. 124.

³² Mohd Nasir Omar, 2005. *Ahlak dan Kaunseling Islam*. Kuala Lumpur: Utusan Publications, hlm. 14.

³³Lihat R. Sims, 2003. *Ethics and Corporate Social Responsibility-Why Giants Fall*, C.T.: Greenwood Press, hlm. 26

atau perkhidmatan dengan menempatkan wang dari para *entrepreneur* dalam resiko tertentu dengan usaha tertentu dengan motif untuk memperolehi keuntungan. Selain itu, perniagaan juga boleh berupa kegiatan manusia yang menyangkut pengeluaran, menjual dan membeli barangan dan perkhidmatan untuk memenuhi keperluan masyarakat.³⁴ Dasar pemikirannya ialah pertukaran secara fair di antara pihak-pihak yang terlibat.

Dari pelbagai uraian di atas, dipahami bahawa secara bahasa etika perniagaan merupakan sebuah aturan yang berbentuk perintah dan larangan dalam kegiatan manusia yang meliputi pengeluaran, menjual dan membeli barangan dan perkhidmatan untuk memenuhi keperluan masyarakat. Atau boleh juga dikatakan bahawa etika perniagaan merupakan suatu sifat atau kebiasaan semula jadi yang bersumber daripada prinsip-prinsip dan pemikiran mengenai baik atau buruk didalam menjalankan sesebuah usaha perniagaan yang boleh membawa kepada kebaikan dan kejayaan perniagaan.

PERNIAGAAN MASYARAKAT JAHILIAH

Masyarakat Arab Jahiliyah tinggal di Semenanjung Arab dalam tempoh selepas kemusnahan kerajaan Ma'Arif di Saba" pada tahun 300 M. Masa Jahiliyah ini berlangsung kira-kira 310 tahun, bermula dari 300 Masihi sehingga 610 Masihi. Ini digambarkan dalam Jadual 2.2.1. masyarakat Arab yang hidup pada zaman ini dikenali sebagai Arab jahilliah kerana mereka tidak mengikuti ajaran nabi-nabi terdahulu dan Rasul seperti Nabi Sulaiman as, Nabi Ibrahim as, Nabi Ismail as, Nabi Musa as, Nabi Isa as dan nabi yang lain (Akashah Ismail, 2003: 85).

Jadual 1 : Tempoh masa zaman Jahiliyah

TEMPOH	KETERANGAN
300 M	Musnahnya kerajaan Ma' Arif
570 M	Kelahiran Nabi Muhammad S.A.W
610 M	Permulaan Wahyu atau kedatangan Islam

Keadaan masyarakat Arab era sebelum kenabian dikenal sebagai masyarakat yang berada dalam zaman jahiliyyah, mereka dikenal sebagai masyarakat tanpa aturan, tidak mempunyai nilai-nilai kemanusiaan dalam segala aktifitasnya. Salah satunya Ibnu Khaldun yang berpendapat bahawa pada masa jahiliyah mereka adalah orang-orang tidak beradab, gemar melakukan perampasan dan kerusakan. Mereka memiliki watak sukar tunduk kepada pimpinan. Ia tidak memiliki keahlian dalam pekerjaan pertukangan dan ilmu lain. Walaupun keperibadian mereka sebenarnya ialah bersih dan murni, pemberani dan sanggup berkorban untuk hal-hal yang dipandang baik.³⁵

Masa Jahiliyah dianggap sebagai masa yang gelap, kerana pada masa itu Arab Jahiliyah tidak menyembah Allah SWT sebagai satu-satunya Tuhan yang Esa. Malah kebanyakan mereka menyembah berhala dan mempercayai animisme. Masyarakat Arab jahilliah memiliki perangai yang rosak kerana tiada nabi atau rasul dan kitab suci yang boleh digunakan sebagai panduan dalam kehidupan mereka pada masa itu. Akhlak yang baik mereka adalah hampir tidak wujud, sebagai contoh; mereka zalim, sombong dan degil (Mahmud Syakir 1991).

Secara ekonomi arab jahiliyah telah memiliki pasar-pasar sebagai pusat perniagaan. Pusat perniagaan yang terkenal diantaranya: pasar Ukazh, Mijannah, dan Zul Majaz. Di antara tiga pasar ini, yang paling besar dan paling banyak pengunjungnya ialah Ukazh. Pasar ini dikunjungi orang-orang Arab daripada perbagai daerah di seluruh Arab. Pengunjung terbanyak berasal dari Qabilah (suku) Mudhar kerana pasar ini terletak di daerah mereka.

Muhammad ibn Habib Bagdadi (1942)³⁶ telah mencatat sebanyak tiga belas tempat perniagaan di Arab pada masa Jahiliyah sebagaimana jadual 2.3.1 berikut:

³⁴A. Sonny Keraf, 1998. *Etika Bisnis, Tuntutan dan Relevansinya*. Yogyakarta : Kanisius, hlm. 50.

³⁵Makalah Anas Khoiruddin dkk. *Sejarah Bangsa Arab Pra Islam*, diunduh dari www.docstoc.com pada 24 Februari 2016.

³⁶ Muhammad ibn Habib Bagdadi, Al-Muhabbar, Da'irah Al-Ustmanyiyah, Hy-deraba, Deccan, India. 1942.

Jadual 2: Pasar-pasar di Jazirah Arab pada masa Jahiliah

Bulan	Tarikh	Tempat-tempat Perniagaan
1. Muharram	10 – 30	Nazat (Khaibar)
2. Rabi' Al-Awwal	1 – 30	Dumatul Jandal
3. Jumada al-Awwal	1 – 30	Mushaqqar (Bahrain al-Ahsa)
4. Rajab	20 – 25	Suhar (Oman)
5. Rajab	30	Daba (Oman)
6. Sya'ban	1 – 15	Shihr (Maharah)
7. Ramadlan	1 – 10	Aden (Yaman)
8. Ramadlan	10 – 30	Sana' (Yaman)
9. Dzul al-Qa'dah	15 – 30	Rabiyah (Hadramaut)
10. Dzul al-Qa'dah	15 – 30	Ukaz (dekat Thaif)
11. Dzul Al-Hijjah	1 – 7	Dzul Majaz (antara Ukaz dan Mekah)
12. Dzul al-Hijjah	9 – 11	Mina (dekat Mekah)
13. Muharram	10 – 30	Hijr (Yamamah: pasaran ini diadakan secara bersamaan dengan Nazzat (Khaibar) seperti Rabiyah dan Ukaz pada pertengahan kedua bulan Dzul al-Qa'dah).

Seterusnya Afzalurrahman (2000)³⁷ meyakini pasaran-pasaran yang berada di Jazirah Arab mahupun yang berada di Busra (Syiria) telahpun dikunjungi oleh Nabi Muhammad S.A.W masa sebelum kenabian dalam misi perniagaan. Lawatan baginda ke pasar-pasar ini dimungkinkan tidak hanya berlaku satu kali melainkan berulang-ulang kerana baginda menjadi peniaga lebih dari 20 tahun.

Kemajuan perekonomian masyarakat Arab khususnya suku Quraisy terutamanya kerana memiliki pandangan bahawa kekayaan dan kapitalisme sebagai tujuan utama dan “juru selamat”, yang boleh menyelamatkan mereka dari kemiskinan, mara bahaya dan memberikan rasa aman. Kapitalisme secara semulajadi mendorong tumbuhnya keserakahan dan sikap individu atau kesukuan yang terlampau tinggi. Akibatnya pelbagai suku/klan terlibat dalam persaingan yang keras.³⁸

Dengan pemikiran demikian, kaum Jahiliah cenderung menghalalkan segala cara untuk mencapai keuntungan dan kejayaan perniagaan. Ini kerana mereka tidak memiliki kitab suci khusus sebagai rujukan dan panduan nilai (Ibn Kathir, 1989: 174), adapun kepaiawaian perniagaan merupakan warisan turun-temurun daripada leluhur mereka. Masyarakat Jahiliah tidak memiliki peraturan khusus yang mengikat, sehingga tidak ada larangan terhadap barangan-barangan yang boleh diperniagakan begitupun dengan tata cara berniaga mereka boleh mengamalkan riba, berjudi, menjual patung, menjual bangkai, menjual minuman keras, dan benda-benda lain yang boleh dijual di pasar. Dengan tiadanya standar etika perniagaan pada masa jahiliah, maka praktik penipuan, kezaliman dan ketidakadilan dalam perniagaan telahpun menjadi budaya (tamadun) perniagaan.

Kaum Quraisy merupakan klan Arab yang paling berpengaruh dan terhormat, mereka menjadi penjaga ka'bah tempat suci bangsa Arab. Dengan kuasa ini, mereka mengirim kelompok dagang ke seluruh Negara tetangga, inilah yang membuat mereka sangat kaya dan berkuasa.³⁹ Jadi keberhasilan perniagaan masyarakat jahiliah bukanlah kerana etika perniagaan yang mereka amalkan, melainkan kerana adanya hak istimewa tersebut disamping mereka memang memiliki pengalaman dan keberanian dalam berniaga. Dengan kata lain, perniagaan pada masa jahiliah ialah perniagaan tanpa etika atau tidak bermoral dimana yang kaya boleh berkuasa dan berbuat sesuka hati sedangkan kelompok miskin adalah yang terzalimi.

PERNIAGAAN MUHAMMAD SAW

Muhammad dalam tulisan ini adalah Muhammad bin Abdullah bin Abdul Muthalib bin Hasyim bin Abdi Manaf bin Qushay bin Kilab bin Murrah bin Kinanah bin Khuzaimah bin Mudrikah bin Ilyas bin Mudhar bin Nizar bin Ma'ad bin Adnan. Ia lahir pada hari Isnin 12 hari bulan Rabi'ul Awwal bertepatan dengan tahun Gajah iaitu tanggal 20 April 571 M. Ia meninggal pada umur 63 tahun, tepatnya pada hari Isnin 13 hari bulan Rabiul Awal tahun 11 H, atau Isnin 8 hari bulan Juni 632 M. Adapun faktor-faktor yang mendorong Muhammad berniaga, antaranya:

³⁷ Afzalurrahman (2000), *Muhammad As a Trader*. Yayasan Swarna Bhumi. Jakarta.

³⁸ Karen Armstrong, *Muhammad Nabi Zaman Kita*, Yogyakarta: Beranda, 2007, hlm. 73-74.

³⁹ Lihat A. Yusuf Ali, *The Holy Quran*, hlm. 1794.

a. Faktor Geografis Arab

Makkah ialah Bandar besar sebagai tempat berziarah dan berkumpul di ka'bah. Di daerah ini juga sering ada pasar musiman sebagai tempat perniagaan. Letak Makkah sangat strategis kerana ia menghubungkan lalulintas perekonomian, iaitu Syam (Yordania, Palestina, Libya), Yaman dan Habasyah (Ethiopia). Makkah ialah daerah yang kering namun paling sering didatangi pelancong sehingga daerah ini dijadikan pusat perniagaan bangsa Arab. Sedangkan daerah lain seperti Yaman, Thaif, Hijaz dan Madinah ialah daerah yang subur dengan irigasi yang bagus sehingga digunakan sebagai tempat pertanian. Selain perniagaan dan pertanian pekerjaan yang ramai ditekuni ialah tukang besi, tukang kayu, pembuatan senjata, dan pertenunan.

Adapun orang tuanya (Abdullah) dan pamannya adalah seorang peniaga. Ia dibesarkan dalam wilayah perniagaan. Apa yang ia lihat dan rasakan di Makkah menuntut dirinya untuk menjadi peniaga. Kesempatan untuk menjadi peniaga tumbuh semasa ia di bawah asuhan Abu Thalib yang bekerja sebagai peniaga. Pada masa asuhannya, Muhammad sering berkunjung dan berjualan di pusat-pusat keramaian, seperti pasar Ukaz, Majinna, Dzul Majaz, Basra, dan lain-lain.

b. Faktor Ekonomi

Tidak lama setelah kelahiran Muhammad ia ditinggal mati oleh ayahnya, sehingga ia hidup sebagai anak yatim dan miskin. Sehingga pada umur 4 tahun ia telah menggembala kambing di desa Banu Sa'ad bersama anak yatim lainnya. Kemudian pada umur 6 tahun ia ditinggal mati oleh ibunya (Aminah) dan ia diasuh oleh kakeknya (Abdul Mutallib) yang cukup kaya selama 2 tahun. Setelah kakeknya meninggal ia di asuh oleh pamannya (AbuThalib) yang tergolong miskin. Di sinilah Muhammad memulai kegiatan berdagang mulai dari mengambil kayu di hutan untuk kemudian dijual dipasar, menggembala kambing dengan mengambil upah, dan juga ikut berniaga dengan pamannya ke Syiria dan pasar-pasar di kota Makkah. Muhammad sering diajak Abu Thalib ke pasar-pasar perniagaan, seperti di pasar Ukaz, Majinnah, dan Dzul Majaz.

c. Faktor Keluarga

Ayah Muhammad bernama Abdullah ibn Abdul Muthalib, cucu Hisyam, tokoh pendiri klan Hasyimiyah pada suku Quraisy. Jika dirunut dari kakeknya, Muhammad berasal dari keluarga yang kaya raya. Abdul Muthalib adalah orang yang kaya raya. Disamping dikenal sebagai orang yang kaya raya, ia memiliki jabatan tinggi sebagai pembesar kaum Quraisy. Setelah kakeknya meninggal pengasuhan berpindah kepada pamannya Abu Thalib, ia adalah seorang peniaga yang tidak kaya namun memiliki pribadi yang terpuji dan disegani kaum Quraisy. Dalam asuhan pamannya inilah Muhammad banyak mengenal dunia perniagaan kerana pamannya sering mengajaknya berniaga di pasar-pasar Makkah bahkan sampai ke Syiria.

d. Faktor Pernikahan

Pada umur 25 tahun Muhammad menikah dengan Siti Khadijah (40 tahun). Khadijah dijuluki *Umm al-Mu'minin al-Kubra*. Ia tercatat sebagai wanita terkaya di Makkah. Pada saat menikah, Khadijah sendiri sudah menjadi mitra bisnis Muhammad. Sewaktu Muhammad masih menjadi mitra Khadijah, ia dikenal sebagai pekerja keras, ulet dan jujur. Sementara Khadijah adalah janda kaya raya. Dengan demikian maka setelah menikah kekayaan mereka digabung dan bisnespun semakin besar. Pernikahan ini merupakan faktor kuat yang mendorong Muhammad menjadi peniaga besar setelah itu. Perniagaan dan kekayaan mereka terus bertambah hingga datang masa kenabian.

EPISTEMOLOGI ILMU PERNIAGAAN MUHAMMAD SAW

Menurut Runes (1971-1994) istilah epistemology pertama kali digunakan oleh J.F Ferrier pada tahun 1854, seterusnya Runes menjelaskan bahawa *epistemology is the branch of philosophy which investigates the origin, stukture, methods and validity of knowledge*. Tokoh lain yang mencoba mendefinisikan epistemoogi adalah D.W Hamlyin, beliau mengatakan bahawa epistemology ialah mengenai sumber dan hakikat ilmu pengetahuan, asas dan pengandaian-pengandaian serta secara umum hal tersebut boleh digunapakai sebagai penegasan bahawa orang memiliki pengetahuan.⁴⁰ Dengan demikian epistemology boleh kita maknai dengan sederhana ialah sumber ilmu pengetahuan atau dasar ilmu yang dimiliki oleh seseorang sehingga ianya boleh dikatakan sebagai sebuah ilmu.

⁴⁰Ahmad Tafsir, 2009. *Filsafat Umum Akal dan Hati Sejak Thales Sampai Capra*. Remaja Rosdakarya, Bandung. hal. 23

Sebelum menjadi Nabi, Muhammad dikenal sebagai pemuda yang jujur dan beretika tinggi dalam setiap perniagaannya. Keunggulan strategi dan etika perniagaan beliau ini didapatkan daripada ajaran kakeknya Abdul Motalib (pengasuh) dan juga saudara bapa beliau Abu Thalib (pengasuh beliau setelah Abdul Motalib meninggal). Di samping itu kebaikan akhlak dan kepandaian berniaga ini juga berasal daripada hati beliau yang bersih dan suci kerana sejak umur 5 tahun Jibril telah membelah dan membersihkan hati beliau dengan air zam-zam.⁴¹

Sebahagian ulama juga berpendapat bahawa seorang Nabi adalah terpelihara dari dosa meskipun ia belum diangkat menjadi Nabi (Utusan Allah SWT) khususnya dosa besar.⁴² Hal ini tidak bertentangan dengan kenyataan dimana nabi dikenal sebagai peniaga yang jujur dan adil, baginda tidak pernah terlibat riba', tidak menjual minuman keras dan patung serta tidak bersumpah atas nama berhala.

Dengan demikian, sumber utama ilmu perniagaan Muhammad S.A.W era sebelum kenabian ialah hatinya yang bersih dan terpelihara daripada sifat-sifat tercela, disamping pengalaman dan ajaran daripada datuk serta saudara bapanya Abu Thalib. Kejujuran perniagaan yang diwarisi daripada datuk dan saudara bapanya ini kemudian dipadukan dengan pengalaman berniaga serta disesuaikan dengan ketinggian akhlak Nabi, maka terwujudlah sebuah etika perniagaan yang tinggi ketika itu. Dimana etika dan nilai-nilai tersebut menjadi nilai tambah (*value add*) bagi perniagaan Nabi S.A.W yang akhirnya membawanya kepada kejayaan perniagaan.

ETIKA PERNIAGAAN MUHAMMAD SAW

Etika dapat mendorong manusia memiliki integrity yang baik didalam berniaga. Penerapan etika dan kejujuran di dalam melaksanakan bisnis akan menyokong meningkatkan nilai entiti bisnis itu sendiri. Pada masa kini persaingan semakin ketat dan konsumen semakin pandai memilih maka kalau kepuasan konsumen tetap dijaga hal ini akan menyebabkan perusahaan *sustainable* dan dapat dipercaya dalam masa yang panjang.⁴³

Etika bisnis boleh menjadi control yang baik bagi perusahaan dan pekerja dalam menghasilkan sebuah produk yang terbaik, kerana pekerja dituntut untuk menghasilkan produk yang terbaik dan dengan cara yang baik pula. Etika bisnis merupakan alat yang digunakan oleh pengusaha dalam menjalankan usaha mereka dengan lebih bertanggungjawab secara moral. Dengan adanya etika bisnis maka antara perusahaan dan bekerja dapat lebih saling percaya dan saling menguntungkan begitu juga dengan relasi bisnis.

Menurut Mahmoedin (1996) etika bisnis memiliki 7 prinsip asas iaitu; 1) bersifat bebas, 2) bertanggung jawab, 3) bersikap jujur, 4) berbuat baik, 5) bersikap adil, 6) bersikap hormat, dan 7) bersikap informatif. Sedangkan Sonny Keraf (1998:56) menuliskan bahawa etika bisnis memiliki prinsip-prinsip diantaranya; prinsip otonomi, prinsip kejujuran, prinsip keadilan, saling menguntungkan (*mutual benefit principle*) dan prinsip integrity moral yang baik.

Muhammad berasal dari keluarga yang memiliki sifat-sifat terpuji dan sangat dihormati oleh kaum Quraisy.⁴⁴ Sifat terpuji Muhammad turun dari kakek, ayah dan pamannya, selain itu pada umur 5 tahun iaitu semasa diasuh oleh Halimah dikisahkan bahawa dadanya pernah dibelah dan disucikan dengan air zam-zam oleh malaikat Jibril⁴⁵. Hal ini diduga kuat sebagai salah satu faktor Muhammad memiliki sifat-sifat terpuji dari sejak kanak-kanak sehingga saat remaja ia sudah diberi gelar *amin* (jujur) dan *siddiq* (terpercaya) oleh kaum Quraisy. Sifat jujur dan terpercaya ini yang kemudian menjadi *branch image* Muhammad dalam berniaga.

Dalam sejarah kita temui manakala Muhammad kembali ke Makkah, Khadijah mendapati perniagaannya dijalankan dengan penuh amanah dan keberkatan. Perkara itu belum pernah diperolehi sebelum ini. Pembantunya Maisarah memberitahu, sepanjang menemani Muhammad, ia dapati

⁴¹ Rasulullah bersabda "Ketika aku sedang berada di belakang rumah bersama saudaraku (saudara angkat) menggembalakan anak kambing, tiba-tiba aku didatangi dua orang lelaki-mereka mengenakan baju putih dengan membawa baskom yang terbuat dari emas penuh dengan es. Kedua orang itu menangkapku, lalu membedah perutku. Keduanya mengeluarkan hatiku dan membedahnya, =mereka mengeluarkan gumpalan hitam darinya dan membuangnya. Kemudian keduanya membersihkan dan menyucikan hatiku dengan air itu sampai bersih". Lihat *Shahih As Sirah An Nabawiyah* karya Syaikh Muhammad Nashiruddin Al Albani, hlm. 16.

⁴² As-Syaikh Taqiyuddin an-Nabhani, *as-Syakhshiyah al-Islamiyyah al-Juz' al-Awwal*, Dar al-Ummah, Beirut, cetakan Muktamadah, 2003 M/1423 H, hal. 134-135.

⁴³ Drs. Achmad Charris Zubair, *Kuliah Etika*, (Jakarta: Rajawali Press, 1995), h. 13.

⁴⁴ Syaikh Sofiyurrahman Al-Mubarakfuri. *Sirah Nabawiyah*. hal.63.

⁴⁵ Sahih Muslim, bab tentang israk-Mikraj, jil. I, hlm. 92. Imam muslim meriwayatkan daripada Anas, Rasulullah Saw didatangi oleh malaikat Jibril ketika baginda sedang asyik bermain bersama teman-teman sebayanya. Jibril lalu membaringkannya, kemudian membelah dadanya. Jibril mengeluarkan jantung baginda, lalu mengeluarkan segumpal darah (hati) daripada bahagian jantung itu. Jibril berkata kepada baginda, "inilah bahagian syaitan yang ada pada dirimu". Jibril lalu mencuci gumpalan darah itu menggunakan air zamzam dalam sebuah bekas emas.

keperibadiannya yang menyenangkan, ia berperilaku mulia, berfikir tajam, jujur dalam berkata-kata dan berniaga dengan penuh amanah.⁴⁶ Khadijah juga berkata, selama bermitra dengan Muhammad saya selalu mendapatkan keuntungan yang banyak lebih daripada yang didapati apabila bermitra dengan orang lain⁴⁷.

Maisarah pembantu lelaki Siti Khadijah menceritakan sifat-sifat mulia dan kelebihan yang dimiliki Muhammad selama perniagaan berlangsung. Selama perjalanan rombongan yang disertai baginda sentiasa dinaungi oleh awan putih sehingga mereka tidak kepanasan, pokok-pokok yang mereka lalui juga seolah merunduk kepada rombongan mereka. Sampai di pasar, Muhammad menjual dengan tersenyum dan mesra kepada pembeli ia juga memberitahukan pembeli harga asal dari barangan yang dijual serta menyampaikan kelebihan serta kekurangan barangan sehingga pembeli menjadi senang. Kemudian jumlah barangan yang terjual dan keuntungan yang mereka perolehi disampaikan dengan rinci oleh Muhammad tanpa tertinggal sedikit pun sehingga Maisarah dengan mudah mencatat dan melaporkannya kepada Siti Khadijah. Cerita ini membuat Siti Khadijah menjadi kagum dan menaruh simpati kepada Muhammad, kerana hal ini tidak pernah dilakukan oleh mana-mana pedagang ketika itu.

Keluhuran etika perniagaan Muhammad juga dikisahkan bahawa dalam sebuah pertemuan dengan Saib ibn Ali Saib, Muhammad menyambutnya dengan penuh semangat dengan mengatakan, “Mari-mari, selamat datang temanku yang pernah menjadi mitraku”, kemudian Saib ibn Ali Saib berkata “Selamat datang mitra dagangku yang selalu lurus dalam perhitungan-perhitungan dagang dan tidak pernah berselisih denganku” (Hakim dalam kitab sahih)..

Cerita lain juga yang menambah kuat bukti kehebatan etika perniagaan Muhammad. Menurut Hakim, Rabi ibn Badr adalah seorang budak Thalha ibn Ubaidullah, ia melakukan kerjasama dagang dengan Muhammad. Kemudian pada suatu hari bertemu dengannya Nabi mengatakan, “Apakah kau mengenali aku?” ia menjawab, “Kau pernah menjadi mitraku dan mitra yang paling baik pula, engkau tidak pernah menipuku dan tidak pernah berselisih denganku”.⁴⁸

Kisah lain juga Abdullah ibn Abdul Hamzah mengatakan: “Aku telah membeli sesuatu dari Nabi sebelum ia menerima tugas kenabian, dan kerana masih ada suatu urusan dengannya, maka aku menjanjikan untuk mengantarkan padanya tetapi aku lupa. Ketika teringat tiga hari kemudian akupun pergi ke tempat tersebut dan menemukan beliau masih berada di sana.” Beliau berkata, “Engkau telah membuatku resah, aku berada di sini selama tiga hari menunggumu” (HR. Abu Dawud).

Keutamaan akhlak dan keunggulan etika perniagaan yang ditunjukkan Muhammad benar-benar membuat kagum. Muhammad telah melakukan transaksi-transaksi perniagaannya secara jujur, adil dan tidak pernah membuat pelanggannya mengeluh atau kecewa. Selain jujur, sikapnya yang lemah lembut serta mesra kepada pelanggan membuatnya dengan mudah memenangkan hati pelanggan. Dengan menerangkan harga asal daripada setiap barangan tanpa menyembunyikan cacat barangan serta memberikan kesempatan kepada pembeli untuk tawar menawar tentu hal ini akan menciptakan suasana jual beli yang menyenangkan sehingga setiap transaksi berlaku dengan adil dan suka sama suka. Di sisi lain, baginda mencatat dengan rinci barangan yang terjual dan keuntungan yang diperolehi tanpa ada yang ditutup-tutupi sehingga tidak belaku kesalahan dalam pencatatan saat perniagaan berakhir. Dengan demikian peniaga sangat diuntungkan, pembeli pun akansenang dan puas serta pemberi modal akan lebih percaya lagi kerana mereka pun merasa dipuaskan.

STRATEGI PERNIAGAAN MUHAMMAD SAW

Strategi boleh diertikan sebagai sebuah pola pengaturan sumber daya yang memungkinkan perusahaan boleh mempertahankan kinerjanya (Barney, 1997). Strategi juga boleh diertikan sebagai keseluruhan rencana mengenai penggunaan sumber daya-sumber daya untuk menciptakan suatu posisi menguntungkan sehingga perusahaan boleh memastikan mencapai tujuan yang diinginkannya. (Grant, 1995).

Sementara itu, Tull dan Kahle (1990) mendefinisikan strategi bisnes sebagai suatu perencanaan untuk mencapai tujuan perusahaan dengan mengembangkan keunggulan bersaing yang berkesinambungan melalui pasar yang dimasuki dan program pemasaran yang digunakan untuk melayani pasar sasaran tersebut. Selain itu strategi bisnes juga boleh diertikan sebagai penetapan sasaran dan tujuan jangka panjang sebuah perusahaan, dan arah tindakan serta alokasi sumber daya yang diperlukan untuk mencapai sasaran dan tujuan itu.⁴⁹

⁴⁶ Syeikh Sofiyurrahman Al-Mubarakfuri. Sirah Nabawiyah. hal.68

⁴⁷ Afzalurrahman, 1995. Muhammad as a Trader. hal. 7.

⁴⁸ Ibnu Hisyam, al-Sirah al-Nabawiah, jil. I, hlm. 187-189.

⁴⁹ Alfred Chandler (1962) Strategy and Structure, MIT Press, Cambridge, Ma.

Dalam mencapai tujuan perniagaan setiap peniaga memiliki strategi yang berbeza untuk memenangi persaingan pada pasar yang mereka sasarkan. Begitu juga dengan Muhammad SAW, ia memiliki strategi tersendiri yang sangat berbeza dengan kaum Qurays ketika itu sehinggalah ia selalu dapat memperolehi keuntungan yang lebih tinggi dari saingannya. Tidak hanya memperolehi keuntungan yang tinggi namun Muhammad juga dapat dengan mudah memenangi hati pembeli sehinggalah ia dapat memenangi persaingan.

Dalam sirah Nabawiah dan buku-buku serta jurnal-jurnal menjelaskan bahawa Muhammad SAW ialah seorang budak miskin dan tidak memiliki modal sendiri untuk berniaga. Saat memulai usaha sendiri ia memperolehi modal untuk berniaga daripada baithul mal, anak-anak yatim, janda-janda dan orang-orang kaya Mekah bahkan sebahagian menyatakan kerana banyaknya yang ingin memberikan modal usaha maka Muhammad menggunakan modal tersebut secara bergiliran. Hal ini dikeranakan ianya dikenal jujur dan cerdik dalam berniaga.⁵⁰

Annas meriwayatkan bahwa sebelum menjadi Nabi, Muhammad pernah menawarkan sebuah kain pelana dan bejana untuk minuman seraya mengatakan, "Siapa yang ingin membeli kain pelana dan bejana air minum?" seorang laki-laki menawarnya seharga satu dirham, dan beliau menanyakan apakah ada orang yang akan membayar lebih mahal. Seorang laki-laki menawar padanya dengan harga dua dirham, dan iapun menjual barangan tersebut padanya (Tirmidzi, Abu Dawud dan Ibn Majah). Dari sini terlihat bahawa Muhammad sangat ramah dan mesra dalam berniaga serta tidak mematok harga tiap-tiap barangan, melainkan atas dasar tawar menawar dan suka sama suka.

Kecerdikan strategi berniaga Muhammad tampak pula ketika melakukan perjalanan dagang ke Yaman bersama Maisarah, pembantu laki-laki Khadijah. Setelah barangan yang dibawanya habis terjual, beliau sengaja mendatangi sentra garmen dan tekstil disana, kemudian membeli bahan kain dan pakaian jadi untuk dijual di Makkah, sementara pedagang lain pulang membawa sisa barangan yang belum terjual sahaja (Sofiyurrahman: 2014). Dengan demikian Muhammad memiliki peluang untuk memperolehi keuntungan yang lebih banyak dalam sekali perjalanan. Kecerdikannya dalam berniaga dan membaca peluang pasar ini membuatnya selalu memperolehi keuntungan yang lebih tinggi dari peniaga lainnya. Hal inilah yang membuatnya sentiasa mendapat upah dan bagi hasil lebih tinggi dari biasanya sebagai contoh ketika berniaga di pasar-pasar Busra, misalnya, beliau memperolehi keuntungan dua kali ganda dibandingkan pedagang lainnya. Itulah sebabnya Khadijah memberikan bahagian keuntungan yang lebih besar daripada yang telah mereka berdua sepakati sebelumnya. (al-Shalabi: 2004).

Kecerdikan dan kepandaian strategi perniagaan Muhammad ini telahpun diketahui ramai orang sehingga tak jarang membuat peniaga lainnya iri hati. Kemarahan pedagang lain ini bukan kerana mereka dirugikan tetapi kerana cara berdagang Muhammad yang sangat jauh berbeza daripada kebiasaan pedagang masa itu. Kebiasaan peniaga masa itu ialah menghalalkan segala cara untuk memperolehi keuntungan meskipun harus menipu, berbohong, sumpah palsu, menimbun barangan, menyembunyikan cacat barang, monopoli serta perbuatan-perbuatan tercela lainnya.⁵¹ Kekhawatiran mereka bahawa semua pembeli akan berpindah kepada Muhammad kerana sifatnya yang jujur, adil dan tidak suka bersumpah untuk melariskan perniagaan inilah yang membuat sebahagian daripada mereka marah.⁵²

Dalam sirah Nabawiah dikisahkan bahawa seluruh pedagang Qurays bersatu untuk menjatuhkan/mengalahkan-Nya dalam perniagaan ke Syria. Pedagang Qurays bersepakat menurunkan harga kain sutra yang akan dijual ke Syria dengan tujuan agar barangan yang dibawa Muhammad tidak terjual. Namun Muhammad mengetahui bahawa sebentar lagi di Syria akan mengalami musim sejuk sehingga kain sutra amat sangat diperlukan sehingga ia tidak mahu menurunkan harga dan menjualnya dengan harga asal. Dalam perjalanan barangan milik pedagang Qurais habis terjual sebelum sampai ke Syria sehingga hanya barangan Muhammad yang sampai di Syria. Dengan kecerdasan Muhammad dalam membaca peluang pasar dan keperluan pasar maka ia sendiri berhasil memperolehi keuntungan yang besar dan berkali ganda, sedangkan seluruh pedagang Qurays menderita kerugian yang besar.⁵³

Kecerdikan strategi perniagaan Muhammad SAW membuatnya menjadi peniaga besar dan terkenal. Strategi persaingan dilakukan secara baik dan sehat iaitu dengan kejujuran, prinsip keadilan, keramahan, kemesraan dengan pembeli, kepandaian membaca peluang pasar, kepandaian dalam tawar

⁵⁰ Lihat buku sirah nabi oleh Syeh Syafiuurrahman Al-Mubarakafuri, hal 62-69. Lihat juga Afzalurrahman dalam Muhammad As a Trader hal. 7-9.

⁵¹ M. Suyanto, *Muhammad Business Strategy and Ethics*, (Yogyakarta: Andi Offset, 2008). Penjelasan lebih lengkap lihat buku ini h. 169-218.

⁵² H. Rus'an, *Lintasan Sejarah Islam di Zaman Rasulullah SAW*, (Semarang: Wicaksana, 1981), h. 21-23.

⁵³ Lihat Qairunnisa Khamsa (2011). *Bisnis Tanpa Rugi Ala Rasulullah Swt*. Makasar: Arus Timur. hlm.106-108.

menawar harga, serta kemampuannya dalam membaca kondisi dan keadaan geografis setiap pasar yang dituju membuatnya menjadi peniaga yang hebat dan terbaik ketika itu.⁵⁴ Perniagaan Muhammad menjadi lebih sempurna setelah ianya menikah dengan mitra bisnesnya Siti Khadijah kerana perniagaan mereka disatukan dan menjadi semakin besar.

Setelah menikah Muhammad memiliki lebih banyak masa untuk memperhatikan kehidupan sosial masyarakat. Ia dapati moral masyarakat yang semakin hancur serta kemiskinan dimana-mana. Oleh kerana itu ia menggunakan hartanya untuk membantu orang-orang yang lemah seperti anak yatim, orang tua dan janda-janda yang tidak mampu. Ada pendapat yang menyatakan bahawa keuntungan yang diperolehi oleh Muhammad dalam berniaga satu pertiga digunakan untuk membantu fakir miskin, satu pertiganya lagi digunakan untuk menambah modal usaha (melabur) kembali dan satu pertiganya lagi dibawa pulang untuk nafkah anak dan istrinya (Khamisa 2011). Meskipun pendapat ini agak lemah, namun apabila kita melihat sikap dermawan dan kasih sayangnya kepada fakir miskin maka boleh jadi ini mendekati kebenaran.

NILAI – NILAI UNIVERSAL PERNIAGAAN MUHAMMAD SAW

Pada amnya perniagaan Muhammad SAW tidaklah jauh berbeza dengan perniagaan masyarakat Jahiliah ketika itu, dimana baginda berniaga di pasar-pasar yang sama, menggunakan mata wang dinar dirham yang sama, serta menjual barangan yang tidak jauh berbeza dengan masyarakat jahiliah terkecuali patung, khinzir, dan khamer yang tidak pernah dijual oleh Muhammad SAW. Selain itu, baginda juga tidak terlibat dengan riba' dan justru menyuburkan hartanya dengan amalan sedekah (*pilantrophy*).

Sebagaimana kita ketahui bahawa baginda merupakan contoh peniaga berjaya yang mengamalkan nilai-nilai moral dan etika yang mulia dalam berniaga. Perniagaan beretika tinggi tersebut sesungguhnya merupakan paradigm baru (*new paradigm*) pada masa itu dan juga ianya adalah nilai tambah (*value edd*) yang digunakan oleh Muhammad S.A.W bagi memenangkan persaingan ketika itu. Adapun nilai-nilai (etika) yang diamalkan oleh baginda ialah sebagai berikut:

1. Nilai kejujuran, dimana Muhammad S.a.w adalah seorang yang al-amin (terpercaya) kerana beliau selalu berkata jujur dan tidak pernah mengingkari janji. Baginda sentiasa menyampaikan keadaan barangan dengan sebenar, tidak menyembunyikan cacat barangan, serta menyampaikan harga asal barangan kepada pembeli. Asas transparansi dalam setiap proses jual beli amat beliau utamakan.
2. Nilai amanah, baginda juga dikenal sebagai peniaga yang terpercaya (amanah). Baginda memiliki kebiasaan mencatat dengan rinci pengeluaran dan pemasukan selama proses perniagaan sehingga tidak berlaku kesalahan pada perhitungan akhir hasil perniagaan. Hal ini akan mempermudah baginda ketika membuat laporan untuk dirinya dan juga kepada pemilik modal (investor), ini berguna untuk menentukan jumlah nisbah bagi hasil serta upah yang akan diterima.
3. Nilai keadilan, baginda sentiasa melayani dan menghormati semua orang tanpa membezakannya. Baginda juga sentiasa adil dalam menimbang dan tidak pernah berselisih dengan pembeli mahupun mitra bisnesnya.
4. Nilai kesopanan dan kemesraan. Muhammad S.a.w sentiasa menciptakan kenyamanan dan keselesaan bagi setiap pembeli dan mitranya. Baginda selalu tersenyum dan menyapa pembeli dengan tulus, hal ini boleh dilihat manakala Annas meriwayatkan bahawa sebelum menjadi Nabi, Muhammad pernah menawarkan sebuah kain pelana dan bejana untuk minuman seraya mengatakan, "Siapa yang ingin membeli kain pelana dan bejana air minum?" seorang laki-laki menawarnya seharga satu dirham, dan beliau menanyakan apakah ada orang yang akan membayar lebih mahal. Seorang laki-laki menawar padanya dengan harga dua dirham, dan iapun menjual barangan tersebut kepadanya (Tirmidzi, Abu Dawud dan Ibn Majah).
5. Harga yang ditentukan atas dasar tawar menawar dan suka sama suka. Semasa berniaga baginda biasanya menjelaskan keadaan sebenar barangan beserta harga asalnya, dengan begitu pembeli boleh menawar dengan harga yang diinginkan dan baginda biasanya tidak pernah menolak keuntungan sekecil apapun.
6. Tidak terlibat amalan riba', selama berniaga Muhammad S.a.w memperolehi modal daripada anak-anak yatim dan janda-janda yang tidak mampu menjalankan hartanya sendiri, selain itu baginda juga sering menerima modal daripada baitul mal. Baginda juga sering menjalankan

⁵⁴ Lihat Zen Abdurrahman (2011). Strategi Genius Marketing ala Rasulullah. Jogjakarta. Diva Press.

perniagaan dengan sistem upah dan mudharabah (dimana baginda sebagai mudaribnya). Dengan demikian baginda tidak pernah terlibat amalan riba sebagaimana yang dilakukan oleh masyarakat Jahiliah sebagai bisnes utama mereka.

7. Tidak menjual khamer, patung, darah dan bangkai. Dalam berniaga Muhammad S.a.w hanya menjual barang-barang seperti pakaian, bejana, biji-bijian, parfum, serta keperluan rumah dan tidak pernah menjual barang-barang yang menjijikkan seperti khamer, darah dan bangkai. Baginda juga tidak menjual patung, tidak pernah bersumpah atas nama berhala, bahkan baginda selalu menghindar apabila ada tempat-tempat berhala mahupun tempat pembuatannya.
8. Tidak berdebat dengan mitra dan pembeli. Kejujuran, kesopanan dan keadilan perniagaan yang dijalankan oleh baginda membuat mitra dan pembelinya selalu terpuaskan. Saib ibn Ali Saib, bertemu dengan baginda sambil berkata, “Mari-mari, selamat datang kawanku yang pernah menjadi mitraku”, kemudian Said ibn Ali Saib berkata “Selamat datang mitra dagangku yang selalu lurus dalam perhitungan-perhitungan dagang dan tidak pernah berselisih denganku”. Cerita lain juga yang menambah kuat bukti kehebatan etika perniagaan Muhammad. Menurut Hakim, Rabi ibn Badr adalah seorang budak Thalha ibn Ubaidullah, ia melakukan kerjasama dagang dengan Muhammad. Kemudian pada suatu hari bertemu dengannya Nabi mengatakan, “Apakah kau mengenali aku?” ia menjawab, “Kau pernah menjadi mitraku dan mitra yang paling baik pula, engkau tidak pernah menipuku dan tidak pernah berselisih denganku”.
9. Tidak bersumpah atas nama berhala. Baginda tidak pernah bersumpah untuk meyakinkan pembeli atau untuk melariskan perniagaannya. Beliau sentiasa berkata sederhana dan apa adanya, bahkan dengan tegas menolak apabila dimintai untuk bersumpah.
10. Tidak menimbun barangan (Ikhtisar). Salah satu kehebatan baginda dalam berniaga ialah tidak pernah menentukan harga untuk barang tertentu, setiap barang dijual atas dasar harga tawar menawar dan suka sama suka sehingga barang-barang yang dijual baginda tidak pernah bertahan lama. Meskipun sebenarnya baginda boleh saja menjual dengan harga tinggi pada saat barang langka namun baginda tetap tidak suka menimbun barang dan menjualnya pada harga normal.
11. Mengganti barangan yang rosak. Salah satu kebiasaan baginda dalam berniaga ialah mengganti barangan yang dikembalikan pembeli dengan barangan yang lebih baik. Dalam jual beli boleh saja berlaku kesalahan yang disadari oleh pembeli setelah meninggalkan pasar, oleh kerana itu baginda sentiasa menerima jika ada barang miliknya yang dikembalikan oleh pembeli dengan alasan yang masuk akal, dan kebiasaan baginda ialah menggantinya dengan yang lebih baik.
12. Rinci dalam mencatat setiap transaksi dan kontrak. Sebagaimana yang dijelaskan oleh pembantu Maysarah bahwasanya Muhammad SAW sentiasa rinci dalam mencatat pengeluaran dan pemasukan sekecil apapun sehingga mudah baginya menghitung keuntungan dan membuat laporan kepada Siti Khadijah Ra.
13. Menghindari persaingan pada harga, dimana Rasulullah menolak untuk menurunkan dan menaikkan harga barangan yang dibawanya semasa berdagang ke Syiria sementara pedagang lain menurunkan harga untuk memenangkan persaingan.
14. Tidak menolak keuntungan sekecil apapun meskipun modal yang dikeluarkan besar. Jika tidak ada yang menawar lebih tinggi maka Rasulullah segera menjual barangannya meskipun dengan keuntungan yang sangat sedikit tetapi tidak sampai menyebabkan kerugian.
15. Sentiasa membayar upah pekerja sebelum kering keringatnya. Artinya Rasulullah tidak pernah menunda memberi upah pekerja atau berhutang kepada pekerjanya.
16. Rasulullah sentiasa bersikap dermawan (*philantrophy*). Sebagaimana yang disebutkan di atas, bahawa baginda sentiasa membahagikan sebahagian daripada keuntungannya kepada anak-anak yatim, janda-janda miskin dan juga untuk membayarkan hutang orang-orang yang tidak mampu membayar hutangnya.

Nilai-nilai (etika) perniagaan Muhammad SAW tersebut berlaku sebelum masa kenabian (sebelum turunnya wahyu). Nilai-nilai etika ini berlaku semula jadi (natural), ini artinya nilai-nilai ini boleh digunapakai secara menyeluruh (universal) oleh semua manusia tanpa adanya batasan agama dan Negara.

RUMUSAN

Etika perniagaan Muhammad SAW sebelum kenabian merupakan etika yang berlaku semula jadi dan bersumber daripada hati baginda yang bersih dan akhlak mulia yang telah ada pada diri baginda. Sementara perniagaan konvensional jahiliah adalah perniagaan tanpa etika, tanpa memiliki standar hukum-hakam perniagaan sehingga perniagaan berlaku secara bebas dan tanpa nilai. Begitupun dengan

perniagaan konvensional modern, hanya saja pada perniagaan konvensional telah muncul kesadaran tentang pentingnya etika dalam perniagaan. Meskipun terdapat percanggahan mengenai perlunya etika dalam sesebuah perniagaan, namun sebahagian daripada pakar ekonomi barat telah menyusun beberapa prinsip asas etika perniagaan seperti; prinsip otonomi, prinsip kejujuran, prinsip keadilan, prinsip integriti dan prinsip saling menguntungkan.

Prinsip-prinsip etika bisnes konvensional modern tersebut sebahagian memiliki kemiripan dengan etika perniagaan Muhammad SAW seperti prinsip otonomi, kejujuran, keadilan dan integriti. Meski demikian, prinsip-prinsip perniagaan Muhammad SAW lebih lengkap dan lebih tinggi seperti; adanya prinsip amanah, nilai kesopanan dan kemesraan, harga yang ditentukan atas dasar tawar-menawar dan suka sama suka, tidak terlibat dalam riba, tidak menjual khumer, patung, darah dan bangkai, tidak berdebat dengan mitra dan pembeli, tidak bersumpah atas nama berhala, tidak menimbun barangan (Ikhtisar, mengganti barangan yang rosak, menghindari persaingan pada harga, tidak menolak keuntungan sekecil apapun, membayar upah pekerja sebelum kering keringatnya, rinci dalam mencatat setiap transaksi serta adanya pengagihan faktor-faktor ekonomi kepada masyarakat (*philantrophy*). Sebahagian prinsip-prinsip etika bisnes ini tidak dimiliki oleh etika bisnes konvensional modern.

Keindahan dan ketinggian nilai-nilai (etika) perniagaan Muhammad SAW berlaku semula jadi dan telah terbukti membawa kejayaan pada perniagaan yang dilakukan oleh baginda. Oleh itu, nilai-nilai (etika) perniagaan ini merupakan nilai – nilai universal dalam etika perniagaan disebabkan ini tidak berhubungan dengan agama dan Negara manapun serta boleh digunapakai oleh sesiapa sahaja yang ingin berniaga untuk memperolehi kejayaan dan kebaikan perniagaan.

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CALLING FOR KNOWLEDGE, STRONG INTENTION (NIAT), PRACTICAL WISDOM AND BUSINESS PERFORMANCE: ISLAMIC PERSPECTIVE

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Abstract. The purpose of this paper is to review the concept of calling or “kefardhuan”, business intelligence strong intention or “niat”, practical wisdom in relation to sustainable business success. Today they are growing numbers of Muslim successful entrepreneurs around the world. Anecdotally, they are said to have set clear goals in the mind ever since before they actually run the business. Embedded in their goals is a strong intention (niat). They also believe that learning for new knowledge through new experiences is vital to sustain business success. Drawing on theory of wisdom, kefardhuan, niat and business intelligence determine the sustainability of business success.

Keywords: kefardhuan, niat and practical wisdom

KEFARDHUANAN ILMU, NIAT, KEBIJAKSANAAN PRAKTIKAL DAN PRESTASI PERNIAGAAN: PERSPEKTIF ISLAMIK

Abstrak. Tujuan kertas ini ialah untuk mengkaji kefardhuan ilmu, niat,kebijaksanaan praktikal berhubung kait dengan kejayaan sesebuah organisasi. Pada hari ini ramai usahawan Islam yang berjaya. Mereka mengatakan untuk berjaya perlu menetapkan matlamat. Matlamat ini merupakan niat sebelum menjalankan perniagaan. Jika tiada niat maka perniagaan yang dijalankan tiada hala tuju. Niat yang ditetapkan perlu seiring dengan ilmu yang diperolehi supaya perniagaan yang dijalankan berkembang dengan maju. Sejauh manakah kefardhuan ilmu, niat dan kebijaksanaan praktikal boleh mempengaruhi kejayaan sesebuah perniagaan?Dalam kajian ini terdapat beberapa objektif yang ingin di capai oleh penyelidik. Antara objektifnya membuktikan sejauh mana niat dapat mempengaruhi kejayaan sesebuah perniagaan. Selain itu adakah ilmu dapat mempengaruhi kepada kejayaan sesebuah perniagaan. Kajian ini juga memfokus kepada teori kebijaksanaan praktikal boleh menyumbang kepada kejayaan sesebuah perniagaan.

Kata Kunci: Kefardhuan ilmu, niat dan kebijaksanaan praktikal

PENGENALAN

Kefardhuan dari segi bahasa ialah sesuatu yang jika dilakukan akan mendapat pahala syurga dan sebaliknya tiada dosa. Kefardhuan dari segi syarak pula bermaksud Kefardhuan ini terbahagi kepada 2 bahagian iaitu kefardhuan ain dan kefardhuan kifayah. Dalam kontek keusahawanan ianya merupakan satu kekefardhuanan di mana seseorang usahawan yang ingin berjaya perlu mendapat keredhaan Allah S.W.T. Walaupun seseorang itu mempunyai ilmu pengetahuan yang tinggi dalam bidang perniagaan jika tidak mendapat keredhoan Allah S.W.T berkemungkinan perniagaannya tidak berjaya.Niat seseorang juga penting di dalam menentukan kejayaan sesebuah perniagaan. Niat yang jelas dan tepat dapat menyokong usahawan untuk mencapai matlamat.

Konsepkefardhuan mempunyai perbezaan dari segi pensabitan dalil dan maknanya. Ia terjadi di kalangan jumah ahli usul dan mazhab Hanafi yang mempunyai pendapat berbeza untuk menyabitkan kefardhuan dan wajib dari segi pensabitan dalil qat’iyy atau zanniyy (Abd al-Ra’uf Mufdi Kharabisah, 2005, m/s 176). Menurut jumah ulama, kefardhuan dan wajib mengandungi makna yang sama. Kefardhuan adalah wajib dan wajib adalah kefardhuan (Abd al-Ra’uf Mufdi Kharabisah, 2005, m/s 176). Tambahan pula, konsepkefardhuan tidak mempunyai sebarang perbezaan dengan konsep kewajipan. Menurut ‘Abd al-Ra’uf Mufdi Kharabisah (2005, m/s 176), setiap perbuatan yang dituntut oleh Allah sebagaimana yang disebut dalam al Quran adalah wajib bersabit dengan dalil yang qat’iyy atau zanniyy. Sebaliknya,Imam Hanafi berpendapat kefardhuan dan kewajipan adalah dua perkara yang berbeza (Abd al-Ra’uf Mufdi Kharabisah, 2005, m/s 176). Oleh kerana itu, kajian ini memahami konsep kefardhuan sebagai martabat amalan yang sedikit berbeza dengan kewajipan kerana kefardhuan disabitkan dengan dalil yang qat’iyy terus dari al-Quran, sunnah mutawatir atau ijma’. Manakala wajib pula disabitkan

dengan dalil zanniyy seperti khobar ahad dan qiyas. Contohnya, amalan perniagaan adalah satu kefardhuan manakala menjawab salam adalah kewajiban.

Setiap amalan perlu berlandaskan dengan niat (HR. Bukhari, Muslim, dan empat imam Ahli Hadits). Sebagai seorang muslim budaya usahawan sebenar telah ditunjukkan oleh Nabi Muhammad (SAW) sebelum baginda diangkat menjadi Rasul. Baginda telah dilantik menjadi CEO dan berjaya membawa perubahan ekonomi selepas berhijrah ke Madinah. Usaha pemantapan ekonomi tidak hanya sekadar memberi penumpuan kepada aspek fizikal iaitu membina pasar semata-mata, malah yang lebih ditekankan Nabi Muhammad (SAW) ialah mencanai budaya keusahawanan yang luhur dan jernih berpandukan akhlak dan nilai-nilai yang diwahyukan Ilahi. Baginda sendiri turun dan mentarbiyah usahawan-usahawan baru di kalangan masyarakat Arab yang sebelumnya tidak pernah terdedah kepada bidang perniagaan dan perdagangan. Malah kebergantungan mereka kepada kaum minoriti Yahudi sebelum ini telah memaksa mereka hidup dalam suasana penganiayaan dan persekitaran yang terhimpit dan tertekan. Kemahiran ekonomi ini amat penting bagi memastikan bukan sahaja umat Islam kuat dari segi fizikal tetapi membolehkan mereka mempertahankan aqidah dan keimanan. Kekuatan ekonomi juga menjadikan umat Islam dipandang tinggi dan membantu menyebarkan agama ke seantero dunia.

Pencatutan aktiviti seharian akan menjadi celaru sekiranya tidak berlandaskan kebijaksanaan praktikal (Baltes & Staudinger 2000). Seseorang yang bijak mempunyai matlamat yang berhubung kait dengan diri dan masyarakat. Dalam masa yang sama memikirkan cara untuk mendapat kehidupan yang lebih baik pada masa akan datang. Menurut Baltes & Staudinger, 2000, “*the pinnacle of insight into the human condition and about the means and ends of good life*”. Inilah hakikat yang sering berlaku hari ini. Rata-rata umat Islam mengalami masalah kekeliruan pemikiran yang menyebabkan mereka menyimpang daripada ajaran Islam yang sebenar. Umat Islam gagal memahami keutamaan (*fiqh awlawiyat*) dalam mengatur kehidupan mereka samaada dalam pengurusan keluarga, komuniti, persekitaran, perniagaan, dan ekonomi secara umumnya. Umat Islam adalah dituntut untuk berusaha memahami agama daripada perspektif ibadah khusus seperti sembahyang, puasa, haji dan sebagainya. Sedangkan aspek muamalah yang sama penting telah dikesampingkan. Apabila disebut Islam, seolah-olah tidak tergambar dalam pemikiran mereka bahawa Islam itu adalah *ad-din* yang merangkumi segenap aspek kehidupan termasuklah soal-soal pengurusan harta dan pembudayaan nilai-nilai keusahawanan. Contohnya kebanyakan negara-negara Islam dikategorikan sebagai miskin dan terkebelakang, sedangkan 1/3 sumber asli dan galian serta ekonomi dunia berada di negara-negara Islam. Umat Islam tidak mampu bersaing dengan masyarakat lain dalam bidang perniagaan dan keusahawanan. Kebanyakan mereka lebih selesa menjadi masyarakat pengguna (*consumer*) daripada pengeluar (*distributor*) dan pencipta (*innovator*) yang menyebabkan kita seringkali tersisih daripada arus persaingan dalam dunia moden hari ini.

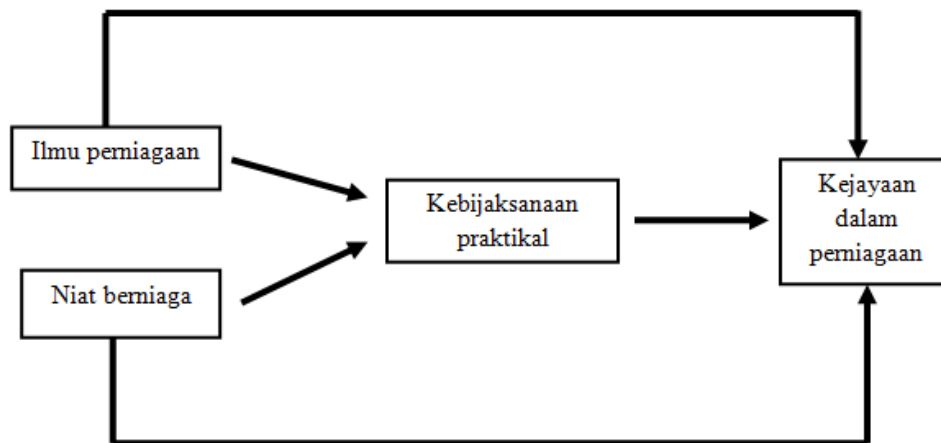
Konsep perniagaan dalam Islam melebihi objektif dunia yang hanya berlegar di sekitar keuntungan sahaja. Dalam Islam, perniagaan mempunyai nilai dan objektif yang meliputi kehidupan dunia dan akhirat. Perniagaan bukan sahaja menjadi sumber mencari rezeki malah satu cabang ibadah yang dapat mendekatkan diri dengan Allah. Konsep *ubudiyah* ini sememangnya menjadi teras segala perlakuan dan aktiviti harian umat Islam. Dengan ini ibadah tidaklah terhad dengan ibadah khusus sahaja malah meliputi segala aktiviti harian yang dikira sebagai ibadah umum. Begitu juga dengan menceburi bidang perniagaan adalah berlandaskan *fadhu kifayah* dengan menetapkan matlamat iaitu niat untuk lebih baik serta memudahkan semua pihak yang terlibat.

Islam sebagai agama yang syumul tidak memisahkan segala urusan perniagaan dengan nilai-nilai agama. Perniagaan bukan sahaja dianggap sebagai kerjaya tetapi juga dikira ibadah dalam Islam dan akan mendapat ganjaran sewajarnya di akhirat. Usahawan muslim perlu mempunyai niat yang berlandaskan Islam bukan mengejar keuntungan material semata-mata sebagai objektif tertinggi. Seharusnya seorang usahawan memfokuskan ke arah mencapai keredaan Allah. Sebagai khalifah yang mentadbir dan memakmurkan bumi Allah, manusia haruslah sentiasa menuruti segala perintah dan meninggalkan segala larangannya. Manusia tidak mempunyai kuasa yang mutlak dalam semua hal, bahkan segala-galanya adalah dalam pengetahuan dan ketentuan Allah semata-mata. Inilah yang menjadikan banyak konsep yang berbeza antara perniagaan dalam Islam dan konvensional. Kefahaman dan penghayatan konsep *ubudiyah* ini akan memberikan impak yang nyata dalam prestasi seseorang individu. Seseorang muslim yang menyedari hal ini akan bekerja bersungguh-sungguh dan mengamalkan budaya kerja cemerlang. Mereka akan mematuhi segala arahan dalam melaksanakan tanggungjawab dan menghindari perkara-perkara yang dilarang. Ini akan memudahkan organisasi mencapai objektifnya dengan cepat dan tepat.

Keusahawanan merupakan bidang strategik yang perlu diceburi oleh lebih ramai umat Islam. Selain daripada objektif ekonomi, keusahawanan mengandungi nilai-nilai murni yang harus dihayati oleh masyarakat Islam. Antara nilai-nilai yang wujud meliputi sifat sabar, berani mengambil risiko, kreatif, berpengetahuan tinggi, bersungguh-sungguh dan pelbagai sifat *mahmudah* yang lain. Ciri-ciri dan nilai dalam keusahawanan ini sebenarnya merupakan nilai-nilai yang sejajar dengan tuntutan Islam. Selain itu, perniagaan dan keusahawanan itu sendiri merupakan kerjaya yang mendapat tempat yang cukup istimewa

dalam Islam. Walau bagaimanapun, masyarakat Islam kini tidak lagi mempelopori bidang ini dan hanya lebih selesa sebagai golongan pengguna dan pembeli sahaja. Ini menimbulkan pelbagai masalah terhadap umat Islam secara keseluruhan. Oleh yang demikian, usaha perlulah digembeling agar bidang keusahawanan dan perniagaan ini menjadi bidang pilihan umat Islam semula sebagaimana yang telah ditunjukkan melalui sejarah Rasulullah dan para Sahabat. Sebagai permulaan, kesedaran perlulah diterapkan kepada keseluruhan lapisan masyarakat Islam melalui pembudayaan nilai dan sikap usahawan. Dengan menghayati dan membudayakan nilai-nilai keusahawanan ini, masyarakat Islam akan secara langsung atau tidak langsung akan berusaha dengan lebih keras dan cuba meningkatkan kemampuan diri untuk meningkatkan taraf sosial dan ekonomi mereka. Ini akan mendekatkan mereka dan seterusnya menjadikan perniagaan dan keusahawanan sebagai bidang kerjaya pilihan di masa akan datang.

RANGKA KONSEP KAJIAN



KAJIAN – KAJIAN LEPAS

Dalil Mengenai Ilmu

Sangat banyak dijelaskan oleh Allah *Subhanahu wa Ta'ala* di dalam Al-Quran begitu juga oleh Nabi *sallallahu 'alaihi wasallam* di dalam hadis akan kelebihan menuntut ilmu. Antara yang selalu kita dengar,

يَرْفَعُ اللَّهُ الَّذِينَ آمَنُوا مِنْكُمْ وَالَّذِينَ أُوتُوا الْعِلْمَ دَرَجَاتٍ

“Allah mengangkat orang-orang yang beriman di antara kamu dan orang-orang yang diberi ilmu pengetahuan dengan beberapa darjat.” (*Surah Al-Mujaadilah: 11*)

Di dalam hadis Nabi *sallallahu 'alaihi wasallam* bersabda, antaranya,

مَنْ سَلَكَ طَرِيقًا يَلْتَمِسُ فِيهِ عِلْمًا سَهَّلَ اللَّهُ لَهُ بِهِ طَرِيقًا إِلَى الْجَنَّةِ

“Barangsiapa yang memilih jalan yang ada padanya ilmu maka akan Allah akan memudahkan baginya jalan menuju Syurga.” (*Riwayat Muslim*)

Ilmu merupakan jambatan untuk seseorang itu ke Syurga. Ilmu merupakan perkara yang penting untuk memastikan seseorang itu beramal dengan benar dan tepat. Secara tidak langsung ilmu merupakan satu kefardhuan kepada semua masyarakat.

Dalil Hadis Mengenai Niat

Berikut ini *syarah* (penjelasan) hadits tentang niat. Semoga Allah menjadikan penulisan risalah ini ikhlas kerana-Nya dan bermanfaat, *Allahumma amin*.

عَنْ أَمِيرِ الْمُؤْمِنِينَ أَبِي حَفْصِ عُمَرَ بْنِ الْخَطَّابِ رَضِيَ اللَّهُ عَنْهُ قَالَ: سَمِعْتُ رَسُولَ اللَّهِ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ يَقُولُ: إِنَّمَا الْأَعْمَالُ بِالنِّيَّاتِ وَإِنَّمَا لِكُلِّ امْرِئٍ مَا نَوَى.

Dari Umar radhiyallahu 'anhu, bahwa Rasulullah *shallallahu 'alaihi wa sallam* bersabda, “Amal itu tergantung niatnya, dan seseorang hanya mendapatkan sesuai niatnya.” (HR. Bukhari, Muslim, dan empat imam Ahli Hadits)

Imam Bukhari menyebutkan hadits ini di awal kitab shahihnya sebagai mukadimah kitabnya, di sana tersirat bahwa setiap amal yang tidak diniatkan kerana mengharap Wajah Allah adalah sia-sia, tidak

ada hasil sama sekali baik di dunia maupun di akhirat. Al Mundzir menyebutkan dari Ar Rabi' bin Khutsaim, ia berkata, "Segala sesuatu yang tidak diniatkan mencari keredhaan Allah 'AzzawaJalla, maka akan sia-sia".

Menurut Imam Baihaqi, kerana tindakan seorang hamba itu terjadi dengan hati, lisan dan anggota badannya, dan niat yang tempatnya di hati adalah salah satu dari tiga hal tersebut dan yang paling utama. Menurut Imam Ahmad adalah, kerana ilmu itu berdiri di atas tiga kaedah, di mana semua masalah kembali kepadanya, iaitu:

Pertama, hadits "Innamal a'malu bin niyyah" (Sesungguhnya amal itu tergantung dengan niat).

Dalil Al Quran Mengenai Niat

قُلْ إِنْ تُحْفُوا مَا فِي صُدُورِكُمْ أَوْ تُبْدُوهُ يُعَلِّمُهُ اللَّهُ وَيَعْلَمُ مَا فِي السَّمَاوَاتِ وَمَا فِي الْأَرْضِ وَاللَّهُ عَلَىٰ كُلِّ شَيْءٍ قَدِيرٌ

"Katakanlah: "Jika kamu menyembunyikan apa yang ada dalam hatimu atau kamu melahirkannya, pasti Allah mengetahui." Allah mengetahui apa-apa yang ada di langit dan apa-apa yang ada di bumi. Dan Allah Maha Kuasa atas segala sesuatu." (QS Ali 'Imran [3]: 29)"

Kejayaan sebenar bagi seseorang usahawan adalah apabila mempunyai iman dan taqwa kepada Allah S.W.T yang bermaksud penyerahan diri sebenar-benarnya dalam masa yang sama usahawan itu dapat merasai kemanisan dan kebesaran iman atau memercayainya mendapat banyak keuntungan dari perniagaannya itu (Mohammad Sahar (dlm. Yazilmiwati Yaacob dan Ilhaamie Abdul Ghani Azmi). Di dalam Al – Quran ada menyebut berkenaan dengan kejayaan, Allah berfirman di dalam surah Al – Mu'minum ayat 1 hingga 11 yang bermaksud:

" Dengan nama Allah, yang maha pemurah, lagi maha mengasihani. Sesungguhnya berjajalah orang-orang yang beriman. Iaitu mereka yang khusyuk dalam sembahyangnya. Dan mereka yang menjauhkan diri dari perbuatan dan perkataan yang sia-sia. Dan mereka yang menjaga kehormatannya. Kecuali kepada isterinya atau hamba sahayanya maka sesungguhnya mereka tidak tercela. Kemudian, sesiapa yang mengingini selain dari yang demikian, maka merekalah orang-orang yang melampaui batas. Dan mereka yang menjaga amanah dan janjinya. Dan mereka yang tetap memelihara sembahyangnya. Mereka itulah orang-orang yang berhak mewarisi, Yang akan mewarisi Syurga Firdaus: mereka kekal di dalamnya".

Kebijaksanaan Praktikal

Pandangan konvensional

Kebijaksanaan adalah sifat yang ada di dalam diri individu untuk mencapai wawasan yang telah di tetapkan oleh manusia yang berakhir dengan kehidupan yang baik. Individu - individu yang boleh bertindak menggunakan kebijaksanaan biasanya mencerminkan kepada orang bijaksana dan juga seimbang, berwibawa, prihatin dengan diri mereka sendiri, orang lain dan masyarakat, dan mempunyai pengetahuan yang tinggi, memantau dan memberi ilmu melalui kemahiran yang dimiliki (Greaves & Zacher, 2012).

Teori kebijaksanaan menghendaki orang yang bijak untuk mempunyai pengetahuan yang tertentu. Secara umum teori ini melihat bahawa orang-orang bijak mengetahui perkara yang penting. Kebijaksanaan menunjukkan cara hidup seseorang yang bijak perlu mengetahui apa yang berlaku, mengenalpasti tingkah laku dan mengambil tindakan yang penting.

Menurut Small (2011) dalam pandangan beliau, Aristotle membezakan antara dua jenis kebijaksanaan, kebijaksanaan teori dan kebijaksanaan praktikal. Kebijaksanaan teori adalah menurut Aristotle "pengetahuan saintifik, digabungkan dengan sebab munasabah, merupakan lumrah semula jadi di alam ini". Menurut Aristotle, kebijaksanaan teori melibatkan pengetahuan sedia ada, saintifik, prinsip dan ilmu pengetahuan tentang kebenaran yang diperlukan dan pandangan yang logik tetapi tidak lagi diterima secara meluas.

Tambahan pula, P. Baltes & Ursula. M. (2000) mengenalpasti kebijaksanaan praktikal melalui 7 garis panduan yang telah dinyatakan iaitu

1. Kebijaksanaan mewakili tahap pengetahuan yang tinggi, pertimbangan dan nasihat
2. Kebijaksanaan menjawab persoalan yang sukar dan strategi penting mengenai kelakuan dan makna hidup
3. Kebijaksanaan termasuk pengetahuan yang terhad dan ketidakpastian dunia
4. Kebijaksanaan merupakan pengetahuan dengan skop yang luar biasa, kedalaman, ukuran dan keseimbangan

5. Kebijakan melibatkan kekuatan minda yang sempurna dan watak yang merangkumi pengetahuan dan kebaikan.
6. Kebijakan mewakili pengetahuan yang digunakan untuk kebaikan atau kesejahteraan seseorang dan lain-lain
7. Kebijakan mudah dikenali apabila menghadapi keadaan sukar untuk mencapai dan menentukan sesuatu keputusan.

Pandangan Islamik

Kebijakan atau hikmah merujuk kepada keupayaan untuk membuat pertimbangan yang betul dan keputusan yang sesuai bertujuan untuk memaksimumkan hasil melalui kaedah yang terbaik untuk mencapai matlamat dalam pelbagai keadaan (Abderrahman Hassi, 2012). Selain itu merujuk kepada perkara yang dilakukan amat diperlukan tetapi dengan kaedah, masa dan tempat yang betul. Menurut perspektif islamik kebijakan benar merujuk kepada orang-orang yang menggunakan sumber sederhana untuk memenuhi perbuatan beliau (Jamil Anwar et. Al., 2013). Oleh itu pandangan islamik, seseorang yang berpengetahuan menggunakan sepenuhnya tempoh hidup di dunia dan melaburkan sumber untuk memastikan kemakmuran di dunia dan di akhirat dengan niat untuk mendapat keredhoan dari Allah SWT.

Islam menggunakan empat sumber etika dalam syariah iaitu al-Quran dan Sunnah, ijmak ulama (Ijmaa') dan analogi (Qiyaas), untuk menggalakkan kebijakan praktikal yang merujuk kepada pemahaman asas tentang perkara yang betul dalam kehidupan seharian seseorang termasuk menguruskan perniagaan.

Adalah penting untuk ingat bahawa islam menekankan kebijakan praktikal yang disebut di dalam Quran perkataan pertama di turunkan ialah "bacalah" (Quran 96: 1) yang menggesa individu untuk mencari dan menimba ilmu.

METODOLOGI KAJIAN

Kajian ini dilakukan kepada usahawan yang memiliki syarikat di seluruh Malaysia. Usahawan yang dipilih sebagai responden kajian adalah usahawan yang banyak menyumbang kepada ekonomi Negara. Malah bukan itu sahaja, Al – quran jelas menyatakan menyeru manusia untuk mencari pekerjaan di muka bumi ini khususnya dalam bidang perniagaan dan keusahawanan. Sampel dilakukan menggunakan kaedah rawak mudah dengan mengedarkan soal selidik yang mengandungi 11 soalan demografi dan 25 soalan pemboleh ubah ke atas 100 orang usahawan di premis perniagaan mereka mengikut mukim dan bandar di seluruh Malaysia. Soalan kaji selidik di bahagikan kepada tiga bahagian iaitu bahagian A akan berkaitan latar belakang responden. Manakala bahagian B berkaitan dengan faktor yang mempengaruhi kejayaan seseorang usahawan dalam perniagaan. Bahagian C adalah pandangan usahawan selepas memperoleh kejayaan yang diimpikan. Soalan bahagian B dan C merupakan pemboleh ubah yang dikaji dalam bentuk skala likert iaitu bernilai 1 sekiranya persepsi responden adalah sangat tidak setuju hingga ke nilai 5 menunjukkan persepsi responden adalah sangat setuju. Sebanyak 100 borang kaji selidik yang didedarkan.

KESIMPULAN

Kefardhan ilmu adalah tuntutan mencari ilmu di dunia dan akhirat. Usahawan yang berjaya sentiasa menuntut ilmu supaya perniagaan yang dijalankan terus berdaya saing. Seorang usahawan perlu jelas dengan niat awal dalam menjalankan perniagaan. Perniagaan yang dijalankan adalah untuk mendapat keuntungan semata atau ingin peroleh keredhoan Allah S.W.T. Ini adalah yang dituntut oleh Allah S.W.T. bahawa apa yang dikerjakan oleh manusia perlu mendapat keredhoan Allah S.W.T. Usahawan yang berjaya perlu menggunakan kebijakan di dalam memastikan perniagaan yang dijalankan mendapat keuntungan yang maksimum.

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THE EFFECT OF LIQUIDITY, PROFITABILITY AND DIVIDEND POLICY ON FINANCING DECISIONS ON BANKING COMPANIES LISTED IN INDONESIA STOCK EXCHANGE (IDX) WITH CONSIDERATION OF THE COMPANY'S GROWTH AS MODERATING VARIABLE

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Abstract. The parties concerned need financial information to determine the ability of financial companies. This study focuses on the analysis of liquidity ratios, profitability, dividend policy and its influence on financing decision with consideration of the company's growth as a moderating variable. This study aims to: (1) test the partial influence of liquidity to the expectations of financing decision on companies banking on the Indonesia Stock Exchange (2) test the partial influence of profitability on financing decision on companies banking in Indonesia Stock Exchange (3) test the partial influence of policy dividends on financing decision on banking companies in the Indonesia Stock Exchange (4) simultaneously determine the effect of liquidity, profitability and dividend policy on financing decision on banking companies in the Indonesia Stock Exchange, (5) determine whether the company's growth as moderating variable relationship between liquidity by financing decision on companies banking on the Indonesia Stock Exchange, (6) determine whether the company's growth as moderating variable relationship between profitability and financing decision on companies banking on the Indonesia Stock Exchange, (7) determine whether the company's growth as moderating variable dividend policy with the relationship between financing decisions on banking companies in the Indonesia Stock Exchange. The number of samples in the study consisted of a 9 banking companies listed in Indonesia Stock Exchange, and samples selected by purposive sampling. Testing this study using multiple linear regression as an analytical tool.

Keywords *Liquidity, Profitability, dividend policy, financing decision, and company's growth..*

INTRODUCTION

The Company was founded has several objectives, namely to achieve the maximum benefit or profit as much as possible, and then want to prosper owners or shareholders, and maximize the value of the company is reflected in its share price. The company's aim is substantially not much different, just the emphasis to be achieved by each company are different from each other (Martono and Agus Harjito, 2002).

Optimization of the company's objectives will be achieved through the implementation of financial management functions, managers worked to define policies that can increase profits. Therefore, we assume that the primary goal of management is to maximize shareholder wealth or the means to maximize the company's common stock price (Brigham and Houston, 2007).

In conducting functions essential financial according to Weston and Copeland (1995) is in terms of investment decisions, financing, and dividends, it is the job of a financial manager in terms of its function as a financial decision-makers in the company is, 1) Investment Decision, in this case how making investment decisions with regard rate of return that would be obtained. So here's financial managers are required to choose the investment opportunity that generates optimal returns. 2) Financing Decision, in this case how financial managers have the ability to manage the funds in the form of funds by considering the cost of debt to be borne by the company. If wrong in making this decision in the long run will lead to financial distress. 3) Dividend Policy, the decision regarding how financial managers capable of prospering shareholders. In regard to the dividend policy of the financial manager will determine the right decision because it involves external financing sources used by company.

Weston and Brigham (1998), stated that the financial structure (financial leverage) is a way of financed assets; it is entirely the right side of the balance sheet, while the capital structure (capital structure) is financing permanent spending, which is mainly in the form of long-term debt, preferred stock and common stock capital, but not all incoming short-term credit. So the capital structure of a company is only part of the financial structure, the financial managers faced by a decision to maintain the viability of the company, one of which is the funding decision with regard to the proportion of debt and equity as a financing source, if the decision taken was correct and accurate it will cause the fixed costs in the form of high capital costs, and this may also mean lower revenue for shareholders. The financing decision is very

important for the company, many companies are successful and thriving as a result of taking appropriate funding decisions, but many companies fall into bankruptcy due to debt and entangled flowers. financing by using debt is too high will increase the company's financial risk and could ultimately result in the company went into crisis (financial distress).

Companies need to utilize the credit facility granted by the other party well, financing decisions influence the behavior of the manager's discipline. Debt agency will reduce conflicts and enhance shareholder value. The increase in debt leverage increases thereby increasing the likelihood of financial difficulties or bankruptcy difficulties. Concerns bankruptcy encourage managers to be efficient, thus improving the agency costs. Debt forced the company to pay the principal and interest, thereby reducing free cash flow and reduce incentives to behave manager pleasuring herself.

Financing with debt has three important implications (1) to raise funds through debt made shareholders can retain control over the company with a limited investment, (2) the creditor saw equities or funds deposited owners to provide a margin of safety, so that if the shareholders only tell part fraction of the total financing of the company's risk are found mostly in the creditor, (3) If the company gain a greater return on investment that is financed with borrowed funds compared with the interest payments, the return on capital owners will be bigger.

High profits would be accompanied by a high risk factor, so that financial managers are expected to manage the company properly so as to increase the company's profits, which means raising the prosperity of the owners and shareholders. The financial statements are very useful for investors to make the best investment decisions and profitable. Based on the analysis of the financial statements information, investors can determine the ratio between the intrinsic value of the stock compared to the market price of shares of the company concerned and on the comparison of the investor will be able to make a decision to buy or sell shares in question. Accurate information is required is to know the extent of the close relationship between the variables that cause fluctuations in stock prices of companies that will be purchased.

Financial ratios in the financial statements can help the parties interested in taking the decision to sell or buy shares in question. According to Hanafi and Halim (2009), that "The current ratio is calculated by dividing current assets by current liabilities. This ratio shows the amount of cash that belongs to the company plus the assets that can be turned into cash within one year, relative to the amount of debt - debt that matures in the short term (not more than 1 year), on a specific date as stated on the balance sheet ". From the above explanation can be concluded that the current ratio is the ratio between the excess cash or other current assets by current liabilities are debts to be paid as soon as possible (no more than one year). In this study, the liquidity ratio is proxied by the Current Ratio because it is used to measure short-term liquidity risk, this is due to the current ratio is calculated, in addition to the current ratio has good predictive ability of bankruptcy. Husnan (2005) states that, liquidity is an asset which can be changed in the size of the monetary unit to be used as means of payment most smoothly as can be widely accepted as a medium of exchange.

Profitability aspects related to financing decision, one proxy for profitability is Return on Assets (ROA), which indicates the ability of the capital invested in total assets to generate profits. The higher Return on Assets (ROA) then it is likely to pay off debt, the better. Return on Assets (ROA) is calculated based on the ratio of net profit after tax to total assets owned by the company. Hartono (2004), states that companies tend to use internal equity first. If the need of external financing, the company will use before the external debt equity. If the company has a high profitability, the company will be more use financial from within the company, because if profitability is higher, then the company can provide the retained earnings in larger quantities so that the use of debt can be reduced.

According Brealeys et al, (2007), dividends are periodic cash distributions from the company to its shareholders. Dividend policy is the decision about how much profit this time to be paid out as dividends rather than retained to be reinvested in the company. Dividend policy with regard to the financing decision because the size of the net income available to shareholders, including dividends received may give rise to appeal for investors, where the investor has the primary objective to improve the welfare of the expected returns in the form of dividends and capital gains, while management definitely consider the net profit into dividends entirely or used again as a source of financial from internal sources.

The company expects continuous growth in order to survive as well as providing welfare to its shareholders, so that the dividend policy is important to meet the expectations of shareholders to dividends by not hamper the company's growth on the other. The company's growth is the development company measured by the growth rate of total assets. The higher the growth the greater the need of funds to finance expansion. Sartono (2001) states that the greater need for funds, the greater the company's desire to retained earnings. Thus, companies are growing should not distribute profits as dividends, but is used in funding decisions for investment financing. According to Lukman Syamsudin (2007) "dividend policy is the percentage of profit paid out to shareholders in the form of cash dividends, secure dividend

stability over time, the distribution of stock dividends and stock repurchases." Of expert opinions above authors concluded that the dividend policy is a policy taken by the management to decide whether the profits from the company distributed all or distributed to shareholders in the form of retained earnings.

Growth is how far the company put ourselves in the overall economic system or economic system for the same industry. In general, companies that grow quickly obtain positive results in terms of strengthening the position in the competitive world of business, enjoying sales increased significantly and is accompanied by an increase in market share. Fast growth companies also benefited from the positive image obtained, but the company should be extra careful because the success obtained led to the company vulnerable to negative issues. Forcing a rapid growth of its human resources contribute optimally (Machfoedz, 1996).

The relationship between growth, liquidity, profitability, dividend policy and debt policy can be explained, that the use of debt to investment is justified only if the rate of return on that investment is greater than the cost of the use of debt (Cost of Capital) is. Instead use debt will negatively affect the value of the company if the rate of return is greater than the investment cost. The presence of asymmetric information allows managers to prioritize their own interests rather than enhance shareholder value. Opportunistic behavior of managers can be identified with the tendency of aggressive use of debt to finance the investment, including investment returns are low. Subagyo (2011).

Growth companies are also included in this study as one of the moderating variables that could be expected to affect the relationship of liquidity, profitability and dividend policy on financing decisions because the higher the company's ability to earn income, the greater the return expected by investors, and the greater the task financial managers to continuously improve the company that led to financing decisions. Therefore, companies that have high growth would be accompanied by a high risk anyway. Thus growth may affect the behavior of managers in making financing decisions.

Based on the description above, the writer will conduct further research with the title "The Effect of Liquidity, Profitability and Dividend Policy on Financing Decisions on banking company listed on the Indonesia Stock Exchange (IDX) with consideration of the company's growth as a moderating variable". Then, based on the above background, the problem of the study can be formulated as follows: This study aimed to: (1) examine the effect of liquidity to the Financing Decision on companies banking on the Indonesia Stock Exchange (2) to test the effect of profitability of the Financing Decision on companies banking in Bursa Securities Indonesia (3) examine the effect of Dividend Policy on Financing decisions on banking companies in the Indonesia Stock Exchange (4) the effect of Liquidity, Profitability, and simultaneously on the Dividend Policy Financing decisions on banking companies in the Indonesia Stock Exchange, (5) Determine whether the company's growth as moderating variables influence the liquidity of the financing decisions at the company banking in Indonesia Stock Exchange, (6) to find out whether the company's growth as moderating variables influence the profitability of the financing decisions at the company banking in Indonesia Stock Exchange (7). Knowing whether the company's growth as moderating variables influence the dividend policy on financing decisions on banking companies in the Indonesia Stock Exchange.

Then the benefits of this research are:

1. Practically as input and information for financial managers, investors and potential investors to develop strategies for capital market by looking at aspects of liquidity, profitability, dividend policy, and financing decisions, and the company's growth variables.
2. Teorities add insight and knowledge of researchers regarding financing decision, and academia are expected to add to the implementation of knowledge on the aspects of liquidity, profitability, dividend policy, and financing decisions, and the company's growth variables in the Indonesia Stock Exchange.

LITERATURE REVIEW

Financing decisions

The decision to choose the best financing source for the company requires careful analysis of the company's financial manager. The financing decision will determine the company's ability to perform its operating activities and the effect on the risk of the company itself. Debt to Equity Ratio (DER) is the ratio of debt to equity. This ratio measures how much the company is financed by debt, where the higher the value of this ratio describes the symptoms that are less good for the company (Sartono 2001).

Liquidity

Hanafi (2009) states in view of the enterprise's ability to manage short-term liquidity can use the liquidity ratio. CR is the main liquidity ratios are often used (Brigham, 2010). the contribution of liquidity in the aspect of current ratio (CR) in improving corporate profits can be explained that, these ratios provides an overview of the company's ability to meet the obligations of its short-term, where the greater

percentage of the current ratio (CR), the company has a level of liquidation good, so it will give a positive perception of the condition of the company and will increase its profit.

Profitability

According to Toto and Haryanto (2003) the company's profitability is one way to assess accurately the extent to which the rate of return to be gained from investment activities. Profitability may reflect gains from financial investments. The better a company's profitability growth means the prospects of the company in the future assessed the better, meaning that the value of the company will also be judged the better in the eyes of investors. If the company's ability to generate income increases, the share price will also increase (Husnan, 2001).

Profitability is the end result of a number of policy and management decisions of firms (Brigham and Gapenski, 2006). Thus it can be said that the profitability of the company is a company's ability to generate net income from the activity undertaken in an accounting period. Profitability according to Saidi (2004) is the company's ability to make a profit. The investors to shares in the company is to get a return, consisting of yield and capital gain.

Dividend Policy

Dividend policy is basically the determination of the portion of profits will be given to shareholders. Dividend payout policy is important regarding whether cash flows will be paid to investors or will be held for reinvestment by the company (Brigham, 2001). One of return that can be obtained by investors is the dividend, the dividend is a shareholder rights to profits generated by the company on its business activities. dividend is a partial distribution of company profits to shareholders, and according Tandelilin (2001) an investor buys a stock at this time with the hope of gain from rising stock prices or the amount of the dividend in the future, as a reward for the time and risk associated with the investment. According Soemarso (2005) the dividend is the distribution of profits to the owners of a limited liability company.

According to Van Horne (2010) stated "policy dividend (dividend payout ratio) represents the amount of dividends per share distributed to shareholders on earnings per share".

Growth Companies

The growth of the company's assets which assets are assets used for operational activities of the company. The company's growth (Growth), which grew rapidly in generating income, the greater the expenditure required to finance the company's growth, and it should limit the dividend in order to save financials in the company's investment growth (Achmad Zaipul; 2011), growth expressed as total assets where the total assets of the past will illustrate the profitability of upcoming and future growth (Soliha and Taswan; 2003). Asset growth illustrates the growth of the company's assets that would affect the profitability of companies who believe that the percentage change in total assets is a better indicator in measuring the growth of companies (Putrakrisnanda; 2009)

Growth is the impact on the cash flow of the company's operational changes due to growth or decline in business volume (Helfert; 1997). The company's growth is expected by internal and external parties, due to good growth signaled for the development of the company. From the perspective of investors, the growth of a company is a sign the company has a favorable aspect, and the investor would expect a rate of return (rate of return) on investments carried out showed good growth (Safrida; 2008).

PREVIOUS RESEARCH

On the profitability variable, the findings (Mai, 2006) and Suwanto and Ediningsih (2002) stated that profitability has an effect on the capital structure. Research by Amidu (2007) states profitability, growth, and asset structure significantly influence capital structure decisions. Research conducted by Steven and Lina (2011) which states that the profitability and asset structure significantly influence debt policy.

Other studies that support is Kumar et al (2012) which states variable asset structure, growth, and profitability significantly influence the capital structure. While there are studies that do not conform to this research, including Indrajaya, et al (2011) obtained variable growth rates does not affect the funding decision. Santika and Sudiyatno (2011) states that the asset structure does not affect the company's capital structure. Based on the research results Julita (2012) conducted on 8 companies Automotive listed in Indonesian Stock Exchange stated that the Dividend Policy positive and significant impact on Policy Loans, in contrast to studies Eva Larasati (2011), states that the dividend policy a significant negative effect on policy corporate debt. These findings suggest a substitute dividend payments appear as debt in the capital structure

The use of debt can reduce conflicts between managers and shareholders, but will shift into a conflict between shareholders with debt holders.

Research Hypotheses

- H1 = There Liquidity influence on financing decision on banking companies in the Indonesia Stock Exchange.
- H2 = There Profitability influence on financing decision on banking companies in the Indonesia Stock Exchange.
- H3 = There is the influence of dividend policy on financing decision on banking companies in the Indonesia Stock Exchange.
- H4 = There Liquidity, profitability, and dividend policy influence on financing decision on banking companies in the Indonesia Stock Exchange.
- H5 = There growth company as a moderating variable Liquidity influence on financing decision on banking companies in the Indonesia Stock Exchange.
- H6 = There growth company as a moderating variable profitability influence on financing decision on banking companies in the Indonesia Stock Exchange.
- H7 = There growth company as a moderating variable dividend policy influence on financing decision on banking companies in the Indonesia Stock Exchange.

RESEARCH METHODS

This research was conducted through a descriptive quantitative approach which aims to analyze the process and concerned matters relating to how the phenomenon or the fact that ada. Which is the object of this research are companies active or belonging to the banking company in the Indonesia Stock Exchange (IDX).

The data used are secondary data is data obtained from the companies that are processed by other parties, namely BAPEPAM through the Indonesia Stock Exchange (IDX).

In conducting this research data obtained by researchers come from a variety of sources, namely Indonesia Stock Exchange or IDX (www.idx.co.id) and literature related to the study.

Data Analysis Technique

The technique used to analyze the data with the steps are performed in analyzing the data is to create a model using four variables, that liquidity, profitability and dividend policy, and financing decision as the dependent variable.

Financing Decisions

Debt to equity ratio (DER) showed to compare the amount of financing provided by the borrower (creditor) with the owner of the company, where the debt to equity ratio, the greater it will be good for earnings growth conversely the lower debt to equity ratio, the higher the level of financing provided the owners and the greater the security limit for the borrower in case of loss or depreciation of the value of assets and will affect earnings growth (Nurvigia, 2010).

$$\text{DER} = \frac{\text{Total Liabilities}}{\text{Total Equity}}$$

Liquidity

Current ratio is a liquidity ratio that is often used. The level of current ratio can be determined by comparing the current assets by current liabilities.

$$\text{Current ratio} = \frac{\text{Current asset}}{\text{Current liabilities}}$$

Source: Lukman Syamsuddin (2007)

Profitability

Profitability measured by ROA (return on assets). The formula of the ROA is as follows:

$$\text{ROA} = \frac{\text{Net Profit}}{\text{Total Equity}}$$

Dividend Policy

In this study, measured using the dividend policy Dividend Payout Ratio (DPR). The formula for calculating the Parliament as follows:

$$\text{DPR} = \frac{\text{Dividend pershare}}{\text{Earning pershare}} \times 100\%$$

Growth Companies

In this study, the company's growth is calculated using the formula: $\text{Growth} = \frac{\text{Total Assets (n)} - \text{Total assets (n-1)}}{\text{Total assets (n-1)}}$

Technical analysis of the data used is multiple regression analysis models with SPSS 22 for windows. To generate a good model, regression analysis requires classic assumption test before hypothesis test. The classical assumption test including normality test, test and test multicollinearity heteroskedasticity. According to Ghazali (2009), which means it can be used to test whether or residual confounding variables have a normal distribution is the Kolmogorov-Smirnov test. The criteria in decision making is when the value of the significance or probability of > 0.05 , then the residuals have a normal distribution and when the significance or probability values < 0.05 , then the residual does not have a normal distribution. Multicollinearity test aims to test whether the regression model found a correlation between independent variables (independent). Multicollinearity can be detected by looking at the value of tolerance and variance inflation factor (VIF). Value cutoff commonly used to indicate the presence multicollinearity is the tolerance value < 0.10 or equal to $\text{VIF} > 0.10$.

Heteroskedasticity test aims to test whether the regression model occurred inequality residual variance and an observation to another observation. A good regression model is not going heteroskedasticity. Detecting the presence or absence of heteroscedasticity can be done with Test Glejser. Glejser test done by regressing the absolute value of residual and independent variables with a significance level of 0.05.

As for the multiple linear regression equation was formulated as follows:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + e \dots \dots \dots$$

Information:

Y = Variable Financing Decisions / DER

a = Constants

b_1, b_2, b_3, b_4 = The regression coefficient

X1 = Variable CR

X2 = Variable ROA

X3 = Variable DPR

e = error

While moderating variables used to test the following formula:

1. $Y = a + b_1X_1 + b_2X_4 + b_3X_5 + e \dots \dots \dots$

2. $Y = a + b_1X_2 + b_2X_4 + b_3X_6 + e \dots \dots \dots$

3. $Y = a + b_1X_3 + b_2X_4 + b_3X_7 + e \dots \dots \dots$

Information:

Y = Variable Financing Decisions / DER

a = Constant

b_1, b_2, b_3, b_4 = regression coefficient

X1 = Variable CR

X2 = Variable ROA

X3 = Variable Parliament

X4 = Variable Growth

X4 = Variable M1 (CR * Growth)

X5 = Variable M2 (ROA * Growth)

X6 = Variable M3 (DPR * Growth)

e = error

RESULTS AND DISCUSSION

Test statistics with the Kolmogorov-Smirnov models indicate that each variable has a significant value above 0.05. This means that all the data had normal distribution. Multicollinearity test results showed that there was no independent variables that have a value tolerance of less than 0.1 (10%) and VIF are all under 10. This means that in the regression model did not happen multicollinearity. Heteroskedasticity test results show that the scatterplot graph points spread above and below the axis Y, does not happen a certain pattern, from these results, it can be concluded that all variables in this study did not show any heteroskedasticity.

The results of the feasibility test models indicate that the value of multiple correlation (R) of 0.673 which indicates a correlation or relationship between variables debt to equity ratio (Y) with a variable current ratio (X1), return on assets (X2), and the dividend payout ratio (X3) significant as tested by F-test

obtained F value of 6.351 with 0.003 significance. Standard Error of Estimate (SEE) of 1.948. The smaller the value of SEE will make increasingly precise regression models in predicting the dependent variable. F test results showed that all independent variables jointly significant effect on the dependent variable indicated by the significant value of 0,003 is less than α (0.05).

Statistical hypothesis testing is done by using the t test. The first hypothesis testing results show that the variable current ratio has a significance of 0.027 less than the real level of 0.05, so the first hypothesis is accepted. This means that the current ratio significantly influence funding decision on banking companies listed in Indonesia Stock Exchange. Conceptually current ratio (CR) indicates the company's ability to pay short-term financial obligations in a timely manner so as to provide information to prospective investors. This information will affect the increasing interest of investors in investing, resulting in increased profits that finance managers can perform with better financing decisions. Therefore, the current ratio has a significant effect, where the higher the current ratio of the company will be better the company's implementation of the financing decision.

The second hypothesis testing results show that the variable return on assets has a significance value of 0.038 is smaller than real level of 0.05 so that the second hypothesis is accepted. This means that the return on assets significantly influence financing decision on banking companies listed in Indonesia Stock Exchange. Conceptually ROA shows the benefits to be gained by the shareholder. ROA shows the growth prospects of the company, the better because it means the potential for increased corporate profits. This is captured by investors as a positive signal from the company that will improve investor confidence and would facilitate the management of the company to attract capital in the form of shares. If the company generated profit is higher then allow those companies to use most of its funding from internal sources (Brigham and Houston, 2011).

The third hypothesis testing results show that the variable dividend payout ratio has a significance of 0.264 greater than the real level of 0.05, so that the third hypothesis is rejected, This means that the dividend payout ratio does not significantly influence financing decision.

The results of the feasibility test models indicate that the value of multiple correlation (R) of 0.673 which indicates a correlation or relationship between variables debt to equity ratio (Y) with a variable current ratio (X1), return on assets (X2), and the dividend payout ratio (X3) significant as tested by F-test obtained F value of 6.351 with 0.003 significance. Standard Error of Estimate (SEE) of 1.948. The smaller the value of SEE will make increasingly precise regression models in predicting the dependent variable. F test results showed that all independent variables jointly significant effect on the dependent variable indicated by the significant value of 0,003 is less than α (0.05), so that the fourth hypothesis is accepted.

On testing moderating the first to demonstrate the significant value of the variable M1 (CR * Growth) 0.87, greater than the real level of 0.05, making it the fifth hypothesis is rejected, This means that the company's growth (growth) is not a variable moderating influence on the decision liquidity financing. In the second test moderating variables showed significant value M2 (ROA * Growth) of 0.57, more than the real level of 0.05, making it the sixth hypothesis is rejected, This means that the company's growth (growth) is not a moderating variables influence the profitability of the financing decision. In the third test moderating variables showed significant value M2 (ROA * Growth) of 0.05, the same as on the real level of 0.05, making it the seventh hypothesis is rejected, and is supported by significant growth in the equation $Y = a + b_1X_3 + b_2X_4 + b_3X_7 + e$, which shows the significance 0.02 nilain smaller than real level of 0.05, which indicates a significant effect on the equation, this means that the company's growth (growth) into a variable moderating influence dividend policy on the financing decision or any change in the company's growth also cause changes to the dividend policy influence financing decisions.

CONCLUSIONS AND RECOMMENDATIONS

The results of this study aims to try to test the effect of variable liquidity, profitability and dividend policy on financing decisions with consideration of the company's growth as a moderating variable. Based on the analysis and discussion of the results, it can concluded that the liquidity, profitability and dividend policy simultaneously significantly influence financing decision on banking companies in the Indonesia Stock Exchange. Change Liquidity, Profitability, and dividend policy together cause changes in financing decision on banking companies in the Indonesia Stock Exchange. But in partial dividend policy has no significant effect on financing decision. For the test results moderating variables shows that the company's growth is not as variables moderating the relationship between the liquidity of the financing decisions, and the relationship between the profitability of the financing decisions, but the test variables moderating growth in the influence of dividend policy on financing decisions found a significant relationship, so that the growth of the company the relationship is moderating variables.

As a suggestion, this study has several limitations which only use variable liquidity, profitability, and dividend policy as well as the company's growth as moderating variables. Therefore, further research is advisable to increase the variable or use other variables, in this study because of the variable dividend policy has no significant effect partially against financing decision. In addition to reproduce the study sample with the diverse characteristics of different sectors and extend the period of research are still based on previous studies. The results of this study are expected to contribute to the company or the financial manager as a matter consideration when making financing decision.

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THE EFFECT OF OWNERSHIP AND MANAGEMENT STRUCTURE ON FINANCIAL PERFORMANCE

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Abstract. The purpose of this study is to clarify the effect of ownership and management structure on financial performance of companies that corporated in the LQ 45-year period 2012-2014. The research sample employs purposive sampling method on the type of judgment sampling. Inferential statistical analysis uses analysis of causality of Partial Least Square (PLS). The results Showed that the ownership structure has no effect on the financial performance, and management structure has no effect on financial performance.

Keywords: *ownership structure, management structure, financial performance.*

INTRODUCTION

Mahendra (2011) stated that the financial performance of the company is one factor that is seen by potential investors to determine investment shares. For a company, maintain and improve financial performance is a must that these shares still exist and remain attractive to investors, affect the by financial performance.

Laksana (2015) stated that the performance is a measure that describes a company's financial condition. For the investor before investing, financial performance will be seen first because they will not want to bear the loss. As a public company, the financial performance is no longer, just accountable to the company's internal, but also to external parties. One form of accountability public company to external investors is through the presentation of information about its performance in the annual financial statements published.

Laksana (2015) stated that the financial performance will be better and can continue to excel in the competition, if no improvements are carried out continuously. Therefore, it is necessary the existence of regulatory and control mechanisms that effectively direct the operations of the company as well as the ability to identify those who have different interests. Mechanisms to improve and maximize financial performance was the implementation of good governance within the organization.

Nugrahanti and Novia (2012) stated that gives ownership to the manager is one of the internal mechanism to control the company. The manager will not fully act of self-interest, because in this case the manager is also a shareholder of the company. This indicates that the managerial ownership can be a solution to a conflict of interest between shareholders and managers, because managers also feel the benefits and risks of each decision. While institutional ownership can demonstrate mechanisms *corporate governance* robust and can be used to monitor the company's management. Supervision of the company is not only limited to being done by the company, but also can be done from an external party companies.

The results of Alipour and Amjadi research (2011), Laksana (2015) indicated that managerial ownership and institutional ownership affect the financial performance, while Utomo and Rahardjo research (2014) indicated that institutional ownership has no effect on the financial performance. Nugrahanti and Novia (2012), Noviawan and Septiani (2013) indicated that institutional ownership has an effect on the financial performance, while managerial ownership has no effect on the financial performance. Laksana (2015) indicated that the proportion of independent board and the number of board of directors affect the financial performance. Noviawan and Septiani (2013), Utomo and Rahardjo (2014) indicated that the proportion of independent board and the number of audit committee has no effect on the financial performance.

Research on the influence of the structure of ownership and management structure of the company's financial performance has been widely implemented, such as which are presented , But there is still little research that examines the influence of the structure of ownership and management structure of the financial performance of companies belonging to the group of companies most liquid in a stock exchange. Therefore, it becomes important and interesting to study about the effect of the structure of ownership and management structure of the financial performance of companies in the group of companies belonging to the group of LQ 45 in the Indonesia Stock Exchange.

LITERATURE AND HYPHOTESSES

Ownership structure as one of the internal mechanisms of *corporate governance* are made to monitor the actions of managers to act in accordance with the interests of the owner of the company (shareholders). The existence of this oversight may encourage managers to always show a good performance in improving financial performance.

Noviawan and Septiani (2013) expressed the hope of their managerial ownership is that top managers can be more consistent in running the company, so as to create alignment of interests between management and shareholders and can improve company performance. Nugrahanti and Novia (2012) stated that gives ownership to the manager is one of the internal mechanism to control the company. The manager will not fully act of self-interest, because in this case the manager is also a shareholder of the company. This makes the manager would focus its attention on the financial performance of companies increased along with increasing managerial stock ownership in the company.

Owners institutional can show strong mechanism of *corporate governance* and can be used to monitor the company's management. Supervision of the company is not only limited performed by parties within the company, but also can be done from an external party companies that may affect the company's performance. Nugrahanti and Novia (2012) stated that institutional ownership affect the performance, which means that the greater of institutional investors degree can improve financial performance. Therefore, ownership instutional will encourage managers to improve financial performance.

The results of Alipour and Amjadi research(2011), Laksana (2015) indicated that managerial ownership and institutional ownership affect the financial performance, while Utomo and Rahardjo (2014) indicated that institutional ownership has no effect on the financial performance. Nugrahanti and Novia (2012), Noviawan and Septiani (2013) indicated that institutional ownership has an effect on the financial performance, while managerial ownership has no effect on the financial performance. Therefore, the hypothesis H1: *ownership structure has a significant influence on the financial performance of the company.*

The structure of management as one of the internal mechanisms of *corporate governance* are made to monitor the actions of managers to act in accordance with the interests of the owner of the company (shareholders). *Code of Corporate Governanc*, Indonesia Stock Exchange (2011) stated that there are two (2) major organ in a Limited Liability Company is the main organ and organ support. The main organ consists of a General Meeting of Shareholders (AGM), the Board of Commissioners and Board of Directors, while organ support consists of a committee established by the board of directors, a committee created by the board of directors, the company secretary, external audit, internal audit and risk management.

The presence of surveillance this may encourage managers to always show a good performance in improving financial performance. Management structure used in this study was the proportion of independent board, the number of board of directors and the number of the audit committee.

The role of independent directors in conducting oversight of the operations of the company by the management, the membership numbers of independent board to provide oversight of the results of the process, of preparing the report financial quality or avoid the possibility of fraudulent financial reports, so that managers will be lead to the better performance (Utomo and Rahardjo, 2014). It indicated that the larger the supervision conducted by independent commissioners, the greater the encouragement the managers to improve the financial performance.

Based on the *Code of Corporate Governance* Indonesia Stock Exchange (2011) that the board of directors is the organ of the Company authorized and fully responsible for management of the Company to interest of the Company, in accordance with the purposes and objectives of the Company and represent the Company, both in and out of court in accordance with the provisions of the Articles of Association. Noviawan and Septiani (2013) stated that the board of directors in a company can also determine the strategy taken by the company, both long term and short term, which may affect the financial performance and reduce the agency conflict.

Noviawan and Septiani (2013) stated that the audit committee has a role important and strategic in maintaining the credibility of the company's financial reporting process as well as help ensure a sufficient surveillance systems company, and implementation of *the good corporate* governance. With the functioning the effective audit of committee , the oversight of the company will be better and be able to prevent conflicts of agency, also can improve financial performance.

Laksana (2015) indicated that the proportion of independent board and the number of board of directors affect the financial performance, while Noviawan and Septiani (2013), Utomo and Rahardjo (2014) indicated that the proportion of independent board and the number of audit committee has no effect on the financial performance. Therefore, the hypothesis H2: *the management structures have a significant influence on the financial performance of the company.*

METHOD

Population in this study are LQ 45 firms that listed on the Indonesia Stock Exchange. The sample selection using the *purposive sampling technique*. The considerations in this study are :

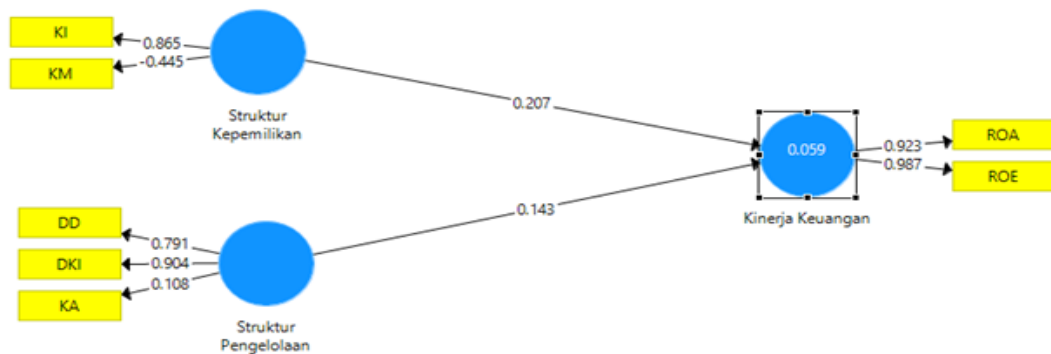
- 1) Companies must have a listing at the beginning of the observation period in 2012 and remained a listing until the end of the observation period in 2014;
- 2) Companies must be incorporated in LQ 45 for 3 (three) years in 2012-2014;
- 3) Companies are chosen as samples to publish the complete financial reports for the period 2012-2014;
- 4) Period financial statements used were annual financial statements as of December 31.

By using these criteria then obtained samples of this study were 28. This study uses the observation period from 2012 to 2014, so that the sample for 3 (three) years in a row as many as 28 companies x 3 years of observation, equal 84 companies.

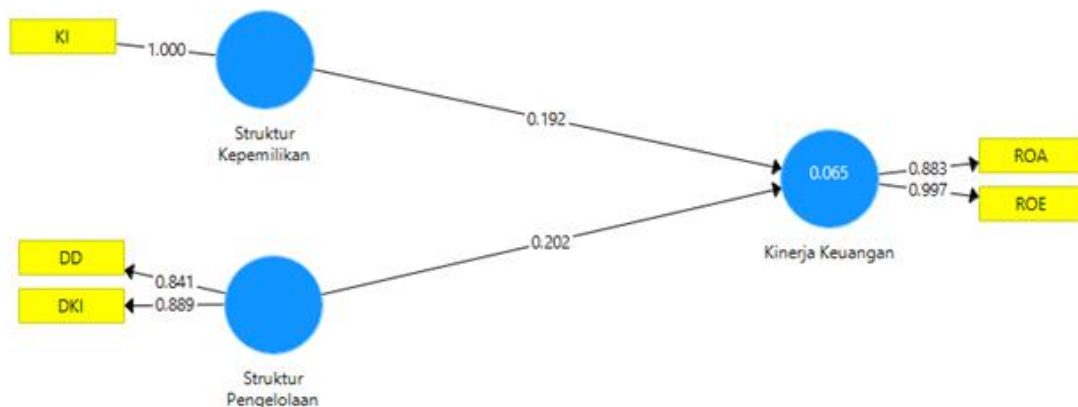
The research variables consist of 3 (three) variables, there are the ownership structure, management structure, and financial performance of the company. In the ownership structure consist of 2 (two) reflective indicators that managerial ownership and institutional ownership. In the variable management structure consists of three (3) reflective indicators, are the proportion of independent board, the number of board of directors, and the number of audit committee. Furthermore, the company's financial performance variables consist of 2 (two) reflective indicators, namely return on assets (ROA) and return on equity (ROE).

DISCUSSION / CONCLUSION

The test results on the relationship PLS indicator of variables and variable against produced the following results:



On testing PLS, loading indicator value is below 0.6 will be released in testing. Therefore, the results of testing at a later stage after loading expenditure indicators with values below 0.6 are as follows:



Results of hypothesis testing as follows:

Path Coefficients					
Mean, STDEV, T-Values, P-Va...	Confidence Intervals	Confidence Intervals Bias C...	Samples	Copy to Clipboard:	Ex
	Original Sampl...	Sample Mean (...)	Standard Devia...	T Statistics (O...	P Values
Struktur Kepemilikan -> Kinerja Keuangan	0.192	0.153	0.175	1.099	0.272
Struktur Pengelolaan -> Kinerja Keuangan	0.202	0.011	0.364	0.555	0.579

Based on the results of running the PLS this it can be concluded that the ownership structure is reflected by institutional ownership does not affect the company's financial performance as reflected by the ROA and ROE. The results of this study are consistent with and Rahardjo Utomo (2014). However, this study contradict research Nugrahanti and Novia (2012), Noviawan and Septiani (2013) which shows that institutional ownership affect the company's financial performance.

Based on the results of running the PLS, the study also concluded that the management structure is reflected by the board of directors and board of commissioners independent does not affect the company's financial performance as reflected by the ROA and ROE. The results of this study are consistent with Noviawan and Septiani (2013), Utomo and Rahardjo (2014). However, this study contradict with the research of Laksana (2015) which indicated that the proportion of independent board and the number of board of directors affect the financial performance.

The results of this study which concluded that the ownership structure does not affect the company's financial performance and the governance structure does not affect the company's financial performance , because the companies incorporated in LQ 45 index consists of various types of companies.

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REVIEW OF PERSONAL AND INTERPERSONAL MOTIVATIONS ON BEHAVIORAL INTENTIONS OF NON-DECEPTIVE CONSUMER: THE ROLE OF M-O-A MODEL

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Abstract. This paper proposes the origins and prior uses of the Motivation-Opportunity and Ability (MOA) framework are presented. that are concepts particularly in the context of buying intentions on luxury brand counterfeit product, to address problems of situational and individual factors which influence behavioral intention outcomes. The MOA framework addresses these problems for important new areas of consumer behavior of the luxury brand product counterfeit research by theorizing two of The AMO framework also clarifies the function and meaning of Motivation in theoretical models for contextual and situational are the most critical factors (Ability and Opportunity), as moderating influences on the link between Motivation and Behavior.(MacInnis *et al.*, 1991;Ölander and Thøgersen, 1995). The Different models and theories have been proposed to explain buying intentions of luxury brand product counterfeit. Taking another approach, this study applies the Motivation-Opportunity-Ability (MOA) model in consumer behaviour, and to study implied the influential factors of buying intentions of the luxury brand product counterfeit.

Keywords: Personal, Interpersonal Motivations, Opportunity, Ability, Non-Deceptive Counterfeit.

INTRODUCTION

Behavioural consumer's in counterfeiting studies are multi-displinary in nature and have evolved from a wide range of fields including psychology (wilcox *et al.*, 1999; Phau I,2010), psycho-grafis, (Han *et al.*, 2010; Gentry *et al.* 2006), sociology (Chakraborty *et al.* 1997; Gentry *et al.* 2006), marketing (Penz and Stöttinger, 2005), communication (Gudykunst, and Ting S.1988; Green and Smith 2002; Wilke and Zaichkowsky 1999), and so on. Studies dealing with a related phenomenon, namely the illegal copying of software, have applied established theories far more often in order to guide empirical research although different theories or conceptual such as the theory of reasoned action (Chang 1998; Cordell, 1996; Phau *et al.*,2009), models Theory of Planned Behavior by Ajzen, 1991 (Chaudry, and Walsh, 1996: Phau *et al.*,2009; d'Astous, and Gargouri, E. 2001), Goal Hierarchy of Motivation theory (Bian and Veloutsou, 2007; Oyserman, and Yoder, 2007), Brand Personality (Aaker, 1997; Cheung, and Prendergast, 2006); expected utility theory theory (Crowne, and Marlowe,1960), equity theory (Commuri, 2009), Bandura's social cognitive theory or theories of ethical decision making (Sihan and Atilgan, 2011; Vickers, and Renand, 2003).

This theory have been proposed for explaining consumers' decisions, no one unifying theory has been agreed upon by scholars to fully explain decision making, and suggested that this might be because "consumer behavioral is too complex to be meaningfully captured in a single model." Alternative approaches may enhance our understanding of decision making from different ways. The current study proposes an alternative model, situated in the Motivation- Opportunity-Ability (MOA) framework, for explaining consumers behavioural intentions.

LITERATURE REVIEW

The MOA model was first proposed by MacInnis and Jaworski (1989) within the context of information processing. The model suggests that motivation, opportunity, and ability (MOA), are antecedents of consumer behavior(s). The MOA approach has been adopted by several scholars on a wide range of topics (Huges, 2007). A commonality found among these applications of the MOA model is that all participants in these studies were engaged in information processing or a decision-making process and their decisions are mainly influenced by three factors: their motivation, opportunity and ability (Olander *and* Thøgersen,1995). Similarly, purchase intention on luxury brand counterfeit product can be considered as the outcomes of information processing and to be subject to the influence of these three factors.

RESEARCH METHODS

The study comprises reviews of a study based on models motivation, opportunity, and ability (MOA) by MacInnis and Jaworski (1989), and experiment methods are focus groups (*experiment group-control - group design*) and a second survey based on in-depth interviews. First, the study established two focus groups with a purposive sample of consumers non-deceptive between the ages of twenty and forty from a consumer in super mall Royal and ITC at Surabaya City. Based on the results of the focus groups, we derived specific questions related to the new factors which turned out to be relevant determinants for purchasing luxury brand counterfeit products. In a second step we carried out in-depth interviews in order to gain further information on the underlying operating mechanisms of these determinants. Altogether, 160 interviews were conducted with persons who had already had experience in the purchase and use of counterfeit products.

The proposed model was tested in the context of purchase intention on luxury brand counterfeit products. The measurement scales were developed according to the Likert 5-point to recommended measurement scale development procedures including and test the questionnaire with 160 buyers. An exploratory factor analysis (EFA) was performed on the data to determine the dimensions and reliability of the scales. An online panel was followed to collect data to test the proposed model and hypothesized relationships. One hundred and sixty responses were yielded *Multivariate Analysis of Covariance (MANCOVA)* analysis in the current study.

FINDINGS AND DISCUSSIONS

The theory of motivation-opportunity-ability seems to provide a promising model that can explain the effects of motivation and effect of contextual and situational of consumers when purchasing counterfeit products. This theoretical framework, which incorporates findings from previous research, supports and extends our understanding of the phenomenon of counterfeiting in more detail and gives some interesting starting points for further research endeavors. Of course, this is not the only theory that can help to explain counterfeit purchase intentions. Other theories (theory of reasoned action, theory of planned behavior, expected utility theory, deterrence theory, attitude theory etc) can be integrated into the parsimonious framework by expanding the paths and integrating further concepts such as motivation. The mixed results of MOA context in previous studies indicate that the appropriateness of our model may depend on the personal and interpersonal motivations context. Investigating motivation integration with opportunity and ability differences would seem a promising further approach when researching determinants of counterfeiting.

We discovered further reasons for the purchase of counterfeit products relating to the person, the product, and the situation, that can be summarized under a preliminary framework that allows for possible extensions. With respect to the product, we found out that the scarcity of the original product not only influences the value perception of the original brand but also of the faked brand. Commodity theory provides a framework for the investigation of scarcity on value perception and for answering the question as to whether and how the loss of the exclusivity of a brand induces a decrease of consumer demand for counterfeits of it. Furthermore, the willingness of consumers to purchase a counterfeit product seems to increase if they can rate the quality of a product before purchase and to decrease if they can not.

Theoretically, this impact of the situation also determines purchase intentions, particularly the situational mood. In the case of counterfeits, mood processes can explain why people are more prone to buy counterfeits even if they know about the illegality of their behavior or the lack of post-purchase satisfaction with a product of low quality.

Buyers of counterfeit products also try to legitimize their behavior and intention for justifications. The theory of MOA can be applied, which helps to explain the force factors to process consumers go through when coping with distribution, and in turn, provides a preliminary framework. This framework integrates the determinants and moderating variables for opportunity and ability towards buying intentions of counterfeit luxury brand products that have been researched in previous studies. Furthermore, the framework also considers the interplay of motivation, purchase intentions and behaviour to buy that leads to coping processes and in turn influences opportunity and ability.

Depending on the determinants related to the personal and interpersonal motivations context, as well as the situation, and contextual are as mediator. The determinants influence intentions directly and mediated through motivation and buying intention for luxury brand counterfeiting products.

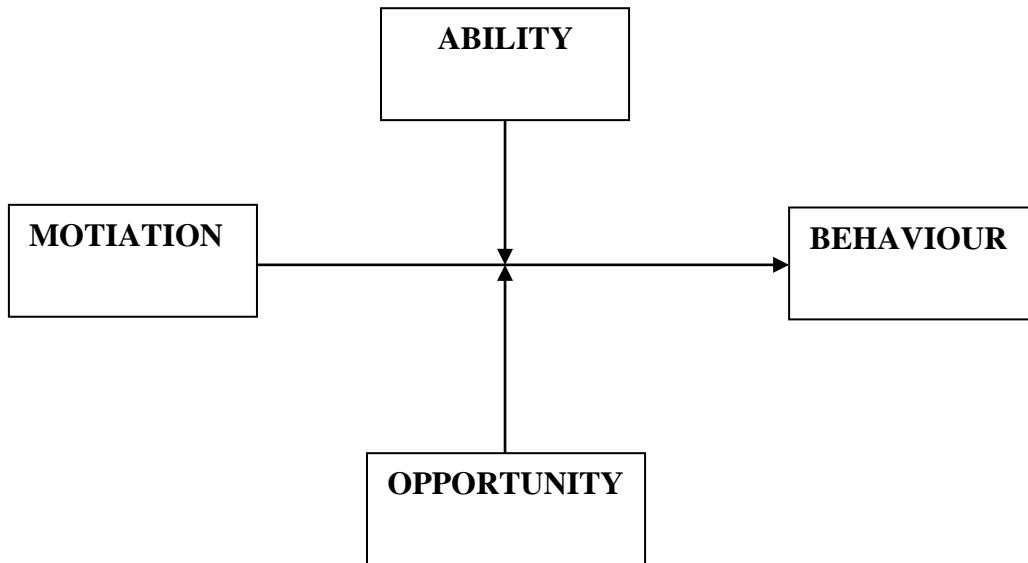
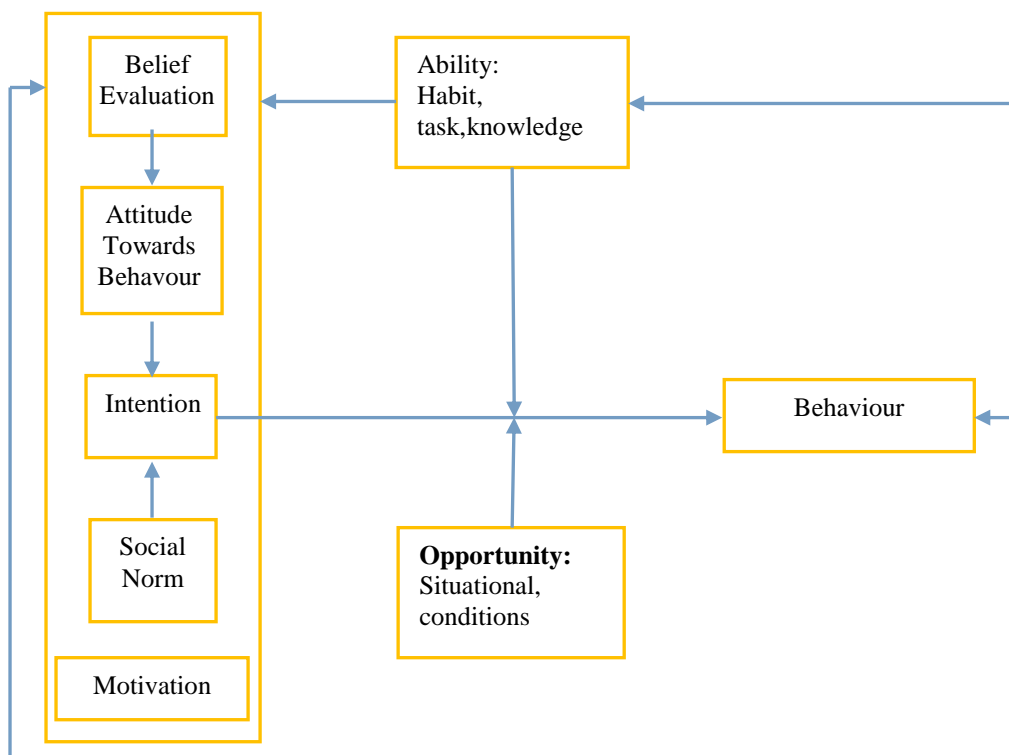


Figure 1: Moa Framework
Macinnis And Jaworski (1989)

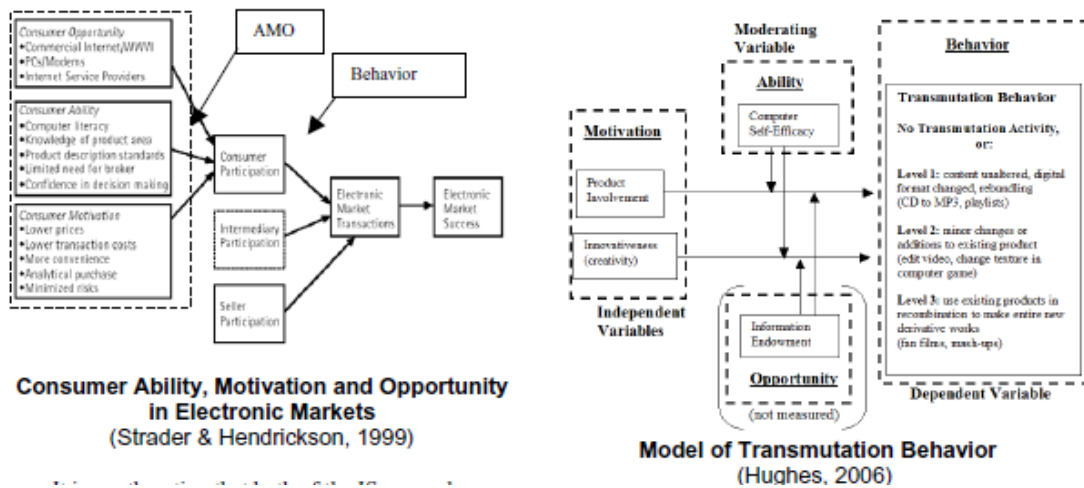
This study is proposed conceptual framework MOA was Adotion by Ölander and Thøgersen in Figure 2, and figure 3 adoption of MOA model on behaviour and Elctirc market. This study explored different factors which influence consumers intentions to buying luxury brand product an alternative counterfeit brand decision model constructed based on the MOA framework.



Source: Adopsi Ölander and Thøgersen (1995)

Figures 2.
The Motivation – Opportunity – Ability Model

Figure 3 Implied AMO model on Transmutation Behaviour and Electric Market



Motivation

Comparison of need theories of motivation

Maslow's Model	Alderfer's Model	Herzberg's Model	McClelland's Model
Self Actualization needs	Growth Needs	Achievement Recognition Advancement The Work itself Possibility for personal growth Responsibility	Achievement
Ego and self esteem needs	Relatedness Needs	Status Company policy & administration Quality of supervision Relations with supervisor Relations with peers Relations with subordinate	Power
Social and belongingness needs	Existence Needs	Hygiene Factors Salary Job Security Personal Life Working Cond	Affiliation
Safety and security needs			
Physiological needs			

Personal motivation is defined in marketing research as motivation of consumers an self concept and the user's image branded of a given product. In other words, personal concept was first proposed and developed in social psychology, it has been suggested as useful in explaining various consumers' behaviors. Past research has suggested that MOA theory predicts behavioral intentions (Mannetti *et al*, 2004; Mazik, 2014), product evaluation (Bian *et al*,2011; Wilcox *et al*,2009), brand loyalty (Kressmann *et al*, 2006; Prendergast *et al*, 2002), and brand preference (Aaker, 1996;1997). Thi study have further suggested that personal motivation *and* interpersonal motivatios has a positive impact on functional customers' evaluations of a product's functional.

Interpersonal motivation is influenced when people seek to understand achievements by judging others, primarily through the attributional dimension of controllability. In the motivational process, controllability is related to judgments of responsibility and intention. For example, if a person fails due to a controllable cause, that person is judged to be responsible for the failure, since he or she could have chosen otherwise and therefore intended to influence the outcome. On the other hand, failure due to an uncontrollable cause does not result in judgments of responsibility since free choice is not involved (Hareli and Weiner 2002). Therefore, the person lacking ability is not assumed to be responsible or intentional, and elicits sympathy rather than anger from others.

Opportunity

Travel constraints are used as indicators for opportunity to buying intention in this study. Behaviuoral intention constraints can be defined as those factors that inhibit continued buying, or increase frequency of used and/or lead to negative impacts on the product luxury brand counterfeit experience. Is

this a (definition of leisure constraints on Han *et al*, (2010), and definition by Crawford, Jackson and Godbey (1991) categorized leisure constraints into three dimensions: intrapersonal, interpersonal, and structural constraints. These three dimensions of leisure constraints was subsequently proposed to be linked together in Crawford, Jackson and Godbey's (1991) hierarchical model, which suggests that different types of constraints influence people's decision making to purchase of luxury brand counterfeit product (Dick, and Basu, 1994)

Ability

Ability is the last antecedent of the MOA model. A person must possess the appropriate abilities in the relevant domain of behavior, in order to be able to perform a given behavior. The ability to perform a behavior can be measured by self-efficacy, which refers to the perceived capability of ones' self to execute a behavior (Bandura, 1977). When applying self-efficacy in the context of constraint negotiation. It refers to the confidence in one's ability to use negotiation resources effectively (Hubbard and Ryan, 2000).

Hughes (2007) The discussion presented is structured along a behavioural change MOA framework we adapted from Ölander's and J. Thøgersen's motivation – ability – opportunity model. Besides presenting the quantitative results of multiple studies and providing theoretical cues to outline the mechanisms behind the behaviour, the formulate guidelines that support the development of similar applications in research and industry digital product as in framework figure 3:

In this study have analyzed personal and interpersonal motivation for experiment projects using MOA theory as a theoretical framework. Personal motivation, according to behavioural intention, is influenced by a process in which consumers non deceptive as buyers seek to understand themselves by making attributions for their luxury brand (Wilcox *et al* 1999). This MOA formulate guidelines that support the development of similar applications in research consumere bahviour and buying intention of luxury brand counterfeit product as in framework figure 4:

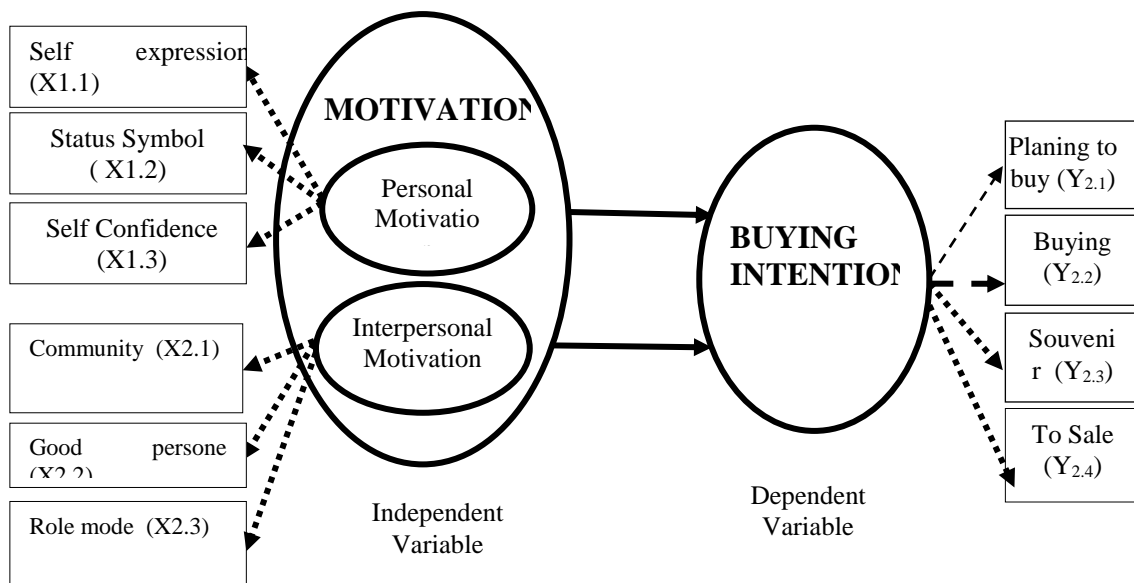


Figure 4: Integrative Framework of Consumer Behaviour in Response to Ads

The study result in findings highlight main themes describing inner benefits that consumers behavioural with the purchase and consumption of counterfeit luxury goods: first, being efficient by optimizing their personal and interpersonal relationship; second, having fun by experiencing life for motivation in they life. But most important, through the accomplishment of these goals consumers of counterfeit luxury goods construct an identity in which they perceive themselves as individuals motivation.

Study used the MOA-model as a guiding framework to investigating behavioural intention and its guidelines marketing concepts where effective in promoting product brand local in the form of guidelines,

based on personal and interpersonal perspective of consumer non-deceptive. Based motivation influences cognitive procedures, the studies that show that temporary contextual influences personal and interpersonal is positively to buying intention. There is mean motivation using a situated of motivation influences action and cognitive procedures. Specifically, Thi study is returned to consumer research and address how personal and interpersonal motivation perspective can illuminate issues in consumer choice of luxury brand counterfeit product.

In the case of non-deceptive counterfeiting, the buyer recognizes that the product is not authentic according to specific information cues such as price, purchase location, or materials used (Chakraborty et al. 1997; Gentry et al. 2006). Furthermore, non-deceptive counterfeits pose little or no health or safety risk to the public and the buyer, and have apparently little demonstrable impact on genuine brands (Nia and Zaichkowsky 2000).

CONCLUSIONS

The study provides further evidence of the influences of both personal and interpersonal factors on buying intention. Therefore, while luxury brand counterfeit product to provide excellent products and brands, they also need to fulfill the emotional needs of luxury brand and enhance their personal and interpersonal motif.

This study is suggested that no different functional of the personal and interpersonal motivation was positively buying intention. The data suggested that this was the case. This implies that consumers non-deceptive are more likely to buying luxury brand counterfeit products. MOA concept of giving information to marketer personal dan interpersonal motivations could correlate consumers behaviour to purchase of the product or services.

PREVIOUS RESEARCH

Taking a consumer's perspective and viewing counterfeiting as a purchase decision, we review previous studies of determinants of consumers' motives to purchase counterfeit products and then provide an overview of the knowledge on this topic and the potential gaps. In the following study, more exploratory approach of the topic. As a result of our study and in order to provide further explanations for luxury brand counterfeit purchases, this study expanding on measurement, and concepts of MOA theoretical approaches to investigation on products are pirated: counterfeiting, brand piracy, near brands or logos, intellectual property, (Bian and Mounthino,2011; Wilcox *et al* 1999; Yoo, and Lee, 2010).

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MODEL OF ENERGY CONSUMPTION AND COST EFFICIENCY OF FISHERMAN'S CATCH IN JAMBI PROVINCE

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Abstract. The purpose of this study is to explore about the models of energy consumption and cost efficiency in the fishing catch in the province of Jambi. This study is a qualitative research method. Samples were fishermen who were in two separate districts in the Jambi Province, West Tanjung Jabung and East Tanjung Jabung. The results provide a conclusion in the form of fishermen Arrested by the time works are grouped into 3 groups: (1) Fulltime fishermen, fishermen who used his entire time to engage in fishing operations. (2) Main part-time fishermen, the fishermen are most of the time it works is used to engage in fishing operations. (3) Additional part-time fishermen, fishing a small portion of Reviews their work time is used to conduct fishing operations. The results of this study Also concluded that the consumption of energy and cost efficiency depends on the type of ship, ship operation, and the speed of the fishing boats.

Keywords: *energy consumption, cost efficiency, the fishing catch.*

INTRODUCTION

Jambi Province has a potential of marine resources and fisheries which consists of marine waters covering an area of 44 496 km² with a length of ± 210 km coastline, and a land area of 53435.72 km² area, covering the coastal zone and the lowland and highland zones. Marine waters containing potential fisheries resources amounted to 114.036 tonnes per year with the sustainable potential of 71.820 tonnes / year in the form among other types of economically important fish and crustaceans types. Based on data from the Central Bureau of Statistics, the number of fisheries production by sub sector of capture fisheries and open waters in Jambi province continues to increase each year in the amount of 50 949 tonnes in 2010, 51 840 tonnes in 2011, and 54 091 tonnes in 2012 and 55 258 tonnes in 2013. However, the number of fisheries production is still far below the average of fisheries production from all provinces in Indonesia (Central Bureau of Statistics Jambi Province,2013).

Fishermen are persons or individuals who are active in catching fish and other aquatic animals. Well-being is largely determined by the fishermen catch. The number of catches is reflected also on the amount of income received by the fishermen who will mostly be used for family consumption. Thus, the level of fulfillment of the needs of family consumption is determined by the income it receives. The problem often faced by fishermen is such a low level of income of fishermen as a result of low productivity that they have, high production costs, low skills fishermen and efficiency catches the costs incurred, as well as the not yet optimal integration to fishing in the area.

The increase in the price of materials fuel (BBM) in the form of solar provides considerable impact for the marine and fisheries sector, especially fishermen. This is because most of the needs of fishermen at sea lies in the form of diesel fuel. In addition to the price of fuel for the operation of the ship less affordable, fuel price increases also have an impact on the increase in other operating expenses such as basic materials for fishing which reaches 20 to 30 percent of production costs (Andi, 2010).

The increase in fuel prices will clearly affect the income of fishermen , especially for fishermen in the province of Jambi for the sale of fish mostly absorbed operational costs while selling prices of the catch relative increase. Their alleged fuel price increase the frequency of fishing would be affected by the amount of the income level of fishing effort. In addition to the lack of capital and equipment are still minimal also be one of the factors inhibiting the lack of fishermen's income nowadays. Problems that occur can be caused by a lack of skills and expertise of fishermen in the strategy set up costs incurred by the catch to be obtained, and the lack of knowledge of fishermen in energy efficiency or effectiveness and costs in catching fish and other marine life. Based on this phenomenon, it can be concluded that there is still much potential fisheries resources in Jambi Province. With the potential of fisheries resources, energy efficiency and cost could have a potential for increased revenue of Fishermen Catch. Therefore, that being *suata* important and interesting to do research on models of energy consumption and cost efficiency in the fishing catch in Jambi province.

LITERATURE REVIEW

The low quality of human resources in fishing communities that reflected in the form of poverty is very closely related to the internal and external factors of society. Internal factors eg rapid population growth, less willing to take risks, easily satisfied and other habits that do not contain modernization. Besides the weakness of the fishermen venture capital is strongly influenced by the mindset of fishermen themselves. External factors that lead to household poverty fisherman lower layers include a production process is dominated by toke boat owners or capital and nature of marketing production is only controlled by the group in the form of a monopoly (Kusnadi, 2003).

According to Masyhuri (1999) fishing patterns also affect the catch fishermen and the amount of income they would earn. The distance to the catchment area and the size of the boats used to sail and also determines the length of their total catch during fishing. Fishing patterns are divided into two types. The first is a pattern of arrests of more than one day. Catching a fish like this is offshore fishing. The second is a one-day fishing patterns. Usually the fishermen set out to sea at around 14:00 came back about 09:00 the next day. Catching a fish like this are usually grouped as well as offshore fishing. Third fishing patterns noon. Such fishing is fishing near the shore. Generally they depart around 03:00 hours the morning or after dawn, and again landed in the morning around 09.00. In general, offshore fishing is done in a longer time and further away from the target area fish stocks have more possibility to obtain the catch (production) more and would provide more revenue than the fishing near the shore.

METHOD

This study is a qualitative study by using phenomenology in interpretive approach. Samples were fishermen who were in two districts in the province of Jambi, namely West Tanjung Jabung Regency and East Tanjung Jabung.

DISCUSSION / CONCLUSION

The results of this study provide a conclusion in the form of a fisherman catching time-based works are grouped into 3 groups: (1) Fulltime fishermen, fishermen who used his entire time to engage in fishing operations. (2) The main part-time fishermen, fishermen are most of the time it works is used to engage in fishing operations. (3) additional part-time fishermen, fishing a small portion of their work time is used to conduct fishing operations. The results of this study also concluded that the consumption of energy and cost efficiency depends on the type of ship, ship operation, and the speed of the fishing boats.

This increase in efficiency can be interpreted in many aspects, among others; (1) catch species that are relatively more valuable and grouped according to size, (2) take the same amount or higher than the catch with less time spent, thereby saving fuel, (3) using fishing methods that catch fish with higher prices because their quality is better. It is expected that, with the strategy of good fishing is related to the type of vessel and the catch, adjustments can be run against changes or regulations existing management, and classification of species caught by revenues received and costs to be incurred will have an impact on the level of energy efficiency and cost efficiency of the income earned by fishermen.

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THE INFLUENCE OF SERVICE RECOVERY ON BRAND IMAGE OF PUBLIC SERVICE COMPANY : A LITERATURE REVIEW

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Abstract. Brand Image basically one of achievement that every company want to achieve in order to help the growth of company itself. Without help from the image, it will be hard for the costumer to decide whether they should buy the product or using the service or not. Costumer mostly will choose to buy the product or taking service from company which has good image and well-known in their quality. The company will do their best to achieve good image for their brand. However, in fact the service failure sometimes still happens. That is why the company is asked to do service recovery from service failure in order to avoid the emersion of bad image, and to maintain costumers' loyalty. This review will unveil how a service recovery could influence a brand image from a public service company through costumers' satisfaction and loyalty.

Keywords: *service recovery-brand image-public service companies*

INTRODUCTION

Brand Image basically is one of achievement that every company dream of, in order to help the growth of their company. good brand image will help a company strengthens it's position and get public's belief. It is also give an effect to the product that they would launched. With good image, costumer is become easier to choose the product. The good vibe from the company will give good impression to the costumer vice versa. If that so, it will give advantages to the rival company.

Even the company already put so much effort in their way to build a good brand image, a service failure would still happen. The key success for every company is to behave proactively to reduce every failure possibility and support their employee with some effective recovery tools in order to fix the failure and satisfying their costumer. Company should not obey their costumers' unsatisfaction. It is better to spent relative amount of money to compensatae than lose their costumer, it is called service recovery. Not only give response to their complain but also face the problem in critical condition.

Service recovery which is did by the company should be well understood the costumers' need and expectation. Therefore the company could maximally increase costumers' satisfaction and reduce costumers' bad experience with the company (Tjiptono, 2001). Every company must be making a mistake, however how the problem being handled in the key which decide the successful or the failure (Denham cited in Tjiptono, 2001).

Service recovery procedure is very important that is why every company should have it so they can achieve costumer satisfaction and loyalty (Lovelock, 2005). Costumers' satisfaction toward service recovery after the service failure can influence the product consumption circle and spread negative word-of-mouth. (Wirtz and Matilla, 2004). Both acts could be seen as indicator toward costumers' satisfaction and loyalty in the future time.

Costumers' satisfaction is the level of somebody feeling after comparing the performance or result from effort toward their expectations (Kotler, 2000). Unsatisfaction appears when the result is below their expectation, in addition their satisfaction will influence the loyalty and company brand image.

Costumers' loyalty toward brand is very important, especially in tight competition with low number of growth. In this case, the loyalty from the brand is necessary in order to keep the company alive. Besides, the effort to maintain brand loyalty is one of more effective strategy than looking for new costumer. Brand is one of important asset in product or service marketing. In addition, in marketing the company will do their best to build and maintain their brand, so they could be recognized and acknowledged by the costumers. The tight competition caused so many brands which is forgotten or unfamiliar to the costumer. The costumers are choosing the other product or service with better quality based on their opinion.

DISCUSSION

Public Service Company

Public service can be defined as all of forms of service which given to public, whether in good forms or service only which basically became the responsibility of Government Institute Centre, in

province, or in Badan Usaha Milik Negara or Badan Usaha Milik Daerah, in order to fulfill public's needs as well as in order to the commission of legislation.

Based on the organization which perform the public service, it can be divided into two, these are :

1. Public service which is operated by private organisation, for example private hospital, PTS, and private transportation company.
2. Public service which operate by public organization can be divided into two :
 - a. Primary company
 - a. In primary company all of the service and goods come from government. In this kind of company, government is the only one who became facilitator and operator for the services and customer must use it. For example is immigration office and etc.
 - b. Secondary Company. In this case, the facilitator is also from government but the operator is come from another outside the government.

Based on Ratmimo and Winarsih, 2006:245, there are some principles in order to accomplish the government and licensing service which should be reck :

1. Empathy toward customer. Employer who serve the licensing task from operator institute must have empathy toward the customer.
2. Procedure limitation. Procedure should be designed as short as possible, so the one stop shop concept is really being conducted.
3. The clarity of service procedure. Service procedure should be designed as simple as possible, and being explained to the customer.
4. Minimize the service regulation. Regulation in service should be restricted in order to avoid the overuse unimportant things.
5. The clarity of authority. Employees who serve the customer must have well formed authority with using duty chart and authority distributor.
6. Expense transparency. Service's expense must be assigned as minimal as possible and as transparent as possible.
7. The certainty of service's schedule and duration. Service's schedule and duration also should be certain so the customer can have their imagination and avoid their nervousness.
8. Minimize the service form. All of the forms should efficiently designed, so it can be composite form (one form can be used for several purposes)
9. Maximize the license's validity period. To avoid the process of license making from one person, so just make the validity periods longer than usual.
10. The clarity of provider and customers' rights and responsibilities. Providers and customers' rights and responsibilities should be formed clearly and complied by sanction and compensation.
11. The effectivity in handling the complain. Good service should avoid any action which can be caused any complain. But, if there is a complain, the company should design the mechanism to handle such a problem with good result.

Public service accomplishment should fulfill some serving principles as mentioned in KEPMENPAN NO. 63 year 2003 (Ratmimo and Winarsih, 2007:22), those are :

1. Simplicity, the public service procedure shouldn't be complicated, easy to understand and easy to be accomplished.
2. Clarity, covering :
 - a. Technical regulation and administrative of public service.
 - b. Work unit / officer who responsible to give the service and finish the complain from customer in public service.
3. Expense detail of public service and payment procedure.
4. Certainty of Time. The time of public service work should be finished based on the fix time regulation.
5. Accuracy. The public service product is being well accepted, accurate and valid.
6. Security. Public service product and process give secure feeling and law certainty.
7. Responsible. The head of public service operator or the choice staff is responsible to the process of service and face the complain from the customer in good way.
8. The completeness of infrastructures. The availability of infrastructures, and other supporting tools included communication tools and informatics.
9. Easy access. The service location which easy to found by the customer. From that place also easy to use communication and informatics tools.
10. Discipline, politeness and sociability. The officer who serve the customer should have discipline , politeness and easy to socialize. Also the officer should be serving the customer willingly.

11. Comfort. The service's environment must keep in order, and it will be good if there is a waiting room which comfortable, clean, and neat. Beautiful and healthy environment, completed by supporting facilities such as parking lot, toilet, worship house and etc.

From explanation above we can conclude that public service is form of service which is did by government, they are serving goods and also service only in order to fulfill costumers' need or just doing the law.

Service Failure

Every company must make some mistakes, but it's not important what is the mistake, how they are facing and solving the problem is the most important. Key factor which decide the success or fail to maintain costumer. If the company ignores the costumer or just pretend that service failure is part of their daily business, in short time the company will get in trouble, the worst they can go bankrupt.

When the service failure happened, there are four possibility how costumers' show their unsatisfaction (Singh, J. 1998) :

1. Do nothing. It means they are saying nothing or not giving any complain. But, they just move to another company who give better service.
2. Stop buying products or use the service, an spread negative words to their relatives. This kin of information usually will spread quickly and give bad impact toward the company. finally, the company can lose many costumers.
3. Complain right away and asking for compensation to the company or the distributor. If this happens, actually the company gets the second chance. So they can fix their reputation and it is the opposite from the previous problem. In this case there is possibility that the costumers still using their product and serving after they accepted the compensation.
4. Sharing their unsatisfaction through media social or through daily newspaper. Sometime the costumer will be suing the company. this is kind of costumer who mostly terrified by the company.

There are some factors which determine whether the costumer will be complaining or not if they feel unsatisfied :

1. The important of consumption, it depend how important the product to the costumer, price, time and social visibility.
2. Knowledge and experience, buyers ammount before, knowledge about the product and perception toward the capability of costumer and complain experience.
3. The level of difficulty in getting compensation, include the time to solve the problem, obstacle in doing daily routine and expense.
4. Chance of success in complaining.

Related to complain, Denham (1998) was identified costumer in there categories :

- a. **Active complainer**, is costumer who know about their right, assertive, confidence and know how to give a complaint. If their expectation toward the service is not fulfilled, they will complain to the company. this type of costumer is really valuable to the company, because they are mostly give the information and find solution to the complaint that they give. In that case there still an oportunity for the company to fix and satisfy them.
- b. **Inactive complainer**, is they who prefer share their unsatisfaction to another person not the company especially their relatives. They tend to change their distributor and never comeback to the company which makes a mistake. In that case there is no chance to company to fix their problem.
- c. **Hyperactive complainer**, is they who always complain to anyone. This type also called *chronic complainer*, sometimes they act rudely and aggressive. This kind of customer almost impossible to be satisfied, because the purpose of their complaint basically only for their own beneficial.

Service Recovery

Service Recovery is a specific action which had done to make sure that customer get the right standard service after the occurance of some problems in normal service (Barnes, 2003). Good service recovery will detect and solve the problems, avoid the costumers' unsatisfaction, and designed to accommodate complaint from the customer. How the service failure is handled and the costumers' reaction toward the solving efforts can influence their decision in the future time, whether the customer will stay loyal or looking for another company.

Based on the previous explanation, there is a simple fact, ehne the customer was feel unstatistfy and disappointed toward the service had given by the company, automatically the company or service providers will lose more their future transaction amount. In longterms, the company can lose more benefit from those disappointed customers and from those who get bad words about the company.

Effective service recovery process consist of four main steps (Tax and Brown, 1998) :

1. *Failure identification.*

The biggest obstacle in service recovery and organisation learning is the fact that only 5% till 10% from unsatisfied customer who is doing the complain. Most of them tend to change their distributor or take revenge with spread bad words to people surround them. Tax and Brown identified four main reasons why customer do not want to give any complain :

- a. Customer think that the organisation is not responsive'
- b. They do not want to confirm the individual responsible toward the problem.
- c. They do not know really well about their rights and the company's responsibility.
- d. They worry about high expense related to the complain.

To resolve those kind of problems, the company need to do some approaches which proved can work effectively in different company :

- a. Make the work standard.
- b. Deliver the information about the importance of service recovery.
- c. Train customer to give complain.
- d. Use supported technology such as customer call center and internet access.

2. *Customers' problem solving.*

Some studies showed that mostly of complain related to customer experience which they are perspected as serious problem. Because of that, if customer complain, it means they really expected good feedback and fair action. Theory of justice can help to explain how supplier react toward the complaint from the customer.

There are three justice dimation which is prepared by customer :

- a. *Distributive Justice*, is an tool which focus on result from the complaint solving. Distributive justice can be emobodied with members' compensation to the customer. such as give the customer discount, free gift, shopping voucher and etc.
- b. *Procedural Justice*, is a tool which focus on the justice which the customer get when they complained based on the company's regulation and policy. Procedural justice covers process control, decision control, accessibility, timing/speed and flexibility while company was facing cutomers' complaint.
- c. *Interactional Justice*, is a tool which focus on the company action or response while facing complain from customer. interactional justice cover explanation, honesty, politness, effort and emphaty.

Service recovery can be maximized through four strategies, these are :

- a. Recruitment, selection, training and empowerment. The successful of service recovery mostly influenced by employee efectivity who directly face the customer and accepted their complaint. Therefore service recovery system design must be focused to customer first contact and organize the structure which make the employee possible to face customer efficiently.
- b. Organize the service recovery guidance and standard. Service company performance can be maximized through organized the recovery guidance which focus on make customer feels satisfied and also fair. That standard called "AAA" action plan recovery, stand for Acknowledge (acknowledge that the company have made a mistake), apologize (Company should apologize to the customer after they give complain), and amends (give compensation to the customer, and show to them that the problem have already done).
- c. Provide easy access and effective response through call center. Beside its beneficial to make customer easy to give any complaint, call centers also give contribution to the other three justice dimensions through easiness and comfort access 24hour per seven.
- d. Organize the customer database and product, database related to customer (such as their preference and service failure), can be a main source in solving the problem and service recovery correctly and effectively. For example, disney orientasi program which all of the employee must be join, does not care what position they are in, give special attention to the service recovery and questions from customer is one important aspect in Disney orientation about service recovery. Disney try to identified the failure in order to eliminate all of the problem sources.

3. *Communication and Classification of service failure.*

Mostly companies do not make any documentation and categorizing complains as good as possible, the impact of those careless action is the company can lear much from their experience. This kind of situation usually caused by four factors :

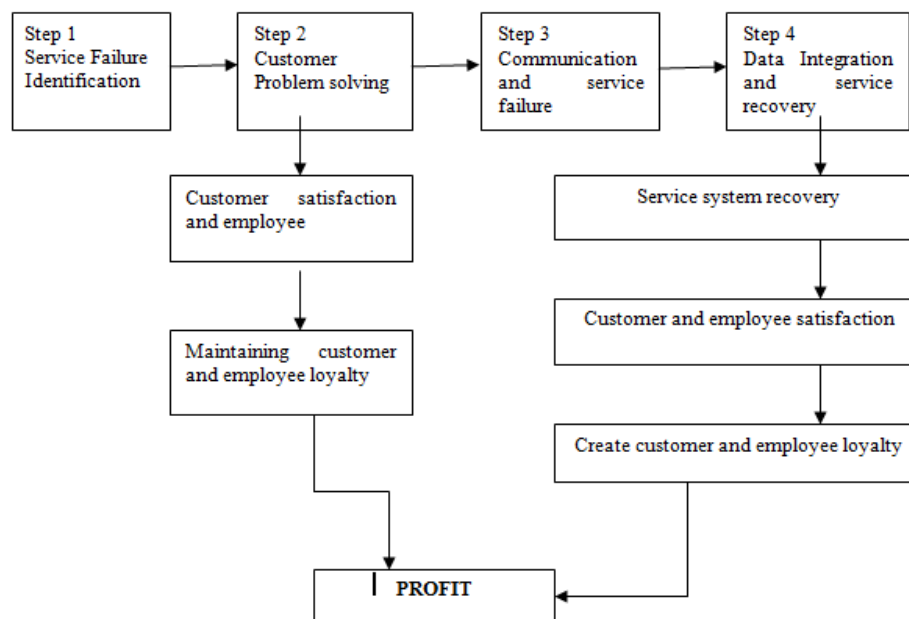
- a. In many cases, employer pay less attention when customer give their complaint.
- b. Some employee and manager prefer to avoid the responsibility from the problem, otherwise they are blaming the cutomer.
- c. So many complaints which is not solved . customer have already called via phone to give complaint, or sent letter but the problem still unsolved.

d. There also some companies which do not have systematic approach to collect and distribute the information to every individual who responsible to the problematic process.

Service organisation can classify service failure data effectively through three steps : 1) Make complaint form via internet; 2) Accessing complain through employee who face the customer; 3) Categorized the customer who give the complain; 4) Data Integration and improvement service

Generally the customer just complain about problems which they assumed it is important. That is why, complain can reflect the form of labour information which is very valuable. But the customer rarely give complain if there is a service failure. The company implication which is want to improve their quality must be looking for additional information sources through data management. The purpose of management data is to make it sure that the service organization can get relevant information, credible and on time, and spread the information to every member of organization which can be seen from investment decision about service quality. Specifically those efforts cover: 1) Collecting service quality data; 2) Distribute the data; 3) Investment in improvisation quality.

Figure 1. Service recovery processes



Sources : Tax and Brown (1998), edited.

a. Customer Satisfaction

Satisfaction is a feeling whether can be happy or disappointment which appear after compare between perception or expectation about something (Kotler, 1997). In this case satisfaction related to the service or goods that the customer had been purchased. Customer satisfaction is decided by service which is given by the company, whether that service already fulfill their expectation or not. Customer satisfaction can be specific evaluation towards the overall service which is given by the service company, that is why customer satisfaction only can be measured through experience that the company have been experienced.

Customer who feels that their expectation is already fulfilled will stay in one company and continuously using it's service or goods whenever that company launch the new products, and they will do positive communication to another people about the company and it's product. The other benefit is customer will not really pay attention to other product from another company and they do not make any problem with the price. Tjiptono (2006) stated that there are six important aspects which need to be learned in order to measure the customer satisfaction : 1) Overall satisfaction; 2) Expectation confirmation; 3) Re-purchase; 4) Customer satisfaction dimension; 5) Not pay attention to another product from another company; 6) Give recommendation to other.

Based on some journals about customer satisfaction, there are five main factors which will decide customer satisfaction level :

1. Product quality. Customers will feel satisfy if they realize that the product from the company is have good quality. There are some dimensions which influence the forming of product quality they are

performance, features, reliability, conformance and specification, durability, serviceability, esthetics and perceived quality.

2. Service quality. Customer will feel satisfy if they get good service and fulfill their expectation. Service quality dimension well known covering reliability, responsiveness, assurance, empathy, and tangible.
3. Emotional factor. Usually customers feel proud of themselves if other person look at them with impressed look when they used the product from it's company.this kind of satisfaction not only because the product quality itself but also social value that the product has.
4. Price. Product with same quality, but has different price will give good impact to the customer. Usually customer will choose the cheaper one but has similar quality.
5. Expense and access to get the product or service. Customer who does not need to pay additional charge or does not have to wasting time to get the product, usually will stay loyal to that product.

b. Loyalty

Cusromer who get satisfaction from the service can be basic capital to company in order to build customer loyalty. Tjiptono (2006) stated that every company which pays attenteion to their customer satisfaction will get possitive image in the customer eyes, so can build the customer loyalty. Oliver(1999), customer loyalty is one comitment to survive, because the customer will repurchase the product or use the service. Even situation in marketing also influenceing the change of customer behavior.

Customer loyalty can describe as repurchase which have done by the cutomer, because they feel satisfy about the previous product or service that they get before. in other words, customer loyalty can be said as how the customer stay in one company to use it's product and also it's service. Loyalty is a prove that this company have a good image in front of their customer, and this kind of image can build the company even bigger.

c. Brand Image

Based on American Marketing Association (Kotler, 2000:460), brand is a name, term, mark, symbol, design or combination of those things, which is purposed to give the identity to one product so the product can be distinguished from rival product. Aaker (1991 : 7), stated about brand “A distinguishing name and / or symbol (such as logo, trade mark, or package design) intended to identify to goods or services of either one seller of a group of seller, and to differentiate those goods or services from those of competitors “.

In other words brand is name which used by one company to their product, in order to make their product different from another product in the market. Consistantly using one brand and logo will make their product easier to get recognized by the customer so everything that related to the product itself will be remembered. So in one brand can cover three aspects :

1. Explaining what the cumpany sell is.
2. Explaining what the company is working at.
3. Explaining the profile from the company itself.

The built of brand image and brand value is when the costumer gets good experience with the brand itself. Good brand image not only indicates that the brand has a positive image but also shows a higher level of brand image strength than other brands (Kim & Kim, 2005).

Customer who is disappointed with the service that they got will move to another company. Brand switching is happen when the customer change their supplier, this situation happen because there are so many choices in the market, so the customer shoose the products based on their needs or because they already disappointed with one product which they have been bought before. if this situation happen, company will losing their customer and also their profit.

d. Previous Study

The previous stady showed that manager and employee behavior in communicate with the customer (Clemmer, 1996: Goodwin and Rose, 1992) and effort to solve the problem (Mohr and Bitner. 1995) will influence the customer satisfaction. For example, when the employer apologize because of their fault, customer who is disappointed will feel better. Haskett, et al, (1997) also confirmed that with showing empathy, politness and want to listen to the costumer, is important things to do in facing the customer.

In Tax, Brown and Chandrashekar (1998) research indicates that for firm that provide poor recovery effort of service recovery strategies through elements of justice may severely limit the customer satisfaction with regard to service recovery encounter. Andreassen (2000) also found that perception of justice for service recovery strategies have an impact on satisfaction with service recovery encounter.

Study which conducted by Wirtz and Matilla (2004) found that customer satisfaction toward service recovery which was given by the company, in their study was from a restaurant, give impact

toward their future business. Because of that service recovery the customer feels satisfied and show reattribution intention, meanwhile who does not feel satisfied will spread bad words from mouth to mouth.

Aloysius Reza Arindita & Ike Devi Sulistyningtyas found that customer satisfaction give influence to the company image variables which correlate point 0.655. This number also showed the influence and good relationship have straight rateable. Getting higher the customer satisfaction, the good company image also getting higher.

Ni Luh W found that customer satisfaction will build commitment to stay loyal, and reduce the possibility that customer will move to another company, because they do not want to take a risk related to the quality of the other product. Company image will become consideration for the customer whether they will choose the product from that company or not.

Dian Tauriana & Christine found that service recovery will influence the brand switching directly with percentage 4,12% and the rest 95,88% influenced by another variable outside the study. Service recovery and brand switching have strong relationship with percentage 76,7%. That means even company already did service recover, the customer will still switch their brand if there is another factor which can catch their interest.

CONCLUSION

Every customer must be expected the best service from the company that they believe. Company that succeed to give satisfaction based on their customer expectation can build customer loyalty toward the company. More and more customers who feel satisfied with the service from one company will bring good image to the company itself and vice versa.

Therefore the company already give their maximal efforts to give best service to the customer, the service failure still can be avoided. This situation can be caused by so many factors. Hence a company should prepare their service recovery strategy, so they already well prepare if they accept any complain from the customer.

If the service failure which happened is fatal and give big impact to the company brand image so it is not easy to do service recovery to fix the company brand image. Even company must spent big amount of money, the service recovery must be conducted because this is important to the company future condition. For example how Tylenol handle customer anger in 1980. Tylenol give fast and right respond to the customer complain, The company communicate to the customer objectively about their problem, they withdraw Tylenol from market as much 264 thousand bottles and replace it with the safer product. After that, Tylenol brand image get better in customer eyes.

Based on the explanation above we can conclude that service recovery on service failure can happen and also influence the customer behavior toward the company. If the customer feel satisfied, there is possibility they will consistently use the product and vice versa.

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EFFECT OF OWNERSHIP STRUCTURE AND MANAGEMENT STRUCTURE OF THE FIRM VALUE

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Abstract. The aim of this study is to describe the effect of ownership and management structure on the firm values at company that corporated in the LQ 45-year period 2012-2014. The sample research deploys purposive sampling method of the type of judgment sampling. Inferential statistical analysis utilizes analysis of causality of Partial Least Square (PLS). The results show that the ownership structure has a significant influence on the firm value, but the management structure has no significant effect on firm value.

Keywords: *Ownership structure, management structure, firm value.*

INTRODUCTION

Barde and Hamidu (2015) has explained that value of firm is being one of fundamental one to consider for almost investors, because the important of its for the directness of the firm itself. As good as that, Kasmir (2010) has declared that the advance of firm value will be advantage especially in term of finance institute credibility to get loan with easy requirement and also especially in term of supplier credibility.

According to Husnan (2006), to measure the firm, use value of stock market and value of book or called as BPV (*Price to book Value*). If the value of PBV is higher, the value of firm will be good for investor. Puteri and Rohman (2012) added that value of firm also can proxited by Tobin's Q, wich is the representation from investor. They also declared that the higher of firm value, it describes that the investor are more prosperous.

One of indeks in IDX (BEI) is LQ-45. This indeks shows 45 stocks that being the most liquid stock in IDX (BEI). So that, The following is table of the average of firm value in LQ-45 in 2012-2014:

Table 1 The Average of firm value in LQ-45 In BEI fro 2012-2014

No.	Variable	Year		
		2012	2013	2014
1	Stock Price	10.862,86	9.772,68	11.207,32
2	<i>Price to Book Value</i>	4,84	4,38	4,61
3	Tobin's Q	2,57	2,69	2,36

Source: processed data

D'Souza, Megginson, and Nash (2006) has explained that the change of ownership cause the change of management of corporate governance. According to Siebens (2002), corporate governance is science and art for balancing the distribution of interest from all of stakeholder and make choices from many options with all of kind information supporting to be a responsibility firm. Solomon and Solomon (2004) has explained that the structure of ownership has been reputed as have strong influence for corporate governance system, which are law system, culture and religion, environment politic and economic.

The Result of Sukarni research (2012) and Puteri and Rohman (2012) has show that managerial ownership and institutional ownership are influential toward firm value, meanwhile Adnantara (2013) and Sadasiha and Hadiprajitno (2014) has show that managerial ownership and institutional ownership are not influential toward firm value. Wahla, Khalil, Shah, Syed, Hussaini (2012) and Antari and Dana (2013) also show that menegerial ownership is influential toward firm value.

Puteri and Rohman (2012) and Sadasiha and Hadiprajitno (2014) also Hariati and Rihatiningtyas (2015) show that the proportion of independent council of commissioner is influential toward firm value. Barde and Hamidu (2015) shows that the composition of council of management is influential toward firm value. Sadasiha and Hadiprajitno (2014), and Hariati and Rihatiningtyas (2015) show that number of audit commitee is not influential toward firm value.

There are many research about the effect of ownership and management structure of the firm value, among them have presented, but there's few research which discuss about the effect of ownership and management structure of firm value that joined in the most liquid company group in BEI. Because of that, it's being important and interesting for examine the effect of ownership and management structure of firm value in companies which joined in LQ 45 in BEI.

LITERATURE AND HYPHOTESES

The theory of the firm by Jensen and Meckling (1976) has substantiation about managerial behavior, agency cost and ownership structure. Those substantiations will be happen when a company is a public one. Jen and Maekling (1976) said that company is "*legal fictions which as a nexus for a set of contracting relationships among individuals*". Company is a center of contract dealing between several parts who are investor, manager, supplier, and the other parts included official employee and worker.

According to agency theory, the agen part is management who works to manage company and pricipie part is investor. Manager has duty and responsibility about fund source policy, fund utilizing policy, and deviden policy. Meanwhile, the owner of company does controlling for manager behaviour. Manager who is appointed by investors has to measures for interest of the investors themselves. Manager tent to give a priority for theirselves or measures not for investor's interest (Jansen and Meckling, 1976)

The investors have goal for maximize their rich by look at the cash flow from now which resulted by company's investation. Meanwhile manager of company has o goal for increasing the growth and standard of the company. The growth which is increasing will give opportunity for the lower and the middle manager to be promoted. Beside of that, manager can prove theirselves as a productive employee so that they can get good achievement and authority to determine the cost. Standard of company which is being bigger give security of working or decreasing lay off and compensation which is bigger, too. (Jensen and Mecking, 1976).

The principle of ownership can decreasing the deviation of agent behaviour (manager) by giving insentive by putting outside monitoring cost. Generally cost that put outside by principle for make sure the agent be ready to do the pretension of investors which called as agency cost.

According to Lubis (2010), the are several alternative to decreasing the agency cost. First, through increasing the ownership of stock company by management. The ownership of stock by management is insentive for managers to capable increasing performance of company among through optimal debt utilizing, so that it will minimixe agent cost. Second, increasing devident pay out ratio. It's causing not enough free cash flow yes and management forced to search funfing from the other for funding their investation. Third, increasing funding with debt. The debt increasing will decrease conflict between investor and management. The funding which using debt, will decrease excess cash flow in the company so it decreases possibility dissipation that did by management, correct and decrease opportunitic of manager. The budgeting which using debt is also cause free cash flow that resulted company must be using for pay interest and debt instalment, so that there's no cash be idle which can be abused or used for any unproductive investigations. Fourth, instituional investors as monitoring agents.

Antari and Dana (2013) said that the more stock owned by manager through managerial ownership will motivating management performance because manager they feel have a part in the company weather in taking decision and responsible for the decision because they're investor of company so that management performance will be good and influential for the increasing of company value.

Sukirni (2012) said that instituional ownership have an important meaning in management monitoring because with instituional ownership will push the increasing of the optimal monitoring. The monitoring will ensure prosperity for the investors. The effect of instituional ownership as monitoring agent is pressed by their investations which is big enough in stock market.

Sukirni (2012), Puteri and Rohman (2012) summarize that managerial ownership and institutional ownership is effected on firm value, meanwhile Adnantara (2013), Sadasiha and Hadiprajitno (2014) summarize that managerial ownership and instituional ownership is not effected on firm value. Wahla et al (2012) and Antari and Dana (2013) summarize that managerial ownership is effected on firm value. Because of that, hypothesis

H1: ownership strusture has significant effect on firm value.

Sadasiha and Hadiprajitno (2014) said that the bigger composition independent commissioner council, it is good for monitoring function. It has one way with agency theory that said independent commissioner council can make more objective climate in term of attention to investor interest and the other stakeholders. They also summarize that according to agency theory, with audit committee, so controlling of company activities will better and systematic so that it can decrease risk of agent conflict cause pretension of management.

The research about the effect of management structure on firm value have been did by several researchers, several of them are Puteri and Rohman (2012), Sadasiha and Hadijitno (2014), Hariati and Rihatiningtyas (2015) showed that proporsion of independent commissioner on firm value. Barde and Hamidu show that composition of administration council is effected on firm value. Sadasiha and Hadiparjitno (2014), Hariati anad Rihatiningtyas (2015) show that the number of audit committee is not effected on firm value. This research has second hypothesis

H2: management structure has significant effect on firm value.

METHOD

Population in this research are companies in LQ 45 in IDX. The election of this sample is using purposive sampling technic. Here considerations for this research:

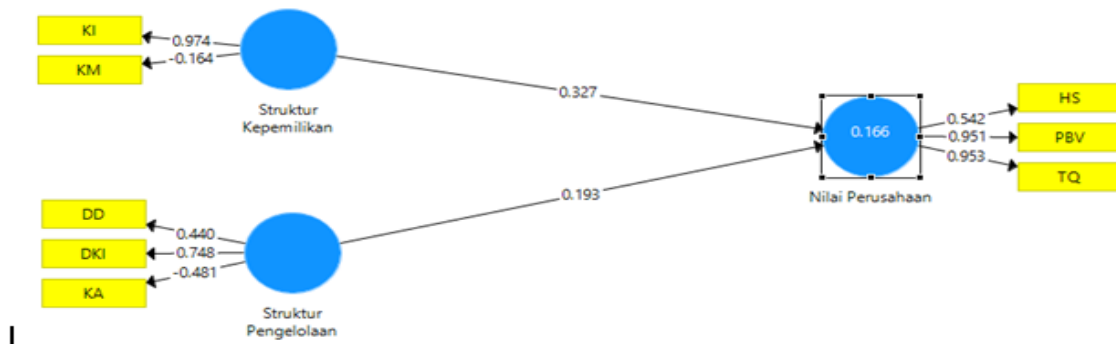
1. The company must be listing in the first observation period in 2012 and still listing in the last observation period in 2014.
2. The company has to join in indeks LQ 45 during 3 years continually in 2012-2014.
3. The choosing company as sample, has publicized their financial report continually during 2012-2014.
4. Financial report period that used is yearly financial report per 31st December.

Based on that criteria, so we found 28 samples. This research is using observation period from 2012 until 2014, so that sample for this research during 3 years continually is being 28 companies x 3 observation year, which are 84 companies.

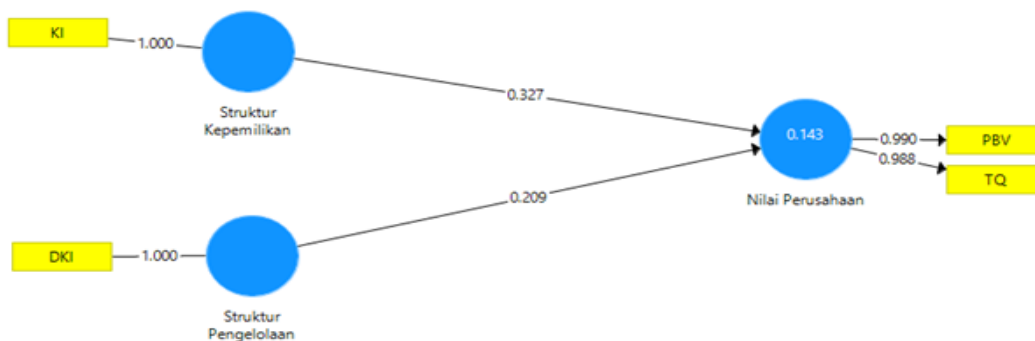
There are 3 variable for this research, ownership structure, management structure, and firm value. In ownership structure variable, there're 2 reflective indicators, managerial ownership and instituional ownership. In management ownership, there are 3 reflective indicators, propostion of independent commissioner council, the number of management council, and the number of audit committee. Then, in firm value variable, there are 3 reflective indicators, stock price, value of book price, and tobins Q.

DISCUSSION/CONCLUSION

The result PLS on the relation of indicator on variable, and variable on variable are as follows:



In PLS trial, loading indicator value under 0,6 will go out from the trial. Because of that he resultof the trial in next step after did expulsion indicator with loading value under 0,6 are as follows:



The result of hypotesis are as follows:

Path Coefficients

	Original Sampl...	Sample Mean (...	Standard Devia...	T Statistics (O...	P Values
Struktur Kepemilikan -> Nilai Perusahaan	0.327	0.310	0.088	3.694	0.000
Struktur Pengelolaan -> Nilai Perusahaan	0.209	0.177	0.132	1.589	0.113

Based on PLS, so it can be summarized that the ownership structure which reflected by institutional ownership has significant effect on firm value which reflected by price book value (PBV) and Tobins Q. It means every rise of institutional ownership in ownership structure on the companies in LQ 45 in 2012-2014 will give increasing PBV and Tobins Q on that firm value. This result is same as Sukirni's research (2012), Puteri and Rohman (2012). This research is contradictive with Adnantara's research (2013), Sadasiha and Hadiprajitno (2014) who summarized that institutional ownership is not influential on firm value.

The result of this research is also summarizing that management structure which reflected by independent commissioner council is not influential on firm value which reflected by PBV and Tobins Q. It means the increasing of independent commissioner council doesn't give any effect for PBV and Tobins Q. The result of this research is contradictive with Putri and Rohman (2012), Sadasiha and Hadiprajitno (2014), and also Hariati and Rihatiningtyas (2015) that show the proposition of independent commissioner council gives effect for firm value.

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POSITIONING STRATEGY AND ITS RELATIONSHIP WITH FINAL DECISION OF PRIVATE UNIVERSITY IN JAMBI PROVINCE

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Abstract. In order to face competition in the world of education, a private collage should have certain positioning that distinguishes such private collage with a competitor private collage under the same roof. Some of the main tools in doing positioning are positioning according to attributes, positioning according to benefits, positioning according to application and usage, positioning according to users, positioning according to competitors, positioning according to product categories, and positioning according to price. The purpose of this paper is to identify the independent variables which are those positioning strategies mentioned above against the independent variable i.e. purchasing decisions associated with the selection of private college in Jambi Province. As for indicators that are used in determining one's purchasing decisions are knowing the problem of one's needs, searching for information, evaluating alternatives, selecting or purchasing decisions, and behavior of post purchase or postselection

Keywords: *Positioning Strategy, Purchasing Decision, Private College.*

INTRODUCTION

Colleges are institutions which have a role in raising the quality of human resources, not only in private life but also in the society. In college, there occurs the process of nation's social establishment which will decide the future generation's culture. College is a place to produce thinkers and pioneers of science and technology advancement.

Nowadays, the demand of higher education service is raising more and more. This happens because of the increasing needs and urge for higher education in society, as well as spreading competition among workers; pushing every individuals to have a certain level of education, expertise, or skills in order to compete and being able to innovate optimally. This situation could really affect the existence of Indonesian's higher education institutions, both state or private owned.

Moreover, while the interest of people/consumer in undergoing a higher education is demandingly high, the ability of a state-owned University/college is limited. Eventhough majority of the applicants choose to undergo their study in one of those state-owned universities for some reasons, they cannot accommodate every interested students as the seat capacity is limited. This limitedness of state-owned university is then becoming a number one reason of why a private-owned university needs to develop its potentials optimally. This private-owned university realizes that it is an alternative solution for students in order to achieve a higher education, in a case that they are not accepted in the state-owned one. Thus, every private-owned university will compete to obtain these 'unlucky' applicants.

Tighter competition has a big impact on how the private-owned university put its orientation towards customer's satisfaction, in this case are students' satisfaction. In order to reach that goal, university needs to work on producing and delivering customer's needs as well as understanding the target market behaviour, as the continuity of an organization depends on the customer's behaviour. (Tjiptono, 2001). By understanding customer's behaviour, the university management could arrange proper programs or strategies in order to utilize present opportunities. Understanding customer's behaviour and being acquainted with the customers are two very important job for marketers.

Colleges or universities need to know any existing services that they already gave to their students which make their students satisfied. In this case, it could be in the form of tidy manajement, learning process quality, supporting facilities, and administrative services. Every college needs to have certain strategies to be able to maintain their existence, so that they can compete with other colleges. This could be reached by developing and providing marketing mix directed to the chosen target market.

College needs to apply certain strategy in order to reach superiority during competition, since strategy in general is a way to be done related to decision making process, particularly the big ones. As we already know that company's objective will be reached if the management take a correct decision. Otherwise, company will never reach its goal if they take wrong decision.

In its strategic role, marketing includes every effort to achieve conformity between the company and its environment in order to seek solutions to the problem of determining two key considerations. First, what business they work at the company's currently and what types of businesses can be entered in the foreseeable future. Second, how are businesses that have been chosen being able to run successfully in

the competitive environment on the basis of the perspective of product, price, promotion, distribution, space/facilities, services and procedures to serve the target market.

The marketing strategy is making decisions about the cost of marketing, marketing mix, marketing allocation in relation to the expected environmental conditions and competitive conditions. Basically, marketing strategies give directions in relation to variables such as market segmentation, target market identification, positioning, marketing mix elements and the cost of the marketing mix. The marketing strategy is an integral part of a business strategy that provides direction on all management functions of an organization.

According to Kotler (2007: 45) the nature of modern strategic marketing consists of three main steps, namely Segmentation, Determining the Target Market, and Positioning. These three steps are often called STP (Segmenting, Targeting, Positioning). The first step is a segmentation of the market, that is, identifying and forming groups of separate buyers who might need your product and/or its own marketing mix. The second step is to determine the target market, namely the matter of choosing one or more market segments to enter serviced. The third step is the positioning, ie the act of building and communicating the principal special benefits of the product in the market.

We are interested on the third act, which is Positioning. Positioning is the act of the company to design a product and marketing mix in order to create a certain impression in consumer's mind. Thus consumers could understand and appreciate what the firm does in relation to its competitors. For the company, it is an action to investigate or identify the position of a competitor and then decide whether it will take a position on par with competitors' position or looking for opportunities in the market. If the company's position itself is close to other competitors, company must select and then seek further distinction through certain differences.

Positioning holds a very large role in the marketing strategy after doing market analysis and competitor analysis in a company's internal analysis (total situation analysis). The reason is that today's world has been attacked by over-communication in the form of explosion of goods, media, and advertising. As a result, the mind of the prospect has been transformed into a battleground. Therefore, in order to succeed in an over-communication society, any company should be able to create a position to consider not only the strength and weaknesses of the company itself, but also the strengths and weaknesses of competitors in the prospect's mind. That is why, the basic approach of 'positioning' is not only creating something new and different from the others, but also cleverly utilize what is on mind and linking relationships that already exist; because human mind also has a place for everyone pieces of information that have been selected to be kept.

Meanwhile, consumer's mind often metaphorically said as the last fortress of defense against the noisy communication, as a filter to accept or reject the information it offers. If it turns out that the mind of consumers have been formed, usually other manufacturers find it is difficult to change, especially while the competitors are not standing still but doing repositioning. Concretely, the main things that are need to be done in an attempt to nail down a message inside a person's mind is not at all related to te message, but is precisely related to the mind itself.

A clean mind is the mind that has not been polished by other brands. Therefore, the role of positioning is an organized system in an effort to find the right thing at the right time in a person's mind.

Kotler (1997: 265) describes several ways to do product positioning marketer in marketing to target consumers, namely: 1. Positioning by attributes; 2. Positioning by benefits; 3. Determination of the position according to the use or application; 4. Determination of the position according to the user; 5. Positioning by competitor; 6. Positioning by product category; 7. Determination of the position of price or quality.

According to Kotler and Keller (2011), consumer's purchasing decision which in this case were the students, is an action process consists of: problem recognition, information search, evaluation of alternatives, purchase decision, and post-purchase behavior. Furthermore, Schiffman and Kanuk (2008) explain about the factors that influence consumer purchase decisions, which are (1) the marketing mix of services in terms of product and price, (2) social and cultural environment which in this case is the family, (3) the field of psychology which in this case is the motivation.

In the selection of Private Universities in Jambi province, the factors we put into consideration are Positioning as well as company's image. By definition, positioning is the act of designing the company's offer so that it occupies a distinct and value placed in the targeted customer mind". The meaning is that, searching for 'position' in the market; this step is done after determining the segmentation strategy used. In other words, positioning is an action or measurements from the manufacturer to design company's image and value of deals where consumers within a particular segment will understand and appreciate a certain segment, then understand and appreciate a company, compared to its competitors.

The next variable that influences selection decision of choosing Colleges in Jambi Province is the image of the College itself. Company's image, according to Kotler (2002) is the consumer's perception of the company or its products. According to Kotler, image cannot be implanted in the minds of consumers in a day and night or disseminated through the media only. Instead, the image should be conveyed through every means of communication available and deployed continuously since without a strong image, it is extremely difficult for a company to attract new customers and retain existing customers.

Based on the literature gap, we are interested in conducting empirical research with the title "Positioning Strategy and its relation to the decision of choosing a Private College in Jambi Province".

CONCEPTUAL DEFINITION

Strategic Management

Strategy is related to many big decisions faced by organizations while doing their business, and also related to consistent behaviour. It should be able to create competitive advantage for the company. Strategy is crucial in determining the success of an organization, and this is the reason why learning strategies is useful and promising. The benefits arising from strategic management is to improve company's ability in preventing problems, can also be drawn from a variety of best practices, as well as involvement of employees in strategy formulation that will ultimately increase their motivation.

According to the theory of strategic management, company's strategy can be classified based on the type of each company, namely Generic Strategy, which is the study of key/grand strategies.

Porter's Generic Strategies

In Porter's analysis of the competitive strategy (also called as Porter's Five Forces) of a company, Michael A. Porter introduces three types of generic strategies, namely: Excellence Cost (Cost Leadership), Product Differentiation (Differentiation), and Focus.

1. Low Cost strategy (*cost leadership*)

Low Cost strategy (*cost leadership*) emphasizes on producing standard products, which is equal in every aspect, with a very low cost per unit. These products (both goods and services) are usually aimed at consumers who are relatively easy to be influenced by a shift in the price (i.e. price sensitive), or by using price as a determining factor to consumer's decision. In terms of customer behavior, a strategy of this type are closely aligned with customer's needs, thus are included in the category of conduct low-involvement; when consumers are not (too) care about the differences between different brands, (relatively) does not require product differentiation, or if there are a large number of consumers with significant bargaining power.

This strategy enables company to withstand the price competition, and even be a market leader who determine the prices and ensure a high market profit rate (i.e. above average), stable through aggressive manners in efficiency and cost effectiveness.

In order to run this low-cost strategy, a company should be able to meet requirements in two areas: resources and organizations. This strategy is possible to run only if company possessed several advantages in the field of corporate resources, namely: strong capital, skilled in process engineering, strict supervision, easiness in product manufacturing, as well as low distribution and promotion costs. While in the field of organization, companies must have: the ability to control costs tightly, good control of information, and incentives based on a target (results-based incentive allocations).

2. Product Differentiation Strategy

Product Differentiation Strategy (often called as differentiation) prompts the company to be able to find the uniqueness in its target market. The uniqueness of the products (goods or services) put forward allows a company to attract maximum interest from potential customers.

Various ease of maintenance, additional features, flexibility, comfort and a variety of other things that are difficult to be imitated by the opponents are just a few examples of differentiation. This type of regular strategy targeted at potential customers who are relatively not considering the price to make a decision (i.e. price insensitive). A good example of using this strategy is on products which are both durable and difficult to be imitated by competitors.

In general, low-cost strategy and product differentiation are applied by the company in order to achieve competitive advantage against its competitors in the markets. In general, there are two areas of requirements that must be met in order to decide utilizing this strategy, namely field resources and field organization. In terms of company's resources, implementing this strategy required high force in terms of: product marketing, creativity and talent, product engineering, market research, corporate reputation, distribution, and occupational skills. In terms of the areas of organization, the company should be strong and able to do: coordination between the related management functions, recruitment of highly skilled personnels, and ability to subjectively measure the incentives in addition to the objective one.

3. Focus Strategy

Focus strategy is used to build a competitive advantage in a narrower market segment. This type of strategy is intended to serve the needs of consumers whose numbers are relatively small and their decision making to buy some goods are relatively unaffected by price of the goods. In its implementation, especially in medium and large scale enterprises, this focus strategy is integrated with one of the other two generic strategies mentioned earlier: strategies of low cost or differentiation strategy of product characteristics. This strategy is commonly used by suppliers of a "niche market" (special/typical segment in a given market; also referred to as a niche market) to meet the needs of a specialized products and services.

Requirements for the implementation of this strategy are: a sufficient magnitude of the market (i.e. market size), a good growth potential, and the condition when competitors are not interested in moving in the niche, thus the company is not being noticed by its competitor while achieving success. This strategy will be more effective if consumers need a certain peculiarity that is not demanded by company's competitors. Usually, a company which dealt with this strategy is more concentrating on a specific market group (niche market), a particular geographic region, or specific products – either goods or services - with the ability to meet the needs of a particular consumer in a good, excellent delivery.

Positioning and Its Definition

Positioning is one of the processes of STP marketing strategy (STP stands for Segmentation-Targeting-Positioning). After dividing the market into several market segments based on specific indicators and selecting one or more from those market segments to be used as the target market, the next step is to determine company's position in the minds of consumers.

Positioning according to the definition of Ries& Trout (2002: 3): "Positioning is the first body of thought to come to grips with the problems of communicating in overcommunicated on society". Positioning is something you do to the minds of prospective consumers, namely placing the product in the minds of prospective consumers through communication.

According to HermawanKartajaya (2004: 11), Positioning is "The strategy for leading your customers credibly", which means an effort to direct customers in a credible manner. Hermawan said that positioning strategy is a "being strategy": our efforts to build and gain the trust of customers.

According to Kotler (2007: 375), Positioning is the act of designing an offer and company's image in such a way that it could occupy a distinctive position in the mind of its target customers compared to other competitors. The final result of positioning is the creation of a proper value proportion, which is the reason for customers to buy a product or service.

According to Kasali (1998: 256), positioning is a communication strategy to enter the window of consumers' brain, so that the product / brand / name of a product could contain a certain sense which in some ways may reflect benefits of the product / brand / name in the form of an associative relationship.

According to Kartajaya, et al, (2004: 62), there are four criteria to determine positioning based on the study of 4C Diamond in the Sustainable Marketing Enterprise model. The four criteria are: Customer, Company, Competitor, and Change defined as follows:

1. Based on a review of the customer (Customer). Positioning must be perceived positively by our customers and become their reason to buy.
2. Based on analysis of company's internal strength capabilities (Company). It is said that the positioning should reflect the company's strength and competitive advantage.
3. Based on the review of competitors (Competitor). Positioning must be unique, so costumers can easily differentiate between themselves and the competitors.
4. Based on the study of changes in the business environment (Change).

Positioning should be sustainable and relevant to a variety of changes in business environment, such as the change of competition, customer behavior, socio-cultural, and so on.

Positioning describes a strategy on how companies differentiate product compared with competitors in the minds of consumers. Positioning is done to create a good image that a company hopes, in such a way that there is a direct relevance to how consumers in a particular market segment perceived the company.

Thus, positioning is the action to get a gap in the minds of consumers so that consumers have the perception and imagery specific to the product and the company.

Product Positioning Strategy

The positioning process always starts with product positioning. This opinion was expressed by Regis McKenna (1985) in YuliPrihartini (2008: 20) which proposed the definition of product positioning as follows: 'The positioning process should begin with the product themselves. To gain a strong product

positioning, a company must differentiate its product from all other products on the market. The goal is to give the product a unique position in the market place.

The above definition implies that the positioning process must begin with the product itself. To achieve strong product positioning, a company needs to differentiate into many factors: technology, price, quality, distribution channels or target customers.

Product positioning is intended as a strategy to put a good image of the product in consumers' mind, so that our products look superior to competitors' products. Critical concern is how to make consumers have a same perception with our company about the products we offered.

According to Kotler, 2006: 265) in YuliPrihartini (2008: 21), some product positioning strategies that can be undertaken by the company in marketing its products to target markets are:

1. Positioning by attributes
2. Positioning by benefits
3. Positioning according to its application and use
4. Positioning according to the user
5. Positioning by competitor
6. Positioning by product category
7. Positioning by price

Positioning by Attributes

Positioning is done by highlighting products' attributes/characteristics that are superior in comparison to other competitors. According FandyFrendyPrasetyaTjiptono (2011: 44), positioning based on characteristics is done by associating a specific product attributes, with specific characteristics or benefits to customers.

Selection of attributes that will be the basis of positioning should be based on these six criteria:

1. The degree of interest (importance). It means that these attributes are very valuable in the eyes of customers.
2. Uniqueness (distinctiveness). It means that these attributes are not offered other companies. It could also attribute it packed more clearly by the company than its competitors.
3. Communicability. It means that these attributes can be communicated simply and clearly, so that customers can understand.
4. Preemptive. These attributes can not be imitated by competitors.
5. Affordability. This means that the target customers will be able to pay the difference or uniqueness of these attributes. Each additional fees for specific characteristics deemed commensurate value added
6. Profitability (profitability), meaning that the company is able to earn additional income by accentuating the differences.

Based on the above, product attribute indicators that are used to determine the purchase decision in this paper are:

1. Degree of interest (importance)
2. Uniqueness (distinctiveness)
3. Communicability (ability to communicate)

Positioning by Benefits

This method has an intention that the product is positioned as leader in a particular benefit which associated with more benefits given from that product. According to Michael Porter cited in dokterbisnis.net positioning benefit based on the advantages of the product in satisfying the needs, desires and consumer's taste. Based on the above, positioning indicators used to determine the benefits of purchasing decisions in this research are:

1. Needs
2. Desire
3. Taste

Positioning according to its Use and Application

This is done by highlighting a set of values penggunaan application. Positioning is based on the use or application of the product can use multiple positioning strategies although each additional strategy is to invite trouble and risk.

Often a positioning strategy based on the use is used as a second or third position which is designed to develop the market. Because Starbucks Coffee products are categorized as non-durable products and service products, positioning based on the adoption and use of derivatives is not used as a variable in this study.

Positioning according to the User

This means positioning the best product for a number of user groups, or in other words, the product is aimed more at a community or more. Or in other words according to the user's positioning is done by associating a product with personality or type of product users. Based on the above explanation, competitor positioning indicators used to determine the purchase decision in this study:

1. Trademark Association
2. Social Status
3. Pride

Positioning by Competitor

This is attributed to the competition position with company's main competitor. Often this kind of positioning is used to convince customers that one brand is better than the market leader brand for certain characteristics. Overall products put forward its brand name fully and better positioned than its competitors. Therefore, based on the above explanation, competitor positioning indicators used to determine the purchase decision in this study are:

1. Comparison of Quality of Products
2. Comparison of Service
3. Comparison of Interior Design

Positioning by Product Category

This is done by positioning the product as a leader in the product category; in other words, positioning is done by switching or replacing a specific product class. Based on consumers who use them, products and services are divided into two categories, namely: (Laksana, 2008: 69-73 in Bintua, 2011: 10)

1. Consumer Goods (consumers goods)
2. Goods Industry (capital goods)

Based on the research done by Sefnedi (2013), Hendri and Sumanto (2010), variable measurements of the products used in this research adapt a combination of both researchers as it is more suitable with the above objects, namely marketing research services, which are:

1. Program expertise / courses offered
2. Compliance membership programs / majors with the labor market
3. Accreditation
4. Technology modern equipment
5. Completeness of service
6. Quality of membership programs / courses offered

Positioning by Price

This positioning is trying to create a high quality impression or image through higher prices, otherwise emphasize low prices as an indicator of value. Here the product is positioned to provide the best value. Thus, the indicators used in product attributes that determine purchasing decisions are:

1. Suitable amount of the education cost
2. Reducing the cost of education
3. Ease of payment / waivers
4. Term of payment

Purchasing Decision and Its Definition

Purchasing decision (i.e. buying decision) is the selection from two or more alternatives of the purchasing decision choice, which means that whenever one wants to make a decision, there should be some alternative options available. The decision to purchase can lead to how the process is carried out in the decision (Schiffman and Kanuk, 2008).

Setiadi (2003) defines that the core of consumer decision-making is a process of integration that combines knowledge to evaluate two or more alternative behaviors, then choose one of them. The results of this integration process is an option presented cognitively as a desire to behave.

According to Engel (1995) purchasing decision is a process to formulate various alternative measures to impose choices on one of the alternatives. While Kotler and Keller (2011) defines purchasing decision as a problem solving process that consists of analyzing or recognizing the need and desire, information retrieval, assessment resources, the selection of alternative purchases, purchasing decisions, and behavior after purchase.

Based on the definition above, it can be concluded that purchasing decision is a consumer behavior which draws how consumer determine his/her choice of products and services as the process of selecting alternatives to achieve his/her satisfaction of needs and desires, including problem recognition,

information search, evaluation of alternatives purchase, purchasing decisions, and behavior after purchase.

Purchasing Decision Process

Purchasing decisions can be seen more clearly through a process that provides a holistic view about the determinant variables, including the activities of consumers in achieving the best decision. Here are the five stages of consumer's purchasing decision process according to Kotler and Keller (2011):

1. Introduction Problems / Needs

The purchasing process begins when the buyer realizes a problem or need that is triggered by internal or external stimuli which later became the impetus that trigger thinking about the possibility of making a purchase. Buyers feel the difference between the actual state of the state wanted. Among consumers, there seems to be two styles of recognition of different needs or problems. Some consumers is a type of the actual situation, who feel that they have a problem when a product can not function satisfactorily. In contrast, other consumers are the type of desired state, which for those craving something new to be able to drive the decision process.

Marketers must identify specific circumstances that trigger a need to gather information from a number of consumers to develop marketing strategies that sparked the interest of consumers.

2. Information Search

At this stage, consumers whose needs are intrigued will be compelled to seek more information either actively or not. There are two levels of involvement with the search. First, attention is sharply lower search state in which a person has only become more receptive to information about a product. Second, the active information search where someone looking for reading material, let's say, a friend, do online activities and learn about the store to know about that product.

Consumers usually try to remember before seeking various sources of external information regarding the needs associated with the consumption of certain. Past experience is regarded as internal information sources. The greater the relation to past experience, the less external information that may be required consumers to reach a decision. Many consumer decisions are based on the combined experience of the past (internal resources) and noncommercial marketing information (external source). The level of perceived risk may also affect the stage of the decision making process. In high risk situations, consumers may be involved in the search and evaluation of complex information; in low risk situations, they may be using tactics of search and assessment information is very simple.

The main sources are divided into four groups: (1) personally, through family, friends, neighbors, colleagues. (2) commercial, through advertising, web sites, sales representatives, distributors, packaging, display. (3) the public, through the mass media. (4) Experimental, through handling, inspection, use of the product.

3. Evaluation of Alternatives

The basic concepts to understand the evaluation process are: (1) consumers trying to satisfy their needs (2) consumers seek certain benefits of the product solution. (3) consumers see each product's attributes as a group with the ability to deliver a variety of benefits to satisfy the needs. In other words, consumers seek the benefits of a product and compare with other products in order to select which products are appropriate and in accordance with their needs, desires, and ability to purchase.

4. Purchase Decision

Consumer purchasing decisions are influenced by two factors, namely the consumer perception of the product or brand chosen and other influences such as another customer's behavior or unexpected situations.

Consumers do three types of purchases: trial purchases, repeat purchases and the purchase of long-term commitment. When consumers buy a product (or brand) for the first time in lesser amount than usual, this purchase will be considered as an experiment. So the trial is a phase of buying behavior did in exploratory gesture, in which consumers try to assess a product via direct consumption.

If a brand new category established products (for example, a toothpaste) based on perceived trials is more satisfactory or better than other brands, consumers may repeat purchases. Repeat purchase behavior is closely related to the concept of loyalty to the brand, which is cultivated by most companies, because it contributes to greater stability in the market. Unlike a trial, where consumers use the product in small quantities and without any commitment, repeat purchase usually signifies that the product meets consumer's consent and that he/she was willing to wear it again and again in larger quantities.

Experiments of course is not always possible. For example, for more durable goods such as refrigerators, washing machines, and electric stoves, consumers usually switch directly from an assessment of the long-term commitment (through purchase), without a real agreement to trial.

5. *Conduct post-purchase*

When consumers use a product, especially during a test purchase, they assess the performance of these products according to their expectations. There are three assessments that may arise: (1) the actual performance in line with expectations that cause feelings neutral; (2) the performance exceeded expectations, leading to what is known as the fulfillment of a positive expectation (that cause satisfaction); and (3) the performance below expectations, which lead to the fulfillment of expectations negatively and dissatisfaction.

As marketers we need to observe the behavior of post-purchase consumer because the consumer may experience conflict due to see or hear alarming features of the fun things about other brands and alert to information that supports decision.

Things need to be observed are (1) post-purchase satisfaction, satisfaction is a function of proximity between the expectations and assumptions performance products. If the performance does not meet expectations, consumers disappointed. If you meet the expectations of consumers satisfied. If you exceed expectations, consumers are very satisfied. (2) The act of post-purchase, satisfied customers tend to say things that are good about the brand to others. On the other hand, consumers who are disappointed may ignore or return the product. (3) the use and the elimination of post-purchase, the driving frequency is the level of sales of consumer products, the sooner the buyer to consume a product sooner they return to the market to buy it again.

Briefly, purchasing decisions begin when buyers are aware of a problem or a need that is triggered by internal and external factors which later became the impetus for possible purchase by first seek information from various sources to meet the needs and desires. From the information that was obtained, the buyer will conduct an evaluation to determine the options according to your needs and desires in which factors of satisfaction and the benefits of better product that will be chosen. The next step is making purchasing decisions which are influenced by the prospective buyer's motivation and attitudes of others who influence purchasing decisions and the latter how consumer behavior after using the product of his/her choice. When he/she was satisfied he/she would say good things about the product to others, otherwise he/she may be ignoring these products or even possible to get rid of it.

Factors Influencing Purchasing Decisions

According to Schiffman and Kanuk (2008) As for factors that influence purchasing decisions are (1) the marketing mix, (2) socio-cultural environment, (3) the psychological field, which can be classified as follows:

1. The marketing mix (marketing mix) consist of product, price, promotion and distribution are known as 4P. As for services 7P by adding the elements of process, people and physical facilities.
2. Social and cultural environment consisting of families, resources, other non-commercial sources, social classes and sub-cultures.
3. Psychology consists of motivation, perception, knowledge, personality and attitude.

Measurement Purchasing Decisions

According to Kotler and Keller (2011) measurements purchase decision variable refers to the indicators is the decision-making process, namely:

1. Introduction to the problem needs
2. Search information
3. Evaluation of alternatives
4. The decision of purchase / selection
5. Conduct post-purchase / post-election

While variable measurement of consumer purchasing decisions according to Schiffman and Kanuk (2008) based on a model of consumer purchasing decisions comprising:

1. Input, which consists of the company's marketing efforts, sociocultural environment and psychological fields.
2. The process, which consists of the introduction of the needs, research before purchasing and assessment of alternatives.
3. Exodus, which consists of purchasing behavior and post-purchase ratings.

To measure the purchase decision variable in this study refers to the decision-making process indicators dikemukakan Schiffman & Kanuk (2008), namely:

1. Introduction to the problem needs
2. Searching for information
3. Evaluation of alternatives
4. The decision of purchase / selection
5. Conduct post-purchase / post-election

PREVIOUS STUDIES

Prior studies are very important to prove the theory as well as to serve as a basis for making the research model/conceptual framework and formulating the hypotheses. Some previous studies that are relevant with variables discussed in this paper are as follows:

The Influence of Positioning on Purchasing Decisions Positioning is about how company's brand can go inside and dominate the minds of customers. Consumers are often faced with too much information about products and services. They might not re-evaluate the product every time when making a purchase, whereas in their minds every product or brand will be grouped into several categories. Determining the position is not what marketers do with the product, but rather an activity performed by the marketers on the minds of potential customers so that the product can be implanted with the right position in the minds of customers. Thereby it is expected to improve consumers' purchasing decisions.

The main idea that needs to be done in an attempt to nail a message inside a person's mind is not at all related to that message, but is precisely the mind itself (YuliPrihartini, 2008: 33). Clean mind is the mind that has not been polished by other brands. So the role of positioning is an organized system in an effort to find a right thing at the right time in one person's mind. Positioning strategy that is well made by a company will create a good product image in consumers' minds. It will eventually be able to drive a consumer decision to buy and use the company's products. Thus it can increase the volume of purchasing that company's products.

There was a study conducted by Sandy WulanKaramoy on "Segmenting Strategy, Targeting, Positioning, And Its Effect on Consumer Decision to Use Product KPR BNI Griya" with some results indicating the effect that positioning strategy is affecting consumer's decision to buy KPR BNI Griya products. This is in accordance with the opinion of Kasali (2001: 295), who mentioned that positioning is the determination of offering action position and image of the company to fulfill a distinctive position in the minds of customers (Kotler, 2008). Based on the research is that the positioning of KPR BNI Griya is highlighting the product benefits as its positioning. BNI happened to position KPR BNI Griya products as products that have a good credit quality with credit terms and penalties that do not burden consumers. In addition, the bank also has employees who have knowledge of credit that could provide maximum service and explanation to the debtor.

Based on the theory and the results of previous studies above it can be developed first hypothesis as follows:

H1: Positioning positive and significant impact on the decision of the selection Private university campuses in the province of Jambi.

SUGGESTION

Porter has successfully discourse on strategic management and conduct positioning military strategy to be applied into business. However, there are still weaknesses in the theory of positioning itself. In Porter's flow of positioning, strategy focus has become narrow. This flow directs strategy into generic solutions and not a unique perspective. Value strategy as a unique art and creativity tend to be ignored by Porter. This often leads to failure in developing creativity, especially to face uncertainty in the business world.

The positioning flow focus is too narrow that only emphasizing on economic issues and quantitative data rather than social and political issues or qualitative economic data. Narrower study context as shown in various existing matrices, positioning flow experiencing some biases such as on large businesses which usually is the least effective in competing in a traditional manner. Moreover, bias also happened on company's external conditions, especially in the industry and competition, which have become more sharp due to internal company policies. In the process, this flow is more involving calculations behind the counter and keeping analysts out of the field. Clearly such a process can be unhealthy because of lacking respect for emotional involvement in corporate strategy development process.

RESEARCH IMPLICATIONS

Based on the problem formulation, the purpose of this research, and the development of hypotheses, we develop our research model or conceptual framework in this study as follows:

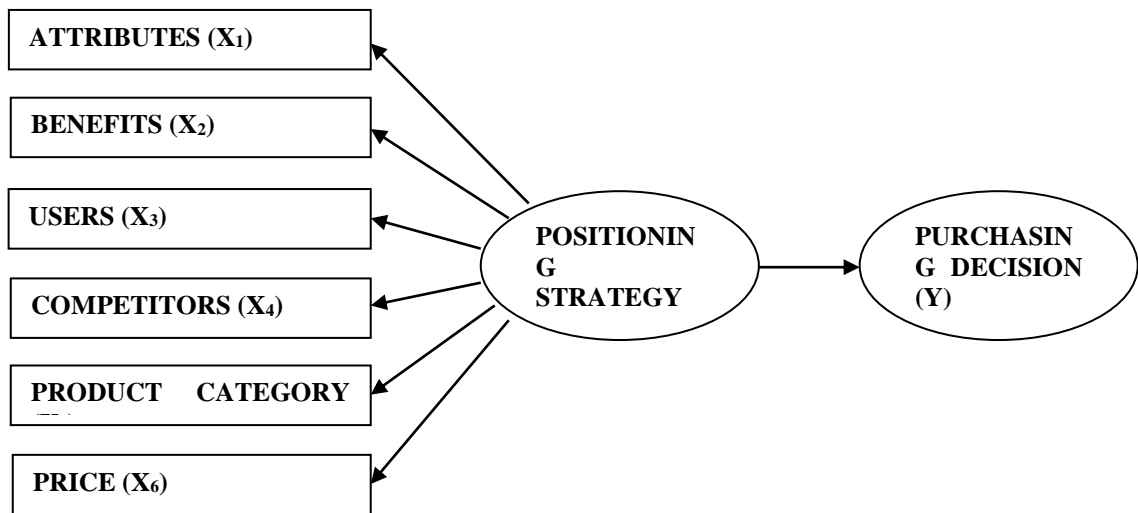


Figure 1. Research Framework

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THE INFLUENCE OF BRAND PROMINENCE ON CONSUMER ATTITUDE AND PURCHASE INTENTION OF LUXURY FAKE PRODUCTS

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Abstract. This study is to investigate consumers' intention to buy counterfeit luxury products. Specifically, it attempted to answer the questions: (1) Do counterfeit luxury products advertised with logo of a prominence brand attached on it affected consumers' attitude function and their purchasing intention to buy? (2) Do counterfeit luxury products advertised without attaching logo of prominence brand affected consumers' attitude function and their purchasing intention? (3) Do consumers' attitude function affected counterfeiting luxury brand influence their intention to purchase? The study used experimental approach in which the advertisement of luxury brand handbag (Louis Vuitton) was managed to be stimulus variable that would affect consumer attitude and consumers-purchased intention. The designed experiment involved group-control group and between subject with design factorial (2 Brand prominence: logo luxury brand and no logo) x 2 (attitude function: social-adjusted and value-expressive). MANCOVA test was used to ascertain the differences between the treatment groups. Data was collected using questioners distributed to 160 undergraduate students of the Faculty of Economic and Business of Jambi University. The results revealed that intention to purchase counterfeit luxury handbag (Louis Vuitton) advertised with logo of prominence brand attached on it was higher compared to that of advertised without logo of prominence brand attached on it. Counterfeit luxury products advertised using social-adjusted theme had higher effect on consumers' attitude compare to that of advertised using value-expressive theme at significant value ($F= 16,448$, $p 0,383 < 0,05$). It was evidence that consumers had positive attitude toward counterfeit luxury brand and also had positively influence to their intention to purchase the counterfeit luxury brand at significant value ($P=0,038 < 0,05$).

Keywords: *Counterfeit Luxury brand, brand prominence, attitude function, Purchase Intention.*

INTRODUCTION

Counterfeit luxury products are currently fairly easy to be found in the market, especially in Indonesian consumer market. These sort of products are commonly known as KW products. KW is an acronym of "kualitas" to indicate that they are not original products. The number following the KW (ranging from 1 to 3) symbol indicates the quality level of the products, such as KW1 has higher quality than KW2 and higher than KW3. The lower the quality of the counterfeit product the lower its price. Generally, most female customers considers that it is common to buy handbags of any luxury brand, even if it is counterfeited. This is the way how they demonstrate to others about their social class.

A study about counterfeit products in 12 industry sectors within the period of 2002 to 2005 by Masyarakat Indonesia Anti Pemalsuan (MIAP - an Indonesian Society who against counterfeiting) in collaboration with Lembaga Penelitian Ekonomidan Masyarakat of the Economic Faculty of University of Indonesia (LPEM-FEUI - a research institution for Economy and Society), revealed that the act of counterfeiting product in shoe, textile, garment, smoke and pesticide industries had cost Indonesian government about 4,4 trillion rupiahs. This figure was not including government lost resulting from counterfeiting software products (<http://www.terbaca.com>).

The phenomenon of counterfeiting and consumption of counterfeit products in the consumer market increasingly difficult to stop since the 19th century and it occur in almost all parts of the world (Sahin and Atilgan, 2011). Consumers buy counterfeit products to show their value-expressive and social-adjusted as part of social identity attitude (Niadan Zaichkowsky, 2000). Customers also buy counterfeit products by reason of their economy disadvantage (Cordell, Wongtada, and Kieschnick. 1996).

This research aimed at investigating the following research questions: firstly, do counterfeited luxury products advertised with logo of a prominence brand attached on it affect consumers' attitude function and their purchasing intention to buy? Secondly, does a counterfeit luxury product advertised without attaching logo of prominence brand affect consumers' attitude function and their purchasing intention? Thirdly, does consumers' attitude toward the act of counterfeiting luxury product influence their intention to purchase?

THEORETICAL FRAMEWORK

Luxury Product and Piracy

Luxury products refer to products which display a particular branded product that brings prestige on the owner, apart from any functional utility (Grossman & Shapiro, 1988a). Luxury products are often very expensive and exclusive, such as Cartier, Chanel, Hermes, Louis Vuitton, Mercedes Benz, Rolex, and Tiffany. As a result, many consumers purchase luxury products primarily for symbolic meanings (Dubois & Duquesne, 1993), or to show their value expressive and social adjusted as part of social identity attitude (NiadanZaichkowsky, 2000).

Due to its high price and exclusiveness, many luxury products are counterfeited to respond to consumers' demand. Those counterfeit luxury products are produced by an act of piracy. The piracy of products are done by naming a product in a manner which can result in confusion with other better known products. According to Tonnis (2007) the terms of brand piracy is unauthorized usage of protected brand names, labels, designs or description of trade. The act of piracy and trading counterfeit products is an act of reproducing a brand that already have a trademark (Cordell, Wongtada, and Kieschnick, 1996) which is very similar to its original brand. The act counterfeiting is also done to packaging, labeling, and trademark, which is done on purpose (Kay, 1990; Ang, Cheng, Lim, and Tambyah, 2001)

The consequence of trading counterfeit products is that it closes off competition as competitors first get attracted by the high price margin being enjoyed by the original and then have to wage a price war against low price counterfeiters (Hollensen, 2009).

Brand Prominence and Purchase Intention.

Brand prominence is often associated with emblem or logo. Han, Nunes and Drèze (2010) proposed that consumer social objective is fulfilled with the availability of product prominence. According to Aaker (1991) logo helps consumers to distinguish products or services offered by competing companies (Wilcox, Kim, and Sen 2009). Belch dan Belch (2009) posit that purchase intention is a tendency to buy a certain brand, and it is part of purchasing decision process, which is happened after searching information and evaluation alternatives. Wilcox, Kim dan Sen (2009) suggested that prominence logo, attitude function, and moral believe influence consumers preference to buy a brand. Particularly when consumers were given social-adjusted treatment in term of advertisement theme as a stimuli. Meanwhile, Han, Nunes&Drèze (2010) revealed that brand prominence of luxury branded products had positive influence on purchase intention of counterfeit products. Han, Nunes dan Dreze (2010) elaborated how famous brand indicated person's social class. They observed that consumers who enjoy consuming brand prominence products and related it to reference group.

Hypothesis development

The presence of logo of prominence brand on a product can help consumers to achieve social objectives (Wilcox, Kim dan Sen, 2009) because Logo of luxury branded products can express prestige and status symbol of luxury branded products (PhaudanTeah, 2009). By presenting logo of prominence brand on a counterfeit product, people would recognize it is a luxury brand and, therefore, it conveys to other people that the consumers had higher social status. It is consistent with Han, Nunes&Drèze (2010) who contend that a person's social status and financial resources can be predicted via the logo of prominence brand assigned to handbag that she wear out. Therefore, prominence logo can influence consumers' social-self concept. People in her social environment would recognize that she had sound financial resources and suggested that she had affordability to buy luxury branded handbag. Accordingly, prominence brand can also improve consumers' self-social concept as well as consumer's attitude (Sweeney dan Shoutar, 2001). Hence, we propose the following hypothesis:

H1a,b : Counterfeit luxury branded products advertised with brand prominence logo presented on the product will have more influence on consumers intention to buy compare to that of without presenting brand prominence logo on the product.

Attitude function enabled consumers to effectively express their attitudes toward an attitude object. Shavitt (1989) described that attitude function involved value-expressive and social-adjusted. Consumer may involve in one of these attitude functions or both at the same time when they come to a decision to buy counterfeit products. The attitude object in this context is the advertisement of a counterfeit product as stimuli. Counterfeit product advertised using certain attitude function theme is expected to be able to help consumers identifying their attitudes toward counterfeiting products.

Logo of brand prominence and consumer attitude has positive relationship. On one side, attitude function play important roles in consumers social interaction (Shavitt, 1989). On the other side. Consumers social objectives will be achieved by the presence of logo on the products (Wilcox, Kim, and Sen, 2009). Therefore, logo of brand prominence and attitude function can help consumers to determine their attitude toward counterfeiting and their intention to buy counterfeit products.

H2 : Counterfeited branded products exposed by presenting brand prominence logo on it and without presenting brand prominence logo on it will affect consumers' attitude toward counterfeiting branded products.

Purchase intention is predisposition or willingness to buy certain brand or product (Solomon, 2009). According to the Theory of Planned behavior (TPB), purchase intention is determined by attitudes (Phau&Teah, 2009). Attitude is a learned predisposition to respond to a situation in a favorable or unfavorable way (Huang, Lee, & Ho, 2004). The relationship between consumer's attitude and their intention behavior have been extensively studied in the marketing literature. In the context of counterfeiting products, there are many evidence indicating positive relationship between consumer's attitudes and their

behavioral intentions. Among the evidences are studies by Ang, Cheng, Lim, and Tambyah, (2001), De Matos, Ituassu, and Rossi. (2007), and Wilcox, Kim, and Sen. (2009). The positive influence of attitudes on intention to buy has also been confirmed in music piracy context (e.g., Chiou, Huang, and Lee, 2005), in software piracy context (e.g. Goles, Jayatilaka, George, Parsons, Chambers, Taylor and Brune. 2008), and in the digital piracy context (e.g., Cronan and Al-Raffee, 2008). According to Wee, Tan, and Cheok, (1995), the more favorable consumer attitudes towards counterfeiting are, the higher the chances that consumers will purchase counterfeit brands. Therefore, we proposed the following research hypothesis:

H3: Cosmumers' positive attitude toward counterfeited branded products positively influence the consumers's intention to buy.etermination of the position of price or quality.

The model this study is as follow:

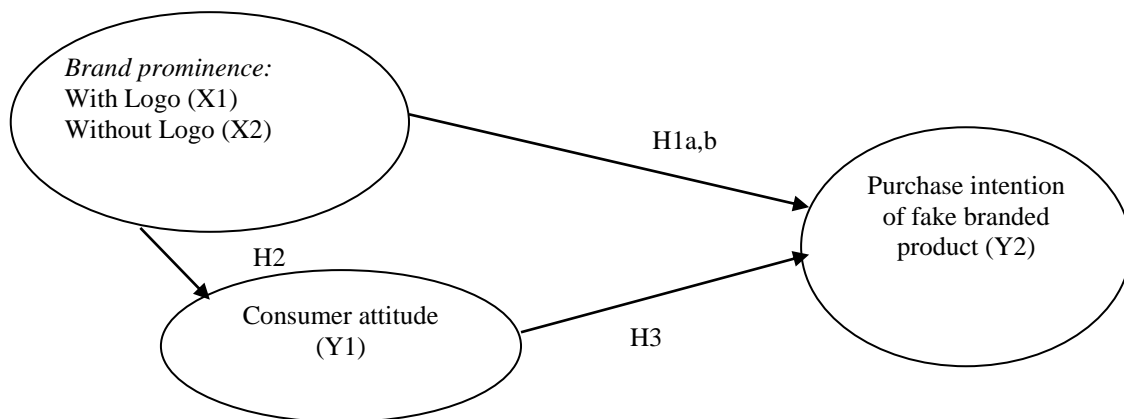


Figure 1. Research Framework

RESEARCH METHODOLOGY

Research design

This research uses an "experiment group-control group design" which compare a group of participants who are given certain treatments and another group of participants who are not given certain treatments (control group). Counterfeit luxury brand (Louis Vuitton handbag) advertisements were used as a stimulation. This experimental design is to reveal the influence of counterfeit Louis Vuitton handbag advertised with and without prominence logo attach on the handbag on attitude function and intention to purchase. The effect is analysed using between subject approach in which different participants will be observed in different experiment.

Independent Variable (X) is a manipulated variable which is a counterfeit luxury handbag. This variabel consists of a counterfeit luxury handbag exposed with logo of brand prominence (Louis Vuitton logo) attached on it (X1), and counterfeit luxury handbag exposed without logo of brand prominence (X2). Their effect are measured and compared (Malhotra, 2007). Dependent Variabel (Y) consists of consumers' attitude toward counterfeiting luxury products (Y1) and consumers' intention to purchase counterfeit luxury handbag (Y2).

To measure variable intention to purchase, a five point scale is applied where 1 = definitely will not buy, and 5 = definitely will buy. Consumer attitude referred to social self-concept, and its indicators were adopted from Han, Nunes, and Drèze (2010). To measure the items, a five point Likert scale (1 = strongly disagree and 5 = strongly agree) was applied. Attitude Function describes how attitude facilitate person's behavior. There were two attitude function being measured: value-expressive and social-adjusted. To

measure these attitude function (value-expressive and social-adjusted), we adopted an instrument created by Grenwal, Raj, and Frank (2004). The items related to both value-expressive and social-adjusted attitude were measured using Likert's scale: 1 = "strongly disagree" and 5 = "Strongly agree."). Meanwhile, advertisement for social-adjusted stimuli is given code 1, and advertisement for value-expressive stimuli is given code 2. Brand prominence of luxury brands can influence consumers' social goals (value-expressive and social-adjusted). Brand prominence of luxury brand is associated with Logo or emblem. We used nominal scale to measure brand prominence. Participants are exposed to advertisement of handbag with Louis Vuitton Logo attached on it and it is given code 1. While the advertisement of handbag without logo attached on it is given code 0.

Data Collecting

Preliminary study

Preliminary study was conducted to search information about products and luxury brands of highly adored by participants. Suartha (2011) found that handbag, perfume, and wallet are among the luxury products that are most chosen. In this study, therefore, handbag was chosen as the prominence and luxury brand and also because its price was affordable to undergraduate students.

Pretest

Pretest was conducted to understand the research object. It was done to 40 undergraduate students at the Faculty of Economic and Business University of Jambi, Ten students were assigned as participant for each treatment.

Main test.

Main test was applied by distributing questionnaires to the participants. This questionnaires was used to measure participants' response to the treatment they received. Measuring was conducted after participants receive stimuli in the form of handbag advertisement and questionnaires

Participants

The participants of this research are undergraduate students at the Faculty of Economics and Business of Jambi University. Students selected as the samples were those who have used counterfeit products. Total samples were 160 students and they were divided into 4 groups each group consists of 40 students.

Manipulation and Control

Manipulated independent variable which is also called treatment, and the result of the treatment is known as effect of treatment (Sakaran, 2006). This research used experiment group-control group design which mean an experiment that compares group control and treatment group. This factorial experiment design is consists of 2 (brand prominence with logo and without logo) x 2 (customer attitude) with advertisement of fake Louis Vuitton handbag without Logo on it which is manipulated by removing the logo. The followings pictures are examples of stimuli which is the advertisements of counterfeit Louis Vuitton handbag with logo and without logo assigned to it:

Method of Analysis

Factor loading and reliability analysis were conducted to examine the validity and reliability of the items in the questionnaire. Validity of the instrument is examined by conducting Pearson correlation to total items. If Pearson correlation > 0.3 , the instrument is stated as valid. Reliability analysis is also conducted to examine the accuracy of the measurement. The reliability is determined by Cronbach's alpha coefficient. Limits to the value of the load factor is very good and reliable measurement if value greater than 0.6 (Malhotra, 2007).

Check manipulation was conducted on prominence Logo and participants' attitude function in order to discern whether the manipulation done to the stimuli consistence with participants' perception. To measure the prominence of the logo on the counterfeit luxury handbag which had been manipulated, we used two items to examine whether participants realized the prominence of the logo or not. The two items were as follow: (1) Does the handbag in the advertisement show the logo of Louis Vuitton? and (2) Does the logo of Louis Vuitton on the handbag in the advertisement is clearly seen? Both the advertisements were exposed to 160 undergraduate students. Each participants was provided with only one advertisement of counterfeit Louis Vuitton handbag that had been manipulated (between subject).

MANCOVA analysis was conducted to examine mean variations of several data groups. If the results indicated there were variations on the mean, the analysis was proceed to post hoc. The difference effect among the groups was interpreted to be significant if the MANCOVA value < 0.05 (Ghozali, 2006). Paired t test was also conducted to discern whether there was variation on every treatment could be

observed from the table of significance. If counted t value less than t value on table, it could be inferred that there was no variation on each group treatment, and vice versa.

GENERAL RESULTS

Participants were identified by year of entering University, income, and counterfeit luxury brand that they considered to buy and intended to buy. Based on the year of entering university, 160 participants were those entering the Faculty of Economic and Business within period of 2009 to 2014. Majority (31%) of participants had income (money received from their parents) were Rp.500.000 to Rp.1.500.000 a month. It could be presumed that the participants afford to buy a counterfeit luxury brands, such as fashionable accessories. Category of counterfeit luxury brands most wanted by participants among 5 product categories was handbag (67=42%).

It was related to characteristics of participating students who could take appropriate knowledge (savoir-faire) into their social environment, and the handbag had changed its function into something of prestigious to them. Among the 5 alternative of luxury handbag brand choices (Guess, Louis Vuitton, Hermes, Gucci, and other brand), Louis Vuitton brand was the most appeal and most wanted by students (57=37%)

DISCUSSION

In testing hypothesis 1b, it was evidence that consumers intention to purchase counterfeit branded products without presenting logo of prominence brand on the product was fairly high, particularly when consumers performing social-adjusted function. In addition, consumer perception on value-expressive function and their intention to purchase both showed positive attitude toward counterfeiting brand and toward intention to buy. This finding consistence with the result of empirical study done by Wilcox, Kim, and Sen, (2009). In their study, they agreed that non-deceptive consumers tended to choose luxury branded products with logo of prominence brand presence on the products because it was for their social-interest orientation, or being a mean to show their status symbol. Due to the object of this study were counterfeit brands, most participants considered that counterfeiting luxury branded products practice would not cost the original products producers.

However, the result of testing hypothesis 1b showed that consumers' intention to buy was high for counterfeit products that had no logo of prominence brand presence on the products when they performed value-expressive of attitude function. The result of an interview with participants of control group revealed that most participants were comfortable using products that had no logo of prominence brand attach on the products. This finding was supported by Han, Nunes and Drèze, (2010) who found that there was negative relationship between logo attached to a luxury brand and consumers' intention to buy. This empirical results is also consistence with the testing of brand prominence hypothesis. It revealed that counterfeit products advertised with or without logo of prominence brand attached on it and advertised using social-adjusted theme, was higher than that of advertised using value expressive theme. For the most part of non-deceptive consumers, they did not interested in choosing handbag where there was logo of prominence brand attach on it because they were already knew that the products were counterfeited. Consumers who perform attitude function of social-adjusted tended to use counterfeit products because these type of consumers had weak internal value to make decision. They have positive attitude toward counterfeiting and therefore preferred counterfeit products (Wilcox, Kim, and Sen, 2009).

In this research, students were supposed to represent consumerism culture who tended to choose social-adjusted attitude in relation to luxury brands. Students also had positive attitude toward counterfeiting because they were looking for things which were innovative, up to date, as well as had high social value.

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THE PSYCHOLOGICAL CONTRACT IN IMPROVING ORGANIZATIONAL CITIZENSHIP BEHAVIOR (OCB) AND THE ATTITUDE OF EMPLOYEES AS MEDIATOR VARIABLES (STUDY OF COMPARISON ON STATE-OWNED ENTERPRISES, REGIONAL-OWNED ENTERPRISES AND PRIVATE STATE-OWNED ENTERPRISES IN JAMBI PROVINCE)

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Abstract. The main goal of this research is to describe the form of psychological contract between State-owned enterprises, Regional-owned enterprises and private-owned enterprises in Jambi Province as well as building a model theoretical physicist on the main mechanisms of psychological contract against OCB with attitude of working as a mediator variable. The model of theoretical physicist of the psychological contract is formulated from two patterns of relationships: (1) direct relationship patterns (2) the relationship of patterns of mediated. The research design used was the research survey, which tested the theory in empirical models with data collected from State-owned enterprises, Regional-owned enterprises and private-owned enterprises in Jambi Province. Hypothesis research provides strong support against the view; (1) the psychological contract has a positive influence on attitudes towards work, (2) a work has a positive influence attitudes towards the OCB, (3) psychological contract has a positive affect toward the OCB, (4) psychological contract has a positive affect toward the working attitude through OCB as mediator.

Keywords: *Psychological Contract, OCB, Work Attitudes, Patterns Of Direct Relationship, Mediator.*

INTRODUCTION

Based on the experience of the 1998 economic crisis, Indonesia has taken place in the mass LAYOFFS for the first time. Employees expect jobs for life, but all those around them are being laid off. From experience this is the existence of the psychological contract is very necessary. The psychological contract is a philosophy of working relationship regarding the hope of return back between employees and organizations about what being a liability and what will be provided as reciprocal to each other. The psychological contract arose when employees consider its contribution to the Organization bore obligations which must be replied to the Organization (Guest, d. E, 2004b).

The psychological contract is a conviction that the company and its employees will respect each other and have a relationship of convenience. The behaviour and attitude of employees in the workplace are based on the perception of employees about their obligations to the company. The psychological contract should therefore continue to evolve and are structured in cycles, such as the human resources at the time of recruitment, performance appraisal, training and compensation discussions (Cassar, V, 2004). The contract covers the psychology of hope and obligation between the giver and receiver job. While some parts of the relationship are clear and agreed upon, the other part is based on the understanding of the implied promises (Michael Armstrong, 2006).

Although the psychological contract is a conviction that the company and its employees will respect each other and have a relationship of reciprocity but critical problems of psychological contract indicating that the breach of contract against the potential negative impact of psychological employee or organization. Turnley & Feldman (1999) suggests that the breach of the psychological contract by the employer have an impact on the growing number of workers who left the Organization, increasing protests and rejection of the policy of the Organization, as well as a decrease in worker loyalty. Nadin & Williams (2012) highlights that related research tend to be one-sided, more research highlights impact of breach of contract committed employer but less highlighting the breach of contract committed by workers. Therefore, the process of the psychological contract should indicate the impact happens to employees or organization when it breached the psychological contract, so the impact of psychological contract can achieve the desired results.

It is an important relationship between individuals within an organization. Three of the workers at the behavior mentioned above by Katz (1966) explains that: "three (3) categories of worker behaviour, namely (i) the individual is bound and is in an organization, and (ii) must complete a special role in an occupation, and (iii) must be attached to the innovative and spontaneous activity exceeds the perception

of its role". A third category of workers who are often referred to with the extra role behavior in the organization. Extra-role behavior is called also with Organizational Citizenship Behavior (OCB).

Organizational citizenship behavior (OCB) is a voluntary behavior, behavior exceeds the demands of the tasks, that contribute to organizational success (Sweeney & McFarlin, 1992). Behavior that became the Organization's current demands not only in-role behaviors, but also extra-role behavior (called also by Organizational Citizenship Behavior/OCB) or citizenship behavior. OCB is a unique aspect of the individual activities in the workplace. Organizations will be successful if employees don't just work on duty alone but also want to do the extra task such as willing to cooperate, give mutual help, give advice, participate actively, provide extra services to users of the service, and want to use the time it works effectively. The fact remains that the organizations have employees who have good OCB will have better performance from another organization (Robbins & Judge, 2008).

Ngasuko, 2015, (<http://www.kemenkeu.go.id>). alerts you of the news that the Institute of Management Development (IMD) which is a leading business institutions in Switzerland reported the results of his research entitled IMD World Talent Report 2015. This research-based survey that produces talented and skilled power ranking in the world by 2015. The purpose of the holding of the rating by the IMD is to assess the extent to which those countries attract and maintain a talented and skilled workforce available in her country to participate in the economy in a country. This report feels special because Indonesia is included in one of 61 countries in the world in surveys. Nevertheless, the report stated that Indonesia's ranking dropped from the rankings to rank 16-25 by 2014 be ranked 41 in 2015.

Indonesia's position is far below the position of the neighboring countries such as Singapore, Malaysia, Thailand even. Indonesia's position is also just a little bit better from the Philippines. This ranking is calculated with a specific weighting by considering three factors i.e. a factor of development and investment, factors in the attractiveness of a country, and a human resources readiness factor. Each factor is divided again into a few other details. Two factors first Indonesia has ranked relatively the same as the previous year. But for the third factor, namely human resources readiness is the most dominant figures accounted for the decrease in skilled Indonesia's ranking in the year 2015.

In 2014, Indonesia was still ranked 19th for this factor. By 2015, the ranking of the readiness of Indonesia labor fall down to rank 42. Labor's readiness factor Indonesia felt still less competitive than other countries in 2015. According to the United Nations Development Programme (UNDP), the HUMAN RESOURCE Quality Index (Human Development Index) State of Indonesia by 2015 was ranked 69 out of 104 countries. In addition, according to the World Economic Forum, the HUMAN RESOURCE Competitiveness Index (Growth Competitiveness Index) State of Indonesia by 2015 is at position 74 of 117. For the Asian region, the quality of human resources index Indonesia aligned with the West African country of Gambia, and enters into the category of low-income countries (Low Income Countries), different from the country of Singapore who now occupy the first rank. This condition indicates that Indonesia has not been so ready to face global competition. Therefore, an increase in the quality of human resources requires a serious handling for the sake of the progress of Indonesia (the site <http://www.kemenkeu.go.id>).

Human resources (HR) in this case play an important role in the achievement of the Organization's success. An organisation needs employees who are productive potential and to function. The effective functioning of the organization require employees who not only worked in accordance with his duties, but also to do things outside of your job description. This can only be achieved if the organization can develop Organizational Citizenship Behavior (OCB) (Diefendorff, Brown, Kamin, & Lord, 2002). Although OCB can be said of the individual contributions that exceed the demands of the role in the workplace, not directly related to or explicit reward system and can improve the function of effective organizations (Organs et al, 2006). However it happened, in fact currently still rare company that makes social responsibility program as part of the strategic planning of the company. First, HUMAN RESOURCES in Indonesia generally still rated low quality (the site <http://www.kemenkeu.go.id>).

The basic attitude of the identified that employees involved in the extra role behavior to respond to the actions of the organization that is enhanced through the psychological contract informally and is not shortchanged, the psychological contract provisions can be met, this can lead to improved organizational commitment. But when expectations are not met, this can cause the behavior, attitude and negative emotions, and people who feel the contract not yet fulfilled can withdraw some or all of its commitment to the organization. Individuals who feel that they are valued and respected tend to reciprocate with trust, commitment, and emotional involvement in the Exchange (Blau, 1964; Ali et al, 2010; ... Bal et al., 2010). So when the Organization demonstrates the care and support for employees by promising them lucrative contracts or satisfactory, employees tend to be countered with a strong feeling against their organization. On the other hand, when employees feel that employers only nominally interested in them, they will respond with low loyalty, trust, a little contribution, and commitment to the company, Michael Armstrong 2006.

PortalHR.com site conveys the results of a survey conducted by leading human resources consultancy Watson Wyatt Indonesia Work with the theme of 2004/2005. A study of the most comprehensive and first performed in Indonesia and Asia about commitment, attitude, and the views of employees. The survey was followed by more than 8,000 actual respondents from 46 companies in 14 major industries in Indonesia. The number of respondents that accounted for 9% of the total sample of research Work done in Asia, 11 countries, including the 515 companies, and 115,000 actual respondents. Based on research and global experience, in this survey of the Watson Wyatt survey to measure aspects of the focus the commitment (commiment), alignment (alignment), and empowering employees (enablement), which affects the foundations of the company. As much as 85% of employees feel proud to work at their companies (this figure exceeds the Asia Pacific employees only 77%), as much as 80% of the employees convinced the company's long-term success against (this figure exceeds the Asia-Pacific region which was only 72%), but only 35% of employees of Indonesia who want to survive in the company though employment at other companies that are almost the same in terms of salary, title, and the scope of the work. Compare for example with the survey results to the level of the Asia-Pacific region in which 57% of employees choose to persist despite similar position available at other companies. The survey found that factors which better career opportunities as the main reason (44%), followed by a better compensation package (40%), the company has better prospects of success in the future (25%), providing training and development opportunities to better themselves (23%), and give better chances to leverage existing skills (23%). Compared with the results of the survey in America, as stated in the Strategic Reward 2001 also by Watson Wyatt, a cause factor in Indonesia's employees reported a little bit different with employees in America. In General for a variety of Office as well as gender cause major removals employees in America first is because of better compensation factor. The next reason new benefit, the availability of better development opportunities better skills, the existence of opportunities for the promotion, and the existence of facilities vakansi/furlough. When the note, American employees prioritizes factor compensation and benefits as the main reason for the move to another company. During the new term of office does not provide added value in compensation and benefits, they will think long to move. Career opportunities and prospects of the company that better not be their attention, because the average American companies have enough established so as to provide career opportunities and prospects for a better company. In that perspective, the fair if employees Indonesia will strive to work in companies that are more established. Employee commitment index (the Commitment Index) calculation of Indonesia, according to Watson Wyatt, only 57% – 7 points lower than Asia-Pacific. That means, the level of employee loyalty in Indonesia including the lowest in the region. (accessed May 15, 2016).

Employees who have high loyalty surpasses ordinary conditions are willing to work, proudly telling their company to others, willing to accept various tasks, feel there is a commonality of values with the company, feel inspired, and look at the fate of the company as a whole. In contrast, employees who are not loyal to the company are marked with the negative feelings, such as wanting to leave the company, found work at other companies more profitable, do not feel the benefits of the company, and regret their decision to join with the company. It deals with the consequences of the attitude which is the State where individuals consider their personal values and objectives to what extent compliance with the values and objectives of the Organization as well as to what extent his desire to retain its membership in the organization. The more employees committed to the Organization, the more employees be exceeding the demands of duty if needed. This brings the employees engaged in various forms of OCB (Greenberg & Baron, 2000).

Organizational behavior theory suggests that the psychological contract between the employee and the Organization will emerge and thrive in almost any working relationship. As a province of Indonesia, Jambi has changed both the political, economic and culture, so that organizations in the province of Jambi evolved much more complex than before the autonomy of the region. As its driving force of the economy in a country business entity has several important roles, among others, as follows: 1. Acceptance of State, 2. Providers of goods and services, 3. A provider of employment. Business entity consists of State-owned enterprises (SOEs) to a national scale, the area owned enterprises (BUMD) to regional/local scale and Privately owned enterprises (BUMS).

RI law NO 19 of 2003 about State-owned enterprises article 87 stated of the employee-State-owned company is a State-owned enterprise workers, termination of appointment, position, rights and obligations established by the Treaty work together in accordance with the provisions of the legislation in the field of employment. State-owned enterprises run by the local government-owned enterprise called the regional (BUMD) with the purpose of the establishment for the development and construction of economic potential in the region concerned. Employee-state owned companies is employees who are governed by regulations of the Government or of the region. BUMS or known private-owned enterprises with capital entirely owned by private parties. Business entity has the functions and role of the divided over a wide range of forms or types of BUMS. One of the goals of business and develop his BUMS and

open employment. In accordance with clause 33 Constitution of private-owned enterprise which reads that the areas of effort given to private parties is to manage economic resources which are not vital or strategic and master his life much.

State –owned enterprises, Regional-owned enterprises and privately-owned enterprises provide employment and make an ideal target to see how the changes affect the employee's psychological contract (psychological contract). The psychological contract employees began to form during the hiring process. Employees received its own against an employer as well as the obligations of an employer towards themselves.

The study of comparisons to be performed on this research focused on the State-owned enterprises (SOEs), the regional-owned enterprises (BUMD) and Privately-owned enterprises (BUMS) in Jambi Province will compare the shape of form psychology contract in the business entity as well as see how psychology contract against attitudes and behaviour of employees on the business entities.

The Psychological Contract

The psychological contract has a long history in research organizations. Implicitly can trace the start of the theory of balance of Barnard (1938), which shows that the participation of the employees continued depending on adequate remuneration of the organization. March and Simon (1958), indicate the organization that takes into account the initial expectations of the individuals on the tendency will maintain a high level of commitment that is not written. Argyris (1960) writer who pioneered the use of the term contract highlights the implicit nature of psychological, aspects that are not written and informal working relationships as the basis for the psychological contract pembentukan. Schein (1970) where the notion of psychological contract implies that there is a set of unwritten expectations of operating any time between every member of an organization and the various managers and others in the organization. Schein discuss the nature of the expectations, which have their origins in the needs of the individual. This was reinforced by Schein theory Rousseau and Wade-Benzoni (1994) which States that: the psychological contract refers to the belief that the individual holds the promise made, accepted and reliably between them and others. In the long run, the psychological contract is deemed as very helpful for improving organizational performance. The psychological contract is activated through the experience of most of the pre-employment, the practice of recruitment, and in the early work of socialization (Rousseau, 1995).

From some of the above theory, there are two differences that made the debate that culminated in the mid-1990s with the exchange of arguments which were published in the Journal of Organisational Behaviour in 1998. In General, there are two types of definition of the psychological contract. Followers of Denise Rousseau and his colleagues that determine the psychological contract as an employee of mental models of the relationship work. The second most common definition that is the psychological contract as invalid constructs relationships exchange looked between the two parties.

The forms of the psychological Contract

The psychological contract according to Rousseau, 2000, consists of three forms, namely transactional relational contract, contract and balanced contract.

1. Transactional Contract

Transactional contract essentially transactional nature of the contract or short-term (short term) and focuses on the aspects of economic exchanges, the type of work the narrow (narrow) and the minimal involvement of employees in the organization. There are two main dimensions are examined in the transactional contractual, i.e. narrow and short term.

- a. Narrow : Employees are required to perform only a series of jobs that are in the contract is accounted for in the job, and convenience services. The Organization restricts the involvement of employees in the Organization and provide limited opportunities for training and development.
- b. Short Term : Employees have no obligation to keep working in your organization forever and are committed to work up to a certain age. The organization offers a working relationship that is only for a specified period and shall have no obligation to guarantee employee career long term. Transactional contract has been characterised by the nature of the agreements with the monetary involvement limited employees within the Organization as well as its relationship with other individuals in your organization so that seemed a significant difference with the concepts of the relational contract.

2. Relational Contract

Relational contracts have a long period of time but the end of cannot be determined. This type of contract also involves socio-emotional factors, such as security, trust, and loyalty. Each party expect the relationship turning timbale (reciprocal). According to Macneil, (in Rousseau, 2000), relational contract has been characterised by a long-term relationship. Further, relational contract is unlimited in time, to introduce a continuous relationship between the employees and the organization, involving the exchange of money and non-monetary reward as reciprocal loyalty, support, reward against such support, career training and long-term development opportunities within the organization.

Rousseau (2000) concluded that relational contract concerns the two dimensions, that is, dimension stability and loyalty.

- a. Stability: Employees are required to work on the Organization for relatively long periods of time and do other things to retain his job. The Organization in this case offers a compensation package that is stable and long-term working relationships.
- b. Loyalty: Employees are required to support the Organization, show loyalty and commitment to the needs and interests of the organization. In addition, employees are expected to become members of the organization. The organization otherwise provide a commitment to ensure the well-being and needs of employees and their families.

3. Balanced Contract

Balanced Contract is a combination of properties of relational and transactional contract (Rousseau, 2000). Balanced contract is dynamic and open-ended that focuses on the economic success of the company and employees the opportunity to develop your career. Both parties mutually and corporate employees contribute to learning and development.

Balanced Contract consists of external employability, internal advancement and dynamic performance.

- a. External employability include career development outside the organization. On this aspect, the employee has the obligation to develop valuable skills (marketable skills) outside your organization. Whereas the obligation of the organization that is improving the long term working relationships both within and outside the organization.
- b. Internal advancement include career development within the internal labour market. The employee is obliged to develop skills that are valued by the Organization at this time. In addition, the organization is obliged to create the opportunity for career development to the workers in the company.
- c. Dynamic performance include the obligation of the employee to do new things and help the company in achieving the objectives of the company in order to become a competitive company. Whereas the obligation of the organization that is helping employees in improving learning and implementing the requirements performance.
- d. The combination forms the contract of transactional and relational contracts according to Coyle-Shapiro and Kessler, since the beginning of the working relationship the company implicitly and explicitly promised a number of things, including opportunities, development, skill and competitive compensation.

The content of the psychological contract

The Organization's liability	the liability of employees
Training: provide adequate induction and training	Hour : your hours contracted to work
Fairness: ensuring fairness of selection, assessment, promotion and redundancy procedures for dealing	work: to be honest with clients and with the Organization
Needs: allow time to meet the needs of personal or family	loyalty: stay with the Organization, maintaining his reputation and put his interests first
Consult: consulting and communicating with employees of things which affect	property: treat the property of the organization by way of caution
Wisdom: minimal interruption with the employee in terms of how they are elakukan their jobs	self Presentation: dress and behave correctly with customers and colleagues
Humanitarian: to act personally and socially responsible and How to support employee	Flexibility: be willing to go beyond a job description, especially in emergencies
Recognition: recognition or rewards for the contribution or special services	
Environment: provision of a safe working environment and fun	
Fairness: fairness and consistency in the application of the rules and disciplinary procedures	
Pay: fair to market value and consistently given throughout the Organization	
Benefits: fairness and consistency in the administration of the system benefits	
Security: organizations strive to deliver what their job security could	

(Herriot et al,1997)

Employee's Attitude

In General, attitudes could be interpreted as feelings, thoughts and trends of someone who is permanent. The attitude could also be meant as a State in which a man twisting it, responding to a situation or condition of surrounding objects. The attitude of the form expression of the feelings of a person against the occupation, both positively or negatively worded phrase.

Phrases like this in the field of organizational behavior studies are often referred to as the employee's attitude towards a job. In the life of the Organization, the attitude of the employees is not only addressed to work but also on other objects such as salary, co-workers, direct supervisor, the Chairman of the company and even against the Organization as a whole.

The attitude of the work contains a positive or negative evaluation that is owned by an employee about the aspects of their work environment. Most of the research in organizational behavior relate to three attitudes: 1) Job satisfaction; 2). Engagement work; 3). organizational Commitment (Robbins and Judge, 2008):

Organizational Citizenship Behavior (OCB)

Organizational Citizenship Behavior hereafter voluntary circumstances illustrate the OCB someone within an organization or company that is not part of the task anyway. Two dimensions are important according to OCB Williams and Anderson (1991) known as OCB-Organizational and OCB-individually. OCB-Organizational behavior is the behavior which provides benefits for the Organization in General for example the presence at the places of work exceeds the applicable norms and kept informal rules are there to maintain order. OCB-Individual behavior is behavior that directly benefit individuals and indirectly also contributes to organizations such as helping his partner did not enter employment and have personal attention on other employees. Both forms of behaviour that will enhance the organizational functions and running exceeds the range of the official job description.

The Research Framework

The research framework is presented in the following figure.

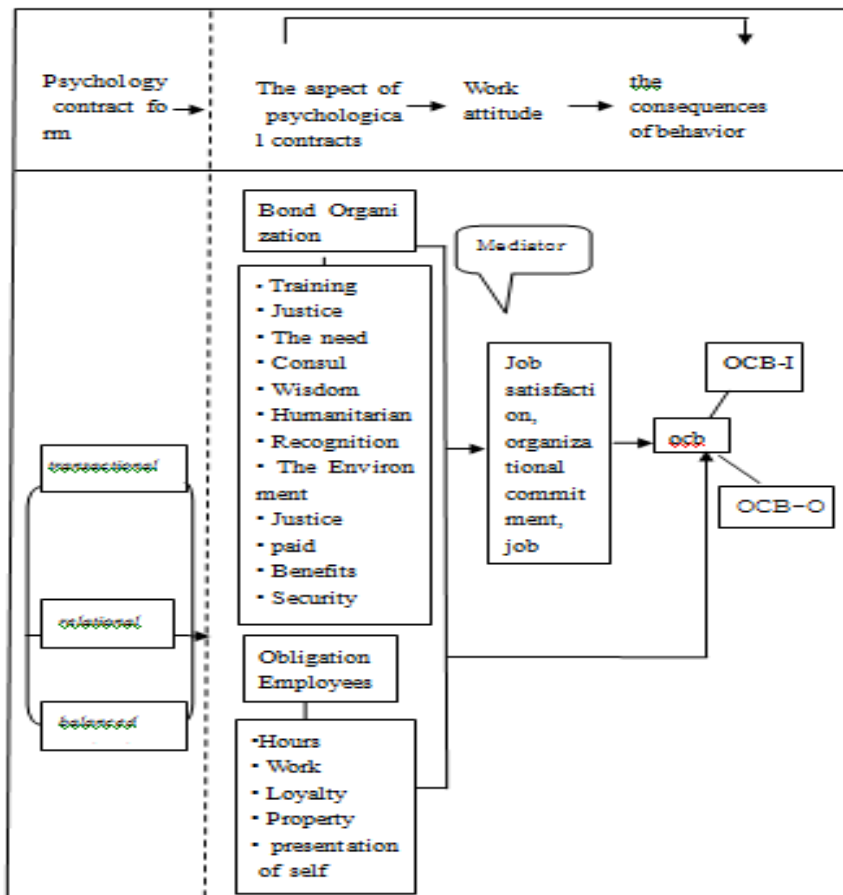


Figure 1. Research Framework

RESEARCH METHODS

This study used a survey research design. The methodological basis of the research meets the goals of descriptive, exploratory, and eksplanatif. The target population in this research is the State –owned enterprises, Regional-owned enterprises and privately-owned enterprises in Jambi Province. Sample selection technique used is by way of simple random sampling method, all existing employees in State – owned enterprises, Regional-owned enterprises and privately-owned enterprises in Jambi Province. Data collection is done using a set of structured questionnaires aimed at the respondent sample. Processing of data is carried out by some of the principal activity, i.e. editing, coding, and tabulate data. Firstmodel of these studies is the effect of direct relationship patterns directly involves the psychological contract against variables criteria as stated in the research hypotheses (H1-H8).

H1; The Organization has a positive influence on bonds against the working attitude

H2; The employee bonds have positive influence towards the working attitude

H3; The work has a positive influence attitudes towards OCB-I

H4; The work has a positive influence attitudes towards OCB-O

H 5; The Organization has a positive influence on bonds against OCB-I

H 6; The Organization has a positive influence on bonds against OCB-O

H 7; Employee bonds have positive influence towards OCB-I

H 8; Employee bonds have positive influence towards OCB-O

The second model of this study is the role of mediation ofthe consequences of the attitude of work consisting of job satisfaction, organizational commitment and job involvement with variables result as expressed in the research hypotheses (H9 – H12).

H 9; The Organization has a positive influence on bonds against OCB-I through a working attitude

H 10; The Organization has a positive influence on bonds against OCB-O through the working attitude

H11; Employee bonds have positive influence towards OCB-I through a working attitude

H12; Employee bonds have positive influence towards OCB-O through the working attitude

PREDICTION RESULTS

To describe form of psychological contract between State-owned enterprises, Regional-owned enterprises and privately-owned enterprises in the province of Jambi. Test the empirical basis of psychological contract in improving organizational citizenship behavior (OCB) through the employee's attitude as a moderating variable in study comparisons of State-owned enterprises, Regional-owned enterprises and privately-owned enterprises in Jambi Province.

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ANALYSIS OF INTELLECTUAL CAPITAL, THE VALUE OF THE COMPANY TO FINANCIAL PERFORMANCE OF COMPANY (EMPIRICAL STUDY ON MANUFACTURING COMPANY IN BEI)

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Abstract. Knowledge is one form that encourages Intellectual Capital (IC) for the company, as well as physical capital and financial capital in which all available resources to create value added for the company thus affecting the performance of the company. This means that Intellectual Capital is able to donate and contribute to add value and different uses for the company. The components of Intellectual Capital which affect the performance of the company, among others: Human Capital, Capital Structure (Organizational Capital) and Relational Capital (Customer Capital). Intellectual capital In addition, there are other factors that affect the company's performance that is the value of the company. The company's value is a value that can be used to measure the performance of a company, which investors always associate the value of the company with the company's stock price. The share price as a representation of the value of companies in which the internal and external factors that are often referred to as a fundamental factor. Most investors often use fundamental factors as a basis for making investment decisions. In addition to fundamental factors, there are also technical factors that could affect the stock price. These factors include: the volume of stock trading, stock trading and the value of transactions fall / rise in stock prices. Stock price increases will have an impact on the value of the company, which is characterized by a high rate of return on investment to shareholders. This indicates the level of prosperity for the owner of the company. Based on the study above, the results obtained; The first need for research to review some of the literature on Intellectual Capital are significant as well as theoretical and empirical contributions relating to the measurement of company performance. Both impact the company's stock price as a representation of the value of the company identify possible problems arising future research will come in and have an impact on company performance.

Keywords: *Intellectual Capital, The Value of The Company*

INTRODUCTION

For the company's business development in order to create opportunities is an integral part to maintain the existence of the company. One form to survive is to improve the knowledge and technology continuously to be able to challenge in the era of business competition is very tight at the moment. Knowledge and technology will certainly bring significant changes to the management of a business and competitive strategy determination. Business people are often unaware that the ability to compete not only in the ability of ownership of tangible assets, but also to the ability of innovation, technology system development, organizational management and human resources it has. for that, many companies began to focus on improvement of knowledge assets as a form of intangible assets.

Knowledge assets is an essential component part in business development and strategic resources (sustainable) to maintain and win the fierce competition (competitive advantage), even knowledge has been the basis in developing a business in the future. One approach used in the assessment and measurement of knowledge assets is Intellectual Capital (IC), where Intellectual Capital has become the focus of attention in various fields, good management, information technology, sociology, and accounting.

Resource-based view states that Intellectual Capital (Asni, 2007) is a resource company that plays an important role, as well as physical capital and financial capital. Based on the context, companies need to develop a strategy to compete in the market. In principle, sustainable and capabilities of a company is based on the IC, so that all available resources to create value added. In Intellectual Capital as an organizational capability to create, make transfers, and implement knowledge.

Intellectual Capital Besides, there are other factors that affect the company's financial performance that is the value of the company. The value of the company is a value that can be used to measure how much "Importance" of a company from the perspective of several parties such as investors who associate the value of a company's share price. Maximizing the value of the same company to maximize the share price and it is also desirable because the owner of the company enterprise value is high indicating strong shareholder wealth.

Value companies can basically be measured by several aspects, one of which is the market price of the company's stock since the company's stock market price reflects investors' overall assessment on any equity held. Stock market prices indicate the central assessment of all market participants, stock market prices act as a barometer of the performance of the company's management. Companies with a capital structure that is not good, and a huge debt would give a heavy burden to companies that need to be cultivated an optimal balance in the use of both these resources so as to maximize the value of the company. Heightened capital of a company resulting from its own capital, both investors and owner indicating the low debt held, so cednerung will provide greater incentives to its owner, which can ultimately encourage high payments from the investment, which in the end will increase the enterprise value of rising share prices. Debt to Equity Ratio (DER) to provide an overview of the capital structure is owned by the company so it can know the level of risk no way to pay a debt. Debt to Equity Ratio (DER) also shows the level of indebtedness of companies, companies with large debt has a cost of debt that great anyway. It is a burden to companies that can undermine investor confidence.

In addition, the company has a high level of liquidity indicates growth opportunities the company tends to be high. The more liquid the company, the higher the level of confidence of creditors in providing funds, so as to increase the company's value in the eyes of creditors and potential investors. Size companies rated capable of affecting the value of the company. The larger the company, the company will be more easily obtain funding sources both internal and external, so companies tend to have more financial resources to support its operations. So that companies can more get the opportunity to gain higher profits. With the high profitability will increase the company's stock price in the end will enhance shareholder value.

DEFINITION OF THE CONCEPT

Definition of Intellectual Capital (Intellectual Capital)

One intangible asset that is very important in the era of information and knowledge is intellectual capital. Intellectual capital (Nahapiet and Ghoshal, 1998) refers to the knowledge and capabilities of a social collectivity, as an organization, intellectual community, or professional practice. Intellectual capital represents a valuable resource and has the ability to act based on knowledge.

Meanwhile, according to Stewart (1997), intellectual capital is intellectual material that has been formalized, captured and utilized to produce higher value assets. Each organization puts intellectual material in the form of assets and resources, perspectives, and the ability of explicit and hidden, data, information, knowledge, and perhaps policy.

Thus, intellectual capital is the knowledge, but not all knowledge including intellectual capital. Thus, intellectual capital coverage is narrower than knowledge. In addition, knowledge is not the same as knowledge (science). To master the science generally required a college degree while to master the knowledge does not need a college degree. Intellectual capital is part of the knowledge that can benefit the company. The benefit here means that such knowledge is able to contribute or contribute to add value and kegunaan different for the company. Different means that knowledge is one factor that distinguishes an identification of firms with other firms.

Intellectual Capital obtained from three sources, namely:

1. Competence of employees, ie all the skills, expertise, skill, knowledge, and performance of businesses owned by employees (human capital).
2. Structure "internal" organization, namely the ability, expertise, skill, knowledge, and performance of businesses owned by the company (Structural capital).
3. Relationships "external" / markets, among others, with customers, suppliers, and government (customer capital).

Therefore it can be concluded that intellectual capital is closely linked to the three main businesses, namely: the employees, the company (manager), and customers. To get the maximum intellectual capital, hence the need for positive interaction between the three parties.

Components of Intellectual Capital

According to Stewart (1997) of Canadian Imperial Bank Of Commerce and Leif Edvinsson of Skandia, intellectual capital is divided into 3 (three) parts, namely :

Human Capital (Human Capital)

Human Capital is the knowledge, skills, and ability that can be used to produce professional services and the economic rent. According to Coff (1997), human capital theory divided into two categories :

- a. Firm Specific Human Capital A knowledge of routines and procedures that are typical of a company, which limits the value out of the company.

- b. Industry Specific Human Capital A knowledge of routines that are typical in an industry that can not be transferred to other industries.

Two categories are derived from the difference between the two is located on specificity. Industry Specific Human Capital company lacked specificity, so that a professional can move from one company to another throughout the market (within the same industry) without losing the value of industry-specific enterprise before. That means is human ability is a source of innovation and as the source of the view that human capital into a container in which the overall level or levels starting from : a source of innovation and the beginning of knowledge. Our perspective in the intellectual capital must be associated with an organization, rather than individually.

Companies need to focus himself to obtain as much intellectual capital as possible as they use the profits. If our ultimate goal is innovation, either new products or services, or improvements in the processing business, the intellectual capital is formed and deployed when most of the time and talents of people who work in a company devoted to the activity that resulted in innovation (Santosa & Setiawan, 2004).

Tasks and processes of human capital depends on three types of skills, namely :

1. Commodity Skills : abilities that are not specific to a particular business, it can be directly obtained, and more or less equal value to any business. For example, air conditioning maintenance, administration.
2. Leveraged Skills : knowledge though not specific to industrial companies, but relatively valuable to a company than the other companies. Examples: Programmer in a different computer company value by programmers at a bank.
3. Proprietary Skills: knowledge specific to a company, which became a selling value and worth.

For the company, the workers not only as an important asset, but also has the ability to create wealth (benefit) and added value for the company. Knowledge, competencies, skills, and experience of a manager in the general category of human capital, on condition of his knowledge to benefit the company. High position or office of a manager greater the value of human capital. In other words, management skills (general management) including human capital and intellectual capital. The top management has the quality of human capital is high. As for employees, their skills and knowledge are considered as human capital jikas meet two important criteria, namely:

1. Being a property belonging to the company and protected intellectual property rights (IPR), that is, no one has the expertise or knowledge better (valuable), and;
2. It has a market value, that is, skills and knowledge can create value where the customer is willing to buy these values.

So the human capital plays an important role in a company, then the company should be able to have the human capital which means that companies must be able to create a sense of ownership among employees within the company.

Capital Structural

In big companies often we find that they do not realize the biggest asset the ability to promote their company, such as the human capital they already have. Although they are aware of it, but still few companies are able to maximize the use of their human capital. A corporate leaders need to know and do what must be done in order to bring an ownership for the company. That is what is often called the structural capital.

Why do companies have to manage structural capital for structural capital in the growth and development of science, to shorten the time a job, and to reproduce human productive. Organization is key in managing the capital structure of science, and managing structural capital is not something that is difficult, but something new and there are many things that can be learned from seeing how a progressive company can do.

Along with science, the knowledge management would not have happened without the knowledge of the Manager, as in some of the organizations systems, methods, and the department in which the ability to manage must be clear in formulating strategy.

In addition, to make maps and deepen the expertise, management is explicit in structural capital can increase productivity. Actually it is important in intellectual capital is not technology or buy new software for the company. Although it may seem self-evident that information technology can be very helpful in organizing information, but the most important thing is the efforts of a firm and clear to find useful knowledge.

Perfection of a job in an organization comes from the opportunity to make choices more concerned with science. Every HR is expected to realize that the information and knowledge that is used by each person in their jobs at least have equal importance with tools or of the materials they use, and, like the tools or the material, can be arranged in such a way that more productive.

Customer Capital

Customer capital or customer capital is the organization's relationship with the people who do business with the organization. Saint-Onge gave the definition of customer capital as depth (penetration), breadth (scope), and relatedness (loyalty) of the company. Edvinsson added customer capital is a company's customer tendency to keep doing business with the company (Stewart, 1997).

Customer capital emerged in the form of learning, access and trust. When a company or a person will decide to buy from a company, then the decision is based on the quality of their relationships, pricing, and technical specifications. The better the relationship, the greater the chance the purchase plan will occur, and this means greater opportunities to learn with the company and customers as well as suppliers. Knowledge shared is the highest form of customer capital.

Customer capital is the most tangible of the three types of intellectual capital. Its function is to bridge the human capital in order to be able to create a positive relationship with consumers, markets, and certain institutions. Examples: customer loyalty, brand strength, customer satisfaction, relationships with customers, logo, government relations, distribution networks and marketing, licensing rights, distribution rights, relations with partners, relationships with universities and research institutes.

Need to be aware that not all customers are financially profitable. To build better customer capital strived to get more business from customers who are profitable. than expected from new customers who baelum certainly have a high level of loyalty. To grow customer share - not the market share - the company needs to provide a positive and quick response to customer needs profitably. Companies need to learn the business of each customer and forward the information to all managers, staff, and employees of the company. Remember that customers are willing to and are willing to pay premium prices for products and services prime and so they need.

Of the three categories of intellectual asset : human capital, structural capital, and customer capital, then the customer capital is the most valuable asset. Traces of their financial statements more easily traced than those abandoned people, systems, or ability. Although many of the company's financial reporting system which is not designed to do that, it is very easy to search for customer capital indicators, such as market share, retention, and loss of customers, and profit per customer.

There are 6 ways to invest in customer capital (Santosa & Setiawan, 2004) :

1. Innovate shared customers
2. To authorize the customer
3. Centralize customer as an individual
4. Share the victory with customers
5. Learning the customer's business and taught business
6. Be very needed

The value of the company

The value of the company is very important because of the high value of the company which will be followed by a high prosperity shareholders (Bringham and Houston, 2006), The higher the stock price the higher the value of the company. High corporate value to be the desire of the owners of the company, because with a high value indicates prosperity shareholders also high. Shareholder and the company presented by the market price of the shares is a reflection of the investment decision, financing (financing), and asset management.

The market price of the shares of the company formed between buyer and seller when the transaction occurs is called the market value of the company, because the price of the stock market is considered a reflection of the true value of the company's assets. The value of the company formed by indicators of stock market value is influenced by investment opportunities. The existence of investment opportunities can provide a positive signal about the growth of the company.

With the good value of the company then the company would be viewed favorably by prospective investors, and vice versa the value of shareholder value will increase if the value of the company increased characterized by a high rate of return on investment to shareholders. Some factors that may affect the value of the company is of size, profitability and capital structure.

Company size

The size of the company expressed as determinants of financial structure in almost every study and for a number of different reasons. The size of the company can determine the level of ease companies obtain funds from the capital market and determine the strength of bargaining (bargaining power) in financial contracts. Large companies can usually choose from various forms of debt financing, including special offers are more profitable than small companies. The greater the amount of money involved, even lets make a contract that can be designed in accordance with the preferences of both parties, instead of using a standard contract debt.

Moh'd, Perry, & Rimbey (1998) suggested that large companies will have easier access to financing through the capital market. This convenience is good information for making investment decisions and may also reflect the company's value in the future. The size of the company described the size of a company that can be expressed by total assets or total net sales. The greater the total assets and sales, the greater the size of a company. Prasetyorini (2013) found in his research that the size of the company's positive effect on firm value.

In line with Sudjoko and Soebiantoro (2007) found that company size has positive effect on firm value. This finding is also consistent with research conducted by Soliha and Taswan (2002) which states that the size of the company's positive effect on firm value. Research Rachmawati and Triatmoko (2007) also states that the size of the company expressed positively and significantly related to firm value. Based on that argument, formulated the hypothesis that the size of the company's positive effect on firm value.

Profitability

Profitability is the ability of a company for a profit in a given period. Husnan (2001), Profitability is the ability of a company to generate profit on the level of sales, assets, and a specific share capital. Profitability describes the ability of businesses to generate profits using all capital owned. The profitability of a company will affect the investors on investment policy. The Company's ability to generate profits will be able to attract investors to invest their funds in order to expand its business, otherwise a low level of profitability will cause investors to withdraw their funds. As for the profitability of the company itself can be used as an evaluation of the effectiveness of the management of the enterprise.

The profitability of the company is one of the basic assessment of the condition of a company, for it required an analysis tool to be able to vote. Analysis tools in question are financial ratios. Profitability ratios measure the effectiveness of management based on the results of return earned from sales and investment. Profitability also has significance in an attempt to survive in the long term, because the profitability indicate whether these enterprises have good prospects in the future. Thus, each entity will always strive to improve its profitability, due to the higher profitability of a business entity, the survival of these enterprises will be more secure.

Profitability measured by the ratio as follows :

$$\text{Return On Equity (ROE)} = \frac{\text{Net Income}}{\text{Owner's equity}}$$

This ratio indicates the management of returns generated on capital invested by the stock cut after obligations to investors.

$$\text{Return on Assets (ROA)} = \frac{\text{Net Income}}{\text{Total assets}}$$

This ratio shows the relationship between the level of profits generated over the management of funds invested by both shareholders and creditor.

The capital structure

The capital structure is in proportion or ratio between the number of long-term debt with its own capital. Therefore, capital structure measured by debt-to-equity ratio (DER). DER is a ratio used to measure the level of leverage (use of debt) to total shareholders' equity of the company. Total debt is the total liabilities (both short-term debt and long term) while total shareholders' equity is total own capital (total capital paid shares and retained earnings) of the company. This ratio shows the composition or structure of the total loan capital (debt) to total capital of the company. The higher the DER shows the composition of total debt (short-term and long-term) greater than the total equity capital, thus impacting the greater the burden on companies to outsiders (creditors).

The model assumes that the trade-off the company's capital structure is the result of a trade-off of a tax advantage by using debt at a cost that will be incurred as a result of the use of debt. The essence of the trade-off theory of capital structure is balancing the benefits and sacrifices that arise as a result of the use of debt. As far greater benefits, additional debt is still allowed. If the sacrifice for the use of debt is older, then the additional debt is not allowed. The trade-off theory has been considering various factors such as corporate tax, bankruptcy cost, and personal tax, in explaining why a company chose a certain capital structure (Husnan, 2000).

The capital structure is measured by the following indicators :

$$\text{Structural Capital} = \frac{\text{Total Debt}}{\text{Owner's equity}}$$

Company Financial Performance

Financial performance is one factor that shows the effectiveness and efficiency of a company in order to achieve its objectives. Companies can be said to be effective if the management has the ability to choose the right destination or an appropriate tool to achieve its intended purpose. While the efficiency can be defined as the ratio (ratio) between the input and the output, with a specific input will obtain optimum output. When the financial performance declined, one way to fix it is to measure financial performance by analyzing financial statements using financial ratios. The measurement results on the achievement of performance as a basis for management or the manager of the company's improved performance in subsequent periods and used as a basis in the provision of reward and punishment to the managers and employees of the company. Performance measurement is performed every certain period of time is very useful to assess the progress made and the company generates very useful information for management decision making and value-creating enterprise itself to stakeholders.

The financial performance measure company performance in profit and market value. Size is usually manifested in the performance of the company's profitability, growth and value stocks of companies. The company's performance in this study was measured using the Return on Assets (ROA) and Return on Equity (ROE). Return on Assets is the profitability that measures the amount of profit earned any assets owned by the company. ROA shows a company's ability to manage and utilize the company's total assets for the operations efficiently. ROA gives an overview to investors on how to convert the company's money has been invested in net profit. So, ROA is an indicator of the profitability of the company in using assets to generate a net profit. ROA is calculated by dividing net income (net income) to total assets. The higher the ROA, the company more efficient in managing their assets. This means that the company can make money (earnings) more with little investment.

Return on Equity is the amount of net income returned as a percentage of stockholders' equity. ROE measures the level of corporate profitability by calculating how much profit the company generated amount of funds invested by shareholders. ROE will be seen by investors as one of the key financial ratios. ROE measures the efficiency of the enterprise to generate profit from any funds invested by shareholders. The calculation is by dividing net income by the number of equity. Higher ROE exceeds the capital is used, it means the company has been efficient in using its own capital, so that the profit generated has increased from previous years Angkoso (2006).

RELATIONSHIP BETWEEN THE CONCEPT

Several studies have dilakukan in different companies, as suggested by previous researchers. Chen, Cheng and Hwang (2005) examined the effect of intellectual capital on the market value and the company's financial performance and the possibility as an indicator for future financial performance using listed companies in Taiwan. Zerenler, Hasiloglu and Sezgin (2008) investigated the effect of intellectual capital Turkish automotive supplier industry to the innovation performance of companies. Rehman, Illyas and Rahman (2011) examined the performance of intellectual capital in the insurance sector for the year 2009. The company this sector indicates that intellectual capital determines the quality of the company's services to be provided to the customer.

Bontis et al. (2000) provide a comparison of the concept of intellectual capital of some writer / researcher.

Petty (2009) stated that it has a lot of intellectual capital measurement and reporting models that have been developed by academic consultants and practitioners. Popular models used to build intellectual capital reports that Kaplan and Norton's Balance Scorecard (Kaplan and Norton 1992), Karl-Erik Sveiby Intangible Assets Monitor (Sveiby 1997), and Skandinavia's Value Schem (Edvinsson and Malone, 1997). The models are disclosed in the course of a study Petty (2009).

Chen et al. (2005) examined the intellectual capital associated with financial performance company and can be an important indicator for the future performance of the company. The financial performance used in these studies is the Returns on Equity (ROE), Returns on Assets (ROA), net sales growth and net value added per employee / employee productivity. ROE shows the return to shareholders of common stock and are generally considered sefisiensi companies in the use of total assets. Growth in net sales to measure changes in the company's revenue. This increase in revenue is usually a signal allowing companies to grow. The net value added per employee / employee productivity measures the net value added per employee reflects employee productivity.

Firer and Williams (2003) states the traditional dimensions of corporate performance consists of :

- 1) Profitability,
- 2) Productivity, and
- 3) Market valuation.

Dimensions profitability is the level that describes excess revenues be at the expense of a company. Dimensions productivity is the productivity of the company or efisiensi changes in inputs into outputs. Dimensions of market valuation is conventionally accepted as the name or label that is often referred to as the market valuation. In principle, the traditional opinion expressed company's performance was the financial return for the company owner of the consumption of tangible resources. Alternatively, the opinions of current theory suggests investors, employees, suppliers, customers and other relevant stakeholders (such as government) contribute to and benefit from a company (Turnbull, 1997). as an important financial indicator for investors.

CRITICISM OF THE RESEARCH GAP

Based on several studies that have been done there is apparently a different result on the effect of Intellectual Capital and the market value of the company's performance. This is due to the differences in knowledge and use of technology is applied, which in the era of knowledge-based business, science and technology plays an important role.

Differences in the development and use of technology may result in differences in the use of intellectual capital in each country. Use and utilization of Intellectual Capital of different causes differences in the company's financial performance and the company's ability to create value.

From various research and studies conducted, the researchers conclude that the financial performance of companies engaged in manufacturing companies need to be innovative in developing their business and in efforts to development the company needs to funds, therefore the company should be able to attract investors in order to invest in the company. In seeking this, through his management company must improve the performance of the company so that the company's value in the eyes of investors interesting and very promising. To improve the performance of companies should be able to utilize all available resources, and one of them it is intellectual capital.

IMPLICATION FOR RESEARCH DISSERTATION

Of the various phenomena and theoretical study described above, there are several things that can be submitted to the implications of the research, namely :

1. The need to do research related to the company's performance terkait with Intellectual capital, Value at manufacturing companies in BEI.
2. Factors affecting Human Capital, Structural Capital, Relational Capital, size, profitability, capital structure that gives effect to the Company's performance.
3. Model and Analysis Tools to prove the hypothesis.

For measuring the performance of companies, there are some indicators that do, namely :

- a. Value Added Intellectual Coefisient (VAIC)
 - b. Value Added Capital Employed (VACA)
 - c. Value Added Human Capital (VAHU)
 - d. Capital Structure Value Added (STVA)
 - e. Size
 - f. Debt Ratio (DR)
 - g. Profitability (ROE)
 - h. ROA
 - i. Growth
 - j. Market Book Value
4. To analyze the effect of any indicators on the performance of the company, using models of Structure Equation Model (SEM) and Analisis of Moment Structures (AMOS).

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STRATEGY OF DIFFERENTIATION COMPETITIVENESS OF ISLAMIC BANGKING: A LITERATURE REVIEW

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Abstract. The essence of a strategy differentiation is companies can provide a more unique of on the competitors, so with that difference of consumer has more higher level value. Source of differentiation consisting of differentiation product, the service, personnel, distribution and image.

Keywords: differentiation product, the service, personnel, distribution and image

INTRODUCTION

In the development of economic system in Indonesia, One of financial Institution wich follow to expand is banking. Islamic banking these days become natural bangking commodity type of growth storey; level wich high enough. The indicator growth in the Islamic banking industry developers can be seen from the magnitude of the assets owned by the banks of the Islamic bangking and units effort sharia in Indonesia. The 2007-2012 average growth of asset Islamic banking concept of 40% (Data Indonesia Bank). The amount of the development of Islamic banking just got a legal basis remain through the law in 2008 precisely through the legislation no.21 2008 published on 16 july 2008. It is estimated the growth of Islamic banking industry will stay elevated to a few years come.

Thenera of globalization like this time ; every turnaround and development of economy can change with very quickly, mechanism conventional market and speculation to uncertanty of economic cause gap to incidence of global market crisis. On the contrary with principle run by Industry banking of Islamic banking that is do not hook; correlate market mechanism and speculation in running its business. So that banking industry can stay from natural by crisis of conventional banking system.

Still many Indonesia society mostly majority shy at to execute activity it Islamic banking compared to conventional banking. For that have become duty all of government, side Islamic bangking and of OJK to execute counselling and socialize counselling and socialize Islamic banking bases. Is not quit of strategy of diferensia competitiveness banking of Islamic bangking have to be more competitivif to be developed by society.

DISCUSSION

In strategy business always depict business direction following selected environment and represent guidance for the allocation of effort and resource a organization. Each; every organization require strategy if confronted with tigh emulation in the world of business.

In a victory strategy is anything but needed by most elementary matter at one particular idea that strategy need therer are concept, technique and framework able to be used to run strategy effectively, there by hence intention of at strategy which in formulation better and run effectively is (Dwi Suliati).

According to opinion of grant (1997:25) thought strategy can assist attainment a efficacy, strategy do not guarantee efficacy. There are some factor which is tired subvention of the following succes :

- 1). Target of simple, consistence and long-range
- 2). Understanding of environmental good of emulation
- 3). Good assesment regarding resource had
- 4). Effective excution

Sinergy that mentioned above expected can bring efficacy a(n organization to reach for of in line whith which have been specified, and also can pull back emulation environment with wisdom and wisdom and exploit resource had by organization by protecting weakness exist in organization .

A strategy required caused by correct strategy and emulation is how to win emulation. Porter (1980) please express that formulation of strategy vie with to connect company with its environment. Industri structure have strong influence in determining emulation rule of the game besides strategy which potentially available to company. Strenghts outside important industry especially in artian relative, because extra ordinary strenghts of influence him all existing company in a industry, hence the key lay in different ability among pertinent company to evercoming it.

While according Hitt, ireland and Hoskisson (1997) expressing that costleadership strategy provide service or goods with characteristic able to be accepted by customer at price compete whic as low as possible.

On the differentiation strategy provide product believe consumer as unique something that in the case of which necessary from them. While focus strategy execute by when company try to use its nucleus; core interest to provide requirement a certain buyer group in a industry.

Strategy of differentiation with product which on the market its his differ from one more all competitor, passing a way of or many way of able to asses by all customer so that influence customer choice. Strategy of differentiation often, attribute to excellen of low excellen, efficacy of strategy will be able to be differentiated in many way of, among others by boosting up its appearane, quality, prestige, especial characteristic, service guarantee, confidence or ralibilitas at product. In developing intentin of differentiation need the existence of guidance from the aspect of look into customer .

How to use product by consumer have to be careful exhaustively to understand components what fulfilling expectation. As a whole the target of differentiation improve purchasing, or satisfaction of loyalitas client. Therefore analyse competitor and consumer have to earn to give difference meaning utilize to improve appropriate benefit value. Finally intend differentiation have to be checked by determining reaction of consumer and perhaps by excuting economic analysis excellence and consumer viewpoint.

Product differentiation represent especial excellence which owned by industry banking of Islamic banking, product which on the market by industry banking very to be compared to differing of conventional banking industry. The difference become fascinating to decision of consumer to chosen to use service Islamic banking. Islamic banking operational activity majoring sharing holder system create equivalent justice between Islamic banking and client, so that there no harmed side in course of. Openness between result of which is obtained and to be alloted to make Islamic banking not wear concept of is level of interest to devide advantage to client, with the concept make Islamic is not at all touch lap prohibidit by Islam people, matter on the contrary which still happened debate at conventional bank system which embrace interest system.

Strategy which is through product diferensiasi with high creativity in creating more interesting product type, cold peaceful, balmy, pleasing, friendly employees, with vision of and can realize in all day long so that more enthused by consumer compared to other competitor product (Tjiptono:2013).

Service represent a very subjektif and defined difficult (Dennis Walker:2000). This because service as subject doing a transaction can react by differing to something that seen to be like is same survive. Each ; every company have procedure operational standard conducted service, SOP to consumer in each; every its operational activity, although the SOP have been applied by each; . Difference of personality each; every unequal individual represent the reason of why with is same SOP each; every individual feel different service company reputation earn mirror from quality of passed to service all its consumer, some company have service individual differ from other company so that have deeper value find favour in consumer.

In banking industry, quality of absolute service become attention of is necessary for company because in the middle of emulation among each bank which progressively tighten the quality of service making satisfied consumer will make the consumer stay to use service of bank. One of the way of company so that its product is reconized by consumer and used is by creating brand, created by brand is company have to have easy elements draw attention its consumer and assure consumer to do decision of purchasing(Kotler:2007). Information about brand do not fully can be controlled by company, there is various other source which can wear by consumer, like other consumer, near by people, mass media, and others. Though cannot control process forming of brand image at consumer, wishing to develop; build strong brand, company let that process walk by itself. Company have to strive, named by this process of positioning.

Brand represent a priceless asset to company, hence out for company manage the brand, that is through brand image. With brand image which are positive, hence company will be able to draw and maintain its consumer.

Consumer represent one of the enchaining primal in industry Islamic banking, because consumer become goals wanted by a service industries to run its business. In the word of banking, consumer have multifariously of commodity choice manner which wish doing of for have invesment toas according to ability of economic every individual. Besides resident of Indonesia which is majoring represent to believe in Islam represent very potential market for the service of to Islamic banking in order to become biggerly. Acpted by factor is consumer become input and consideration in deciding each; every its desire is including to chosen bank as place to conduct invesment to money had by consumer, specially in Islamic banking owning fascination alone to consumer.

Ability a company to reach for economic advantage above profit capabel to be reached for by competitor of market in is same industry. Company owning excellence of kompetitif ever have ability in comprehending change of market struktur and can chosen efective marketing strategy, so that can face emulation of effort with interest ready to because emulation include; cover all the things product and offer

of substitusi which on the market by competitor(Kotler:2008). In this writing aim to know strategy of generik, strategy differentiation, excellence compete and how excellence compete to reached with strategy of differentiation.

Congeniality of Strategy

Pearce & Robinson (1997:8) defining the following strategy : “strategic management is defined as the set of decisions and action that result in the formulation and implementation of plans designed to achieves a company’s objectives”.

Hunger & Wheelan (1995:3) defining the following strategic management : “ strategic management is that set of managerial decisions and actions that determines the long run performance of a corporations”.

Definition above meaningful that strategy management as a group of inthrough and comprehensive action to reach company target. Medium strategy to organization to reach its target, because representing suggestion hence strategy expected can answer and challenge and make opportunity of existing medium through emulation which progressively competitiv a period of cpme with various excellence had anorganization (Sulastiani : 2012).

Strategy of Generik according to Porter (1980: 25) “ Competitive Strategy is about being different. It means deliberately choosing to perform activities differently or to perform different activities than rivals to deliver a unique mix of value”

Low-Cost Leadership Strategy

- Business run with compared to low expense of competitor
- Its target to able to price cheaply
- This strategy can be run by developing activity encharm efficient value

This strategy will effective if :

- Sensitive consumer to price
- Emulation predominated by pricefactor
- Product which is same on the market or much the same to its use
- Expense of cheap transfer
- Market very wide of
- Consumer have position bargain highly

Differentiation Strategy

- Core of this strategy produce more unique product and assign value better of consumer
- This strategy is assessed to succed if kinds of product do not is easy to imitated by competitor.
- Successfull differentiation will cause company earn controller of market price and obtain; get consumer loyalitas because desire fulfilled.

Same product example of diferensiasi :

- Miscellaneous of feature (microsoft Windows, microsoft Office, Nokia)
- Super service (Federal Express)
- Desain and performa of product (BMW, Mercedes)
- Prestise (BMW, Mercedes)

When strategy of diferensiasi work better :

- There is many may of differentiating product according to desire of consumer
- Requirement of multifarious buyer of manner
- Many way of using / consuming product
- Change of product innovation and technology crack on

Weaknes of this strategy is :

- Product innovation push operating expenses height
- Company have to serve assortedly of desire and requirement

Best-Cost Provider Strategy

This strategy aim to assign value more at consumer. More values for themoney, its intention consumer will overpay costly because wishing value more or product benefit.

Focused Strategy

Strategy low-cost and differentiation do not only applied for mass production or serve supermarket but also can be conducted to serve small market or so-called with market nook (*niche*). Strategy of referred as with focus strategy, there is focused low-cost and focused differentiation.

Congeniality of Strategy of Differentiation

Kotler (2000:167), giving the following definition : "Differentiation is action design a set of difference meaning to difference meaning to differentiate offer of company of offer of competitor".

Thompson & Strickland (1998), definition of differentiation :

"Differentiation strategy are an attractive competitive approach when preference are too diverse to be fully satisfied by a standardized product or when buyer requirement are too diverse to be fully satisfied by sellers with identical capabilities".

Two congeniality above can be conclude that strategy esensi of differentiation is company, can give more unique difference from at competitor, so that what difference of consumer have higher level value. Source Of differentiation According Arief, Rahayu & Thoyip (2002) there are same source differntiation is :

1. Product differentiation, company of physical represent potential matter to be made by distinguishment. Company can differentiate its product pursuant to idiosyn crasy, quality of according to, endurance, realibility, improve repair easy, device and style.
2. Service differentiation, distinguishing of prima facie service is amenity of ordering, delivery, installation, repair and conservancy.
3. Personel differentiation , there are characteristic showing personnel which train, that is ability of personel, courtesy, credibility, can be pledge, quick listen carefully and communications.
4. Channel differentiation, in conducting channel differentiation, company can do strategy pursuant to at distribution of eksklusive, selektive distribution and intensive distribution.
5. Image differentiation, company can express image through device media written and visual audio and also atmosphere.

While according to Tjiptono (2001:59), strategy marketing of which can selected by company applying product strategy of differentiation so ever have excellen compete market can be conduct with this the following strategy choice :

1. Product differentiation, hight creativity in creating unique of interesting product, cold, peaceful, balmy, pleasing, friendly employees, skillful, with vision of, can realize in all day long so that more enthused by consumer compared to other competitor product.
2. Differentiation of is quality of service harmonius high creativity of elements of marketing mix : product, place, price, promotion, people, packaging, programing partnership so that the quality of service felt by consumer exceed expectation.
3. Image differentiation, image of identical with attribute is a characteristic, distiguishing or special appearance of object or someone, image differentiation is correct alliance of image elements creating image a brand.

Exellence Compete

Grant (1999:89) defining excellence compete as follows : "When two company compete at same customer and market. One company excellence compete of other company happened when the company get advantage storey; level, or have potency to get higher profit. "Competitive strategy is generally defined as an integrated set of actions taken by a firm that produce asustainable advantage over competitors" (Varadarajan, et all, 1990:98). While according to Porter (1986:162) excellence compete to represent ability a company of economic advantage above profit capabel to be reaches for by competitor in market in is same industry. Company told to have continued excellence only if consumer feel the existence of difference between company product and its competition, the difference emerge caused by gap capabilities. Consept asses excelence compete from existence of compete core competence empahasizing at coordination between production skills and technology (Porter, 1986:167), showing company position among competitor, good of threat incidence of new competitor, from substitution and also saturation of customer.

Previous Researchs

Glueck & Jauch (1996:76), express that strategy represent united plan, wide of and intengrated connective of excellen of company strategy with enviromental challenge and designed to ensure that especial target of that company can reach to thought correct execution by organization. Grant (1997:29), tell that strategy can be formulated as ailing fundamental theme which give coherence and also instruct and action a organisation. Strategy represent a number of integrated action and coordinated taken for the exploitation of interest of is core of and also have the best to compete, while this interest represent ability and resource of excellence compete to company to its competitor, (Hitt, Ireland & Hoskisson, 1997:193).

Each; every individual in organizing have to can see vision mission which is later; then supported with compilation of coreect tactic and also strategy so that can create sustainable competitive advantage to company (Gunawan, 1999). while Thomson & Strickland (1998:128), please lay open step of and multibisnis of multiindustry immeasurable.

Urtasum & Guiterez (2000) doing research with title of strategic similiary performance and Strategic Similarity and Performance: A Panel Data Of UrbanHotel. This research is conducted at hotel industry in madrid, spanyol. Target of this reserach is to know difference of conducted by strategy is company compared to its competitor. Result of research indicated that price dimension and service have correlation to performance its meaning both the dimension have high equality level. Location dimension, having negative correlation to performance, its meaning of location dimension between hotel otherly differ. While size measure dimension do not related to performance.

CONCLUSION AND SUGGESTION

Pursuant to result of solution above can be concluded as follow :

1. Strategy is a medium to organization to reach is target because representating medium hence strategy expected can reply challenge and grab existing opportunity through emulation which progressively competitive a period of to come with various excellence had a organization.
2. Porter (1986) telling to face strength of emulation need the existence of recognized strategy with strategy of generic representing the way of base to company to reach above average profitability of industry by owning the strategi competitive advantage sustanaible consist of cost leadership, strategy differentiation, and strategy focus diferensiasi.
3. Esensi strategy of differentiation is company can give more unique difference from at competitor, so that with that of diferensiasi consist of product differentiation, service personel, image and distribution.
4. Company told to have continual excellence only if consumer feel the existence of difference between company product and its competitor, difference of appearance caused by gap of capability the gap and can be defended. Concept assess excellence core competence emphasizing at coordination between production skills and technology.
5. Strategy of differentiation have an in with excellence compete a company, in consequence with existence of difference a company which do not have by otter company is will able to win emulation .

Suggestion

Pursuant to result of solution above can be told some expected suggestion can be of benefit to all side related to applying of strategy of differentiation to create excellence compete.

1. Comprehended is important of staretegy him of differentiation, expected by company can create difference with its competitor.
2. For company which have applied strategy of differentiation expected can assure and communicate difference.
3. Choice of differentiation cover : image differentiation having an effect on to excellence compete, so that company can apply strategy of diferensiasi with pursuant to at strategy choice.

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THE ANALYSIS OF AGRICULTURAL EXTENSION OFFICERS' COMPETENCE IN THE PROVINCE OF JAMBI

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Abstract. Job placement and fixation and placement of employees in positions that have not been completely worked well, which is due to a number of factors such as educational background, competence and mastery in the field of duty led to the low competency in the field of agricultural extension in Jambi. This research is a literature study. The system of regional autonomy and the enactment of Law No. 16 of 2006 on Agricultural Extension System in its implementation result in the diversity of agricultural extension in each district / city. The realization of such extension is determined by the policy of regional leaders. The results of research related to the competence of such extension do Bambang Nuryanto (2008) and Teddy Rachmat Mulyadi (2009) showed weak agricultural extension competency. Formal education followed by agricultural extension officers after becoming civil servants are still common in the low category, while. the intensity of meetings between counselors in high category, while the competence of agricultural extension in the low category. To improve the competence of the many efforts to be made of them through increased formal education, training, meetings or discussions between agricultural workers, providing land / agricultural innovation pilot areas, the provision of facilities and infrastructure extension, and other activities.

Key Words: Competence, Agriculture Extension Workers, Research and Development

INTRODUCTION

Indonesia as an agricultural country, the majority of the population are farmers. Most of the farmers are small farmers who have a narrow field and limited capital, so that the farmers of the state can only perform rudimentary agricultural activities in accordance capabilities.

The agricultural development aims to improve the lives and welfare of the farming community mostly in rural communities. Therefore, the government through the agriculture department has developed a counseling program for farmers, since for farmers by having a farming business can obtain optimal results.

Improving the living standard of farmers can be achieved by increasing farm productivity. To manage their farm efficiently required a change in attitude to be able to strive farm more profitable. One of the expected results of agricultural development is the adequacy of food to the people so as to further food security can be achieved. (Suhardiyono 2003).

Agricultural Extension as the task of the State apparatus that empower farmers so that farmers are willing and able to help themselves. Therefore, the extension of State apparatus must obey the rules that have been assigned the government and he must be disciplined in their work.

The tasks of agricultural extension officers help farmers make the right decision in farming and sensitize farmers with alternatives and other methods in carrying out their farming work. Technicians are also responsible for providing information about the consequences that can be expected from each alternative. Encouragement and assistance from extension workers are needed by farmers in making a decision.

Therefore, the qualifications of an agricultural officer is very important to note. Extension workers should also be a model for the target audience its extension. Agricultural extension agents are classified into three categories, namely; Agricultural Extension Specialist (PPS), Agricultural Extension Associate (PPM), and the Agricultural Extension Workers (PPL). Since the Joint Decree (SKB) The Minister of Agriculture and Minister of the Interior No. 539 / Kpts / LP. 120/7/1991 and number 65 of 1991 was enacted, namely the Regional Implementation of Agricultural Extension, agricultural extension and agricultural extension affairs transferred from the center to the regions as a form of decentralization and autonomy. SKB SKB 1991 enhanced by the Minister of Agriculture and Minister of the Interior No. 54 of 1996 and No. 301 / Kpts / LP. 120/96 policy institutional arrangements, including the organizational structure and funding of agricultural extension.

Based on the decree of Agriculture extension unit in the district or city lies in an organization called the Center for Information and Agricultural Extension (BIPP) which is responsible to the regent or mayor. While preparing a counseling program, counselors work plan, and carry out the implementation of agricultural extension in the District is the Agricultural Extension Center (BPP). Regional autonomy that came into effect in 2001 is an unfortunate situation for counselors. Career and future trainers are not clear.

Whereas some studies show that investments in agricultural extension provides a high internal rate of return. Therefore, agricultural extension activities are an important component in the overall aspects of agricultural development. However, when the process of economic transformation underway toward industrialization, government funding to support the development of the agricultural sector, including agricultural extension, decreased significantly. (Mawardi 2004).

The impact of this decision is the reduction of the implementation of agricultural extension and declining quality, performance and productivity extension. This was not expected by the farming community as an educator resources and spearhead the development of the agricultural sector. Agricultural Extension Workers (PPL) as the party was in the forefront, will determine the success of a program extension. Increased productivity of a PPL is very important for the continuation of the extension program.

Extension Agent as a "communicator" development should be able to play a multiple role as a teacher, counselor, advisor, information providers and partner farmers. Extension workers must have the skills to communicate in both directions, that is capable of conveying (speaking and writing) is also capable of receiving (listening and reading). Extension Agent must play an active role in seeking information from various sources such as print media, electronic media, research institutes, universities and fellow farmers.

Therefore, the qualifications of an educator is very important to note. But what happened instead work placement and fixation and placement of employees in positions that have not been completely worked well, it is characterized by the fact that the factor of educational background, competence and mastery in the field of duty, has not been a major factor in the placement process and the establishment in question. That is related to its technical expertise, teamwork has not established to the maximum, which is associated with interpersonal relationships and conflict resolution. In addition, also based SKB unit counselor of Agriculture in the district or city that feels not so favorable for counselors, both of career and future, decrease the quality of extension officer performance associated with decreased motivation to work extension in the form of encouragement to be able to work better in the implementation of activities.

DISCUSSION

The condition of Agricultural Extension Courses

Extension (education for field extension) is an attempt to change the client's behavior toward better in improving the quality of life and welfare of the community. Extension activities (non-formal education) is necessary in many people's lives, ranging from agricultural extension, fisheries, forestry, health, family planning, legal, pen- education, and other aspects of education. In its development, extension activities ter- major in agricultural extension undergone various demands change. It is caused by changes in the system of government from centralized to decentralized (regional autonomy) and the enactment of Law No. 16 of 2006 on Agricultural Extension System, Fisheries and Forestry.

The system of regional autonomy and the enactment of Law No. 16 of 2006 on Agricultural Extension System, was in its realization result in the diversity of agricultural extension in each district / city. The realization of such extension is determined by the policy of regional leaders. In this case Sumardjo (2006) identified several problems counseling decentralization include: 1) misperceptions for counseling providers in the area; 2) image counseling deemed to be unfavorable; 3) a priori among certain communities to extension; 4) in the past stained by a political extension of certain political organizations; and 5) in the extension of autonomy era left behind by some authorities in the area because it is vague and does not appear to be directly.

On the other hand, the professionalism of agricultural extension workers need to be able adapted to the needs and dynamics of a society of which continues to grow. Agricultural Extension worker is spearheading the implementation of the extension, for dealing directly with clients in the field. The demands of professionalism and changes need to be answered with an effort to increase the competence of extension workers per farm. The shift from top-down extension approach toward participatory by providing the opportunity for people to actively broadest in solving the problems facing a challenge for agricultural extension. Agricultural extension geared to empower farmers embodied in

the participation rate (Anwas, 2011). In reality, to empower active public participation is not easy. Therefore, the success of counseling allegedly positively correlated with the quality of extension agents in the field.

The results of research related to the competence of such extension do Bambang Nuryanto (2008) and Teddy Rachmat Mulyadi (2009) showed weak agricultural extension competency. The low quality of extension workers also confirmed by Slamet Margono (2008) that ideally extension workers are also professionals who are able to improvise in a responsible manner in accordance with the situation and field conditions encountered, yet professional staff who are such do not currently sufficiently available. This condition indicates the need for various stakeholders to examine how to improve the quality of extension.

Factors Influencing Competency

Competence is not an ability that can not be influenced, Michael Zwell 2000: 56-68 (in Wibowo 2007: 102) states that there are several factors that can affect a person's skill competencies, as follows:

- 1) Beliefs and Values. Confidence about him and the others will greatly affect behavior. If people believe that they are not creative and innovative, they will not try to think about new or different ways of doing things. Therefore, everyone should think positively about himself and to others and show characteristics of people who think ahead.
- 2) Skills. Skill plays a role in most of competence. Skills development specifically related to competency can impact both on organizational culture and individual competence.
- 3) Experience. The expertise of many competency requires people to organize thoughts, communication in the presence of a group, solve problems, and so on. People whose jobs require little thinking less strategically develop competence than those who have to use strategic thinking for years. Experience is an element necessary competence, but not enough to be an expert with experience.
- 4) Characteristics of Personality. In personalities including many factors which are difficult to change. However, the personality rather than something that can not be changed. One's personality can change over time. People respond and interact with the strength and the surrounding environment. Personality may influence the membership of the managers and workers in a number of competencies, including conflict resolution, showing concern interpersonal, ability to work in teams, influence and build relationships. Although subject to change, personality is not likely to change easily. It is unwise to expect people to improve their competence by changing his personality.
- 5) Motivation. Is a factor in the competence to change. By providing encouragement, appreciation of the work of subordinates, providing recognition and individual attention from the boss can have a positive effect on the motivation of a subordinate.
Competence cause a person to work orientation on results, the ability to influence others, increased initiatives, etc. In turn, increased competence will improve the performance of subordinates and their contribution to the organization was to be increased.
- 6) Emotional Issues. Emotional barriers can limit the mastery of competencies. Fear of making a mistake, be ashamed, feel disuai or not to be a part, everything tends to limit the motivation and initiative. Feelings about the authority can affect the ability of communication and resolve conflicts with the manager. Overcoming an unpleasant experience will improve mastery in a lot of competence. However, it is not unreasonable to expect workers to overcome emotional obstacles without help.
- 7) Intellectual Ability. Competence depends on cognitive thinking as conceptual thinking and analytical thinking. Not likely to improve through any intervention that embodied an organization.
- 8) Organizational Culture. Organizational culture affects the competence of human resources in the following activities:
 - The practice of recruitment and selection of employees to consider who among workers included in the organization and skill levels of competence.
 - The award system to communicate to employees how the organization values competence.
 - The practice of influencing decision making competence in empowering others, initiative, and motivate others.
 - Organization's philosophy, vision, mission, and values associated with all the competencies.
 - Habits and procedures impart information to workers about how many competencies expected.

- The commitment to training and development to communicate to workers about the importance of competence on sustainable development.
- The process of developing organizational leaders directly affect leadership competencies.

To Improve the Competence of Agricultural Extension

To improve the competence of the many efforts to be made of them through increased formal education, training, meetings or discussions between agricultural extension workers, bears a land / agricultural innovation pilot areas, the provision of facilities and infrastructure extension, and other activities. Based on such identification, which followed after the formal education into agricultural extension, training, and meetings that between agricultural officers assumed to have a significant effect on improving the competence of extension. Therefore, it is necessary to do research on these variables. The research problem is formulated as follows: 1) how the advanced level of formal education, training intensity, and intensity of workers' meeting; and 2) whether the advanced level of formal education, training intensity, and the intensity of the meeting between officers can significantly influence on improving the competence of agricultural extension.

In human resources development, training has a very important role to improve the ability of employees according to the demands of changing times. Training according Bosker (1997) is a learning activity that is programmed with the aim to improve the ability and skills of the participants. According to Mondy and Noe (1996), training is an activity undertaken to improve the skills, knowledge and attitudes in order to improve the performance of current and future. Thus, training is an effort to improve the ability of participants so that performance can be increased as needed.

The development of information and communication technology has affected the training system. Therefore, training in improving the ability of extension officers can not only are carried out conventionally, but can be done through the use of Information and Communication Technology (ICT). Utilization of ICT for learning or training activities can be done through online, offline, or via broadcasting technology (Yuni Sugiarti, 2012). Methods and training materials tailored to the demands, needs, and the times that can be done through a needs analysis in the field.

Government Efforts in Improving Competence of Agricultural Extension Officers

Every organization has different competencies, because there is no standard conditions to occupy a position, as well as the determination of human resource training for the application has not been systematically prioritized competency based human resource functions in the organization.

According Mitrani, Dalziel, Fitt (1992); Spencer & Spencer (1993), from the thinking of experts identified some of the main ideas of the qualities that need to be owned by people in the executive (executives), managers (managers), and employees (employees) in this study were discussed is the level of competence of personnel (lecturers).

The competence of employees / lecturer is required to identify the job in accordance with the expected accomplishments. The competency level of employees / faculty includes:

- a. Flexibility: the ability to see change as an exciting opportunity rather than a threat.
- b. Information seeking, motivation, and ability to learn is the ability to look for opportunities to learn about the technical and interpersonal skills.
- c. Achievement motivation That is the ability to innovate as improved quality, productivity.
- d. Work motivation under time pressure: the ability to withstand the stress within the organization, and commitment in completing the job retention.
- e. Collaborative Activities namely the ability of employees to work cooperatively in a group.
- f. Customer service orientation is the ability to serve customers, take the initiative in addressing the problems faced by consumers.

In implementing the Agricultural Extension Officers development, then **Bakorluh** (*Coordinating Board for Agricultural Extension*) makes a variety of programs. The program itself is a collection of concrete activities, systematic and integrated carried out by one or more government agencies or in partnership with the community or the community participation in order to achieve the goals and objectives that have been set. The programs implemented in 2015 are as follows: Farmers Welfare Improvement Program Improving farmers' welfare program aims to facilitate increased capacity of the agricultural society (farmers and fishermen). The program is implemented through activities that:

- a) Institutional activities of farmers
- b) Empowerment Program Extension of Agriculture, Fisheries and Forestry. The Pogram is implemented through activities that:
 - Extension activities, in agriculture, fisheries and forestry

- Institutional development activities extension
- Human resource development activities and training extension
- An extension information and technology
- The development program activities for agricultural extension
- Drafting statistical database of extension
- Event coordination of planning and formulation extension
- Monitoring and evaluation of education
- Coordination of agricultural extension activities, fisheries and forestry

From the interviews with Mr. Lamudin, SE, MM. Chief of HR Executive Counseling Agency Sarolangun Jambi was as follows

- 1) What are the government's efforts in improving the competence of extension officers in Sarolangun, Jambi?
 - Implement education and training (Training) the counselor
 - Implement formal education D-IV to a high school counselor (STP in Bogor)
- 2) What are the constraints faced by the father of the government in improving the competence of Agricultural Extension Officers?
 - A limited budget available.
 - Counseling is carried out by officers of fees and the level of high school education or equivalent.
3. What are the future plans for the advancement and improvement of the competence of extension?
 - Increase the budget increases through the approach of the executive and legislative
 - Approaching or lobbying to head the Regional Development Planning Board (Bappeda)

According to Mr. Jamingan, SP (Head of the District BP3K Singkut, Sarolangun, Jambi) as follows:

1. Any efforts to increase the competence of extension officers?
 - Lack of education and training (Training) for the extension,
 - Lack of budget / funding and
 - Lack of information from the companion extension information with BP3K district and village level.
2. Plan ahead extension officers?
 - To increase the competence of extension officers,
 - Through education and training (Training),
 - To increase funding and Certificate extension

According to some agricultural extension officers in Jambi (Panut, SP, Sariyadi, Konoy and Kamto), the activities that can improve extension officers are as follows :

- Conducting training for PPL
- Held regular visits to the field
- Held a comparative study
- To Increase the incentives of field extension officers

The efforts made by the government in this case the relevant agencies, such as provincial and district Bakorluh, Department of Agriculture and other relevant agencies would have up to do. However, in practice the still low levels for PPL officials. Therefore the government needs to do a good governance and excel in an effort to improve their competence.

CONCLUSION

Formal education followed by agriculture extension educator after becoming civil servants are still common in the low category, while. the intensity of the encounter between educator in the category of high-intensity training undertaken by agricultural extension officers in the past five years in the category is very low, while the competence of agricultural extension in the low category.

It is necessary for efforts to increase the competence of field agricultural extension officers through various programs such as attending formal education, training and seminars and various related workshop.

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HUMAN RESOURCE DEVELOPMENT OF LECTURER FROM THE WEST AND ISLAMIC PERSPECTIVES IN THE EFFORTS TO INCREASE THE COMPETITIVENESS OF ISLAMIC HIGHER EDUCATION (PTKI)

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Abstract. The phenomenon of the low quality of faculty members based on scientific work indexes and the lack of effort in Human Resource Development (HRD) especially in Islamic Colleges were the reasons of this study. The study was using literature studies. Human Resource Development (HRD) by Swanson (2001) is a process to develop and raise the human expertise through organization development (OD) and personnel training and development (T & D) for the purpose of improving performance. The purpose of human resource development (HRD) itself is to improve the performance of individuals with the knowledge, skills and attitudes (Swanson & Arnold, 1996; Mathis & Jackson, 2003; Yamnill & Mclean, 2005). In the perspective of Islam, human was created by God in order to become caliph on earth as stipulated in the Qur'an Al-Baqarah 30 has the intention that the man with its power and prosperity of the earth are able to build and preserve. To achieve the degree vicegerent on earth, this required a long process, in Islam is characterized by the efforts of education starting from the cradle to the grave. In line with the organization in higher education, human resource development of lecturer is currently considered as one criteria of good quality college or not in enhancing competitiveness with other Islamic universities (PTAD). The important steps that should be done related to human resource development in Islamic universities include: 1) Governance of Lecturer Admissions. 2) Monitoring and Evaluation of Lecturers' Performance. 3) Educational Background of Lecturers. 4) Competence Development for Lecturer. 5) Research, Scientific Work and Community Service of Lecturers. 6) Education and Training for Lecturer. 7) Reward and Punishment for Lecturer. 8) Religious Guidance for Lecturer.

Keywords: HRD, Lecturer, University Competitiveness

INTRODUCTION

The development of universities in Indonesia in the last decade grew significantly. Ministry of Research, Technology and Higher Education noted that at the end of 2015, the number of universities in Indonesia reached 4,388 universities. This amount is more than total universities in Europe. Even the number of universities in Indonesia is the third largest in the world, after India and US (<http://kabarkampus.com> dated January 19, 2016). In line with increasing number of both public and private universities in Indonesia, it is intended that the universities are able to compete and continue to grow as expected. One of the university's efforts to compete is developing human resources in higher education. The unsatisfactory development of human resources was indicated from scientific papers produced by the lecturers at the college, where the results of scientific work in the form of indexed scientific publications of SCImago Lab. (www.scimagojr.com accessed on 12 April 2016) reported that the number of scientific publications from the years 1996 to 2013 based on data from 239 countries of Scopus publications known that Indonesia was ranked 61st with a number of publications as many as 25.481. Indonesia lost much of its ASEAN neighbors such as Malaysia, which ranks 37th in the number of publications of 125.084 scientific papers, Singapore is ranked 32nd with publication number of 171.037, and Thailand at number of 43th with 95.690 publications. ASEAN countries that are under Indonesia is Vietnam with 66th rank with number of publications as many as 20.460.

Human Resource Development (HRD) according to Swanson (2001) is a process to develop and raise the human expertise through organization development (OD) and personnel training and development (T & D) for the purpose of improving performance. While the purpose of human resource development by Swanson (2008) is the focus of human resources in order to bring success for both individual success and the success of the organization. Two core of human resource development are 1) Individual and organizational learning, and (2) individual and organizational performance.

In the Qur'an of Surah Al-Baqarah Verse 30 related to the development of human resources stated that humans were created by God in order to be caliph on the earth humans with the aim that its power and prosperity of the earth are able to build and preserve. To achieve the vicegerent degree on earth, it is required a long process and in Islam, it is characterized by educational efforts that began from the cradle to the grave.

In another letter disclosed that Islam wants human beings are at a high order and sublime. Therefore man is endowed with reason, feeling, and a perfect body. Islam, through passages al-

Qur'an has hinted about the perfection of human beings, such as, among others mentioned in Q.S. At Tin; 4 which means 'Verily We have created man in the best possible'.

As for perfection as described above is intended for human beings become individuals who can develop themselves and become useful members of society to be able to develop the full potential of its resources. In contrast to Islam, according to the West, including the nation's humans are mammals. Yusuf Qardawi, an Egyptian cleric contemporary charismatic cites the opinion of Ernest Haeckel, the nation's leaders biologisme flow German saying: there is no doubt that in all things human animal truly is segmented spine, namely animal feeding. Various theories is of course to call back our memory of what was once leveled by Western scientists, namely Charles Darwin in his theory of evolution that the human is originally from monkey. Of course this theory is rejected by Islam because it is not only contrary to the message of Islam but also indirectly debasing human beings themselves as inheritors of the earth.

From what was revealed in the above affirmation about the human resource development, Islam combines the two aspects of human interest that is worldly and religious. Unlike the secular human resource development which is review on one aspect, the course and all forms of worldly success tend to be stated with the amount of material owned or position and influence in the individual resides. The consequence has been can be seen that the void that occurs in the community, especially in countries of Europe and America where the consequence of the spiritual void, then as a refuge nominally go to places of entertainment, alcoholism and other forms. Thus progress on just one aspect in the life of this led to imbalances in the course of human life which then will return to the problems of humanity, especially for the development of human resources.

The existence of numerous cases of suicide, criminal activity, crime, drugs, casual sex is the impacts that are likely to happen, if religious or spiritual approach is not understood and applied properly. Behavior among educators and students themselves like cheating students, faculty and students are involved in affairs, student killing lecturers and various other phenomena also gave a sign that something is lame in human life.

The concept is expressed from two perspectives above shows gaps or differences in implementing efforts in human resource development (HRD). Therefore the author see that this phenomenon is very interesting and is expected to provide enlightenment, especially in overcoming the problems or inaccuracies in the concept of human resource development, especially human resource development from the perspective of the west and Islam in an effort to improve the competitiveness of universities which is also the ultimate goal of human resources development itself.

DISCUSSION AND LINKAGE CONCEPT

Human Resource Development from Western Perspective

The western perspective to human resource management originally based on the theories that human resources in organizations are managed efficiently and effectively (Aisha Salim Juma Alarimy, 2015). There are various theories which explain human resource management in organizations. The most commonly used theories of human resource management include; (1) Classical theories which comprises of the (a) Weber's theory of bureaucracy, (b) Taylor's theory of scientific management, and (c) Fayol's administrative theory. On the other hand, there are (2) humanistic theories which comprise of (a) human relations theory and (b) McGregor's Theory X and Theory Y that can explain human resource management in organizations.

The development of the human resource development theory was started from the theory by Harbison and Myyers (1964), which emphasized that human resource development was directed at improving the human resource highly capable and this theory is the development of the theory of economic development, while other theories (Nadler,1970; Jones, 1981; Chalofsky and Lincoln, 1983; Swanson, 1987; McLagan, 1989; Smith, 1998; Swanson, 1995) were the development of economic theory, psychology and systems, while Gilley and England (1989) added the development of theory improved performance, including the proposed Nadler and Nadler (1989). Last Furthermore Marsick and Watkins (1994) describes the elements of organizational performance or development of the organization in his theory. While the human resource development (HRD) by Swanson (2001) is a process to develop and raise the human expertise through organization development (OD) and personnel training and development (T & D) for the purpose of improving performance. Swanson (2001) explained in more detail about the components contained in the model consists of the Human Resource Development:

- The scope of performance includes the organization, work processes, and groups and individuals.
- OD is a process of organizational changes that are applied systematically in order to improve performance

- T & D is an individual skill that developed systematically in order to improve performance. The purpose of human resource development (HRD) is to improve the performance of individuals with the knowledge, skills and attitudes (Swanson & Arnold, 1996; Mathis & Jackson, 2003; Yamnill & Mclean, 2005).

In this stage of development of human resources, there are two important aspects of the activities that can not be separated from one another, namely the training activities to improve the knowledge and skills and human resource development activities itself that is meant to change attitudes or changing behavior. HR skills development requires adequate time than structural interventions and processes. Human resources development is an ongoing process that includes formal education, work experience, relationships with others and personal and evaluation skills (Przulj, 2002). In addition, by using an approach different development generate the dynamics within the organization, a good understanding of the potential that exists, the motivation of human resources to acquire knowledge and new skills and the creation of organizational climate and culture that stimulates their changes (Durkovic, 2009).

Human resources is not only a sense of humanity as the source of the human development process, but also the mental attitude of physical circumstances or other competencies possessed by humans. Based on the analysis of the problems of internal and external related to educational planning, it is necessary to re-translation of the human element in the process of development and reflected into *berbega* and human competencies needed to face the challenges of life *bergam* effectively.

Human Resource Development from the Perspective of Islam

Human resources management, according to Islam refers to the example of the Prophet Muhammad are based on the Islamic concept of man himself, as follows :

- 1) The first Concept: Man was created to worship God. Therefore, all human activity must be a form of worship, worship in a broad sense, not just worship ritual. Every human activities can be worth worship if it intended to seek an all-ridlo God. Social good is worship, work hard is worship, even sleep can be worth worship. Word of Allah in the Qur'an Surat Az-Zariyyat 56 reads:

﴿٥٦﴾ وَمَا خَلَقْتُ الْجِنَّ وَالْإِنْسَ إِلَّا لِيَعْبُدُونِ

It means: 'And I did not create the jinn and mankind except to worship Me'.2) The second concept: Man is *khalifatullah fil ardhli* - God's representative on earth, which is in charge of prosperity of the earth. The consequences of these two concepts are all human activity will be assessed and accounted for in the Hereafter. According to the Qur'an Surah Al-Baqarah Verse 30 states that:

وَإِذْ قَالَ رَبُّكَ لِلْمَلَائِكَةِ إِنِّي جَاعِلٌ فِي الْأَرْضِ خَلِيفَةً قَالُوا
أَتَجْعَلُ فِيهَا مَن يُفْسِدُ فِيهَا وَيَسْفِكُ الدِّمَاءَ وَنَحْنُ نُسَبِّحُ
بِحَمْدِكَ وَنُقَدِّسُ لَكَ قَالَ إِنِّي أَعْلَمُ مَا لَا تَعْلَمُونَ ﴿٣٠﴾

Meaning: Remember when your Lord said to the angels: "I am going to make a vicegerent on earth.

With the concept of the Islamic view that the problem of managing people is not a trivial problem. Islam cultivate human resources for the prosperity of the earth come within the scope of the service of God to optimally use the potential that has been bestowed by God.

The development from the view of the Islam is a process in which human's social and individual life will be developed qualitatively and quantitatively based on the pure Islamic thought to satisfy human's basic needs (Spiritual and material in all aspects of the life). Accordingly, the Islamic human development is the process of extending the human capacities through justifying the instincts and satisfying human spiritual and material needs through observing Islam's comprehensive orders for enhancing the faith and righteous deeds on the general justice arena aiming at achieving the *Hayat-e-Tayyeb* (Qureshi, 2009).

Human resource development (HRD) is part of the teachings of Islam, which from the beginning has led humans to seek to improve the quality of life that starts from the development of cultural intelligence. This means that the starting point is education that will prepare and man

became a creature individually responsible and social beings who have a sense of community in realizing a peaceful life, peaceful, orderly, and advanced, where moral goodness (truth, justice, and compassion) can be enforced so that the inner and outer well-being can be equally enjoyed together.

The strategy of human resources development undertaken by Prophet Muhammad SAW includes: (1) planning and attract human resources quality, (2) develop human resources in order of quality, (3) assess the performance of human resources, (4) provide motivation, and (5) maintain quality resources.

In an effort to build human resources and superior Qur'anic, required the actualization of the values of the Qur'an. As stated by Said Agil Husin al-Munawar that normatively, the process of actualization of the values of the Qur'an in education includes three dimensions or aspects of life that must be nurtured and developed by education, namely:

- a. Spiritual dimension, namely faith, piety and noble character. This dimension is concerned with the morals. Terbinanya good morals may make the formation of a collection of individuals and society in a civilized society.
- b. Dimensions of Culture, which is steady and independent personality, social and national responsibility. This dimension emphasizes the establishment of Muslim personality as an individual that is directed to the promotion and development of the basic factors and resource factors (environment) based on the values to Islamization.
- c. Dimensions of Intelligence, a dimension that can bring progress, that is intelligent, creative, skilled, disciplined, etc. Dimensional intelligence in the view of psychology is a process that involves three processes: analysis, creativity, and practical. Strictly speaking intelligence dimensions have implications for understanding the values of the Qur'an in education. From the above description, the author, the key of all efforts to develop human resources which are superior and Qur'anic education.

Education is a means to educate, nurture, guide, train, develop, process, manage and utilize human resources. Education in question is moral education, intellectual education, education and culture, which is based on the sources of Islamic teachings. In detail, the effort to do that:

- a. Instilling *Akhlaqul Mahmudah* by example and habituation;
- b. Developing the mindset to consider the goodness or badness of a particular case;
- c. Build and develop human resources independent mental, and strong competitiveness;
- d. Help each other in goodness;
- e. The values of moral force;
- f. Applying the humanization;
- g. Instilling a love of science, information, technology;
- h. Applying Islamic values into the educational process;
- i. Applying the method recitations, taklim, tazkiyyah, and wisdom as exemplified by the Prophet Muhammad.

In Islam the human figure composed of two potential to be built, which is outwardly as the body itself and ruhaniyah as the controlling body. Human development in Islam certainly should pay attention to this potential second. When viewed from the human development goals of Indonesia which makes the whole man, the purpose would have to address both the potential that exists in humans. However, efforts towards balancing the development of both the potential for 32 years of the new order is only in draft form only without the efforts of the actual application. Have understood that Islam regards higher education personnel problem is particularly associated with the character (attitudes, personal, ethical and moral).

The quality of human resources involves many aspects, namely mental attitude, behavior, viability, aspects of intelligence, religious aspects, legal aspects, health and so on (Djaafar, 2001: 2). All of these aspects are two potential that each owned by each individual, namely the physical and spiritual. It is undeniable that the physical aspect is always determined by the transcendental acting as a driving force of a human being. To achieve qualified human resources, the actual main effort is to improve the potential of the man himself, this could be taken as an example of obedience to the law society is determined by the aspect of this ruhaniyah. In this case Islamic education has a major role to make it happen.

Improving the quality of human beings can only be done with the improvement of education. Abdul Rahman Saleh (2000: 205) states there are several characteristics or the quality of human society, namely:

- 1) Faith and fear of God Almighty, as well as morality and personality.
- 2) Disciplined, hard-working, tough and responsible
- 3) Independent, intelligent and skilled

- 4) The physical and mental health.
- 5) Love homeland, thick national spirit and sense of social solidarity

To realize the people and the people of Indonesia qualified, determined steps in the development of religious education, namely:

- 1) Improve and align coaching religious institutions with public education from basic to higher education so that universities play an active role religion like the development of science and technology.
- 2) Religious education in public universities from the ground level up to college will be stabilized so that learners become a man of faith and devoted to God Almighty and religious education play an active role for the development of science and technology.
- 3) Higher education religions and institutions that generate power scientists and experts in the field of religion will be developed to be more involved in the development of the mind-scientific mind in order to understand and appreciate and be able to translate religious teachings is in accordance with people's lives (AR Saleh, 2000 : 206).

Based on the above efforts, it can be seen that the efforts to improve the quality of religious education in the two lines, both religious and public educational institutions.

Human Resource Development of Lecturers to Enhance the Islamic Higher Education (PTKI) Competitiveness

Various theories developed by researchers and theorists previously associated human resource development revealed that human resource development is directed at improving the highly capable human resource and this theory was the development of the theory of economic development (Harbison and Myers, 1964), while the other theories (Nadler, 1970; Jones, 1981; Chalofsky and Lincoln, 1983; Swanson, 1987; McLagan, 1989; Smith, 1998; Swanson, 1995) were the development of economic theory, psychology and systems, while Gilley and England (1989) added their the development of the theory of improved performance, including the proposed by Nadler and Nadler (1989). Then Marsick and Watkins (1994) described the elements of performance or development of the organization.

In Law 12 Year 2013 Article 12 of the Higher Education confirmed that 1) Lecturer as a member Academician has the task of transforming the science and / or technology that is under their control to students to create an atmosphere of learning and learning so that students actively develop their potential, 2) Lecturer as scientists have a duty to develop a branch of science and / or technology through reasoning and scientific research and disseminate, and 3) Lecturer individually or as a group are required to write a textbook or textbooks, published by the Higher education and / or scientific publications as a source of learning and development academic culture and acculturation of reading and writing for Academician.

In an effort to develop human resources of lecturers in Islamic colleges, the lecturer as a key asset of human resources at educational institutions should be better and optimally empowered. Referring to the theory of human resource development in the west and the Islamic concept of the above and also refers to the standard of HR in the accreditation of higher education in order to be competitive, then important steps that should be done related to human resource development in Islamic universities include:

- 1) **Governance of Lecturer Admissions.** In conducting the recruitment and selection, the lecturers accepted must have criteria of the ability in the required knowledge and competences and basic skills in the field of Islamic studies.
- 2) **Monitoring and Evaluation of Lecturers' Performance.** Monitoring and evaluation of faculty performance conducted by the leader, fellow professors, students and users also include scientific and Islamic performance indicators.
- 3) **Educational Background of Lecturers.** Lecturers are encouraged to continue his/her education in the field of science required by the college or study program and based on her/his last educational background.
- 4) **Competence Development for Lecturer.** Lecturers are motivated to improve the professional, paedagogic, social competence and also emotional and spiritual competences in accordance with the values of Islam.
- 5) **Research, Scientific Work and Community Service of Lecturers.** Lecturers are encouraged to do research, make scientific work and perform community service activities integratively and competitive both at the college level, regional, national and even international level.
- 6) **Education and Training for Lecturer.** College or university lecturer concerned to follow or conduct education and training that encourage increased scientific competence of lecturers that are

aligned with Islamic competence of lecturers such as in the form of seminars / scientific discussions and more. They also need training related to ICT and language skills.

- 7) **Reward and Punishment for Lecturer.** The college awarded the lecturers when he/she achieved at enhancing the reputation of the college, and should give penalty or punishment when lecturers break the rules and ethical codes.
- 8) **Religious Guidance for Lecturer.** Universities always provide religious guidance through *tausyiah* conducted continuously on campus and also fostering reading and writing of the Qur'an.

In relation to the competitiveness of higher education, the various efforts in the development of Islamic colleges (PTKI), as well as human resource development has to be integrated. The integrated human resources development of lecturers as an identifier of Islamic college is a strategic step in improving the competitiveness, considering the many human resources development efforts in public colleges have not done this integration effort.

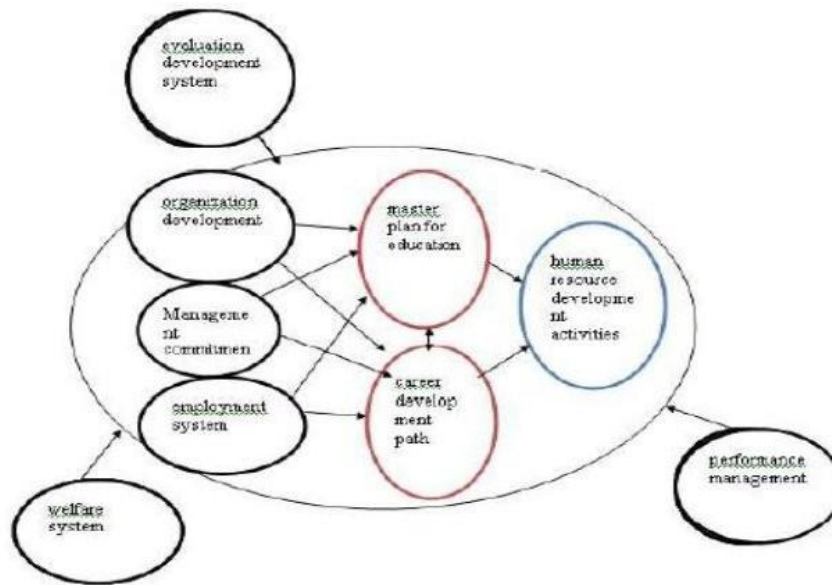
In the explanation of Law No. 12 Year 2012 on Higher Education explained that in practical terms the Indonesian nation is inseparable from the competition between nations on the one hand, and partnerships with other nations on the other. Therefore, to improve the nation's competitiveness and power partner of Indonesia in the era of globalization, it is necessary for Higher Education were able to realize '*tri dharma perguruan tinggi*' principles, that generate intellectual, scientific and / or professional cultures, creative, tolerant, democratic, and character, and brave stand for truth in the interest of the nation and of mankind. In order to implement the Research and Community Service, it is required for universities to produce research work in science and technology that can be devoted to the benefit of the nation, the state, and humanity.

Universities as institutions that hold the Higher Education Research and Community Service, should have autonomy in managing their own institutions. It was necessary to be in the development of Science and Technology in Higher Education apply academic freedom and academic forum, as well as scientific autonomy. Thus the university can develop academic culture that serves as an authoritative scientific community and is able to conduct interactions raise the dignity of the Indonesian nation in the international arena. Universities as the frontline in the intellectual life of the nation, by developing science and technology to promote the general welfare and social justice for all Indonesian people.

The role of higher education that should be done to achieve strong competitiveness among others by restructuring the education system to the new paradigm, is necessary to reorder themselves integrated, continuously pursue creativity and innovation, increased relevance of education, need strategic planning and operational plans to achieve the target of appropriate performance indicators in the quantity and the quality and relevance of graduates, even the principle of link and match that should be implemented, with the hope the government consistently investing in education, improving the quality of teaching staff, facilities and infrastructure, improving the involvement of the entire academic community through organizational management, program , the fund's effective / efficient, exchange of experience to achieve the criteria of the National Accreditation Board to increase the capability of learning in order to generate an increase in the competence of graduates who are competitive.

Relationship between Concept

From the results of research conducted by S. Jamaledin Tabibi, Sudabeh, Khah Vatan, Amir Ashkan Nasiripour, Vahdat and Somayeh Shaghayegh Hessam (2011) suggested various models and the factors that influence the development of human resources as follows:



Picture 1. Diagram of the Structure of Factors ; Simpler Model

(S. Jamaledin Tabibi, Sudabeh, Khah Vatan, Amir Ashkan Nasiripour, Vahdat and Somayeh Shaghayegh Hessam, 2011)

From the findings of these studies proved the existence of factors in human resource development and its relationship to the structural organization of the social security hospital. The use of structural approach (SEM) showed factors associated with commitment (organizational development, management commitment and employee recruitment system) has a direct relationship with the planning factors (career development paths and master plan of education). Factors career development paths and a master plan for education has bilateral relations and these factors are directly related to human resource development activities. In addition, the factors of the development of the evaluation system, the welfare system, and performance management are known to be an independent factor and have the influence on all the factors.

CONCLUSIONS AND IMPLICATIONS

From the theoretical reference that has been concluded and explained above, there are some implications that can be recommended for further study as follows:

- 1) In relation to the integrated human resources development efforts, we need a adaptation model of human resource development of lecturer that relate with special identifier of universities including Islamic identifier as implied in the Qur'an Surah Al-Baqarah Verse 30 in order to increase competitiveness of Islamic colleges (PTKI) in Indonesia.
- 2) It's necessary to have next study on the factors that influence the development of human resources of lecturers at Islamic universities.
- 3) In the next advanced research, there are some models that can be used as *Structural Equation Model (SEM)*, *Model Path Analysis (Path Analysis)* and *Multivariate Regression Analysis*.

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ROLE OF SOCIAL MARKETING CAMPAIGN ON THE DECISION OF THE COMMUNITY TO PAY ZAKAT THROUGH INSTITUTE OF AMIL ZAKAT

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Abstract. The low effectiveness of zakat distribution nowadays is related to the lack of interest of the community to pay zakat through zakat institutions. This is indicated by collection and distribution of zakat which is less managed. This eventually leads to the purpose of zakat in welfare of society which is not achieved. Social marketing campaigns as one marketing element can be used as an alternative in changing people's behavior in paying zakat through Amil Zakat Institution. This study was aimed to measure the impact of social marketing campaigns of zakat payment via Amil Zakat on the decision of community in paying zakat through the Institute amil zakat. Method used in this research was quantitative descriptive. Data were analyzed using simple linear regression analysis with social marketing campaign variables as independent variable and decisions in pay zakat through amil institutions as the dependent variable. Results showed that social marketing campaign had positive influence on the community's decision to pay zakat through Amil Zakat

Keyword :Social Marketing, Zakat, Institute of Amil Zakat

INTRODUCTION

Zakat is one of the important pillars of the Five Pillars of Islam. The importance of the position of zakat can be seen in the book of the Holy Qur'an commands that always accompany charity with prayer command. It shows tremendous wisdom. If prayer is a means of communication with the Creator, then zakat is a means of communication and socialization between people. Further, if zakat is well organized and the rich realize that Zakat is an obligatory expenditure from the treasury ordered by aqidah and the force of law, social security funds will undoubtedly have a significant and profound source, in addition to other sources. That is, if managed professionally charity will be able to overcome the problem of poverty.

Liabilities give charity that is so firm and absolute, because in the teaching contained the wisdom and benefits of such a large and noble, both with regard to muzaki (the obligatory charity), mustahiq (the person entitled to zakat), property released zakat, and for society as a whole. Furthermore, in the implementation of zakat must be in accordance with the teachings of the religion, as described in the letter At-Tauba paragraph 60, mentioned persons or entities entitled to receive zakat classified into eight asnaf, as follows: Fakir, Poor, Amilin (officers zakat), Mu'alaf, slaves, which owes (gharim), and Fisabilillah.

The last few years in Indonesia, issues related to the implementation of the concept of zakat well as a religious duty personally and charity as a good corporate citizen and optimized to be able to achieve good performance. Moreover, the core problem of this study is the low social marketing campaign that impact consumers not achieving the target zakat collection. Social marketing campaign on the consumer Amil Zakat Institution, is expected to increase the number of muzakki both quantitatively and qualitatively, so the target is reached zakat collection. With the achievement of these targets as evidence that the objectives and organizational performance are met. This is consistent with the results of research Buytendijk, F. (2009: 2) in the article Performance Leadership, states that there is a link between social marketing campaign in consumer and corporate performance. He also explained that with the high social marketing campaign of consumer organizations will get a positive response and the perception that the organization is able to create a variety of high performance.

In addition to the previously described, based on the "Implementation Guidelines for the Accreditation Organisation Zakat Management", Directorate of Zakat Directorate General of Islamic Community Guidance. 2007, contains points pertaining to the ability of Amil Zakat Institution in improving social marketing campaign in the consumer, which indicates that one of the criteria for accreditation of an Institution of Zakat is to see how Amil Zakat is able to increase social marketing campaign in the consumer, because social marketing campaign consumer becomes a factor important in the organization of Amil Zakat and Badan Amil Zakat. Based on the above research, the urgency of this study is to describe and the importance of building a social marketing campaign in Amil Zakat

consumers. In principle, the empowerment of Zakat funds, InfaqAndshadaqoh done through programs offered Amil Zakat Institution. Broadly speaking, there are four groups of programs offered by the Institute Amil Zakat, namely the areas of health, economics, education and programs that are charity. Basically, the type and the number of programs offered by the Institute Amil Zakat will depend on: (1) the amount of funds managed by Lembaga Zakat; (2) The broad scope of services / target mustahik targeted and (3) the need mustahik. Naming of the four groups of the program will vary, as will be adjusted with the designation and main activities of the Institute Amil Zakat.

LITERATURE

The development of social marketing is basically happening in parallel with the development of commercial marketing. In 1952, as a sociologist, G.D. Wiebe, questioning "What fraternity can dijual like soap market?" That's when social marketers effectively think of appropriate methods to influence the behavior and habits within the scope of the non-profit or voluntary. Kotler and Levy (1969) and Kotler and Zaltman (1971) to implement social marketing planning on the scope of the family in the 1960s. The development of social marketing to increase significantly as supported by the publication of social marketing, book marketing nonprofit, the discovery of the journal Social Marketing Quarterly in 1994, the conference with a discussion of social marketing in 1997, the establishment of Social Marketing Centers following training in Scotland, Canada, and Poland in 1997, the launch of the social marketing Institute in 1999 and the rise of innovative social marketing ads (Andreasen, 2009: 6).

Kotler and Zaltman define Social Marketing is a way of influencing behavior change that is focused on improving the health, tackle accidents, protect the environment, policies, curriculum, non-governmental organizations, and businesses. Social marketing is a design, implementation, and control of the program to influence the acceptance of social ideas and involving considerations of product planning, pricing, communication, distribution, and marketing research (Kotler and Zaltman, 1971: 3-5).

In the book Principles and Practice of Social Marketing: An International Perspective, Rob Donovan and Nadine Henley (2010: 5):

"Social marketing is the application of the concept and tools of commercial marketing to the achievement of socially desirable goals" (Social marketing is the application of commercial marketing concepts and tools to achieve desired social goals).

In creating a social marketing program, marketers need to be clear about what behaviors the public wants to apply. Necessary to specify the audience by selecting groups associated with social marketing program. Also the policy makers, media professionals, employees, types of these groups require this type of communication and social marketing strategies are different. The target audience is a potential consumer that are considered to apply the social marketing of the products offered. Good social marketing campaign is to involve the participation and invitation goes beyond just look and listen to the message. (Weinreich, 2011: 8).

To develop a comprehensive strategy of social marketing in non-profit organizations to use in the campaign message as the submission of ideas and vision of the organization. Social marketing campaign focused on the behavior of transmit voluntarily included provide accuracy benefits to the target audience.

According to Wilbur (2010: 4), the strategy of social marketing campaign consists of several basic components such as exchange, positioning, Behaviours or actions, audiences, messages that will encourage the target audience to change behavior and formed a relationship with the communities that are the source of change in behavior.

- Exchange (Exchange)

Exchange where the benefits offered by the campaign can be received clearly by the audience if they implement the campaign offered.

- Positioning (Placement) planned campaign is a campaign that will be able to compete with the existing behavior, capable, other social marketers, and the messages that offer commercial marketing.

- Behavior or Action (Conduct or actions)

Set campaign KISS (Keep It Simple and Singular), by providing one step mempu practices apply when the audience as well.

- Audience

Campaign messages delivered should correspond to the characteristics of the target audience for the message may not necessarily be felt in accordance with The individual characteristic.

- Message (PM)

Messages in a social marketing campaign should be packed with effective, ie able to attract the audience, giving the sense of continuing the daily life of the audience, and the contents of the message remains simple.

Forms of activity Social Marketing Campaign by Andreasen and Kotler (2009: 182-183), there are five stages of activity Social Marketing Campaign:

1. Create awareness and interest (create awareness and interest)

Is an attempt to attract attention and make sure the target audience memahamipesandelivered. The message carried to be flexible or the public so that the entire target audience either female or male, is in the town or village, stylized language and speak the local dialect or the present, and it is not uncommon to find the target audience does not have access to information from television and radio. Make sure the message was understood by the target audience is a measure of a successful start of a campaign

2. Change the frame of thinking and behavior (change attitudes and conditions)

An intention act or process of building an audience a positive frame of mind to the message sent. The message conveyed is able to make the recipient develop a positive attitude or a positive frame of behavior has to offer. With effective social marketing, the recipient may be thinking, "Maybe it's better for me to apply this behavior." There or tidaknyapengembangan attitude or

The bias looks framework of the extent to which the organization know and master the problems that wants to completion so that the organization is able to discuss the issue with the target audience more widely and clearly

3. Encourage forming a strong desire to realize the changes in behavior (motivate people to want to change Reviews their behavior) Encouraging someone to want to change their behavior not only ensure that the message conveyed is "a good idea", but social marketers should be able to encourage the target audience to think at the stage of "I'll do it".

4. Empowering order intentions into actions (empowering people to act). Efforts to empower someone to be able to change his intention into a real action. Social marketers who wants the target audience to do this of course need to try to induce confidence in the behavioral change campaign. Confidence target audience to feel the need to change behavior. At the level of highly effective, social marketers able to empower a target audience to make some changes in behavior.

5. Strengthening (Prevent backsliding) Often, an action that has been undertaken by a target audience must be followed by reinforcement by giving some advantage for acting together, so that the desired action will continue to repeat itself.

However, in this study only used four variables that are 4 initial stage only, create awareness and interest, change attitudes and conditions, motivate people to want to change Reviews their behavior, empowering people to act. Campaign conducted by the non-profit organization designed and delivered to inspire the target audience to act. Campaigns can involve many different activities, but has the same base, namely to create a campaign that attracts attention, look different, and convince the target audience that the solution contained within the body of the campaign is a better solution than the behavior does now.

Similar definitions proposed by Peppers and Rogers (2004: 71), is a good quality mencerminkan one's relationship with others. Consumers have a social marketing campaign to the organization through the activity of the organization. Social consumer marketing campaign is one of the fastest ways to build relationships kerelasiaan organization in the long term. Only through social marketing campaign against kerelasiaan consumers, the information may be returned to the organization. Social marketing campaigns play a role in enhancing the ability of consumers to make choices, kerelasiaan which is based on `social marketing campaign. Many professional relationship is established based on the concept of social marketing campaign to an agent. In particular, the service organization, have a lot to learn about the desires or needs of consumers before they make a recommendation in a professional manner to attract customers.

Effective marketing depends on the development and management of a social marketing campaign specifically consumers so that consumers will buy or use a service before experiencing (Shamdasani and Balakrishan.2000: 403). Management of consumer social marketing campaign is determined by optimizing resource providers, technology and systems used in order to create a social marketing campaign consumers. Kreitner and Kinicki (2003: 422) states, a social marketing campaign is consumer confidence a party concerning the purpose and behavior of the other party. Conceptually, (Morgan and Hunt, 1994: 23), Social marketing campaign consumers for Amil Zakat, is defined as a confidence level muzaki and mustahik that Amil Zakat Institution has taken the most appropriate measures, which will be beneficial and help muzaki and mustahik in achieving goals ,Ie for muzaki feel confident and calm when muzaki hand over zakat funds to be managed by Lembaga Zakat. For mustahik feel believed and treated accordingly as recipients of Zakat, SadaqahInfaq and with various program distribution of Zakat funds, Infaq And shadaqoh. Consumer confidence for Amil Zakat impact on consumer decision to entrust the Zakat funds, InfaqAndShadaqah believed and for mustahik to receive Zakat funds, Infaq And Sadaqah. Furthermore, consumers in the social marketing campaign Amil Zakat is reflected in the increased number of customers from year to year which will lead to an increase in fund raising Zakat, SadaqahInfaq Dan. In addition, the social marketing campaign consumers will have an impact on the rate of return of consumers to use the services of Amil Zakat Institution.

METHOD

The planned research method in this research is descriptive analysis, because it is a study that describes causal relationships between variables (Cooper and Schindler, 2006: 154). Furthermore, in order to acquire the data needed to prove the hypothesis of the research, using multiple data collection techniques, ie, observations, questionnaires to mustahik and 100 muzaki, Interview with Amil Zakat management in Jambi and Documentation.

RESULT AND DISCUSSION

Testing in this research is done using simple linear regression analysis to examine the effect and relationships Social Marketing Campaign of the Decision Making Process by using SPSS 22. To test whether there is influence of the independent variable on the dependent variable, do simple regression testing. Based on the results, the test results can be obtained as follows:

Tabel 4.1 Output Coefficients Regresi

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	7.611	3.047		2.850	.005
Social_Marketing_Campaign	2.210	.105	.613	12.056	.000

Based on the data processing simple linear regression in Table 4.1, the regression results obtained by the value of a = 7.611 and b = 2 .210 that can be written into the regression equation:

$$Y = 7.611+ 2.210X$$

In these equations a constant value is 7,611, it means that the Social Marketing Campaign assumed 0 then becomes Muzakki Decision Making Process is 7,611, the regression coefficient on the variable Social Marketing. Purchase Decision Making Process unchanged at 2,210. Seeing the value of $\alpha < 0.05$ then it can be concluded There is a positive influence between Social Marketing Campaign to be muzakki Decision Making Process in Amil Zakat.

R-square value or coefficient of determinasi is 0.681. This figure has meaning R-square values ranged numbers from 0 to 1, R-square value is close to 1 indicates that the model is formulated to explain the decision making process of consumers very well. The above table also shows that the Social Marketing Campaign has contributed to the Consumer Decision Making Process 68,1%, while the remaining 100% - 68.1% = 31.9% influenced by other factors.

CONCLUSION

Based on the analysis and discussion of the research results, it can be conclusive with respect to this research, namely:

1. An overview of the implementation of the Social Marketing Campaign Amil Zakat include Create Awareness and Interest, Change Attitude and Conditions, Motivate People To Want To Change Their Behavior, and Empowering People To Act according to respondents AmilZakatberada the high category. Indicators of Social Marketing Campaign of the most high is create awareness and interests, especially the ability of Amil Zakat create interest in listening to the donor, it can directly facilitate muzakki identify Social Marketing Campaign. While the lowest indicator is empowering people to act, namely the ability of Amil Zakat Institution in convincing muzakki to change behavior, it can not represent an overview of solutions offered Amil Zakat Institution.
2. There is the influence of Social Marketing Campaign of the Decision Making Process to pay zakat through zakat institutions that show strong relations consist of indicators create awareness and interest, attitude change and conditions, motivate people to want to change Reviews their behavior, and empowering people to act.

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ECONOMICS

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OPPORTUNITIES AND CHALLENGES OF TAX AMNESTY (ISLAMIC POLITICAL ECONOMIC ANALYSIS)

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Abstract. The aim of this paper is to compare between the concept of a tax on economic perspectives currently running and an Islamic economic system in the world that has ever run for about 13 centuries. The results of the analysis is firstly, tax amnesty has positive and negative impacts. The positive one is a state income from tax remission of fines and repatriation, and the fund kept abroad which is sent back to Indonesia. While, the negative impact of that regulation is the repatriation of fund can be used as a money laundry of the crime revenue. Secondly, in the Islamic economic system, tax is only charged when the budget of the state is deficit, and is withdrawn only by the citizens of the rich only.

Keywords: tax, amnesty, money laundry, deficit budgetting, repatriation

INTRODUCTION

There are two main income sources of the state budget in the country, namely: debt and taxes. In the countries of the capitalist, the tax is the main pillar of the mainly state revenues from the individual and entity income tax as well as the Value Added Tax (VAT) (Dwidharma, 2011) □.

Realizable value of the state tax revenues has missed the target achievement. The Tax revenue in 2015 amounted to Rp1.055 quintillions. While, the acceptance of new realization of the target of 81.5 percent of the revenue and expenditure budget amendment (APBN-P) in 2015 was pegged Rp1.294 quintillions or approximately Rp 239 quintillions (Brodjonegoro, 2016) □.

Not only shortfall of the revised budget targets in 2015, but also the tax revenue was also incompatible with the realization of the promise of the Ministry of Finance for 85 percent of the target or a maximum of Rp195 quintillions shortfall. In addition, the value of that revenue is still considered less by the Government for ratio to GDP (tax ratio) of 10.86% is still below the target of 12% (Ministry of Finance, 2016).

On the other hand, the share of income from non-tax revenue from a mining royalty and Indonesian state owned enterprises (BUMN) continues to fall. Therefore, the government continues to expand the taxable object base. Personal income tax rates are progressively set. That is, the higher a person's income, the higher tax rate is imposed on tax payers (Wibowo, 2012) □. If the net income of the directors, for example, amounts to USD 2 billion, she should pay for about USD 600 millions to the state. In some countries, the highest income tax rate of nearly half of such incomes are Germany (47.5%), Spain (47%), France (45%), the UK (45%), China (45%) and United States (40 %) (Supriyadi, 2015) □.

The high tax rates certainly make a lot of people, especially the rich have objections despite the revenue obtained is legally. The reason is, the more productive they are in generating wealth, the greater percentage of the state wealth will be drawn. Therefore, many taxpayers do a variety of ways to reduce their obligations as manipulating financial statements; for instance, bribing tax officials to hide their wealth in tax havens countries, countries with low tax rates and the confidentiality of financial information are guarded by law, such as Singapore, Switzerland, Hong Kong, Mauritius, and Panama. Some choices to switch nationality as done by one of the founders of Facebook, Eduardo Saverin, who gave up citizenship from the United States to become the citizens of Singapore in order to avoid high taxes. The case of "Panama Papers" which could make a scene some countries, the evidence of a number of wealthy people, including those from Indonesia that store their wealth in the country-tax haven in order to reduce expenditures for taxes. In addition, It is to simplify business activities and to attempt to hide assets illegally acquired (BBC, 2016).

This paper aims to find out the advantages and disadvantages of tax amnesty and to compare the tax between the capitalism and Islamic economic system.

TAXES IN THIS ERA

The government issued a policy regarding tax amnesty expected to close the budget deficit (Rakyat Merdeka Online, 2016). Remission of taxes (tax amnesty) means the removal of tax incentives granted to taxpayers that have not paid or do not fully pay taxes on their property, the elimination of withholding taxes, penalties of tax administration or criminal sanctions in the field of taxation in the

period set by law (Directorate General of Taxation of Republic Indonesia, 2015). Data and information should be kept confidential and official. The taxpayers would pay ransom (redemption). The value of the ransom is determined to be based on that of assets reported multiplied by the redemption rates set by law. In addition, if the reported assets are located abroad and repatriated or brought into Indonesia, then the property is subject to repatriation rate value also set by law.

If the first month of the Law enforcement on the Elimination of taxes, a taxpayer filed a tax exemption on his property that had been recorded in Singapore amounted to Rp 10 quintillions, it is required to pay the ransom. If the ransom tariff is 2%, then the value of the ransom money amounts to Rp 200 billions. In addition, the taxpayer must pay the repatriation. For example, the repatriation rate is 3% of the value of Rp 300 billion. Ransom and repatriation of cash are into the Government income. While, the repatriated funds should be deposited in a designated bank or invested in government bonds or government-owned BUMN within a certain period. In terms of taxation, repatriation of assets is the process of transfer of assets from abroad into Indonesia.

Through the mechanism of the repatriation, it is to be expected to fund the Indonesian population by sending the stored cash back to the homeland. According to McKinsey, there are approximately USD250 billions, or around Rp 3,250 quintillions, the wealth of the Indonesian with high net worth individuals which is kept abroad (McKinsey, 2015). The amount of \$ 200 billions is recorded in Singapore in the form of the real estates, deposits and shares. The central bank of Indonesia uses the data from Global Financial Integrity: Illicit Financial Flows Report 2015, estimates the value of funds that do not clear the source originating from Indonesia were stored abroad reached Rp 3,147 quintillions (Kar & Spanjers, 2015).

According to the Government, the entry of most of these funds into the national economy will be the new energy to boost the economic growth, the currency of rupiah will strengthen, the banking liquidity which is expected to encourage credit growth will increase (Warjiyo, 2016). The fund invested in stocks and bonds will also increase in the development of funds and business activities.

Moreover, in the long run, the data base of both people and property tax is the object of the tax will increase. Thus, the potential of the Indonesia's tax revenues will increase. The Indonesia's tax revenues as measured against the great GDP (tax ratio) -which are currently only under 12% - are expected to rise closer to the developed countries that are in the range of 24% or middle-income countries that are in the range of 16% -18 % (Ministry of Finance, 2016).

Although the period of the enactment of the Act of the Forgiveness of the tax has only applied for six months in 2016, the Government estimates that the revenue can be scooped from the policy which can reach Rp 165 quintillions. The fund for the repatriation which can reach Rp 1,000 quintillions is expected to re-enter in Indonesia. The fund will be a source of the new income tax revenue given to the state budget is currently estimated is below target due to slowing economic growth. In the budget of 2016, the tax revenue targets are Rp 1,546,7 quintillions (Ishaq, 2016).

Unfortunately, the results did not meet the target of tax amnesty. Last year, the tax revenue targeted of Rp 1,469 quintillions, which is reached only Rp 1,240, or by 85% of the target. As a result, the deficit is pegged stretched 2.1% to 2.6% of GDP. The swelling deficit practically make financing in the form of debt rose from Rp 222 quintillions to Rp 318 quintillions. When the people get a tax amnesty, although acquitted of all charges related to taxes and confidential data, they are not guaranteed of criminal charges on criminal acts that are the cause of their asset holdings. If law enforcement can track the sources of income of the reporting, taxpayer may be able to be brought to justice (Ishaq, 2016).

The money owners of BLBI funds (case in 1998), corruption, gambling, prostitution, drugs, human trafficking, illegal fishing, illegal mining and illegal logging etc. can utilize regulatory loopholes of tax amnesty to purchase of property assets and debt instruments, countries, securities, bonds etc. in Indonesia.

TAXES IN ISLAM

The practice in the Capitalism system is different from the concept of Islamic the Economy. In the view of Islam, the state is basically not allowed to levy taxes. According to Atha' Abu Rasytah, the ban is based on the words of the Prophet. Which were this way said:

لا يدخل الجنة صاحب مكس

The extractors of the excise will not go to heaven (narrated by Imam Ahmad).

Excise is a treasure drawn from the merchants across the national borders. However, there is a proposition which prohibits all forms of taxation in regard to this, these are words of the Prophet .:

...إن دماءكم وأموالكم وأعراضكم عليكم حرام كحرمة يومكم هذا في بلدكم هذا في شهركم هذا

Behold your blood, treasure and honor is illegitimate as illegitimate today, in this country and in this month ... (narrated by Bukhari and Muslim).

These words of the Prophet (hadith) are into the proposition on the illegitimate of the Governments to collect taxes. The state only relies on the income sources of Baitul Mal established by the sharia as *fai*, *ghanimah*, *Anfal*, *kharaj*, *jizya*, *zakat* (for 8 recipients), the income from the public property and the property of the state and so on. If the government can manage the resources properly, it will be enough to finance state expenditures.

However, if the source of such income was not sufficient to finance the expenditure mandatory stipulated by sharia such as the payment of the salaries of the state employees, the donations to the poor, the financing of the holy war's activity, the disaster management, and the urgent infrastructure of the development, the government has compulsory levy taxes on the rich Muslims. Despite the duty belongs to Muslims (not non muslim), the poor people should not be the taxpayer.

Abdurrahman (2016) explained the followings of how to calculate the criteria of the taxpayer, as follows. First, their earnings should be reduced the costs of the basic necessities and the personal secondary. Second, they reduced the basic and secondary needs for their wife and children. Third, if you have a parent, a brother, mahram dependents, then deduce the cost of their basic and secondary needs. After deducting everything it was still a surplus, then he becomes taxpayer. In this case, the Prophet SAW said, "Start with yourself, then finance it. If there is any excess, then it's for your family)" [narrated by Muslim from Jabir]

Therefore, taxes in Islam are not to suppress growth, hinder the rich, or increase the state revenues, unless taken solely to finance the needs defined by the Personality'. The Islamic state will not establish indirect taxes, including value added taxes, luxury taxes, entertainment taxes, sale tax, and taxes of other kinds. The tax collection is temporary because it will be terminated if the requirements have been met.

In addition, the caliphate will not assign any cost in the public service, such as the cost of the health care, education, and security. Everything was provided for free, and the best. Likewise, the state will not levy administrative costs, including fines of the public services, such as PLN, PDAM, Telkom, and so forth. Also, not charging the driver's license, the ID card, the family card, the correspondence and so on. All services to the people have become the state's obligation.

The nature of the 'tithe', it is imposed on an individual Muslim's income tariff, only 2.5% of his property if it has reached the minimum limit (nishab) which is equivalent to the value of 85 grams of gold and has been owned for a year. With the zakat rate is fixed (flat) is no matter how much income each person earns then he charges at the same charity. As for the *ahlu dhimma* (*infidels*) who live in the Islamic state, they are not taxed on their income. They only pay for the *jizya* once a year. The value is determined by the Caliph of the expert that the value is not distress able to them.

CONCLUSION AND RECOMMENDATION

Islam provides the solutions for the state's income and expenses problems. All solutions are based on sharia arguments from the holy koran, Sunnah, *ijma'* and *qiyas*. The Baitul Mal's continuous incomes are from *fai*, *ghanimah*, *Anfal*, *kharaj*, *jizya*, public/common ownership, state ownership, *usyur*, *khums rikaz*, minerals, and 'tithe'. As a result, when the treasure of the Baitul Mal's continuous infusion take place smoothly in fact it is sufficient to state spending obligations. Thus, there is much of the country's financial deficit (Ata 'ibn Khalil Abu ar-Rasytah, 2016).

The concept is clearly different from the Capitalism system. In this country when the Act including the budget prepared by the human desires. As a result, what happens is the widespread practice of the government tyranny. Among these people, including the poor, they are burdened with various taxes and levies to finance state (Alisjahbana, 2014). On the other hand, the wealth belongs to the people that should be managed by the state actually delegated to outsiders (Arabia, 2016). At the same time, in some cases, it could be the government officers who do not hesitate to compromise with the rich offenders by providing the tax forgiveness to them, no matter if their property is illegally obtained (Santoso, 2016).

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ANALYSIS OF RICE CONSUMPTION AND RICE IMPORT IN INDONESIA

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Abstract. Indonesia is the importer of agricultural commodities especially rice. Although the production and productivity rice in Indonesia increased, but they were not greater than the consumption. Import rice still done to covered deficiency demand for rice in Indonesia, as a result the price of rice increased. It was an anomaly of the economics world condition, where productions increased greater than consumptions and average commodities prices also decline as dropped in world oil prices. Base on that case, it is very interesting and to be very important to research. The aims of this study wanted to examine and analyze factors that influenced the rice consumption and the rice import in Indonesia. This research used econometrics model with Keynes's theory and adopted Aimon's Model (2014). The data used are time series and interpolated on quarterly from 2000 until 2015. The results showed that consumption of rice in Indonesia was significantly influenced by income per capita, import and prices. And the import was significantly influenced by consumption, income per capita and the exchange rate. Increasing on the price made negative affected on consumption, because consumption would reduced when the price increased. Therefore the government should make a policy to care for price stability. And the more depreciation on rupiah exchange rates of dollars would increase the import rice values in Indonesia, then government need a policy how to made rupiah appreciated.

Keywords: Rice Consumption, Rice Import, Income, and Price

INTRODUCTION

Liberalization of trade is theoretically marked by the elimination to import duty and other barriers to trade. This will make world's market and domestic market can integrate spatially (Sawit, 2003). The interdependence among countries and communities in the world will get increase and may support the growth rate of world's economy. However the situation shall not automatically be capable of saving developing countries without the presence of a clear strategy in determining the direction of economic policy. For developing countries, the global interdependence process will carry a wide challenge, i.e. how to utilize any existing opportunity and prevent any negative impact that might emerge (Khudori, 2009).

Issue on the Liberalization of world trade to food commodities keeps triggering debates. In the meantime, decelerate of agricultural production rate or even the decrease of agricultural production will impact on the decrease of supply which then causes a price increase. If demand constants or even increases then any surplus of demand can be fulfilled by the trade of agricultural products from other countries through importation.

Indonesia is a state which imports several commodities especially rice. Rice consumption in Indonesia occupies the world's third rank after China and India. This is because rice commodity is the main staple food for Indonesian community so this commodity becomes an important commodity in the national development.

The growth of production in food commodities in Indonesia in the last several years, though there occurred an increase in production but such increase in production proved lower still compared to that of its consumption. Such a condition constitutes an anomaly towards the world's production and consumption condition. This condition is presented in the figure below:

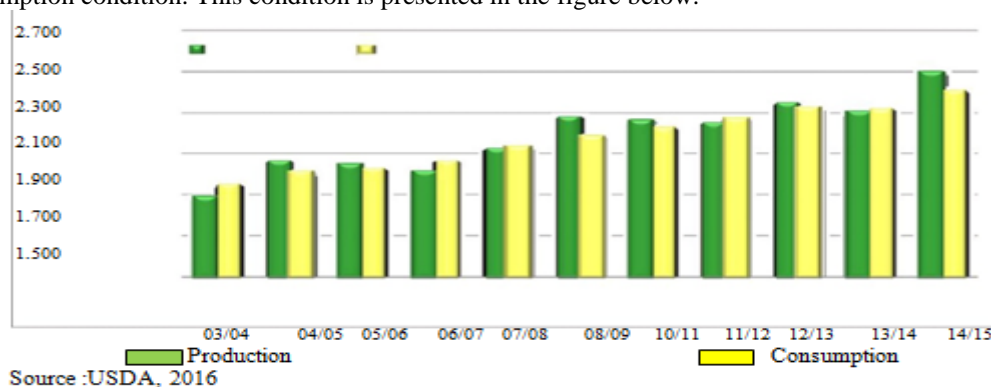


Figure 1. Production and consumption of world's food

And Indonesia condition for some food commodities is presented in Figure 2 below :

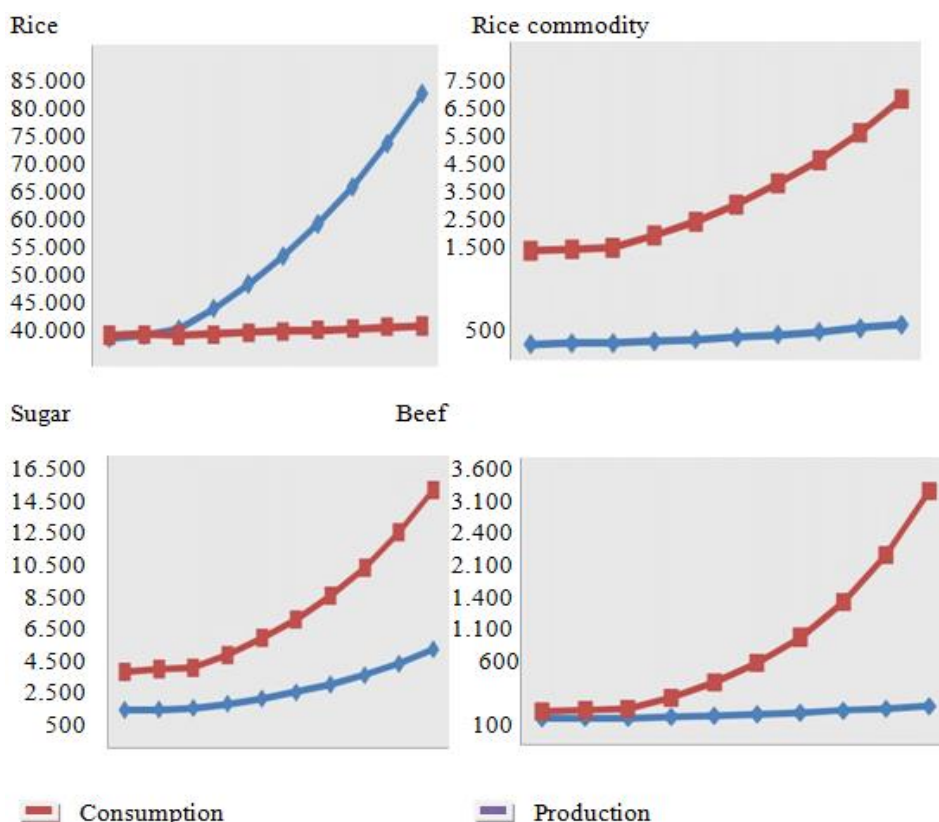


Figure 2 Data of production and consumption of food commodities in Indonesia

The condition of rice commodity in Indonesia within the last five years period enjoyed an increase in production and productivity, yet the rice importation shows a significant increase during the last two years as shown in table 1 below:

Table 1 Data of Production, Productivity, Importation, Price and Consumption During 2011-2015

Year	Production (ton)	Productivity %	Import (ton)	Price (Rp/kg)	Consumption
2011	65.756.904	49,80	2.744.761	7.379	102,87
2012	69.056.126	51,36	1.927.563	7.198	97,65
2013	71.279.709	51,52	472.665	8.409	97,40
2014	70.846.465	51,35	815.285	8.922	98,11
2015	75.550.895	51,80	1.250.000	10.044	98,21

Source: BPS, processed (2016)

Such a tendency to do rice importation when consumption rate is higher than that of production needs to be considered by the government so that the domestic supply of rice shall not increase which results in the depreciation of rice's price. The condition that occurs in Indonesia is against the theory of economy. In which agricultural production increases, import increases but price also increases. Whereas the condition of food commodities' prices in the world since 2014 to presently tends to decrease in food commodities due to the depreciation of world's oil price.

According to Blanchard (2009), consumption has a relationship with income or output of goods and services available in a country, however when consumption is unable to be affected by production then said need of consumption shall be fulfilled by importing from other countries. In micro economic theory, consumption in this matter demands, is affected by price, in which an increase in price will decrease consumption. Whereas consumption, production and import constitute an equation of identity in term of economy which certainly relates to the international trade. While consumption constitutes an output function, due to the above identity rice consumption becomes the function of rice importation.

Similarly, rice importation which theoretically constitutes a function of rice output changes to a function of rice consumption and exchange rate.

From the above phenomenon of anomaly and consumption theory, importation theory and production identity, this study would observe and analyze: 1) What factors influenced Rice consumption in Indonesia?; 2) What factors influenced Rice importation in Indonesia?

THEORETICAL REVIEW

According to Mankiw (2007:457), the Keynesian consumption function has three properties (Keynes' Conjectures) , first marginal desire to consume c is located between zero and one ($0 < c < 1$), second the average tendency to consume will decrease if income (output) increases, and third consumption is determined by present income (output). However, when this theory is implicated to a certain consumption of goods (in this matter rice commodity) it will be determined by production (output) of rice commodity as well as income per capita.

In Theory of demand (consumption), Nicholson (2009: 126) states that demand (consumption) is also affected by the price of said commodity. Therefore, based on said macro-economic theory and micro-economic theory, it means that consumption is affected by price and output of commodity. Since the commodity includes in international trade, Krugman (2009:67), states that consumption constitutes an identity of production (output) and import. This means that consumption is not only determined by production, but also determined by the importation of said commodity. So, from such a condition it needs to do a reduced form, to come to a condition that consumption is affected by price and importation of said commodity.

According to Blanchard (2011: 398) the determinant of domestic import depends on income or domestic output and rupiah exchange rate. As implication from said theory and import function it also needs to do a reduced form, since in international trade domestic output becomes an identity as it does also in consumption function. In respect of this, import function is also affected by consumption of the relevant commodity and the real exchange rate (rupiah against US\$).

In connection to the above, Keynes model of consumption being the basic modal of this study can be written down mathematically as follows:

$$C = C' + cY, C > 0, 0 < c < 1 \dots \dots \dots (1)$$

Where C' is the consumption of rice commodity, Y is production or output of rice commodity, C' is constant , and c is the marginal desire to consume rice commodity. Y here can be explained in two forms, Y in production form and Y in income form (income per capita) or marked by I symbol. This income per capita variable constitutes a developed form of Aimon model (2014) which only views Y as form of production or output. In addition, by the implication of this theory to the consumption of rice commodity it is introduced the rice commodity price variable into said consumption model which is modified without constant, so it can be written down in a structural equation as follows:

$$C_t = a_1 Y_t + a_2 I_t + a_3 P_t + uct \dots \dots \dots (2)$$

Where C_t is the consumption of rice commodity, Y_t is the production of rice commodity in year t , I_t is income per capita in year t , P_t is the price of rice commodity and uct is error term for rice commodity consumption model.

Since the consumption of rice commodity in the Indonesian community can't be fulfilled by the production of Indonesia's rice commodity itself, then it is done the importation of rice commodity. In respect of that, this study also used import theory. The model of import in this study was also the development of Aimon model (2014) which did not introduce income per capita as exogene variable. Therefore, model of rice commodity import in this study can be mathematically written down as follows:

$$M_t = E_t \dots \dots \dots (3)$$

Where M_t is import of rice commodity in year t , and E_t is the real exchange of rupiah against US\$.

Furthermore, the concept of consumption, production and import in term of international economy constitutes a form of identity equation where:

$$C_t = Y_t + M_t \text{ or } Y_t = C_t - M_t \dots \dots \dots (4)$$

Therefore, models in equations (2) and (3) above shall change if substituted to equation (4). First it will be introduced equation (2) into equation (4) so it becomes:

$$C_t = b_1 I_t + b_2 P_t + b_3 M_t + uct \dots \dots \dots (5)$$

The model of rice commodity consumption to be estimated is model in equation (5) to view the effect of import, income per capita and price towards the consumption of rice commodity. Subsequently import model in equation (3) shall change by substituting equation (4) into equation (3), so it becomes:

$$M_t = c_1 C_t + c_2 I_t + c_3 E_t + uct_2 \dots \dots \dots (6)$$

Equation (6) above is the import model to be estimated to view the causality relationship between the consumption of rice commodity, income per capita and the real exchange rate against import of rice commodity in Indonesia.

METHOD OF STUDY

This study constituted an associative study. Data used in this study was time series data in quarter form from 2000 through 2015 which was obtained from the Statistical central agency (BPS), USDA and the Ministry of Agriculture. The analysis used was econometric analysis by applying double linear regression model or ordinary least square (OLS).

RESULTS AND DISCUSSION

The development of rice consumption and the factors that affected Rice Consumption in Indonesia

From SUSENAS data it was described that rice consumption at household level or direct consumption available between year 2000 to year 2015, the average consumption of rice at household level per population of Indonesia tended to increase by 1.13% per year or the average consumption of rice per population was 101.62 kilograms per capita per year and decreased to 85.19 kilograms per capita in 2015.

In absolute term, the rice consumption pattern at household level tended to keep decreasing between year 2001 to 2015, or the average condition of the last 5 years. This trend of direct rice consumption decrease was due to the increase of community's welfare and the awareness of health which diverted the consumption of carbohydrate originating from rice to a healthier rice substitution food.

From the results of data processing using Eviews 8 on Consumption variable as dependent variable and Income per capita, Import and Price as independent variables it was obtained the processing result as shown in table 2 below:

Table 2 Results of estimation on factors that affected rice consumption in Indonesia

Variable	coefficient	std. error	t-statistic	Prob.
C	107.8172	0.813583	132.5214	0.0000
INCOME	3.190007	0.960008	3.321572	0.0015
IMPORT	6.700007	0.260007	2.505230	0.0150
PRICE	-0.004021	0.000503	-7.998485	0.0000
R-squared	0.942131			
F-statistik	325.6090			
Prob(F-statistik)	0.000000			

Source : Data processed (2016)

Then, regression equation for consumption was:

$$C_t = 107.8172 + 3.191 + 6.700 M - 0.004P + u_1$$

Based on estimation by OLS method in table 2 it can be explained that Income per capita, Import and Price have a significant influence on rice consumptions in Indonesia. Inline with the increasing income of community, the consumption of rice also increased. The Indonesian people were still in a full dependence on consuming rice as their staple food. Even though the Ministry of Agriculture had socialized to do the diversification of food and sought for other alternatives to consume as staple food, yet it was only certain regions which did not consume rice as staple food.

Rice importation had a positive and significant effect to consumption. It means that an increase in rice import will increase rice consumption at ceteris paribus condition. This strengthens the reason that Indonesia is the third highest rice consumer after China and India. The Indonesia's big population must be balanced with food stock not only produced domestically so the government shall have to do importation to keep food stock for the people.

The price of rice has a negative and significant effect on rice consumption in Indonesia. This explains that anytime an increase of price occurs it will impact on the decrease of rice consumption in ceteris paribus condition. The price of rice in Indonesia shows an increasing trend from time to time. Even though there occurs a decrease to the average price of food in the world, this has no effect to the price of rice in Indonesia. This is because the input price for agriculture also increases such as seed, fertilizer's price and the other agricultural drugs. The effect of income, import and price to rice consumption in Indonesia is inline with theory proposed by Blanchard (2009), Nicholson (2009) and Mankiw (2007).

The progress of Indonesia's rice import and factors that affect rice import in Indonesia

During 1983-2014 periods, the volume of rice import increased quite sharply with the average import volume reached 909.38 tons or an average increase of 523.09% per year. The increase of import

due to a quite high increase in 1995, 1998, 2002, 2006-2007 and in 2010 and 2011 with the increase rate ranged between 125.51% to 738.81% except in 1997, 2000-2001, 2003-2005, 2008-2009 and 2012-2013 which suffered a decrease in import volume ranged between 13.48% and 83.95%.

In 2014 the highest volume of Indonesia's rice import came from Thailand which volume was lower than that of 2012 i.e. 349.53 or reached a share of 18.13% with trade value reached US\$167.44 million, the second highest of Indonesia's rice import was from Vietnam i.e. 303.47 thousands of ton or reached a share of 15.74% with the trade value of US\$141.89 million, lower than that in 2012 which reached 1.10 millions of ton at the value of US\$ 575.60 million. Beside of the two ASEAN countries, Indonesia's rice import also came from 2 rice producing countries in ASIA region i.e. India and Pakistan the volume of which tended to be higher than that in 2013 . i.e. 82.60 thousands of ton and 61.27 thousands of ton each or reached a trade value of US\$ 31.43 million and US\$ 23.76 million. Meanwhile, the volume of rice import by Indonesia from Pakistan and India in 2013 were 75.81 thousands of ton and 150 thousands of ton each. In 2014 the volume of Indonesia's rice import reached 815.31 thousands of ton or decreased by 42.30% from 2012. said volume of rice import particularly came from four countries, with the highest was from Thailand, followed by Vietnam, India and Pakistan.

To know the factors that affected the import of rice in Indonesia it was used Consumption, Income per capita and Exchange rate variables as Independent variables and import as dependent variable. The processing of data by using EvIEWS 8 software produced the results as in table 3 below:

Table 3 Results of estimation on factors that affected rice import in Indonesia

Variable	coefficient	std. error	t-statistic	Prob.
C	-8519166.0	42155569	-2.020882	0.0478
INCOME	130600.4	44848.25	2.912052	0.0050
CONSUMPTION	0.105069	0.025982	4.043856	0.0002
EX. RATE	-476.8248	96.87983	-4.921817	0.0000
R-squared	0.296829			
F-statistik	8.442468			
Prob(F-statistik)	0.000091			

Source : Data processed (2016)

Regression model for the importation equation above is:

$$M = -8518166 + 130600.4 C + 0.1050 I - 476.82 E + u_2$$

The results of estimation shows that Consumption, Income per capita and Exchange rate have a significant influence on rice import in Indonesia. Consumption's influence is positive and significant, this explains that anytime there occurs an increase in rice consumption it will increase the volume of rice import in Indonesia in ceteris paribus condition. The increase of rice consumption shows that the desire to consume rice as staple food is un-replaceable yet by the other food ingredients so the government imports rice to meet domestic's need.

The influence of income per capita on rice import is positive and significant. It means that any increase to income will increase rice import in Indonesia in ceteris paribus condition. This shows that the portion of income spent to meet food ingredient import is still sizeable. As we know, domestic product is not able yet to meet the whole domestic rice need so the government still does the importation even when income increases import also increases to keep the domestic rice stock.

Estimation on exchange rate variable's influence to rice import shows a negative and significant result. This means that the more depreciated rupiah, the bigger is import in ceteris paribus condition. The exchange rate used in this study was the comparison between US\$ and rupiah. The exchange rate will affect the level of goods importation (whether high or low) to Indonesia. Since in implementing trade between states it will used different currencies, exchange rate is the facilitator to compare the value of a currency against the other. By the depreciation of a currency or rupiah, Indonesian state will pay import by a bigger amount of money. Therefore it is needed government's policy and strategy to appreciate the value of rupiah currency. The influence of consumption, income, and exchange rate to import of rice in Indonesia is inline with the theory proposed by Blanchard (2009), Nicholson (2009) and Mankiw (2007).

CONCLUSION AND RECOMMENDATIONS

Conclusion

1. Consumption And Import Are Two Things Inseparable In Indonesia, Since Consumption Can't Be Fulfilled Completely By Production. Consumption And Import Of Rice In Fulfilling The People's Need Are Interdependent Each Other. So, If One Of Them Suffers A Problem It Will Create Another Problem. In Addition Import, Price And Income Per Capita Affect Consumption Of Rice, In Which

- The Decease Of Price As Well As The Increase In Income Per Capita Will Increase Rice Consumption In Indonesia.
2. In Addition To Consumption, Income Per Capita And Real Exchange Value Also Affect The Import Of Rice, In Which The Increase To Income Per Capita As Well As The Appreciation Of Exchange Value Will Make Import Of Rice To Indonesia Increases

Recommendations

1. The Government Of Indonesia Needs To Re-Arrange Rice Importation Well In Order To Avoid Any Problem To Rice Availability For Domestic Consumption For Occurring In The Future. Next, It Is Also Expected To Take A Proactive Activity In Stabilizing Rupiah Exchange Value So Any Problem In Rice Importation Stability Can Be Prevented In The Future In Indonesia
2. The Limitation Of This Study Is The Volume Of Data Which Was Still Inadequate In Quantity. In Respect Of This, It Will Be Better If The Data Available Is Bigger In Volume In Order To Guarantee A Better And More Accurate Result

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THE ROLE OF SOCIAL CAPITAL ON THE LEVEL OF HOUSEHOLD EXPENDITURE IN JAMBI PROVINCE (STUDY OF URBAN AREAS)

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Abstract. This study aims to assess the influence of social capital on household expenditure in Jambi province specifically for urban areas. Social capital is made up of four factors, namely: the attitude of trust towards leaders in the rural environment (trust in the figures), participation in joint actions in the village (Collection action), tolerance, and the attitude of trust towards neighbors. The social capital works through mutual trust and tolerance among individuals in families, communities, inter-group which eventually form a productive social networking to the betterment of society as a whole in this case the well-being approached from the household expenditure. This study uses secondary data from national socio-economic survey (SUSENAS), cultural and educational modules (MSBP) conducted by the BPS-Statistics Indonesia. In this study analytical method used is quantitative analysis methods. The quantitative analysis is used Multinomial Logistic Regression. The results of this study indicate that social capital have a significant effect in determining the classification of expenditure of urban households. The issue of social capital which is already low in urban areas, apparently based on this research remains influential in determining whether a household is entered into the lowest expenditure group, the middle expenditure group, or the highest expenditure group.

Keywords : Social Capital, Household expenditures, Multinomial Logistic Regression

INTRODUCTION

Development undertaken by all countries in the world aimed at improving people's welfare. Welfare is not only seen from an economic standpoint but also include other welfare such as civil liberties, freedom from crime, clean environment and healthy conditions of people who are physically and mentally. Human well-being is influenced by three things: (1) natural capital, (2) physical capital and (3) human capital and social capital. Natural capital, physical and human known as traditional capital construction. Social capital is closely related to human capital. If human capital represents the knowledge, skills and health, so meaning social capital refers to the norms and networks that facilitate cooperation between people within and among groups. (*Organization for Economic Co-operation and Development* - OECD, 2001).

Social capital is a resource that is inherent in social relations. Social capital is always present in every social relationship made between individuals, between groups, between organizations and even between countries. Social capital is also a belief rooted in socio-cultural domain of a society which is then reflected in the ethics and morals as a way to create common honesty and hope. Social relations building based on mutual trust as it will evoke the spirit of social cohesion are high so as to have positive impact on the economic welfare of the community, local development and significant role in the management of social life. Therefore the role of social capital on development can not be separated from human capital. Simultaneously along both affect human well-being, both directly and through other development capital. Therefore, the role of social capital on development progress can not be measured easily. Putnam in Hasbullah (2006) states that nation which has high social capital tend to be more efficient and effective in carrying out various policies to promote welfare and life of its people. BPS (2012) formulated that social capital is made up of four factors: the attitude of trust towards leaders in the rural environment, participation in joint actions in the village, tolerance, and the attitude of trust towards neighbors. These four factors are only two approaches include measures of social capital, namely (1) the attitude of trust and adherence to norms and (2) the joint action. BPS The result suggests that the social capital index is lower in urban areas than rural areas, even after the average difference test concludes that there are significant differences between the index of social capital in urban and rural areas.

Collaboration between social capital and human capital can facilitate the proper working of all development capital more effectively and efficiently. The high social capital and human capital in the region is expected to accelerate the achievement of human well-being as the ultimate goal of development is done. The well-being in this case using household expenditure approach.

Based on the above, the researcher wanted to assess the influence of social capital on household expenditure in urban areas, so it is expected to obtain a comprehensive overview and can be used in the policy of increasing the welfare of the people by reducing poverty, especially in urban areas Jambi Province. As the percentage of urban poverty is always much higher than in rural areas. According to data

from the Statistics Indonesia (BPS) recorded that in March 2012, the percentage of urban poor population reached 10.44 percent higher than in rural areas reached 7.52 percent (Statistics Indonesia - BPS, 2012).

RESEARCH METHODS

Data Sources and Area Study

The data used in this study is the results of the National Socioeconomic Survey (Susenas) in 2012 which provided therein socio-cultural module that contains the data of social capital that will be discussed. Susenas is one of the BPS survey using household approach. The number of samples Susenas of socio-cultural modules in Jambi Province 1,500 households, with an urban sample of 383 households. Data usage in 2012 was based more social capital because the data are not available every year, because in 2012 BPS has conducted a very comprehensive collection of data to measure social capital.

This study focused on taking the province of Jambi, it is based because the level of development of Jambi province so rapidly that it can be seen from the indicators of economic growth above 6 per cent in the period 2008-2012. The Statistics Indonesia (BPS) noted that economic growth in the province of Jambi in 2012 of 7.03 percent, so this is the main attraction of research as to what economic conditions have to do with the variables being studied.

Analysis Techniques

Accordance with the object that wants to know the effect of social capital and other household characteristics variables to the classification level of household expenditure, so the researchers concluded that an appropriate statistical method is logistic regression in this case using multinomial logistic regression statistical techniques for the dependent variable (the classification of household expenditures) are multinomial.

Such as the world bank criteria, for the variables of household expenditure as the dependent variable (Y) will be divided into three categories. Namely, the category of the lowest 40 percent of households, households 40 percent of middle and top 20 percent of households. Each of these categories is labeled 0, 1 and 2. Therefore, we use 3 categories, then there will be two logit functions. Then, we must determine what categories are labeled 0 or $Y = 0$ as a reference / baseline on which to base forming logit function to compare the other categories ($Y = 1$ and $Y = 2$) to $Y = 0$).

Variabel Definition

In this study were used as variables of social capital are the dimensions of social capital; believes attitudes towards public figures, the joint action, tolerance, and the attitude of trust towards neighbors. These variables are aggregates of constituent indicators. While household expenditure are classified according to the criteria of the World Bank, which became expenditure bottom 40 percent, 40 percent intermediate, and 20 percent of the top. To further simplify the analysis, the bottom 40 percent expenditure called the lowest expenditure group, spending 40 percent of middle-called middle expenditure group, and the top 20 percent expenditure called highest expenditure group.

Table 1. Variabel Definition

Variabel	Definition and Measurement
Household expenditure	0 : the lowest 40 percent, 1: the middle 40 percent, 2: the highest 20 Percent.
Trust in the figures	Aggregate of two indicators
Collective Action	Aggregate of four indicators
Tolerance	Aggregate of two indicators
Trust in the neighbours	Aggregate of two indicators
Ratio of non food expenditure to total expenditure	Percentage of non food expenditure to total expenditure
The ratio of population not Work Against Total Household Members	Percentage of population not Work Against Total Household Members
House floor area	Floor are (M2)
average years of education Head of Household	The duration of follow-formal education (year)
Age of Household head	age (year)
Sum of household member	person
Use of internet	0 : using the internet ; 1 : do not use the internet
Car Asset Ownership	0 : cars have; 1 : cars do not have
Job categories	Main job category of household head, 0 : services, 1: Industry; 2: Agriculture
Home ownership	Home ownership status of residence, 0:have; 1: do not have
Marriage status	0 : Marriage; 1: Others
Sex	0: Man; 1: Woman
Number of Household Members who attend school	0: nothing, 1: one household member; 2: two or more household members

RESULT AND DISCUSSION

In doing interpretation by means of logistic regression analysis, interpretation models generally performed on the value of Exp (B), given the difficulty of interpretation of the model when using the model equations Odds Ratio. Further interpretation of the model at each independent variable quantitative and qualitative statistically significant influence.

Before performing the interpretation of the results of the multinomial logistic regression, it should be remembered that the reference category used is the household that includes 40 percent of the lowest. Therefore, the analysis will be compared to this category. Positive or negative coefficient sign only as a marker that if positive indicates that the higher the value of the independent variable associated with the higher the dependent variable, whereas if a negative coefficient indicates that the higher the value of the independent variable, the dependent variable is getting smaller.

Discussing about 40 percent of middle expenditure household (the middle expenditure group) is as follows.

Table 2. Parameter Estimates for 40 percent of middle expenditure household

Variable	coefficient B	Sig.	Exp(B)
Intercept	-3,396	0,109	
Trust in the figures	-0,394	0,017	0,674
Collective Action	0,116	0,027	1,123
Tolerance	0,239	0,025	1,270
Trust in the neighbours	0,054	0,634	1,055
Ratio of non food expenditure to total expenditure	0,067	0,000	1,069
The ratio of population not Work Against Total Household Members	-0,007	0,286	0,993
House floor area	0,001	0,854	1,001
average years of education Head of Household	0,161	0,003	1,175
Age of Household head	-0,019	0,175	0,981
Sum of household member	-0,447	0,000	0,639
Use of internet	0,292	0,659	1,339
Car Asset Ownership	1,160	0,033	3,191
Job category (Services)	0,566	0,122	1,760
Job category (Manufactures)	0,504	0,310	1,656
Home ownership	0,689	0,066	1,992
Marriage status	-0,255	0,684	0,775
Sex	0,847	0,240	2,333
Number of Household Members who attend school (0)	1,172	0,011	3,229
Number of Household Members who attend school (1)	0,461	0,248	1,585

The first dimension of social capital that is trust in the figures were able to resolve the problem, this variable is significant and has a negative coefficient. Exp (B) is at 0.67, interpretable “The higher trust in the figures, the tendency of the household, including the middle expenditures group of 0.67 times that of the lowest expenditure group”. To simplify the reasoning in the interpretation, then we could have been interpreted from the class pre-determined reference category (lowest 40 percent) against the medium expenditure group is to perform the division $1 / 0.67 = 1.5$. Thus, the interpretation can also be expressed as follows: “The higher the confidence of the trust in figures, the tendency of the household, including lowest expenditure group was 1.5 times the middle expenditure group”.

The next dimension of social capital is the collective action, not much different from the previous dimension, dimensions of collective action suggests that “The more often households act together (the collective action) in society, then the tendency of households categorized as middle expenditure group is 1.1 times that of the lowest category of expenditure”. Note that in essence, ot too big a difference whether or not the influence of often act together in the community, both in households in the lowest expenditure groups as well as the middle expenditure group. This can be seen from the value of Exp (B) which is still in the range of 1.1 grades.

Other dimensions of social capital that is tolerance indicated that high tolerance in the household has a tendency of 1.3 higher the household including the middle expenditure group compared with the lowest expenditure group. In other words, households that have a high tolerance will be in the middle expenditure group.

Besides discussing the influence of social capital variables, as well as other variables that are not less important related to household expenditures. Variable of non-food expenditure ratio and the average length of the school almost has the same tendency both for the lowest expenditure group or the middle expenditure group. This can be seen from the value of Exp (B) which is still in the range of 1.1 grades. Therefore high ratio of food expenditure and not the length of the school year experienced head of the household were not significantly different between the lowest expenditure and the middle expenditure groups.

Increasing number of household members tend to make household turns it enters the middle expenditure group 1.6 times that of the lowest expenditure group. With the increasing number of household members make expenditures will be higher, this is what makes the tendency of these households enter the category of medium expenditure group.

The tendency of households who do not have household members who went to school to include middle-expenditure groups of the lowest expenditure group by 3.2 times from (three times) households household members who attend school. No more monthly fees of the school may be the cause that have household members who attend school are not necessarily household spending increased or It can also indicate that expenditure on education can not be a differentiator if the household expenditure group entered middle or lowest expenditure group.

Ownership of assets such as cars turned out to be a distinguishing tendency of households categorized as the middle or lowest expenditure groups. It is known that there is a tendency of households that own a car goes into the middle expenditure group than the lowest expenditure group with a value of three times that of households that do not own a car. This means that car ownership could be a sign that households are not from the lowest expenditure group.

While the discussion of the 20 percent of households with Highest expenditure (The highest Expenditure Group) is as follows.

Table 3. Parameter Estimates for 20 percent of household with highest expenditure

Variable	coefficient B	Sig.	Exp(B)
Intercept	-6,200	0,044	
Trust in the figures	-0,299	0,289	0,741
Collective Action	0,079	0,275	1,082
Tolerance	0,332	0,048	1,394
Trust in the neighbours	-0,128	0,426	0,880
Ratio of non food expenditure to total expenditure	0,109	0,000	1,115
The ratio of population not Work Against Total Household Members	-0,008	0,410	0,992
House floor area	0,015	0,015	1,016
average years of education Head of Household	0,268	0,000	1,307
Age of Household head	-0,019	0,395	0,981
Sum of household member	-1,339	0,000	0,262
Use of internet	0,642	0,410	1,901
Car Asset Ownership	2,178	0,001	8,826
Job category (Services)	1,161	0,045	3,192
Job category (Manufactures)	1,884	0,019	6,581
Home ownership	0,744	0,189	2,105
Marriage status	0,381	0,672	1,463
Sex	0,329	0,753	1,389
Number of Household Members who attend school (0)	1,128	0,123	3,090
Number of Household Members who attend school (1)	0,072	0,908	1,075

Four dimensions of social capital are examined, it turns out there is only one significant dimension of social capital, ie the dimension of tolerances with Exp (B) of 1.39. This means that the high tolerance in the household has a tendency of 1.4 higher the household including the highest expenditure group compared with the lowest expenditure group. In the other words, households that have a high tolerance will be a greater chance of being the highest expenditure group compared to the lowest expenditure group.

Variables of non-food expenditure ratio and floor area of the house almost has the same tendency for both household that 20 percent of the highest and lowest 40 percent. This can be seen from the value of Exp (B) which is still in the range of 1.1 grades. Thus the high ratio of non-food expenditure as well as to the increasingly wide house that is occupied by a household, it is not so made the difference between households in the highest expenditure group and the lowest expenditure group.

Unlike the previous discussion, it turns out the increasing number of household members tend to the household belong to the highest expenditure group 0.26 times that of the lowest expenditure group. For ease of reasoning in the interpretation, then we could have been interpreted from the class of pre-determined reference category (lowest 40 percent) against the highest expenditure by performing division $1 / 0.26 = 3.8$. Thus, the interpretation can also be expressed as follows: "The more the number of household members, there is a tendency of the household, including the category of the lowest expenditure group was 3.8 times more than the highest expenditure group".

For the head of the household that had higher schooling 1.3 times tend to get into the highest expenditure groups than the lowest group. So the higher the level of education turned out to have greater opportunities to enter the highest expenditure group, it could mean that education became the start to have a better economic life or have a level of well-being better than the head of household with lower educated.

For the highest expenditure groups, including the group's tendency to greater if they have ownership of assets such as cars. It is known that the tendency of households have a car to include the highest expenditure group than the lowest expenditure group by nearly 9 times more than households that do not own a car.

What about the employment of household heads, it turns out that the head of household who work in the services sector are likely to include the highest expenditure group compared with the lowest expenditure group that is equal to 3.2 times more than working in the agricultural sector. The meantime for the head of household who work in the industrial sector are likely to include the highest expenditure group compared with the lowest expenditure group that is by 6.6 times more than those working in the agricultural sector. In other words, the head of the household who work in the industry-are more likely to enter the highest expenditure group compared to the two other sectors.

CONCLUSION

This study proves that social capital is significant in determining the classification of expenditure of urban households. The issue of social capital which is already low in urban areas, apparently based on this research remains influential in determining whether a household is entered into the lowest expenditure group, the middle expenditure group, or the highest expenditure group.

Multinomial logistic regression results for the medium expenditure group, there are three significant dimensions of social capital, the attitude of trust towards public figures, collective action, and tolerance. These three dimensions can distinguish a household to the middle expenditure group or the lowest expenditure group. The high participation of households in collective action in the community and the high tolerance in a household will tend to make household that includes medium expenditure group compared with the lowest expenditure group. Meanwhile, the high trust attitudes towards public figures tend to make the household including lower expenditure groups compared to the middle class, but that does not means it should not improving the attitude of trust toward public figures, interpretation of this phenomenon illustrates that the attitude of trust towards public figures tend to be owned by households in the lowest expenditure group.

Another variable that becomes the determinant of household belonging to the medium expenditure group is the ratio of non-food expenditure to total expenditure; The average years of education of household head; number of household members; Car asset ownership; and households that do not have household members of the school.

Furthermore, the results of analysis for the highest expenditure group concludes that the four dimensions of social capital used in this study, only dimension tolerance which have significant influence in the highest expenditure group. The high tolerance in the life in society is done by households tend to make the household expenditure including top group compared to the lowest expenditure group. Thus, this tolerance should be developed in community life and a capital development in efforts to reduce poverty in urban areas.

As for the other variables become a determinant factor in the group of highest expenditure is the ratio of non-food expenditure to total expenditure; floor area of the house; number of household members; Car asset ownership; employment (services sector); and employment (industrial sector).

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MONEY ILLUSION EFFECT REDENOMINATION RUPIAH

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Abstract. The issue of the currency redenomination of Rupiah in Indonesia continued to be a discourse in the last decade. Changes effect in nominal value and the real value of rupiah in consumer behavior Indonesian society has a significant effect because of the psychological concerns of society in performing their daily consumption needs. This study is aimed at determining the consumer re-learning activities of the new rupiah and find out re-learning activities consumers will be affected money illusion effect. The data analyses in this study used a between subjects 2 x 1 and One Way ANOVA analysis method. Redenomination occurred in New Rupiah that respondents conducted re-learning affected Money Illusion Effect influenced by the perception that the Gain and Loss Rupiah is larger than the old Rupiah Gain and Loss on New Rupiah.

Keywords: *Redenomination, sanering, Re Learning, Money Illusion Effect, Gain, Loss*

BACKGROUND

The changing of Rupiah in nominal and real value had effected significantly on Indonesian society's behavior as consumer. It was because of the psychological concerns of society in performing their daily consumption needs. This psychological mechanism was called money illusion⁵⁵ which is the basic of these phenomena. In fact people prefer using nominal value as the measurement when they evaluate the value of commodity. Otherwise, they often ignores the real value of money. This research focused on theory, one of the two factors, to modify the strength of money illusion's influence. It was about gain and loss of money illusion's manifestation in different contexts.

The condition of inflation could satisfy the consumers because they get higher nominal even though their real incomes were not correlated increased with it even it even it gets decreased in value. Therefore, a person with higher increase of salary nominally would be more satisfied than a person who gaining the salary higher in real but lower in nominal. It means that their satisfaction is not based on purchasing power but based on their earnings in number of monetary.

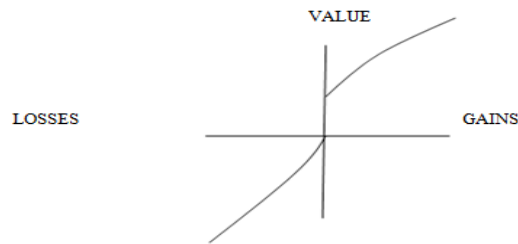
Researchers found that if anyone is pleased to evaluate a situation existed in economic, they did correctly, they are able to count the real value of increasing of salary and they were also capable of distinguishing nominal delegation of salary toward its real value. The other research found that money illusion effect could lead them to have different perception of same price. It depends on the value of currency.

This study attempted to investigate whether consumers using new rupiah would do re-learning and whether re-learning influenced by money illusion effect. The study is aimed at determining the consumer re-learning activities of the new rupiah. This study is aimed finding out whether-learning activities consumers affected by money illusion effect. This study might be reference in taking the risk of redenomination influence through consumer behavior related to psychological concerns of society when there is a changing of nominal value and real value of rupiah.

Sanering is derived from Dutch which means sanitation, recovery or reorganization. Meanwhile based monetary study, it means truncation of money without any detract of cost value that societies power purchasing are decreased. For example, if the value of Rp. 100.000 is reduced into Rp. 100,-. Because of the decreasing of value, then a number of items that purchased by new money will be less than before. If Rp 100- could buy a new clothe, but it cannot be bought by new denomination of Rp 100,-

Redenomination comes from the English Redenomination, it means re-citation or re-simplification of the price of unit and currency value existing. For example, Rp 1.000 is simplified to Rp. 1. Redenomination is simplifying of denomination. Then, the money would be come into fraction less by reducing a number of digits without any reducing of currency value (Tversky et al, 1997).

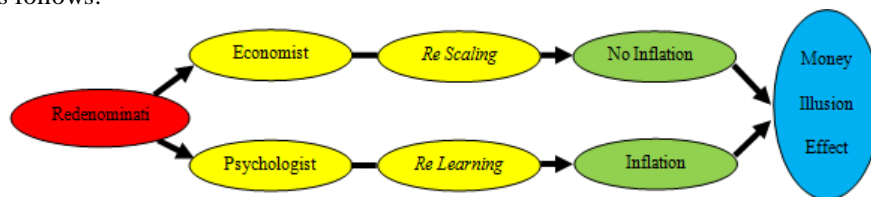
Prospect Theory is a descriptive of drawing of decision theory. This theory can predict how someone makes a choice, not about how someone should make a choice. This theory also describes as a contribution of procedural rationality theory. In their study, Khaneman and Tversky (2007) found many of subjects choose taking the risk (risk- averse); choosing moderate gains of a huge possibility of profits involve the risks (Gamble, 2007); and they prefer to avoid a financial loss or averting any kinds of financial losses emergence than seeking of profits.



Picture 1 Function of value Prospect Theory

Regardless of the currency label, the appraisal value also depended on a number. It is nominal value that higher or lower of its. In this case, it has been known that a price could be higher if only currency given into larger nominal value. It is called *money illusion effect*. In some experiments, money illusion paying attention to the real value of society purchasing power of price assessment and incoming by nominal value of currency. During a changing of currency, when the price of a product seen from different currency and nominal value changes, consumers are vulnerable to *money illusion* (Raghubir dan Srivastava, 2001).

Researches showed that the existing of redenomination change nominal value of currency. It is called redenomination when reducing of nominal currency to rupiah by omitting three digits behind. It can be seen from economist terms that redenomination are not caused any inflation of reducing nominal value (*Rescaling*) to its currency and the real value of unchanged. Then, in terms of psychologists, they assumed that redenomination caused society to do learning of behavior in using new currency (*Relearning*) (Marques dan Dehaene, 2007). Example, consumer perception is expensive when buying *Hand phone* with price Rp 3.000.000. Otherwise, it will be cheaper after redenomination of *Hand phone* price to be Rp 3.000. These currency changes induce consumer behavioral changes in purchasing product. Then, it influences purchase rate of product to be increasing and it tend to inflation. Those behaviors may cause by the influence of *money illusion effect*. Theoretical framework of this research described as follows:



Picture 2 Research scheme framework

Consumers are susceptible of money illusion affected during changes of currency, when the price of product in different currency and nominal value changes, the price are more expensive in currency which is generate larger nominal value. Then, the hypothesis is obtained a follows:

- H1: The Gain of Old Rupiah is Larger than New Rupiah
- H2: The Loss of Old Rupiah is Smaller than New Rupiah

RESEACRH METHODOLOGY

The population of this study involved all societies of Indonesia with 248 million. However, in this study it was only 80 samples chosen by using reference table technique developed by Hair et al then they were divided into two groups, 40 for old rupiah and 40 for new rupiah. All of them were the students of Economic Faculty of Esa Ungul of West Jakarta.

This reserach design of study was causal research aimed at determining the differences by manipulating one or more free variables, and by controlling of another mediation variable. This causal research uses experiment or trial as method. Design of study used was between subject 2 x 1: 2 (kinds of currency: New Rupiah, Old Rupiah) x 1 (Money Illusion Effect) as experiment factor.

Preliminary research analysis is categorized for every answer to the number of symbols. For example, *money illusion effect* variable the lowest value showed by symbols “1” to the highest value in symbols “7”. After giving code to all of the respondents answer, researcher then checked the answer of *manipulation check*. Respondents who answered unmatched with expectation in manipulation check sheet not included in hypothesis test.

Overall analysis method used in this research is ANOVA One Way. It is because of *independent variable* use *categorical data* and *dependent variable* use *single continuous data*. ANOVA One Way is analysis technique aimed to examine whether the average of many sample has difference significantly or not, to examine whether sample has the same variant of population or not.

Taking decision

- If sig. < 0,05 So H1 accepted if only If sig. > 0,05 So H1 rejected.
- If sig. < 0,05 So H2 accepted if only If sig. > 0,05 So H2 rejected.

There are *independent* and *dependent variable* that is used in this study. However, in this experimental design, there is a possibility of *extraneous variable* which should be controlled by its source.

Independent Variable (IV)

There are two independent variables of this study: kinds of currency (Old Rupiah and New Rupiah)

a. *Type of currency*

1. *Old Rupiah*, can be manipulated by giving a respondent an article that does not contain about *new rupiah* to read.
2. *New Rupiah*, a form of manipulation on New Rupiah has similarity with manipulation on New Rupiah.

b. *Money Illusion Effect*

Money Illusion Effect is a theory which describes that the prices can emerge higher when it given in the larger nominal value in currency.

Dependent Variable (DV)

Dependent Variable of this study is *perception of gain and loss*. It perception means when consumer feel gains and losses of the existence of Old Rupiah and New Rupiah. Based on literary, this study is using gain and loss perception.

Table 1 Research Indicator of Gain and Perception Construct

Variabel	Description	Research indicator*
Perception For Gain and Loss	Gains and losses on Old currency will perceived as greater than its gains and losses on New currency	(1) when people consider the old rupiah gains larger than new rupiah (2) when people consider the losses of old rupiah larger then new rupiah

*measured by using *Semantyc Diferential 1 to 10*, where 1 state extremely disagree and 10 for totally agree.

After being manipulated of respondents on Old Rupiah, New Rupiah, and *money illusion effect*, then it was obtained seven questions in measuring data to be, as follows:

This study divided into 2 phases. The first phase is recruitment, *screening* on candidate of participant and *cover story*. Otherwise, the second one is doing primary research. Preliminary step begins looking for students as respondent. They are 80 people. It begins from measuring characteristic of respondent itself such as demography condition and their knowledge.

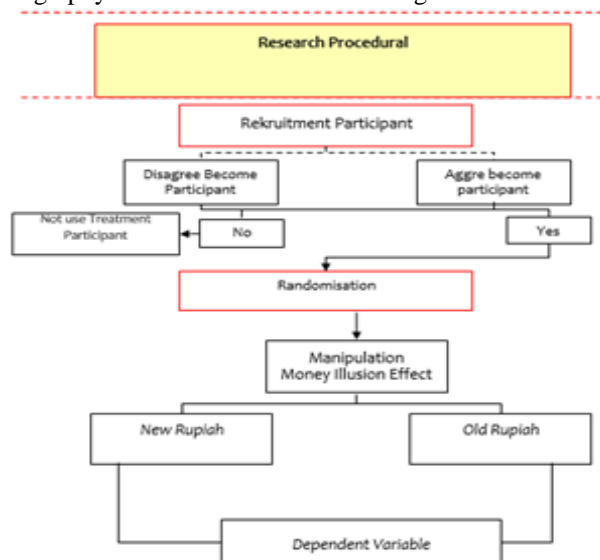


Figure 3 Research procedural

RESULTS AND DISCUSSION

Testing the data by using ANOVA One Way analysis method is divided into two groups. The first group is Gains of Old Rupiah and gains of New Rupiah. Then, the second group is about Losses of Old Rupiah and Losses of New Rupiah. This grouping measures through some of questions. Gain group measured by five questions includes AG, BG, CG, DG, and FG. While, at the first homogeneity test, the

result of question CG, DG, and EG are not homogeneous. Therefore, it needed to logarithm transformation of the result of the CG, DG, and DG data.

Logarithm transformation used only for data that have standard deviation proportional to its mean value or when its treatment effect is multiplicative. So that, Log CG, Log Dg, and Log EG by symbols LGCG, LGDG, and LGEG is obtained. After transformation of the data, there will be second homogeneity test. Its result is homogeneous. Otherwise, gains group is measured by five questions involve AL, BL, CL, DL, dan FL.

Based on One Way Anova result during research with 40 participants, the result of homogeneity test of those variant as follows:

Table 2 Factors Output Between Result Subject Of Two Way Anova Test

Independent Variable	Information	Amount
Redenomination 1.00	Old Rp	40
2.00	New Rp	40

Source: Data Processing of SPSS

Table 3 The Result of Homogeneity Variances Test

	Levene Statistic	df1	df2	Sig.
AG	,017	1	78	,898
BG	3,496	1	78	,065
AL	,074	1	78	,787
BL	1,067	1	78	,305
CL	,172	1	78	,679
DL	2,513	1	78	,117
EL	,716	1	78	,400
LGCG	1,034	1	78	,312
LGDG	2,067	1	78	,155
LGEG	2,755	1	78	,101

Source: Data Processing of SPSS

Levene testing was conducted in order to fulfill assumption of homogeneity of data. Then, made hypothesis bellows:

- H_0 : Variance error both independent variable is same
- H_1 : variance error both independent variable is not same

Characteristic of hypothesis test:

- If sig. < 0.05 So H_0 rejected and H_1 accepted
- If sig. > 0.05 So H_0 accepted and H_1 rejected

So:

The value sig. As describes above, it is larger > 0.05, So that, H_0 is accepted. It means that the variance error both two independent variables are same.

Test of Hypothesis

In this study, there were two hypotesis tested. Based on the result of test, the conclusion is founded with all of hypotesis supoted by the data.

Table 4 Summary of Test of ANOVA

	Sig.
AG	,000
BG	,000
AL	,000
BL	,000
CL	,000
DL	,000
EL	,000
LGCG	,000
LGDG	,000
LGEG	,000

From table above which convey signification test, then it can be concluded as follows:

1. *Gain* of Old rupiah and new rupiah in the point of AG, BG, LGCG, LGDG, LGEG: it indicated that Old Rupiah Gains is larger than New Rupiah Gains. This condition is caused by society concerns of margin of Old Rupiah and new Rupiah was high. This phenomenon similar with some of experts' argumentation which state that gains of old currency is larger than the gains of new rupiah after doing redenomination.
2. *Loss* of Old rupiah and new rupiah in the point of AL, BL, CL, DL, EL: it describes that Loss of Old Rupiah larger than new rupiah. This condition is caused by the high of society concern to margin of Old Rupiah and new rupiah. It also similar with some experts' argumentation that after redenomination, the loss of old currency is larger than new currency.

Table 4 presents an analysis of variance to relationship between *gain* and *loss* test which based on significant level:

1. Variable of *Money Illusion Effect*

Hypothesis:

H1 = Old rupiah gain is larger than new rupiah gain.

Basis of return decision:

- a. If Sig. < 0,05, so H1 is accepted.
- b. If Sig. > 0,05, so H1 is rejected.

H2 = Old rupiah *Loss* is larger than new rupiah.

Basis of return decision:

- a. If Sig. < 0,05, so H2 is accepted
- b. If Sig. > 0,05, so H2 is rejected

Decision:

- a. Hypothesis 1
 - Obtained value Sig. AG, BG, LGCG, LGDG, and LGEG < 0,05 so that H1 is accepted
 - It means that Old Rupiah Gains is Larger than New Rupiah.
- b. Hipotesis 2
 - Obtained value Sig. AL, BL, CL, DL, EL, < 0,05
So that H2 is accepted
 - It means that Old Rupiah Loss is Larger than New Rupiah Losses.

CONCLUSION AND SUGGESTION

Conclusion

Based on analysis where researcher put 2 variables namely *money Illusion Effect and currency of rupiah* as independent variable and *Gain and Loss* perception as dependent variable. Then, the next one is analyzing of 80 respondents through a several test, so it can conclude that: Redenomination occur in New Rupiah that respondents will conduct *re-learning* that affected *Money Illusion Effect* influenced by the perception that the *Gain* and *Loss* of Old Rupiah is larger than the *Gain* and *Loss* on New Rupiah.

Suggestion

Based on the result above, researcher want to give several suggestions below:

1. At the time of socialization of redenomination, Bank Indonesia would not only focus on *Rescaling*, but also focus on its *Relearning* to New Rupiah.
2. Bank Indonesia should pay attention about *Money Illusion Effect* during redenomination in order to prevent inflation.
3. Bank Indonesia should participate in giving the material of socialization of redenomination which about the differences of Redenomination and Sanering in civilization of society.

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DETERMINANTS AND EXPORT COMPETITIVENESS OF COFFEE: COMPARISON BETWEEN INDONESIA AND VIET NAM

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Abstract. Since the implementation of the ASEAN Free Trade Area (AFTA) in the early 1990s and official enactment of the ASEAN Economic Community (AEC) at the end of 2015, the ASEAN market has become more open and competition among members of the increasingly sharp. Indonesia and Vietnam are the two ASEAN member countries the world's largest coffee producer after Brazil. This study analyzes determinant factor export of coffee with the approach of Gravity Model (Keith, 2003) and the level of competition of commodity coffee refers to constant market share (CMS) analysis (Richardson, 1971), between Indonesia and Vietnam, as well as with the approach revealed comparative advantage (RCA) on Balassa (Hinloopen, and van Marrewijk, 2008). The results show that, by employing the panel data of observations for the period 2004 to 2014, GDP and population are two factors positively affecting coffee trade, and the exchange rate and distance negatively affect the trade performance of both Indonesia and Vietnam. Based on RCA, the competitiveness of Indonesian's coffee export is similar to Vietnam, but based on the results of the CMS, the competitiveness of Indonesia's coffee exports are stronger than Vietnam.

Key Words: Gravity model, Export, RCA, CMS, Competitiveness

INTRODUCTION

Data on Table 1 contain comparison of various basic indicators between Indonesia and Vietnam. The total area of Indonesia is 578 times the area of Vietnam. This country is so vast that Indonesia should be the richest countries in the Southeast Asia region, with a population of 41% of the entire population of ASEAN. Compared with Vietnam, Indonesia's contribution to GDP of ASEAN is 35%, while the contribution of Vietnam is only 8%.

In 2015 Vietnam's trade was bigger than Indonesian's, and what's interesting is among members of ASEAN only Vietnam and Lao experienced a positive growth of trade. However, in 2015 Indonesia's trade balance had a surplus, while Vietnam experienced deficit. All ASEAN countries accomplished a decline in net inflow of FDI, but the largest share of FDI net inflow is Indonesia. As the second largest coffee exporter, rate of growth Vietnam's coffee export made 15% during the period 2010-2015, while Indonesia's only 6%.

Table.1. Basic Indicators of Indonesia and Viet Nam

No	Indicator	Indonesia	Viet Nam
1	Land area (km ² , 2015)	1,913,579	330,951
2	Population ('000, 2015)	255,462	91,713
3	GDP (US\$ mil, 2015)	857,603	193,407
4	GDP/cap (US\$, 2015)	3,357	2,109
5	Export (US\$ mil, 2015)	150,282	162,014
6	Import (US\$ mil, 2015)	142,695	165,730
7	FDI, net (2015, US\$ mil)	16,073	11,800
8	Coffee Export (2014, US\$ mil)	1,039.6	3,311.4

Source: ASEAN Secretary

In the 17th century, Indonesia is the largest coffee producer in the world. It was familiar with cups of java (Java Coffee). Coffee was brought into Indonesia by the Dutch in 1669. The first generation coffee crop in Indonesia is arabica. Because the onset of the diseases, later replaced by liberika and changed again become robusta. Currently most of Indonesia's coffee production is robusta, which reached 83% of total production [<https://jurnalbumi.com/blog/10-negara-penghasil-kopi-terbesar>].

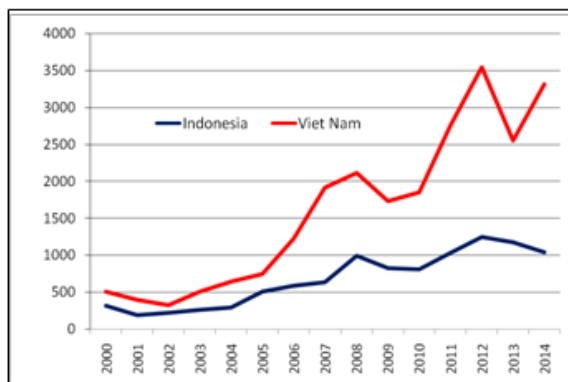
According to World Atlas (accessed 24th of September 2016), in year 2015 Indonesia produced 660 thousand tons of beans, a small raise from the earlier year amounted to 623 thousand tons. Although they may not be as internationally known as a top producer, the nation of Indonesia produced over

660,000,000 kg of coffee beans in 2015. Coffee plantations currently cover over one million hectares of Indonesia's territory, with over 90% of the cropland being worked by small-scale-producers. (<http://www.worldatlas.com/articles/top-coffee-producing-ountries.html>).

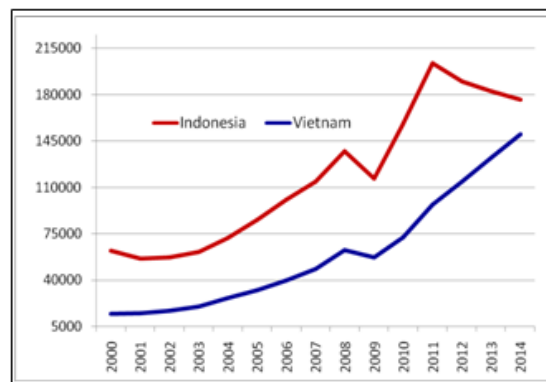
One high quality coffee that Indonesia is famous for is Kopi Luwak, an expensive bean that has a unique production method. The palm civit, a cat like animal which lives in the jungles, eats the raw coffee berries yet cannot process the hard beans on the inside of the berry. The digestive juices of the civit partially break down the bean, and upon defecation the "deposits" are collected, cleaned, and sold as Kopi Luwak beans. Think that's strange? Because only 500 kg of the "Cat Poop Coffee" is produced per year, a cup of coffee brewed from these beans can sell for up to \$80.

It is known that, nowadays, Brazil is the largest coffee producer in the world, dominates the export market since 1830. In 2015, Brazil produced around 43.2 million sacks of coffee beans, equivalent to 2.5 million tons. Nevertheless, Vietnam that can be considered as a new player in the coffee, ranks the second largest coffee producer. Coffee was brought to Vietnam by the French in the 19th century. The development of the coffee crop in Vietnam began to squirm after the end of the war in 1975. The peak throughout the 1990s, coffee production in Vietnam is growing 20-30% annually. The country established itself as the largest Robusta producer in the World. In 2015, Vietnam produced 1.65 million tons of beans, up from 1.59 million tons the previous year.

Currently, Vietnam's impressive coffee development occurred as a consequence of the connection of three series of events: (1) an overwhelming, response to the government's initial direct stimuli, which was blended with (2) agricultural liberalization stimulated by a (3) uniquely favorable set of developments in the world market for coffee. Its closest volume competitor, Colombia, took nearly 75 years of growth to achieve the volumes reached by Vietnam in about a decade. Vietnam's large production of low-priced Robusta coffee has partly contributed to essential change in the shape of the global coffee industry. (World Bank, 2004:9)



Graph.1 Indonesia & Vietnam Coffee Export Values, '00-'14, (in million US\$)



Graph.2 Indonesia & Vietnam Total Export Values, '00-'14, (in million US\$)

Source: UNCOMTRADE database, Accessed August 2016

Graph.1 and Graph.2 above shows the comparison of the total exports and exports of coffee between Indonesia and Vietnam. As the second largest coffee producer, exports of Vietnamese coffee exports are three times bigger Indonesia. Indonesia as the largest country in ASEAN, within a period of five years (2011-2014) Last steadily declining export growth rates. Exports of goods and services of Vietnam in 2008 only 48% of the total exports of Indonesia, then increased by 15% in 2014, up to 81% of Indonesia's exports.

Currently there are four countries, namely the world's biggest producer of coffee; Brazil, Vietnam, Colombia and Indonesia. Production of the four biggest producers amounted 67% of world coffee production. Currently, the estimates of world coffee production is 8.7 million tons, of which Brazil produced around 43.2 million sacks of coffee beans, or equivalent to 2.5 million tones. The sequential production of Vietnam, Colombia and Indonesia by 1.7 million tons, 0.8 million tons and 0.74 million tons respectively

Vietnam is one of the world's most important coffee producers. Its meteoric rise to prominence as one of the major high-volume and low-cost producers has had a singular impacts on the global coffee industry as well as in its own rurak areas. Economically, agriculture contributes about 22% of GDP, industry adds 40%, services supply 38%. More than half of its population of 81 million make up its labor force, the majority of which are involved in agriculture sector.

Less than two decade, Vietnam has moved from being a net agriculture importer to being one of the world's significant exporters. In the last decade, agriculture grew strongly with 1990's agricultural production gains averaging 4,3% per year, with export values growing on average 13% per year. Its major export crops include rice (ranking as the 2nd largest exporter in the world), coffee (also ranking as the second largest exporters worldwide).

Coffee exports grew at an average rate of approximately 29% per year in the two decade from 1981 through 2001, and the, slowed for two yeras as a result of the price crisis. Robusta variety Coffee directly employs 600,000 workers, rising to nearly 800,000 workers at the peak of the season or nearly 3% of agricultural, labor force- about 2.6 million people). (*Coffee Sector Report, The socialist Republic of Vietnam, World Bank, Agriculture and Rural Development Department .Report No. 29358-VN. June 2004. p.20*)

Based on the above justification, it is interesting to do a study to answer the folowing questions. First, what factors affect coffee exports of Indonesia and Vietnam, applying gravity model. Second, to what extent the Indonesia's coffee export able to compete with Vietnam's, based on RCA index and CMS indices.

Literature Reviews

The gravity equation is a famous formulation for statistical analysis of bilateral flows between different geographical entities. It was originally introduced by Newton in 1687, known as Law of Universal Gravitation. It held that the attractive force between two objects i and j is given by;

$$F_{ij} = G \frac{M_i M_j}{D_{ij}^2} \dots\dots\dots (1)$$

Where: F_{ij} = the attractive force.

M_i, M_j = the masses.

D_{ij} = the distance between the two objects.

G = a gravitational constant depending on the units of measurement for mass and Force

Based on Newton's theory, in 1962 Tinbergen, Poyhonen (1963). and Linneman (1966) were the first offered the same functional form that could be applied to international trade flows (Keith, 2003:2). Then, the gravity model has become a popular instrument in empirical foreign trade analysis. The model has been successfully applied to flows of varying types such as migration, foreign direct investment, and more specifically to international trade flows (Martinez: 2003). This general gravity law for social interaction may be expressed in virtually the same notation.

$$F_{ij} = GM_i M_j D_{ij}^{-1} \eta \dots\dots\dots (2)$$

The traditional approach to estimating this equation consists in taking logs of both sides, leading to a log-linear model of the form (note: constant G becomes part of β_0): Baier, Bergstrand and Egger, (2007),

$$\ln(F_{ij}) = \beta_0 + \beta_1 \ln(M_i) + \beta_2 \ln(M_j) + \beta_3 \ln(D_{ij}) + \ln(\eta) \dots\dots\dots (3)$$

Where: F_{ij} = the flow from origin i to destination j (export values).

M_i, M_j = relevant economic sizes of the two locations (GDP).

D_{ij} = the distance between the two objects.

G = the distance between the locations (measured center to center).

Ademe, A.S and, Yismaw, M.A, (2013), study the coffee trade pattern of Ethiopia utilizing panel data from 1997-2011 for 36 trading partners. Their study revealed that the gravity model is strong enough to explain the variation in the dependent variable. GDP affects the export value of Ethiopian coffee in the positive direction and in a significant manner Distance has a right negative sign, but population revealed a negative sign. In short domestic factors are not affecting the supply level of the coffee exports. Still working on Ethiopia coffee using 17 trading partners data from perriod 2000-2009. Bekele (2011) found that GDP and internal transport infrastructure have positive effects on the exports, but population has the opposite result. Distance variable has a right negative and significant effect. Conversely, the real exchange rate does not have significant effect on export. Besides the current value of exchange rate variable, its one year lagged value has been integrated into the model to acquire adjustment of trade to appreciation and or depreciation of real exchange rate. Inspite of this the coefficient are statistically insignificant.

Let's move to the previous studies on competitiveness of agriculture commodity foreign trade, based on Ballasa's RCA and Constant market share (CMS) model.

Ermawati and Saptia (2013), studied Indonesia's CPO and KPO foreign trade performance using revealed comparative advantage (RCA) and constant market share (CMS) indices. They found that Indonesia's RCA of CPO and KPO are smaller than those Malaysia's and Thailand, but it is similar to Colombia's. Based on CMS- product composition, market distribution, and competitiveness were all negative.

Using RCA index and Armington Model, Istis, Setiawan, Hanani, and, Koestiono, (2014), investigated Indonesia's coffee, and found that Indonesia's coffee faces different competitors in each export destination countries. In Europe (Netherland and Germany), respectively Colombian's and Brazilian's coffee a competitor s of Indonesia's coffee, whereas Columbian's a is partner, and Mexican's and Vietnam's are neutral. This pattern is quite the sama as in Australia. In USA the situation was different, Mexican's coffee is partner, but Columbian's, Mexican's and Vietnam's are neutral.

Harvila, and Gunawardana (2003), analysing comparative advantage using Balassa's indices (RCA) and competitiveness on Australia's textile and clothing industries using Vollrath's measurement. They found that Australia has a strong comparative disadvantage in textile and clothing as aggregate commodity groups, meanwhile there is comparative advantage in sub-categories of special textile products. Based on Vollrtah's indices, Australia is not competitiveness in the world market of aggregate commodity groups of textile and clothing

Thailand natural rubber is main focus of Poramacom, N (2002), applying RCA and CMS on. He concludes that, based on Balassa's RCA, Thailand natural rubber export has less comparative advantage compare to Indonesia's export to US market. By using CMS model for the period of 1997-1998 and 1995-1996, he finds that Thailand experienced negative actual export growth that resulted from standard growth effect, market effect and competitive effect. He finally argued that although Thailand is biggest natural rubber exporter (UNCOMTRADE data) of the world, she faced a sharp competitive market.

Agricultural commodity exports are interesting to study based on CMS model, as Suprihartini, (2005), found that Indonesia's tea export experienced a negative growth, that is far below the growth of world tea export. This happened due to the; first, the composition of Indonesian tea exports is not really go along with market needs. Second the destination countries of Indonesia's tea export are the countries which are not have high growth of tea import. Lastly, the Indonesia's tea export competitiveness in the world market is relatively fragile.

Nhien, Nguyen Thi Hoang, (2016), working on the competitiveness of Vietnam's coffee exports to EU. He found that Vietnam coffee competitiveness is still lower than those Brazil, Colombia, and Indonesia. Despite of some strong advantages such as the second largest coffee export to EU market, good natural climate at home, as well cheap labor costs. This happened due to the low quality of exports, less processed, less diversity etc.

By applying RCA and CMS method, Syahputra, Taruman, and Yusri (2014) studying data rubber export of Indonesia, Thailand and Malaysia for the periode of 1996-2010. Result shows that Indonesia rubber exports tend to increase annually. The level of comparative advantage (CA) of Indonesia rubber export was higher than Malaysia's. For the periode of 1996-2010 the level of CA Indonesia lower than Thailand's , but it was higher for the periode of 2007-2010. Based on CMS method.

Methods

This study is trying to examine factors affecting the coffee trade of Indonesia and Viet Nam., using gravity model. This model based Based on Newton's theory, in 1962 Tinbergen, Poyhonen (1963). and Linneman (1966) were the first offered the same functional form that could be applied to international trade flows (Keith, 2003:2). Conventional variables are gross domestic products (GDP), number of population, and exchange rate, which are obtained pertained from World Bank. Exports of coffee.

a. Gravity Model

Based on Newton's theory, in 1962 Tinbergen, Poyhonen (1963). and Linneman (1966) were the first offered the same functional form that could be applied to international trade flows (Keith, 2003:2). In this study Gravity model predicted by usig GRETL- econometric program.

$$EXP = f (GDP, POP, XR, Dist) \dots\dots\dots(4)$$

$$\ln EXP = \beta_0 + \beta_1 \ln GDP + \beta_2 \ln POP + \beta_3 \ln XR + \beta_4 \ln Dist + \epsilon_1 \dots\dots\dots(5)$$

where;

- EXP = exports of coffee (million US\$)
- GDP = gross domestic products (million US\$)

POP = population
 XR = exchange rate (local currency based on US\$)
 Dist – distances

b. Revealed Comparative Advantage (RCA), Balassa (1965)

$$RCA = \frac{ExpCRI / ExpTotRI}{ExpCW / ExpTotW} \dots\dots\dots (6)$$

$$Index RCA = \frac{RCA_t}{RCA_{t-1}} \dots\dots\dots (7)$$

Where
 RCA = revealed comparative advantage
 ExpCRI =export coffee of Indonesia (US\$)
 ExpTot RI = export total of Indonesia
 ExpCW = export coffee of the world
 ExpTotW = export total commodity of the world

RCA measures a country’s exports of a commodity (or industry) relative to its total exports and to the corresponding exports of a set of countries. A comparative advantage is “revealed”, if RCA is bigger than one (RCA >1), and if RCA less than one (RCA < 1), the country is said to have a comparative disadvantage in the commodity

c. Constant Market Share (CMS), Prajogo and Mardianto (2004)

$$c1. Product composition effect = \frac{\sum_i (r_i - r) E_i(t-1)}{E_i(t-1)}$$

$$c.2. Market distribution effect = \frac{\sum_i \sum_j (r_{ij} - r_i) E_{ij}(t-1)}{E_i(t-1)}$$

$$c.3. Competition effect = \frac{\sum_i \sum_j (E_{ij}(t) - E_{ij}(t-1) - r_{ij} E_{ij}(t-1))}{E_i(t-1)}$$

then,

$$CMS = \frac{\sum_i (r_i - r) E_i(t-1)}{E_i(t-1)} + \frac{\sum_i \sum_j (r_{ij} - r_i) E_{ij}(t-1)}{E_i(t-1)} + \frac{\sum_i \sum_j (E_{ij}(t) - E_{ij}(t-1) - r_{ij} E_{ij}(t-1))}{E_i(t-1)} \dots\dots\dots (8)$$

Product Composition Effect: can be positive or negative. If positive indicates that the exporting country (i, e. Indonesia) export coffee to countries with import growth of coffee is higher than the growth of the coffee imports. Market distribution effect, can be positive or negative. If it is positive, then for example Indonesia distribute coffee to market at the center of growth. Competitiveness effect, can be either positive or negative. If it is positive, then Indonesia is a strong competitor for other rivals, and vice versa if it is negative.

FINDINGS

a. Gravity model:

Estimasi coffee export regression were conducted several times, and several methods; i.e, pooled OLS, random effects, anded effects, in order to get better results of regressions. Based on Hausman test, only Random effects can be accepted, consequetlt Fixed effects is dropped. After the estimation of coffee export regressions for Indonesia and Vietnam, the results are quite inspired, as table.2 shows.

Table.2: Estimated Regression of Indonesia Coffee 2004-2014

Variable	Indonesia		Viet Nam	
	Random Effect (GLS)	Pooled OLS	Random Effect (GLS)	Pooled OLS
C	1.64517	1.77033	1.40874*	1.51932*
lnGDP _c	0.0606454**	-	0.0921214*	-
lnGDP _{c,t-1}	-	0.0544167**	-	0.0674951*
lnXR	-	-	-	-
lnXR _{t-1}	-0.00027593	-0.00222468	0.00519113	0.00414182
lnDist	-0.0117726	-0.0134697	-0.0328829	-0.027707
lnEXP _{t-1}	0.84975***	0.851541***	0.891086***	0.881892
AFTA	-0.0546282	-0.0651277	0.00220949	-0.004478***
RR	-	0.846935	-	0.838507
SSR	143.2961	143.7391	124.6909	-
F-statistic	-	334.2024	-	-
DW-statistics	-	1.998507	-	1.979894
# Observation	308	308	304	304

Note: Regressions were predicted by GRETL- verse July 2016

Gravity coffee export regression for Indonesia based on Random Effects methods. Regression results using this method is relatively well after inclusion of export variable lag-1. Estimated coefficient of GDP per capita has a positive sign and 5% significant determine the Indonesia's coffee exports. Exchange rate variable should be transformed into lag-one in order to get better results of the corresponding coefficients. The results show that the exchange rate variable lag-1 has a negative sign, but it is insignificant. The negative sign is also is the right sign for distance variable. Distance variable is a proxy for transportation costs.

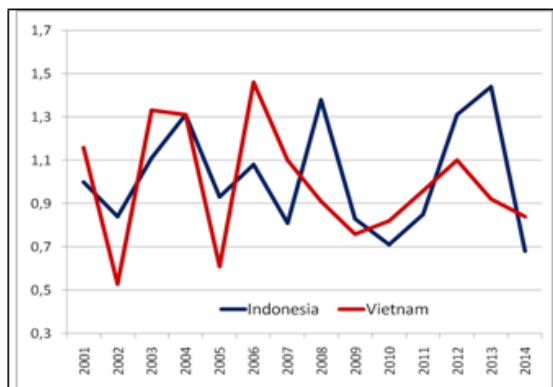
More than two decades AFTA was approved by six members of ASEAN-6, namely, Singapore, Malaysia, Thailand, Brunei Darussalam, the Philippines and Indonesia, but the progress of the agreement work slowly. Inclusion of dummy variable (AFTA) into the model resulted in opposite sign, even though this variable is in significant.

Second method of predicting Indonesia coffee export regression is based on pooled OLS method. The results are quite the same, but GDP lag-1 is introduced into the model. Lag-1 of export variable was also included into the model, and the sign of this variable is provided a positive sign and it is highly significant by 1%.

Vietnam regressions of coffee export were also estimated by using Random effects and pooled OLS method. As can be seen from Table.2 above, the results of estimated regression are quite similar to Indonesia's estimated regressions. The different result is shown by the random effects method. The sign of AFTA is positive but in significant. Two methods of predicting coffee exports regressions of Viet Nam, based on the theory, provide different sign of exchange rate. The sign of this variable must be negative, but the result estimated differently. On average one US \$ equals to 22.310 Vietnam Dong (VND). It can be said that, from the importing country Vietnam Dong currency is cheap. So when VND is fluctuated, it will not affect much to the export of Vietnam.

b. RCA and CMS

Degree of competitiveness between Indonesia's and Vietnam coffee export were estimated and measured by using Balassa's RCA index and constant market share (analysis (CMSA)). Graph.3 shows the RCA index for both countries and Graph.4 explained the CMS from year 2001 to 2014. Along that period the RCA index for Indonesia. Throughout this period, RCA index above one ($RCA > 1$) for Indonesia was found seven-year, while RCA index for Vietnam above one ($RCA > 1$) only found six years. Since 2012 Vietnam RCA index for coffee exports get lower and lower. Indonesia's RCA index also get lower since 2012, but Indonesia's index is higher.



Graph.3 Indonesia & Vietnam RCA Coffee Commodity



Graph.4 Indonesia & Vietnam CMS Coffee Commodity

Source: Processed from UNCOMTRADE database, August 2016

There are three elements forming CMS index mainly; product composition effect, market distribution effect, and competition effect. Since 2009 Indonesia's CMS indexes experience positif, but Vietnam's CMS indexes are negative. It has been acknowledged that Vietnam is the second biggest producer as well exporter of coffee, but the degree of competitiveness of this commodity resulted in better degree of competitiveness for Indonesia.

CONCLUSION AND REMARKS

Factors affecting the coffee exports (of gravity model) are GDP per capita, exchange rate, destination, dummy AFTA (economic integration). All the independent variable coefficient in line with other study such as conducted by Ademe, A.S and, Yismaw, M.A, (2013).

Based on the RCA index Both Indonesia and Vietnam coffee exports, have similar index, but based on the CMS index result, Indonesia's coffee export has a better competitive compare to Viet Nam.

Several ways that the government or other official agents of both Indonesia and Viet Nam could do, is supporting policy to the development of coffee exports by considering the competitiveness of downstreaming coffee industries, and improving the quality of them in compliance with the standard applied by the export destination countries.

It is suggested that in the future, Indonesia and Vietnam, more focus on the selection of the right product composition and country destination, so as to win the competition with ASEAN countries or and non-ASEAN countries.

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THE INFLUENCE OF ECONOMIC GROWTH AND ORIGINAL REGIONAL INCOME IN INDONESIA DURING THE PERIOD 2007 - 2014

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Abstract : Fiscal decentralization brings more advantages for regions to manage their own fiscal capacities. Regional governments have opportunity to increase economic efficiency because the government have information advantages concerning resources allocation however the growth of the economy and the Original Regional Income is two eyes knife is considered to effect each other. Tool analysis used The Granger Causality. The result pf the study show that the growth of economic high are not completely able to push the increase in Original Regional Income of the province-the province in Indonesia during the period study. Can be deduce that the economic growth and Original Regional Income don't have a relationship casualty.

Keywords: *Economic Growth, Original Regional Income (PAD) and Granger Causality*

INTRODUCTION

The success of a country in improving the welfare of its citizens is measured by the level of economic growth that was achieved. High-low rate of economic growth of a country shows the rate of change in the economic welfare of its citizens. The high economic growth and stable from year to year means increased economic prosperity, while economic decline or economic growth with a negative value means that the decline in economic prosperity. On the other hand the economic growth rate is also used to evaluate precisely whether or not the policy that has been taken with respect to the role of government in the economy.

The government has an important role in the economy of a country. Market failures prompted the government to further enter the market and intervene. It is the responsibility of government to create economic efficiency and ensure fairness in the attempt. The role of the government to achieve high economic growth one of which is to increase Original Regional Income through revenue. High Original Regional Income reflects people's income is also high, while high-income people will drive economic growth more rapidly. Likewise, growth reflecting the high economic income of the people were great, and with the amount of people's income will increase Original Regional Income because most of the revenue collected from the public in the form of taxes and levies.

According to Keynes the government into the economy through policies adopted and applied. Fiscal policies pursued by the Indonesian government indicated by the State Budget (APBN) set. The problem is that large Original Regional Income have not given the direction of change for the creation of economic growth and there are still large portions of the reception area were not fully utilized. Economic growth and peendapatan native Provinces in Indonesia they both have a fluctuating pattern, but the Original Regional Income tend to increase each year. In a period of economic growth and Original Regional Income have the same direction of movement, but the next period of movement in the opposite direction.

The linkage between economic growth and Original Regional Income has been a concern of the government. The debate continues with research to know the actual conditions that occur in the field. Various studies on the relationship between economic growth and generate Original Regional Income diverse conclusions that create support for each theory. Diversity results are due to differences in the place of research, data types, methods of research, as well as operational devinisi each variable used. As explained above, this study aims to find out how that happened causality between economic growth and revenue of the provinces in Indonesia.

LITERATURE REVIEW

Economic Growth

According Sukirno (2004), economic growth is the development of activities in the economy that led to the goods and services produced within the community to grow and increase the prosperity of society. Measure often used in calculating economic growth is the Gross Domestic Product (GDP) or in the area is the Gross Domestic Product (GDP). According to Amir (2007) economic growth is a very

important indicator in assessing the performance of an economy, especially for the analysis of the results of economic development has been carried out of a country or a region.

An economy is said to grow when the economic activity rate is higher than previously achieved. In other words, economic growth will be created when the physical quantities of goods and services produced in the economy become magnified in subsequent years. To determine the rate of economic growth should be compared to national income from various years. In comparison to be aware that changes in the value of the applicable income from year to year due to two factors, namely changes in the level of economic activity, and changes in prices.

Economic growth is the level of economic activity in force from year to year. Economists define economic growth as the increase in GDP, regardless of whether that increase is greater or less than the rate of population growth, or whether it applies or whether changes in economic structure (Sukirno, 2004). Simon Kuznets define economic growth as a long-term increase in a country's ability to provide more and more types of goods economy in the population, this ability to grow in accordance with the advancement of technology, institutional and ideological adjustments required (Jhingan, 2012).

Definition of economic growth are often distinguished by economic development. Economic growth has to do with the process of increasing the production of goods and services in the community, while building contains a broader sense. The development process includes a change in the composition of production among sectors of economic activity, changes in the pattern of distribution of wealth and income among the various groups of economic actors, in the framework Organisational changes in the life of society as a whole.

Solow-Swan suggests that economic growth depends on the provision of additional factors of production and technological progress (Arsyad, 2010). This view implies that the extent to which the economy will develop depends on a population growth, capital accumulation, and technological advances. Todaro (2003) stated that the economic growth of a society is influenced by: (1) the accumulation of capital which includes all new investments to tangible land (land), physical equipment, and all human resources; (2) the growth of population and labor force; (3) the advancement of technology. Economic growth is important in economic life. The pace of economic growth is characterized by an increase rate of product per capita is high.

Original Regional Income (PAD)

Definition of Original Regional Income (PAD) according to Law No.33 of 2004 is local revenue earned levied based on Local Regulation in accordance with the legislation. In Article 6 stated that the source of revenue consists of: (a) local taxes, (b) Levies, (c) Results of the wealth management area is split and (d) Other PAD legitimate.

The amount of PAD will determine the level of development of a regional autonomy. The greater the number of PAD acceptance means the greater the chance the area to conduct development and regional development towards the implementation of regional autonomy realistic and responsible.

Relationship of Economic Growth and Original Regional Income

One of the main objectives of fiscal decentralization is the creation of the region's autonomy. The local government is expected to explore the sources of local finance, especially through the Original Regional Income (PAD). If the PAD increases, the funds owned by local governments will be higher. This will increase the reception area, so that the local government will take the initiative to further explore potential areas that can promote economic growth (Sidik on Badruddin, 2012).

Increased revenue showed the presence of community participation in the running of the government region. The higher the PAD, it will increase local government funds which will then be used to build infrastructure in the area. The local government is one of its tasks is to improve the welfare of society requires the PAD as a form of self-reliance in the era of regional autonomy as a measure of economic growth from year to year. Economic growth is closely associated with PAD, vice versa two variables affect each other.

RESEARCH METHODS

Types and Sources of Data

This study has a coverage area of Provinces in Indonesia using secondary data time series (time series) in the 2007-2014 period. Secondary data is data obtained in finished form, already processed, collected and published official by other parties, which are usually in the form of publications. The data used in this study are: Data Growth Provinces in Indonesia in 2007-2014 and Data Original Regional Income Provinces in Indonesia in 2007-2014

The data mentioned above obtained from various government agencies, namely: (1) The Central Bureau of Statistics: Statistical books sourced from the financial district / city various editions, jambi in

numbers of various editions, (2) State Budget in 2007-2014, and (3) Bank Indonesia. Sourced from the publication of the financial economic statistics Indonesia

Data Analysis Method

The method used in this study was twofold qualitative and quantitative descriptive. Qualitative research methods were used in the presentation of data in the form of data that is used as the GDP growth data and expenditure data source revenues provinces in Indonesia.

The second method used in this research is descriptive quantitative, that outlines the method of analysis of a situation or problem that is supported by facts, characteristics and relationships between phenomena analyzed. Descriptive quantitative analysis carried out by using a specific test to obtain a picture of the overall relationship between the different variables studied. Quantitative descriptive analysis method used in this research is the analysis method Granger Causality to see the causal relationship between economic growth and the local revenue-Provins provinces in Indonesia.

Before performing the Granger Causality test using panel data, it is necessary to test stationary or unit root test on all the variables that exist in the research. This study was conducted to test the roots unit (unit root test) which aims to determine whether the data contains a unit root or not. If the data contains a unit root, then the data is said to be the data that is not stationary. Is the purpose of this test is stationary so as not mengasilkan spurious regression results (yield good regression).

In addition, for the determination of the integration order can be made through the unit root test so it can be up to several times a differentiation must be made so that data can be stationary. Unit root test method used in this study are widely used for data panel is stationary test panel data regression LLC (Levin, Lin & Chu) and one of the ADF (Augmented Dickey Fuller) or PP (Phillips-Peron). The procedure is to know the data is stationary or not, by comparing the value of the probability value levin chu with alpha (α) is used. If levin chu probability value is greater than alpha (α) (H_1 denied) then the data is not stationary and otherwise the data is not stationary (H_0). Thus, the hypothesis of stationarity test in this study are:

- $H_0 =$ Prob Levin Chu > Alfa (α) the data is not stationary (meaning that the data has a unit root)
- $H_1 =$ Prob Levin Chu > Alfa (α) the data is stationary (meaning that data has no roots units)

Data Analysis Tools

Granger Causality Test

To determine the causal relationship between economic growth and the Original Regional Income the provinces in Indonesia in 2007-2014 used Granger causality test (Granger Causality). This test is used to determine whether economic growth and Original Regional Income have a reciprocal relationship (causality) so it can be two variables is statistically affect each other (two-way or reciprocal), has a unidirectional relationship or there is absolutely no relationship (not mutually influence).

The model used to test the Granger Causality shown in the following formulation:

$$PE_t = \sum_{i=1}^m \alpha_i PE_{t-i} + \sum_{j=1}^m b_j PE_{t-j} + \mu t$$

$$PAD_t = \sum_{i=1}^m \alpha_i PAD_{t-i} + \sum_{j=1}^m b_j PAD_{t-j} + \mu t$$

This study used two variables namely economic growth (PE) and Original Regional Income (PAD) which is written as follows:

1. PE affects PAD
2. PAD affects PE
3. PE affects PAD and PAD affects PE
4. PE and PAD do not have a relationship

To see the relationship Granger causality can be seen by comparing the F-statistic with the critical value of the F-table on the confidence level (1% or 5% or 10%) and also of comparing the value of probability with a confidence level (1% or 5% or 10 %). If the value of F-statistic greater than F-table at a

significant level (1% or 5% or 10%), then the variable Y (dependent) affects X (independent) means that these variables have only causality in one direction, and vice versa, If all the variables tested have the F-statistic greater than F-table, then both of these variables have two-way causality (H_1 accepted). However, if both these variables proved to have the F-statistic is less than F-table, then there is no causality between the two variables (H_0).

The advantages of this granger causality test is that this test is far more meaningful than the test based on the correlation usual, because of this testing can be seen clarity of direction of the relationship of two variables expected to have a relationship with each other. So, the hypotheses used in the test causality in this study are:

- H_0 = There was no relationship kualitas (which means there is no correlation between economic growth and the Original Regional Income, and vice versa)
- H_1 = There is a causal relationship (which means there is a relationship between economic growth and the Original Regional Income, and vice versa)

Operational Variables

Economic Growth : Economic growth is a change in a country’s economy sustainably towards a better state for a certain periode. Economic growth is measured by GDP at constant prices and expressed in percent

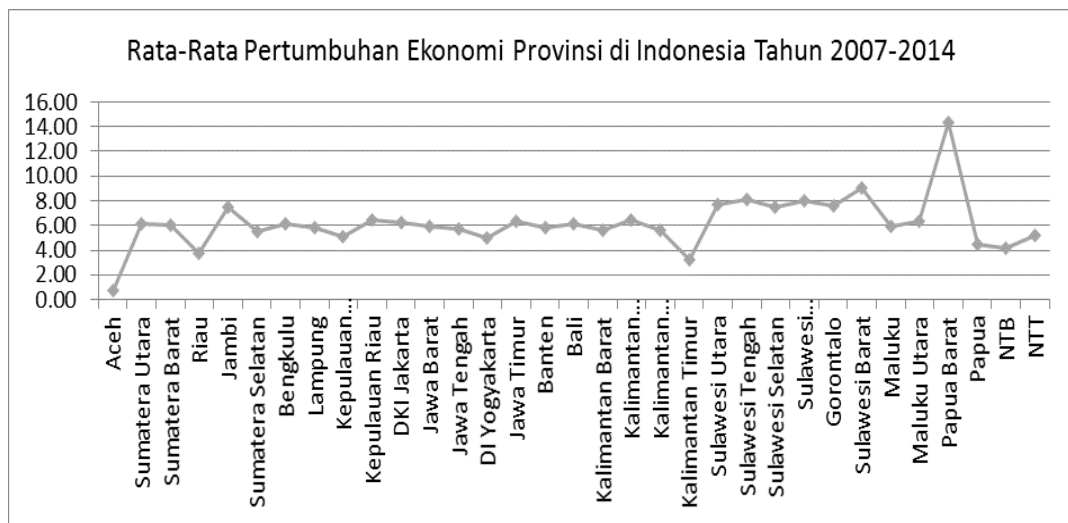
Original Regional Income : Revenue is the revenue acquired provinces in Indonesia from 2007 to 2014 year. In this study, PAD expressed in millions of rupiah.

RESULT AND DISCUSSION

Economic Growth

One indicator of the success of the development of a country can be seen from its economic growth. The rate of economic growth in the province in Indonesia during the period 2007-2014 based on constant price is always positive even showed increasing trend. On the average economic growth in the Indonesian provinces varied, details can be seen in Figure 1.

Figure 1. Average Economic Growth in the Indonesian province Years 2007-2014



Source: Processed Data

Based on Figure 1, it can be concluded that the average economic growth is highest in the Province of West Papua, while the average economic growth was lowest in the province. On the island of Sumatra, an average of the highest economic growth in the province of Jambi. The provinces in Java Island had an average growth was flat at 4-6%. In general, economic growth in provinces on the island of Sulawesi is higher compared to other islands in Indonesia. The provinces with the main income of the mining Oil and Gas, tend to experience slower growth compared to other provinces, such as Aceh, Riau and East Kalimantan.

Original Regional Income

Original Regional Income is a source of local revenue derived from the region's economic activity itself. The image of local government finances will be reflected in the revenue earned, and how the allocation of local government finance to fund local government to prosper society. To increase the acceptance of the PAD, local governments need to do the analysis of the existing potentials in the area and develop this potential as local revenue.

When an area has a large Original Regional Income and is increasing every year, this region has been able to maximize the ability of the region and reflects the state of the economy or the ability of a good and stable. However, when a region is experiencing difficulty in maximizing sources of PAD can cause problems and unstable economic turmoil in the area. The average revenue of the provinces in Indonesia during 2007-2014 can be seen in the graph below:

Figure 2. Average Revenue Provincial in Indonesia in 2007-2014



Source: Processed Data

Based on Figure 2, it can be concluded that the average is highest PAD occurs in Jakarta, while the average revenue was lowest in West Papua province. On the island of Sumatra, an average of the highest economic growth in North Sumatra Province. PAD provinces on Java island has an average high of the other islands. In general, PAD provinces on the island of Sumatra, Kalimantan, Sulawesi, Maluku and Papua have PAD are not much different that is less than 2 Trillion Rupiah, unlike the province located on the island of Java that PAD than 6 Trillion Rupiah unless DI Yogyakarta only had average revenue of 735.15 billion rupiah.

Causality Analysis of Economic Growth and Original Regional Income Province in Indonesia Period 2007-2014

Granger Causality estimation results used to prove the hypothesis about the relationship between economic growth on revenue Province in Indonesia during the 2007-2014 period. To know the Granger Causality Test was performed. Granger causality test is a test to look at the relationship or the direction of causality between variables, then the partial test for each variable. The program is carried out in this test by using Eviews Program 9.

Before performing Granger causality test using time series data, it is necessary to test stationary whose purpose is to determine whether the data contain unit roots or not. If these variables contain unit roots, then the data is said to data that is not stationary. The following test results for a unit root variables to be used in this study, namely:

After testing the root of the root of the current level and first difference then concluded that the level of data level of local revenue contains the root unit or the data is not stationary at $\alpha = 0.05$, while at the level of First difference of data source revenues do not contain unit root or data the stationary. Test the null hypothesis at Levin, Lin and Chu data is stationary. Eviews of output can be seen that with the Probability, smaller than $\alpha = 5\%$, 0 then the hypothesis is rejected. Thus, it can be concluded that the data source revenues are stationary at first difference level, meaning that the data used in the study did not contain a root level units first difference, so the data source revenue can be used to test Granger causality.

By looking at the data stationary test results, it turns out both the data used in this study can be said stationary data because it does not have / contain a unit root, so it can proceed to the next test, which Granger causality.

2. Granger Causality Test (Granger Causality)

Table 4. Calculation Results Directions Causality Growth and Revenue (Lag 1) Province in Indonesia Period 2007-2014

Pairwise Granger Causality Tests

Sample: 2007 2014

Lags: 1

Null Hypothesis:	Obs	F-Statistic	Prob.
PAD does not Granger Cause PE	231	0.55263	0.4580
PE does not Granger Cause PAD		0.71553	0.3985

From the results of these tests show that the lag 1 with a confidence level of 95% or $\alpha = 0.05\%$ are obtained probability is greater than 0.05 to 0.4580 and the error rate of 5%, also obtained 0.3985 probability greater than 0.05. Based on F test, with the value $F_{statistik} = 0.55263$ and 0.71553 based F test, with df 1; 33 then $F_{statistik} < F_{tabel}$ ($0.55263 < 4.14$) and ($0.71553 < 4.14$), which means thank H_0 and H_1 rejected. It can be concluded economic growth and revenue of the provinces in Indonesia does not have a causal relationship, meaning that Original Regional Income do not affect economic growth and vice versa economic growth does not affect Original Regional Income, means a period of 1 year's economic growth will not affect earnings native and vice versa.

Table 5. Calculation Results Directions Causality Growth and Revenue (Lag 2) Province in Indonesia Period 2007-2014

Pairwise Granger Causality Tests

Sample: 2007 2014

Lags: 2

Null Hypothesis:	Obs	F-Statistic	Prob.
PAD does not Granger Cause PE	198	0.32173	0.7253
PE does not Granger Cause PAD		0.31995	0.7266

Table 6. Calculation Results Directions Causality Growth and Revenue (Lag 3) Province in Indonesia Period 2007-2014

Pairwise Granger Causality Tests

Sample: 2007 2014

Lags: 3

Null Hypothesis:	Obs	F-Statistic	Prob.
PAD does not Granger Cause PE	165	0.30242	0.8236
PE does not Granger Cause PAD		0.21912	0.8830

From the test results to lag lag 2 and 3 with a confidence level of 95% or $\alpha =$ of 0.05%, the value of the probability is greater than $\alpha = 5\%$, which means thank H_0 and H_1 rejected. It can be concluded economic growth and revenue of the provinces in Indonesia does not have a causal relationship, meaning that Original Regional Income do not affect economic growth and vice versa economic growth does not

affect Original Regional Income, means a period of 2 and 3 years of economic growth will not be affect Original Regional Income and vice versa.

From the results of this study showed that for the provinces in Indonesia there is no causal relationship with the economic growth of Original Regional Income or do not have a mutual relationship between economic growth and revenue. This study shows that with increasing economic growth it will not have an impact on revenue and vice versa, increasing Original Regional Income will not have an impact on economic growth in the Provinces in Indonesia in 2007-2014.

CONCLUSION

1. From the stationary test results using root root test, the variable rate of economic growth at the level of stationary and stationary-source revenue at the level of the first difference
2. From the estimation granger causality test between the variables of economic growth and Original Regional Income result is that the variables of economic growth and Original Regional Income are not mutually affect one another of lag 1 to lag 3

Recomendation

The increase in Original Regional Income that is used to finance the construction that is productive to accelerate econmic growth.

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THE STATE OF LOCAL GOVERNMENT EFFICIENCY IN SUMATRA, INDONESIA

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Abstract. The objective of this research is to measure the efficiency of 151 local governments in Sumatra, Indonesia. Focusing on six inputs (6 types of government expenditures) and four outputs (life expectancy, illiterate rate, poverty rate and unemployment rate), the researcher employs Data Envelopment Analysis (DEA) to measure such efficiency. The variable return to scale approach based on both input oriented and output oriented is applied in the model. Results show that majority of local governments in Sumatra are relatively efficient. Based on input oriented, of the 151 local governments, 137 local governments (90.7%) are relatively efficient. While 87 local governments (57.6%) are efficient relatively for output oriented.

Keywords: local government, DEA, efficiency, VRS, output oriented and input oriented.

INTRODUCTION

The objective of government administration in Indonesia is to increase the welfare of people (Act 32/2004 article 2). The act is the base for the implementation of local autonomy and fragmentation of local governments in Indonesia. Local governments are allowed to creatively manage revenues and expenditures as long as they comply with the rule set up by the central government.

Since 2002, the number of autonomous regions in Indonesia has increased significantly, from 422 local autonomous governments to 538 local autonomous governments in 2013. In Sumatra, there were 10 provinces and 134 municipalities and cities in 2004. However, in 2013, there were 10 provinces and 151 municipalities and cities.

The impact of the fragmentation of local governments in Indonesia is the increasing cost of the local government management. It was reported that there is a significant increase in local government budgets in all part of Indonesia. Therefore, it is imperative that a local government, with different allocated budget, should improve the welfare of their people. A local government is expected to have positive outputs and outcomes of the programs funded. It is therefore important that the efficiency of the local government spending is assessed thoroughly. The objective of this research is to measure the efficiency of 151 local governments in Sumatra.

LITERATURE REVIEW

Government expenditure is an important instrument in stimulating economic growth of local economies. Local governments are encouraged to spend wisely in providing public services and improving people welfare. In designing and implementing development programs, a local government must think about the benefits of the programs for their people. Therefore, the efficiency of government expenditure should be analyzed properly.

The simple formula of efficiency is the ratio of output to input. If we apply multiple inputs and multiple outputs, then efficiency formula is modified to be (Tirtosuharto, 2009):

$$\text{Efficiency} = \frac{\sum \text{weighted outputs}}{\sum \text{weighted inputs}}$$

One of the most commonly used nonparametric efficiency measurement is Data Envelopment Analysis (DEA). Many studies have applied DEA to measure government efficiency in various sectors in country level or state governments (Sinimole 2012; Adam, Delis, and Kammas, 2011; Ray and Sijpe, 2007; and Gupta and Verhoeven, 2001).

In addition, studies of the local government efficiency have been conducted by various researchers in some countries such as in Indonesia (Yusfany, 2015), Uganda (Nannyonjo and Okot, 2013), China (Deng *et.al*, 2013), USA (Mukherjee *et al*, 2010), Spain (Balaguer-Coll, and Prior, 2009), and Portugal (Afonso and Fernandes, 2008).

DEA is a nonparametric method to measure efficiency of a unit such as firm or public sector agent (Ray, 2004). In DEA, measurement of efficiency is conducted at each production unit which is called decision making unit or DMU (Bogetoft and Otto, 2011; Tirtosuharto, 2010; Charnes *et. al*, 1978). A linear programming method is applied in DEA to estimate the best production frontier, to measure the

ratio of multiple outputs to multiple inputs, and to evaluate efficiency relative to all units compared (Ray and Chen, 2010; Titosuharto, 2010; Cooper *et al.*, 2002; Sengupta, 1996).

In implementing DEA, the main criterion of a DMU is homogeneity since it uses the same input resources to produce the same output. In addition, the weight of each input and output has to be positive (Cooper, Seiford dan Tone, 2002).

DEA has several advantages (Cuadrado-Ballesteros *et.al.*, 2013; Storto, 2013; Zhang and Garvey, 2008; Ray, 2004; Bogetoft and Otto, 2011). First, functional relationship between output and input is not needed. DEA calculates relative ratio by comparing total weight of several outputs with total weight of several inputs for every DMU without needing functional relationship between output and input. Second, DEA can be used to measure efficiency of multiple outputs to multiple inputs. Efficiency is measured as a ratio of weighted outputs to weighted inputs subject to the condition that the similar ratios for every DMU be less than or equal to unity (Charnes *et.al.*, 1978). The third advantage is the ability of DEA in benchmarking. According to Bogetoft and Otto (2010), Cooper, Seiford and Tone (2002), benchmarking or relative performance evaluation is comparative system of one unit to other units. The idea is we compare units transforming the same input to the same output. DEA can identify explicit real peer-units for every unit evaluated (Bogetoft and Otto 2011).

Based on the relationship between input and output variables, there are two approaches of efficiency in DEA, namely constant return to scale (CRS) and variable return to scale or VRS (Bogetoft and Otto, 2010; Zhang and Garvey, 2008; Coelli *et al.*, 2005: 162; Titosuharto, 2010; Cooper, Seiford and Tone, 2002).

Constant return to scale (CRS) was first introduced by Charnes, Cooper, and Rhodes and therefore named CCR model. The assumption needed in CSR is every DMU will operate in a constant return to scale, in which proportional changes in input level will yield the same proportional changes in output level. In this case, additional input will not alter quantity of output.

The second approach, *variable return to scale* (VRS) is also known as BCC model (Banker, Charnes, and Cooper). In VRS model, each DMU will operate at various return to scale of outputs. The assumption of this model is each DMU does not operate at optimum scale, in which ratios of additional inputs and outputs will not be the same. In other words, if there is additional input of n percent, output will not always increase by the same percentage.

In measuring efficiency, DEA allows discretion under certain conditions in which the model should control inputs or outputs in the analysis. DEA identifies inefficiency based on input and output orientation (Coelli *et al.*, 2005; Cooper, Seiford and Tone, 2002). The input-oriented technical efficiency measure is defined as the ratio of the optimal input bundle to the actual input bundle used in producing the given output bundle. For *input oriented* model, DEA identifies *technical inefficiency* as reducing proportional input used without having to change the level of output resulted. With a given output, inputs should be reduced to achieve an efficient level. The purpose of an input oriented is to study by how much input quantities can be proportionally reduced without changing the output quantities produced.

On the other hand, in output oriented model, efficiency is measured based on a given amount of inputs to generate the maximum outputs. DEA identifies *technical inefficiency* as additional proportion in output production without changing the level of inputs (*given input*). By computing output oriented measures, one could also try to assess how much output quantities can be proportionally increased without changing the input quantities used. The objective of output oriented model is to determine how many outputs can be proportionally increased with a given quantity of inputs (government expenditures).

Previous studies have identified some input and output variables that can be employed to measure a government efficiency level. Input variable commonly used to measure efficiency is government expenditure per capita (Yusfany, 2015; Hsu, 2014; Sinimole, 2012; Rayp and Sijpe, 2007; Gupta and Verhoeven, 2001). Other researchers employed other input variables such as total current expenditures (Geys and Moesen, 2009), expenditure per capita (Gonzalez, Careaba and Ventura, 2010; Evans *et.al.*, 2001), capital expenditure per capita (Afonso and Fernandes, 2008).

Others employed government expenditure on specific issues such as education, health, etc (Fonchamnyo, 2016; Adam, Delis and Kammas, 2011; Hauner and Kyobe, 2010, Lavado, 2009), current expenditures (Boetti, Piacenza and Turati, 2012), and operational expenditure and capital expenditure (Davis and Hayes, 1993). Cuadrado-Ballesteros, García-Sánchez, Prado-Lorenzo (2013) employed personnel expenditures, current goods and services expenditures, current transfers, and capital expenditures to measure the efficiency of government spending.

The problem in measuring efficiency in public service is it is really difficult to determine the appropriate outputs of government expenditures, since most government programs are non-profit oriented. Public sector outputs are often not sold on the market which implies that price data is not available and that the output cannot be quantified. Therefore, outputs commonly used in measuring government are variables in broader concepts than those commonly used in business companies. The

difference between output and outcome are sometimes blurred and both are used interchangeably in efficiency measurement.

However, education, health, and social welfare are examples of outputs employed to measure government efficiency. In education, some outputs are commonly used to measure government efficiency, namely illiteracy rate (Fonchamnyo, 2016; De Oliveira, 2012; Lavado, 2009; Rayp and Sijpe, 2007; Gupta and Verhoeven, 2001), high school enrollment rate (Adam, Delis and Kammas, 2011; Rayp and Sijpe, 2007), primary and secondary enrollment rate (Gupta and Verhoeven, 2001), education level (Afonso and Fernandes, 2008), as well as the number of pupils in local primary school (Geys and Moesen, 2009).

In health sector, some researchers have recommended output variables to measure government efficiency, namely mortality rate of babies (Porcelli, 2014; Sinimole, 2012; Adam, Delis and Kammas, 2011; Gonzalez *et.al*, 2010; Rayp and Sijpe, 2007; Jayasuriya and Wodon, 2007; Gupta and Verhoeven, 2001), life expectancy rate (Hsu, 2014; Gonzalez, Careaba and Ventura, 2010; Lavado, 2009; Afonso and Aubyn, 2005; Gupta and Verhoeven, 2001; evans, 2001), mortality rate (Hsu, 2014; and Sinimole, 2012), measles immunization (Hsu, 2014; Sinimole, 2012; Rayp and Sijpe, 2007; Gupta and Verhoeven, 2001).

Studies of economic outputs of government efficiency have not been well documented. Several variables such as poverty rate (Yusfany, 2015) and unemployment rate (Adam, Delis, and Kammas, 2011) have been employed to measure efficiency. The literature review suggests that both output and outcome of economic development to measure government efficiency are barely studied. When the main objective of the government expenditure is to improve people welfare, then economic outputs or outcomes should be appropriate to employed as a base for measuring government efficiency.

Previous studies have reported an inverse correlation between government expenditure and poverty rate (Mehmood and Sadiq, 2010; Fan, Hazell, Thorat, 2000). Expenditure on infrastructure is found to have negative and significant effect on poverty (Sasmal and Sasmal, 2016). Other studies reveal that government expenditure has a correlation with employment rate (Tayeh and Mustafa, 2011; Al-Sarairih, 2014). Mahdavi and Alanis (2013) further reported that expenditure on salaries and wages has a relatively appreciable impact on unemployment rate. In similar fashion, Abrams and Wang (2006) explained that expenditures on transfers and subsidies have a positive and significant effect on the steady-state unemployment rate.

METHOD OF RESEARCH

The DEA models employed for the study are both output oriented and input oriented with the assumption of variable return to scale (VRS). By applying the two models, the researcher will know which model is the more efficient one, so that the local governments in Sumatra can consider which model to use by looking at their financial resources. Output oriented model with VRS in the study is written in the following equation:

$$\begin{aligned}
 & \text{Max } \theta \\
 & \text{Subject to } -y_i + Y\lambda \geq 0 \\
 & \quad \theta x_i - X\lambda \geq 0, \\
 & \quad N1'\lambda = 1 \\
 & \quad \lambda \geq 0
 \end{aligned} \tag{1}$$

Input oriented model with VRS in the study can be seen in the following equation:

$$\begin{aligned}
 & \text{Min } \theta \\
 & \text{Subject to } -y_i + Y\lambda \geq 0 \\
 & \quad \theta x_i - X\lambda \geq 0 \\
 & \quad N1'\lambda = 1 \\
 & \quad \lambda \geq 0
 \end{aligned} \tag{2}$$

Where θ is the efficiency score. Y denotes a matrix of output measures, X a matrix of input measures. λ is vector of output and input. $1'\lambda = 1$ is the convexity constraint added to the CCR model that assumes constant returns to scale (CRS). $N1'\lambda = 1$ is the convexity to the frontier (Storto, 2013).

This study is conducted in 151 local governments in Sumatera Indonesia for the year of 2013. This study employs six types of local government expenditures as input variables, namely personnel (salaries and wages) expenditures (X_1), services and goods expenditures (X_2), subsidy expenditures (X_3), social benefit expenditures (X_4), grant expenditures (X_5), and capital expenditures (X_6). Input data are obtained from BPK (The Audit board of Indonesia).

Output variables employed in the study are life expectancy (Y_1), illiteracy rate (Y_2), poverty rate (Y_3), and unemployment rate (Y_4). The output data are obtained from BAPPENAS (National Development Planning Board) and BPS (central bureau of statistics).

In applying DEA, three output variables are inverted, which are illiteracy rate, poverty rate and unemployment rate. For example, for illiteracy rate (5%), the value entered in the data set is 95% (=100 - illiteracy rate). The same procedure is applied for the other two output variables.

RESULTS AND DISCUSSION

Table 1 shows mean of inputs or expenditures of local governments in Sumatra.

Table 1. Inputs of Local Government in Sumatra year 2013.

Inputs	Mean (Rupiah)	Mean (%)	Local Government with largest input
X ₁ (personnel exp)	454,970,458,867	50.05	Medan (North Sumatra)
X ₂ (services and goods exp)	173,411,222,931	18.55	Musi Banyuasin (South Sumatra)
X ₃ (subsidy exp)	1,273,484,942	0.08	Natuna (Kepri)
X ₄ (social benefit exp)	7,918,228,159	0.92	Lhokseumawe (NAD)
X ₅ (grant exp)	35,563,031,365	3.06	Natuna (Kepri)
X ₆ (capital exp)	242,488,264,359	25.38	Musi Banyuasin (South Sumatra)

Source: The input is based on data provided by BPK RI.

Based on total expenditures of local governments, Bengkalis (Riau) has the largest expenditures (Rp3.68 trillion), followed by Medan (North Sumatra), Rp3.21 trillion, and Musi Banyuasin (South Sumatra), Rp2.93 trillion. For input variable X₁ (personnel expenditures), average expenditure of local governments is Rp454.97 billion (50% of total government expenditure). Personnel expenditure is the largest expenditure item of the overall local government expenditures. Of the 151 local governments, Medan (North Sumatra) has the biggest personnel expenditure, Rp1.9 trillion. It is followed by the Palembang (South Sumatra), Rp1.4 trillion, and Deli Serdang (North Sumatra), Rp1.2 trillion.

For input variable X₂ (services and goods expenditures), the average expenditure is Rp173.4 billion, or on average percentage of 18.55%. The biggest spender of the services and goods is Musi Banyuasin (South Sumatra), Rp702 billion, followed by Medan (North Sumatra) Rp644 billion, and Palembang (South Sumatra), Rp504 billion.

Of the six types of local government expenditures, subsidy expenditure (X₃), social benefits expenditure (X₄), and grant expenditure (X₅) are the three types of expenditures which are least allocated by local governments. Local government spending on subsidy expenditure is 0.08% of total expenditures, while spending on social benefits is 0.92%, and spending on grant is 3.06%. The biggest spenders on subsidy are Natuna (Riau), Medan (North Sumatra), and Banyuasin (South Sumatra). For social benefit expenditure, Lhokseumawe (NAD), East Tanjung Jabung and Batanghari (Jambi) are the top three spenders. Musi Banyuasin (South Sumatra), ranks first in grant spending, followed by Siak and Kampar (Riau).

Capital expenditure (X₆) is the second biggest expenditure in local government spending in Sumatra (mean of capital expenditure is 25%). Having spent Rp242.49 billion, Musi Banyuasin (South Sumatra) ranks first in capital expenditure, while Rokan Hilir (Riau) and Muara Enim (South Sumatra) rank second and third consecutively.

Table 2 displays mean of four outputs of 151 local government in Sumatra. Life expectancy rate (Y₁) ranks from 61.08 to 72.98 year old, with a mean of 68.84 years. Illiteracy rate (Y₂) in Sumatra is relatively low, and Bukit Tinggi (West Sumatra) has the best score. However, the illiteracy rate in South Nias is alarmingly high. South Aceh has the best poverty rate (Y₃), while the mean score for poverty rate in Sumatra is 12.11%. Humbang Hasundutan (North Sumatra) has the lowest unemployment rate. The table also indicates that Riau province has two worst output variables, namely poverty rate (Rokan Hulu) and unemployment rate (Meranti Island).

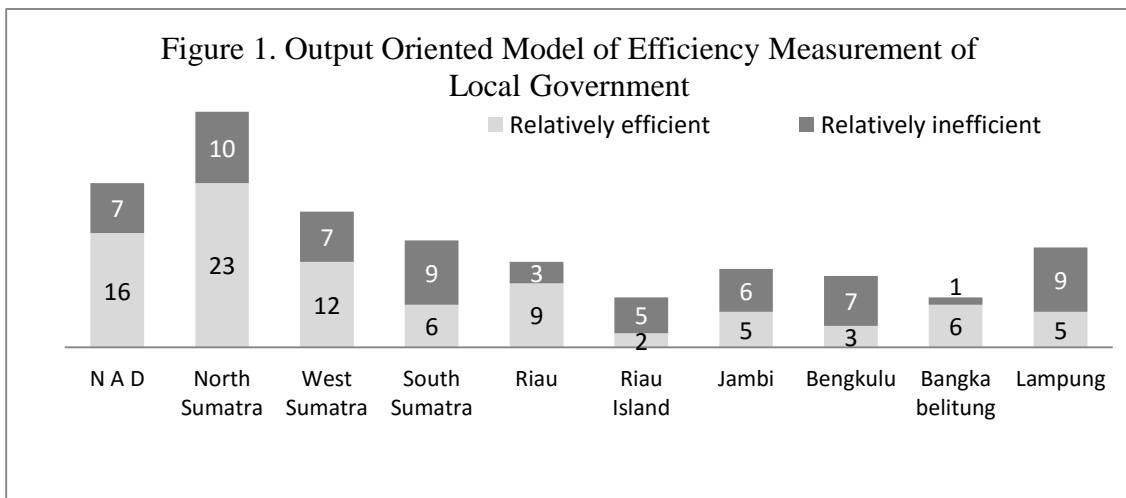
Table 2. Statistics of outputs of local governments in Sumatera.

Statistics	Expectancy life (Y ₁)	Illiteracy rate (Y ₂)	Poverty rate (Y ₃)	Unemployment rate (Y ₄)
Mean	68.84	2.91	12.11	7.05
Median	68.99	2.13	11.00	6.01
Mode	70.26	2.63	8.53	4.09
Minimum	61.08	0.06	1.34	0.30
	Mandailing Natal (North Sumatra)	Bukit tinggi (West Sumatra)	South Aceh (Aceh)	Humbang Hasundutan (North Sumatra)
Maximum	72.98	22.06	35.74	39.62
	Metro (Lampung)	South Nias (North Sumatra)	Meranti Island (Riau)	Rokan Hulu (Riau)

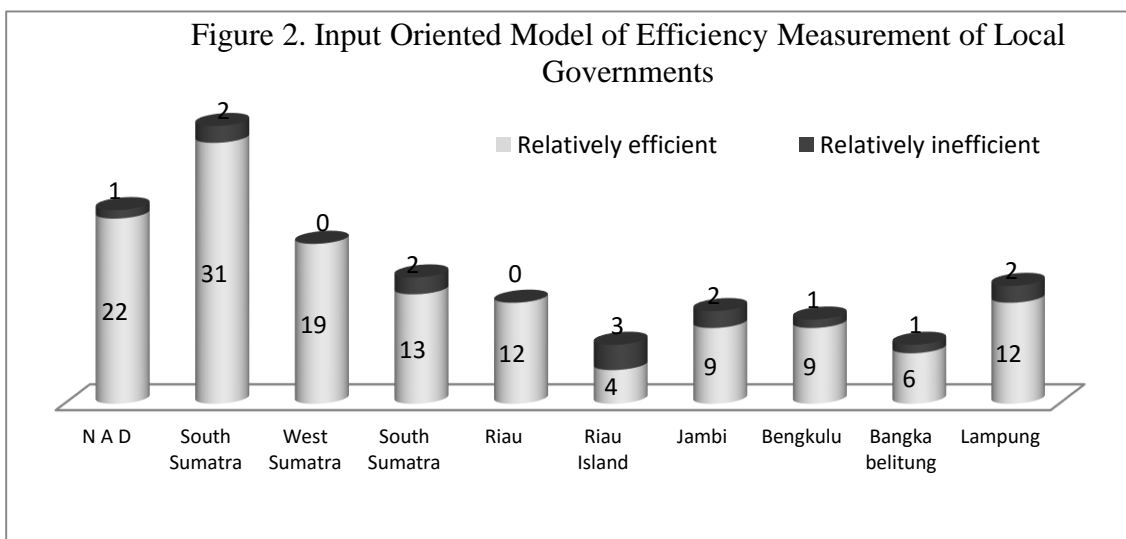
The DEA analysis of the data was performed using the output oriented and input oriented DEA models to measure the efficiency of 151 DMUs (local governments) in 10 provinces in Sumatra. It is worth noting that the efficiencies reported are only relative. In DEA model, a local government can be categorized relatively efficient if its technical efficiency equals to 1 ($\theta = 1$).

Figure 1 shows the number of DMU classified as relatively efficient and relatively inefficient in 10 provinces based on output oriented model under the variable return to scale assumption. The model describes that with a given input, there would be additional output to be efficient. The result of the study indicates that by using output oriented model with VRS assumption, of the 151 DMUs in Sumatra, 87 DMU are relatively efficient (57.6%). The remaining 64 DMUs are not efficient (42.8%).

North Sumatra province has the highest number of relatively efficient local governments (23 DMUs or 69.7%), which is followed by NAD province (16 DMUs or 69.5%), West Sumatra (12 DMUs or 63.1%), Riau Province (9 DMUs or 75%), and Bangka Belitung province (6 DMUs or 85.7%). In those provinces, there are more efficient local governments (DMUs) compared to those are not efficient. On the other hand, the number of efficient DMUs in Jambi (45.4%), South Sumatra (40%), Lampung (35.7%), Bengkulu (30%), and Kepri (28.5%) are relatively small.



The result of the efficiency measurement based on input oriented model under VRS assumption is depicted in Figure 2. The model indicates that with a given output, reducing inputs is required to improve efficiency of local government expenditures.



The results of the DEA based on input model reveal that more local governments are achieving relative efficiency (137 DMUs or 90.7%). The analysis also reveals that there are 14 DMUs (9.3%) which are not efficient. The analysis concludes that even all local governments in west Sumatra and Riau have achieved relative efficiency. The number of local governments that have achieved relative efficiency in

the seven provinces is also increasing. Bangka Belitung is the only province that does not have the increasing number of local governments that have relative efficiency in this DEA model.

DEA results of technical efficiency scores for each local government (DMU) that does not achieve efficiency in Sumatra is provided in appendices. Table 3 exhibits technical efficiency average for local government that are not efficient in Sumatra, consisting of 64 DMUs with output oriented model and 14 DMUs with input oriented model.

Table 3. Technical Efficiency Average for inefficient local governments in Sumatra for both output and input oriented models.

Province	Technical Efficiency Score Average		Province	Technical Efficiency Score average	
	Output oriented	Input oriented		Output oriented	Input oriented
NAD	0.984	0.401	North Sumatra	0.988	0.523
Riau	0.985	1	West Sumatra	0.986	1
Riau Island	0.990	0.741	South Sumatra	0.992	0.476
Jambi	0.989	0.665	Bengkulu	0.990	0.755
Lampung	0.990	0.815	Bangka Belitung	0.988	0.730

Overall technical efficiency average of DMUs is 0.995 for output oriented model and 0.9673 for input oriented model. It shows that majority of DMUs in Sumatra are relatively efficient for both models. However, there is different technical inefficiency score between two models. To improve the efficiency level of these relatively inefficient local governments, analysis is focused on the relatively inefficient DMUs.

Mean of technical efficiency for relatively inefficient DMUs is 0.988 for output oriented model and 0.647 for input oriented model. Table 3 shows that the technical efficiency scores of relatively inefficient DMUs for input oriented model is lower compared to that of output oriented model. It is interesting to note that NAD Province has the smallest average technical efficiency score in both output (0.984) oriented model and input oriented model (0.401).

It can be concluded that with input oriented model of DEA, there are more local government that are relatively efficient (137 DMUs or 90.75%). However, the technical efficiency average for those inefficient local governments is low (0.40–0.82). It implies that having applied given outputs (illiteracy rate, life expectancy, poverty rate, and unemployment rate), 14 DMUs spent too much money on inputs (6 items of expenditures) and therefore made them to be relatively inefficient.

Based on the output oriented model, all provinces in Sumatra have average technical score close to 1, indicating they are almost perfectly efficient. Based on the output oriented model, the technical inefficiency score of each DMU is smaller than another one. Although the inefficiency score is smaller, the number of DMUs which are not efficient is bigger (64 DMUs or 42.8%). However, there are more DMUs those are not relatively efficient, although they are actually close to efficient since their technical efficiency score is close to 1. Improving a little bit of output will make them achieve relative efficiency in the future. This is absolutely true for a local government. Improving the efficiency is more attainable with output oriented model, there are several reasons for that. First, they have high technical efficiency score and it would take less effort to be more efficient. Second, as budget for government expenditures is limited, it is unacceptable if local governments cannot manage their budget efficiently.

On the other hand, since technical efficiency average of DEA with input oriented model is low (0.401), it would be more difficult for local government to increase their technical efficiency by using this approach. Therefore, it would be better for local governments to implement output oriented model to increase their technical efficiency level.

For local governments those are not efficient, they can learn from the 20 relatively efficient DMUs which are classified as benchmarks. Table 4 provides information about DMUs that are relatively efficient and become a benchmark for inefficient DMUs in Sumatra.

Table 4 exhibits 20 DMUs that are relatively efficient and become a benchmark for those inefficient DMUs. North Sumatra has the biggest number of local governments (11 DMUs) that can be considered for a benchmark in Sumatra. NAD province has the second largest benchmark (8 DMUs), even 2 DMUs in NAD has the biggest benchmark of efficiency for other inefficient DMUs. Both DMUs in Central Aceh and Bener Meriah each have 9 benchmarks for efficiency. Some DMUs in West Sumatra and Bangka Belitung also provide a benchmark for efficiency in Sumatra.

Of the 20 benchmarking, in relation to inputs (government expenditure items), Lhokseumawe (NAD province) is the only DMU that can be benchmarked by others. Other DMUs with one of the

biggest input (Medan, Musi Banyuasin, and Natuna) are relatively efficient but they are not categorized as a benchmark (see Table 1).

Table 4. Peer units (DMUs benchmarked for efficiency)

The number of benchmarks	Provinces	DMU
9	N A D	Central Aceh, Bener Meriah
6	N A D	Banda Aceh, Bireuen
	North Sumatera	South Labuhan Batu
5	N A D	Simeulue
	North Sumatera	Karo, Nias
4	N A D	Gayo Lues
	North Sumatera	Binjai, Deli Serdang, Toba Samosir
3	N A D	South Aceh
2	N A D	Lhokseumawe
	North Sumatra	Labuhan Batu, North Labuhan Batu, Dairi, Humbang Hasundutan, Padang Lawas
	West Sumatra	Pasaman, Sawahlunto
	Bangka Belitung	Pangkal Pinang

From the output oriented model perspectives, the two DMUs with the best output are all relatively efficient as well as becoming a benchmark for others. South Aceh becomes a benchmark for the three other local DMUs, while Humbang Hasundutan is a benchmark for the other two DMUs. Metro, Bukit Tinggi, Aceh Selatan, dan Humbang Hasundutan have achieved one of the best output and relatively efficient but they are not becoming a benchmark (see Table 2).

CONCLUSION

The analysis clearly indicates that with input oriented model of DEA, there is a greater number of DMUs that can achieve relative efficiency. However, for those DMUs that are not efficient, the efficiency score average is low ($\theta = 0.65$), and even there are two provinces who score less than 0.50.

On the other hand, by using output oriented approach, there would be a fewer number of DMUs achieving relative efficiency (57.65%). However, a closer inspection of the data set indicates that those who are not efficient are technically almost efficient since their relative efficiency score average is 0.988 or very close to 1 or close to being relatively efficient. With a little effort in government management improvement, they would become efficient. DMUs which are not efficient are recommended to follow the spending policy of DMUs that become a benchmark. Of the 151 DMUs in Sumatra, 20 DMUs are considered as a benchmark that can be followed by the 64 inefficient DMUs in Sumatra.

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APPENDICES

Table 5. The relatively efficient DMUs (local governments) based on DEA output oriented model with VRS

No	Provinces	Relatively efficient ($\theta = 1$)	
		Freq	DMU (Local Governments)
1	N A D	16	South Aceh, Central Aceh, South West Aceh, Aceh Singkil, Aceh Jaya, Pidie, Pidie Jaya, Bireuen, Simeulue, Gayo Lues, Nagan Raya, Bener Meriah, Banda Aceh, Sabang, Lhokseumawe, Langsa
2	North Sumatra	23	Deli Serdang, Karo, Labuhan Batu, North Labuhan Batu, South Labuhan Batu, Nias, North Nias, West Nias, South Tapanuli, Dairi, Toba Samosir, Humbang Hasundutan, Pakpak Bharat, Samosir, Padang Lawas, Medan, Pematang Siantar, Sibolga, Binjai, Tanjung Balai, Tebing Tinggi, Padang Sidempuan, Gunungsitoli
3	West Sumatra	12	Limapuluh Kota, Padang Pariaman, South Pesisir, Solok, Bukit Tinggi, Padang Panjang, Padang, Payahkumbuh, Sawahlunto, Solok, Pariaman, West Pasaman.
4	South Sumatra	6	Musi Banyuasin, Musi Rawas, OKI, Prabumulih, Pagar Alam, Lubuk Linggau
5	Riau	9	Bengkalis, Indragiri Hilir, Kuantan singingi, Rokan Hilir, Rokan Hulu, Dumai, Pekanbaru, Meranti Island, Siak
6	Riau Island	2	Natuna, Tanjung Pinang
7	Jambi	5	Bungo, Kerinci, Muaro Jambi, Tebo, Sungai Penuh
8	Bengkulu	3	Kaur, Lebong, Central Bengkulu
9	Bangka belitung	6	Belitung, West Bangka, Central Bangka, South Bangka, East Bangka, pangkal pinang
10	Lampung	5	Central Lampung, East Lampung, West Tulang Bawang, Mesuji, Metro

Table 6. Relatively efficient DMUs (local governments) based on DEA-input oriented model with VRS condition

No	Provinces	Relatively efficient ($\theta = 1$)	
		Freq	DMU (Local Governments)
1	N A D	22	South Aceh, Central Aceh, South West Aceh, West Aceh, Aceh Besar, East Aceh, South East Aceh, Aceh Tamiang, Aceh Singkil, Aceh Jaya, Pidie, Pidie Jaya, Bireuen, Simeulue, Gayo Lues, Nagan Raya, Bener Meriah, Banda Aceh, Sabang, Lhokseumawe, Langsa, Subussalam.
2	Sumatera Utara	31	Deli Serdang, Langkat, Karo, Simalungun, North Tapanuli, Central Tapanuli, Mandailing Natal, Serdang Bedagai, Batubara, North Padang Lawas, Labuhan Batu, South Labuhan Batu, North Labuhan Batu, Nias, North Nias, West Nias, South Tapanuli, Dairi, Toba Samosir, Humbang Hasundutan, Pakpak Bharat, Samosi, Padang Lawas, Medan, Pematang Siantar, Sibolga, Binjai, Tanjung Balai, Tebing Tinggi, Padang Sidempuan, Gunungsitoli
3	Sumatera Barat	19	Agam, Mentawai Island, Pasaman, Sijunjung, Tanah Datar, Dharmasraya, South Solok
4	Sumatera Selatan	13	Musi Banyuasin, Prabumulih, Pagar Alam, Lubuk Linggau, Lahat, Muara Enim, OKU, Palembang, Banyuasin, Ogan Ilir, East OKU, South OKU, Empat Lawang
5	Riau	12	Bengkalis, Indragiri Hilir, Kuantan singingi, Rokan Hilir, Rokan Hulu, Dumai, Pekanbaru, Meranti Island, Siak, Indragiri Hulu, Kamar, Pelalawan
6	Riau Island	4	Natuna, Tanjung Pinang, Karimun, Batam
7	Jambi	9	Bungo, Kerinci, Muaro Jambi, Tebo, Sungai Penuh, Merangin, Sarolangun, east Tanjung Jabung, city of Jambi.
8	Bengkulu	9	Kaur, Lebong, Central Bengkulu, South Bengkulu, Rejang Lebong, city of Bengkulu, Seluma, Muko-muko, Kepahiang.
9	Bangka belitung	6	Belitung, East Bangka, Central Bangka, South Bangka, East Bangka, pangkal pinang
10	Lampung	12	Central Lampung, East Lampung, South Lampung, North Lampung, West Lampung, West Tulang Bawang, Mesuji, Metro, Way Kanan, Pesawaran, Pringsewu, Bandar Lampung.

Table 7. Technical Efficiency Score of inefficient DMUs in Sumatera based on output oriented Model

NAD (7)		West Sumatra (7)	
	Efficiency Score		Efficiency Score
West Aceh	0.9669	Agam	0.9975
Aceh Besar	0.9991	Mentawai	0.9925
East Aceh	0.9970	Pasaman	0.9731
North Aceh	0.9818	Sijunjung	0.9735
South East Aceh	0.9857	Tanah Datar	0.9801
Aceh Tamiang	0.9883	Dharmasraya	0.9932
Subussalam	0.9725	South Solok	0.9887
Lampung (9)		South Sumatra (9)	
	Efficiency Score		Efficiency Score
South Lampung	0.9847	Lahat	0.9959
North Lampung	0.9739	Muara Enim	0.9959
West Lampung	0.9943	OKU	0.9751
Tanggamus	0.9827	Palembang	0.9945
Tulang bawang	0.9962	Banyuasin	0.9930
Way kanan	0.9965	Ogan Ilir	0.9934
Pesawaran	0.9969	East OKU	0.9867
Pringsewu	0.9860	South OKU	0.9913
Bandar lampung	0.9976	Empat Lawang	0.9996
Jambi (6)		Bengkulu (7)	
	Efficiency Score		Efficiency Score
Batanghari	0.9875	South Bengkulu	0.9921
Merangin	0.9847	North Bengkulu	0.9886
Sarolangun	0.9835	Rejang Lebong	0.9854
West Tanjung Jabung	0.9884	City of Bengkulu	0.9991
East Tanjung Jabung	0.9936	Seluma	0.9779
City of Jambi	0.9943	Mukomuko	0.9916
		Kepahiang	0.9947
North Sumatra (10)		Riau (3)	
	Efficiency Score		Efficiency Score
Asahan	0.9931	Indragiri Hulu	0.9935
Langkat	0.9869	Kampar	0.9814
South Nias	0.9786	Pelalawan	0.9794
Simalungun	0.9923		
North Tapanuli	0.9952	Riau Island (5)	
Central Tapanuli	0.9713		Efficiency Score
Mandailing Natal	0.9997	Bintan	0.9843
Serdang Bedagai	0.9843	Karimun	0.9885
Batubara	0.9873	Lingga	0.9951
North Padang Lawas	0.9954	Kep Anambas	0.9816
		Batam	0.9996
Bangka Belitung (1)			
	Efficiency Score		
Bangka	0.9880		

Table 8. Technical Efficiency Score of inefficient DMUs in Sumatera based on input oriented Model

NAD (1) efficiency score		Bengkulu (1) efficiency score	
North Aceh	0.4011	North Bengkulu	0.7546
South Sumatra (2) efficiency score		Jambi (2) efficiency score	
Musi Rawas	0.6110	Batanghari	0.7441
Ogan Komering Ilir	0.3403	West Tanjung Jabung	0.5854
Lampung (2) efficiency score		North Sumatra (2) efficiency score	
Tanggamus	0.7093	Asahan	0.6180
Tulang bawang	0.9199	South Nias	0.4284
Riau Island (3) efficiency score		Bangka Belitung (1) efficiency score	
Bintan	0.6483	Bangka	0.7300
Lingga	0.8453		
Anambas Island	0.7300		
West Sumatra (0)		Riau (0)	

MODEL FOR THE DEVELOPMENT OF PLANTATION-BASED GROWTH POLES VILLAGE

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Abstract. The purpose of this research is to create a model (based on the experiences of transmigration settlement development) to set up local villages into plantation-based growth pole village in Jambi Province. The research has found that there are five groups of potential industry in the plantation-commodity-based development center villages. These industries are a) the production of flour from grains/seeds/nuts/tubers, crude oil from vegetable and animal; b) the production of tempe and tofu, the production of soy and beans products apart from soy sauce, tempe and tofu, the production of crackers and others alike from cassava and bananas, bread and pastry; c) clay industry; d) furniture industry; e) products from wood, rattan, bamboo, and others alike. Clay industry has the highest competence, followed by other industries. Furthermore, five criteria of village core competence which are the strongest one to support the development of potential industry in rural areas are outside-area/village market, market opportunity to continue developing, local market, availability of infrastructure, and the composition of the local input. For structuring, the elements of the system for growth pole village's development are: **1)Key objectives:** a) Increasing the number of new business and diversification of products; b) Expanding domestic and outside-area market; c) Increasing investor's interest in investing; **2)Main problems:** a) institutional weakness; b) Coordination between related parties is weak; c) Government policies are inconsistent and less supportive; **3) Main actors:** a) Local government; b) Financial Institutions; c) Education and Training Institutions; d) Testing, Standardization, and Certification Institutions; **4)Main roles of government:** a) Coordinating the related institutions; b) Establishing communication and cooperation for potential industries' and supporting industries' actors; c) Collecting and disseminating data and information; d) Improving the system of transportation, communications, and other infrastructures; **5) Main roles of business activity:** a) Establishing formal and informal network; b) Communicating with government to publish and revise regulation.

Keywords: *Potential Industry, Growth Pole, Core Competence*

INTRODUCTION

Transmigration as one of the population programs in Indonesia has been implemented long enough. In its implementation, this transmigration program has shown us good results, thus it becomes one of the prime programs in the development of potential regional resources. Transmigration also becomes {a typical example of strategy} and a valuable learning resource in the development of regions in Indonesia. Especially in plantation commodity, transmigration program has been successful in establishing plantation-based growth poles in transmigration settlements (Najiyati, et al, 2006). These growth poles are capable to trigger the production of plantation and increase economic growth in settlement area.

One of the main areas for transmigration settlement in Indonesia is Jambi Province. Based on the data, in 2011, there are 100.260 households (Kemenakertrans, 2012), and Jambi Province has become one of the main areas for transmigration settlement. In addition, Junaidi (2012) found that transmigration settlements in Jambi Province, in particular, the ones with plantation as its main commodity have been also developing into new growth poles, like Rasau Village in RenahPamenang, Merangin District (with palm oil as its main commodity) and RimboMulyo Village in RimboBujang, Tebo District (with rubber as its main commodity).

The success of the development of transmigration settlement can certainly be a valuable lesson in the development of rural areas into growth poles village, not only in transmigration settlements but also in local villages (non-transmigration). However, the experience in getting this achievement has not been used to create an appropriate model that can be applied to local villages.

In Jambi Province, many plantation-based local villages are potential enough to be plantation-based growth poles. Based on the explanation above, creating a model for developing local villages (non-transmigration) into plantation-based growth poles becomes an important thing. This model is also intended to be applied for developing rural areas in Indonesia.

Objectives of Research

1. Analyze the potential industries and core competencies of developing industries in transmigration settlements that manage to be plantation-based growth poles.
2. Analyze the elements of system that play a role in realizing the objective of transmigration settlements to be plantation-based growth poles.
3. Analyze the problems, challenges, and obstacles during the development process of transmigration settlements into plantation-based growth poles.

LITERATURE REVIEW

One of the fundamental elements in the development of region is the existence of center or pole. In this context, the concept of growth point is the link between the structure of nodal areas that develop by itself and the physical and regional planning. Furthermore, according to Haruo (2000), to boost growth in developing countries, it is recommended to apply regional development strategy in the form of investment concentrated in some limited growth poles.

Related to the growth point, Friedman and Alonso (1964) referenced in Stimson et al. (2002) set forth a concept that is known as core and periphery interaction. Development is started from few centers of change located in interaction points which have high potential in boundary or communication range area. Those core regions are the main centers of reform or renewal while other territorial regions are periphery regions which are located far from center of change, depended to the core areas..

Theory from Boudeville (1961) referenced in Adisasmita (2008) attempted to explain the impact of the development from the existence of development poles localized in spatial geographic. He defined regional growth pole as a set of growing industries located in an urban area and boost further economic growth through its sphere of influence.

Related to the development of rural areas which will be growth poles, conventionally, Mosher (1974) defined the rural development as the development of farming or agricultural development. According to Hansen (1981), rural development is an effort to increase agricultural production and productivity and prosperity of rural communities. Similar to Mosher and Hansen, Collier et al. (1996) defined it as a change of orientation from agricultural production to largest possible business.

According to Jamal (2009), there are simply three poles of thought that exist in Indonesia, related to the approach of rural development. First group sees rural area and its community as something particular and specific and in the effort to drive the development in rural areas, government intervene as little as possible. Transformation of political power and control of production equipment to the community group that has the biggest production potency but is in weak position are needed. This group demands the rearrangement of land ownership structure, system of mastery, ownership, and share-crop as a basis for rural areas modernization. Industrial activity will be developing as a result of surplus from agricultural industry and the excess labor from agricultural industry will gradually be employed by agro-processing sector and industry.

The second group tends to see the village as something homogeneous and its development needs to be driven by government's interference at its maximum. This argument is the one who underlies the drafting of various blueprints of rural development and the enactment of various laws that make village as a homogeneous region and practical political activity-free, also becomes 'tool' for government in the development. The third group tries to balance the power of rural communities and government in determining the direction and purpose of social change in rural communities. According to this group, blueprint system in rural development will make it efficient to reach the goal but it doesn't grow the participation of community.

Mosher (1974) suggested that the village can grow progressively if it has some accelerator components, such as: 1) village must have market towns; 2) it needs to build rural roads (relatively small) to expand and reduce the cost and facilitate information distribution and services; 3) there must have local testing to find the most appropriate way of attempting to local conditions in rural areas; 4) there should be counselor or officer who can help residents to learn about new technologies including the way to make us of those technologies; and 5) credit facilities should be provided to finance production and product marketing.

Mosher's argument were developed by experts from Indonesia by adding social and institutional aspects on it. Soewandi (1976) argued that to realize the process of modernization of rural areas, there are two main things to be considered: 1) developing new institutions in rural community as supports to the dynamic economic system, which are able to involve villagers as much as possible in their economic system, 2) encouraging the development of non-agriculture sectors to hire the excess labor in agricultural industry. Furthermore, Prabowo (1995) suggested that it is necessary to diversify rural businesses, which beside can boost traditional agricultural production; it is also able to spur the growth of villager's economic activities in which it could form the basis for sustainable growth and equity. Murdoch (2002)

also explained that besides establishing vertical linkages, it also needs to establish horizontal linkages by strengthening local production that has benefits to rural economy as whole by integrating it into a broader economic matter. In this case, the development of rural communities is not restricted to agricultural sector (production) but also to agricultural sector related to the economy of urban areas.

From those various perspectives, it can be concluded that rural development is not solely on production or its farming activity only. Agriculture must be developed in the context of agro-business development as a whole involving various supporting infrastructures, economic systems, social and institutional as well as has a sectorial and regional linkage.

Furthermore, it can be argued that to make village as growth pole, its core competence has to be explored and considered. Core competence as defined by Prahalad and Hamel (1990) is a set of skills and technologies that allow an organization to provide its own benefit to its customers. Thus, core competence is a set of organization's resources and capabilities (assets) that has a high uniqueness needed to achieve organizational goals.

By adopting *one village and one product* concept developed by Governor Hiramatsu in Oita, Japan, then to raise regional competitiveness, it requires the creation of core competence of the area. It is necessary to do so that all resources and capabilities owned by the region are focus on efforts to create core competence (Huseini, 2000). The core competence of the region is a unique advantage from one area that can't be imitated by other areas. These core competences are divided to primary products (human resources), natural resources, regional environment, local culture, and competence of refined products in the form of technology, infrastructure, and products.

One of researches related to growth pole was conducted by Muta'ali (2003). He found that, in Yogyakarta, growth pole village is a village that has some characteristics such as strategic site accessibility, high service hierarchy, and various sectors of development base. The result of the research also showed that villages in Yogyakarta Province have good enough accessibility to the site/area. Its economic activity based on agricultural sector, with the support of the service, trade, and industry sector. Most selected growth pole villages are the capital of sub-district, and there is even one village that is capital of district at a time. Furthermore, Sugiyanto and Sukesni (2010) also found that type of resources potentially supporting economic growth in Lamandau district is plantation, especially palm oil plantation, forest products, and mining (minerals and coal).

RESEARCH METHOD

Location of Research

The research was conducted in two transmigration settlements which have been successful to be plantation-based growth pole. The villages are selected referring to the results of research of Junaidi (2012), they are Rasau Village, Renah Pamenang Sub-District in Merangin District with palm oil as its main commodity and Rimbo Mulyo Village, Rimbo Bujang Sub-District in Tebo District with rubber as its main commodity.

Data

There are primary data and secondary data. Primary data is divided into two kinds of data:

- Residents as respondents, to get an overview of socio-economic conditions of residents in transmigration settlements that have become growth pole village.
- Experts, stakeholders, and key informants (village and sub-district level) associated with rural, transmigration, regional, and plantation development, as respondents.

Data was gathered using structured questionnaire and interview. Secondary data was sources from related institutions / organizations at national, provincial, district, and sub-district level.

Analysis Tools

Analysis of Core Competence at Transmigration Settlement That Has Been Successful to be Plantation-Based Growth Pole

To identify and analyze the characteristics of region core competence, Multi Sectorial Qualitative Analysis (MSQA) was used. Observations on the relationship between selected economic variables (criteria) on various industrial sector/main sector activities developing in selected villages were carried out by using MSQA method. Therefore, before using MSQA, the first thing to do was identifying the existed industrial/main sector activities. Identification was done through observation and interviews with "key-informants" in selected villages.

To use this MSQA method, it used 6 groups of criteria for core competence. There are: 1) Human resources; 2) Natural resources; 3) Regional environment or aspects of government; 4) Local culture; 5) Infrastructure; 6) Market. Based on these criteria, it can be developed to 16 criteria (K1 – K16, see result and discussion). The valuation of core competence was done by the experts (residents, businessmen, and

government) in transmigration, regional and plantation development. Each criteria of core competence for each activity of industry/enterprise/business will be given a rank and will be measured in ordinal in three scores: Strong (S) = 5; Medium (M) = 3; Weak (W) = 1

Analyze the elements of system that play a role in realizing the objective of transmigration settlements to be plantation-based growth poles

The elements of system were analyzed and it included the elements of interest, actors, problems/obstacles, role of government, and business activity. To analyze the elements of system that have a role in realizing the objective of transmigration settlements to be plantation-based growth poles, Interpretive Structural Modeling (ISM) was used.

Analyze the problems, challenges, and obstacles during the development process of transmigration settlements into plantation-based growth poles.

To analyze the problems, challenges, and obstacles, indepth interview with key informant in selected villages was used. The analysis was done by qualitative descriptive based on the information obtained from key informant. The analysis also comes with the perception/view associated with transmigration areas in their region.

RESULT AND DISCUSSION

Analysis of Core Competence of Potential Industry in Growth Pole Village

Identification of potential industrial core competence area for any potential industrial group in the previous analysis conducted by the Core Competency Model designed by the method MSQA. Based on the core competencies that support the existence of potential industry, it seems that the clay processing industry has a relatively high strength compared to other industries that have the potential to support the growth center in the village. In second place industrial manufacture of tempeh and tofu, food manufacture of soy and beans in addition to soy sauce, tempeh and tofu, manufacture of crackers, chips and the like from sweet potatoes and bananas, bread and pastries wet, followed 1) industrial manufacturing various kinds of flour of grains / seeds / nuts / tubers, industry crude oil from vegetable and animal;, 2) goods from wood, rattan, bamboo and the like 3) Furniture

Identification of potential industry of regional core competence for each potential industry group in the previous analysis done with Core Competency Model designed based on MSQA method. Based on the core competences that support the existence of potential industry, it seems that clay industry has a relatively high strength compared to other industries that potentially support growth pole in village. In the second place, there are tempe and tofu industry, production of soy and beans product apart from soy sauce, tempe and tofu, the production of crackers and others alike from cassava and bananas, bread and pastry, followed by 1) flour from grains/seeds/nuts/tubers industry, crude oil from vegetable and animal industry, 2) products from wood, rattan, bamboo, and others alike, 3) furniture.

Tabel 1 Matrix of opinion of experts on the industries that have the potential to support the village became the center of growth in the Province of Jambi

Criteria of Core Competence	Type of Agro-industry business SMEs					Total Akj	Index KIk	Weight wKIk	Rank
	A1	A2	A3	A4	A5				
K1	4,514	4,514	3,272	2,408	2,408	17,117	0,685	0,064	11
K2	4,514	4,514	4,076	3,000	3,000	19,105	0,764	0,072	8
K3	2,408	2,667	3,000	4,076	4,076	16,227	0,649	0,061	12
K4	1,000	1,552	1,552	1,933	2,408	8,445	0,338	0,032	14
K5	3,680	3,323	4,514	3,000	3,000	17,517	0,701	0,066	10
K6	5,000	5,000	5,000	2,141	2,141	19,282	0,771	0,072	6
K7	5,000	3,680	5,000	2,667	2,954	19,302	0,772	0,072	5
K8	1,000	1,000	1,000	1,000	1,000	5,000	0,200	0,019	16
K9	1,000	1,000	1,000	1,933	1,933	6,866	0,275	0,026	15
K10	2,667	3,323	3,680	4,514	5,000	19,184	0,767	0,072	7
K11	1,552	1,552	3,000	3,680	4,514	14,298	0,572	0,054	13
K12	2,954	4,076	4,514	3,323	3,323	18,190	0,728	0,068	9
K13	4,076	4,514	3,680	3,680	3,680	19,631	0,785	0,073	4
K14	4,514	4,514	4,076	4,076	4,076	21,257	0,850	0,080	3
K15	4,514	4,514	4,514	5,000	5,000	23,543	0,942	0,088	1
K16	4,514	4,514	4,514	5,000	3,680	22,223	0,889	0,083	2
Total (A _{jk})	52,910	54,259	56,394	51,432	52,194				
Index (K _{Ij})	0,661	0,678	0,705	0,643	0,652				
Weight(wK _{Ij})	0,198	0,203	0,211	0,193	0,195				
Rank	3	2	1	5	4				

Notes:

- K1= Availability of experts
- K2= Availability of other supporting workers
- K3= Salary/Income
- K4= Education, training, research, and development facilities
- K5= Support of natural resources
- K6= Use of input that can be renewal
- K7= Composition of the local input
- K8= Regulation in investment sector
- K9= Regulation in trade/commerce sector
- K10= External support for capital
- K11= Appeal for investors
- K12= Support of local culture
- K13= Availability of supporting physical infrastructure
- K14= Local/Village market
- K15= Outside-region/village market
- K16= Opportunity for the development of market
- A1= Production of flour from grains/seeds/nuts/tubers, crude oil from vegetable and animal industry
- A2= Production of tempe and tofu, production of soy and beans product apart from soy sauce, tempe and tofu, production of crackers and others alike from cassava and bananas, bread and pastry.
- A3= Clay industry
- A4= Furniture
- A5= Products from wood, rattan, bamboo, and others alike

Furthermore, five criteria of village core competence which are the strongest one to support the development of potential industry in rural areas are outside-area/village market, market opportunity to continue developing, local market, availability of infrastructure, and composition of the local input

Structuring of The Elements in the System Development

Identification of elements and sub-elements of development system is based on literature review, field survey, and collection of expert opinion. Development system is outlined by 5 elements with various sub-elements. These elements are: (1) Element of Interest/Objective; (2) Element of Actors; (3) Element of Problems/Obstacles; (4) Elements of Government’s Role; (5) Element of Business Activities.

Based on the structuration with ISM method, then in each element of system of the development of planation-based growth pole village there are elements: Interest/Objective, Actors, Problems/Obstacles, Government’s Role, and Business Activities have been identified key sub-elements and important sub-elements that have strong driver power in development system.

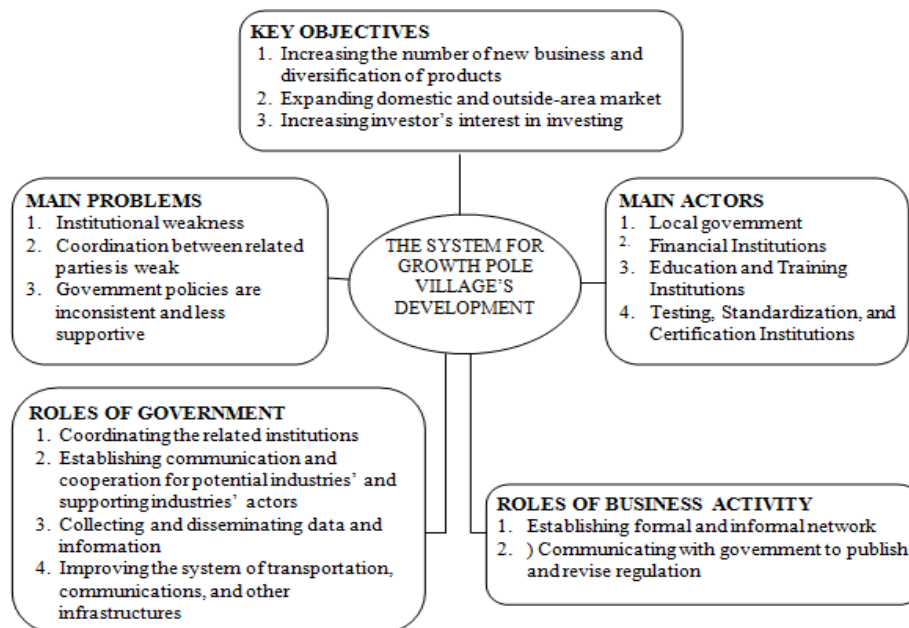


Figure Sub-element with strong Driver Power in Development System of Plantation-Based Growth Pole Village in Jambi Province

Problems, challenges, and obstacles during the development process of transmigration settlements into plantation-based growth poles.

a. The phenomenon of yard conversion versus Food Self-Sufficiency and Availability of Raw Materials for Potential Industry

In all patterns of transmigration, the migrants, in addition of getting business area (business area I or business area II), were also given yards. The yard area is intended for home building and used for cultivation of food crops.

By having yard, migrants are expected to be able to meet their needs of foods from cultivation of food crops, before business area I and II produce products. In addition, by having food crops in yard, it's expected to make transmigration villages as food self-sufficient regions.

However, current conditions indicate the yards are no longer managed for food crops by the migrants. Yard is converted to plantation area by plant palm oil or rubber. This condition and followed by the conversion of yard became palm oil and rubber plantation in cropping pattern transmigration lead to the increase of regional burden to the achievement of food self-sufficiency.

The phenomenon of land conversion also threatens the sustainability of availability of raw materials to potential industry in village, generally from crops.

b. Land Fragmentation: The Potential of New Poverty and Threat to the Quality of Human Resource in Growth Pole Village

Transmigration settlements in Jambi Province have been relatively in long time, which has been started since 1950. Because of this, in ex-transmigration villages, most of residents are not first generation migrants (original migrants), but it is occupied by second generation (children of migrants) and even third generation. Along with this phenomenon, it is now seen a fragmentation of land (the original land is divided for second and third generation migrants).

Fragmentation of land or shrinkage of agricultural land ownership cause a decline in farmer's business scale. Small land will be difficult to the use of technology. Some technologies are not efficient to use when it was applied on small land and business management becomes less economical.

The decline of business scale will also affect to the increasing number of farmers without land. This decline will lead to less productive land and it will encourage farmers to sell their land.

Today, in ex-transmigration villages, it starts to be seen quiet number of farmer without land are second and third generation migrants. Beside of that, much of them are started to work as worker/labor in construction work in city.

c. Monoculture Pattern, Price Fluctuations, Replanting, and Poverty Threats

Monoculture pattern applied in transmigration areas is acknowledged as having an impact on the instability of migrants' prosperity, particularly to migrants on palm and rubber plantations. As we know, rubber and palm oil's prices have high rates of fluctuation and highly dependent on international demands. In many cases, when there is a decline in price quite dramatically, it has caused negative impacts on residents' socio-economy life in ex-transmigration villages.

Beside the price fluctuations, problem aroused as a result of monoculture is a matter of replanting. This day, some ex-transmigration villages in Jambi Province has aged more than 30 years, especially for transmigration with rubber and palm oil pattern.

Rubber plant and palm have optimal production time. That's around 30 years. That's why in those villages, the need of replanting is an urgent need. However, until now, there is no replanting scheme which can guarantee that there will be no decline in the level of prosperity or welfare at the time of replanting until new plants make a profit. The absence of replanting scheme becomes a concern because it will impact on public welfare in transmigration villages.

d. Low Leverage of Ex-Transmigration Areas to the Surrounding Areas

Transmigration development in Jambi Province is acknowledged to have helped establish new villages with a rapidly growing economy. Transmigration areas has been also acknowledged to become mayor contributor to own-source revenue (PAD). In addition, the transmigration areas in Jambi Province is recognized to be able to trigger the expansion of new sub-districts and districts. It is known that four out of five new districts in Jambi Province were triggered by the development of transmigration areas.

Nevertheless, in the view of local policy makers, transmigration areas are yet able to become a lever to the development of region and welfare of surrounding community. It leads to a relatively large disparity between transmigration areas with its surrounding areas (non-transmigration). The disparity is happened both in terms of regional growth and welfare. These conditions rise social jealousy and if it continues, there will be conflict between communities.

e. Delegation of Authority of Ex-Transmigration Villages Is Not Completed

The handover transmigration areas after the coaching phase includes the handover of infrastructure on those areas. It means that the responsibility of infrastructure maintenance shifted from central government to local government.

In this context, policy makers in region thought that the delegation of authority has increased the budget in their region. No sense of ownership of transmigration area is an implication of the lack of local government involvement in developing transmigration settlements. As a result, today, despite transmigration areas become major contributors to own-source revenue (PAD) and GDP in several districts in Jambi Province, the maintenance of infrastructure in region (particularly the production road) has not been a priority of regional development expenditure. Later, it can impact on the damage of production road in transmigration areas that hamper the products' marketing.

CONCLUSION

1. There are five groups of potential industry in plantation-based growth pole village in Jambi Province: 1) the production of flour from grains/seeds/nuts/tubers, crude oil from vegetable and animal; 2) the production of tempe and tofu, the production of soy and beans products apart from soy sauce, tempe and tofu, the production of crackers and others alike from cassava and bananas, bread and pastry; 3) clay industry; 4) furniture industry; 5) products from wood, rattan, bamboo, and others alike.
2. From those five groups of potential industry, clay industry has the highest competence, followed by: 1) tempe and tofu industry, production of soy and beans product apart from soy sauce, tempe and tofu, the production of crackers and others alike from cassava and bananas, bread and pastry; 2) flour from grains/seeds/nuts/tubers industry, crude oil from vegetable and animal industry, 3) products from wood, rattan, bamboo, and others alike, 4) furniture
3. By observing the index of criteria of regional core competence, it can be said that five criteria of village core competence which are the strongest one to support the development of potential industry in rural areas are outside-area/village market, market opportunity to continue developing, local market, availability of infrastructure, and composition of the local input.
4. In structuration, the elements of the system for growth pole village's development are:
 - a. Important/Key objectives in development system are: 1) Increasing the number of new business and diversification of products; 2) Expanding domestic and outside-area market; 3) Increasing investor's interest in investing;
 - b. Main problems in development system are: 1) institutional weakness; 2) Coordination between related parties is weak; 3) Government policies are inconsistent and less supportive
 - c. Main actors in development system are: 1) Local government; 2) Financial Institutions; 3) Education and Training Institutions; 4) Testing, Standardization, and Certification Institutions
 - d. Main roles of government in development system are: 1) Coordinating the related institutions; 2) Establishing communication and cooperation for potential industries' and supporting industries' actors; 3) Collecting and disseminating data and information; 4) Improving the system of transportation, communications, and other infrastructures.
 - e. Main roles of business activity: 1) Establishing formal and informal network; 2) Communicating with government to publish and revise regulation.
5. Problems, challenges, and obstacles during the development process of transmigration settlements into plantation-based growth poles are: 1) There is phenomenon of yard conversion versus food self-sufficiency and availability of raw materials for potential industry; 2) Land fragmentation: the potential of new poverty and threat to the quality of human resource; 3) Monoculture pattern, price fluctuations, replanting, and poverty threats; 4) Low leverage of ex-transmigration areas to the surrounding areas; 5) Delegation of authority of ex-transmigration villages is not completed

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ESTIMATION AND ASSESSMENT OF LAND AND BUILDING TAX BASE OF RURAL URBAN SECTOR (PBB P2) AS A LOCAL TAX IN THE DISTRICT MUARO JAMBI

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Abstract. This research is aimed to describe factors – determinants of taxable value for land and buildings based on the value of the desired (hedonic price) object owner as well as the tax ratio of value of land and buildings that are listed in the value of desired sppt owners. The data used is data from field surveys of 150 owners of land buildings in the Kumpe District, Taman Rajo District, Sungai Gelam District and Sekernan District. The result of research showed that the variable determinant of the value of land was the total land area, population density, land distance to market/supermarket and the lay of the land. While variable determinant of the value of building were building houses, ceramics and cement floor, aluminium – roofed houses and tile higher value with a tin roof house. Value of the land which was specified in SPPT was very much of its market value as evidenced by the results of the ratio of 3.66% for land and 20.8 % for ratio of the building. This show that the acceptance for tax property in muaro Jambi could rise significantly if the Departement of Revenue, the operator of collectors can maximize the implementation of tax property.

Keywords : *land value, the value of buildings, land value ratio, the ratio of the value of buildings*

INTRODUCTION

Reformation in 1998 as the beginning of the appearance of better democracy and bureaucracy, especially at the level of government. One of them was regional autonomy launched since January 1, 2001. As a result, the area accompanied with authority to regulate and manage their own household then it required income support area to organize and manage resources - source of revenue derived from local revenues, equalization funds, regional loan and source - other sources of income. Sun'an (2015) stated the implementation of regional autonomy should be more oriented towards the empowerment of the area when viewed from the territorial context (territorial), whereas when viewed from the structures of governance, such as the empowerment of local governments in managing its resources firmly on the principle of the unity of the nation. Then, when viewed from social context, empowerment is sought to be more oriented towards community development in each area, so the area can participate more in the development in accordance with the potential and capabilities of the region.

Local Revenue (PAD) is one source of revenue that comes from inside the area that should be improved as much as possible in order to realize the region's autonomy. Kuncoro (2010) stated that the rights which are had in an area such as the rights to collect taxes based on the law, the right balance and the right to get funds to make loans.

Based on law Number 28 Year 2009 about Regional Taxes and Levies (PDRD) contained in Article 182 paragraph 1, commencing from the date of January 1, 2011 the government shifted Tax on Acquisition of Land and Building (BPHTB) into local taxes throughout regional government and property tax on Rural and Urban (PBB P2) begin no later than January 1, 2014 with the stage, which began in 2011. The enactment of the Law PDRD, the district / city government has authority in managing of the tax. Darwin (2011) stated that transparency and accountability can be assessed and will be realized if the management of the property tax submitted to the respective autonomous regions. Another argument that had been stated that the object of property tax (PBB) BPHTB P2 is immobile, in the sense of being relocated to other areas, so it is more appropriate when used as local taxes.

Sukada (2015), stated the official assessment system in property tax (PBB), so that before the occurrence of the tax debt to taxpayers, local governments must set a taxable value (NJOP) as the basis for the imposition of property tax on tax objects owned. Determination of tax object is done through the assessment process so that the value obtained by simply unfit for purpose based on determined date. Based on the results of research reports conducted by government of Pacitan showed that rationalization NJOP had not been able to follow the development of the existing market price, meaning that the deviation of the market price was still low compared with NJOP that had been decided.

In addition, the property Tax is an objective tax. Darwin (2013) stated that taxes assessed objectively meant that the object was not subject to the tax status of a tax subject did not affect the

amount of tax payable. Whether the subject is the tax the rich or poor does not affect the amount payable because of the large of property tax payable depended on object land / buildings occupied or used by the tax subject. Furthermore Delis (2015) stated that the property tax object P2 assessment based on the characteristics of demand and supply. Special land was inelastic, while the land requirements increased continuously, consequently the price of land was increasing very fast. Approach to pricing pleasure (hedonic price) or an approach consistent with the desired value of the owner was one method of assessment of the price of property where the building assessment was determined by a set of attributes itself, and its offer also depended on the attributes it offered.

After Surabaya did regional property tax, the following year there had been several districts that did the same one. According to Rahman, in 2012 there were 17 districts / cities that implemented regional property tax. Then in 2013 there were 105 districts / cities were already implementing property tax including Muaro Jambi and Batang Hari. Viewed from the side of the property tax reception, to Muaro Jambi, the total revenue of PBB P2 at the time before regional taxable (in 2012) was amount to Rp 3,022,421 billion from the target of Rp 4,013,883 billion or 75.30%. regional taxable when in the first year of (2013), the total revenue was Rp 3,254,753 UN P2 billion from the target of Rp 6,189,148 billion, or by 53%, and by 2015 total revenues of Rp 5,024,747 billion from target set at Rp 7,455,398,676 or 67% (source: Department of Revenue Muaro Jambi). It's obvious that when it became a central tax realization percentage was greater than after becoming a local tax.

On the submission of examination reports (LHP) the Supreme Audit Agency (BPK) Third Quarter 2015 and quoted on the official website of the CPC, which stated that the Department of Revenue Muaro Jambi had not set a tax on land and building sectors of Rural Urban (property tax) toward the object property taxes at least Rp 399.82 million.

Research focus

This study was to assess: (1) Determinant factors of the value of basis objects of Property Tax of Urban Rural sector (PBB P2) by Department of Revenue District Muaro Jambi with real value based on the user's desire. (2) To evaluate the policy of the local government in setting NJOP corresponding to the desired value owners

REVIEW OF LITERATURE

Local tax

Mardiasmo (2011), stated that taxes were the contributions of the people to the state treasury by laws (which could be imposed) which did not get service returns (counter-achievement) directly demonstrated and used to pay for general expenses. Understanding local tax regulated in Law Number 28 Year 2009 on Regional Taxes and Levies, local taxes were hereinafter referred to as the tax which was an obligatory contribution to the regions that were owed by individuals or entities forced by legislation, by not getting rewarded directly and used for the purposes of the area for - prosperity of the people.

Based on the understanding of the local taxes above can be concluded that the local tax is a levy to the region in the form of money that can be imposed based on applied rules without any in reciprocal directly to the taxpayer.

Local Revenue Management

Mahmudi (2010), said fundamentally there were several principles that need to be considered as local governments in developing their management systems reception area, namely: (1) expansion of the revenue base in a way that can be done by local government to expand the basis revenue, among others: identified taxpayer / levies and solicit taxpayer / new levy, evaluated tax rates / levies, increased object database taxes / levies and revalued (appraisal) of the object taxes / levies. (2) Control over revenue leakage by way of audits, both routine and incidental, improve accounting systems reception area, reward adequate to people who obey taxes and penalties (sanctions) for noncompliance, and improve discipline and morality of employees involved in revenue collection. (3) Increasing the efficiency of revenue administration by means of inter alia: improving the procedures of tax administration making it easier and simpler, reducing the cost of revenue collection, cooperating with various parties, such as banks, post offices, cooperatives and other third parties to provide convenience and comfort in paying taxes. And (4) Transparency and accountability carried out by, among others: there was support of information technology for building information management system of local revenue, the staff had sufficient competence and expertise, and the absence of systemic corruption in the entities managing local revenue.

Data collection for Subject and Object property tax

Collecting data for object and subject of the tax is an activity which is done for the purpose of gaining the object and the subject data of property tax. Widodo et al (2010) reported activity data collection is conducted at - least in the region as a whole with some alternatives. First, data collection with the delivery and return of SPOP monitoring. Second, the data collection by means of object

identification and the subject of property tax. Third, data collection by way of verification object and subject of property tax. And fourth, the data collection by measuring the object field of property tax.

Documenting the delivery and monitoring of return of SPOP usually have a low potential of the property tax, remote location and difficult to reach and have no data. Implementation of data collection with these alternatives can be done in two ways. First, the delivery and return of SPOP individual monitoring where the SPOP is delivered directly to the subject of the tax and to monitor returns. Second, delivery and monitoring of return of SPOP collectively involved village officials. Both alternatives can be more effective, the manufacture of a sketch map of the village / village and a sketch map of the block by the clerk highly recommended that the relative position of each field – property tax object fields are easily identifiable. Documenting the second alternative, namely the tax object identification can be done when it has to have a map of the village / village and outline maps / photos to show the relative position of the object field of the UN, but does not have administrative data perpa-jakan in the last three years of data collection. In the data collection phase, officers assisted by village officials / villages in determining the boundaries - boundaries of blocks and assign numbers to each - each block. Documenting a way to verify the data object can be done with the proviso tax villages / urban villages have a map villages / wards, block map and the property tax administrative data that are the result of three years of data collection, so that the existing data is still fairly accurate. During the implementation phase, the officer stayed to match the data with the situation in the field and documenting data with field measurements to tax can be implemented at village / villages who only has a map of the village / villages and there is no data base of taxation. In the implementation phase, the clerk handed SPOP and LSPOP directly to the subject of taxes simultaneously measuring each field – property tax object fields including buildings standing on it.

Taxable value (NJOP)

Taxable value (NJOP) is an average price obtained from the sale and purchase transactions that occur naturally. NJOP is set as the basis for the imposition of PBB P2 earth against an object or building. Privileges NJOP determination according to law No. 28 of 2009 Article 79, paragraph 3 is located in the head region. To make sure the amount of land and buildings NJOP was conducted through documentation and assessment of tax. Chen (2013) stated there are three (3) collection of data approached to determine NJOP that the cost approach, market data and revenue. According to the most commonly used approach is the cost approach and market data approach. Almost 80% of the building assessment report in Indonesia using the cost approach.

Determinant factors of property tax Base Rate P2 By Price Desired owner / Enjoyment price (Hedonic Price)

Delis (2015) stated the price of pleasure (Hedonic Price) is an assessment method with the market approach. Enjoyment pricing approach is based on the desired price or enjoyed by the owners of wealth / tax object therefore the evaluation was done on the basis of their own assessment - self-assessed property evaluation.

Parmeter (2009) stated this method was first used by Haas (1922), Waugh (1928) and Court (1939) and was interpreted theoretically by Rossen (1974). Rosen (1974) in Delis (2015) stated this approach consists of four (4) components that influence, namely the factor of the property itself, the location factor, accessibility factors and environmental factors.

Darwin (2013) stated the property has several criteria factors are the type and use of the property, the size, shape and design, and construction of buildings. The type and usefulness of the property should be considered as a time of use will change for the better and will have an impact on the increased value of the property. Criteria for the size and the shape and design of the wider land interpreted with the more easier for an activity carried out, as well as the shape of the land provides ease of development on the land. As for the criteria for the design and construction of the building reflects the quality of the building.

The location factor is one indicator in determining the value of the property itself. Delis (2015) stated that land which has more strategic location, especially in relation to the road and the distance to the city center as well as the population density in the region can be considered as a determining factor in designing object sale value of land. While Darwin (2013) states the location factor is the strongest factor in determining the value of the property. The property is located close to the city center will be more valuable than the property is located in the suburbs. In line with this, Reksomadiprodjo (2012), was stating that the house is located near the city is higher and the costs to the city cheaper, otherwise house prices are cheaper but more expensive fare into town. Attractions in regard to the theory of consumer behavior, where consumers maximize home consumption, goods and services that are limited by the budget in the form of cash generation and earnings lost from the event to the city by issuing operational costs such as gasoline for the drive or transport fares for those who use public transportation.

The accessibility factor is the convenience factor to achieve a variety of on-site activities, such as markets, schools, hospitals, offices and more. Fitriyanto (2013), said human in order to meet their needs always act as efficiently as possible, by doing little can obtain certain results. The underlying concept of accessibility is cost. Costs incurred accessibility is a person to a place of activity, where the smaller the cost of accessibility to the increased profits of the land

RESEARCH METHODS

In this study, the population was the taxpayer's household of central office Muaro Jambi the District of Sekernan (Village Sengeti and Village Bukit Baling) and districts which had the percentage realized PBB P2 in 2015 with the highest category, medium and low districts Kumpeh, District Taman Rajo and Sungai Gelam. For the design of the sample used in obtaining primary data was by purposive random sampling. Data were analyzed descriptively and quantitatively. For a quantitative analysis of regression with eviews software version 8 which was formulated for the value of buildings and land as follows:

$$\text{Log NT} = \alpha + \beta_1 \text{Log LTT} + \beta_2 \text{Log KP} + \beta_3 \text{JTPK} + \beta_4 \text{JTSM} + \beta_5 \text{JTS} + \beta_6 \text{D}_1 \text{KJ} + \beta_7 \text{D}_2 \text{LT} + \beta_8 \text{D}_3 \text{BB} + u_i$$

$$\text{Log NB} = \alpha + \beta_1 \text{Log LBR} + \beta_2 \text{D}_1 \text{JDR} + \beta_3 \text{D}_2 \text{JLR}_1 + \beta_4 \text{D}_3 \text{JLR}_2 + \beta_5 \text{D}_4 \text{JAR}_1 + \beta_6 \text{D}_5 \text{JAR}_2 + u_i$$

Where Log NT = logarithm of Value of Land, Log LTT = logarithm Total Area Land, Log KP = logarithm of population density, JTPK = Distance Soil Into Central Office / City, JTSM = Distance Land Into Market / Supermarket, JTS = Distance Land School, D1KJ = Dummy Roads Home Soil Quality, D2LT = dummy Location of the Land, D3BB = Dummy Non Flood. NB = logarithm value log building, log LBR = logarithm Building Houses, D1JDR = Dummy Type wall House,

DJLR = Dummy Type floor House,

D2JLR1 = 0, D3JLR2 = 0 ----- floor boards

D2JLR1 = 1, D3JLR2 = 0 ----- tile floor

D2JLR1 = 0, D3JLR2 = 1 ----- cement floor

Djar = Dummy Type Roof House

D4JAR1 = 0, D5JAR2 = 0 --- aluminum roof

D4JAR1 = 1, D5JAR2 = 0 ---- roof tiles

D4JAR1 = 0, D5JAR2 = 1 ----- tin roof

β_1-8 = regression coefficient, α = Constant

u_i = Variable Disruptors

After the data was analyzed then performed statistical tests both tests f or t test.

RESEARCH RESULT

Description of property tax P2 in Muaro Jambi

Muaro Jambi started implementing local tax for property tax P2 in 2013. Table 1 presents the revenue of PBB P2 before and after commenced doing regional tax in Muaro Jambi.

Tabel 1 Property tax reception before and after regional/local tax tax in Muaro Jambi

year	Target	Realization	development	Persentase
2009	3.525.324.347	2.481.573.403	-	70,39
2010	3.298.204.574	2.690.516.898	8,42	81,58
2011	3.199.856.478	2.893.902.648	7,56	90,44
2012	2.272.493.728	2.077.511.537	(28,21)	91,42
2013	6.189.148.746	3.254.753.620	56,67	52,59
2014	7.162.790.938	4.519.252.857	33,85	63,09
2015	7.455.398.676	5.024.747.648	11,19	67,40
Rata – rata			12,77	

Source: KPP Pratama Jambi and Department of Revenue District Muaro Jambi

From Table 1 showed that the realization of property tax in Muaro Jambi when it became the center of tax, exceeds the realization of the target set. By contrast, when it became the local tax, the Department of Revenue (Dispenda), as the levy officer can not exceed targets which had been mentioned until 2015. Based on interviews with employees whom handled property tax Department of Revenue stated that the basis of the determination of the target of the PBB P2 was obtained by 70% - 80% from the Register of the Association of Tax assessment (DHKP). Besides the target that had been set to be discussed with the Regional Representatives Council (DPRD) and they decided on how much the PBB P2 revenue target annually was. Noted that in the DHKP to tax all data including data summarized into one taxpayer who never pay PBB P2, the object data of double taxation, the existence of an unknown address SPPT taxpayers. This is why the Revenue trouble reaching the target of a predetermined based DHKP. Revenue parties admitted that they have not made the treatment of receivables PBB P2 until 2015 due to the required legal umbrella of regulatory receivables regents to treat either the elimination or classification. Though Dispenda Muaro Jambi never attained the target within the PBB P2 reception, but the numbers of realization per year has increased significantly.

Furthermore, information on the average revenue of PBB P2 according to the data Muaro Jambi region in the presentation can be seen in Table 2 showed that the realization PBB P2 in 2015, the highest district was the District of Kumpeh that was equal to 120.09%. for the realization of the smallest reception of PBB was Sungai Gelam which was equal to 52.08%.

Table 2 Realized reception of PBB P2 per district in Muaro Jambi Regency

No	districts	year 2013			year 2014			year 2015		
		Target	Realization	%	Target	Realization	%	Target	Realization	%
1	Jaluko	1,123,369,784	542,773,764	48.32	1,563,070,711	1,027,958,174	65.77	1,601,514,897	1,035,406,821	64.65
2	Mestong	1,170,835,072	653,539,783	55.82	1,231,224,953	880,077,646	71.48	1,239,182,870	916,708,425	73.98
3	S Bahar	571,141,718	382,708,120	67.01	573,747,932	415,759,440	72.46	583,440,187	405,037,305	69.42
4	Bahar Utara	356,168,321	231,819,920	65.09	358,513,444	242,119,762	67.53	363,738,582	251,160,594	69.05
5	Bhr Selatan	302,138,576	230,983,609	76.45	301,749,188	241,164,166	79.92	304,662,440	245,558,333	80.60
6	Kumpe Ulu	332,948,406	131,910,311	39.62	413,198,400	303,771,590	73.52	467,273,649	277,741,244	59.44
7	Sekernan	527,963,246	253,112,781	47.94	619,530,771	346,626,742	55.95	644,010,862	392,075,730	60.88
8	Maro Sebo	186,199,105	43,975,441	23.62	216,148,958	111,986,606	51.81	265,454,995	170,643,483	64.28
9	Taman Rajo	568,481,901	288,776,398	50.80	720,978,915	403,756,978	56.00	834,640,769	548,769,805	65.75
10	Kumpeh	361,324,267	272,254,922	75.35	413,198,400	303,771,590	73.52	267,346,098	321,048,977	120.09
11	S Gelam	688,578,350	222,898,571	32.37	762,724,332	326,175,422	42.76	884,133,327	460,455,043	52.08
TOTAL		6,189,148,746	3,254,753,620	52.59	7,162,790,938	4,519,252,857	63.09	7,455,398,676	5,024,747,648	67.40

Source Department of local revenue Muaro Jambi Regency

Estimation of Determinants factors of property tax By Price Desired owner / Price Enjoyment (Hedonic Price)

The process estimation of variables was based on the characteristics of the land and building owner's desired price or the price of pleasure (hedonic price) which was done in stages (stepwise regression). Sarwono (2016) stated that stepwise regression allows variables in a multiple linear regression that are selected automatically using statistical criteria from a set of existing variables. Variables that do not have significant characteristics of the land and buildings will be removed from the regression equation. Through a gradual process that has produced the equation for the variable characteristics of the land and buildings.

Based on Table 2 it can be stated that the characteristics of the land may be able to explain about 88% of the price of the desired land owners. This indicates that the variables used in the model are good enough. From the eight variables created in this research model only four which have influence with significance level 1%, ie the total area of land (LTT), population density (KP), the distance of the land to the market / supermarket (JTSPM), and the lay of the land (LT). While research of Arman Delis, soil characteristics in the model study can only explain 65% of the price of land desired owners and of the 10 variables in the model was simply formed four variables (spacious front yard, density pen-sitting, the quality of roads and the location of the land) significant with a significance level of different - different generated from 6 stages of the regression equation. Results obtained in the study by Listiyarko

demonstrated the ability of the characteristic value of the land that was formed in the model by 85% to 8 variables (area, shape, elevation, distance, type of road, the level of economic ability, the mall and the use of land for commercial) was significant of the 10 variables which was formed in the model. From these results it appears that there are significant similarities with the research variables by Delis et al Arman population density and the lay of the land. And a land area of significant variables supported the research of Listiyarko.

As for the four variables were not significant partial in this research model was a ground distance to the city center / office, ground distance to the school, the quality of roads and flood-free. The independent variables were not significant flooding with positive regression coefficient in this research model turned in research Arman Delis, et al also did not have influence in the sixth stage of the regression equation. It is explained that the land is more frequent flooding when the rain turned out to have a high enough value especially its location near the city center. Likewise ground distance to the city center / office (JTPK) was not significant in this model of the research which was supported by the results of research of Listiyarko to variable ground distance to the CBD. This is described in his research that the mutual attraction between each CBD (CBD, there are 4 points) while in this study there are two points JTPK.

Based on Table 2, using the equation 3, the obtained regression equation with the level of significance in all variables at 1% as follows:

$$\text{Log (NT)} = 10.28 + 0.90 \text{ Log (LTT)} + 0.63 \text{ Log (KP)} - 6.09 \text{ JTPSM} + 0.32 \text{ D}_2\text{LT}$$

The regression coefficient for the total land area of 0.99 means that if a land area of 10 m² increased the value of land will become Rp 7943 / m². Coefficient regression for a population density of 0.63 means that if the population density increased by 10%, then the value of the land will increase to Rp 4,266. The regression coefficient for ground distance to market / supermarket at - 6:09 means that if the land farther distance of 10 m, the land value will decrease by Rp 1,230,268 / m. And the regression coefficients for the dummy variables lay of the land of 0:32 means that the lay of the land on the main road has a higher land value Rp 2,089 from the lay of the land that was on US roads.

Based on estimates of regression equation for the characteristics of the soil based on the wishes of its owner or the price of pleasure (Hedonic Price) can be stated that the total area of land with a population density and accessibility to markets and supermarkets are able to annul the influence of ground distance to the city center / office building and land that are flooded. It can be concluded that the main variables based on models created for deciding the value of land is the total area of land, population density, distance of land to the market / supermarket, and the lay of the land can be taken into consideration by local government of Muaro Jambi particularly the Department of Revenue in determining the selling value of the object form of land tax.

Hypothesis Testing

Testing the hypothesis can be seen based on the processed data which is contained in a print out of the data that has been processed in a way to see the probability value. Hypothesis testing is done on the variables to look at the suitability of a regression model with simultaneous manner (F test) and partial (t test)

Simultaneous Test (Test F)

Simultaneous test is done by looking at the output of a software program Econometric View Version 8 to see the value of probability. Based on the value of probability for soil characteristics are presented Table 5.3, equation 3 shows that the value of probability worth 0.000 at the statistics, which means that all variables in the model study have significant influence with a significance level of 1%.

Partial test (t test)

Based on the data presented in Table 5.3, the equation 3 as a result of the data processing with software Econometric View Version 8 derived variables that are significant for the characteristics of the soil to see probability. Variables total area of land (LTT) significantly influence with the level of significance of 1%. This is in line with research by Listiyarko who stated in his research that the land area of the variable significantly effected on the value of land with a significance level of 5%. In contrast to the results of research by Arman Delis who stated that the total area of land was not significant at the fifth stage of regression testing. When testing stage of unity until the fourth stage of the total land area had a significant effect, but when the sixth stage variable total area of the land was not significant and variable population density, distance of land to the market / supermarkets as well as the lay of the land the

significance level of 5%. For variable land area, Listiyarko in his research was stating that the area had a significant influence on land values.

The Results of Estimates Determinants factors of Property tax P2 Value Basis for Buildings

The estimation process of characteristics of the building is done gradually yielding 2 regression equations that are presented in Table 3. Based on Table 3 it can be stated that the characteristics of the building can only explain about 69% of the cost of building of desired owners with 4 variables (building a house, the type of house tile floor and cement, roofs of tin) are significant at 1% of the 6 variables in this research model. While the research conducted by Arman Delis, characteristics of the building in a model study can only explain about 31-53% the price of land desired owners with 3 variables (building a house, the type of house walls and the availability of a garage) with significant levels of different from the nine variables in the research model.

The two variables which are not significant in this regression model of this study is the kind of wall of the house and variable of using tile roofs. This is in line with research by Arman Delis. for variable type of house walls are not significant. For variable tile-roofed house that is not exhibited significantly with negative coefficients that house prices with roofed aluminum has a higher value than the roof of a house-type tin or tile.

Based on table 3 WITH using Equation 3 Then diperby regression equation with all variable level of significance at 1% as follows:

$$\text{Log (NB)} = 15.49 + 0.54 \text{ Log (LBR)} + 1.15 D_2\text{JLR}_1 + 0.53 D_3\text{JLR}_2 - 0.35 D_5\text{JAR}_2$$

The regression coefficient for the home building area of 0.54 which means that the area of 10 m² home building will increase the value of buildings amounting to Rp 3,467 per m². The regression coefficient for home flooring tile of 1:15 means that the floor of the house has a ceramic has higher value than homes are floored board of Rp 14 125. The regression coefficient for houses with cement floors of 0:53 means that the cement-floored house has a construction value is higher than the Rp 3,388 board-storey house. The regression coefficient for the variable zinc roofs of -0.35 means that home-type using tin roofs have a lower value of buildings amounting to Rp 2,238 from the tile-roofed houses and ceramics.

Based on estimates of regression equation for the characteristics of the building based on the wishes of its owner or the price of pleasure (hedonic price) can be stated that the building area of houses, ceramics and cement floors, roofs and tiles aluminum usage are able to annul the influence of the type of house wall. It can be concluded that the main variables based on models created for deciding the value of building are building area of houses, tiled floors and cement, roofs manifold aluminum and tiles which can be taken into consideration by local government of Muaro Jambi particularly the Department of Revenue in designing the taxable value in the form of building

Hypothesis testing

Testing the hypothesis also carried out on the characteristics of the building to see the processed data that is contained in a print out of the data based on the value of probability. Hypothesis testing is conducted on the variables in the model to look at the suitability of the regression model which is by way of simultaneous (test F) and partial (t test)

Simultaneous Test (Test F)

Simultaneous test is done by looking at the output of a software program Econometric View Version 8 to see the value of probability. Based on the value of probability for the characteristics of the building equation 2 are presented in Table 5.5 that shows the value of f probability worth 0.000 at the statistics, which means that all variables in the model are influential research with level of significance 1%.

Partial test (t test)

Based on the data that are presented in Table 5.5 on equation 2 as a result of the data processed by software Econometric View Version 8 are derived variables that are significant for the characteristics of the building with a view probability. Variable of home building area (LBR) are very influent with significance level of 1% in line with the results of Arman Delis stating that home building area is influent with a significance of 5%. House floor of ceramic usage is significantly influent about 1% of the floor houses with various boards. Neither the house floor of cement-type gives effect on the value of the building with a significance level of 1% of the house floor board usage. In contrast to the results for the variable by Arman Delis floor of the house is not significant. Tin roofs have influence with the regression coefficient is negative that the value of the building with a significance level of 1%.

Table 3 Estimation Results of Model *Hedonic Price* For building characteristic in Muaro Jambi regency

	equation	
	1	2
Constanta	15.5560 (0.35367) (43.98610)*	15.4947 (0.33083) (46.8355)*
Log LBR	0.5457 (0.08752) (6.23467)*	0.5428 (0.08702) (6.23846)*
D1JDR	0.0814 (0.19767) (0.41224)	-
D2JLR1	1.0634 (0.21521) (4.94126)*	1.1505 (0.11769) (9.77522)*
D3JLR2	0.4622 (0.19128) (2.14649)**	0.5279 (0.11247) (4.69377)*
D4JAR1	- 0.0884 (0.13061) (-0.64677)	-
D5JAR2	-0.4108 (0.166629) (-2.47072)**	-0.3525 (0.10192) (-3.45889)*
F-Statistic	52.75328*	79.76080*
R Squered	0.688805	0.687529
R ²	0.675748	0.678909
DW-Stat	1.225788	1.251553
AIC	1.338095	1.315522
note :	* $\alpha= 1 \%$ ** $\alpha= 5 \%$ *** $\alpha= 10 \%$	

The regression equation for the characteristics of the land and buildings have been set up so that in the later stages can also be determined the ratio of the price of land and buildings by SPPT to the actual price desired by the owner (*Hedonic Price*) which are presented in Table 5.7, the ratio of the price of land in SPPT towards actual land prices desired by its owner around 0:08% to 34.33% by value - average of 3.66%. This is due to a very low value calculation NJOP listed SPPT land with soil conditions at the current price. Based on the results of field interviews with taxpayers in the sample like in Sungai Gelam, the value of land to be higher since the establishment of the pre-advance campground and discourse for the construction of the provincial sports center. Revenue party holder of authority in determining the payable NJOP is not updating the taxpayer data in the form of comprehensive taxpayer data and subject to tax and the current value of land and buildings (market value).

Presentation in table 4 also describes the ratio of the value of the building to the actual value that has ranges from 1.4% to 92.67% with the average of 20.81%. For building value researcher assessed that it has already adequately reflect the situation on the ground it's just that there are some taxpayers who changed the building but due to the updating of data on the object of taxation undertaken by the Department of Revenue less than the maximum so that the data in SPPT still the old data.

Table 4 Ratio land and building value

Ratio land and building value	Minimum	Maximum	average
Ratio land and building value SPPT towards actual desired owner	0.08	34.33	3.66 %
Ratio building value SPPT towards actual desired owner	1.4	92.67	20.81 %

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

Based on the results of research on estimation and assessment of land and building tax base Rural Urban sector (PBB P2) in Muaro Jambi obtained the following conclusions:

1. Estimation Results of Determinants factors of Base Value PBB P2 by Price Desired owner / Price Enjoyment (Hedonic Price)

The results obtained from the regression equation of the Econometric View Version 8 software, can be explained that the main variables that can shape the land value are the total land area, population density, land distance to market / supermarket, and the lay of the land. So these variables can be taken into consideration for the district government of Muaro Jambi particularly the Department of Revenue in NJOP assignment policy for land objects.

The main variables that determines the value of houses as a result of this research are building houses, tiled floors and cement, roofs with aluminum and tile so that it can be used also by local government of Muaro Jambi particularly the Department of Revenue in determining the assignment policy NJOP to object building.

2. Ratio NJOP SPPT towards the Actual value of Desired owner / Price Enjoyment (Hedonic Price)

The ratio of land NJOP SPPT for land object to the actual value of the desired owners or the price of pleasure (Hedonic Price) generated in this study is low value of the land presented in SPPT with the conditions of the current land value. While for the ratio of NJOP SPPT for building objects towards the actual value of the desired owners or price enjoyment (Hedonic Price) generated in this study is slightly better than the value for the object ground. However, the absence of data changes when the taxpayer renovate the building so that the data value of buildings listed in SPPT still use data that has not been renovated buildings. This means that the government and the implementing regulation holder of the determination and collection of the Property tax P2 unable to keep the desired market price changes to tax the owners of land and buildings at a price determined in SPPT.

Recommendations

PBB P2 as a local tax is one of the government's efforts in improving the accumulation of local tax revenue. The local government as the authority for technical regulation and good command of data collection, assessment and tax collection is expected to manage the PBB P2 by continuing to explore the potential of the property tax P2 and strengthen the organizational structures and adequate software tools. It is also hoped regional government of Muaro Jambi particularly the Department of Revenue can make adjustments NJOP periodically based on market prices by taking attention into the community, so when determining indebted NJOP fluctuation of society can be minimized. In addition to achieving the revenue target of PBB P2, the Department of Revenue needs to form a special team either from internal department if conditions headcount allows or uses contract workers taken from outside agencies in terms of data collection, updating and assessment of the tax base so that the real data in the field can be realized.

It is also hoped the participation of society in paying PBB P2 where people can be wise and obedient in paying it annually. To realize compliance in society, socialization and understanding by local authorities to the people from the Department of Revenue as a leader, forward it to the district head, village until the collector of PBB P2 so that people can be more open-minded that their participations to the regions in tax payments to regional development.

Estimation and assessment of PBB P2 tax base as a local tax in Muaro Jambi are expected to be used as a material consideration in the determination of the tax base of the PBB P2 and additional information for those who wish to deepen a case in this study. The weakness in this study is the sample size is minimal considering the limited time in this study, it is expected to sample and the object of this research under this study can be more for further research so that the existing results can be maximized.

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STUDY OF FACTORS AFFECTING DEMAND FOR CREDIT AGRICULTURAL SECTOR AND CONTRIBUTION AGRICULTURAL SECTOR TO ECONOMY PROVINCE OF JAMBI

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Abstract. The purpose of this research are (1) To know the factors that affect credit demand in the agricultural sector. (2) To know the role of development of credit demand in the agricultural sector to increase contributions from agricultural sector to the Gross Regional Domestic Product (GRDP) in Jambi Province. The research was conducted within the scope of macroeconomics with regard to factors that affect credit demand in the agricultural sector. The aspects studied include a variable number of credit demand in the agricultural sector, inflation, interest rates, exchange rate, gold price, the number of agricultural exports and agriculture land. The data used are time series data from 1984 to 2014 year. The results of data analysis showed that credit demand in the agricultural sector trends and factors influencing always increase from year 1984-2014. Total credit demand in Jambi affected by several factors such as inflation (-0,160), interest rates (0,484), economic growth (-0,168), agricultural laborers (4.104), the number of agricultural exports (1,746), the amount of imports (0,508), and the price of pure gold (0.59). Credit demand in the agricultural sector was not influenced by the value of farmer exchange factor (NTP) (0,086) and the exchange rate against the \$ US (0,214) and a dummy variable (-0,245). Growth contribution of agriculture sector to economic growth in the area of Jambi at 4,54%. The low contribution of the agricultural sector was caused by the development of other economic sectors, while the agricultural sector is a sector that heavily dependent on other well in order of production (provision of fertilizers, pesticides, etc) and after production (post-harvest) like results of the processing industry.

Keywords : Demand for credits, Contribution, Economy sector, PDRB.

PREFACE

Quoting from the statement of Gunnar Mirdal in Todaro and Smith [2004] that the agricultural sector determined success or failure of efforts to long-term economic development. If a country wants a smooth and sustainable development, that country must start from the agricultural sector in particular, digest contained in the problem of poverty which continues to escalate, unequal of income distribution are widening, the population growth rate is faster, and soaring unemployment rate was originally created by the stagnation and too often suffered setbacks of economic life in the agricultural sector. Post-economic crisis has opened the minds of many people who had never thought that the agricultural sector is quite withstand shocks such as the global economic crisis. After the various attributes given to this sector like rescuers sector, the mainstay sector, leading sectors and so on, that waiting for the new era to appreciate and at the same interest in developing this sector as never before. In fact, there is a mention agriculture as pearl buried once declared that the agricultural sector is a sector which had received less attention. Not alleged to had occurred euphoria for agriculture, so the government launched a type of agricultural credit program.

Economic Jambi cumulatively at I- III quarter in 2015 recorded a growth of 5.2 percent lower than the same period in 2014 by 6.9 percent. From the production side achieved the highest growth in the field of wholesale and retail trade, car and motorcycle reprints of 14.8 percent. Meanwhile, in expenditure side by exports of goods and services grew by 11.2 percent. Mining and quarrying had contributed a 0.8 percent. While from the expenditure side, component of government consumption grew at 16.7 percent for the movement of government duties. Instead, the business field of agriculture, forestry and fisheries actually contraction 1.2 percent because crop production decreased significantly as the impact of El Nino. GDP structure in Jambi Province of the undertaking on the basis of current prices is still the largest in the agricultural sector, [BPS-Statistics in 2015]

Until now, the role of agriculture in the economy is still quite large in Jambi, if the agricultural sector expanded coverage into agribusiness. Contribution of the agribusiness sector in 1984-2014 from Bruto Regional Domestic Product (GDP) for employment, exports, and food security are very real. During the period, agribusiness accounts for 46-49 percent of Gross Domestic Product, absorb 70-74 percent of the workforce, generate 49-44 percent of foreign exchange from the export value, and produce food in a very large number. However, some important issues need to be considered in carrying out the development of agricultural sector in the future.

Capital is needed by the people driving this sector because almost all of the people are small communities scattered in the countryside with a land area that is relatively narrow and narrowing due to the growth and development of other sectors. This includes capital that was required as an addition in terms of purchasing technology, whether it is planting technology and post-harvest technology. With the lack of capital, our farmers will be more difficult to develop, sober technologies, and increasingly marginalized as a result of uneven development. Many agricultural lands changed to residential, factories, and so on.

Economic factors need to be considered in the development of the agricultural sector undertaken by the government is a credit. Credit system for agricultural sector that there had been very influenced by the condition of subsistence farming and highly oriented macro policies on rice. Distribution of commercial loans in the agricultural sector aimed at individual or groups business who were considered to have high business prospects considering the interest applied is the commercial interest. Credit demand in the agricultural sector was influenced by the rate of inflation, interest rate, Indonesia Rupiah exchange rate, the number of agricultural laborers, farmers exchange rate, economic growth, the price of gold at monetary crisis, the amount of exports of agricultural, and plantation area.

From the description above, the problems posed in this research are:

1. Is the inflation rate, interest rate, exchange rate, the number of agricultural laborers, farmers exchange rate, economic growth, price of gold, the amount of agricultural exports, plantations, and monetary crisis significantly affected the amount of credit demand in the agricultural sector?
2. Is the development of credit demand boost agricultural sector contribution to Gross Regional Domestic Product (GRDP) in Jambi Province

RESEARCH METHODOLOGY

Research Framework

Good economic growth will be able to change the structure of the economy coupled with an increase in value-added and value chain from the economic structure based primary sector turns to the secondary or tertiary sectors. Economic developments like this will positively correlated significantly with increased employment opportunities. Poverty reduction and improving the welfare of society characterized by an increase in purchasing power. Increased consumer purchasing power can be achieved if an increase in public revenue with relatively low levels of inflation so that the public income was not eroded by inflation. According to Kutznets in Rusmadi (2002), that the change of economic structure was characterized by a change in the presentation of the contribution as a sector in the economic development resulting intensity of human activity and technological change in general.

The economic structure of the region is reflected in the market share of each sector that arrange the GDP. Gross Regional Domestic Product (GDP) is the value of money based on the market price of all goods and services produced by the economy during a certain time period (Wijaya, 1999). Arsyad (1999), apply that change in the economic sector was observed using Shift-Share analysis tools were initially used to observe changes in the total regional job opportunities compared to the national job opportunities.

According to Wijaya (1999) that credit demand in the agricultural sector was influenced by the rate of inflation, interest rates, and the Indonesia Rupiah exchange rate. These three factors will determine the economic growth in the agricultural sector and in turn will drive the credit demand. Furthermore, Arsyad (1999) states that credit demand in the agricultural sector was also influenced by the number of agricultural laborers, farmers exchange rate, and economic growth. These three factors are very influential on "cash and outflow" in the agricultural sector. Rusmadi (2002) adds that the agricultural sector credit demand is also influenced gold prices, acreage, and total agricultural exports. These three factors determine the interest rate, exchange rate, and economic growth. The hypothesis of this research are:

1. Credit demand in the agricultural sector was influenced by the rate of inflation, interest rates, exchange rate, the number of agricultural laborers, farmers exchange rate, economic growth, the price of gold, the number of agricultural exports in Jambi.
2. Growth of agricultural sector give largest contribution to GDP growth in Jambi.

Research Methods

The research was conducted within the scope of macroeconomics with regard to factors that affect credit demand in the agricultural sector. The aspects studied include a variable number of credit demand in the agricultural sector, inflation, interest rates, Indonesia Rupiah exchange rate, gold price, the number of agricultural exports and agriculture land. The research location is the province of Jambi on the basis that this Province can represent other provinces in Indonesia because of Jambi province has a diversity of development trend of credit demand agricultural sector quite rapidly, and there are a diversity of factors on the inflation rate, interest rates, exchange rate, the number of agricultural laborers, farmers exchange rate, economic growth, price of gold, the amount of exports of agricultural, and agricultural land.

Table 1. Contributions of Economic Growth by Sector Against Jambi Regional Economic Growth, in 1984-2014

Subsectors	Standarized Coefficient	Contributions (%)
Agriculture, livestock, forestry, and fisheries	0.0685	5.54
Mining	0.1647	13.3
Processing Industry	0.2311	18,72
Electricity, gas, and water	0.0016	0,13
Building	0.2855	23,12
Trade, hotels and restaurants	0.2054	16,64
Transportation and communication	0.1085	8,79
Financial leasing and services Company	0.1445	11,71
Services	0.0248	2,01
Total	1,2345	100

Source : Secondary data analysis

Although the contribution of the agricultural sector is low, but this sector is an economic sector with huge potential in the four forms of contribution to economic growth, which is as follows: [1] Expansion of economic sectors non agricultural sector is highly dependent on the products of the agricultural sector, not only for the supply of foodstuffs but also for the supply of raw materials for production activities in the industrial sector [agriculture sector as a contribution of products] and [2] Because of the agricultural economy so strong during the early stages of development, the agricultural sector formed the domestic market to the products of the industry [agricultural sector as a contribution to the market]. Therefore, it is impossible if the government only adopted a policy of improving one of the only sub-sector of the economy without any support from other sectors because it will not obtain optimal results on economic growth.

Analysis of Credit Demand in Agricultural Sector

The results of the analysis of credit demand agricultural sector with dependent variable is credit demand in agricultural sector and independent variable are inflation rates, interest rates, economic growth, agricultural labor, farmers exchange rate, agricultural exports, imports, Indonesia Rupiah exchange rate, and gold price gives the coefficient of determination (R²) of 0.9856, which means the relationship between independent variables and the dependent variable are very close, where 98.56% of varieties from dependent variable explained by the independent variable. Meanwhile, the 5.55% is explained by other variables not included in the analysis model such as decision making factor, example from the candidate receiving the credit (bank).The value of F-count is 567.565 which is significant at 99% confidence level, which means that the independent variables together already affecting the dependent variable.

Table 2. Results of Analysis of Credit Demand in Agricultural Sector, in 1984-2014

Variable	Coefficient	t-test
Ln inflation rate	-0.160***	-2.984
Ln interest rate	0.384***	3.974
Ln economic growth	-0.168*	-1842
Ln agricultural labor	4.104***	4.236
Ln farmers exchange rate	0.086 ^{ns}	0.190
Ln agricultural exports	1.736***	4.498
Ln import	0.508***	3.717
Ln Indonesia Rupiah exchange rate	0.213 ^{ns}	0.781
Ln gold price	0.549***	3.011
Dummy	-0.245 ^{ns}	-0.762
Constants	3.027E-90	2,01
R ²	0.9846	
F-cal	167.564***	
Durbin-watson	2.694	

Source : Secondary data analysis

ns = not significant

** = real effect on the 95% confidence level

***= real effect on the 99% confidence level

*= real effect on the 90% confidence level

Table 2 shows that the value of the constants from analysis equation above is very small (3,027E-90). Very small constants in the equation indicates if from variables that enter into the equation almost everything affecting credit demand in the agricultural sector, only a small percentage are affected by factors beyond the variables in the analysis equation. So, if there is no change in the independent variable, it may be said almost no credit demand in the agricultural sector. Variable of inflation rate, interest rate, agricultural labor, agricultural exports, imports and the price of gold very significant effect on credit demand in the agricultural sector. Meanwhile, the farmers exchange rate and Indonesia Rupiah exchange rate real impact on credit demand in the agricultural sector. Dummy variable, monetary crisis did not significantly affect credit demand in the agricultural sector

Credit Demand in The Agricultural Sector

The credit demand in agricultural sector in general is increasing, this is due to the increasing number of the credit (agriculture) in this case the banks are starting to see agriculture as one of the leading sectors in marketing credit products.

The high deposit interest rates was caused by the soaring inflation (1998 = 77.60%), so as to restrain the inflation rate, one of the ways is to reduce the amount of money circulating in the society. This is done by the government through the Bank Indonesia increased the level of deposit interest rates. With the interest rates on high deposits it was hoped more people save their money in bank than investing in other sectors, so that inflation can be held to no higher. This decision can be said to be successful, so the inflation in next year (1999) to 2% and in the following years (2000-2014) range of 5-12%.

In 2005, total credit demand in the agricultural sector back as in 1998 (approximately 8.75 trillion) and increased again in 2014 at 14.12 trillion. This shows that the agricultural sector can be said to had returned to normal in Jambi Regional economy, but in 2005 inflation slightly increased (17.11%) caused by the soaring price of fuel oil (BBM), which increased by almost 100% in October 2005 that little annoying Jambi Regional economy.

Implications of Research Results

Development of the agricultural sector in Jambi done to achieve the strategic goals and objectives were formulated. The development of agriculture has an important role to the application of labor, the GDP, and the welfare of farmers. Therefore, the success of agricultural development can impact the economic growth in Jambi Province. The agricultural sector has the opportunity and a favorable economic outlook. Improves the production and productivity still very likely to do well through rejuvenation, intensification, extension, and diversification. Especially, if the agricultural development program was coupled with program of credit in the agricultural sector.

For Jambi, credit demand in the agricultural sector effect on economic growth. Rate of inflation variables, interest rates of economic growth, total of agricultural laborers, farmers exchange rate, agricultural exports, imports, farmers exchange rate, and gold prices significantly affect credit demand in the agricultural sector. In this regard that credit demand in agricultural sector can efficient to economic growth in Jambi and needed macroeconomic policies.

Macro economic policy, especially in the monetary and fiscal fields should be conducive to the realization of systems development and agricultural businesses. The ranks of government, from the central, provincial and district should have an integrated economic policy, harmonious and synergistic in the monetary field.

the monetary sector in an effort so that available funds from sources banking or non-banking to provide stimulation and encouragement to grow and expand its business ventures agriculture competitive in all sub-systems of farming, especially in the sub-system of on-farm. Therefore, it was needed of innovation and creativity at the national and local levels in pursuing his available funds for business development of agriculture. Support funding from banks is expected to be recovered as usual in case of monetary policy to support agricultural development. In this connection that the agricultural business is still quite prospective and provitalibitasnya sufficient level, as well as the nature of their cash flows (cashflow) has a healthy ratio in the business and have a sustainable economic value.

In fiscal, government and local governments at all levels should have economic policies conducive to the development of agricultural business, namely the imposition of taxes and other levies its rational, both concerning the amount and the procedure is in charge of absorption. Local governments should think about long-term impact in setting fees or other levies in the agricultural business, and eliminates various negative effects of currency Indonesia Rupiah exchange rates, imports, and rising prices (inflation).

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

1. Trend of credit demand in the agricultural sector is always increasing from 1984-2014, as well as in total credit demand in Jambi within the same time frame.
2. Credit demand in the agricultural sector was influenced by factors, such as the inflation rate (-0.160), interest rates (0,384), economic growth (-0.168), agricultural laborers (4,104), Agricultural exports (1,736), Imports (0.508), and the price of pure gold (0.59). Credit demand in the gricultural sector was not influenced by the value of farmer exchange factor (NTP) (0.08), but the value of the rupiah against the US \$ (0.213) and Dommy variable (-0.245).
3. Contribution of agriculture sector growth to Jambi Regional economic growth at 5.54%.
The low contribution of the agricultural sector was caused by the development of other economic sectors, while the agricultural sector is a sector that is highly dependent on other sectors in the framework of production (provision of fertilizers, pesticides, etc) and after production (post-harvest) as agricultural product processing industry.
4. The agricultural sector has a significant role as the largest sector contributor to the GDP of Jambi Province. If the credit demand increases, the agricultural sector significantly affect the magnitude of the GDP and ultimately increase contribution of Jambi Regional economy.

Recommendations

1. The agricultural sector as one of the sectors in the economy Jambi Regional should maintained its position as a supporter of other economic sectors both as a market and a provider of raw materials for other sectors.
2. Economic policies should lead to a sector able to provide a stable economic environment so that the financial crisis is no longer an obstacle to the economic development of Regions Jambi.
3. Credit demand is increasing in the agricultural sector, should be a policy of banking is more directed to the agricultural sector, not only in the industry or corporation, so that the agricultural sector can contribute to greater economic recovery and economic growth in Jambi.
4. Factors affecting credit demand should increasingly be noticed to ensure agricultural lending in particular are becoming more smoothly, so that the economy can run faster in order to achieve increased prosperity for the people of Jambi in general.

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THE EFFECT OF ECONOMIC GROWTH AND THE LEVEL OF WAGES OF IN-MIGRATION JAMBI CITY

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Abstract. There are three main variables that affect the amount of the population, namely fertility, mortality and migration. At this time the variable Fertility and Mortality are not significantly affect the growth of the population of an area, especially in urban areas. Migration variables for urban areas are the main variables that affect the population. In general population movements caused by many factors such as economic, social, cultural, political and natural disasters. The motives of the various economic factors are the main reason population movement from origin to destination. Economic growth area of interest and the level of wages into consideration a person to perform in-migration. The aim of this study is to determine the effect of economic growth and the level of wages of in-migration Jambi city. The information required in this research is data about economic growth and State Minimum Wage (MSEs) as well as migration of data entry. The analysis tool used is multiple linear regression. The results showed that the economic growth and wage rates affect positively and significantly related to the number of migration sign Jambi city.

Keywords: *Effect, Economic growth, Level of wages, Migration sign.*

INTRODUCTION

Population growth is a dynamic balance between factors which add to the population and the factors that decrease the population. Continually population will be affected by the number of babies born (increasing the number of residents), and mortality would decrease the population. These conditions will affect the changes in the number, distribution, composition, structure and growth of the population.

The increase of population due to fertility and mortality after the 1990s in various regions in Indonesia is not a major factor, due to natural increase is quite small. While the migration can increase the number of people, if the number of people coming into an area greater than the number of people leaving the area. The high interest of the population to make the shift not in spite of the progress achieved by the region. A consequence of high migration flow to a certain area have an impact on opportunity for both regions and the purpose destination.

Migration is closely related to the development, because the movement of people is an integral part of the development process. It seems that there is a positive relationship between the direction of development of population mobility. So there is a saying "there is no sugar ants" applies in the direction and motion of migration. Motion population will towards areas where needs can be met. Starting from this, economic development, should be improved (Mantra, 1996).

Some experts, Lee (1966), Todaro (1979) and Mantra (1992) in Yulmardi (2014) argues that the motivation for people to move is economic motives. The motive for their growing economic interests between regions. Todaro (2000) mentions that the main motive as rational economic considerations, city migration has two objectives, namely to get a job and earn revenue expectations higher than that which is obtained in the village. Thus the rural-urban mobility also reflects an imbalance between village and city. Therefore, the direction of population movements also tend toward the city having economic forces larger and are expected to meet their economic needs.

With regard to the process of rural-urban migration Keban (1994) explains that the rural-urban migration is a phenomenon that is very complex, and have various motivations of perpetrators. An effective way to understand the variation of the movement is to learn the "intention to migrate" (migration intension) models are frequently used to a certain area of migration penduduk push-pull model of power-full fush factors). Socio-economic conditions in areas of origin are not allowed to meet the needs of a person causing that person wants to go to another area to meet these needs. Every individual has different needs, so that an assessment of the area of origin of each individual in society is also different, resulting in the decision to move out of each individual will be different (Mantra, 1992).

Associated with rural-urban migration Todaro (2000) suggests four basic thoughts as follows:

1. Migration village - town stimulated primarily by various rational economic considerations and that is directly related to the advantages or benefits and relative costs of migration itself.
2. The decision to migrate depends on the difference between the expected income in the city and in the village actual income levels.
3. Possible get urban jobs directly related to the level of jobs available in urban, so inversely with the level of urban unemployment.

4. The rate of rural-urban migration could continue although has exceeded the rate of growth of employment opportunities. This reality has a rational basis for the difference in expected revenue is very wide, the migrants go to the city to achieve a high level of wages.

The development of various sectors of the economy showed a better change from period-to the next period. The phenomenon that then arises is the increase of labor from less developed regions to regions with better development facilities, which include rural areas to the urban areas (Maulida, 2013).

The appeal of the population to relocate one contributing factor is the extent of the employment opportunities available. This is a result of high economic growth which is characterized by relatively high wage rates compared to surrounding areas. Here is shown the GDP and economic growth in Jambi city period 2010-2014.

Table. 1 Based Economic Growth rate Constant Prices Jambi City in 2010 -2014

No.	Year	PDRB	Percent
1	2010	3.429.619,04	6,47
2	2011	3.668.601,42	6,66
3	2012	352.933.927.	6,97
4	2013	4.232.247,69	7,05
5	2014	4.829.480,00	7,76

Source: BPS, the GDP Jambi, 2015

Jambi city has its own appeal for immigrants, so many workers who migrate to this area with various considerations and qualifications. Jambi city population growth are high by Regency / City in the province of Jambi. Jambi high population growth is due to net migration, compared with the natural growth (natural increase is).

According to Munir, R (2010) a person called to migrate when to make the transition with a view to settling cross to administrative / boundary within a State. So migration is often interpreted as a relatively permanent transfer from one region to another. Population movements will cause geographical changes from its original place to a new place.

The migration of people to the city can be seen from the social demographic and economic characteristics. Some of the factors driving migration to the cities, the lowest income in the region of origin, agricultural land is narrow, limited employment opportunities, while high income towing factor in the city, can develop careers pull people / relatives who have been there before in the city. So migration is not only because of the factors driving but also for towing factor in the destination such as wages.

Analysis of thrust and traction (Push Pull Theory) general factors that cause them to do mobility of the population, namely faktorpendorong and the pull factor. Theory of thrust and traction was introduced by Lee, (1966), he said that socio-economic conditions in the regions of origin which does not allow it to meet the needs (needs) a person, cause people to want to go to another area that could meet his needs.

So between regions of origin and destination there are differences in the value of usefulness territory (place utility). The destination must have usefulness region is higher than the area of origin to cause migration of the population. In other words, if it is associated with the development of inter-regional economic growth of a region is a factor that triggers the mobility of people to the area concerned (Junaidi, et al, 2012).

Mobility of factors of production is not smooth like labor and capital between the regions is one of the causes of economic inequality areas. The relationship between the factors of production and the development gap that occurs can be explained to approach the market mechanism. Another difference of economic growth will lead to differences in per capita income between the regions with the assumption that market mechanisms and free input or output without distortion or engineering (Maulida, 2013).

If the mobility of factors of production from one region to another walk with no barriers, then the development of the region will be achieved well, and all the regions will derive optimal benefits from such development. In fact what happens is the movement of labor from regions with low wage rates to areas with relatively higher wages. The flow of labor from areas with low wages, for example in rural areas with high wages in urban areas. Along with that also in the flow of capital from the region capital levels low to high kapitalnya area.

The number of people affected by fertility, mortality and migration. Migration as one of the demographic variables affects not only the magnitude of the population of a region, but also provide significant influence in the economic, social, cultural, political, security, physical environment and the composition of the population. In addition to an effect on the individual, migration also affects the area of origin and destination of migration. Migration is also a positive effect on economic growth in the regions of origin and destination. Apat migration also is one way to improve the standard of living and well-being of a person and their families (Alatas, 1995).

Jambi City showed a fairly high level of development, in 2014 the economic growth of the city of Jambi at 7.76% (CBS, 2015). Number of in-migration in the city of Jambi sizeable If in 2010 the number of in-migration to the city of Jambi as many as 6238 people, then in 2014 this number increased to 26 542 inhabitants with a population stood at 572 653 Soul (CBS, 2015). The high flow of migrants in Jambi city due to high economic growth. These conditions have spurred the opening of job opportunities are more extensive and varied in Jambi city.

Ongoing migration flows in response to the difference in wages between village with urban areas. They will decide to migrate if the net income in the city exceeds the net income available in the village. Within a certain period income expectations in the city are still higher than the income in the village, despite taking into account the cost of migration. During that time there will be movement of people from rural areas to urban areas. The more the number of people migrating to urban areas growing urban areas in the next phase will spur economic growth and employment.

Wages are the remuneration received by workers in recognition of his contribution to the company where he worked. Received their wages must be able meet the needs of workers and their families fairly. Minimum wage is one of the efforts to improve the lives of workers. The amount of the minimum wage should take into consideration the needs of decent living (KHL). This situation as has been stipulated in the Ministerial Regulation No. 13 in 2012.

The following data on minimum wage that exist in various cities in the Provinces of Sumatra island. From that information visible progress prevailing wage last five years in the provincial capital of Sumatra island.

Table 2. Provincial Minimum Wage (UMP) of Sumatra Island Year 2010-2014.

No.	CITY	2010	2011	2012	2013	2014
1	Banda Aceh	1.300.000	1.350.000	1.400.000	1.550.000	1.750.000
2	Medan	965.000	1.035.000	1.200.000	1.375.000	1.505.000
3	Padang	940.000	1.055.000	1.150.000	1.350.000	1.490.000
4	Pekan Baru	1.016.000	1.120.000	1.238.000	1.400.000	1.700.000
5	Jambi	900.000	1.028.000	1.142.000	1.300.000	1.502.500
6	Palembang	1.048.000	1.048.000	1.195.000	1.350.000	1.600.000
7	Bengkulu	815.000	815.000	930.000	1.200.000	1.350.000
8	Lampung	855.000	855.000	1.043.000	1.150.000	1.300.000
9	Kepri	925.000	975.000	1.015.000	1.365.000	1.665.000
10	Bangka Belitung	1.024.000	1.024.000	1.141.000	1.150.000	1.250.000

Source: Central Bureau of Statistics, Sosnakertran, Jambi Province, 2015.

According to the PP 8 of 1981 explained that the wage is a receipt in return from the employer to the employee for a job or services that have been or will be made and declared or assessed in money terms are set on the basis of an agreement or legislation and are paid on the basis of an employment agreement between employers and employees including benefits, both for employees and their families. In determining the amount of wages of the element of interest that can not be diindari occurrence of attraction between workers on the one hand with the other hand employers. Of the workers want higher wages in order to meet the need for a better and on the other hand requires employers lower wages so that they are able to attract a higher profit (maximum profit).

Policies in determining the minimum wage is very important because in the needs of workers and their families. In addition to considering the needs of decent living (KHL), macro-economic considerations such as economic growth, and progress of the company into something that can not be ignored. Due to the high economic growth can provide an indication that the economic development in the relevant area is more advanced, meaning that employment and business opportunities that exist increasingly open and growing. Therefore, the determination of wages must be done carefully by considering the economic indicators.

Based on the development level of the minimum wage in Jambi city, and the rate of economic growth seen that the rate of wage growth from year to year. In line with the rate of economic growth in Jambi city are also experiencing high growth.

Based on the background mentioned earlier writers interested in researching by asking study "the effects of economic growth and the level of wages of -in-migration Jambi City".

Based on the issues that have been raised, the study aims to determine the effect of economic growth and the level of wages in-migration JAMBI city.

The expected benefits of this study were (1). It can be seen the linkages between economic growth, minimum wage Province / City with population mobility to a certain area, (2). As the material information for Jambi city government in making decisions in the future in the same problem.

In this study, the proposed hypothesis: Suspected rate of economic growth and wage levels that occurred in the formal sector is positive and significant effect on in-migration Jambi city.

RESEARCH METHOD

To realize the goals of this research conducted research stages as follows:

Research Location

The study took place in Jambi city. The reason for choosing the location of the study because the area is one of the areas experiencing rapid economic growth and relatively high population growth in the province of Jambi.

Types and Sources of Data

The data collected in this research is secondary data (time series) obtained from official publications and publication of government agencies such as the Central Bureau of Statistics, Office Sosnakertran, and Dukcapil Jambi City Year 2000-2015.

Analysis Tools Used.

To make it easier to analyze the data and discussion on this study, the data processing and analysis were performed using the Eviews 7. The regression equation used is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \mu_i$$

Where :

Y = variable incoming migration

α = constant

β_1, β_2 = coefficient of regression

X1 = variable economic growth

X2 = variable wages

μ_i = error

To prove the truth of the hypothesis, then do some regression coefficient test. Simultaneous testing by F test, and partial testing by t test, and then test the correlation coefficient (r), and test the coefficient of determination (R^2).

To determine whether the effect of independent variables together with dependent variable used F test t test is used to determine how large the partial effect of each independent variable on the dependent variable, with the level of significance level of 5%.

To measure the closeness of the relationship between the dependent and independent variables used correlation coefficient (r). The conclusions drawn are greater the value of the correlation coefficient, the more closely the relationship between the dependent and independent variables.

The coefficient of determination (D^2) is used to determine how much the accuracy of the relationship between the dependent and independent variables. The greater the value of the coefficient of determination more accurate models are used, where the value of R^2 is located on the regression line between 0 and 1 ($0 < R^2 < 1$).

RESULTS AND DISCUSSION

Increased economic growth of a region will affect the opening of vast employment opportunities in the area. With a more varied employment opportunities that will encourage workers to enter in the regions concerned. Wages as a major destination for someone to work, the higher the reward the greater the desire of people to work.

Wages are the remuneration received by a person in the employment relationship. Forms of worker wages earned can be in the form of goods or money money's worth. In the opinion of experts in Classical economics is in fact a manifestation of the modern economy, the wage level is not easily decreased. In modern economies there are unions that workers always defend and fight for the improvement of the workers. These efforts include keeping the workers were given a reasonable wage (Sukirno, 2012).

Minimum wage policy has been established on a regional basis should be adhered to by employers in an effort to improve the welfare of workers and their families. But this should be done carefully because it must pay attention to the balance for entrepreneurs. In determining the minimum wage in addition to considering the need for decent living should also consider macro productivity, market conditions and business conditions that can least afford (marginal).

Table 3. Development of minimum wage levels Jambi City Year 2003-2015.

No.	Year	Wages Level (Rp)	Growth (%)
1	2003	390.000,00	8,97
2	2004	425.000,00	14,12
3	2005	485.000,00	16,08
4	2006	563.00,00	16,87
5	2007	658.000,00	16,05
6	2008	724.000,00	10,03
7	2009	800.000,00	10,50
8	2010	900.000,00	12,50
9	2011	1.028.000,00	14,22
10	2012	1.142.000,00	11,09
11	2013	1300.000,00	13,84
12	2014	1.502.000,00	15,55
13	2015	1.730.000,00	15,16

Source: Sosnakertrans Jambi City, 2016.

From Table 3, it can be explained that the minimum wage is always increased from year to year. In 2003 the minimum wage in the city of Jambi Rp 390,000.00, and continue to rise until 2015 to Rp 1,730,000.00. Increasing the minimum wage from year to year a government policy which aims to make the amount of wages received by workers can meet the minimum living needs of employees and their families. The amount of the minimum wage should be adjusted to the economic conditions of a region, so that there will be economic differences between one region and another. The higher the economic growth of a region, the higher the wage rates prevailing in the area, this situation also occurred in the city of Jambi.

The phenomenon of migration that occurs in most developing countries is the transfer of labor from rural areas to urban areas. Their main motive to go into the city from the village is the economic reason is the desire to earn a higher income in the goal area compared to the area of origin. This has led to the mobility of the population of the less developed areas to more developed areas.

Table 4. Development of migration in Jambi years 2006-2015.

Year	Population	In Migration	Out Migration	Migration neto
2006	462.968	3.760	2.135	1.625
2007	470.902	5.310	3.568	1.742
2008	473.370	5.479	4.921	558
2009	479.140	7.321	5.010	2.311
2010	484.910	7.410	3.150	4.260
2011	497.872	6.238	2.117	4.121
2012	509.732	5.731	1.783	3.948
2013	518.826	4.390	1.256	3.134
2014	548.062	15.034	11.560	3.474.
2015	572.264	24.542	12.327	12.215

Source: BPS, Jambi City in figures, Dukcapil, 2016

Based on Table 4 it can be seen that the development of in-migration in Jambi has increased. The highest inward migration occurred in 2014, there were 15 034 inhabitants, and in 2015 the decline in inward migration by the number of migrants as much as 14 542 inhabitants. In 2006 up to 2012 the number of in-migration is relatively balanced, except in 2013. Meanwhile, the out-migration of Jambi up to 2009 showed an increase. This is different from the situation in 2010 to 2013 showed a decline, then 2014 and 2015 increased again.

Multiple Linear Regression Analysis

Simultaneous test (Test F).

To determine whether the independent variables jointly affect the dependent variable used F F test magnitude hit. is 16.11 while the F tab. At $\alpha = 5\%$ amounting to 4.10. Thus the value F hit (16.11) > Ftab. (4.10) with a probability of 0.0007, it can be concluded jointly variables and variable wage growth significantly influence the in-migration in the city of Jambi.

Partial test (t test)

This testing is done by comparing the probability value t to a significant level $\alpha = 5\%$. Testing criteria, if the probability t hit. α (0.05%), then the influence of the independent variables are not individually significant to the dependent variable. If the probability t hit. $<$ with α (0.05%) the effect was significant that H_a accepted, meaning that the independent variable can affect the dependent variable individually.

For economic growth variable (X1), t hit. $0.89 < t$ tab. 1.81 with a probability value of $0.39 \alpha = 5\%$, then can be concluded that economic growth has no effect on in-migration in Jambi city.

For variable wages (X2), seen from the value t hit (3.11) and t Tab. (1.81) effect of migration toward the entered Jambi City with a probability value of 0.001 with $\alpha = 5\%$, individual wage rates significantly affect the variable (Y) or in-migration in Jambi city.

The correlation coefficient (R) is used to measure the relationship between independent variables and the dependent variable. From the result of regression is the regression coefficient (R) of 0.715 means that the economic growth and wage levels are very strong influence on migrants entering in Jambi city, or in other words by 72% in-migration in Jambi city influenced by economic growth and the level of wages, and only 38% influenced by other variables that are not included in the model.

The results of this study are consistent with the results of research conducted by the NII Maulida (2013) who studied the wage level Effect Against Migration Log in Pekan Baru city. The same thing also obtained research results Yasa, Nyoman M (2014) with the title Analysis of factors are factors that affect migration to the city of Denpasar, where the variable income (wages), employment and investment positive effect on inward migration in Denpasar. This situation is in line with what was said Todaro (2000) high levels of wage in the city is the main driving factors that cause molitas population from rural to urban areas.

CONCLUSIONS AND RECOMMENDATIONS

Based on the results of the study concluded that wage levels contained in Jambi is a factor puller for the labor force from other areas to work in Jambi city. This situation resulted in increased population of Jambi city. In connection with some suggestions that can be submitted as follows.

1. Keep in Jambi city government should conduct surveillance on the amount of wages in an effort to maintain employment is increasing continuously.
2. At a certain extent need a selection of in-migration in Jambi city in order to maintain a balance between the number of job opportunities available with the number of job seekers to keep the unemployment rate is not excessive.
3. Along with the era of regional autonomy in the distribution of development efforts need to consider the balance between the development of urban areas, rural areas, particularly in Jambi province.

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IMPACT ANALYSIS TITLED HUMAN DEVELOPMENT INDEX (HDI) ON POVERTY AND ECONOMIC GROWTH IN THE DISTRICT/ TOWN OF JAMBI PROVINCE

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Abstract. This study aims to identify and analyze the influence of the Human Development Index (HDI) on poverty and economic growth in the District/ Town in Jambi Province period 2004-2015. Model used is a simple linear regression Ordinary Least Squares (OLS) with quantitative and qualitative analysis. The results of this study indicate that the partial coefficient of the HDI on poverty in 11 District/ Town in Jambi Province are Kerinci amounted level point to -0.553 or 55.30% pales HDI increase 1%, the poverty decreased by 55.30 %. For Merangin district or regression coefficient obtained level -0.471 or 47.10% pales HDI increase 1%, the poverty decreased by 47.10%. Then to Sarolangun or regression coefficient of level -0.374 or 37.40% pales HDI increase 1%, the poverty decreased by 37.40%. Furthermore Batanghari regency regression coefficient is level -0.304 or 30.40% pales HDI increase 1%, the poverty decreased by 30.40%. For the District Muarojambi value or regression coefficient is level -0.696 or 69.60% pales HDI increase 1%, the poverty decreased by 69.60%. Regency East Tanjung Jabung value or a regression coefficient of level -0.881 or 88.10% pales HDI increase 1%, the poverty decreased by 88.10%. Then for the District of West Tanjungjabung value or a regression coefficient of level -0.869 or 86.90% pales HDI increase 1%, the poverty decrease by 86.90%. Tebo value or regression coefficient is level -0.627 or 62.70% pales HDI increase 1%, the poverty decreased by 62.70%. Bungo to the regression coefficient is level -0.811 or 81.10% pales HDI increase 1%, the poverty decreased by 81.10%. Further-more, the city of Jambi regression coefficient of level 0.434 or 43.40% pales HDI increase 1%, the poverty is equal to 43.40%. As for the sungai penuh town regression coefficient is level 0.110 or 11% pales HDI increase 1%, the same as the 11% poverty. As for the effect of economic growth on the HDI in Jambi Province obtained regression coefficient of level 6.632 or 66.32% pales in increased economic growth of 1%, the HDI increase by 66.32%. As for the regression coefficient of economic growth on poverty is equal to level -1.008 or -10.08% that if economic growth increase 1%, the poverty decreased by 10.08%.

Keywords: *Human Development Index (HDI), Poverty and Economic Growth district/ Town in Jambi Province.*

INTRODUCTION

One of the main objectives State of Indonesia is to create a society that is prosperous life free from the shackles of poverty. It is stated in the Preamble of the Constitution of 1945, fourth paragraph, mandates that the principal task of the Government of Indonesia is "Advancing the general welfare, national life and to realize a social justice for all Indonesian people". To realize these goals, the government in drawing up development plans made in poverty reduction as the main indicator to measure the success of the development. According to Todaro (2006), argues that one of the core of the problem of development is poverty reduction. The success of the development of a nation is not only characterized by high levels of economic growth but also includes human quality. Often found in a country with high economic growth, but the quality is still low human development.

It must be realized that the man is an asset, since the beginning of human development has been a goal in the model of development in Indonesia, at least in the normative level which is reflected in the philosophy of the State as of Pancasila and the 1945 Constitution Poverty is one of the problems faced by human always. One of the problems faced by some developing countries is poverty, which is a reflection of the inability of a person to meet their needs in accordance with applicable standards. Factors affecting the level of poverty is economic growth. The high economic growth and resulting growth with equitable distribution throughout the business sector is needed in efforts to reduce poverty. According Mankiew (2007), economic growth is calculated on the gross domestic product growth is a summary of economic activity of a society during a specific time period.

With increasing economic activity will increase the total value of goods and services produced of all economic activities, thereby increasing revenue and welfare in society that will be followed by a decrease in poverty levels. In Wahyudi (2010), the new growth theory emphasizes the importance of the role of government, especially in promoting development of human capital (*human capital*), improving the quality of human resources can be demonstrated by the increased knowledge and skills of a person. Improved knowledge and expertise will be able to encourage increased labor productivity so that

someone will be able to help reduce poverty. In Adhi (2011), the human development index (HDI) is one measure that can be used to assess the quality of human development, both in terms of its impact on a person's physical condition (health and welfare) as well as non-physical (intellect). Development impact on the physical condition of the people is reflected in life expectancy and purchasing power, while the non-physical impact seen from the quality of public education. Besides unemployment also affects the level of poverty. In Wahyudi (2010), One of the elements that determine the wealth of a society is the level of income. Public income reaches its maximum when the conditions of full employment level of usage (full employment) can be realized. Unemployment will cause the effect of reducing public revenue, and it will reduce the level of prosperity that has been achieved. Increasingly prosperity level will lead to another problem, namely poverty.

While based on the economic growth in Jambi last 10 years showed a positive trend in economic growth in 2005 amounted to 5.28% of Jambi province in 2006 increased by 0.28% or 5.56% and economic growth is impacting the decline in population numbers poor and HDI is equal to 0.51% from 11.88% to 11.37%. As for the HDI Jambi in 2005 and 2006 increased by 0.30% or 70.00% increase to 70.30%. Then in 2007-2008 the economic growth of the province of Jambi again showed positive messages trend in the amount of 6.39% increased by 0.31% or 6.68% and a positive impact on poverty reduction in the Province of Jambi, namely 10.27% decreased by 1, 01% or 9.28%. Then for Jambi HDI increase by 0.33% or 71.46% to 71.99%. Economic growth is one indicator of the success of a country that is expected to equitable economic growth all aspects so that the results achieved can be felt by the public, especially on poverty and HDI in Jambi Province since this aspect describes the variables that determine the success of the program and the welfare of a region.

While in 2009 the economic growth of the Province of Jambi fell by 0.68% or 6.68% to 6.00% with a poverty rate that is down by 0.73% or 9.28% to 8.55%. Later in the year 2010-2011 Jambi back economic growth fell by 1.04% or 6% down to 4.96% and in 2011 amounted to 0.56% or 4.96% to 4.40% and is the lowest economic growth in 10 Last year in Jambi Province. As for poverty and HDI in 2010-2011 precisely the same economic growth trend is down but not influenced by poverty and HDI in Jambi Province and significantly by 0.5% or 8.4% down to 7.9%. As for the data HDI increased by 0.56% or 72.74% to 73.30%. Then in 2012 the economic growth in Jambi Province has increased by 1.28% or 4.40% to 5.12%. However, in 2013 economic growth actually fell 0.73% or 5.12% down to 4.39%. Furthermore, to the level of poverty in the same year fell by 0.37% or 8.29% to 7.92% while HDI increased by 0.75% or 74.35% increase to 75.10%. Furthermore, in 2014 the economic growth in the last 10 years Jambi Province in Sumatera is the highest of 7.12%, an increase of 2.73% from 4.39% in 2013. The high economic growth was only able to affect poverty in the Province of Jambi at 0,04% while the HDI is only 0.75%. While in 2015 instead of high economic growth are not able to survive and even down to 5.26%, down 1.86%, indicating that the weakness of the available resources so that the value of the trend of economic growth is a determinant of economic stability of a nation. While the poverty data in Jambi Province in 2015 only able fell by 0.04% whereas for data only able HDI rose by 0.47%. The detailed data is poverty District/ Town in the Province of Jambi's Kerinci by 9.06%, Merangin, 10.15% , Sarolangun 12.62%, Batanghari 12.48%, Muarojambi 6.11%, Tanjung Jabung Timur 12.64%, Tanjung Jabung Barat 11.96%, Tebo 7.55%, Bungo 6.74%, Jambi 8.44% and Sungai Penuh 1.79%. Of the 11 District/ Town Data highest poor population is East Tanjung Jabung amounted to 12.64%, while Sungai Penuh of 1.79% is the lowest poverty data among other regencies in Jambi Province.

Furthermore, for data HDI by District/ Municipality in Jambi Province in detail can be seen to Kerinci 74.02%, Merangin 71.80%, Sarolangun 72.21%, Batanghari 72.89%, Muarojambi 72.49%, Tanjung Jabung Timur 71,35%, Tanjung Jabung Barat 72.63%, Tebo 71.77%, Bungo 71.47%, Jambi 76.01%, Sungai Penuh 51.69% and is the lowest when compared to the HDI District/Town in Jambi Province. While the data is the highest HDI is the city of Jambi in the amount of 76.01%, followed by district Kerinci 74.02%.

Purpose

1. To analyze the effect of the Human Development Index (HDI) on poverty in the District/ City of Jambi Province
2. To analyze the effect of economic growth on the Human Development Index (HDI) in the District/ City of Jambi Province
3. To analyze the effect of economic growth on poverty in the District/ City of Jambi Province

LITERATURE REVIEW

Theory Of Economic Growth

Economic growth is a process of change in economic conditions of a country that is continuous toward a better state for a certain period. According Sukirno (2000) economic growth means development

activities in the economy that led to the goods and services produced within the community to grow and increase the prosperity of society. So that economic growth can be defined as well as the increase in production capacity of an economy that is realized in the form of increase in national income. Their economic growth is an indication of the success of economic development. The theory is built based on empirical experience, so the theory can be used as a basis for predicting and making a policy general theory of economic growth, according to experts can be divided into two, namely: the theory of historical economic growth and economic growth theory of classical and neoclassical:

Historical Theory of Economic Growth

Historically flow developed in Germany and its appearance is the reaction to the classical view which states that economic growth can be accelerated with the industrial revolution, while the flow of historical stated that the economic growth gradually. Pioneer of historically among others, Frederich List, Karl Bucher, Bruno Hildebrand, Wegner Sombart, and W.W. Rostow.

a. The theory of economic growth Frederich list (1789-1846)

Stages of economic growth by Frederich list is levels known as *Stufen Theorien* (theory stairs). According to Friedrich List, the economic growth of a nation can be divided into four stages as follows:

1. The period of hunting and wandering. At this time humans have not been meeting their needs are very pocket on providing natural and for Subsistence
2. The livestock and farming. At this time humans have started thinking for a sedentary life. So they made their living farming
3. Future Farming and crafts. At this time humans had a sedentary life while maintaining the planted wood crafts taught only a sideline.
4. The period crafts, industry, and trade. At this time the craft is not as a sideline but as the need to sell to the market, so the industry is growing out of the craft industry into a huge industry.

b. The theory of economic growth Karl Bucher (1847-1930)

At this stage of the Economy by Karu Bucher can be divided into four, namely: 1) Households closed; 2) Household city; 3) Household nation; 4) Household world

c. Bruno Hildebrand theory of economic growth

Bruno Hildebrand saw economic growth from the development of currency-exchange it, namely: 1) The future of barter exchange; 2) The period of exchange with money; 3) The period of exchange with credit

d. The theory of economic growth Werner Sombart (1863-1947)

According to Werner Sombart economic growth of a nation can be divided into three levels, namely:

1. The period closed economy; At this time, all human activities solely to meet their own needs. Individuals or communities to act as producers and consumers so there is no exchange of goods or services. A special characteristic during this economic that human activities to meet our own needs of each individual as a producer and as a consumer, and there is no exchange of goods and services
2. The craft and carpentry; In this period, increasing human needs, both quantitatively and qualitatively due to the development of civilization. Increasing these needs cannot be met alone so that the necessary division of labor according to their respective expertise. This division of labor lead to the exchange of goods and services. Exchange of goods and services in this period has not been based on the profit motive, but solely to meet the needs of each other. Craft and carpentry Masa has some characteristics such as; Increased human needs, the division of tasks in accordance with the expertise, the onset of the exchange of goods and services, and the exchange is not based on the profit motive.
3. The period of capitalist; At this time appeared the owners of capital (capitalists). In conducting its business capitalists require workers (workers). Production is carried out by the capitalists no longer merely meet its needs, but it aims for profit. Werner Sombart capitalist divide the period into four periods as follows:
 1. The level of pre-capitalist; This period has characteristics such as; people's lives are still static, family-oriented, relying on the agricultural sector, working to meet the needs of its own, and live in groups
 2. Level of capitalist; This period has a characteristic such as; people's lives have been dynamic, individual, their division of labor, and an exchange for profit
 3. Level of capitalism highway: This period has a characteristic such as; its business solely for profit, the emergence of capitalists who own the means of production, mass production is done with modern equipment, trade leads to competition to monopoly, as well as in society there are two groups of employers and workers
 4. The rate of late capitalism; This period has a characteristic such as; the emergence of the flow of socialism, government interference in the economy, and the interests together.

e. The theory of economic growth Whitmen Walt Rostow (1916-1979)

W.W.Rostow reveals the theory of economic growth title in his book The Stages of Economic Growth states that economic growth is divided into five (5) as follows:

1. Traditional Society (The Traditional Society); A society that has a structure developments in production functions are limited, yet modern science and technology, and there is a limit of per capita output level that can be achieved
2. Public pre-conditions for take-off period (the preconditions for take off); A society where economic growth rates are in the process of transition and have already started the application of modern science into new production functions, both in agriculture and in industry.
3. Period Takeoff (The take-off); is the time interval required to break down the barrier on sustainable growth, forces that can drive economic growth expanded, level of effective investment and production levels may increase, ineffective investment and savings are earning increased or more of the total national income, and new industries develop rapidly and the existing industry expanded rapidly.
4. Motion Towards Maturity (Maturity); Is a continuous progression where is economics growth to regularly as well as the undertaking of expanding with the application of modern technology, ineffective investment and savings increased from 10% to 20% of national income and this investment take place quickly, the output may exceed plus number of people, goods formerly imported, now can be self-generated, as well as the level of the economy, indicating a capacity to move beyond past industrial power pad to take off with the application of modern technology
5. Consumption High (high mass consumption); Industrial sectors are the sectors that lead (leading sector) move toward the production of consumer goods durable and services, income real per capita is increasing so most people reach a level of consumption that exceeds the needs of basic food, clothing, and food, full employment so that national high income, and higher national income can meet the high consumption rate.

Theory of Classical and Neoclassical Economic Growth

a. Classical economic growth theory

In the view of experts in classical economics, there are four factors that affect economic growth, namely: population, the number of the stock of capital goods, land area and natural resources, and the technology used. In theory their growth, let's say the vast land and natural resources is a fixed amount and level of technology has not changed. Based on the theory of economic growth in the new classical explains that docking between per capita income and population. The theory is called the theory of optimum population. Classical growth theory can be seen that if there is a shortage of people, marginal production is higher than the per capita income. However, where the population is increasing, the law of diminishing additional results will affect the production function, marginal production will begin to decline. Therefore, national income and per capita income becomes more slow growth.

1. The theory of economic growth according to Adam Smith

"An Inquiry into the nature and causes of the wealth of the nation", his theory made with the theory of the invisible hand (Theory of invisible hands)

Adam Smith's theory of economic growth characterized by two interrelated factors, namely: 1) Population growth and 2) Growth in total output

While output growth to be achieved is influenced by the following three components: 1) The natural resources; 2) Labor (population growth); 3) The amount of inventory

2. The theory of economic growth T.R David Ricardo and Malthus

According to David Ricardo factor greater population growth to be doubled at a time will cause the amount of labor is abundant. Ricardo opinion is in line with the theory put forward by Thomas Robert Malthus, stating that the food (production) will grow by arithmetically (one, two, and so on). While population increases geometrically (one, two, four, eight, sixteen, and so on) so that when the economy will be at the level of subsisten or stagnation.

b. Neoclassical theory of economic growth

Neo-classical growth theory viewed from a different angle, namely in terms of the offer. According to this theory, which was developed by Abramovits and Solow economic growth depends on the development of the factors of production. In the equation, this view can be expressed by the equation:

$$AY = f (AK, AL, AT)$$

Where:

AY is the rate of economic growth

AK is the growth rate of capital

AL is the rate of population growth

At is the growth rate of technology

Solow analysis further establish the mathematical formula for that equation and so make evidentiary basis of empirical studies to demonstrate the following conclusion: the most important factor to realize the economic growth is not a capital gain and the increase of labor. The most important factor is the advancement of technology and increase proficiency and expertise of the workforce.

1. The theory of economic growth Robert Solow; Rober Solow born in 1928 in Brookyn, he is a Nobel laureate in the field of economics in 1987. Robert Solow highlighted the growth of output will happen to the work of the two main input factor. Namely capital and labor.
2. The theory of economic growth Harrod and Domar; RF. Harrod and Evsey Domar 1947 pertumbhan by Harrod and Domar economy will occur if there is an increase in the productivity of capital (MEC) and labor productivity.
3. Joseph Schumpeter's theory of economic growth; According to J. Schumpeter, the economic growth of a country is determined by the presence of process innovations (new discoveries in the field of production technology) conducted by entrepreneurs. Without innovation, there is no economic growth.

Theory of Human Development Index (HDI)

Understanding Human Development Index by UNDP (*United Nations Development Programme*) defines human development as a process of expanding the choices for residents. In the concept of the inhabitants placed as the final destination (*the ultimated end*) while the development effort is viewed as a means (*principal means*) to achieve that goal. To ensure the achievement of human development goals, four main things to note is productivity, equity, sustainability, empowerment (UNDP, 1995). Briefly four main things it contains principles as follows:

1. Productivity; Residents should be enabled to improve productivity and to participate fully in the process of income generation and livelihood. Economic development, thus a subset of human development models.
2. Equity; Residents should have an equal opportunity to gain access to all the economic and social resources. All the barriers that minimize the opportunity to obtain such access should be removed, so that they can take benefit and participate in productive activities to improve the quality of life.
3. Continuity; Access to economic and social resources should be ensured not only for the present generation, but also future generations. All physical resources, human, and the environment must always be renewed.
4. Empowerment; Residents must participate fully in the decisions and processes that will determine (*shape/ direction*) of their lives, as well as to participate in and benefit from the development process. In particular, the human development index (HDI) measures human development achievements based on a number of basic components of quality of life. HDI is calculated based on the data that describes the four components, namely life expectancy represents the areas of health, literacy rates and average length of school measure development achievements in the field of education, and the ability of the purchasing power of some staples as seen from the average magnitude spending per capita as the income approach that represents the achievements with establishment for a decent life.

As a measure of quality of life, IPM is built through a three-dimensional approach to the base. The dimensions include a long and healthy life, knowledge and a decent life. The third dimension has a very broad sense as it related to many factors. To measure the dimensions of health, life expectancy figures used. Furthermore, to measure the dimensions of knowledge used combined indicator literacy rate and average length of school. As for measuring the dimensions of decent life used indicator of purchasing power. Life Expectancy Life expectancy is the average of the estimates of many years that can be taken by a person for life. There are two types of data used in the calculation of life expectancy that is a child born alive and children still life. Education level; To measure the dimension of knowledge of the population used two indicators, which is the average length of the school and the literacy rate. The average length of school describes the number of years used by the population aged 15 years and over in undergoing formal education. While the literacy rate is population persen aged 15 years and over who can read and write.

Theory of Poverty

Meaning of poverty according to Suparlan (2004) poverty as a standard of living is low, namely the existence of a level of deficiencies in the number or group of people compared to the low standard of living is directly visible influence on the level of the state of health, moral life and self-esteem those who are classified as poor. According to Ritonga (2003) provide that the definition of poverty is the condition of life of deprivation experienced by a person or household that cannot meet the minimum requirements or worthy of life. Minimum basic needs in question is related to food, clothing, housing and social needs required by the population or households to meet their needs appropriately. Poverty is a social problem that is always present in the midst of society, poverty is a concept and phenomenon face,

multidimensional. Institute, for example, shows that poverty has several characteristics (*under Suharto*) which is as follows: The characteristics of poverty;

1. Inability to meet basic consumption needs (shelter, clothing, food).
2. The lack of access to basic necessities of life such as (*Health; Education; sanitation; Clean water; Transport*)
3. Lack of job security (*because there is no investment for education and family*).
4. Vulnerability to shocks that are individually or en masse.
5. The low quality of human resources and limited natural resources.
6. Exclusion from the social community activities.
7. Lack of access to employment and sustainable eye.
8. Inability to strive because physical or mental disability.
9. Inability and lack of social fortunes like; (*Homeless child, Women victims of domestic violence/ domestic violence, Poor widow, Marginalized and remote*)

Conception of multidimensional poverty is presumably a more precise analysis is also used as a knife in defining poverty and formulating policies to reduce poverty in Indonesia. The dimensions of poverty by Edi Suharto (2005) concerning several aspects as follows: Dimensions of poverty consists of several aspects,

1. The economic aspect; Economically, poverty can be defined as a lack of resources that can be used to meet the needs of living and improve the well-being of people.
2. Political Aspects; Poverty can be seen from the level of access to power (power). Power in order meaning include political system that can determine the ability of a group of people to reach out and use resources.

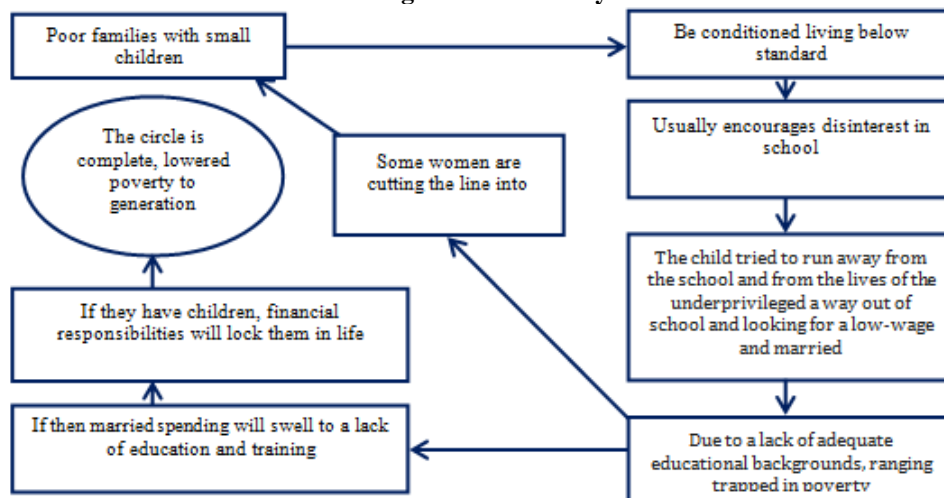
There are three fundamental questions to this question, namely:

- a. How anyone can take advantage of existing resources in the community.
- b. How do people take part in the decision-making use of available sources of funds.
- c. How the ability to participate in community activities.

The socio-psychological aspects, Psycho-social poverty show on the shortcomings networks and social structures that support in obtaining opportunities for increased productivity. From the opinions of experts described above, it can be an understanding of the issues and problems real poverty is always an association with the vulnerability and helplessness. And speaking about the vulnerability of the poor, usually caused by poor people are faced with a weak condition, does not have power enough ability in many fields and a wide range of fields, and then the economy has been accompanied by poverty on the educational level, a little science/ knowledge/ insight , does not have empowerment, and as well as have no power. Weak economic defense system which then has influence over the resistance on many fronts.

Thus, if getting economic issues, has certainly would have trouble. Then talk about the helplessness, ie, people who are poor do not have enough power or ability. And then as for the powerlessness of economic, educational, political, and social to power is a complex condition that is always experienced by the poor. Below is an image circle of poverty which will explain how the culture of poverty that is passed on from one generation to the next which is as follows:

Image Circles Poverty



Source: Suharto, Edi. 2006. *People's Building Society of the People's Empowerment*, Publisher PT. Refika Aditama, Bandung

As is clear in the images like the above that the poverty cycle passed on from one generation to another. Different character explains that it can occur because of their culture of poverty declare individuals raised in a culture of poverty will have a very strong belief that everything is predestined (fatalism). Poverty that arises amongst the people is the result of the process of hereditary or poverty that has been passed down from generations to generation so that, the culture of poverty is formed and has been embedded in a particular group of people. And most importantly do not see culture itself a cause or as a result, but how to change the existing culture through programs and policies to reduce poverty. Prevention program is an answer and solution to address the problem of poverty. Many programs on poverty reduction that has been made by the government. Thus the discussion regarding the meaning or definition of poverty, poverty characteristics and dimensions of poverty, according to experts, may be useful.

RESEARCH METHODOLOGY

Research Methods

In this study, researchers used secondary data so that the method used by the research approach literature and other sources that have good government publication or other social agencies. Secondary data is data that has been published

Types and Sources of Data

The type of data used in this study are:

1. Data growth period of 2004-2015 Jambi Province
2. Data Human Development Index (HDI) in the period 2004-2015
3. Data poverty period 2004-2015

Furthermore, the source of the data in this study are:

1. The Central Statistics Agency (BPS) Jambi Province
2. Another source associated with the study

Data Analysis Tools

For analytical tool in this research are:

To analyze the effect of the Human Development Index (HDI) on poverty in the District / City of Jambi Province

$$Y = \alpha_0 + \beta X + e$$

Information:

Y = HDI District / Municipality in Jambi Province

X = Poverty District / Municipality in Jambi Province

β = coefficient of regression

α_0 = Constant

e = Error item

To analyze the effect of economic growth on the Human Development Index (HDI) in the District / City of Jambi Province

$$Y = \alpha_0 + \beta X + e$$

Information:

Y = Economic Growth Regency / Municipality in Jambi Province

X = HDI District / Municipality in Jambi Province

β = coefficient of regression

α_0 = Constant

e = Error item

To analyze the effect of economic growth on poverty in the District/ City of Jambi Province

$$Y = \alpha_0 + \beta X + e$$

Information:

Y = Economic Growth Regency/ Municipality in Jambi Province

X = Poverty District/ Municipality in Jambi Province

β = coefficient of regression

α_0 = Constant

e = Error item

RESULTS AND DISCUSSION

Analysis of Effect of Human Development Index (HDI) to Poverty in the District/City of Jambi Province

The results of this study indicate that the partial coefficient of the Human Development Index (HDI) on poverty in 11 district/ town in Jambi Province are Kerinci amounted to -55.30% or -0.553 pales HDI increased 1%, the poverty decreased by 55.30 % or significant influence amounted to 72.1%. For Merangin district or regression coefficient obtained -0.471 or 47.10% pales HDI increased 1%, the poverty decreased by 47.10% or significant influence 79.7%. Then to Sarolangun or regression coefficient of -0.374 or 37.40% pales HDI increased 1%, the poverty reduced significantly by 37.40% and 79.9%. Furthermore Batanghari district regression coefficient is -0.304 or 30.40% pales HDI increased 1%, the poverty decreased by 30.40% or significantly by 69.6%. For the District Muarojambi value or regression coefficient is -0.696 or 69.60% pales HDI increased 1%, the poverty reduced significantly by 69.60% or 67.9%. and then for East Tanjungabung value or a regression coefficient of -0.881 or 88.10% pales HDI increased 1%, the poverty decreased by 88.10% or 15.5% is not significant.

Then for the District of West Tanjungabung value or a regression coefficient of -0.869 or 86.90% pales HDI increased 1%, the poverty reduced significantly by 86.90% or 76.7%. Tebo value or regression coefficient is -0.627 or 62.70% pales HDI increased 1%, the poverty decreased by 62.70% or significantly by 62.7%. Bungo to the regression coefficient is -0.811 or 81.10% pales HDI increased 1%, the poverty decreased by 81.10% or significantly by 73.2%. Furthermore, the city of Jambi regression coefficient of 0.434 or 43.40% pales HDI increased 1%, the same as poverty significantly by 43.40% or 41.8%. As for the Sungai Penuh regression coefficient is 0.110 or 11% pales HDI increased 1%, the same poverty by 11% or significantly by 42.2%.

Analysis of Economic Growth Effect Against Human Development Index (HDI) in the District/ City of Jambi Province

As for the effect of economic growth on the Human Development Index (HDI) in Jambi Province obtained regression coefficient of 6.632 or 66.32% pales in increased economic growth of 1%, the HDI increased by 66.32% or significantly by 89.6%.

Analysis of Effect of Economic Growth to Poverty in the District / City of Jambi Province

As for the regression coefficient of economic growth on poverty is equal to -1.008 or -10.08% pales in increased economic growth of 1%, the poverty decreased by 10.08% or significantly by 92.8%.

RECOMMENDATIONS

As for the recommendation that need to be addressed in this paper are:

1. It is expected that economic growth in the province of Jambi can provide a positive influence on the increase HDI and poverty reduction so that the number can be reduced inequality and social welfare increases.
2. It is expected that economic growth is not only the pursuit of high growth rates alone but rather to preserve the value of that growth and see multiflier the effect that growth remains stable
3. It is expected that the government can maintain the stability of economic growth so as to encourage the rest of the economy through increased programs planned

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EFFECT GDP, INTERST RATE, INFLATION TO FDI ASEAN (5)

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Abstract. Many studies show that economic growth is affected by FDI, GDP, inflation, and exchange rates, but does not see how the exchange rate, inflation and economic growth of a country simultaneously affects Foreign Direct Investment. This study examined at the effects of exchange rates, inflation and economic growth, FDI linkages to lure investors to invest their capital directly. The five countries of ASEAN members were using as a sample that the countries were categorized into groups such as developing countries, emerging economies and economies Frontier. The GDP, forex and inflation are independent variables and FDI is dependent variable. The test results repeatedly show that foreign direct investment turned out in significant asean including the exchange rate and inflation interact. GDP is only significant in attracting FDI is not based on nominal value but is based on GDP growth.

Keywords: Foreign Direct Investment, GDP, Exchange Rate, Inflation

INTRODUCTION

Numerous studies have been done on FDI, exchange rates, inflation and economic growth, especially in developing countries. This paper focuses on the exchange rate, inflation GDP on FDI. Fedderke and Romm (2006) showed that FDI has the potential to provide the technology, skills and capital that are not available in the host country in the country through "spillover effects" (p. 740). Although many studies imply that FDI is congruent with growth through spillover resources, and Nonnemberg Cardoso de Mendonca (2004) but the strong GDP growth can induce FDI inflow of FDI but not always induce economic growth, they used China as an example to demonstrate this. China is one of the largest developing countries with some of the biggest growth in the world, it is sure that China is also one of the largest recipients of FDI. But there is little evidence to suggest foreign direct investment is contributing to growth in China. Carkovic and Levine (2002) suggest that foreign direct investment does not lead to economic growth independently.

LITERATURE REVIEW

Factors determinants of FDI

a. The effect of growth on FDI

Although there are conflicting views on the relationship of FDI and growth but remained in the market suggest that developing countries should actively pursue FDI. (Odenthal and Zimmy, 1999; Jenkins and Thomas, 2002; Nwankwo, 2006). the potential benefits from the spillover of technology and skills contribute to this sentiment, but the fact that FDI is a very strong form of capital flows for host countries to increase the attractiveness of FDI, investment from a foreign company through FDI is less likely to bring their funds during the financial crisis when compared to other forms of financing such as portfolio investment abroad.

b. Effect of exchange rate on FDI

Froot and Stein, 1989 argues that the economy is distorted by the "imperfect information" (p. 4), and unequal opportunity across borders. Have a benefit in holding foreign assets. Differences in culture, work ethic and way of life can lead to very different results of efficiency; there is a "common wisdom" about the relationship between FDI and exchange rates. When a country's currency fell in value, it is seen as an opportunity for foreign investors to buy assets at low cost. This is true when the foreign company has identified certain assets in target markets (Blonigen, 1997). Barrell and Pain (1996) suggests that investors are more likely to delay their investment when the currency in the targeted market strengthened. This occurs when investors are speculating on the currency depreciating. Because of the reactionary nature of the behavior of investors, they also noted that there is a significant time lag between changes in the exchange rate and the movement of FDI. Ahn et al. (1998) noted the mix sentiment towards improving the competitiveness of FDI by devaluing currency. However, they found that the empirical research generally shows a positive impact. Erramilli and D 'Souza (1995) found that the volatility of the exchange rate is one of the contributors to the external uncertainties in the economy have a greater effect on FDI Inflow.

c. The effect of inflation on FDI

An economic instability of the host country can be a major deterrent to FDI inflow. All forms of instability introduced a form of uncertainty that distort investors' perception on the future profitability of a country (Erramilli and D' Souza, 1995). Akingbade, Celebrities and Roussos (2006, pp. 190-191) states that "low inflation is made out to be a sign of internal economic stability of a home. High inflation shows the inability of the government to balance the budget and the failure of the central bank to conduct monetary policy appropriate. "In other words, inflation can be used as an indicator of economic and political conditions of a country house, but the difference between" high inflation and a "low inflation rate did not differ (Ahn, Adjil and Willett 1998).

The goal of the literature review is to collect past research to gain insight into the relationship of economic growth, exchange rates and inflation to FDI inflow.

1. The strong economic growth in host countries attract FDI, but the host country is required to have good infrastructure capacity, sophisticated human resources, and capital in order to take advantage of the spillover benefits,
2. Overvaluing the eyes to prevent FDI because it is considered by the higher costs entry,
3. Inflation does not affect FDI directly, but it does not have an influence on factors such as unemployment, wages and economic growth. This factors form an important criterion in the decision making process of foreign investors to enter the market,
4. It is impossible to meet all three criteria in a sustainable manner Trilemma problem.

Hypothesis:

1. Strong economic growth expressed higher returns for investors and increased foreign investment (Nonnemberg and Cardoso de Mendonca, 2004). Gross Domestic Product (GDP) is a measure of the productivity of a country so that both a representation of the economic growth (Lipse and Chrystal, 2006). This hypothesis states that the change in economic growth, measured in GDP, will lead to changes in FDI inflow.

$$H_1: \Delta FDI_{t+1} = \lambda_1 \Delta GDP_t + \varepsilon_1 \quad (1)$$

ε_1 determine a correction factor. All other factors that may affect FDI inflow are assumed to be included in this correction factor. λ_1 shows the slope indicating the market time to react to changes. Furthermore, the hypothesis is said that this is a positive relationship, i.e. λ is positive.

2. Barrell and Pain 1996; Blonigen, 1997). It is hypothesized that changes in the exchange rate would result in a change in FDI.

$$H_2: \Delta FDI_{t+1} = \lambda_2 \Delta FOREX_t + \varepsilon_2 \quad (2)$$

ε_2 shows correction factor. All other factors that may affect FDI inflow are assumed to be included in this correction factor. λ_2 shows the slope and marks the time for the market to react to the changes. In addition, as one of the currencies devalued against the other, quoted exchange rate increases, so it can be hypothesized that this is a positive relationship, i.e. positive λ .

3. The high inflation is an indication of economic instability and destroys value money (Lipse and Chrystal, 2006). The destruction of the declared value of a negative impact on economic growth and can conclude that the negative impact of FDI. It is hypothesized that changes in inflation will lead to changes in FDI inflow,

$$H_3: \Delta FDI_{t+1} = \lambda_3 \Delta INFLAT_t + \varepsilon_3 \quad (3)$$

ε_3 determine correction factor. All other factors that may affect FDI inflow are assumed to be included in this correction factor. λ_3 shows the slope and I Denotes the market time to react to changes. Furthermore, it can be hypothesized that this is a negative correlation, i.e. λ is negative.

4. A multiple regression model was used to examine the significant impact of FDI on economic growth. The model is as follows:

$$\Delta FDI = \alpha + \beta GDP + \delta INF + \epsilon$$

Where:

ΔFDI = Changes in Foreign Investment

GDP = Gross Domestic Product

INF = Inflation

FDI is the dependent variable, while the GDP and the inflation rate is the independent variable

It turns out equally significant with a random but ER greater value, the theoretical factors affect inflation, and therefore wanted to know whether the variables that influence the FDI interact. To understand the interaction created co integration test, which is the interaction was observed ER with inflation, the overall effect of their interaction.

Pedroni Residual Cointegration Test Series: ER PINFIS
 Sample: 2003 2012 Included observations: 40 Cross-sections included: 4
 Null Hypothesis: No cointegration
 Trend assumption: Deterministic intercept and trend
 User-specified lag length: 1
 Newey-West automatic bandwidth selection and Bartlett kernel

Alternative hypothesis: common AR coefs. (within-dimension)				
	<u>Statistic</u>	<u>Prob.</u>	Weighted <u>Statistic</u>	<u>Prob.</u>
Panel v-Statistic	0.811483	0.2085	0.648429	0.2584
Panel rho-Statistic	1.808005	0.9647	1.747754	0.9597
Panel PP-Statistic	1.160220	0.8770	0.828126	0.7962
Panel ADF-Statistic	-2.472262	0.0067	-2.470211	0.0068

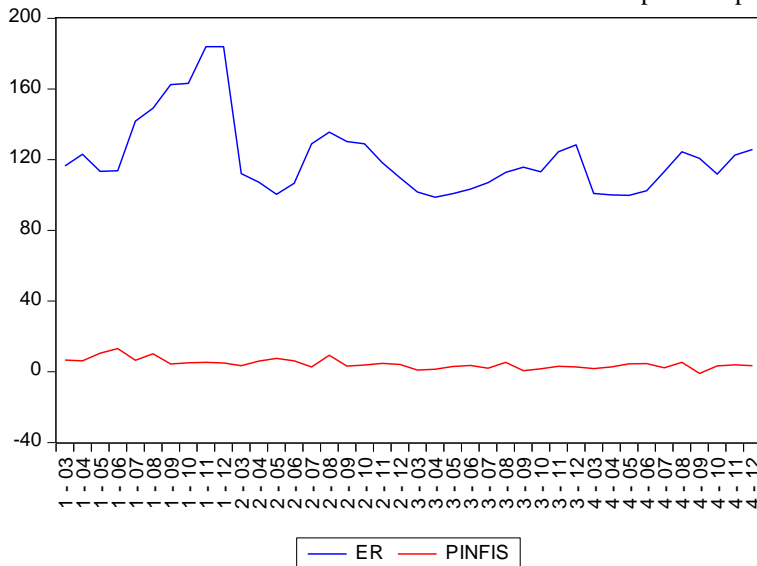
Alternative hypothesis: individual AR coefs. (between-dimension)		
	<u>Statistic</u>	<u>Prob.</u>
Group rho-Statistic	1.991297	0.9768
Group PP-Statistic	-2.210305	0.0135
Group ADF-Statistic	-3.189775	0.0007

Cross section specific results

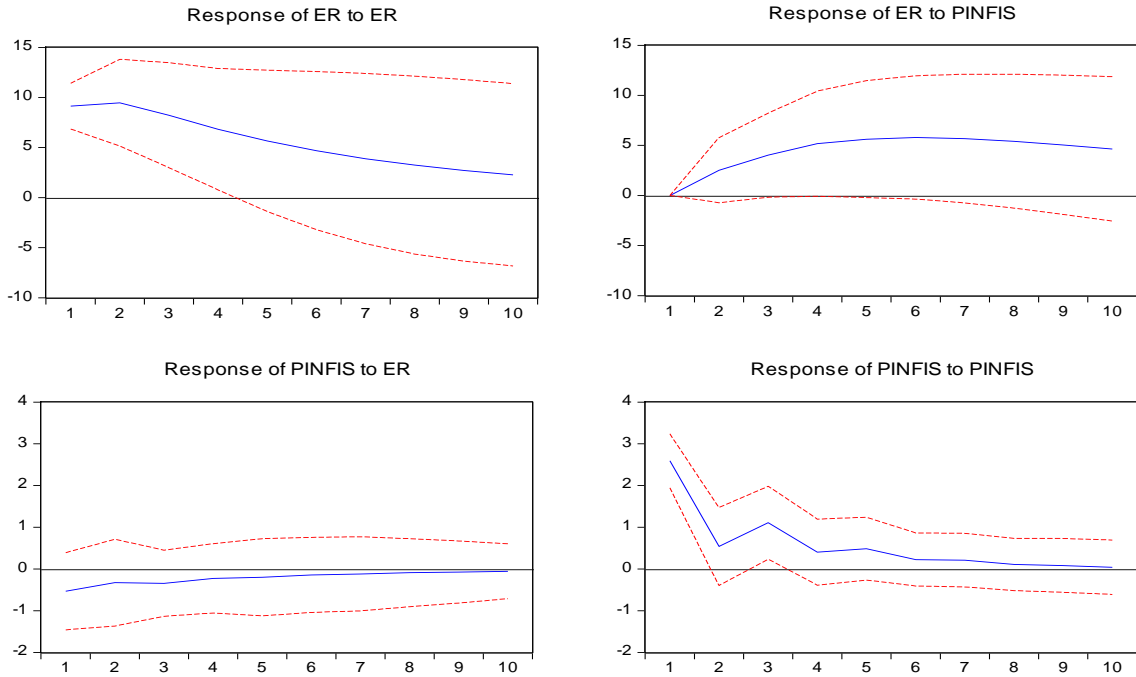
Phillips-Peron results (non-parametric)					
Cross ID	AR(1)	Variance	HAC	Bandwidth	Obs
1	-0.267	21.81748	4.608218	7.00	9
2	0.633	84.97004	84.97004	0.00	9
3	-0.026	7.284540	6.609487	4.00	9
4	0.184	26.80841	5.172764	8.00	9

Augmented Dickey-Fuller results (parametric)					
Cross ID	AR(1)	Variance	Lag	Max lag	Obs
1	-1.203	13.36233	1	--	8
2	0.255	42.68418	1	--	8
3	-0.481	6.463951	1	--	8
4	-0.335	16.52898	1	--	8

Her panel adf significant, long-term inflation ER and interact with each other, to see what type of interaction can be seen from chart 2 that variable and its impulse response.

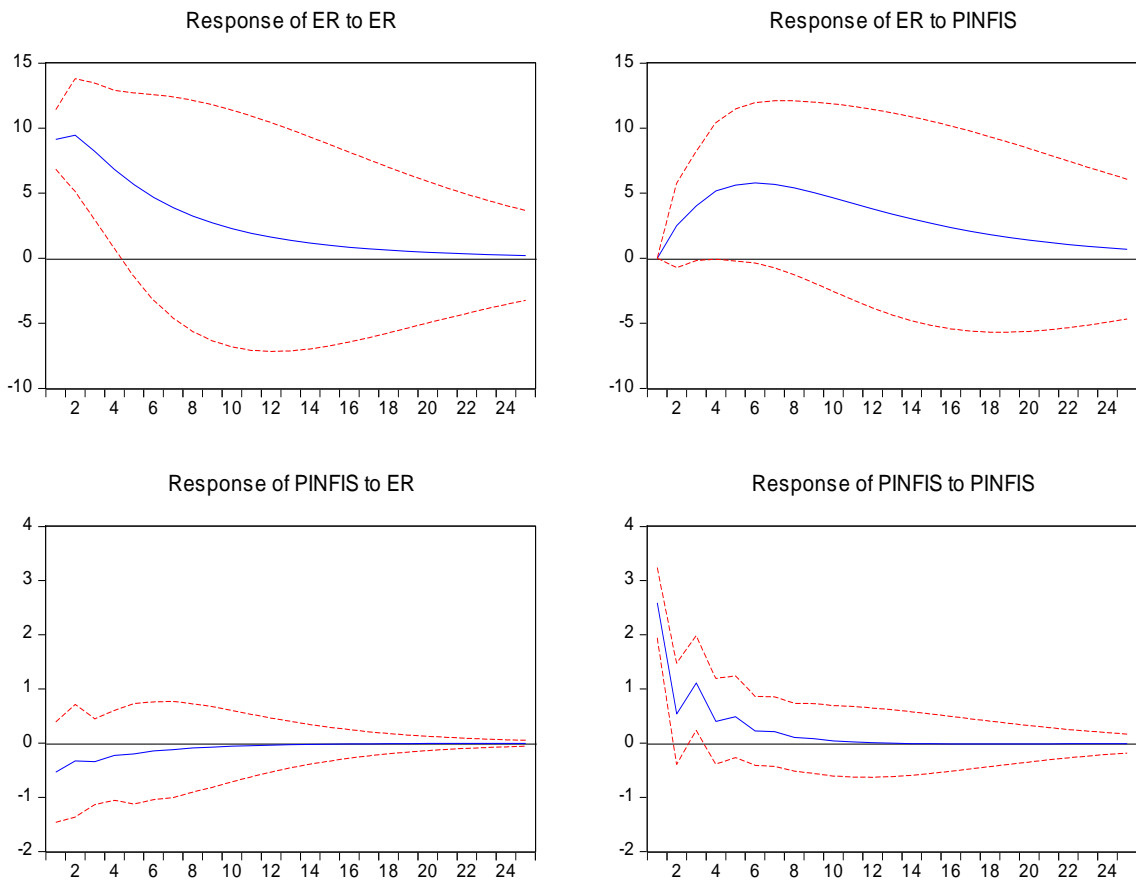


Response to Cholesky One S.D. Innovations ± 2 S.E.



Within a period of 10 years has not happened co integration.

Response to Cholesky One S.D. Innovations ± 2 S.E.



It turned out that in the period of 25 years has occurred co integration, so true significance fuller ER and inflation co integrated long term statistically ER or inflation is a variable moderator (no

interaction between ER and inflation) to determine whether the interaction between ER and inflation has an impact on variable variables that should effect on FDI can be in the know as follows:

Usual

Dependent Variable: FDI
 Method: Panel Least Squares
 Sample: 2003 2012
 Periods included: 10
 Cross-sections included: 4
 Total panel (balanced) observations: 40

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	37224.00	16156.40	2.303978	0.0273
ER	-245.3157	135.2297	-1.814067	0.0782
ER*PINFIS	90.16064	25.40050	3.549561	0.0011
GDP	-215.6493	466.7860	-0.461987	0.6469
PINFIS	-9993.025	3002.507	-3.328227	0.0021
R-squared	0.551938	Mean dependent var		11754.05
Adjusted R-squared	0.500731	S.D. dependent var		8198.516
S.E. of regression	5792.987	Akaike info criterion		20.28315
Sum squared resid	1.17E+09	Schwarz criterion		20.49426
Log likelihood	-400.6630	Hannan-Quinn criter.		20.35948
F-statistic	10.77855	Durbin-Watson stat		1.398642
Prob(F-statistic)	0.000008			

Fix

Dependent Variable: FDI
 Method: Panel Least Squares
 Sample: 2003 2012
 Periods included: 10
 Cross-sections included: 4
 Total panel (balanced) observations: 40
 White cross-section standard errors & covariance (d.f. corrected)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	32268.85	14174.64	2.276520	0.0296
ER	-202.5066	136.1766	-1.487088	0.1468
ER*PINFIS	77.47625	20.37833	3.801894	0.0006
GDP	-238.4187	196.2176	-1.215073	0.2332
PINFIS	-8447.334	1968.404	-4.291465	0.0002
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.607568	Mean dependent var		11754.05
Adjusted R-squared	0.521723	S.D. dependent var		8198.516
S.E. of regression	5669.895	Akaike info criterion		20.30059
Sum squared resid	1.03E+09	Schwarz criterion		20.63836
Log likelihood	-398.0117	Hannan-Quinn criter.		20.42271
F-statistic	7.077528	Durbin-Watson stat		1.574456
Prob(F-statistic)	0.000040			

Random

Dependent Variable: FDI
 Sample: 2003 2012
 Total panel (balanced) observations: 40
 Swamy and Arora estimator of component variances
 White cross-section standard errors & covariance (d.f. corrected)

Method: Panel EGLS (Period random effects)

Periods included: 10

Cross-sections included: 4

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	31377.27	14718.33	2.131849	0.0401
ER	-194.6205	126.3448	-1.540392	0.1325
ER*PINFIS	79.60949	16.61257	4.792123	0.0000
GDP	-224.4930	412.4758	-0.544257	0.5897
PINFIS	-8742.208	1843.093	-4.743226	0.0000

Effects Specification

	S.D.	Rho
Period random	2762.686	0.2014
Idiosyncratic random	5501.675	0.7986

Weighted Statistics

R-squared	0.535747	Mean dependent var	8293.488
Adjusted R-squared	0.482689	S.D. dependent var	7386.953
S.E. of regression	5313.015	Sum squared resid	9.88E+08
F-statistic	10.09747	Durbin-Watson stat	1.415131
Prob(F-statistic)	0.000015		

Unweighted Statistics

R-squared	0.549570	Mean dependent var	11754.05
Sum squared resid	1.18E+09	Durbin-Watson stat	1.336836

Dependent Variable: FDI
 Sample (adjusted): 2004 2012
 Total panel (balanced) observations: 36
 Swamy and Arora estimator of component variances
 White cross-section standard errors & covariance (d.f. corrected)

Method: Panel EGLS (Period random effects)

Periods included: 9

Cross-sections included: 4

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	24856.03	15624.45	1.590842	0.1221
ER	-147.8483	131.8710	-1.121158	0.2711
ER*PINFIS	71.46590	17.88623	3.995582	0.0004
GDP	-33.24498	402.4239	-0.082612	0.9347
D(GDP)/GDP(-1)	-636.1815	203.4984	-3.126224	0.0039
PINFIS	-7783.838	2071.152	-3.758216	0.0007

Effects Specification

	S.D.	Rho
Period random	3771.367	0.3164
Idiosyncratic random	5543.153	0.6836

Weighted Statistics

R-squared	0.556247	Mean dependent var	7122.297
Adjusted R-squared	0.482288	S.D. dependent var	7370.502
S.E. of regression	5303.239	Sum squared resid	8.44E+08
F-statistic	7.521034	Durbin-Watson stat	1.709033
Prob(F-statistic)	0.000112		

Unweighted Statistics

R-squared	0.551685	Mean dependent var	12027.17
Sum squared resid	1.13E+09	Durbin-Watson stat	1.462738

So repetitive testing results showed that in fact significant FDI in Asean including ER and inflation interact against FDI in significant Asean. What is interesting is the GDP is only significant in attracting FDI is not based on nominal value but is based on GDP growth.

CONCLUSION

1. Method: Panel EGLS (Cross-section random effects) significantly influence the exchange rate of foreign direct investment.
2. It turns out that the value of the ER with a random effect compared to the larger fixed ER, theoretically affects the inflation factor, therefore, and wanted to know whether the variables that influence the FDI interact. To understand the interaction created co integration test, which is the interaction was observed ER with inflation, the overall effect of their interaction.
3. The panel adf it's significant, long-term inflation ER and interact with each other, to see what type of interaction can be seen from chart 2 that variable and its impulse response. Within a period of 10 years with the exchange rate of inflation has not occurred co integration. It turned out that in the period of 25 years has occurred co integration, so true significance fuller co integrated ER and long-term inflation is statistically ER or inflation is a moderator variable (No interaction between ER and inflation).
4. To determine whether the interaction between ER and inflation has an impact on variable variables that affect the FDI should be in the know as follows. So repetitive testing results show that ER, Inflation, against FDI. When the exchange rate and inflation interact against FDI in significant Asean. What is interesting is the GDP is only significant in attracting FDI is not based on nominal value but is based on GDP growth.

RECOMMENDATION

Exchange rate often quoted daily and rapid change, clearly visible from the financial crisis. By generalizing the exchange rate to the level of the annual average for comparison with the average number of annual FDI inflow, research will surely miss most of the correlations were significant. The quarterly data is more suitable for this type of analysis.

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CONTRIBUTION OF FARM NON FOOD CROPS SUB SECTOR ON JAMBI PROVINCE ECONOMY

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Abstract. Regional development have to be accordance with the existing potential in the area to get more optimal result. Farm non food crops sub sector is one of the sub sectors on economy that develop in Jambi Province. Contribution of farm non food crops sub sector can be used as indicator of successful on farm non food crops development in Jambi Province. This research aimed to know contribution of farm non food crops sub sector on Jambi Province economy. The data was used on this research is time series data 1995-2014 periode. Analysis metodes were used to know contribution of farm non food crops were location quotient and shift-share analysis. The result of this research showed that average contribution of farm non food crops sub sector on total GRDP of Jambi Province was 12,02% with increasing trend from 1995 to 2014. Farm non food crops of Jambi Province is basic sector on Jambi Province economy during 1995-2014 periode, and have the level of growth which was faster that its growth on national level.

Key Words: *Contribution of Farm Non Food Crops Sub Sector, LQ, Shift-Share*

INTRODUCTION

Economic growth process is a continouse process and its main condition to continuously development of the region. Increasing of population made economic needs increased and it is needed additional of income every year. Additional of income can be got from increasing of output (goods and services) or Gross Domestic Product (GDP) every year (Tambunan, 2001). One of the sectors which has important role on increasing of income is agricultural sector.

Agricultural sector has important role on the national economy such as contribution on Gross Domestic Product (GDP), foreign exchange, provision of food and raw materials, poverty alleviation, provide employment, and increasing of income per capita. Beside its direct contribution, agricultural sector also has indirect contribution on the economy that is multiplier effect that is input-output linkages of industries, consumption, and investment. Multiplier effect is relative large to make agricultural sector as the main sector on development of national economy (Anonim, 2006).

Jambi province is one of the provinces in Indonesia where agricultural sector still as main sector on its economy. That is can be seen from agricultural contribution on Gross Regional Domestic Product (GRDP) that is always more that 25% from 1995 to 2014. Agricultural contribution on GRDP Jami province achieve 30,32% in 2014.

The large value of agricultural contribution on GRDP Jambi province is not apart from development of each agricultural sub sectors. One of the agricultural sub sectors which developing quickly in Jambi province is farm non food crops sub sector. Developing of farm non food crops sub sector in Jambi province can be seen from development of farm non food crops company that is achieve 91 farm non food crops company and it can absorb 14.432 employee in 2013 (BPS, 2016). Depeloping of farm non food crops sub sector have to be always increased by development of its sub sector.

One of the indicators can be used to measure successfull on development of farm non food crops sub sector in Jambi province is from the contribution of farm non food crops sub sector on Jambi province economy. This research aimed to know contribution of farm non food crops contribution in Jambi province.

RESEARCH METHODOLOGY

The data that is used on this research is secondary data, they are data of GRDP Jambi province and GDP of Indonesia. The data that is used start from 1995-2014 or the last 20 years with 2000 as basic year. Contribution of farm non food crops sub sector on Jambi province economy can be known from direct its contribution on GRDP of Jambi province, the role of farm non food crops sub sector on Jambi province economy, and comparative of the growth of farm non food crops sub sector in Jambi province with its growth in national level.

Contribution of farm non food crops sub sector on GRDP can be analyzed by contribution analysis with the formula as:

$$\text{Contribution}_{ij} = \frac{\text{GRDP}_{ij}}{\text{GRDP}_j} \times 100\%$$

Where:

Contribution_{ij} = contribution of sector/sub sector i in j province

GRDP_{ij} = GRDP of sector/sub sector i in j province

GRDP_j = GRDP j province

Trend of contribution of farm non food crops sub sector on GRDP during the last 20 years is analyzed by trend linear with equation follow as:

$$Y = \beta_0 + \beta_1 T + \mu$$

Dimana :

Y = contribution of farm non food crops sub sector on GRDP

β_0 = constanta

β_1 = regression coefficient

T = time (1995-2014)

μ = Error

Location Quotient (LQ) is used to know the role of farm food crops sub sector on Jambi province economy, whether as basic sub sector or non basic sub sector. LQ analysis on farm non food crops sub sector in Jambi province is done by the formula as (Tarigan, 2009):

$$LQ = \frac{x_i/e_i}{X_i/E_i}$$

Dimana:

x_i = value added farm food crops sub sector in Jambi province

e_i = value added agricultural sector in Jambi province

X_i = value added farm non food crops sub sector in Indonesia

E_i = value added agricultural sector in Indonesia.

Criteria:

$LQ > 1$, mean that farm non food crops sub sector is basic sector in Jambi province

$LQ \leq 1$, mean that farm non food crops sub sector is not basic sector in Jambi province.

Shift-Share analysis is used to know comparasion of growth of farm non food crops sub sector in Jambi province and its growth in Indonesia. According to Tarigan (2009), Shift-Share analysis is also used to know explaining factors which the cause of growth of sectors in a region on the linkage with national economy. Formulation of Shift-Share analysis consist of three part, those are (Sjafrizal, 2008):

1. *Regional Share* $[y_i^0 (\frac{y_i^t}{y_i^0} - 1)]$ is component of the growth of a regional economic sector that is caused by external factor, it means increasing of regional economic sector is caused by influence of national economic activity which is have impact to region.

2. *Proportionality Shift (Mix Shift)* $[y_i^0 \{(\frac{y_i^t}{y_i^0}) - (\frac{y^t}{Y^0})\}]$ is component of the growth of a regional economic sector that is caused by regional economic structure, for example specialization on specific sector. If the value is positive, mean that farm non food crops sub sector concentrated in Jambi province. That show the role of economic structure in Jambi province on the growth of farm non food crops sub sector.

3. *Differential Shift (Competitive Shift)* $[y_i^0 \{(\frac{y_i^t}{y_i^0}) - (\frac{y^t}{Y^0})\}]$ is component of the growth of a regional economic sector because spesific condition of the region which have competitive characteristic. If it is positive, it show that the region has stronge competitive on develop of spesific economic sector.

Where:

y_i^t = GRDP farm non food crops sub sector in Jambi province on the last year of the period

y_i^0 = GRDP farm non food crops sub sector in Jambi province on the first year of the period

Y^0 = GDP on the first year of the period

Y^t = GDP on the las year of the period

Y_i^0 = GDP farm non food crops sub sector of Indonesia on the first year of the period

Y_i^t = GDP farm non food crops sub sector of Indonesia on the last year of the period.

RESULT AND DISCUSSION

Contribution of farm non food crops sub sector on Jambi Province economy

Farm non food crops sub sector is sub sector which runs non food crops. Non food crops have important role such as one of the sources of foreign exchange, contribute on GRDP, provision of raw materials, and also have role on environmental sustainability. Farm non food crops sub sector in Jambi province include several commodities which are palm oil, rubber, tea, coffee, cacao, etc.

Farm non food crops sub sector has role as one of the framers of GRDP of Jambi province. Contribution of farm non food crops sub sector on Jambi province economy is showed on table 1 as follow:

Table 1. Contribution of Farm Non Food Crops Sub Sector on Jambi Province Economy

Year	Contribution on Agricultural GRDP (%)	Contribution on Total GRDP(%)	Year	Contribution on Agricultural GRDP (%)	Contribution on Total GRDP(%)
1995	22,67	6,86	2005	41,68	12,59
1996	23,97	7,23	2006	46,88	14,89
1997	25,92	7,40	2007	46,70	14,51
1998	28,80	8,39	2008	46,83	14,36
1999	29,86	8,93	2009	47,33	14,55
2000	33,15	10,07	2010	48,11	14,49
2001	34,87	10,41	2011	48,80	14,36
2002	39,99	12,16	2012	49,12	14,47
2003	40,64	12,42	2013	49,34	14,45
2004	41,62	12,69	2014	49,90	15,13
Average				39,81	12,02

Source: Secondary analysis data, 2016

Contribution of farm non food crops sub sector on GRDP of agricultural sector have increased since 1995 to 2014. The contribution achieve 49,90% in 2014. It showed that farm non food crops sub sector is the most dominant to form GRDP of agricultural sector in Jambi province than the others of agricultural sub sectors. While, average of farm non food crops sub sector contribution on total GRDP of Jambi province last 20 years was 12,02%. The large of the contribution of farm non food crops sub sector on agricultural GRDP and total GRDP Jambi province indicated that development on farm non food crops sub sector in Jambi province had good performance.

Trend linear analysis is used as indentify tool of tendency of contribution value of farm non food crops sub sector on GRDP Jambi province from 1995 to 2014. It can be used as evaluation tool of farm non food crops sub sector performance in Jambi province. Trend linear of farm non food crops sub sector contribution on total GRDP Jambi province is showed by figure 1.

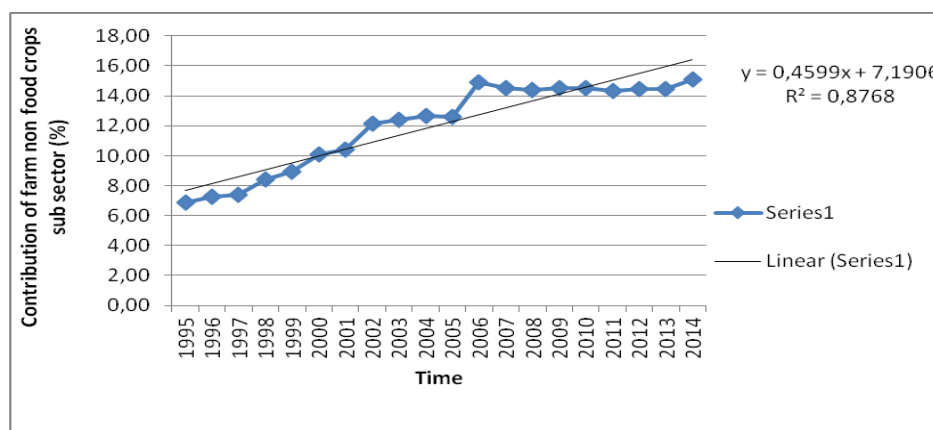


Figure1. Contribution of farm non food crops sub sector on total GRDP Jambi province

Contribution of farm non food crops sub sector on total GRDP Jambi province has increasing trend. On picture 1 can be seen the curve of farm non food crops sub sector contribution which moved from bottom left to up right. Trend contribution of farm non food crops sub sector which increased mean that Jambi province still depend on agricultural sector specially farm non food crops sub sector.

Table 2. The Result of Simple Linear Regression Analysis of Trend Linear Equation of Farm Non Food Crops Sub Sector Contribution on Total GRDP Jambi Province (1995-2014)

Variable	Coefficient	t-Statistic	Prob.
Constanta	7.188	1.476	0.000
Time	0.459	1.131	0.000
R ²	0.876	F-Statistic	1.280
Adjusted R ²	0.869	Prob(F-statistic)	0.000

Source: Secondary analysis data, 2016

Notes:

- *** Significant on $\alpha = 1\%$
- ** Significant on $\alpha = 5\%$
- * Significant on $\alpha = 10\%$

Base on the result of regression analysis on table 2, variable T (time) significant on variable contribution of farm non food crops sub sector on total GRDP Jambi province. It showed that estimation of trend linear suitable to describe movement of tendency of the value of farm non food crops sub sector contribution on total GRDP Jambi province. The value of coefficient regression of T variable is 0,459. It mean that every year contribution of farm non food crops sub sector on total GRDP Jambi province increase 0,459% on the periode 1995-2014.

The Role of Farm Non Food Crops Sub Sector on Jambi Province Economy

Usage of Location Quotient analysis was a measurement to determine sector/sub sector as basic sector or non basic sector on the regional economy. Determining of basic or non basic sector is important to government because it can be used as measurement of determine priority of development in the next period. LQ is used to know the role of farm non food crops sub sector on the Jambi province economy and it will be used able to became one of material for deciding policies of development in Jambi province.

Table 3. Value of LQ Sub Sector of Plantation in Jambi Province Year 1995-2014

Year	LQ	Year	LQ
1995	1,53	2005	2,66
1996	1,60	2006	2,98
1997	1,72	2007	2,94
1998	1,89	2008	2,98
1999	1,96	2009	3,07
2000	2,21	2010	3,11
2001	2,25	2011	3,12
2002	2,51	2012	3,11
2003	2,52	2013	3,07
2004	2,65	2014	3,06
Average			2,55

Source: Secondary data analysis, 2016

Base on table 3, it is known that the value of LQ farm non food crops sub sector on 1995-2014 was more than 1 with the average of the value was 2,55. It mean that farm non food crops sub sector as basic sub sector in Jambi province. Beside that, the value of LQ farm non food crops sub sector which was more than 1 indicated that contribution of farm non food crops sub sector on GRDP Jambi province was higher than its contribution in national level.

That value of LQ also indicated that farm non food crops sub sector in Jambi province had able to full fill local needs and able to expor to others region. Farm non food crops sub sector has role as basic sector can be used standard rule that farm non food crops sub sector can became priority of development in Jambi province.

Beside the LQ, the analysis that can be used to know the role of sector/sub sector on economy is shift share analysis. Shift-share analysis itemize of the determine factors of sub sector role into some variable. This analysis used isolation method factors that cause structural economy change in the region on the growth on specific time.

Table 4. Results of Shift-Share Analysis of the Agricultural Sector Sub Jambi (Rp.Miliar)

Sub Sector	Rs	Ms	Cs	Total
Plantation	680,50244	-154,03	2427,366864	2953,84

Source: Secondary data analysis, 2016

Base on the result of shift-share analysis on table 4, it is known that the total value or the sum of regional share, mixed shift, and competitive shift of farm non food crops sub sector Jambi province has positive value that is Rp 2.953.840.000.000. It mean that the growth of farm non food crops sub sector Jambi province is faster than the growth farm non food crops sub sector national level.

The value of regional share (Rs) on the table 4 show how large influence of national economy activity on the growth of farm non food crops sub sector in Jambi province. The value of Rs farm non food crops sub sector in Jambi province is Rp 680.502.440.000. It indicate that national economy activities has growth that give push on the growth of farm non food crops sub sector in Jambi province.

If it is seen from the aspect of regional economic structure, farm non food crops sub sector is not spesialization Jambi province. It is showed by the value of mixed shift (Ms) which has negative value (table 4). The value of Ms farm non food crops sub sector which has negative value also show that economic structure in Jambi province is dominated by others sector/sub sector.

The value *Competitive Shift* (Cs) give description of the value of location advantage farm non food crops sub sector in Jambi province. This advantages include spesific of the environment from natural resource, government policies, and externality economic activities of Jambi province. The value of Cs farm non food crops sub sector in Jambi province base on the result of shift-share analysis on table 4 is Rp 2.427.366.864.000. The positive value of Cs of farm non food crops sub sector indicate that farm non food crops sub sector in Jambi province has competitive advantages than others region.

CONCLUSION

Contribution of farm non food crops sub sector on total GRDP Jambi province is large enough with the avarage is 12,02% from 1995 to 2014. That contribution has increasing trend from year to year. This indicates development of farm non food crops sub sector in Jambi province has good performance.

Farm non food crops sub sector in Jambi province is basic sub sector on the period 1995-2014. This mean that farm non food crops sub sector in Jambi province had able to full fill local needs and able to expor to others region. While, base on the result of shift-share analysis, the growth of farm non food crops sub sector in Jambi province is faster than the growth of farm non food crops sub sector in national level. Determinant factors of the growth are regional share or the growth of national economic activities and competitive shift or competiitiive advantage.

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THE EFFECT OF FINANCIAL INCLUSION ON BANK EFFICIENCY IN A DUAL-BANKING SYSTEM

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Abstract. This study aims to examine the relationship between financial inclusion and bank efficiency of the dual banking system. Using Stochastic Frontier Analysis, we estimate the efficiency of banks and its determinants on 47 conventional and 25 Islamic banks from 14 countries over 2005 to 2014. We use the number of branches and bank size as a measure of financial inclusion. We found that financial inclusion affects bank efficiency. Specifically, the larger the bank size, the less efficient a bank is. However, the larger the branch network, the more efficient a bank is. In contrast, for Islamic banks, the larger the bank size, the more efficient a bank is and the larger the branch network, the less efficient a bank is. Hence, in improving financial inclusion of an economy, bank managers and regulators may need to be careful on its effect on bank performance.

Keywords: Financial inclusion, Efficiency, Stochastic Frontier Analysis, Islamic banking.

PENDAHULUAN

Inklusif kewangan ditakrifkan sebagai perkongsian komuniti dalam mendapatkan perkhidmatan kewangan yang berkualiti dan sesuai kepada semua golongan masyarakat. Ia telah menjadi agenda penting kepada sistem kewangan di seluruh dunia pada dekad ini terutama setelah pengalaman beberapa siri krisis kewangan. Golongan terpinggir yang tidak mempunyai akaun di bank dan institusi kewangan tidak dapat turut sama membantu sistem kewangan membangunkan ekonomi. Tambahan lagi, beberapa negara seperti Afghanistan, Iraq, Tunisia dan Arab Saudi menunjukkan orang dewasa tidak mempunyai akaun disebabkan oleh alasan agama (Demirguc-Kunt *et al.*, 2013). Produk kewangan yang tidak patuh Syariah atau konvensional ditolak oleh kebanyakan penduduk di negara-negara berkenaan disebabkan produk-produk tersebut berlandaskan bunga (riba).

Pada tahun 2000 dianggarkan separuh daripada populasi dewasa dunia tidak mempunyai sebarang akaun dalam institusi kewangan, manakala 75 peratus orang miskin tidak mempunyai akaun bank. Pada tahun 2009, masih terdapat 56 peratus orang dewasa di seluruh dunia tidak mempunyai kemudahan dalam perbankan terutama di negara-negara membangun (Ardic *et al.*, 2011). Menurut Indeks Kewangan Global, walaupun 700 juta orang dewasa telah mendapat akses kepada kewangan sejak tahun 2011, masih terdapat 2 bilion orang dewasa masih tidak mendapat akses kewangan dengan sempurna. Di Asia Tenggara sahaja, dianggarkan sebanyak 250 juta orang dewasa masih tidak mendapat perkhidmatan yang rasmi manakala majoriti perniagaan kecil mengalami masalah untuk mendapatkan pinjaman.

Sebagai polisi utama dalam bank pusat, tahap inklusif yang lebih baik dapat mengukuhkan ekonomi dan mengurangkan kemiskinan. Sekiranya inklusif kewangan diperluaskan, ia boleh menyokong ekonomi dan kestabilan kewangan dengan lebih ramai orang akan menyimpan dan melabur dalam ekonomi. Ini termasuk membolehkan perbankan Islam beroperasi. Namun, pelaksanaan inklusif kewangan secara tidak teratur boleh mengurangkan tahap kecekapan bank yang seterusnya menggugat kestabilan bank itu sendiri. Ketidakecekapan dan ketidakstabilan bank akan memberi kesan negatif kepada sistem kewangan.

Sehingga kini, tiada kajian kesan terhadap institusi kewangan dan perbankan dalam pelaksanaan inklusif kewangan. Kajian inklusif kewangan yang merangkumi negara, benua, jantina dan pendapatan juga masih kurang dan tidak ada pembuktian secara empirical (Sahay *et al.* 2015). Begitu juga tiada pembuktian empirikal setakat ini dalam menjelaskan kesan ke atas kecekapan apabila inklusif kewangan dijalankan oleh jenis bank berbeza seperti bank konvensional dan bank Islam. Dengan itu, objektif kajian ini ialah menganalisis hubungan inklusif kewangan dengan kecekapan bank dalam kedua-dua bank Islam dan konvensional. Hasil kajian menunjukkan bahawa inklusif kewangan memberi kesan yang signifikan ke atas kecekapan bank. Lebih spesifik lagi, semakin banyak cawangan, bank menjadi lebih cekap. Manakala semakin besar saiz bank, ia menjadi kurang cekap. Walaubagaimanapun, bank Islam yang mempunyai cawangan yang banyak adalah kurang cekap berbanding bank konvensional. Manakala bank Islam yang semakin besar saiznya, ia menjadi semakin cekap berbanding bank konvensional. Keputusan ini menunjukkan bahawa dasar inklusif kewangan memberi boleh membantu bank meningkatkan kecekapan bergantung kepada langkah yang diambil. Peningkatan bilangan cawangan bukan sahaja boleh meningkatkan inklusif kewangan tetapi juga meningkatkan kecekapan bank. Walaubagaimanapun penambahan saiz bank mungkin boleh meningkatkan inklusif kewangan tetapi ia mengurangkan

kecekan bank. Keputusan sebaliknya bagi perbankan Islam. Oleh itu pengurus bank dan pembuat dasar mungkin perlu berhati-hati dalam merancang dan memilih langkah untuk meningkatkan inklusif kewangan.

Kertas kajian ini disusun seperti berikut. Bahagian 2 mempersembahkan sorotan kajian-kajian lepas berkenaan inklusif kewangan dan kecekan bank. Kaedah kajian pula ditunjukkan dalam bahagian 3. Bahagian 4 membandingkan dapatan hubungan inklusif kewangan dan kecekan dalam Perbankan Islam dan perbankan konvensional. Akhir sekali, bahagian 5 merumuskan hasil kajian.

SOROTAN KAJIAN LEPAS

Inklusif kewangan merupakan agenda penting dalam sesebuah negara atau peringkat antarabangsa pada masa kini. Namun bolehkah Perbankan Islam membantu dalam inklusif kewangan? Kewangan Islam banyak menawarkan produk yang komprehensif yang jika dilaksanakan dalam semangat yang sebenar akan dapat mengurangkan kemiskinan dalam kalangan negara-negara Islam (Mohieldin *et al.*, 2011). Zakat, sedekah, wakaf dan Qard al-Hasan sebagai instrumen kewangan Islam boleh meningkatkan akses kepada kewangan dalam mempromosi persekitaran yang mampu kewangan. Dengan itu, peranan Perbankan Islam amat diperlukan dalam meningkatkan inklusif kewangan.

Kajian Ratna Sahay *et al.* (2015) cuba mencari bukti mengenai kesan makroekonomi kepada inklusif kewangan. Inklusif kewangan boleh menaikkan kadar pertumbuhan ekonomi sesebuah negara apabila kebanyakan golongan dapat menggunakan kemudahan dan perkhidmatan kewangan. Namun bank berdepan risiko ketidakstabilan sekiranya akses kepada kredit tidak diselia dengan baik. Ia berkaitan dengan bencana moral dan pemilihan sakal dalam kalangan pengamal perbankan. Beberapa petunjuk inklusif kewangan seperti mesin ATM, cawangan dan akaun transaksi tidak mempunyai kesan kepada kestabilan. Namun kajian tersebut tidak mengaitkan inklusif kewangan dengan kecekan. Oleh itu, kajian kami menggunakan petunjuk bilangan cawangan yang dijangka memberikan kesan positif kepada kecekan bank.

Dalam kalangan negara-negara Islam, sistem Perbankan Islam dilihat efektif untuk inklusif kewangan. Penggunaan perkhidmatan kewangan yang sedikit perlahan boleh ditingkatkan lagi apabila akses secara fizikal menunjukkan peningkatan yang drastik akibat kesedaran mengenai inklusif kewangan (Ben Naceur *et al.*, 2015). Jaringan kredit yang lebih luas kepada golongan isi rumah dan perusahaan memberi peluang dalam peningkatan pendapatan. Namun kajian hanya menggunakan data negara yang umum dan tidak spesifik kepada sistem perbankan. Oleh itu, kesan inklusif kewangan kepada perbankan tidak dapat dilihat dengan jelas. Kajian kami menggunakan petunjuk jumlah aset yang lebih mudah didapati supaya sumbangan Perbankan Islam kepada inklusif kewangan dapat dilihat dengan jelas.

Ramai pengkaji lepas menguji kesan saiz bank terhadap kecekan. Saiz bank yang lebih besar mengurangkan tahap kecekan bank (Isik & Hassan, 2002 & Bader *et al.*, 2008). Ini disebabkan bank yang besar mempunyai pasaran dan pelaburan yang merentasi negara. Namun dapatan daripada kajian Hassan (2003) menunjukkan bahawa bank yang mempunyai saiz yang lebih besar menandakan kecekan yang lebih tinggi. Kajian Beck *et al.* (2013) pula mendapati bahawa saiz yang lebih besar akan meningkatkan kecekan dalam Perbankan Islam. Kos mengeluarkan produk baru yang patuh Syariah hanya memberi kesan kepada bank yang lebih kecil. Walau pun banyak kajian terdahulu menguji kesan saiz bank terhadap kecekan, keputusan masih berbeza-beza. Kajian ini menggunakan petunjuk jumlah aset yang boleh menjelaskan saiz sesebuah bank.

Hanya beberapa kajian sahaja yang memasukkan bilangan cawangan sebagai pemboleh ubah dalam menganalisis kecekan. Kasman (2002) menggunakan bilangan cawangan sebagai keadaan dalam teknologi pengeluaran. Walau bagaimana pun, perubahan teknologi tidak memainkan peranan dalam mengurangkan kos. Muharrami (2008) pula mendapati bahawa bank kecil yang mempunyai cawangan yang lebih sedikit akan meningkatkan kecekan. Namun kajian tersebut hanya mengambil data daripada beberapa buah negara sahaja dan tidak membandingkannya dengan perbankan konvensional. Bilangan cawangan sebagai petunjuk inklusif kewangan digunakan dalam kajian ini dengan menjangkakan bahawa kecekan Perbankan Islam akan terjejas sekiranya menambahkan cawangan.

Analisis perbandingan kecekan di antara Perbankan Islam dan perbankan konvensional menemukan dapatan yang berbeza-beza. El-Gamal & Inanoglu (2005) dan Bader *et al.* (2008) mendapati tidak ada perbezaan kecekan yang signifikan di antara kedua-dua jenis bank. Manakala terdapat banyak kajian yang mendapati bahawa Perbankan Islam kurang cekap berbanding perbankan konvensional (Mokhtar *et al.*, 2006, Abdul-Majid *et al.*, 2010 dan Beck *et al.*, 2013). Walau bagaimana pun, Muharrami (2008) menyatakan bahawa Perbankan Islam lebih cekap berbanding perbankan konvensional dalam analisisnya. Namun sampel Perbankan Islam yang diambil agak kecil. Oleh itu, kajian ini juga cuba membandingkan kecekan di antara kedua-dua jenis bank untuk membuktikan Perbankan Islam lebih cekap dari segi kos tetapi menggunakan sampel yang lebih besar. Ringkasan kajian-kajian lepas boleh dirujuk dalam Lampiran C.

Kaedah bukan parametrik dan parametrik sering digunakan oleh sarjana untuk mengukur kecekapan. Kaedah bukan parametrik biasanya diukur menggunakan model analisis penyampulan data (APD) seperti digunakan oleh Yudistira (2003), Bader *et al.* (2008) dan Sufian (2008). Namun kaedah bukan parametrik mempunyai masalah dalam taburan ketidak cekapan disebabkan pendekatan ini tidak membenarkan gangguan dalam pengiraannya. Walau bagaimana pun, beberapa kajian seperti Ferrier & Lovell (1990) menemukan skor kecekapan dalam sampel bank di USA menggunakan APD adalah lebih tinggi berbanding kaedah stokastik. Manakala kajian Mobarek & Kalonov (2013) tidak dapat membuktikan perbezaan yang ketara di antara pendekatan bukan parametrik dan parametrik. Tanpa dipengaruhi oleh dapatan tersebut, penulis berpendapat kaedah parametrik lebih bersesuaian dalam kajian ini kerana mempunyai kelebihan dalam membenarkan gangguan dalam pengukuran ketidakcekapan.

Daripada perbincangan di atas, didapati tidak ada lagi kajian yang mengaitkan inklusif kewangan dengan kecekapan bank. Kajian-kajian berkaitan inklusif kewangan hanya menumpukan kepada kestabilan dan peranan sistem kewangan dan Perbankan Islam dalam membantu inklusif kewangan serta kajian analisis kecekapan sahaja. Oleh itu, kajian kami cuba mengurangkan jurang berkaitan inklusif kewangan yang boleh memberi impak kepada ekonomi dunia. Kajian seperti ini perlu dilakukan untuk menghilangkan keraguan pengamal perbankan akan pelaksanaan inklusif kewangan. Manakala golongan yang selama ini terpinggir daripada mendapatkan perkhidmatan perbankan juga dapat menikmati kemudahan secara inklusif. Kajian juga memilih pendekatan analisis perbatasan stokastik (APS) dalam menguji kesan inklusif kewangan terhadap kecekapan dalam kedua-dua jenis perbankan. Beberapa kajian lepas dilihat tidak memasukkan pemboleh ubah kawalan seperti kajian Ahmad Mokhtar *et al.* (2007) dan Mobarek & Kalonov (2014). Justeru, kajian ini cuba untuk menambah baik kajian-kajian lepas dengan mengawal faktor persekitaran supaya dapatan tidak akan berat sebelah.

METODOLOGI

Analisis Perbatasan Stokastik (APS)

Terdapat beberapa kaedah untuk mengukur kecekapan seperti parametrik dan bukan parametrik. Pendekatan parametrik mempunyai kelebihan membenarkan gangguan (*noise*) dalam pengukuran ketidak cekapan. Namun, pendekatan tersebut memerlukan bentuk fungsi yang spesifik dalam fungsi pengeluaran, kos atau keuntungan. Manakala pendekatan bukan parametrik adalah mudah untuk mengukurnya disebabkan tidak memerlukan bentuk fungsi yang spesifik (Coelli, 2004). Bagaimana pun, pendekatan bukan parametrik mempunyai kelemahan yang ketara apabila sisihannya ditaburkan ke atas ketidak cekapan tanpa membenarkan gangguan. Kaedah parametrik yang biasa digunakan adalah pendekatan perbatasan stokastik (APS). Sementara teknik bukan parametrik yang biasa adalah analisis penyampulan data (APD).

Kajian ini menggunakan analisis perbatasan stokastik (APS) dalam mengukur kecekapan kos. Dalam menganalisis kecekapan dalam institusi kewangan menggunakan APS, biasanya beberapa konsep digunakan iaitu kecekapan teknikal dan kecekapan kos. Namun kajian ini hanya menumpukan kepada kecekapan kos disebabkan kajian mencari hubungan dengan inklusif kewangan seperti bilangan cawangan yang melibatkan kos yang besar. Kecekapan kos adalah kebolehan kos bank dan pawaian kos yang ditetapkan dalam menghasilkan output yang sama dalam keadaan pasaran yang sama (Berger & Mester, 1997).

Kecekapan kos dapat diperolehi dengan menggunakan fungsi kos. Fungsi kos mendefinisikan sejauh mana bank beroperasi di atas perbatasan kos iaitu dengan menukarkan spesifikasi ralat terma (*error term*) daripada $(V_i - U_i)$ kepada $(V_i + U_i)$ dalam persamaan (Aigner, Lovell & Schmidt, 1997). Oleh itu, fungsi kos secara umum boleh dispesifikkan seperti berikut:

$$\ln(c_i) = C(y_i, w_i; \alpha) + v_i + u_i, \quad i=1,2,\dots,N, \quad (1)$$

yang mana c_i adalah susunan kos pada masa i bank; $C(\cdot)$ adalah bentuk fungsi yang sesuai; w_i adalah vektor harga input; α adalah parameter yang tidak diketahui untuk dianggarkan; u_i adalah pemboleh ubah ralat rawak bukan negatif yang memberi kesan kepada kecekapan kos sama ada menaik atau menurun. Secara asasnya, fungsi kos di atas boleh diterjemahkan dalam bentuk ayat iaitu hubungan di antara pemboleh ubah kos dengan pemboleh ubah input, pemboleh ubah kuantiti output yang ditambah ketidak cekapan dan ralat rawak.

Kaedah APS memerlukan andaian taburan spesifik dalam dua komponen ralat terma dan menganggap ketidak cekapan mengikut taburan separuh normal bukan simetri, manakala ralat rawak, v_i mengikut taburan normal simetri. Sekiranya andaian di atas tidak dinyatakan boleh menyebabkan fungsi

kos kurang jelas. Berdasarkan kepada andaian tersebut juga, fungsi kebolehdajian log (*log likelihood*) untuk ketidak cekapan boleh dilihat melalui σ yang boleh digunakan untuk mengukur kecekapan purata bank dalam dua parameter berlainan iaitu, $\sigma^2 = \sigma_u^2 + \sigma_v^2$ (Jondrow *et al.*, 1982).

Kecekapan sesebuah bank dapat diketahui melalui keberkesanan menggunakan input untuk menghasilkan beberapa jumlah output. Beberapa bentuk fungsi umum boleh digunakan untuk diadaptasi dengan fungsi kos. Kajian ini memilih fungsi kos translog kerana bentuk fungsi yang fleksibel yang berguna untuk penganggaran siri Taylor susunan kedua (Berndt & Christensen, 1973). Kaparakis *et al.* (1974) menyatakan fungsi kos translog tidak terdedah kepada gangguan yang memberikan kelebihan untuk kajian kecekapan bank. Tambahan pula, model translog membenarkan keseragaman (*homogeneity*) pada darjah satu. Penganggaran kebolehdajian maksimum (PKM) dalam fungsi kos translog boleh ditulis seperti berikut:

$$\begin{aligned} \ln TC = & \alpha_0 + \sum_{m=1}^{M-1} \alpha_m \ln Y_{m,n} + \sum_{k=1}^{K-1} \beta_k \ln P_{k,n} + 0.5 \sum_{m=1}^M \sum_{j=1}^M \delta_{mj} \ln Y_{m,n} \ln Y_{j,n} \\ & + 0.5 \sum_{k=1}^{K-1} \sum_{s=1}^{K-1} \phi_{k,s} \ln P_{k,n} \ln P_{s,n} + \sum_{m=1}^M \sum_{k=1}^{K-1} \rho_{m,k} \ln Y_{m,n} \ln P_{k,n} + \sum_{h=1}^H \zeta_h Z_{h,n} \end{aligned} \quad (2)$$

yang mana TC = fungsi jumlah kos dibahagi dengan P_2 ; Y = kuantiti output, P = harga input; Z = faktor persekitaran; $v+u$ = parameter yang tidak diketahui untuk dianggarkan; $P_{k,n} = P1_{k,n} / P2_{k,n}$; $m = 1, 2, \dots, M$ adalah indeks harga output; $k = 1, 2, \dots, K$ adalah indeks harga input; $h = 1, 2, \dots, H$ adalah indeks faktor persekitaran. Pengukuran kecekapan kos boleh ditakrifkan sebagai nisbah kos kepada kecekapan kos yang dianggarkan, seperti berikut;

$$CE_{i,j} = \exp(u_{i,j}) \quad (3)$$

Analisis seterusnya dijalankan dalam mencari hubungan di antara inklusif kewangan dan kecekapan bank. Ia menilai perbezaan yang akan diperhatikan di antara pemboleh ubah-pemboleh ubah inklusif kewangan yang boleh mempengaruhi kecekapan. Persamaan regresi adalah seperti berikut;

$$eff_i = \alpha + \psi_1 FI_i + \psi_2 (FI_i \bullet IB_i) + \omega Control_i + E_i \quad (4)$$

yang mana eff = kecekapan kos yang dianalisis dalam fungsi kos translog; FI = petunjuk inklusif kewangan; $FI \bullet IB$ = interaksi semu Perbankan Islam dengan petunjuk inklusif kewangan dan $Control$ = pemboleh ubah kawalan.

DATA DAN PEMBOLEH UBAH

Dalam pengujian kesan inklusif kewangan terhadap kecekapan bank, kajian ini menggunakan 720 data panel seimbang daripada 25 buah bank untuk Perbankan Islam dan 47 buah bank untuk perbankan konvensional (lihat Lampiran A dan Lampiran B). Kesemua data diambil daripada pangkalan data *Bankscope* selama 10 tahun bermula pada tahun 2005 sehingga tahun 2014. Sampel Perbankan Islam dan perbankan konvensional diambil daripada 14 buah negara yang sama kecuali Iran dan Sudan yang mengamalkan Perbankan Islam sepenuhnya.

Kebanyakan pengkaji menggunakan pendekatan pengantaraan berbanding pendekatan pengeluaran disebabkan pendekatan pengantaraan lebih mudah untuk menilai kesemua bank yang diambil (Berger & Humphrey, 1997). Pendekatan pengantaraan mengandungi perbelanjaan faedah iaitu pendapatan yang dibayar kepada pendeposit yang biasanya suatu akaun mengandungi lebih separuh daripada jumlah kos. Berdasarkan penilaian tersebut, kajian ini mengadaptasi pendekatan pengantaraan disebabkan oleh ia akan menilai kecekapan bank secara menyeluruh. Tambahan lagi institusi kewangan menggunakan pekerja, modal fizikal dan deposit sebagai inputnya untuk menghasilkan aset pendapatan. Selain itu, berasaskan kepada prinsip sistem kewangan Islam itu sendiri yang meletakkan dana dalam perkongsian untung dan rugi berdasarkan penyertaan ekuiti. Ini bermakna aktiviti pengantara penting dalam operasi Perbankan Islam.

Jadual 3.1 Definisi pemboleh ubah fungsi kos.

Koefisien	Nama Pemboleh ubah	Definisi
	<i>Pemboleh ubah bersandar</i>	
TC	Jumlah Kos	Jumlah perbelanjaan faedah, modal insan dan operasi lain-lain.
	<i>Input</i>	
X ₁	Jumlah Deposit	Jumlah deposit daripada pelanggan dan bank lain.
X ₂	Jumlah Perbelanjaan Overhed	Jumlah perbelanjaan peribadi dan operasi.
	<i>Output</i>	
Y	Jumlah Aset Pendapatan	Jumlah pembiayaan/pinjaman dan aset perolehan lain-lain.
	<i>Harga</i>	
P ₁	Harga Modal Fizikal & Buruh	Perbelanjaan modal insan dan operasi dibahagikan dengan jumlah aset.
P ₂	Harga Deposit	Perbelanjaan faedah dibahagikan dengan jumlah deposit.
	<i>Faktor persekitaran</i>	
Z ₁	Kualiti Pinjaman	Nisbah pinjaman/pembiayaan bermasalah kepada pinjaman kasar
Z ₂	Ekuiti/Aset	Nisbah ekuiti kepada jumlah aset
	<i>Petunjuk inklusif kewangan</i>	
FI ₁	Bilangan Cawangan/Populasi	Bilangan cawangan dibahagikan dengan 1 juta populasi
FI ₂	Jumlah Aset/Populasi	Jumlah aset dibahagikan dengan bilangan populasi
	<i>Pemboleh ubah kawalan</i>	
Control	Pertumbuhan KDNK	Peningkatan per kapita keluaran dalam negara kasar

Definisi setiap pemboleh ubah dinyatakan di dalam Jadual 3.1 berdasarkan kepada pendekatan pengantaraan. Dengan menggunakan fungsi kos translog dalam persamaan (2), vektor input mengandungi jumlah deposit daripada pelanggan dan bank lain, X₁ dan jumlah perbelanjaan overhed yang mengandungi jumlah perbelanjaan modal dan operasi, X₂ seperti digunakan oleh Ahmad Mokhtar *et al.* (2006) dan Nawazish Mirza *et al.* (2015). Input tersebut mewakili sumber yang boleh menukarkan deposit kepada pembiayaan untuk Perbankan Islam atau pinjaman untuk perbankan konvensional serta aset pendapatan lain-lain. Output yang digunakan adalah jumlah aset pendapatan yang mengandungi jumlah pembiayaan (Perbankan Islam) atau jumlah pinjaman (perbankan konvensional) dan aset pendapatan lain-lain. Aset pendapatan digunakan secara meluas dalam kajian kecekapan bank seperti Isik & Hassan (2002), Ahmad Mokhtar *et al.* (2006) dan Bader *et al.* (2008) disebabkan ia mengandungi kebanyakan output yang dihasilkan oleh bank.

Dalam pengiraan kecekapan kos, sebahagian pemboleh ubah input dan output digunakan sebagai harga input yang boleh dijadikan pengantaraan kepada aset pendapatan (Yudistira, 2003). Lebih spesifik lagi, kajian ini menggabungkan harga buruh dan modal dalam satu harga input, P₁ yang sama dengan pendekatan Hassan & Marton (2003) dan Fries & Taci (2005) yang menggunakan perbelanjaan modal insan dan operasi dibahagikan dengan jumlah aset. Manakala harga input kedua adalah harga deposit, P₂ yang diambil daripada pendapatan yang dibayar kepada pendeposit seperti dalam takrifan Perbankan Islam atau perbelanjaan faedah untuk perbankan konvensional. Jumlah kos, TC pula digunakan sebagai pemboleh ubah bersandar yang merangkumi perbelanjaan pendapatan yang dibayar kepada pendeposit atau faedah, perbelanjaan modal insan dan perbelanjaan operasi.

Kajian ini juga menggunakan pemboleh ubah faktor persekitaran iaitu kualiti pinjaman yang mengandungi pinjaman tidak berbayar kepada jumlah pinjaman, Z₁ dan nisbah ekuiti kepada jumlah aset, Z₂ seperti digunakan dalam kajian Abdul-Majid (2010) dan Abdul-Majid & Hassan (2011). Faktor persekitaran dimasukkan dengan mengandaikan bahawa sampel bank yang dikaji beroperasi pada persekitaran yang sama. Ini kerana persekitaran boleh memberi kesan tahap kecekapan.

Kajian-kajian sebelum ini (Ben Naceur, 2015 dan Ratna Sahay *et al.*, 2015) menggunakan kajian makro yang mengambil petunjuk inklusif kewangan antara negara, kajian ini cuba untuk menerokai inklusif kewangan secara mikro antara bank serta kesannya terhadap kecekapan bank. Beberapa petunjuk sering digunakan untuk mengukur tahap inklusif kewangan seperti bilangan cawangan bank (Carlson & Mitchener, 2005), penembusan geografi, pinjaman dan deposit per kapita dan nisbah pendapatan-deposit (Beck *et al.*, 2007). Namun petunjuk secara rasmi berdasarkan indeks piawai masih belum diwujudkan. Disebabkan kekurangan data di dalam pangkalan data *Bankscope*, kajian ini menggunakan bilangan cawangan per 1 juta populasi dan jumlah aset per populasi sebagai pemboleh ubah penentu (Laporan

Pembangunan Kewangan Global, 2014). Bilangan cawangan dan jumlah aset adalah petunjuk yang biasa digunakan oleh pengkaji dalam mengukur inklusif kewangan dalam konteks perbankan (Sarma, 2010). Manakala pertumbuhan ekonomi negara dijadikan sebagai pemboleh ubah kawalan. Jadual 3.2 menunjukkan ringkasan statistik deskriptif pemboleh ubah yang digunakan dalam menguji kecekapan dari tahun 2005 sehingga 2014.

Jadual 3.2 Ringkasan statistik pemboleh ubah, 2005-2014

Nama Pemboleh ubah	Purata	Sisihan Piawai	Minimum	Maksimum
<i>Pemboleh ubah bersandar</i>				
Jumlah Kos (USD, juta)	794.53	1,211.31	2.51	7,685.16
<i>Input</i>				
Jumlah Deposit (USD, juta)	13,303.08	16,039.25	0.11	98,278.67
Jumlah Perbelanjaan Overhead (USD, juta)	319.16	434.01	0.63	2,972.60
<i>Output</i>				
Jumlah Aset Pendapatan (USD, juta)	7,433.91	10,146.04	9.61	7,737.42
<i>Harga Input</i>				
Harga Modal Fizikal & Buruh (%)	0.08	0.97	0.00	25.68
Harga Deposit (%)	0.39	0.03	0.00	0.13
<i>Faktor Persekitaran</i>				
Kualiti Pinjaman (%)	4.01	5.04	0.00	43.98
Ekuiti/Aset (%)	13.92	8.81	0.00	79.79
<i>Petunjuk inklusif kewangan</i>				
Bilangan Cawangan/Populasi	13.02	32.24	1.00	309.00
Jumlah Aset/Populasi (USD)	2,283.74	4,184.41	0.22	27,126.17
<i>Pemboleh ubah kawalan</i>				
Pertumbuhan (%)	4.92	1.97	1.57	8.38

KEPUTUSAN EMPIRIKAL DAN PERBINCANGAN

Jadual 4.1 menunjukkan penganggaran kebolehdajadian maksimum untuk parameter yang diuji dalam beberapa model. Model A, B, C dan D mempunyai input dan output yang sama tetapi pemboleh ubah semu (*dummy*) yang berbeza. Model A mengandungi semu Perbankan Islam pada pemboleh ubah fungsi kos (C_3) sahaja. Manakala model B tidak mengandungi sebarang semu Perbankan Islam. Model C pula kontra dengan Model A yang mana model C hanya mempunyai semu Perbankan Islam pada pemboleh ubah penentu ketidakcekapan (Ψ_5). Model D mengandungi semu Perbankan Islam dalam kedua-dua pemboleh ubah fungsi kos dan penentu ketidakcekapan. Model D telah dipilih disebabkan keputusan lebih konsisten. Perbincangan dapatan selanjutnya adalah berdasarkan keputusan dalam Model D.

Dapatan menunjukkan signifikan yang sangat tinggi pada penganggaran 0.92 yang menandakan bahawa sisihan yang dianggarkan daripada perbatasan disebabkan oleh ketidakcekapan. Kualiti pinjaman atau pembiayaan (Z_1) adalah negatif tetapi tidak signifikan. Manakala nisbah ekuiti (Z_2) kepada aset yang mengawal risiko berhubungan negatif dengan kos dan signifikan. Koefisien untuk semu (*dummy*) Perbankan Islam (Z_3) yang negatif menunjukkan bahawa Perbankan Islam mempunyai kos yang lebih rendah daripada perbankan konvensional.

Dari segi kesan inklusif kewangan terhadap kecekapan pula, keputusan mendapati sekiranya bilangan cawangan per 1 juta populasi (FI_1) semakin besar, maka kecekapan meningkat. Ini menunjukkan bahawa bank yang mempunyai bilangan cawangan yang lebih banyak adalah disebabkan oleh permintaan yang lebih tinggi untuk produk perbankan dan dapat meraih skala ekonomi yang lebih besar. Namun berbeza dengan jumlah aset per populasi (FI_2) yang tidak signifikan.

Jadual 4.1 Penganggaran kebolehdajadian maksimum untuk parameter, 2005-2014

Parameter	Model A		Model B		Model C		Model D	
	Nilai Anggaran	Ralat Piawai	Nilai Anggaran	Ralat Piawai	Nilai Anggaran	Ralat Piawai	Nilai Anggaran	Ralat Piawai
$\alpha \ln(Y)$	0.97***	0.12	1.16***	0.14	0.58***	0.12	0.76***	0.12
$\beta \ln(IP_1/IP_2)$	1.47***	0.13	1.46***	0.20	1.64***	0.11	1.55***	0.10
$\delta \ln(Y)$	5.91X10 ⁻⁴	0.01	-0.01	0.01	0.03***	0.01	0.02*	0.01
$\phi \ln(IP_1/IP_2)$	-0.02	0.02	-0.08***	0.03	2.13X10 ⁻⁴	0.02	-0.01	0.02
$\rho \ln(Y) \ln(IP_1/IP_2)$	-0.06***	0.01	-0.06***	0.01	-0.07***	0.01	-0.06***	0.01
C ₁ Kualiti Pembiayaan/ Pinjaman	-3.44X10 ⁻³	0.00	0.01***	0.00	0.01***	0.00	7.17X10 ⁻⁴	0.00
C ₂ Nisbah Ekuiti/ Aset	-3.34X10 ^{-3*}	0.00	-3.12	0.00	-0.01***	0.00	-2.98X10 ^{-3*}	0.00
C ₃ Perbankan Islam	-0.99***	0.03					-0.83***	0.04
Ψ_1 Bilangan Cawangan/Populasi	-0.05***	0.01	-0.01**	0.00	-0.01***	0.00	-0.05***	0.00
Ψ_2 Jumlah Aset/Populasi	3.39X10 ⁻⁵	0.00	4.67X10 ^{-5***}	0.00	2.42X10 ^{-5***}	0.00	1.59X10 ⁻⁵	0.00
Ψ_3 Bilangan Cawangan/ Populasi*Perbankan Islam	0.06***	0.01	1.36X10 ⁻³	0.01	0.02***	0.00	0.06***	0.01
Ψ_4 Jumlah Aset/ Populasi*Perbankan Islam	-4.85X10 ^{-4**}	0.00	-3.22X10 ^{-4***}	0.00	-1.12X10 ⁻⁴	0.00	-3.57X10 ^{-4***}	0.00
Ψ_5 Perbankan Islam					-1.70***	0.17	-1.83***	0.36
ω Pertumbuhan	-0.13***	0.04	-0.02	0.02	-0.02**	0.01	-0.08***	0.03
Σ Sigma kuasa dua	0.80	0.19	0.44	0.04	0.19	0.01	0.54	0.07
γ Gamma	0.94	0.02	0.92	0.01	0.69	0.08	0.92	0.02
Fungsi kebolehdajadian log	-276.77		-603.07		-312.32		-256.65	

* Signifikan pada tahap 0.1 ** Signifikan pada tahap 0.05 *** Signifikan pada tahap 0.01

Seterusnya, kajian ini menggunakan semu interaksi (*interaction dummy*) untuk membezakan kesan inklusif kewangan dalam Perbankan Islam. Dalam interaksi Perbankan Islam dengan bilangan cawangan per 1 juta populasi (FI₃), cawangan Perbankan Islam yang semakin besar akan mengurangkan kecekapan. Kemungkinan disebabkan oleh produk yang ditawarkan agak terhad tetapi bank menanggung kos operasi yang tinggi. Manakala dapatan interaksi Perbankan Islam dengan jumlah aset per populasi (FI₄) menunjukkan bank Islam yang lebih besar dari segi saiz akan meningkatkan kecekapan bank disebabkan aset yang dimiliki adalah tidak terlalu besar berbanding perbankan konvensional. Ini memberikan kelebihan kepada Perbankan Islam dari segi operasi yang membolehkan kecekapan menjadi lebih tinggi. Pertumbuhan dalam KDNK pula, seperti dijangka, menunjukkan hubungan negatif dengan ketidakcekapan. Ini menunjukkan peningkatan pertumbuhan akan menjadikan bank lebih cekap.

RUMUSAN

Usaha dalam menambah baik inklusif kewangan merangkumi pembuat dasar dan pengawal selia adalah sangat baik. Namun, usaha ini menimbulkan kegusaran di kalangan pengamal perbankan terutama dari segi kestabilan dan kecekapan. Kajian ini bermatlamat cuba untuk mencari hubungan yang mungkin di antara inklusif kewangan dan kecekapan bank. Bilangan cawangan dan jumlah aset adalah petunjuk digunakan untuk mengukur inklusif kewangan. Kajian ini menggunakan analisis perbatasan stokastik (APS) dalam menguji kesan inklusif kewangan terhadap kecekapan bank.

Hasil kajian mendapati dengan adanya inklusif kewangan dari operasi perbankan Islam, kecekapan sistem perbankan secara keseluruhannya akan meningkat. Pertambahan permintaan terhadap produk dan perkhidmatan yang patuh Syariah telah meningkatkan kecekapan. Pengurusan boleh menumpukan kepada kecekapan disebabkan produk yang ditawarkan adalah terhad tetapi mempunyai permintaan yang tinggi. Selain itu, bank yang mempunyai cawangan banyak mempunyai tahap kecekapan yang tinggi secara keseluruhan. Namun, cawangan Perbankan Islam yang lebih banyak akan mengurangkan kecekapan. Keputusan ini mungkin mencadangkan bahawa produk yang ditawarkan agak terhad tetapi bank menanggung kos operasi yang tinggi. Mungkin pembukaan cawangan perbankan Islam

di tempat yang tidak strategik dan kurang populasi menyebabkan bank menghadapi kos pekerja dan operasi yang tinggi.

Manakala saiz bank yang lebih besar memerlukan kos yang tinggi dalam menyediakan perkhidmatan kewangan. Namun, Perbankan Islam tidak terjejas dari segi kecekapan walau pun bank Islam mempunyai saiz yang besar. Dapatan ini mencadangkan bank Islam mempunyai kelebihan dari segi operasi disebabkan aset yang dimiliki tidak terlalu besar berbanding dengan perbankan konvensional yang membolehkannya beroperasi dengan lebih cekap. Kajian ini mendapati inklusif kewangan mempengaruhi kecekapan dalam kedua-dua petunjuk iaitu bilangan cawangan dan jumlah aset. Namun petunjuk jumlah aset tidak memberi kesan yang signifikan secara keseluruhan tetapi, ia memberi kesan kepada kecekapan bank Islam.

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Lampiran A

SENARAI PERBANKAN ISLAM

Bil	Nama Bank	Negara
1	Albaraka Bank Limited	Afrika Selatan
2	Bank AlJazira JSC	Arab Saudi
3	Al Rajhi Bank Public Joint Stock Company	Arab Saudi
4	Kuwait Finance House	Bahrain
5	Bahrain Islamic Bank B.S.C.	Bahrain
6	Albaraka Banking Group B.S.C.	Bahrain
7	Sharjah Islamic Bank	Emiriah Arab Bersatu
8	Abu Dhabi Islamic Bank - Public Joint Stock Co.	Emiriah Arab Bersatu
9	PT Bank Muamalat Indonesia Tbk	Indonesia
10	Bank Syariah Mandiri	Indonesia
11	Bank of Industry and Mine	Iran
12	Bank Sepah	Iran
13	Bank Mellat	Iran
14	Bank Tejarat	Iran
15	Jordan Islamic Bank	Jordan
16	Faisal Islamic Bank of Egypt	Mesir
17	Al Baraka Bank Egypt SAE	Mesir
18	Standard Chartered Modaraba	Pakistan
19	First Habib Modaraba	Pakistan
20	Arab Islamic Bank	Palestin
21	Qatar Islamic Bank SAQ	Qatar
22	Faisal Islamic Bank (Sudan)	Sudan
23	Omdurman National Bank Public Limited Company	Sudan
24	Islamic Bank of Thailand	Thailand
25	Kuveyt Turk Katilim Bankasi A.S.-Kuwait Turkish Participation Bank Inc	Turkey

Lampiran B**SENARAI PERBANKAN KONVENSIIONAL**

Bil.	Nama Bank	Negara
1	Saudi British Bank JSC (The)	Arab Saudi
2	National Commercial Bank (The)	Arab Saudi
3	Riyad Bank	Arab Saudi
4	Saudi Hollandi Bank	Arab Saudi
5	Saudi Investment Bank (The)	Arab Saudi
6	Samba Financial Group	Arab Saudi
7	Banque Saudi Fransi JSC	Arab Saudi
8	Arab National Bank Public Joint Stock Company	Arab Saudi
9	Ahli United Bank BSC	Bahrain
10	National Bank of Bahrain	Bahrain
11	Commercial Bank International P.S.C.	Emiriah Arab Bersatu
12	Union National Bank	Emiriah Arab Bersatu
13	Abu Dhabi Commercial Bank	Emiriah Arab Bersatu
14	Bank of Sharjah	Emiriah Arab Bersatu
15	National Bank of Umm Al-Qaiwain PSC	Emiriah Arab Bersatu
16	First Gulf Bank	Emiriah Arab Bersatu
17	Mashreqbank PSC	Emiriah Arab Bersatu
18	Bank DBS Indonesia	Indonesia
19	Bank Mega TBK	Indonesia
20	PT Bank CIMB Niaga Tbk	Indonesia
21	Bank Pan Indonesia Tbk PT-Panin Bank	Indonesia
22	Housing Bank for Trade & Finance (The)	Jordan
23	Bank of Jordan Plc	Jordan
24	Capital Bank of Jordan	Jordan
25	Arab Banking Corporation (Jordan)	Jordan
26	Arab Bank Group (Combined)	Jordan
27	Arab Bank Plc	Jordan
28	Jordan Ahli Bank Plc	Jordan
29	Cairo Amman Bank	Jordan
30	National Bank of Kuwait S.A.K.	Kuwait
31	Commercial Bank of Kuwait K.P.S.C. (The)	Kuwait
32	Soneri Bank Limited	Pakistan
33	Askari Bank Limited	Pakistan
34	International Bank of Qatar Q.S.C.	Qatar
35	Doha Bank	Qatar
36	Ahli Bank QSC	Qatar
37	The Commercial Bank (QSC)	Qatar
38	Government Housing Bank	Thailand
39	Mega International Commercial Bank PCL	Thailand
40	Turkiye Vakiflar Bankasi TAO	Turkey
41	Akbank T.A.S.	Turkey
42	Turkiye is Bankasi A.S. - ISBANK	Turkey
43	Turkiye Halk Bankasi A.S.	Turkey
44	Turk Ekonomi Bankasi A.S.	Turkey
45	Anadolubank A.S.	Turkey
46	Denizbank A.S.	Turkey
47	Alternatifbank A.S.	Turkey

Lampiran C

Kajian inklusif kewangan dan kecekapan bank

Penulis	Kaedah	Sampel	Keputusan
<i>Inklusif kewangan</i>			
Ratna Sahay <i>et al.</i> (2015)	Model kesan tetap negara, z-score	Seluruh negara	Risiko kestabilan kewangan meningkat apabila akses kepada kredit tidak dikawal dengan baik.
Ben Naceur (2015)	Kuasa dua terkecil biasa	Negara-negara OIC	Penggunaan perkhidmatan kewangan negara Islam agak perlahan walaupun akses fizikal kewangan meningkat dengan drastik.
<i>Kecekapan dan saiz bank</i>			
Isik & Hassan (2002)	Analisis Perbatasan Stokastik	Turkey	Saiz bank yang besar mengurangkan tahap kecekapan bank.
Bader <i>et al.</i> (2008)	Analisis Penyampulan Data	21 negara	Saiz bank yang besar mengurangkan tahap kecekapan bank.
Hassan (2003)	Analisis Perbatasan Stokastik	Sudan	Bank yang mempunyai saiz besar menandakan kecekapan semakin tinggi.
Beck <i>et al.</i> (2013)	Nisbah	22 negara	Saiz Perbankan Islam yang lebih besar meningkatkan kecekapan.
<i>Kecekapan dan bilangan cawangan</i>			
Kasman (2002)	Analisis Perbatasan Stokastik	Turkey	Perubahan bilangan cawangan tidak memainkan peranan dalam pengurangan kos.
Muharrami (2008)	Analisis Penyampulan Data	Negara GCC	Bank kecil dengan cawangan yang lebih sedikit akan meningkatkan kecekapan.
<i>Perbandingan kecekapan Perbankan Islam dan perbankan konvensional</i>			
El-Gamal & Inanoglu (2005)	Analisis Perbatasan Stokastik	Turkey	Tidak ada perbezaan yang signifikan.
Bader <i>et al.</i> (2008)	Analisis Penyampulan Data	21 negara	Tidak ada perbezaan yang signifikan.
Mokhtar <i>et al.</i> (2006)	Analisis Perbatasan Stokastik	Malaysia	Kecekapan Perbankan Islam lebih rendah berbanding konvensional.
Johnes <i>et al.</i> (2009)	Analisis Penyampulan Data	Negara GCC	Kecekapan Perbankan Islam lebih rendah berbanding konvensional.
Abdul-Majid <i>et al.</i> (2010)	Analisis Perbatasan Stokastik	Malaysia	Kecekapan Perbankan Islam lebih rendah berbanding konvensional.
Muharrami (2008)	Analisis Penyampulan Data	Negara GCC	Kecekapan Perbankan Islam lebih tinggi berbanding konvensional.

ANALYSIS OF MICRO, SMALL AND MEDIUM CREDITS AND ITS INFLUENCE ON AN EMPLOYMENT IN MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs) IN THE PROVINCE OF JAMBI

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Abstract. The aim of this study is to analyze the credits of micro, small and medium enterprises and its effect on the employment of labors of Micro, Small and Medium Enterprises (MSMEs) in Districts and Municipality of Jambi Province. The data applied in this study are panel data with secondary data covering time series data from 2011 to 2015 and cross section data in nine districts and one municipality in Jambi Province. Based on Chow test and Hausman test show that correct parameter estimated method is applied with Fixed Effect Model. The results of this study show that the variable of credits of Micro Enterprise and credits of Medium Enterprise have positive and significant effect in employing labors of MSMEs in Districts and Municipality of Jambi Province.

Keywords: *Micro, Small and Medium Credit, Labor Employment of MSMEs, Micro, Small and Medium Enterprise, Panel Data*

INTRODUCTION

In order to develop economy in Indonesia, MSMEs is always described as a sector having important roles because the most part of Indonesian people have low education level and live in small scale enterprises either in traditional or modern sector. The role of small scale enterprise is the priority in phase planning run by two departments, i.e. (1) Department of Industry and Commerce; (2) Department of Cooperatives and Small and Medium Enterprises. However, the development results are not satisfactory yet, because the results are not in line with the results of big enterprises.

According to Tambunan (2000), it is said that small and medium enterprises (SMEs) in Indonesia has important roles for the development of national economy. It can be seen from the large number of enterprise units found in all economic sectors and large contribution to employment opportunity and income, especially in rural areas and for the family with low income.

The significant roles of SMEs, indicating that SMES is a dominant sector in employing labors, and has a role in the process of distribution and augmentation of people's income. In other words, SMES have become the main support of the economy and they can survive in economic distress. Therefore, SMEs should be developed properly and the government have to pay attention to them, one of the ways the government can do is to augment their capital through credit distribution of working capital.

The development number of MSMEs in Indonesia is getting an increase. MSMEs is the largest businesspersons having the percentage of 99.99% of the total of national businesspersons in 2011. In 2012 the development of human resources of MSMEs sector in Indonesia showed an increase to 5.83% or around 107,675,509 persons.

One of the characteristics attached to small and medium enterprises (SMEs) in Indonesia is small capital. In fact, capital is a very important factor in increasing production and performance of SMEs itself, especially micro entrepreneurs or traders of weak economy (small enterprise).

According to statistic report of economy and local finance of Jambi Province, MSMEs credit of Jambi in 2011 was Rp.6.724 trillion, shows an increase of 16.12% or was Rp. 7.808 trillion in 2012, with allocation for micro credit 29.88%, small credit 32.15% and medium credit 37.97%. In 2014, allocation for micro credit showed an increase to Rp. 3.008 trillion (32.06%), small credit Rp. 3.275 trillion (34.90%) and medium credit Rp. 3.238 trillion (34.50%). Then, in 2015 the total credit for all MSMEs was Rp. 9.999 trillion.

Sabirin (2001) explained that to empower the society of weak economic group or small sector is by providing the source of achievable enterprise funding. One of the funding strategies for this group is micro credit enterprise. This group of weak economy, usually, lack of capital, so that they often experience obstacles and difficulties in expanding their enterprises. Businessmen or small traders often have difficulties with capital and the shortest possible way is they ask for some capital or credit from the usurer or the practice of loan shark. One of the ways to solve capital problem for MSMEs sector is through micro funding. According to Zulfanetti (2013), micro finance is to lend money in small amount and in short time period having high redemption frequency. Financial institutions have function as anintermediation in economic activities. If the function runs well, the financial institutions produce added

value, creating job opportunities and income through creation and development of micro enterprises, increasing productivity, and in the end will improve the economy of a certain country.

Based on the explanation above, so this study will analyze the Effect of MSMEs Credit on employment of MSMEs in Districts/Municipality in Jambi Province. The writer hopes that this study can be a reference or alternative in developing MSMEs in Jambi Province.

Objectives of The Study

The objectives of the study:

- 1) To analyze the development of MSMEs credit and the employment of workers of MSMEs in Jambi Province?
- 2) To analyze the influence of micro enterprise credit, small enterprise credit and medium enterprise credit to the employment of workers of MSMEs in Jambi Province.

THEORITICAL BACKGROUND

The definition of Micro, Small and Medium Enterprises (MSMEs)

MSMEs defines in several ways depending on the countries and other aspects. Therefore, it is necessary to carry out particular considerations to definitions in order to get understanding in line with MSMEs, that is, to follow quantitative measures in line with economic development.

In Indonesia, there are several different definitions regarding MSMEs based on the interest of the institution that define it, among others:

- a) The Cooperatives and Small Medium Enterprises Department (Act No. 9 of (1995), the definition of Small Enterprise (UK), including Micro Enterprise (UM) is an enterprise entity that has net worth not more than Rp. 200,000,000; not including land and building, and has annual sales at least Rp. 1,000,000,000. On the other hand, Medium Enterprise (UM) is an enterprise entity owned by Indonesian citizenship that has net worth ranges from Rp. 200,000,000 to Rp.10,000,000,000; not including land and building.
- b) The Institution of National Statistics Center (BPS) defines MSMEs based on the quantity of human resources. Small enterprise is an enterprise entity that has the number of workers 5 to 19 workers, on the other hand medium enterprise is an enterprise entity that has workers 20 to 99 workers.
- c) The Bank of Indonesia (BI) defines MSMEs is an enterprise or industry that has the characteristics as follows: 1) The capital is less than Rp. 20 million; 2) In one turn of the operation needs the capital only Rp. 5 million; 3) It has maximum asset Rp. 600 million not including land and building; 4) Annual turnover is \leq Rp. 1 billion

In a detailed explanation, the definitions of MSMEs according to The Bank of Indonesia (BI) are:

- 1) A Micro enterprise is a productive enterprise owned by an individual and/or individual enterprise institution that meets the criteria of Micro Enterprise. According to Act No. 20 of 2008, a micro enterprise:
 - a. Has net worth at the most of Rp. 50,000,000.00 not including land and building, or
 - b. Has annual revenues at the most of Rp.300,000,000.00
- 2). A small enterprise is an independent productive economic enterprise, operated by a person or an enterprise which is not a branch owned, controlled, or being direct or indirect part of medium or big enterprise, that is:
 - a. has net worth ranges from Rp. 50,000,000 to at the most Rp. 500,000,000 excluding land and building.
 - b. has annual revenues ranges from Rp. 300,000,000 to at the most Rp. 2,500,000,000.
- 3). A medium enterprise is an independent productive economic enterprise, operated by a person or an enterprise which is not a branch owned, having net worth ranges from Rp. 500,000,000 to Rp. 10,000,000,000 excluding land and building and having annual revenues ranges from Rp 2,500,000,000 to Rp. 50,000,000,000.

The Relation between MSMEs Credit and the Employment of Workers

According to the Bank of Indonesia (BI) Micro, small and Medium Enterprise Credit is as follows:

- 1) Credit provided to Micro Enterprise is a credit offered to micro enterprise which meets the criteria of micro enterprise regulated in Act No. 20 of 2008 regarding MSMEs.
- 2) Credit provided to Small Enterprise is a credit offered to small enterprise which meets the criteria of small enterprise regulated in Act No. 20 of 2008 regarding MSMEs.
- 3) Credit provided to Medium Enterprise is a credit offered to medium enterprise which meets the criteria of medium enterprise regulated in Act No. 20 of 2008 regarding MSMEs.

Considering the employment of workers, MSMEs can employ larger workers than big enterprises. MSMEs can employ worker some 97% of the Indonesian workers, on the other hand, big enterprises only

can employ 3% workers. This condition shows that UMM can contribute significantly in overcoming unemployment. Considering that MSMES can employ a large number of workers can not be separated with the MSMES contribution of agricultural sector, trade and industry. These three factors are the main sectors of MSMES in Indonesia. This is in line with research carried out by Tsobge (2002). The results of analysis conducted by the Bank of Indonesia (2009), concluded that MKM consumptive credit give positive impact to increase the output, and the influence of MSMES workers to output is bigger and this shows that MSMES sectors tend to be labor-intensive.

The, based on Zulfanetti's research (2013) concluded micro, small and medium credit has affected positively and significantly to the employment of workers on three-scale enterprise that means credit distribution will increase the employment of workers.

Production Function

In the most general definition, production function can be formulated with a formula as follows:

$$Q = f(K, L) \dots \dots \dots (1)$$

Q is output level per period unit, K is service flow from reserves or capital per period unit, and L is flow service of enterprise employees. This equation shows that output quantity is physically determined by input quantity physically, in this case they are capital and employees. In economics, output is symbolized with Q while input (production factor) is usually used (for simplification) consists of input (K) and labors (L).

An entrepreneur can change the value of Q (output) by changing the quantity of one of the input quantity used, and maintain other inputs to be constant. In this condition, output will get the maximum level and then decreasing if other input constant (the law of diminishin returns).

A rational entrepreneur will not employ more workers more than needed, because employing more workers will decrease output. It is asumed spending certain cost, an entrepereneur will apply the most efficient production technique of the existing production technique. In addition, input used in production process can be classified into two types, that is, constant input and variable input. Every production process needs production time. Based on input classification above, production term is classified into two: short term and long term.

RESEARCH METHOD

Types and Source of Data

Types of data applied in this research are secondary data taken from bibliography study, by analyzing literature, journal, paper and various previous research relevant to this research. Types of data applied are panel data by combining time series data from 2011 to 2015 and cross section for 11 districts/municipality in Jambi Province.

Data Analysis Tool

To analyze the aim of the research, quantitative analysis is applied using panel data (pooled data). Panel data provide more informative, more varied in order to reduce kolinearitas among variables, expand more efficient freedom degree. Dependent variables is estimated Y the number of labors in MSMES sectors while independent variables are micro enterprise credit (X₁), small enterprise credit (X₂) and medium enterprise credit (X₃). Equation basic model of panel data regression is formulated as follows:

$$Y_{it} = f(X_{1it}, X_{2it}, X_{3it})$$

Based on model specification is formulated equation of regression estimated as follows:

$$\text{Log } Y_{it} = \beta_0 + \beta_1 \log X_{1it} + \beta_2 \log X_{2it} + \beta_3 \log X_{3it} + \text{eit}$$

Where:

- Y = Labors (person)
- X₁ = Micro Enterprise Credit (Rupiah)
- X₂ = Small Enterprise Credit (Rupiah)
- X₃ = Medium Enterprise Credit (Rupiah)
- β₀ = Constant
- β₁, β₂, β₃ = regression coefficient for each x variable
- i = 1,2,3, ..., 11 (cross-section data of districts/municipality of Jambi Province)
- t = 1,2,3, ..., 5 (time-series data of 2011-2015)

Approach and Selection of A Model

To analyze model regression of panel data can be carried out in three approaches, they are: 1) *Pooled Least Squares*; 2) *Fixed Effect* and 3) *Random Effect*. In order to examine models that is the most

appropriate with data characteristics can be carried with two techniques i.e. Chow test and Hausman test. Chow test is used in selecting a model of *Pooled Least Squares* or *Fixed Effect*, while Hausman test is for *Fixed Effect* or *Random Effect*.

RESULTS AND DISCUSSION

The Development of MSMES Credit and the Employment of Workers in District/Municipality of Jambi Province.

The Development of MSMES Credit in Jambi Province can be seen from the nominal value which tends to increase, and the number of enterprise units, workers and enterprise turnover. Table 1.1 shows that the total amount of MSMES credit from the period 2011 to 2015 is getting increased, the growth tends to slow down. Total MSMES credit in 2011 was Rp.6.724 trillion and showed an increase to 16.12% or turned to Rp. 7.808 trillion in 2012. In 2013, MSMES credit only rose to 12.34% or Rp. 8.777 trillion. Afterwards the total credit for MSMES in Jambi Province in 2014 increased only 6.61% and 6.58% in 2015. On the hand the number of MSMES enterprise units in Jambi Province showed an increase from 2011-2015 but the development tends to decrease. It can be seen clearly and more detailed on the table:

Table 4.1. The Total MSMES Credit, enterprise unit, Number of Workers and Turnover of MSMES in Jambi Province in the period of 2011 to 2015

Year	MSMES Credit (Million Rp)	Enterprise Unit	Labors (person)	Turnover (Rp)
2011	6.724.372	67.825	110.538	441.030.568.463,40
2012	7.808.585	79.119	119.932	445.626.379.975,41
2013	8.772.476	81.552	153.761	592.255.711.832,57
2014	9.382.840	81.959	154.529	598.415.171.235,63
2015	9.999.799	81.979	168.288	2.461.414.337.254,00

Source: BI and Cooperatives and MSMES Department of Jambi Province 2015.

Labors is a very complex problem. Economic development and other development are always involve human resources a development agent, therefore, the number people in a certain country is the main element in development. The large number of people does not always guarantee the development success but in can be a burden in the development process. The large number of people and not in line with the availability of work vacancy will cause some of productive people are unemployed. MSMES sector in Indonesia is a subject discussion and gets much attention of the government because these small enterprises are everywhere, and can provide potential job opportunities. Economic experts have been realizing that small industrial sector is one of the success characteristics and economic growth. Small industry plays a part in the development in some ways, creating job opportunities, expanding agribusiness work force, and providing need flexibilities and innovation in an integrated economy.

The development of MSMES labor sectors in districts/municipality in Jambi Province from 2011 to 2015 shows an increase significantly. Jambi city is an area that has a large number of labors compared to other regions. This makes sense because Jambi City is the capital city of Jambi Province and at the same time as an economic growth center for trade and service. In detailed, the development of the number of workers of MSMES sector in Districts/Municipality in Jambi Province can be seen below.

Table 4.2. The Number of Labors of MSMES in Districts/Municipality Jambi Province 2011 – 2015

No	Districts/Municipality	Labors (person)				
		2011	2012	2013	2014	2015
1	Batanghari	55	355	362	704	1,723
2	Sarolangun	1.795	1.901	1.912	1.912	2.683
3	Kerinci	5.154	5.226	6.362	6.362	7.515
4	Muaro Jambi	19.200	23.255	22.941	22.806	6.161
5	TanjabBar	4.488	13.009	13.080	13.080	7.551
6	Tanjab Timur	13.001	8.010	8.150	8.250	32.864
7	Tebo	1.832	3.832	3.981	3.991	2.137
8	Merangin	4.653	4.932	6.258	6.258	37.664
9	Bungo	2.149	2.206	2.641	2.661	16.105
10	Kota Sungai Penuh	11.545	22.010	33.087	33.295	33.295
11	Kota Jambi	35.143	35.196	54.987	55.210	20.590

The Influence of Micro, Small and Medium Enterprise (MSMES) to The Employment of Workers of MSMES in Districts/Municipality of Jambi Province.

The aim of this study is to analyze the influence of MSMES credit to the employment of workers in Districts / Municipality of Jambi Province. The analysis tool that is used is panel data with analysis model of double regression with a program of Eviews 8.0. The analysis applies three approaches among others estimated method of Pooled Least Square, Fixed Effect Model and Random Effect Model. The samples used are credit of MSMES in districts/municipality of Jambi Province. The results of estimate applies method of Pooled Least Square as follows:

Dependent Variable: Y	Method: Pooled Least Squares			
Sample: 2011 2015	Included observations: 5			
Cross-sections included: 11	Total pool (balanced) observations: 55			
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-97.02650	132.9046	-0.730046	0.4687
X1?	-0.010058	0.024661	-0.407857	0.6851
X2?	0.071015	0.130324	0.544910	0.5882
X3?	0.003040	0.001109	2.740682	0.0084
R-squared	0.143383	Mean dependent var	256.0768	
Adjusted R-squared	0.092994	S.D. dependent var	144.1618	
S.E. of regression	137.2952	Akaike info criterion	12.75209	
Sum squared resid	961348.2	Schwarz criterion	12.89808	
Log likelihood	-346.6825	Hannan-Quinn criter.	12.80855	
F-statistic	2.845515	Durbin-Watson stat	1.076681	
Prob(F-statistic)	0.046662			

Based on test result of pooled least square regression can be known that the variable tested i.e. the variable of micro enterprise credit (X_1), small enterprise credit (X_2), has a probability value bigger than $\alpha=10\%$ or 0.1. On variables of micro enterprise credit, the probability value 0.68 bigger than $\alpha=10\%$ and coefficient value -0.010058, meaning the variable of micro enterprise credit does not influence significantly and has a negative impact to the employment of MSMEs workers. The variable of small enterprise credit does not influence either to the employment of workers. On the other hand, the variable of medium credit shows positive and significant influence to the employment of MSMES workers. While the value of R^2 amounting to 0.1433 shows that around 14.33% the fluctuation of the MSMEs workers.

The Analysis Using Estimate with FEM Method

The result regression equation below as a whole the coefficient value β_0 for districts/municipality shows negative, meaning if the period 2011 – 2015 there were not changes regarding micro enterprise credit, small enterprise credit and medium enterprise credit, therefore, the employment of MSMEs workers for all districts/municipality is - 1116.475 unit. On the other hand, the coefficient value of micro enterprise credit is 0.059847, meaning that if an increase or improvement of micro enterprise credit is 1% so the employment of the workers will increase to 5.98% with an assumption other variables are constant. The coefficient value of medium enterprise credit amounting to 0.012349, meaning medium enterprise credit influences positively and significantly to the employment of workers. On small enterprise credit β_2 shows that probability is smaller than $\alpha =10\%$. It means that small enterprise credit does not influence significantly to the employment of workers. There are several reasons why small enterprise credit does not influence significantly to the employment of MSMEs workers. According to Act No.9 of 1955 what a small enterprise credit is a small-scale productive enterprise and has net worth at the most of Rp. 200,000,000, excluding land and building or has annual sales at the most of Rp.1,000,000,000 and is eligible for credit from a bank from Rp. 50,000,000 to Rp. 500,000,000 million. In general, an enterprise agent borrowing small enterprise credit will use the credit they get to buy capital goods such as machine, technology, building, etc in order to add enterprise facilities and increase production capacity. Because the workers of small enterprise, in general, has already better human resources, on average, they are senior high school graduates and have practiced bookkeeping/financial management, even though it is still simple, the finance of the enterprise has been separated from the finance of the family, and has practiced balanced sheet. In general it has an enterprise permit and the legal requirements, including taxpayer's ID number (NPWP).

The value of R^2 is 0.6189 meaning the fluctuation of the employment of MSMEs workers are influenced by MSMEs credit amounting to 61.89% and the rest amounting to 38.11% explained by other variables. It means FEM model is better.

Dependent Variable: Y? Method: Pooled Least Squares
 Sample: 2011 2015 Included observations: 5
 Cross-sections included: 11 Total pool (balanced) observations: 55

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1116.475	645.7050	-1.729079	0.0913
X1?	0.059847	0.021615	2.768734	0.0084
X2?	0.125976	0.126169	0.998475	0.3239
X3?	0.012349	0.005603	2.204156	0.0332
Fixed Effects (Cross)				
BATANGHARI--C	-24.52182			
SAROLANGUN--C	-140.5638			
KERINCI--C	40.56873			
MUARO_JAMBI--C	107.6887			
TANJABAR--C	-121.7474			
TANJABTIM--C	71.89387			
TEBO--C	-98.22766			
MERANGIN--C	86.21327			
BUNGO--C	-131.6168			
SUNGAI_PENUH--C	504.4160			
KOTA_JAMBI--C	-294.1031			
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.618926	Mean dependent var		256.0768
Adjusted R-squared	0.498098	S.D. dependent var		144.1618
S.E. of regression	102.1315	Akaike info criterion		12.30573
Sum squared resid	427664.5	Schwarz criterion		12.81669
Log likelihood	324.4076	Hannan-Quinn criter.		12.50332
F-statistic	5.122363	Durbin-Watson stat		2.340055
Prob(F-statistic)	0.000027			

The Analysis Using Estimate with REM Method

Dependent Variable: Y? Method: Pooled EGLS (Cross-section random effects)
 Sample: 2011 2015 Included observations: 5
 Cross-sections included: 11 Total pool (balanced) observations: 55
 Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-103.7064	190.5518	-0.544242	0.5886
X1?	0.040836	0.020539	-1.988201	0.0522
X2?	-0.098101	0.113413	-0.864984	0.3911
X3?	0.003397	0.001618	2.098773	0.0408
Random Effects (Cross)				
BATANGHARI--C	3.222664			
SAROLANGUN--C	-74.99217			
KERINCI--C	-51.65702			
MUARO_JAMBI--C	126.9074			
TANJABAR--C	-56.21674			
TANJABTIM--C	-81.44048			
TEBO--C	-38.32683			
MERANGIN--C	115.6561			
BUNGO--C	-36.48056			
SUNGAI_PENUH--C	117.2681			
KOTA_JAMBI--C	-23.94057			

Effects Specification		S.D.	Rho
Cross-section random		81.86571	0.3912
Idiosyncratic random		102.1315	0.6088
Weighted Statistics			
R-squared	0.140525	Mean dependent var	124.7659
Adjusted R-squared	0.089968	S.D. dependent var	113.2607
S.E. of regression	108.0457	Sum squared resid	595368.0
F-statistic	2.779521	Durbin-Watson stat	1.628750
Prob(F-statistic)	0.050393		
Unweighted Statistics			
R-squared	0.091496	Mean dependent var	256.0768
Sum squared resid	1019580.	Durbin-Watson stat	0.951084

The result of estimate for REM method statistically shows the variable of micro enterprise credit (X_1) and medium enterprise credit (X_3) influences positively and significantly to the employment of workers, with probability value smaller than $\alpha = 10\%$. On the other hand, the value of R^2 is very small amounting to 0.09149; it means the variable of MSMES credit can explain the variable of workers amounting to 9.14% and the rest amounting to 81.86% explained by other variables. It means that REM model is satisfactory.

Chow Test

In order to choose between PLS model and FEM model, Chow Test is used. The result of Chow Test shows that the value of F and chi-square test are significant (p value 0.0001 and 0.0000 smaller than 10%), therefore, H_0 is rejected, so that FEM model is better compared to PLS mode

Redundant Fixed Effects Tests		Pool: Untitled	
Test cross-section fixed effects			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	5.116401	(10,41)	0.0001
Cross-section Chi-square	44.549871	10	0.0000

Cross-section fixed effects test equation:

Dependent Variable: Y? Method: Panel Least Squares
Sample: 2011 2015 Included observations: 5
Cross-sections included: 11 Total pool (balanced) observations: 55

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-97.02650	132.9046	-0.730046	0.4687
X1?	-0.010058	0.024661	-0.407857	0.6851
X2?	0.071015	0.130324	0.544910	0.5882
X3?	0.003040	0.001109	2.740682	0.0084
R-squared	0.143383	Mean dependent var	256.0768	
Adjusted R-squared	0.092994	S.D. dependent var	144.1618	
S.E. of regression	137.2952	Akaike info criterion	12.75209	
Sum squared resid	961348.2	Schwarz criterion	12.89808	
Log likelihood	-346.6825	Hannan-Quinn criter.	12.80855	
F-statistic	2.845515	Durbin-Watson stat	1.076681	
Prob(F-statistic)	0.046662			

Hausman Test

In order to select the best model among others fixed effect model and random effect model that will be used for research model, Hausman Test can be used.

Correlated Random Effects - Hausman Test

Pool: Untitled

Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.	
Cross-section random	9.077659	3	0.0283	
Cross-section random effects test comparisons:				
Variable	Fixed	Random	Var(Diff.)	Prob.
X1?	-0.059847	-0.040836	0.000045	0.0048
X2?	-0.125976	-0.098101	0.003056	0.6141
X3?	0.012349	0.003397	0.000029	0.0951

Based on Hausman Statistical test above, compared to Chi-square table with a degree of freedom the same as the number of independent variables. The value of p is $= 0.0048 < 10\%$ so H_0 is rejected, and it can be concluded that FEM model is better than random effect model.

CONCLUSION

After the data have been prepared and analyzed, then it can be concluded that the variable of micro enterprise credit and medium enterprise credit have positive and significant influence to the employment of workers by applying Chow Test and Hausman Test show that FEM model is better to be used in this research.

Micro enterprise credit and medium enterprise credit influence positively to the employment of MSMEs workers in Jambi Province. Therefore, the bank sector and other financial institutions such as pawnshop, venture capital, leasing, and others play an important role in providing funding for MSMEs. Bank credit is still one of the alternatives of financial source for MSMEs.

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ANALYSIS OF INDUSTRIALIZATION AND ECONOMIC GROWTH IN JAMBI PROVINCE

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Abstract. One of the main approaches and strategies in economic development undertaken by a number of countries is by concerning in local economic development which is intended primarily to address economic issues including unemployment, boosting economic growth, low competitiveness of the economy and poverty. This policy is particularly relevant when it relates to policies and economic conditions in Indonesia, especially in the era of decentralization and the focus of this policy is in the district and city. One of indicators of the success of industrialization in a specified area is the performance of the industrial sector in a region. Industrialization is not the ultimate goal of economic development, but it is an attempt to achieve a high level of economic growth and sustainable development and ultimately create high and sustainable income. This paper attempts to analyze industrialization and economic growth in Jambi province during 2005 - 2015. To analyze the industrialization process, writer used indicator of the growth of value added of industrial sector to Gross Domestic Product, employment growth in the industrial sector and Economic growth which is analyzed by using Gross Domestic Product growth.

Keywords: Industrialization, Growth, Jambi Province.

INTRODUCTION

Industrialization is a process of social change that change the system of subsistence agrarian society into a industrial society. In industrialization it can also be interpreted as a situation where the people focus on the economy which includes diverse work (specialization), salary, and income that is increasingly high. Industrialization is also part of the modernization process where social change and economic development are closely related to technological innovation. In industrialization, there is change in philosophy of man in which humans change the views of the social environment to be more rational (action is based on the consideration, efficiency, and calculations and no longer refers to the moral, emotional, habit or tradition). According to the researchers there are factors that become the benchmark for industrial modernization and company starts from development of political and legal environment favorable to industry and trade; it could be with diversity of natural resources and its abundant, and also human resources tend to be low cost, have the ability and can adapt to his job. First country that conduct industrialization is England when the Industrial Revolution happened in the 18th century. At the end of the 20th century, countries in East Asia have become part of the world which mostly committed industrialization. industrialization in Indonesia has declined since the economic crisis in 1998. This setback does not mean Indonesia does not have the capital to to invest in the domestic industry, but rather the absorption of goods produced in the domestic industry. Opening up the domestic market is importance key for Indonesia's industry to rise again because nowadays Indonesian market is dominated by foreign products.

The factors which generate industry in Indonesia, among others: (1) Organizational Structure, where innovation is done in the network of government and private institutions that conduct import as the parties who carries, change, develop and disseminate technology. (2) Ideology, it need attitude in determining choice to develop a technology whether it hold tecno-nasionalism, tecno-globalism, or techno-hybrids. (3) Leadership, Leaders and Indonesia's political elite must be firm and careful in taking decisions. It is intended to restore market confidence in the country and abroad. According to the classification from Jean Fourastik: an economy consists of commodities production (agriculture, animal husbandry, mineral resource exploitation). Second part, the process of production of goods for sale, the third part, as a service industry.

The process of industrialization is based on the expansion of the second part which its economic activity is dominated by the first activity. The social and environmental impacts of their industrialization are as follows:

1. Urbanization, concentration of workers in factories in an area so that the area developed into a big city.
2. Exploitation of labor, workers must leave the family in order to work out where the industry is located.
3. Changes in the family structure, social structure changes based on pre-industrialization pattern where a large family tend to settle in an area. After industrialization families usually move and consist of the nuclear family (parents and children). Families and children who are entering adulthood will be actively move to work along with work place in which it is located.
4. Environment, industrialization created many disease. Starting from harmful air pollution, water, and noise, the problem of poverty, dangerous tools, and malnutrition. Health problem in industrialized

countries due to economic factors, socio-political, cultural and also pathogenic (disease-causing micro-organisms).

The factors inhibiting industry in Indonesia include:

1. Limitations of Technology: lack of expansion and research in the field of technology that hindered the effectiveness and production capabilities.
2. Quality of Human Resources: lack of professional personnel in Indonesia become an obstacle to get and operate tools with the latest technology.
3. Limitations of government funds: limited funding technological development by the government to develop infrastructure in the fields of research and technology.

Industrialization has become a common pattern of economic development in developing countries. The structural changes that accompany process of industrialization characterized by a shift in the role of the agricultural sector to the industrial sector. In line with the ongoing improvement process, the role of the industrial sector is increasing both in terms of employment and the role of the national output.

As the foundation of the future economy, the industrial sector is the sector which most widely adopting technology. Therefore, it is not surprising that the industrial sector become the target of those who have the skills and ability to pursuit higher productivity. There is a presumption that the growth in the industrial sector are quite high because it is supported by labor productivity in its development.

National development with its focus on high growth is a top priority. This is done to accelerate the economic transformation towards a better economic. Economic growth also closely associated with the increasing of goods production and services, which is measured by gross domestic product (GDP) at the national level and the Gross Domestic Product (GDP) at the local level. The impact of national development has closely linked to development of region, because the region is an integral part of the Indonesia.

According to Suparmoko (2002) local economic development is a process which local governments and communities manage resources that exist, by establishing patterns of partnership between local governments and the private sector for job creation, as well as to stimulate economic growth in the regions. The industrial sector has contributed into the development, both contribute to economic growth and the ability to absorb labor. Economic growth is a measure of the regional economy. The high economic and sustainable growth is a necessity for the sustainability of economic development and improved welfare. Economic growth is the increase in per capita income of the region in the long term and is one of the important objectives of the macroeconomic policy to determine the progress of the economy.

CONCEPTUAL FRAMEWORK.

Basically the growth and the development in every country are in line with the need for the movement of the industrial sector. Then industrialization is considered as a way to spur economic development in the developing countries. But sometimes policy is often forced in that simply copying the pattern of development policies in developed countries without considering the social and cultural factor. Few developing countries are aware that efforts to promote and expand the industrial sector should be parallel with the construction and development of other sectors such as agriculture as a provider of raw materials as well as the market for industrial products. Any increase in purchasing power in each sector is also a stimulus for the development of industrial sector. Therefore, the smoothness of the industrialization program actually depends on the improvement of other sectors, and how much the improvements are able to direct and act as a driving force for the occurrence of new industries. Thus, the policy that is taken will lead to mutual support mechanisms between sectors as a dialectic multisectoral.

In its implementation, there are four arguments or theory base that become the foundation of industrialization policy. The theories are the argument of comparative advantage, industrial linkage argument, argument of employment opportunities, and arguments of technology leap (technology jump). The pattern of development of the industrial sector in a country is strongly influenced by the underlying argument. Countries that adheres to the theoretical basis of comparative advantage will develop sub-sectors or types of industries that have comparative advantages. Countries that departed from industrial linkage argument will prioritize the development of industrial fields that has connection with development activities or other economic sectors.

Countries which industry is based on the creation of employment undoubtedly will prioritize the development of industries to absorb more labor. The type of industry rests on industries that are relatively labor-intensive and small industries. The countries that adheres on leap of technology (technology jump) believe that industries that use high technology (hi-tech) will provide tremendous added value, accompanied by technological progress for industries and other sectors.

While there are four arguments in the implementation of policy, there are two kinds of industrialization strategy: import substitution and export promotion. Import substitution pattern, also known as the strategy of "Inside Orientation" (inward looking strategy), is an industrialization strategy that prioritizes the development of the types of industries that replace the need for imports of similar products. In the initial stages, they usually develop light industries that produce consumer goods. To make them bigger, industries that are still new (infat industry) are usually highly protected by the

government of unequal competition from imported products. However, even protection could grow into a large, it often makes the industry does not go independently, but rather dependent.

The promotion of export strategy sometimes referred as the strategy of Looking Outward Strategy is the industrialization strategy that prioritizes the development of other types of industry which create products for export. This depends on the potential of the domestic market in the countries. In Indonesia, as in many other developing countries, the industrial sector is prepared to be able to become the motor that drive the progress of other sectors, and is expected to be a leading sector. That is why industrialization constantly enliven economic development. Based on the pattern of development, industrialization in Indonesia stems from the strategy of import substitution and the pattern now has switched to an export promotion strategy.

There are many theories or models proposed and implemented in the history of economic development in the world. The success in implementing a theory and models is determined by the assumptions used and is based on the development resources and the constraints available. In writing this paper there are several theories and models of development that are related and considered giving inspiration in economic development policy in Indonesia.

Kuncoro (2007), states that industrialization in developing countries is not a new thing at all. South Americas have already started industrialization since 1930s due to declining of natural resources in the region. At that time, there is a belief that to move forward a country must implement industrialization. Specialty in agriculture is identical with colonialism and underdevelopment. Industrialization is regarded as a prerequisite to boost economic activity, productivity and improved living standards. A wish to free from the dependence of developed countries make countries in South America held industrialization.

In the development of industrialization, technological progress becomes an obstacle that the industrial products of developing countries can not compete with developed countries in international market. In effect, export products from developing countries which are expected to play an important role in the economy did not go as expected.

The obstacles make the existing industries in developing countries develop to become a mere substitute for industrial products imported from other countries. Such situation is known as "imported industrial strategy". The constraints of this strategy include: a small population of most developing countries, the purchasing power of the population that is weak because of low income levels, labor-intensive industries in developing countries have been insufficient to reach the industry's high growth, so it should be directed at capital-intensive industry, and the lack of trained manpower, and lack of infrastructure in developing countries, such as roads, power plants, and more. From the constraints above, many developing countries are caught in a trap of high cost economy, and uneven income distribution

Nevertheless, there are countries that can overcome the obstacles above and managed to produce industrial goods that can compete in international markets. Countries such as Hong Kong, Taiwan, South Korea, and Singapore managed to change the industry that was previously import-substitution industries into export promotion. They then called newly industrialized countries.

The role of the industrial sector to development has been widely studied by economists include Kuznets who examine the relationship between the structure of the regional economy to economic developments. From his research it is concluded that industrial sector increased role in the economy, which means that the growth rate of this sector is faster than the growth of national production. This change is also visible in the structure of the workforce that are getting bigger and will be even greater if economic growth increases.

Chenery research emphasis on the analysis of the factors that led to unbalanced growth among the various types of sub-sectors within the processing industry with revenues per term. Fact shows that the manufacturing sub-sector grow faster than per capita income. At the regional scale, developments which is taking place in the industrial sector will give impact to the development of other sectors. This interaction process is expressed in mutual relationships (linkages) between industry, infrastructure and activity across sectors. The role of the industrial sector for growth in the region is from the fact that the industry is not homogeneous and some industries are experiencing faster growth than other areas. There are also areas experiencing faster growth than other regions. Different structure industries from one area to other area led to the tendency that the industry structure and growth of the region has a causal relationship.

The relationship between industrial development with the growth of the area has also been expressed by Francois Perroux in Growth Pole Theory. Perroux theory regarding Pole De Croissance or pole of Growth (growth center) is a theory that became the basis for regional industrial policies and strategies that run in different areas today. Perroux argued that growth does not appear in different regions at the same time. They appear only in a few places or centers of growth, with different intensities, evolving through different channels, so final result is different with the overall economy.

The essence of the Perroux theory about the construction can be summarized in the following points: First, in the process of development there will be L'Industrie Motrice or industry leader who became prime driver in regional development. Profits from an industry is a function of the level of production in other industries. In other words, the efficiency and the level of production in an industry not

only depends on the industry but also depend on other industries that are closely related to the industry. A close relationship between various industry led to situation that when prime industrial or developing industrial increase, the production growth is not limited to the amount of the increase in production in the industry leader, but also the increase in the production of other industries that are closely related to the industry leader.

Second, if the industry gather in a region, this situation will help the process of economic growth, because the industrial grouping will create consumers who have different consumption patterns with the rural population; demand for housing, transportation, and government services will appear; various kinds of manufacturers proficient workers will grow; and the basic framework of the industry will be created. The process of industrial growth which is concentrated in one area will cause a further imbalance development in other areas because industrial centers will affect development in other areas.

Third, since geographically economic development is not balanced then economy is basically the combination of system that relatively has active situation (consist of industries or regions that depend on the activity at the center of growth) first group of industry will affect the construction of second industry. So essentially Perroux show that based on location of economic activity and economic development of the region, economic development is uneven in various regions and have a tendency to cluster in center of growth.

Benefit that is obtained in the presence of an industry in a city or region, among others, is the contribution of the industrial sector of the regional gross domestic product, so that the existence of an industry is often identified with the progress of a region or city. Friedman said that the economic growth is caused by rapid industrial development. Thus area that has lots of industrial activity will grow faster than the area that has little industrial activity.

Process of industrialization in each country varies greatly, but the industrialization process steps are logical steps in the process of changing the structure of the economy. This stage has historically manifested through the increasing contribution of the manufacturing sector, employment, total production and exports (Chenery, 1992).

Rostow Model in stage of growth models of development states that, the change from backwardness towards economic progress can be described in a series of steps that must be passed by all the countries. Those are traditional societies, the preparation of the basic framework to sustainable development, the stage for take-off, toward economic maturity and stage of high mass consumption. Countries which are classified as developed countries now exceed the stages of take off (Gillis, 1987 and Todaro, 2003).

Industrialization is closely related to activity which is capital oriented. It is in line with the theory raised by Harrod-Domar that the output of the economy or an industrial unit depends on the amount of capital invested (Gillis,1987). In deploy or mobilize funds savings as investment capital to accelerate the pace of economic growth, this is a strategy development carried out a country for takeoff. When linked with the development of industrial sector in Indonesia, then the industrialization is manufacturing industry.

According to Tambunan (2001) there are several indicators that can be used to determine the performance of industrialization at the macro level, they are:

1. The value-added of the manufacturing industry and the average growth per year.
2. The share of manufacturing sector in GDP or GDP relative to the share of other economic sectors.
3. The value added of the manufacturing industry per capita and average growth per year.
4. The amount of export manufacturing or relatively to exports from other sectors.
5. The share of manufactured exports in total exports or exports of non-oil and gas.

From some of statements above, this paper will analyze the industrialization in the province of Jambi by using the indicator value added share of the industrial sector, GDP growth in the industrial sector, the number of people working in the industrial sector and the GDP growth in Jambi province to analyze the effect of industrialization on economic growth, employment, and value added of the industrial sector. In analyzing the use Neo Classical production function, namely:

$$Y = f (K, L, T, A)$$

That: Y = Output or national product; K = Capital ; L = Employment measurement
T = Land and natural resources; A = Productivity increase or efficiency of used input

Then, there is variable modification and make function as follow:

$$G = f (Grsi, Grtk,)$$

That : G = growth of GDP in Jambi Province; Grsi = growth of added value in industrial sector
Grtk = growth of labor that works in industrial sector

ANALYSIS

Total GDP growth and value-added industrial sectors is using secondary data that is GRDP data of Jambi at constant prices in 2004 - 2016 and calculated its annual growth. The method of analysis that is used is descriptive analysis of qualitative and quantitative by calculating economic growth, growth in the industrial sector, industrial sector's contribution to the GDP and employment growth in the industrial sector.

Economic Growth in Jambi

Development of Industry and Commerce over the past decade has been enliven the national economy and feel the impact of the monetary crisis that happen Indonesia several years ago, which create greatest impact on the regional economy as a whole, particularly the vital sectors which depress economic growth to be negative. Yet, with earnest efforts of all components and elements of society, crisis is passable gradually and national economy experienced positive growth gradually.

Economic growth is a benchmarks of local economy. High rate and sustainable economic growth is a necessity for the sustainability of economic development and improved welfare. Economic growth is the increase in per capita income of the region in long term, and one of the important objectives of the macroeconomic policy to determine the progress of the economy. Gross Domestic Product is also a tool to determine the economic structure of a region, which is believed to be an important indicator in determining the direction of development with regard to the role of each in the GDP so that the development priorities can be determined. GDP growth in Jambi province can be seen in the table below:

Table 3.1. Economic Growth in Jambi Province Year 2011-2015

Category	Description	2011	2012	2013	2014*	2015**
A	Farming, forestry, & Fishery	4,73	6,81	6,21	10,95	5,36
B	Mine and Dig	12,41	4,88	3,83	4,23	-0,22
C	Manufactured industry	8,30	7,19	8,17	4,81	2,33
D	Electricity and Gas	13,32	9,67	8,73	9,70	4,18
E	Water, garbage disposal, waste and recycle	5,21	0,82	1,87	4,35	4,08
F	Construction	5,52	17,02	19,49	8,94	2,88
G	Trade & retail, Car and motorcycle reparation	8,34	8,86	8,22	8,80	11,02
H	Transportation and Storage	5,81	8,42	7,88	8,18	6,59
I	Accomodation and food beverage	6,24	7,73	6,40	18,73	6,49
J	Information dan Communication	7,32	7,36	6,53	7,01	9,83
K	Finance dan Insurance	20,79	9,98	11,81	3,84	2,11
L	Real Estate	6,05	5,66	4,93	2,20	4,19
M,N	Company Service	1,49	4,22	2,04	5,00	6,32
O	Government administration, defence & social security	4,14	3,96	4,57	13,38	6,79
P	Education Service	2,48	6,34	5,39	1,28	7,48
Q	Health Service	3,80	8,78	8,07	15,19	10,05
R,S,T,U	Other service	3,80	3,31	4,80	5,55	8,76
DOMESTIC PRODUCT		7,86	7,03	6,84	7,35	4,21

Source : BPS Provinsi Jambi, 2015

Achievement of Jambi economic performance in 2015 has slow growth. This is due to the impacts of the global economic slowdown and global uncertainty that still continues until now. In 2015, Jambi economy slowed in the figure of 4.21 percent, compared to the previous year at the level of 7.35 percent. Almost all sectors experienced positive and slow growth compared with the situation in 2014, except mining and dig which grew negative and wholesale and retail trade sector is still experiencing accelerated growth in 2015. The highest growth achieved by wholesale and retail trade sector is 11.02 percent while the lowest growth exist in the mining and quarrying sector by -0.22 percent.

Jambi's economic structure which can be seen on the contribution of each sector that form GDP at current prices show the contributions of economic sectors in that year. The use of every economic sector in GDP formation in Jambi Province is expected to be able to lift the standard of living of society. In 2015, the economic sector which contributes over 5 per cent is from Agriculture, Forestry and Fisheries, the category of Mining and Quarrying, Processing industry category, Retail and Trade, Repair Cars and Motorcycles, and construction category while the other categories contribute more than 5 percent. For manufacturing sector, its contribution each year has relatively stagnant but from 2010 to 2015 contributions decreased in 2014 by 10.94 percent while in 2010 showed a higher contribution in the amount of 11.43 per cent. From the table of economy structure in Jambi province envisaged that the economy is still dominated by agriculture, forestry and fisheries, then the Mining and Quarrying sector and secondarily the Processing Industry sector.

Table 3.2. Economic Structure Jambi Province Year 2011-2015

Categori	Description	2010	2011	2012	2013	2014*	2015**
A	Farming, forestry, & Fishery	26,07	26,20	24,19	25,63	26,22	28,25
B	Mine and Dig	26,77	26,83	27,30	26,16	24,48	19,00
C	Manufactured industry	11,43	11,15	11,27	11,15	10,94	11,05
D	Electricity and Gas	0,04	0,04	0,05	0,04	0,04	0,05
E	Water, garbage disposal, waste and recycle	0,16	0,15	0,14	0,14	0,14	0,14
F	Construction	5,88	5,74	6,37	6,78	7,10	7,20

G	Trade & retail, Car & motorcycle repairation	8,47	9,04	9,28	9,27	9,78	11,12
H	Transportation and Storage	3,02	2,90	2,95	2,91	2,95	3,21
I	Accomodation and food beverage	0,94	0,95	1,00	1,02	1,10	1,15
J	Information dan Communication	3,26	3,09	3,16	3,07	3,07	3,47
K	Finance dan Insurance	1,97	2,21	2,41	2,50	2,45	2,43
L	Real Estate	1,59	1,59	1,57	1,49	1,45	1,56
M,N	Company Service	1,20	1,13	1,15	1,09	1,09	1,16
O	Government administration, defence and social security	3,56	3,64	3,58	3,48	4,16	4,88
P	Education Service	3,56	3,42	3,64	3,41	3,12	3,30
Q	Health Service	1,00	0,93	0,97	0,94	1,02	1,07
R,S,T,U	Other service	1,08	0,99	0,96	0,91	0,89	0,96
DOMESTIK PRODUCT		100,00	100,00	100,00	100,00	100,00	100,00

Source : BPS Provinsi Jambi Tahun 2015

Contribution of the industrial sector in regional economic growth (GDP) has always fluctuated from 2009 - 2013. In 2012 the manufacturing sector accounted for 11.27 per cent to the GDP of Jambi province, but declined to 10.99 percent in 2013.

Industrialization in Jambi Province

Jambi Province which is one of the strategic regions has considerable potential in promoting the growth of trade and industry sector, considering the strategic position of Jambi dealing directly with triangular growth and IMS-GT (Indonesia, Malaysia, Singapore Growth Triangle), this is certainly will open up opportunities and an opportunity for the region to encourage industrial development in the future. despite the position, it became an opportunity and a challenge in the face of global competition that is increasingly competitive, due to local products included in this market will be dealing directly with the products coming from different countries, so it will greatly affect the domestic market. Therefore it needs a strategy to encourage trade industry to improve the competitiveness of the products that we have.

Several problems that exist in Jambi Province in its construction industry are the infrastructure of roads and ports that need serious attention, especially in supporting the performance of export-import Jambi particularly superior products and industrial processing results, such as rubber, palm oil, coal and other horticultural products. Downstream products processing industry, in the future become an increasingly challenging market. As one of the biggest contributors to the product of rubber plantations which have penetrated the export market world, it needs concrete policy efforts to encourage the development of downstream rubber industry through various strategic programs.

Exports Industry in Jambi is still dominated by rubber and rubber processing followed by mining (BBM), but the value added is still low, so that this condition will certainly affect the multiplier effect of export commodities such as employment , the increase in people's income, the increase in commodity prices and income for region. Meanwhile, export destinations country are Singapore, Japan and China. Meanwhile industrial products downstream Oil (CPO) should also be promoted and developed into other processing industries, so that it does not only produces CPO as its downstream industries, but industries Downstream derived from industrial waste generated by oil palm plantations.

These commodities should be the main force of the economy of Jambi province from non-oil sector, as well as industrial minerals and other oil and gas sector. The goal is to boost exports, employment and increased welfare and incomes, particularly for farmers.

Then the problems that exist in Jambi is how to improve product competitiveness, especially in this case of export. It needs the development of standardization and quality of product quality testing, so they can compete better. In global trade today, the recognition of a product based on the results of testing the quality of the goods to be traded, and has a certification that is recognized nationally and internationally, although for export products that have penetrated the market globally recognized as meeting the requirements of quality test, but the development of standardization in the future must be improved continuously.

Guidance program to industry is conducted to big, medium and small industry. For large industrial development program regional governments become facilitators for large industries that have the ability to develop themselves. The priority program of industrial sector which is for small handicraft industry still has weaknesses and needs to be fostered in a sustainable manner. Guidance to the small industry is focused on the activities of human resources skills, the increase in production, utilization of natural resources, application of appropriate technologies, support equipment, capital, improved packaging, the development potential of the market and entrepreneurship development.

Tabel 3.3. Number of Company and Labor in Province of Jambi Year 2009 – 2013

YEAR	NUMBER OF COMPANY	NUMBER OF LABOR
2009	90	22.148
2010	88	24.129
2011	104	27.979
2012	104	28.300
2013	98	29.002

Source : BPS Propinsi Jambi, 2015

Quantitatively the amount of labor absorbed by large/ medium industry fluctuate each year. The sum of labor absorbed by this sector increased by 8.94 percent to 24,129 people. This increase occurred again in 2011 by 15.96 percent to 27,979 people and in 2012 it rose again by 1.18 per cent with employment for 28.310. Similarly, in 2013 the amount of labor that is absorbed as much as 29,002 people. The number is increased by 2.44 percent compared to the amount of labor absorbed in the previous year.

Tabel 3.4. Number of big and middle manufactured industry Company in 2015 in regency or city

NO	Regency/city	Number
1	Kerinci	2
2	Merangin	5
3	Sarolangun	7
4	Batang Hari	9
5	Muaro Jambi	26
6	Tanjung Jabung Timur	2
7	Tanjung Jabung Barat	14
8	Tebo	5
9	Bungo	10
10	Jambi	27
11	Sungai Penuh	2
	Jumlah	109

Source : BPS 2015

The table above shows that the number of Large and Medium industrial enterprises Manufacturing in Jambi province in 2015 based on Regency/City. Jambi city has 27 units, then Muaro Jambi has 26 units, followed by the West Tanjung Jabung 14 units and the last district Kerinci and Sungai Penuh

Tabel 3.5. Number of big and middle manufactured industry Company in Province of Jambi Year 2015 KBLI

No	KBLI	Number
1	Food	70
2	Beverage	7
3	Textile	3
4	Wood industry, goods made from wood (excluding furniture) and woven goods from bamboo	21
5	Paper and good made from paper	1
6	Chemical material and chemical product	3
7	Rug, goods made from rug and plastic	13
8	Dig material non metal	2
9	Metal goods, non machinery and tool	2
10	Other transportation	2
11	Furniture	6
12	Reparation service and machine installment	1
	Total Number	140

Source : BPS Propinsi Jambi, 2016

The table above shows the creation of industrial added value of large and medium industry in Jambi province based on industry group. In the year of observation there are three dominant industry in the creation of added value that is industrial food and beverage, wood and articles of wood, wicker, carpets, items of rubber and plastics, and beverages and furniture.

It seems that the food industry, wood and articles of wood, wicker and beverage industry provides the dominant contribution in the creation of value added processing of non-oil in province of Jambi. Factors such as low entry barriers, capital and technology that are relatively not high and demand for food consumption likely to increase (relevant to the GDP expenditure data for household consumption) this will affect the creation of value-added processing industry even in times of crisis.

Conditions mentioned above also illustrates that the development of the industrial sector has risen. In order to keep the value of the growth of this industry, which is now contributing to the economic growth of the district / city it is necessary to create a conducive investment climate and minimize the high economic cost through the accelerated development of infrastructure and downstream. In addition, it is noted that the current global environment create tight competition so that the construction industry needs to be accelerated and integrated with other economic sectors.

For the development of outputs, input costs and the added value of large/medium industrial in Jambi has progressed from year to year but not in big gains. For the highest output value in 2011 amounted to 55.15 per cent and in 2013 the value of this output fell by 44.70 per cent of this was due to problems of economy which is not recovered yet and raw material problems, then for Input Costs decreased quite large at 24.86 percent in 2013 compared to the year 2012 amounted to 32.71 percent.

Table 3.6. Output, Cost of Input and Added value of big/middle Industry in Province of Jambi During 2008 – 2013

YEAR	OUTPUT VALUE	COST OF INPUT	ADDED VALUE
2008	19,23	12,63	6,60
2009	20,40	16,02	4,38
2010	28,28	20,41	7,87
2011	55,15	35,39	19,76
2012	53,99	32,71	21,27
2013	44,70	24,86	19,83

Source : BPS Propinsi Jambi,2015

CONCLUSION

Based on above discussion it can be seen that economic growth in Jambi is relatively high year and higher than national economic growth in previous years. Economic growth based on sector in Jambi province is dominated by agriculture, mining and quarrying and manufacturing industries as well as large trade and retail. Based on the use of the GDP, economic growth in the province of Jambi is dominated by expenditure on household consumption, while investment spending is relatively still low.

Based on the industrial sector's contribution to the GDP of Jambi, it shows that Jambi ranked third in 2015, where it remains the dominant contribution of the agricultural sector, mining and quarrying and wholesale and retail trade sector, especially after the economic crisis. As a whole, the process of industrialization in the province Jambi is still in medium developing because the economy is still based on agriculture, mining and quarrying and based on big trade and retail trade sectors where the existing industry is also still based on low technology industries (low technology and tend to be labor-intensive).

Meanwhile, industrial products of Oil (CPO) should also be promoted and developed into other processing industries, so that not only produces CPO as its downstream industries, but industries that derived from industrial waste generated by oil palm plantations.

Jambi province has roads and ports that need serious attention, especially in supporting the performance of export-import Jambi province, especially the excellent products and the processing industry, such as rubber, palm oil, coal and other horticultural products. Downstream products processing industry face competitive market challenges. As one of the largest contributors of product yield of rubber plantations which have penetrated the export market world, it needs concrete policy efforts to encourage the development of downstream rubber industry through a variety of strategic programs.

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MODEL ANALYSIS FOR ANNUAL CROP PRODUCTION EFFICIENCY

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Abstract. Identification of resource usage efficiency is the important issue of determining the existence of the many opportunities the agricultural sector in giving its contribution to economic growth and the improvement of the welfare of farmers. Efficiency of resource use into a variety of alternative production activities will largely determine the revenue gain from a farming run. Where income is a major factor that encourages farmers in developing a farming. Analysis of the production efficiency is largely done on food crops. Of the 142 studies on production efficiency, there are only 8 studies that analyzed the efficiency of production at the plant, including the annual Orange (5), coffee (2) and rubber (1). This paper discusses the methods that are considered appropriate in analysing the efficiency of production at the plant. Approach in discussing the problems raised was with the study of literature, through the exploration of a variety of research results is appropriate. Annual plant plantation plants that require a long time to produce, capable of producing up to tens of years and can be harvested more than once. From various studies about the efficiency of production at the plant, the most widely used method for mengestimasi efficiency is Maximum Likelihood Estimation (MLE) and Stochastic Frontier approach, Translog function is used, and the type of data in the form of the data panel. Source of production efficiency on annual plant and simultaneously that differentiates with food crops is age of the plant, while other sources such as land area, labor, fertilizer, pesticides, machinery/farm equipment, maintenance activities, type varieties, the area/height, capital of farming are considered equal. As for sources that are considered to be able to determine the annual crop production inefficiencies is the share of labour family, share of productive plants, age farmers, farmers ' experience, training, agricultural extension officers visit, number of adults in the family, the managerial skills of farmers, access to credit, other sources of revenue, and infrastructure.

Keywords: Model Analysis Of The Production Efficiency, Annual Plant

INTRODUCTION

The income of a farming is the main determinant of household welfare farmers and at the same time as one of the important factors that customize the economic growth. Income levels of farming will be largely determined by the efficiency of farmers in allocating resources to the various activities of the alternative production.

The measurement of the degree of efficiency of a very important farming was done as an attempt to determine the existence of opportunities in the agricultural sector with regard to the potential of its contribution to the growth and improvement of the well-being of farm households (Weersink, Turvey & Godah, 1990). With doing identify against the production efficiency can be known to a variety of potential resources have/not yet being exploited to increase the income of farming and creating a surplus. Thus the expected farmer can make alternative use of resources owned in production activity to enhance the income of farming is being run.

Analysis of the production efficiency is largely done on seasonal plant. Of the 142 studies on production efficiency, there are only 8 studies that analyzed the efficiency of production at the plant, as seen in table 1.

From table 1 it can be known that there are three types of annual plant that has done research on the efficiency of production, namely the citrus plant as much as 2.82 percent, 1.41 percent coffee and rubber 0.70 percent of 142 research production efficiency in the field of agriculture.

Development of a farming requires reference to concrete that is faced by farmers. Therefore, studies of production efficiency will help policy formulation development of farming. For farmers; the results of the analysis of the production efficiency provides an overview about the accuracy of the allocation of the resources used in creating a surplus of farming that is run. As for government policymakers; the results of the analysis of evaluation precision of the material into a production policy that has been done and as a repair system that controlled against the pattern of farming which is run by the community.

An precision analysis of farming in addition to explaining the real reality, will also streamline the policy that will be applied. An precision analysis resulting from the development literature that are conducted on an ongoing basis. Growing number of studies through research activities are expected to be

increasingly produce the right assumptions in resolving the existing problems. Still at least a study of production efficiency on the plant-specific characteristics and the presence of annual with different seasonal plant, then needed a proper analysis of the model against the annual crop production efficiency

Table 1. The amount of research and Technical Efficiency of Mean Values based on Commodity Groups

Products	Total	% To The Total Study	Mean TE
Agriculture total	13	9,15	75,8
Orange	4	2,82	72,6
Coffee	2	1,41	87
Food Crops	28	19,72	77,5
PADI	24	16,90	74,6
Corn	6	4,23	77,8
Livestock & Milk	29	20,42	81,1
Vegetables and legumes	7	4,93	74,4
Wheat	4	2,82	66,2
Cassava	3	2,11	68,8
Rubber *	1	0,70	88,2
Other grains	10	7,04	76,1
Other Products	11	7,75	79,3
Total	142	100,00	

Source: Adar, 2011

* Author search results

DISCUSSION

A. Characteristics of Annual Plants

Model analysis of a production efficiency of farming is determined by the characteristics of the commodity as the object of analysis. Where the characteristics of a commodity will determine the pattern of production, costs and marketing. Model analysis of the efficiency of the production of annual crops on which will be formed based on the characteristics of the annual plant. Annual plants need a long time to produce and could produce up to tens of years and can be harvested more than once, for example plant oil palm, rubber, cocoa, coffee, cloves and pepper. According to Ria (2010), annual plant characteristics that differentiate with seasonal plant are:

1. Favorable Characteristics of Annual Plants Compared to Seasonal Plant.

- a. annual Crops encourage farmers to settle and make life investments (houses, roads and other facilities).
- b. annual Crops have higher productivity encourage retaining it through fertilization and conservation, an economical land use, look for a byproduct of livestock, and food crops.
- c. annual plant has good wishes mempertahankan soil fertility because:
 - tillage is reduced,
 - protect the soil, with a cover crop and tree protectors
 - some types of perennial trees and shrubs positively impact
 - usually made terraces for protection.
- d. annual Crop can be planted on land-land that is less suited to crop a year (due to various barriers as a factor of kelerengan, and fertility).
- e. specific annual Crops (coffee, tea, rubber,) require a lot of labor but was able to pay back the power with a relatively high income.
- f. the manpower needed for the annual plants spread evenly in a single year. This allows the utilization of manpower to other activities or expansion.
- g. annual plant most plants export trade and have broad scope for intensifying, varieties/clones, how cultivation, planting density, fertilization, pruning, harvesting, prosesing results etc.
- h. annual plant has a long period of time so it is a good investment in the old days.
- i. annual plant gives the social differentiation opportunities greater than the crop year (family income is determined by the number of trees dimilki, this was the catalyst for the competition).
- j. annual Plants are mostly harvested throughout the year (tea, rubber, oil palm and so on), so it is more suitable for industrial crops/plantations.

- 2. Characteristics of the annual plant which is a Disadvantage compared to seasonal plant**
- for business requires capital investment annual plants beginning a fairly high per broad unity, while the new results achieved a few years later.
 - Some perennial is the export commodity cost processing high (oil palm)
 - Many of the difficult work is done mechanically, as mechanization mostly possible only for the opening of land, tillage, control OPT (plant Pest Organisms), transport.

Characteristics of the annual plant many benefits to be examined for the development program of land and the expansion of the plant in plantation crops project development and resettlement.

Table 3. Overview of the age and nature of the crop Plantations in Indonesia.

Type Of Plant	The first harvest/th	Age of adult plants/th	Age of productive/th	Parts are harvested	Urgency management result
Coffee	3	5 - 6	12-50	fruit	High
Tea	3	6	50	leaf	High
Klp Palm	3 - 4	7 - 9	35	fruit	High
Rubber	4 - 7	8 - 11	35	SAP	Is being
Brown	4 - 8	15 - 20	50	seeds	Low
Coconut	4 - 6	8 - 15	60	fruit	Low
Clove	5 - 7	15	50	flower buds	is being

From these characteristics show that the annual crop production patterns determined by the productive period, i.e. between 12 – 50 years. This pattern does not occur on a seasonal plant. Therefore, the year of production and the number of productive plants on annual plant became the most important part that must be considered in conducting an analysis of the efficiency. Based on these patterns, the data used can be either annual data (time series). However, because in general the recording of data by farmers rare, then at least be used description of farmers from his experience over the last 2 or 3 years before. To meet the needs of data that has been required in the study, that there are at least 30 observations in time then it can be merged between annual data (series) and so it becomes the shape of the crosssection of the panel, as it has been widely performed by previous researchers.

Table 4. Some studies on the plant's annual production efficiency

No	Author/Commodities	location	Number of Samples/year	The form of functions and Data types	Methods Of Estimation	Mean TE	Factors that affect the efficiency of &Inefficiency
1	Hazarika/Tea	Assam	67	Cobb-Douglas/ Panel Data, Primal	OLS & MLE (SF)	85 & 64	Technical Efficiency: Effective land, labor, fertilizer, share area for tea was > 50 years, and a 50-year, share < areas for seed and clonal varieties
2	Picazo-Tadeo/Orange	Spain	33/2006	Cobb-Douglas/ Cross section	LP (DEA)		Technical Efficiency: The size of the farmer, labor, capital and skills managerial farmers
3	Boshrabadi/Pistachio	Iran	475/2006	Translog/ Pooled Data, Primal	ML (SF) & SHAZAM (meta-frontier)	55	Technical Efficiency: Irrigation water, labor, manure, chemical fertilizers, pesticides, machinery, other input
4	Dhehibi/Orange	Tunisia	150/2007	Translog/ Panel Data, Primal	ML (SF)	86,01	Technical Efficiency: Land, labor, fertilizers, other costs Inefficiency: Share of labour family, share of productive plants, age age squared farmer, farmer, farmers, agricultural

5	Dhehibi/ Orange	Tunisia	144/ 2007a	Translog/ Panel Data; Primal	ML (SF)	67,73	training experience, perception of irrigation water Technical Efficiency: Land, labor, input-chemical inputs, irrigation water, other costs Inefficiency: Size of farming, farmers ' age, education, training, agriculture, family and labor share share of productive plants.
6	Lambara/ Orange	Spain	859/ 2007	Cobb- Douglas/ Panel Data; Primal	ML (SF & TFP)	64,10	Technical efficiency: Labor, fertilizer, pesticides, land use and other fees
7	Vedenov/ Coffee	Mexico	120/ 2007	Translog/ Panel Data; Primal	ML (SF Distance Function)	87,00	Technical efficiency: Land for coffee, corn, land for land that nurtured Technical inefficiency: Population density, share coffee plants against other plants, the length of road, the height of the place
8	Wollni/ Coffee	Costaric a	216/ 2007	Probit, Cobb- Douglas, Trnaslog/ panel data; primal	ML (SF)	81	Technical efficiency: Land, labor, capital, plant age, maintenance activities, varieties, pruning dna regions Technical inefficiency: Education, experience, bookkeeping of farming, visit extension officers, aged farmers, women head of household, number of children, the families of 14 years <, number of adults, the size of farming, other sources of income, a member of the cooperative region
9	Tasman/Rub ber*	Batangh ari, Jambi	1998			88,7	Technical efficiency: The education of farmers, farmers ' experience, and the number of adults in the family, tapping a tree's age and family size
10	Tri Risandewi*/ Rubber	Sidoarjo	50/ 2013	Log Natural/	LP (DEA)	73,24	Technical Efficiency: Land area, number of labor, the number of coffee plant, fertilizer use, the age of the coffee plant

Source: Adar (2011)

• New Additions by the author

Description: ML (Maximum Likelihood Estimation), SF (Stochastic Frontier), LP (Linear Programing), DEA (Data Envelopment Analysis)

B. Factors that Affect the Efficiency of the Production of Annual Crops

Results of a study conducted by the literature of Adar (2011), mentions that that became a source of efficiency on the plant is annual land, labor, manure, chemical fertilizers, pesticides, irrigation water, agricultural tools, engine/activity maintenance (pruning, spraying and treatment), age, type of plant varieties, the area/height and capital of farming. While the inefficiency stems from the family's labor share, share of productive plants, age age squared farmer, farmer, farmers, agricultural training experience, perception of water irrigation, farming, extension officers visit bookkeeping, head of the women's families, the number of adults, the size of the managerial skills of farming, farmers, access to credit, other sources of income, cooperative members and the length of the road.

Several studies in analyzing annual crop production efficiency generally using stochastic frontier function form, the Cobb-Douglas, Translog and Probit, and use the data panel.

C. Efficiency Analysis Model of Annual crop production

According to Tasman (2008), there are two alternatives that can be used to estimate efficiency of production, i.e. by using data envelopment analysis (DEA) and stochastic frontier. The DEA method using linear programming whereas stochastic frontier method using Econometrics.

Estimation of efficiency of using parametric models, can also be done by using the primal and dual approach. Primal approach known by the traditional approach, where this approach does not offer a point of view of economic theory into specialized production. While the dual approach will yield equations demand and supply (Tasman, 2008). Primal and dual approach used is based on the behavior of the assumptions to be used, whether to maximise output, minimising cost or maximise the profits. In addition, estimation of efficiency by using the function of the frontier can be done using the data of cross section and panel data.

Of the various approaches used in the mengestimasi efficiency, there was no significant difference in the value of the resulting estimates. So according to Khumbakar (2001) through his research, concluded that there is no benefit that clearly distinguish one method with other method in measuring the level of efficiency. But the results of the penelitian conducted by Sharma and Leung (2000), Wang and Schmidt (2002) and Udoh (2005) (in Bravo-Ureta et al, 2007) indicate the existence of a difference value estimation of the efficiency of the methods used. Specifically Bravo-Ureta et al. (in Adar, 2011), examines the results of the comparison rate estimation of efficiency of various methods are used, namely from 42 studies that use non-parametric methods, parametric method using 32 deterministic and stochastic parametric method using 117 frontier, showed that no conclusions with regard to the use of various forms of function. But others conclude that the value of the resulting estimation of stochastic frontier function parametric methods is higher compared to other methods.

Based on studies conducted by Bravo-Ureta et al. (2007) showed that stochastic parametric frontier methods is the method most widely used by researchers in analyzing the level of efisiensi. Therefore, the methods that will be used in this research is parametric Stochastic methods. In addition to will result in a higher estimate of the value of the other methods, the method of parametric stochastic frontier answered the weaknesses found in the deterministic model. The deterministic frontier method, which is provided of all the companies of ignoring the real possibility that the company's performance may be affected by factors outside of its control throughout (such as engine performance, bad weather, low resistance input supply), so by factors under the control (inefficiency). In deterministic stochastic method, errors are merged into two parts. Component of symmetric random variation of permit frontier between companies, and capture the influence of measurement error, interruption of other statistics, and random interference beyond the control of the company. Component one-side capture the influence of inefficiency relative to frontier statistics, Tasman (2008).

Based on these studies, then that method will be developed in this paper is the stochastic frontier production functions. The original model of this function as formulated by Aigner, Lovell and Schmidt (1977), and Meeusen and Van den Broeck (1997) (in Adar, 2011) uses cross-data (cross-section data) which had the error term due to the random effect and technical inefficiencies, sebagai berikut:

$$Y_i = X_i \beta + (v_i - u_i) \quad i=1, \dots, n, \dots \dots \dots (1)$$

where:

- Y_i: production (production) from the company to the i
- X_i: k x 1 vector of (transformation) total company's output to the i
- β: vector of unknown parameters
- v_i: the random variable is assumed to be iid (independently identically distributed). N (0, σ_v²), and is independent from u_i which is a non-negative random variables are assumed to be caused by technical inefficiency in production and often also assumed as iid, N (0, σ_u²).

Stochastic frontier production function for panel data firstly developed by Coelli and Battese (1992), as formulated in the following equation:

$$Y_{it} = X_{it} \beta + (v_{it} - u_{it}), \quad i=1, \dots, n, \quad t=1, \dots, t \dots \dots \dots (2)$$

where:

- Y_{it} : log production company to a-i and a period of time to a-t
- X_{it} : vector kx1 (transformation of the input quantity to the company-i in the time period to-t
- β : vector of unknown parameters
- V_{it} : random variable is assumed to be iid N (0, σ_v²), and is independent from u_{it} = (u_i exp (-η (t-T)))
- u_{it} : the random variable u_{it}: assumed to be iid (independently identically distributed). N (0, σ_u²), and is independent from u_i which is a non-negative random variables are assumed to be caused by technical inefficiency in production and often also assumed as iid, N (0, σ_u²)

η : parameters for being estimated, the panel data and do not need to complete (a balanced panel data)

The technical efficiency of the company to a-i-t indicated by $TE_{it} = \exp(-u_{it})$. From the equation, can be calculated distribution assumptions of technical efficiency effects. If the vector of parameters β are known, then the only difference $e_{it} = v_{it} - u_{it}$ can be observed. The best prediction for conditional expectations of u_{it} is a u_{it} of $v_{it} - u_{it}$, stochastic frontier model as from Jondrow, Lovell, Materov and Schmidt (1982), the following:

$$E[u_{it}|e_{it}] = -\gamma e_{it} + \sigma_A \left\{ \frac{\Phi\left(\frac{\gamma e_{it}}{\sigma_A}\right)}{1 - \Phi\left(\frac{\gamma e_{it}}{\sigma_A}\right)} \right\} \dots\dots\dots(3)$$

Where $\sigma_A = \sqrt{\gamma(1-\gamma)\sigma_s^2}$; $e_{it} = \ln(Y_{it}) - X_{it}\beta$; and $\Phi(\cdot)$ the distribution function of the standard normal random variables and parameters $\gamma = \frac{\sigma_u^2}{\sigma^2}$, where $\sigma^2 = \sigma_u^2 + \sigma_v^2$ and σ_v deviasi is the standard error of a bully from v, While σ^2 and σ_u^2 each variant as the population and a variant of u.

The technical efficiency of the company to a-i-t predicted using $1 - E[u_{it}|e_{it}]$ Jondrow at al, (1982). While Battese and Colli (1988) (in Tasman, 2008) emphasizes that the Predictor is divided from $\exp(-u_{it})$ obtained from the following equation:

$$E[\exp(-u_{it}|e_{it})] = \frac{1 - \Phi\left(\frac{\sigma_A + \gamma e_{it}}{\sigma_A}\right)}{1 - \Phi\left(\frac{\gamma e_{it}}{\sigma_A}\right)} \exp\left(\frac{\gamma e_{it} + \sigma_A^2/2}{\sigma_A}\right) \dots\dots\dots(4)$$

According to Coelli et al. (1998), describe the stages of the operational program of frontier drilling program at the technical efficiency in doing, namely:

1. Using the OLS to calculate values of β and σ^2 , both of which are coercive estimator bias.
2. log likelihood Function will mengevaluasi quantity γ values between 0 and 1. Calculations using OLS produce σ^2 and β_0 is adjusted. The OLS estimate used to calculate the value of the parameter β for each production inputs.
3. using the value of β , γ and σ^2 of first step and keduan to conduct iterations until the value maximization of existing convergent, i.e. methods Davidon Fletcher-Powell (DFP) that will generate the maximum likelihood value most.

Of the step will be retrieved results estimation of technical efficiency of the middle value. In general it can be explained by the following equation:

$$TE_{it} = \exp(-u_{it}) \dots\dots\dots(5)$$

where is u_{it} are half of normal. TE is the ratio of the output of the observation of the output of stochastic frontier is concerned, as described by the following equation:

$$TE_{it} = \frac{Y_{it}}{[f(X_{it}; \beta) \exp(v_{it})]} \dots\dots\dots(6)$$

Based on stochastic production function approach frontier and the presence of characteristics found in the annual plant, it can be formulated model analysis for annual crop production efficiency as follows:

$$\ln Y_{it} = \beta_0 + \sum_{i=1}^5 \beta_i \ln X_{it} + \theta_{it} D_{ht} + (V_{it} - U_{it}) \dots\dots\dots(7)$$

Where:

- Y_i : number of production (kg)
- X_1 : number of productive plants (trees)
- X_2 : the plant's productive age (years)
- X_3 : number of organic manure/compost/cage (kg)
- X_4 : the amount of labour (HOK)
- X_5 : land area (Ha)
- D_1 : Dummy seeds (seeds 1 green and 0 results that don't)

- V-U : error term (V: effects of external factors that are not modelled and U: the effect of technical (internal) inefficiencies in the model)
i : farming samples (i = 1, 2, 3, N)
t : year index
h : number of dummy variables (h = 1)
β and θ : the parameter being estimated will:

To analyze the level of technical efficiency of the annual crop production used the following formula:

$$TE_{it} = \exp(-E[U_{it} | \varepsilon_{it}]) \quad i = 1, \dots, N \dots\dots\dots(8)$$

dimana:

- TE_{it} : technical efficiency of farming to a-i-t
 $\exp(-E[U_{it} | \varepsilon_{it}])$: value expectations mean from u_{it} , thus $TE_{it} \leq 1$.

Technical inefficiency measurement model used in this study refers to model effects in the technical efficiency of Battese and Colli (1995) and Colli et al., (1998).

$$u_{it} = \alpha + \sum_{l=1}^4 \beta_l Z_{itl} + \theta_2 D_2 \quad \dots\dots\dots(9)$$

where:

- u_{it} : the value of technical inefficiency of farming to a-i-t
 Z_1 : formal education of farmers (years)
 Z_2 : the experience of farmers in farming rubber plant (year)
 Z_3 : contact with the attendant farm field (how many times a year)
 Z_4 : farmer's age (years)
 D_2 : other sources of income dummy (1 for farmers who have a source of income outside of rubber farming and 0 for the no)
i : sample of farming (i = 1, 2,N)
t : the index of the year
l : number of factors/sources of inefficiency (l = 1, 2,N)

D. Limitations of Models

Besides having advantages, namely the dilibatkannya disturbance term which represents interference, error measurements and exogenous shocks that are beyond the control of production, stochastic frontier approach also has some disadvantages. Among them are (1) technology which analyzed must be represented by a structure that enough complicated/large, (2) distribution of one-side junction must be specified prior to the mengestimasi model, (3) additional structure must be charged against technical efficiency in-distribution, and (4) difficult to apply to farming that have more than two outputs (Adiyoga, 1999).

CONCLUSION

There are several approaches that can be used to analyze the level of production efficiency. However the various approaches of the most widely used to analyze production efficiency on annual plant is to use Statistical data Stocastik Frontier approach the panel because of the perceived value can produce a higher estimation than with other approaches.

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ECONOMIC GROWTH, POVERTY, INCOME INEQUALITY AND UNEMPLOYMENT (STUDY IN ALL PROVINCES IN INDONESIA)

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Abstract. The purpose of this study are (1) analyzing the patterns of Economic growth, poverty, income inequality and unemployment in all provinces and island in Indonesia, (2) the effect of Economic growth toward poverty, income inequality and unemployment according to provinces in Indonesia, (3) the effect of Economic growth toward poverty, income inequality and unemployment according to islands in Indonesia. Analysis model used are Panel Data Regression with Random Effect Model (REM). The result of the study shows that the patters of Economic growth, poverty, income inequality and unemployment according to provinces in each island has nearly similar patters but it is relatively different in inter-islands. The effect of economic growth toward poverty at provinces in Indonesia is not significant, toward income is positive and significant, while toward unemployment is negative and not significant. The effect of economic growth toward poverty in Sumatera, Java and Bali is negative and significant, it is positive and not significant in Kalimantan, negative and not significant in Sulawesi and positive, not significant in other islands. The conclusion is that the patterns of Economic growth, poverty, income inequality and unemployment greatly depend on region's potency and condition. The effect of Economic growth towards Economic growth, poverty, income inequality and unemployment is not always linear or in line with the theory.

Key Word : Economic growth, Poverty, Income inequality, unemployment ,

INTRODUCTION

Conventional approach is always used in measuring economic successfulness, one of those is economic growth. This approach has pushed economic growth as the main indicator for economic successfulness. This is based on the assumption that economic growth has "Trickle down effect". By the Trickle down effect so the problems of poverty, income inequality and employment could be overcome.

The fact has shown that economic growth in Indonesia during 2007-2014 with the average 5,73 %, poverty 13,26%, inequality 0,39 and unemployment 7,28 %. Based on the fact, it could be said that a relatively high economic growth was not fully followed by the decreasing level of poverty, inequality, unemployment. The similar condition also occurred in most provinces in Indonesia. Therefore based on such phenomena, it is so crucial to observe the relation pattern of economic growth, poverty, inequality and unemployment.

LITERATURE REVIEW

An analysis of the influence of economic growth on poverty, unemployment, and inequality has been widely applied in many countries with highly variable results. However, the desired economic growth is to be able to reduce poverty, increase employment or reduce unemployment. World Bank (2008) in Fosu (2010), in his study of economic growth, inequality and reducing the number of poor people in Latin America, Costa Rica is able to reduce the poverty level of \$ 1 poverty rate of 21.4 percent in 1981 to 2.4 percent in 2005 on the same period Brazil was able to reduce the growth of the number of poor from 17.1 percent to 7.8 percent. Although the major part of this disparity was due to the fact that Costa Rica's GDP growth was more than twice of Brazil's, an appreciable portion could be attributed to the higher gini coefficient of 0.58 for Brazil as compare to 0.47 for Costa Rica.

RESEARCH METHOD

This research uses secondary data as panel data. The data are economic growth, poverty, inequality and unemployment rate during the period of 2007-2014. The source of data are from BPS in some periods. The methods of analysis used in this research were qualitative and quantitative. In order to analyze the pattern of economic growth, poverty, inequality and unemployment, so descriptive analysis with figure was used. Panel data regression with random effect model and fixed effect model were used in this research. The Model of analysis as follows : Baltagi (2005) and (Green, 2003)

1. $Y_{1it} = \beta_0 + \beta_1 X_{it} + e_{it}$
2. $Y_{2it} = \beta_0 + \beta_1 X_{it} + \mu_{it}$
3. $Y_{3it} = \beta_0 + \beta_1 X_{it} + u_{it}$

Inequality

One of development problems faced by Indonesia including by the provincial level, is income inequality. Inequality rate in provinces in Indonesia can be measured by Gini Ratio (Index Gini) approach. The average of inequality rate of provinces in Indonesia can be seen in figure 3. Based on figure 3, it can be concluded that the highest average rate of inequality belongs to Maluku and East Nusa Tenggara with gini ratio 0.41 and the lowest is in Bangka Belitung Province with gini ratio only 0.29. Generally provinces in Indonesia have inequality level around 0.29 - 0.41 (low –moderate).

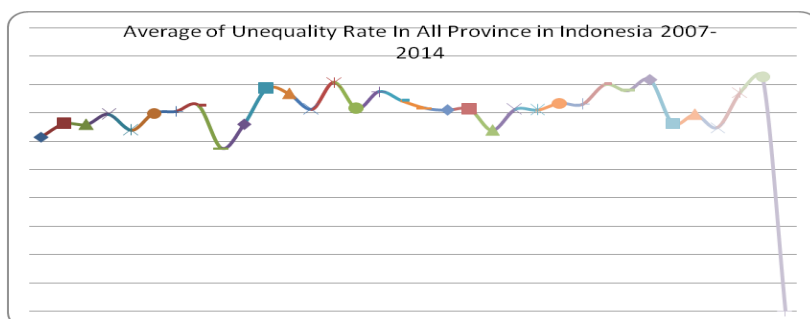


Figure 3 Average of Unequality Rate In All Province in Indonesia 2007-2014

Unemployment

Unemployment frequently becomes a serious problem in economy as it can lessen productivity and income of society and eventually it will cause poverty and other social problems. The long lasting poverty can also cause bad psychological effect for the jobless and their families. Unemployment level could also emerge political riots, social instability and eventually disturb economic development. For the long-term, it will decrease GNP and per capita income of a nation. The average rate of unemployment in provinces in Indonesia can be seen in the below figure :

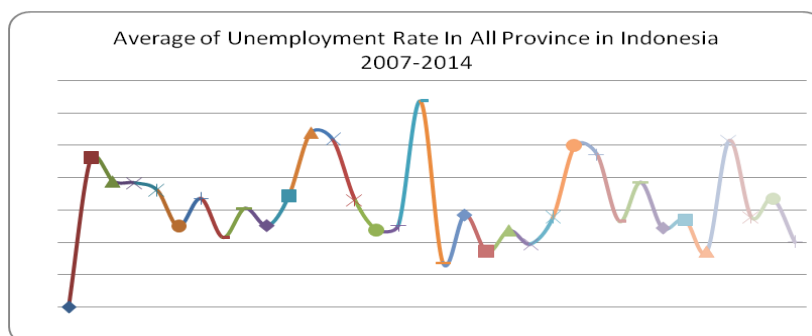


Figure 4.Average of Unemployment Rate In All Province in Indonesia 2007-2014.

Based on figure 4, it can be concluded that the highest average rate of unemployment belongs to Banten Province with 12.73% and the lowest is in Bali with 2.76%. Open unemployment rate in Indonesia is still high in several provinces.

The Pattern of economic growth, Poverty, inequality and unemployment.

When being watched from the average pattern of economic growth, Poverty, inequality and unemployment according to provinces in Indonesia during 2007-2014, they have a relatively different pattern. Theoretically, economic growth with poverty, income inequality and unemployment should have a negative correlation, but the fact had shown that not all provinces with high economic growth have low rate of poverty, income inequality and unemployment. It can be clearly seen at the below figure 5.

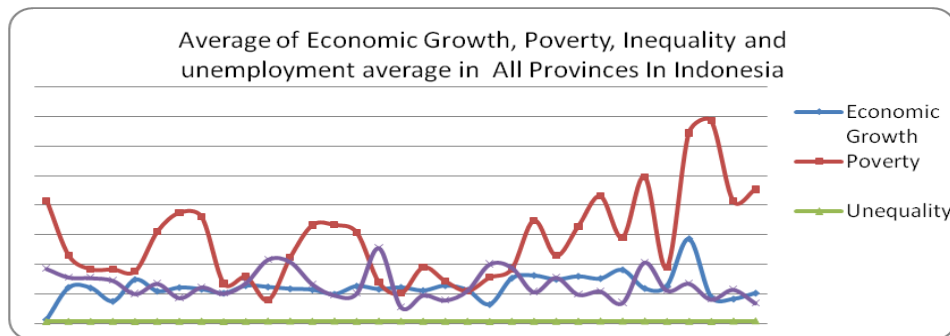


Figure 5. Average of Economic Growth, Poverty, Inequality and unemployment average in All Provinces In Indonesia 2007-2014

A bit difference takes place at the pattern of economic growth, Poverty, inequality and unemployment according to island as shown in table 1 and figure 6. Based on figure 6, it can be illustrated that Kalimantan island is a real model which demonstrate phenomena that low economic growth is followed by poverty rate, income inequality and unemployment. It mean that the decreasing economic growth would drive the decreasing of poverty and unemployment. Generally it can be said that the patters of Economic growth, poverty, income inequality and unemployment according to provinces in each island has nearly similar patters but it is relatively different in inter- islands.

Economic Growth, Poverty, Unequality and unemployment average in All Provinces In Indonesia2007-2014

Island	Economic growth (%)	Poverty Rate (%)	Unequality	Unemployment Rate (%)
Sumatera	5.29	11.80	0.33	6.59
Jawa and Bali	5.86	10.79	0.38	7.59
Kalimantan	5.22	7.44	0.35	6.05
Sulawesi	8.06	15.04	0.38	6.05
Other Island	6.73	23.98	0.36	5.96

Source: BPS Indonesia

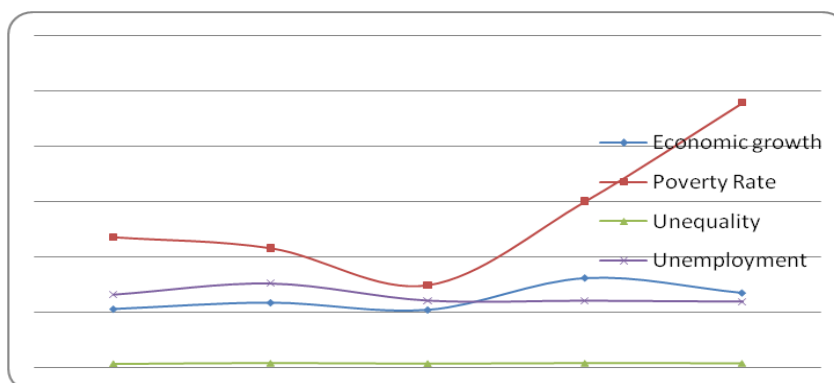


Figure 6. The Relation pattern of Economic Growth, Poverty, Unequality and unemployment average in All Provinces In Indonesia2007-2014

The Impact of Economic growth.

The Impact of Economic growth toward poverty.

Data panel regression with *Random Effect method* is used to analyze the impact of economic growth toward poverty rate in all provinces in Indonesia period of 2007-2014, it can be explained that economic growth of provinces in Indonesia have negative impact toward poverty although not significant. In another words, economic growth has a bit impact in reducing poverty. This indicated that economic growth is not fully dependable to overcome poverty problems in provinces in Indonesia. This also proves that economic growth is an uncertain factor in reducing poverty. This possible happens as the

involvement of poor population in creating and driving economic growth is really low and limited due to their condition are so limited in term of education, skill and knowledge.

$$\text{Poverty}_{it} = 14.12813 - 0.004421\text{PE}_{it} \quad R^2 = 0.000020$$

$$t\text{-stat} \quad (10.43743)(-0.072359)$$

The impact of economic growth toward income inequality

Data panel regression model with Random effect method is used to observe impact of economic growth toward income inequality according to provinces in Indonesia. The result of calculation shows that economic growth has positive impact and significant toward income inequality of all provinces in Indonesia during period of 2007-2014. It means that the growing economic growth has caused the bigger income inequality in all provinces in Indonesia. Such condition is not in line with the theory and the purpose of economic development process. Theoretically It should drive the way to decrease income inequality. But such condition resulted a trade-off between inequality and economic growth. The same result of research is frequently found in some countries. This possibly happens as it greatly depends on kind of data used for research, whether they are cross section, time series or data panel. Each would result different calculation as different approach used. Although the impact is not so significant but this condition has shown that economic growth merely is not adequate to decrease income inequality in provinces in Indonesia.

$$\text{Unequality}_{it} = 0.347877 + 0.00144\text{PE}_{it} \quad R^2 = 0.014$$

$$t\text{-stat} \quad (50.26406) \quad (1.927809) \quad F = 3.723054$$

The impact of economic growth toward unemployment

The impact of economic growth toward unemployment in all provinces in Indonesia during the period of 2007-2014 by data panel regression with *Random Effect* can be seen in the following equation :

$$\text{Unemployment}_{it} = 6.59529 - 0.011493\text{PE}_{it} \quad R^2 = 0.000475$$

$$t\text{-stat} \quad = (14.00874) \quad (-0.352685) \quad F = 0.124493$$

Based on the above equation, it can be revealed that the impact of economic growth toward unemployment is negative and not significant. Such condition shows that decreasing unemployment could not be overcome by only driving economic growth, but other approaches are also needed. In several provinces in Indonesia, their economic growth come from primary sectors especially plantation(private sector) and mining as the sector are *capital intensive*, then some other provinces are backboned by tertiary sector or service sector. Those sectors are capital-intensive oriented compared to *labor intensive*. This trend is predicted to continuously happen in the future. Therefore the way of reducing unemployment by using economic growth is becoming more complicated.

The impact of economic growth toward poverty, income inequality, unemployment

The impact of economic growth toward poverty according to island in Indonesia

Sumatera is the second biggest island Indonesia, consist of 10 provinces. The impact of economic growth toward poverty is the same as it in provinces in Indonesia as earlier discussed, negative and not significant. This condition also happens in Java and Bali, Kalimantan and Sulawesi. While in other island (Nusa Tenggara- Maluku- Papua), the impact of economic growth is positive and not significant. Based on that, it can be revealed that the way of economic development especially relating to economic growth in Nusa Tenggara- Maluku- Papua has proven to increase poverty, as clearly shown in the following equation.

$$\text{PovertyOI}_{it} = 23.57088 + 0.06147\text{PEPL}_{it}$$

$$t\text{-stat} \quad (6.0098) \quad (0.58688)$$

The impact of economic growth toward Income inequality according to island.

The impact of economic growth toward Income inequality according to island in Sumatera island can be observed by using panel data regression with random effect model, shown as follows:

$$\text{Unequality}_{it} = 0.301632 + 0.005362\text{PE}_{it}$$

$$t\text{-stat} \quad (25.15741) \quad (2.984854)$$

Based on the above equation, it can be concluded that economic growth has caused the increasing of income inequality of population in Sumatera island. It is proved by positive regression coefficient regression. Even, the impact of economic growth toward Income inequality is significant. This condition also takes place in Java, Kalimantan, Sulawesi and other island (Nusa Tenggara, Maluku and Papua), at which their economic growth are positively impacted toward income inequality but not significant.

The impact of economic growth toward unemployment according to island.

From the result of data processing by using *Random Effect approach*, The impact of economic growth toward unemployment in Sumatera, Java and Sulawesi are negative and not significant. It means that economic growth in the three islands have negative impact toward the decreasing number of unemployment. While for Kalimantan and other island (Nusa Tenggara, Maluku and Papua) economic growth even drives the increasing number of unemployment. The equation of panel data for the five islands as follows:

Sumatera	: Unemployment _{it} = 6.7995 - 0.039219PE _{it} t-stat (13.21403) (-0.41918)
Jawa-Bali	: Unemployment _{it} = 9.72953 - 0.36554PE _{it} t-stat 3.597346) (-0.96145)
Kalimantan	: Unemployment _{it} = 4.360822 + 0.32449PE _{it} t-stat (2.986422) (1.172970)
Sulawesi	Unemployment _{it} = 6.437685 - 0.049081PE _{it} t-stat (4.48719) (-0.276814)
Other islands	Unemployment _{it} = 5.959182 + 0.000772PE _{it} t-stat (5.450313) (0.027582)

CONCLUSION

Generally it can be said that the patters of Economic growth, poverty, income inequality and unemployment according to provinces in each island has nearly similar patters but it is relatively different in inter- islands. Economic growth on all provinces in Indonesia have an impact toward the decreasing of poverty even though it is not significant. The blooming economic growth has shown a real impact toward the wider condition of income inequality of population in all provinces in Indonesia. Economic growth have an impact to the way of decreasing unemployment but it is not significant.

As it is in all province in Indonesia, the impact of economic growth toward poverty is negative and not significant, except in Nusa Tenggara, Maluku dan Papua which have positive impact and not significant. While The impact of economic growth toward Income inequality in Sumatera has caused to widen inequality significantly, while in other island are positive but not significant. The impact of economic growth toward unemployment according to island; Sumatera, Java and Sulawesi are negative, not significant, while in Kalimantan and other islands (Nusa Tenggara, Maluku and Papua), the economic growth has driven the number of unemployment.

Based on the above conclusion, it is recommended that trading economic growth on overcoming the problem of poverty, income inequality and unemployment can not be the only choice at present time or in the future. Other more specific alternatives and strategies which directly accordance with the way to overcome the problems of poverty, income inequality and unemployment are greatly needed.

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FOREIGN DIRECT INVESTMENT IN INDONESIA AND ITS ROLE TO ECONOMIC GROWTH (Vector Auto Regression Model Approach)

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Abstract. This study aims to determine the relationship between variables foreign direct investment (FDI) against economic growth in Indonesia. The data used in the empirical study of a sequence of data annually time of year 2000 through 2014 from the Central Bureau of Statistics. Econometrics model used by the method of Vector Auto Regression Model (VAR). The results of the analysis can be concluded that the variable foreign investment have a significant effect on Indonesia's economic growth at 5% significance level Variable foreign investment (FDI) have significant negative effect on the coefficient of -0.26119 with GDP, Based on our research has been done, it can be made several suggestion to The Government should have Improve the bureaucracy in terms of ease of foreign direct investment, so that investors large and productive to go invest in the country.

Keywords: *Foreign Direct Investment, Economic Growth, Vector Auto Regression*

INTRODUCTION

High economic growth is one indicator to assess the success of a country's development and the main target of development for many developing countries. Implementation of development is intended to accelerate the achievement of a high level of welfare for the population. In addition, high growth also meant to keep pace of development compared with other countries. However, the achievement of high economic growth, most developing countries have problems, especially in terms of funds to finance various development activities undertaken.

National development in the developing countries are still many obstacles experienced in various matters, especially related to the problem of expertise and lack of financial resources or capital. To be separated from the issue, a country must be able to perform the accumulation of capital through public savings, which could be used to stimulate economic growth in the next stage. However, for people who have not yet established enough to have enough savings, then the capital akumulasi not happen. One of the alternatives offered by the development experts to address this problem is the utilization of loan funds from abroad, in this way the investment needs can be bridged. Economic growth is the increase in output per capita in the long term and is a measure of the success of the development. This condition is indicated by the inflow of funds into the economic system of a country.

Economic growth is reflected in the growth of Gross Domestic Product (GDP) is one of important measure in evaluating the success of economic development of a country. To increase incomes requires substantial resources, in terms of investment and labor is one of variable that can increase national income.

Investment is one of the essentials for economic growth, accelerating economic development in a country and for the improvement of labor productivity. Investment can be used as a means to restore the economy, create jobs, and reduce poverty. Without investment will be difficult to expand the business. Then the foreign direct investment (FDI) is one of the solutions to meet the need for investment.

The concept of gross domestic product is one of the concepts of national income calculation will be the most important compared with other National income calculation concept. Sukirno (2004) stated that the high level of national income will affect public revenues, and further high-income community that will increase the demand for goods and services. Then the high corporate profits will increase and this will encourage more investment.

The increase in national income that can be represented by real gross domestic product will increase the amount of investment both foreign and domestic directly into the economy. The size of a country's gross domestic product each year is one indicator of economic measurement of the magnitude of the market in the long term will attract greater foreign direct investment (Kesit Bambang, 2003).

As a developing country Indonesia is aim activities of the foreign investment with huge potential. Foreign direct investment (FDI) can act as a means to transfer factors from developed countries to developing countries for FDI accelerate speed of "General Purpose Technology" (GPT) and introduce advanced technology and science that does not exist in developing countries (Yao, 2007). The process of economic recovery after various global financial crisis, the presence of FDI is urgently needed to develop potential sectors in order to spur economic growth.

FDI for Indonesia serves as main element of industrial development and economic growth. In addition acting as capital inflows, foreign investment has a spillover effect form transfer of foreign

technology, managerial capabilities, and improved international competitiveness for domestic companies. According to Vernon and Caves in Rifai (2008) the presence of multinational companies in host country more productive than domestic companies engaged in same field and have a positive impact on performance of domestic companies. Based on this understanding, international trade and foreign capital investment is considered as a source of knowledge and technology transfer, especially from industrialized countries to developing countries, including Indonesia.

When local governments are expected to be self-sufficient in building area, in fact only less than a quarter of area that is economically capable of self because of natural wealth that happened to be in the region. The rest are still experiencing difficulties in meeting needs of capital and investment in order to carry out economic development in that region. Given that during foreign direct investment only geographically concentrated in Greater Jakarta and Surabaya. According to Lipsey (2004) FDI in Indonesia was instrumental in creating jobs for educated labor.

The rapid economic growth of a country is main thing that taken into account by investors if capital given it will give you an advantage or not. The creation of a conducive investment climate would provide comfort to investors to entrust their money. Foreign investment can improve sluggish economic activity due to lack of capital for implementation of economic development.

To know importance of FDI in Indonesia needed a scientific study that expected to be basis for policy making, so that debate is happening against FDI in the short term and in the long run no longer be a crucial issue. This study is important because until now still very much needed foreign investment in Indonesia. From above explanation, the authors are interested to analyzing and pour into written form entitled "Foreign Direct Investment in Indonesia and Its Role to Economic Growth".

Foreign investment is one of tools used to promote economic growth as indirect foreign investment will declare an increase in output. Capital inflows to emerging markets such as Indonesia is a source of financing for development and support the development and deepening of domestic financial markets. Development and economic growth in Indonesia will not be separated from role of foreign funding sources. This condition occurs because almost all developing countries can not meet the needs of domestic funds. Due to relatively limited national savings while investment needs for implementation of development costs a relatively very large, foreign investment is seen as one way out in solving the shortage of financing sources.

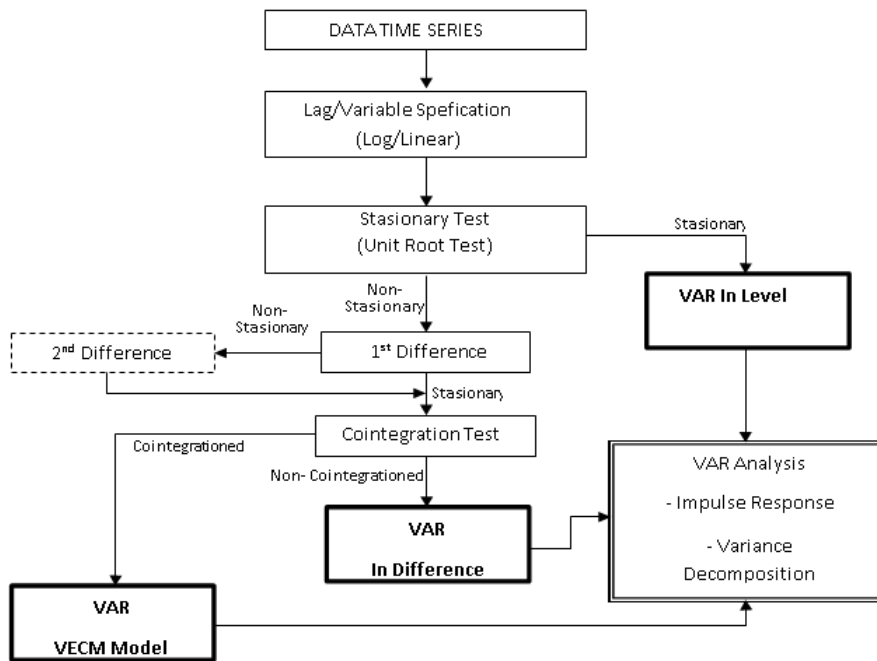
The increasingly fierce competition world countries into three attract Foreign Direct Investment to encourage each country to further improve investment climate through a more comprehensive policy framework and in accordance with the demands of investors. This should be supported by economic determinant and non economic determinant that are more conducive. According to Ralhan, (2006) a variety of empirical results indicate that macroeconomic fundamentals are quite important in attracting foreign capital flows in the country, thus implying that macroeconomic policies must be appropriate and should provide incentives to attract foreign investment. Identify problems that have been submitted can be formulated several problem as follows; (1) How to influence foreign investment in Indonesia to economic growth in the long term, (2) How is the relationship between Foreign Investment and economic growth in Indonesia, and (3) How is the response due to changes in foreign investment to economic growth?

METHOD

This study uses quantitative data time series (time series) in the form of annual data collected from 2000 s.d. 2014, with consideration of the present and in the past has been able to represent the dynamics of the latest Indonesian economy. Sources of data obtained from each of the variables is the Central Bureau of Statistic

Methods of data analysis used in this study is a statistical analysis methods with model equations VAR (vector auto regression) consisting of initial testing variables using the unit root test that uses Augmented Dickey Fuller test. If the data is stationary level level then continued with regular VAR equation (unrestricted VAR) consisting of two equations to determine the optimal order of VAR and continued with Johansen cointegration test method. The last stage is to conduct estimates accompanying the VAR and VECM method, namely causality test, the response function of the shock (Impulse Response Function / IRF), and the decomposition of variance (Forecast Error Variance Decomposition / FEVD). In general stages of testing VAR method can be described as follows:

Figure 1.1 Testing Stages



Analysis Method and Data Processing

The data in this study using EViews 8.0 program. In writing this study, the model used is the model VAR (Vector Autoregression). To qualify in the test, it first has to do some testing stages, namely:

Stationarity Test (Unit Root Test)

Testing unit root is often called a stationary stochastic process, because in principle testing is done to see if a certain coefficient of models otogresif estimated to have a value of one or not. In time series analysis, information on stationary of a data series is very important because it included non-stationary variables into equation regression coefficient estimates will result in standard error of resulting bias.

In this study, stationary test conducted by using Augmented Dickey-Fuller Test (ADF). The stationary test null hypothesis is based on stochastic variable has a unit root. By using ADF model test, the null hypothesis and other decision-making basis used in this test is based on the critical value MacKinnon instead of t-test. Furthermore, t ratio than critical value t table statistics on ADF to determine whether or not unit root. If the hypothesis is accepted it's mean that variable is not stationary, it is necessary to test degree of integration. Test degree of integration is intended to look at degree or order diferensi to how the observed data will be stationary

Cointegration test

If there is a data on stationary at diferensi process data, then we must make cointegration test to determine whether data have a relationship in the long term or not. If there is cointegration, this model is called VECM models, but if there is no cointegration, this model is called the VAR model with data diferensi (VAR in difference). This method can be used to perform cointegration tests, such as Engle-Granger Cointegration Test, Johansen Cointegration Test and Cointegration Regression Durbin-Watson Test.

Causality Test (Granger Causality)

Granger causality conducted to determine effect of one variable with another variable and indicates direction of causality. Granger causality only examine the relationship between variables and estimates models. Mathematically, Granger causality equation for two variables can be written as follows:

$$\begin{aligned}
 Y_t &= \sum a_i Y_{t-i} + \sum b_j X_{t-j} + v_t ; X \rightarrow Y \text{ if } b_j > 0 \\
 X_t &= \sum c_i Y_{t-i} + \sum d_j X_{t-j} + u_t ; Y \rightarrow X \text{ if } d_j > 0
 \end{aligned}$$

The formulation of a model of causality between economic growth and foreign direct investment proposed in this study are:

$$GDP_t = \alpha FDI_{t-1} + \beta GDP_{t-1} \dots\dots\dots (1)$$

$$FDI_t = \gamma GDP_{t-1} + \delta FDI_{t-1} \dots\dots\dots (2)$$

Model Specification

VAR models developed by Sim, assumes that all variables in simultaneous equations is an endogenous variable. This assumption is often applied for determination of exogenous variables in simultaneous equations is subjective. In VAR, all dependent variable in equation will also appear as independent variables in the same equation. VAR is a modeling approach every endogenous variable in system as a function of lag all endogenous variables in the system. Based on the standard form in VAR model, a common form of empirical models are as follows:

$$Y_t = \beta_0 + \beta_1 Y_{t-n} + \beta_2 X_{t-n} + e_t$$

where :

- Y : Economic Growth (Dependent Variable) X: Foreign Direct Investment (Independent Variable)
- β_0 : constants β_1, β_2 : regression coefficient
- e_t : Error element bully / standard error t : time period (2000, ..., 2014)
- t-n : previous period

As for estimation of VAR model to see effect of foreign direct investment on Economic growth is written as follows:

$$PE_t = \beta_0 + \beta_1 PE_{t-n} + \beta_2 PMA_{t-n} + e_t \dots \dots \dots (4)$$

$$PMA_t = \beta_0 + \beta_1 PMA + \beta_2 PE_{t-n} + e_t \dots \dots \dots (5)$$

where :

- GDP (PE) : Economic Growth (Million) FDI (PMA) : Foreign direct investment (%)
- β_0 : constants β_1, β_2 : regression coefficient
- e_t : Error element bully / standard error t : time period (2000, ..., 2014)
- t-n : previous period

Analysis of Impulse Response Function (IRF) and Forecast Error Variance Decomposition of (FEDV)

According Juanda and Junaidi (2012), VAR model can be used to see impact of changes in one variable to another variable dynamically. The trick is to give a shock to one endogenous variable. A surprise given usually by one standard deviation of variable (called innovations). Search the influence of shock experienced by a variable value of all the variables at this point or at some future period a technique called Impulse Response Function (IRF). Basically IRF describe trajectory (path) where a variable will return to equilibrium after experiencing shock of other variables.

FEDV aims to predict percentage contribution of each variable variance due to changes in certain variables in VAR system. FEDV analysis is used to illustrate relative importance of each variable in VAR system for their surprise. The results of variance decomposition shows strength of Granger Causality relationship that may exist between variables impact analysis. In other words, if a variable explains a large portion of forecast error variance other variables, it does indicate a strong relationship Granger Causality.

EMPIRICAL RESULTS

This study uses linear regression model Autoregression Vector (VAR). Here are results of processed data that has been carried out according to defined procedures:

Stationarity Test Result Data: Root Test Unit (Unit Root test)

Time series data said to not contain unit root or stationary if value of ADF test statistic is greater than critical value MacKinnon 1%, 5% and 10%. The test has performed using EViews 7.0 program with results illustrated by table that you have attached. Conclusions from unit root test has been done like:

Table. 1.1 Unit Root Test Results At Level

Variable	MacKinnon Critical Value	t-stat ADF	Prob.	Information	
GDP	1%	-2.740613	-0.310894	0.7612	not Stationary
	5%	-1.968430			
	10%	-1.604392			
FDI	1%	-2.740613	0.851045	0.8830	not Stationary
	5%	-1.968430			
	10%	-1.604392			

Source: Results of data processing by using EViews 8.0

Table above shows that variables used in study are not entirely stationary at current level. Unstationary data is seen from ADF t-value smaller than critical value MacKinnon on real level of 1%,

5% and 10% (attached). Therefore, testing roots of this unit needs to be continued at level of first difference is:

Table. 1.2 Unit Root Test Results In First Level Difference

Variable	MacKinnon Critical Value		t-stat ADF	Prob.	Information
GDP	1%	-2.754993	-3.570000	0.0018	Stationary
	5%	-1.970978			
	10%	-1.603693			
FDI	1%	-2.754993	-3.412142	0.0025	Stationary
	5%	-1.970978			
	10%	-1.603693			

Source: Results of data processing by using EViews 8.0

After testing on a second difference roots, then all data is stationary on critical value of either 1%, 5% and 10% (attached). It's means that data used in this study is integrated or stationary at second level difference as shown in above table.

Cointegration Test Results

From the results of stationary test is known that there is a stationary data on diferensi process data, then next step should be a test for cointegration. Based on results of cointegration tests that have been conducted using Eviews 7.0 Unknown:

Max-Eigen Statistic = 13.22767

Critical Value 5% = 14.26460

It can be concluded that based on value of Max-Eigen, Max-Eigen value test is lower than critical value at the level of $\alpha = 5\%$. Ie $13.22 < 14.26$. So it can be concluded that there is no cointegration between variables and it can be concluded that there is no a long-term relationship between economic growth and Foreign Direct Investment (Eviews data processed results can be seen in appendix).

Effect of Foreign Direct Investment on Economic Growth in Indonesia

Following the results of regression analysis of the VAR model that has been done using EViews 8.0 (regression results can be seen in terms of attachment)

Equation 1:

$$\text{GDP}_t = 3.1231 + 0.5452 \text{ GDP}_{t-1} - 2.6119 \text{ FDI}_{t-1}$$

$$R^2 = 0.687939315533211$$

Variable regression coefficient FDI_{t-1} at 2.6119. It's means, if it assumed that during research methods first period of foreign direct investment increased by 1 million US \$, the economic growth of this period will decrease by 2.6119%. R-Squared value of this is 0.6879. Meaning: Variation changes (increase or decrease) of foreign investment prior periods affect human development index by 68%. And rest is influenced by other variables not included in this study.

Equation 2 :

$$\text{FDI}_t = -0.055 + 0.0129 \text{ GDP}_{t-1} + 1.0169 \text{ FDI}_{t-1}$$

$$R^2 = 0.684465406180828$$

Variable regression coefficient GDP_{t-1} amounted to 0.0129. It's means, if it is assumed that during research methods first period of economic growth increased by 1%, the foreign investment this period will be increased by 0.0129 million US \$. R-Squared value of his amounted to 0.68. Meaning: Variation changes (increase or decrease) previous period of economic growth affects foreign investment of 68%. And the rest is influenced by other variables not included in this study.

Causality relationship between economic growth and Foreign Direct Investment in Indonesia

Granger Causality test is used to look at causality (reciprocal) between variables studied were GDP and FDI. The test is performed using EViews 8.0 program with the results illustrated by table that you have attached. The conclusion of test results causality test has been done is:

- GDP does not Granger Cause FDI = 0.1255
- FDI does not Granger Cause GDP = 0.2379

It concluded that:

- GDP does not affect FDI, because the probability is greater than the significant level of 5% or 10%.
- FDI does not affect GDP, because the probability is greater than the significant level of 5% or 10%.

Based on Granger Causality test results showed no causal relationship between GDP and FDI during period 2000-2014.

Due Response Analysis of Changes in Foreign Direct Investment to the Economic Growth in Indonesia

Impuls Response Function Analysis (IRF)

Impulse response analysis is done to see impact shock (shock) Growth on time horizon ahead. Here are the results of impulse response graph analysis

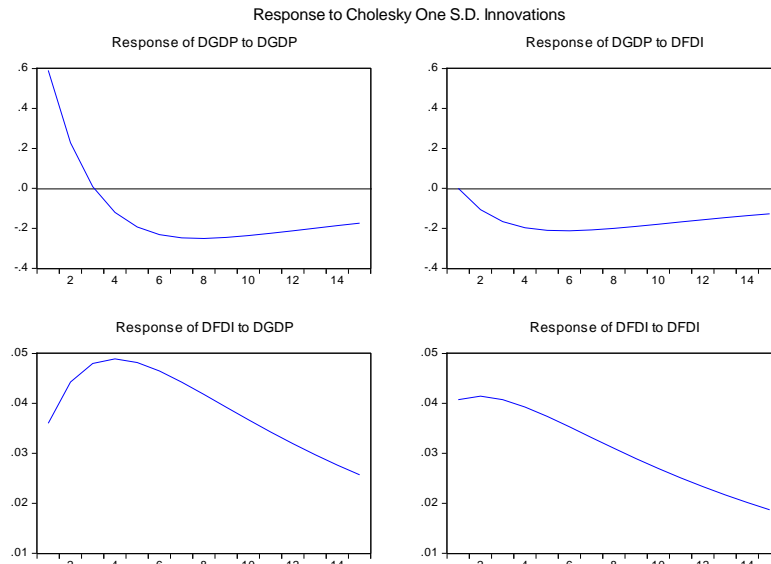


Figure. 1.2 Graph Impulse Response (IRF)

- In response graph of GDP to FDI, explaining response GDP for their shock or surprise at FDI variable. Changes in foreign investment have fluctuated in the first year up to 5th and then increased in 6th until 10th. So, it takes 6 years to return to normal and can boost economic growth. Increasing Economic Growth in year 6 to 10 on average have increased but are still below balance point negative impact on economic growth.
- In response graph of FDI to GDP, describes response of FDI for their shock at variable GDP. Their surprise at GDP in first year led to a rise in FDI in first year until the fourth year. After the 4th year, shock that occurs in GDP causes FDI has decreased to 10th year

Forecast Error Decomposition of Variance (FEDV)

Variance Decomposition useful for predicting percentage contribution of each variable variance due to changes in certain variables in VAR system. FEDV analysis has used to illustrate the relative importance of each variable in VAR system for their shock. The results of variance decomposition shows strength of the Granger Causality relationship that may exist between variables impact analysis. Here are the results of analysis of variance decomposition chart.

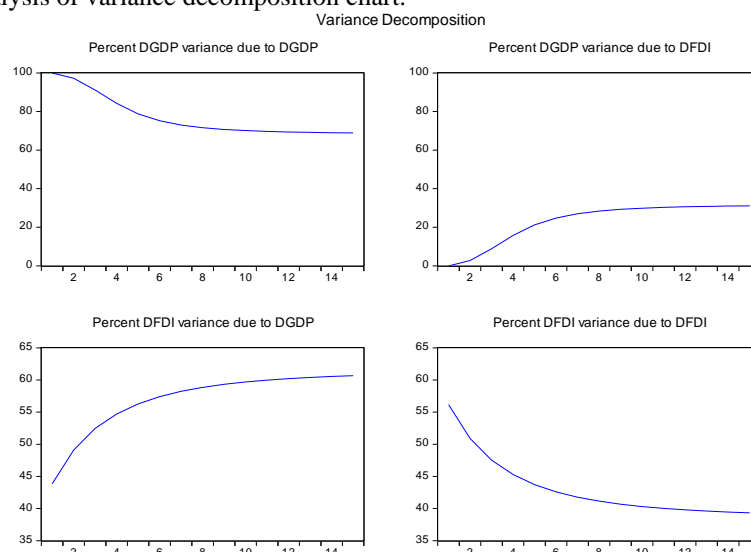


Figure 1.3 Graph Variance Decomposition (FEDV)

- In GDP graph variance due to FDI, explaining contribution of FDI to economic growth. It can be seen that from beginning of period until end period contribution of FDI to economic growth is increasing.

Table 1.3 Results Estimation Variance Decomposition (FEVD)

Variance Decomposition of DGDP:			
Period	S.E.	DGDP	DFDI
1	0.590615	100.0000	0.000000
2	0.641960	97.25169	2.748309
3	0.663192	91.14122	8.858783
4	0.702294	84.22554	15.77446
5	0.758148	78.78814	21.21186
6	0.820558	75.20607	24.79393
7	0.881917	72.98088	27.01912
8	0.938344	71.59543	28.40457
9	0.988410	70.70727	29.29273
10	1.031968	70.11542	29.88458
11	1.069461	69.70498	30.29502
12	1.101553	69.40962	30.59038
13	1.128947	69.19006	30.80994
14	1.152307	69.02232	30.97768
15	1.172227	68.89124	31.10876

Variance Decomposition of DFDI:			
Period	S.E.	DGDP	DFDI
1	0.054373	43.84194	56.15806
2	0.081449	49.09269	50.90731
3	0.102945	52.46035	47.53965
4	0.120555	54.71474	45.28526
5	0.135101	56.28109	43.71891
6	0.147167	57.40350	42.59650
7	0.157211	58.22866	41.77134
8	0.165599	58.84850	41.15150
9	0.172628	59.32276	40.67724
10	0.178537	59.69142	40.30858
11	0.183520	59.98195	40.01805
12	0.187732	60.21368	39.78632
13	0.191303	60.40043	39.59957
14	0.194336	60.55232	39.44768
15	0.196918	60.67684	39.32316

Cholesky Ordering:			
DGDP	DFDI		

- Variance decomposition of GDP :

That table explained in first year, GDP is strongly influenced by shock itself, while in period from the shock of FDI is still influential. Onwards, starting from year 1 to year 4, the proportion of shock or surprise GDP to GDP was decreased but numbers were small to contribute 68.89%. However, a larger proportion of GDP shock effect gradually increased back to GDP itself up to 15. Next year, shock FDI increasing contribution to 6th year. Starting in year 6, capital expenditure shock even contribute more

than 24% of GDP. However, in year 7 to year 15, was in shock FDI decreased little by little and give effect to the GDP to 31%.

- Variance decomposition of FDI :

That table explained that in first year, FDI is greatly influenced by shock of FDI amounting to 56%, while GDP contributed only 43%. Onwards, ranging from quarter 1 to quarter 4, the proportion of shock or surprise to FDI. FDI it self has always decreased volatile until end of that period, contributing 39%. However, a larger proportion of GDP shock effect gradually increased to FDI until the end of period, despite a little decline in 14th and 15th but only a small decrease ie with a contribution of 60%.

CONCLUSION

After conducting an analysis and discussion results of the study as described in previous chapters, it can be concluded, first, that there is no cointegration between foreign direct investment to Economic growth in the long term. Second, foreign direct investment has positive influence on economic growth. Third, changes in foreign investment fluctuated, return to normal and improve the economic growth takes 6 years. Increasing Economic Growth in year 6 to 15 on average have increased but are still below balance point negative impact on economic growth. Based on our research has been done, it can be made suggestion among others to the Government to have improve the bureaucracy in terms of ease of foreign investment, so that investors large and productive to go invest in the country.

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ANALYSIS OF REGIONAL ECONOMIC GROWTH IN KERINCI SEBLAT NATIONAL PARK (CASE STUDY KERINCI DISTRICT IN JAMBI)

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Abstract. Kerinci National Park Sebelat (TNKS) is one of Protected Areas established by the Decree of the Minister of Agriculture 736 / Mentan / X / 1982 and the Decree of the Minister of Forestry and Plantations No. 901 / kpts-II / 1999. As well as this region has also been inaugurated by the UNESCO World Heritage Committee as a natural world heritage site in 2004. TNKS the region with an area of 1.4845 million hectares are located in four provinces in Indonesia, Jambi, West Sumatra, South Sumatra and Bengkulu. There is an area of 635.185 hectares in the province of Jambi. Which covers an area of 271.795 hectares of Kerinci district (43%), Merangin 268 980 hectares (42%), and Bungo area of 94 410 hectares (15%). With a total area that is limited, and only 57% is a phenomenon or a limitation in the development of the district of Kerinci, because according to the concept Theory of Economic Development, Natural Resources (Land), Human Resources (Population, Labor), Technology, Culture and Capital goods are factors that influence economic growth in a region. But from the data analysis Kerinci Economic Growth in 2000-2015 and of the publication of the Central Statistics Agency (BPS) Jambi Province in 2015, the influence of factors such as Land, Population, Labor not scientifically proven impact economic growth Kerinci. Where in the Gross Regional Domestic Product (GRDP) Kerinci regency reached 7067.7 billion, an increase of 2014 that only 5,500 billion. With positive economic growth in the numbers 7:07% / year. From these data it can also be argued that the existence of KerinciSeblat National Park (TNKS) not as an impediment to economic growth Kerinci regency. It is very necessary in the sought after and discovered phenomena that occur and what factors are driving and as an impediment to the economic growth of KerinciSeblat National Park, especially in the district of Kerinci in Jambi Province.

Keywords : Gross Regional Domestic Product (GRDP), Kerinci, TNKS, Land Area, Population, Employment, Economic Growth.

INTRODUCTION

Regional development as an integral part of national development are implemented based on the principle of local autonomy, which the central government has given broad authority to the regions for more freedom and flexibility in determining the direction of development in their own areas in accordance with the potential, conditions and aspirations of a growing community. Law of the Republic of Indonesia No. 32 of 2004 on Regional Government was formed with the aim of governance in the region in accordance with the principle of local autonomy should be fully implemented in a real and responsible.

Rustiadi. E (2009), suggests that development is a systematic and continuous effort to create a state that could provide a legitimate alternative to the achievement of the aspirations of every citizen of the most humanistic. Meanwhile, according to Anwar (2005), the development of the area was done to achieve the goal of regional development that includes aspects of growth, equity and sustainability dimensional location in space and related to socio-economic aspects of the region. Definition of development in the history and strategy have undergone evolutionary changes, ranging from development strategies with emphasis on economic growth, then growth and employment, growth and equity, emphasis on basic needs (basic need approach), growth and the environment, and sustainable development (sustainable development).

In the development of each activity to be implemented there must be a relationship and linkages with other activities, their sacrifices suffered by a group of people as a consequence of an activity either negative or positive form, the state is often referred to as externalities. But if the relationship between an activity with other activities carried out through a system, the linkages between various activities do not cause problems.

One form of construction problems that exist now that link regional development with conservation area management. The local government itself in the push to promote economic growth territory with the aim to improve the welfare of society. on the other hand with the presence of national parks conservation forest area, pelaksanaan development will be constrained because of limited area. So

finally appears assumptions and statements that conservation areas are considered as obstacles to development and does not contribute significantly to the economic growth around the region.

THEORETICAL BASIS

Regional Development Concept.

The economic growth of an area can be seen from how much the growth rate of the economy with measures based on output or income levels. Tarigan. R (2004), stating that the region's economic growth is the increase of people's income as a whole is happening in these areas are seen from the increase in the entire value added (value added) happens.

The prosperity of a region other than specified by the value added created in the region also by how much there is a transfer payment, which is part of the revenue that flows out of the territory or got the flow of funds from outside the area. With good planning and berkesenambungan area will greatly affect the success of the government in an effort to improve performance (intra regional) region and the balance of development between regions (inter regional). Where the purpose and nature of national development was achieved including the development of the region as well as how to spur growth in the region, and pass (growth with equity) more evenly so that the welfare of society.

Calculation of income in the region was originally made at current prices, but in order to view the accretion from one period to the next period, should be expressed in value riel, meaning expressed in constant prices. Revenues region illustrates the remuneration for the factors of production are operating in the area (land, capital, labor and technology), which means that roughly describes the prosperity of the area.

In the New Growth Theory states that the area is an important factor in the development of the region, namely the power of technology (as an endogenous factor) and innovation as the dominant factor of growth territory (to improve productivity), the key is the investment in human resource development and research and development. High technology and innovation are supported by qualified human resources and research are prerequisites boost regional growth. Experience in developed countries shows that the higher the production of the above factors, the development of the region more quickly. Included in the scope of this theory is the inclusion of non-economic variables in the Macroeconomic Model (Sadono Sukirno, 2013), which explained that:

$$\text{Regional Output} = f(K, L, Q, Tr, T, So),$$

Where :

K = Kapital / Capital / Investment,

L = Labour,

Q = Land (resources),

Tr = transport,

T = Technology,

So = Social Politics.

Economic Growth

Economic growth is a process of change in economic conditions of a region continuously towards a better state for a certain period. Economic growth can be defined as well as the increase in production capacity of an economy which is manifested in the form of increased revenue. Economic growth is a long-term economic problems and become a reality that is always experienced by a nation. In terms of economics, economic development raises two important effects, namely prosperity or standards of living increases and the creation of new employment opportunities because of the increasing number of population.

Kerinci Seblat National Park.

Kerinci Seblat National Park are set by the Minister of Agriculture 736 / Mentan / X / 1982, then reinforced by decree of the Minister of Forestry and Plantations No. 901 / kpts-II / 1999 as a conservation area. As well as TNKS region has also been inaugurated by the UNESCO World Heritage Committee as a natural world heritage site in 2004.

Region Kerinci Seblat National Park (TNKS) with an area of 1.4845 million hectares located in four (4) provinces in Sumatra, Indonesia, Jambi, West Sumatra, South Sumatra and Bengkulu. Of the area of 1.4845 million hectares of land, there is an area of 635 185 hectares in the area of Jambi province, covering an area of Kerinci district covering 271 795 hectares (43%), the district Merangin area of 268 980 hectares (42%), and Bungo area of 94 410 hectares (15 %).

Of the total area of approximately 3328.14 km² Kerinci District, (59.8%), or more precisely an area of 1990.89 sq km area of Kerinci Seblat National Park TNKS and (40.1%) or 1337.15 km² remainder is used for cultivation area and a residential area. Being of the districts in Kerinci district is included in the region TNKS and land cultivation and settlement

Kerinci Seblat National Park Management.

Government Regulation No.25 of 2000. On the authority of government and the provincial authority as an autonomous region in environmental management have provided political recognition through the transfer of authority from the central government to local government with one of the programs that enhance the role of communities in the management of natural resources and preservation of function living environment. The purpose of this program is to increase the role and concern the parties concerned in the management of natural resources and environment conservation, as well as the goal of this program is the availability of facilities for the community in the management of natural resources and environment conservation since the formulation process.

Park development must be integrated, this means the National Park area is part of a wider area in which its existence depends on public awareness which is in sekitarnya and various stakeholders, including the characteristics and needs of land use by the community. Integrated national park management is basically a nature conservation area of ecological management and economic management in the area around the national park (Mulyana, 1994).

Ervizal A. Z. (2011), adding that the development of an integrated National Park is actually an evolution of the concept of park management and the anticipation of the problems faced. The emergence of the concept of integration and partnership is caused by several factors:

1. The dichotomy of conservation versus development. Conservation is considered contrary to the construction, since conservation interpreted narrowly, the only protection (protection) of natural resources. This concept is the concept of conventional conservation which solely aims to protect species, habitats and ecosystems of all human activity. On the other hand the development is considered only an attempt exploitation of natural resources that do not pay attention to preservation.
2. The emergence of conflicts between local communities and conservation areas, especially in developing countries. This conflict arises because the loss of local access to natural resources is the source of their livelihood, as a result of the establishment of a protected area.
3. Weighing the burden of monitoring the National Park should be borne by the area manager or the Government, especially the activities that may interfere with the integrity of the region, for example settlement, cultivation, felling trees and so forth. It required funds, facilities and workforce in large numbers, in addition to the ability, skill and dedication manager.

Optimizing the Role of KerinciSeblat National Park on Economic Growth territory.

The existence of KerinciSeblat National Park is expected to contribute greatly to the economic growth of the region. Because one of prevention efforts to reduce the pressure on the National Park is the approach through the optimization of the development of the region, particularly the region of the National Park buffer zone. In an effort to spur economic growth in the buffer area is very worth noting the socioeconomic and cultural aspects of society, for the preservation of a national park is strongly influenced by the activity in the surrounding community.

In the analysis of development economics development principles that ideal is judicious in the use of goods of natural resources as well as the calculation for any expenditures that will be done in a way that benefits (benefits) on the use of the unit cost of the last use greater than or at least equal to the loss of the benefit of activities of other activities for these expenditures. This analysis is done in the interests of, indirect, benefits and costs in the investment activities of the government. In this analysis should also be taken into account is the amount of net benefits derived from all the sources used for the public or the economy as a whole regardless of who is providing such resources. Cost-benefit analysis for the use of natural resources and the environment can be using the Net Present Value (NPV), Internal Rate of Return (IRR) and Benefit Cost Ratio (B / C ratio).

If the investment activities we can equate the additional benefit (marginal benefit) for an additional cost (marginal cost), it means the achievement of solving two problems allocation of production factors is maximal in the natural resource extraction activities. This means that the fulfillment of a condition where every natural resource extraction to produce a benefit at least equal to the value of the missing items from the same activity at the time to come. Thus the benefits of additional natural resource extraction will exceed or at least equal to the cost of alternatives (opportunity cost).

Planning the management of conservation areas with the aim Optimizing the Role TNKS to local economic growth should include other forms of activities in accordance with the conditions and interests of the region, the physical condition of the field, the conservation objectives and needs of the people concerned buffer zones and integration with other sectors of activity. Assessment is mainly done to increase the added value of aquaculture as well as services and work done in the buffer zone in order to improve the welfare of society while maintaining environmental sustainability.

Optimizing the Role of KerinciSeblat National Park on the region's economic growth itself canterwujut when:

- a. The zoning buffer TNKS region does not reduce the land rights but merely a way of setting the processing order into a buffer zone to preserve the conservation area. Buffer zone becomes important to reduce public pressure on conservation areas and nature reserves, improve the economic efforts and the interaction between society and nature conservation areas and nature reserves. Through the construction of buffer zones is expected dependence of communities directly on the potential of natural resources in a national park in accordance with the conditions and problems can be gradually reduced.
- b. Development of buffer zones is directed at efforts to create new livelihoods for the people who can directly reduce dependence on natural resources that exist in the national park as well as working to improve the welfare of the community, in order to participate and strengthen programs to eradicate poverty.
- c. Besides, the development policies of the buffer zone is also intended to raise awareness and community participation in the conservation of natural resources. Instead the construction of buffer zones is directed also to prevent their intrusion coming from the community in the conservation area of the conservation area, among other disturbances to wildlife such as elephants disorders.
- d. Planning should include other forms of activities in accordance with the conditions and interests of the region, the physical condition of the field, the conservation objectives and needs of the people concerned buffer zones and integration with other sectors of activity. Assessment is mainly done to increase the added value of aquaculture as well as services and work done in the buffer zone in order to improve the welfare of society while maintaining environmental sustainability.

RESULT AND DISCUSSION

Performance Analysis of Regional Development District / Municipality in Jambi Province

To see a direct correlation between the increase of performance of the Regional Government with the preservation Kerinci Kerinci Seblat National Park, then the Quantitative Descriptive Analysis of aspects of the Human Development Index, Population Growth, Unemployment Rate, Poverty Level and Change Analysis Kerinci Regency GRDP.

Human Development Index

Human Development Index or the Human Development Index (HDI) is a composite index calculated as the simple average of three basic indices, namely life expectancy index, education index, and the index of decent living standards. According to the UNDP, Human Development Index measures the achievement of human development based on a number of basic components of quality of life. IPM also as one measure used to classify whether an area excluding the area developed, developing or underdeveloped, and also to measure the impact of economic policies on quality of life. On this basis Kerinci District Government seeks to stimulate and enhance economic growth and improving welfare.

From the data analysis BPS Jambi Province period 2002 to 2014 shows that the Human Development Index (HDI) and the district of Kerinci district town in the province of Jambi, continued to increase, which at the beginning of the analysis period of 2002 HDI Kerinci stands at 68.0 and then increased up to a high of 75.11 in 2012 and 2013, and the lowest HDI value it found in 2014 with an index value of 67.96. While the data analysis HDI District Municipality in Jambi Province Jambi Province in 2002 and 2014, the HDI index Kerinci district is still among the highest in 2002 which is at the third position under the city of Jambi and Tanjung Jabung Barat. Whereas in 2014 its HDI is still two levels below the city of Jambi and River City Full.

From the analysis of the above data is illustrated that in the period 2002 to 2004 all the components forming indicators Human Development Index Kerinci such as life expectancy, literacy rate, the Old School as well as expenditure per capita shows a positive contribution to the accumulated value of the HDI itself. So the value of the HDI Kerinci in that period continues to increase every year, even still among the highest in the province of Jambi.

Population Growth and Unemployment Rate in Kerinci district.

Unemployment is a term for people who do not work at all, are looking for work, working less than two days during the week, or someone trying to get a decent job. Unemployment is generally caused because the workforce or job seekers are not proportional to the number of jobs that exist are able to absorb it. Unemployment is often a problem in the economy, due to unemployment, productivity and incomes will be reduced so that it can cause problems of poverty and other social problems.

The number of unemployed is usually in line with the increase of population and is not supported by the availability of new jobs or unwillingness to create jobs at a minimum to himself or it was not possible to get a job or do not allow to create jobs.

High population growth is not didiringi with job availability will be a phenomenon of the local government Kerinci. Because the performance of local governments is one of size, income levels and

social welfare. The high rate of unemployment due to lack of employment will cause rising crime and it becomes at once become a burden for local governments themselves.

From the data analysis population of Kerinci regency period 2000 through 2008 before bloomed with Full River city continued to increase over 295.951 310.093 soul into the soul. Likewise, from the year 2009 to 2015 after the division where in 2009 the population of as many as 233.719 Kerinci increased to 234.12 in 2015. While the data open unemployment rate (TPT) The District also continues to decline from 92.7% in 2007 to 4,44% in 2014.

From the analysis of these data shows that the population growth Kerinci in 2000 until 2015 continued to increase. The open unemployment rate from 2007 through 2014 also continued to decline.

The level of poverty in Kerinci

Poverty is a situation where there is an inability to meet basic needs such as food, clothing, shelter, education, and health. Poverty can be caused by the scarcity of means of fulfilling basic needs, or the difficulty of access to education and employment. Poverty is a global problem. Most people understand this term is subjective and comparative, while others see it in terms of moral and evaluative, and still others understand from a scientific angle that has been established, etc.

The poverty rate is one which measures the performance of the local government Kerinci, when the poverty rate was higher then an area of local government performance was of low value.

From the analysis of poverty levels Kerincipada`periode 2002 to 2014 continued to decline, whereas in 2002 the poverty rate Kerinci regency of 10.8% and then increased to 12.5% in 2006, after it continued to decline until to the figure of 7.43% in 2014. But also from the analysis of poverty levels in the district of City of Jambi province in that period shows that the poverty rate in Kerinci district in 2002 in the position 2 (Two) is still very low or below the level of the City Jambi with an index of 5.32%. Whereas in 2014 the lowest poverty indices in the River City Full of 3.33% and Kerinci is the lowest position index 5.

In addition, from an average reduction of the poverty level index District Municipality in Jambi Province in the period 2002 to 2014, from 11 Districts in the city of Jambi province, district Sarolangun is the most significant decline in the poverty rate index by 11.71% while the District Kerinci order to keep only 9 (nine) with a decrease in the poverty index by 3.37% at one level below jabung Eastern Cape district.

Analysis of Changes in Kerinci Regency GRDP.

Growth of Gross Regional Domestic Product (GRDP) Kerinci regency in 2015 at current prices amounted to 7067.7 billion, which is its main constituent component of Agriculture, Forestry and Fisheries amounted to 3772.7 billion rupiah, Wholesale and Retail for 697, 7 billion, and Administration, Defence and Compulsory Social Security amounted to 506.4 billion rupiah. While the smallest contributor Components sector electricity supply of 2.1 billion rupiah. While (ADHK) amounted to 5121.5 billion, with the largest contribution, namely Agriculture, Forestry and Fisheries amounted to 2631.8 billion rupiah, Wholesale and Retail amounted to 497.0 billion rupiah, and the construction of 347.0 billion rupiah. Provision of electricity and gas sectors of the smallest was 1.9 billion.

When viewed from ADHB and the ADHK, Agriculture, Forestry and Fisheries accounted for over 62 per cent of the GDP Kerinci. This shows that the agricultural sector is a major contributor to the GDP Kerinci. GDP growth in Kerinci regency in 2015 reached 6.45 percent. Contributor to economic growth are: Information and Communication sector by 17 percent, Mining and Quarrying Sector amounted to 11 percent and Other Services sector by 10 percent. The smallest growth sector is the Electricity and Gas Supply sector with 0.52 percent growth.

While the GDP growth data analysis Kerinci based on constant prices from 2000 to 2015 continued to increase, which in the period that the GDP in 2000 amounted to 676,777.98 ADHK Kerinci, - Million increase to 5,121,484, - Million in 2015. While the rate of GDP growth ADHK Kerinci on an analysis of 2009 to 2014 also showed an increase.

From the data analysis Gross Regional Domestic Product Kerinci district can be seen that in the period 2000 to 2015 economic growth in Kerinci district continues to increase at an average growth rate of 6,17%. (six point seventeen percent) But when compared with the rate of economic growth in the District Municipality in Jambi Province in the period, it appears that the rate of GDP growth ADHK Kerinci regency is ranked 9 or the second lowest of the 11 district municipalities in the province of Jambi.

The results of this analysis are also consistent with research Damarsari R et al, 2015 of the Local Development Performance Regency / City in the province of Jambi, which is based on principal component analysis and factor analysis using a model of performance measurement of economic development, Model performance measurement of human resource development and model performance measurement infrastructure development districts / cities in Jambi province obtained a score as follows, in

which the accumulation of the three components of the performance of the district Government of Kerinci is still low and is ranked second lowest of the eleven district Municipality in Jambi Province.

To improve the economic growth of a region of the main factors that must be considered is the quality of regional planning itself, where in development planning is very necessary to the consolidation of the concept, sharpening priorities, improvement of integrity in the use of production factors, and the availability of funds. The principle of planning is meant here is the emphasis on the effectiveness and efficiency as well as increased inter-agency coordination and active participation of communities.

One of the phenomena or limitations in the development of Kerinci district is still vast areas classified as productive Region entered into Metro KerinciSeblat National Park, with an area of more than 57% of which are in the KerinciSeblat National Park area is definitely greatly affect the pattern of regional development, income communities and at the same time economic growth Kerinci regency. It is indeed the fact that in the process of development of the region or the area one of the factors of production that is needed is land / land, mainly in the form of productive areas, while the productive area is still widely included in the KerinciSeblat National Park area.

Limitations of this land led to the management of the district can not be done optimally will ultimately affect the economic growth of the region. If this condition is not a concern Kerinci District Government it would appear a lot of the problems that would be a threat to the preservation of TNKS itself.

In the management of KerinciSeblat National Park (TNKS) is also not free from problems and conflict with the public, especially people who live in the area of the buffer zone. conflict that arise due to the higher people's access into the National Park Region Region so that eventually will appear Regulations land overlapping and layered between local customary land law with the positive law of the government. This will bring up konflik the interests of various parties, but it is also hard to equate the perception of the function of the position and role of the National Parks in the eyes of the public and other interested parties so that these factors will eventually become a threat and will cause damage to the forest.

Kausar,(2010) stated that several parties or stakeholders who have been involved in the conflict area, especially at the regional National Park TNKS, namely: (1) The conflict between the interests Global / international with Indonesia. (2) The conflict between the state and the people. (3) The conflict between the Central Government and the Regions. (4.) The conflict between the Government and the People.

A good coordination mechanism and coordination directional load coherence between the development levels of regions and bottom-up planning in a participatory manner, a solution in planning the development of the area well and integrated with policy formulation as well as in the form of program packages development areas included development human resources, management of natural resources, increased access to capital as well as science and technology, is a solution and the efforts in improving the performance of the Kerinci regency government.

Mekanisme Coordination is done primarily to spur improved performance Local Government Kerinci, because of the data analysis Human Development Index, Population Growth, Unemployment Rate, Poverty Level and Change Analysis PDRB Kerinci in the period from 2002 till 2015 is seen that all the economic indicators are showed positive trends. This means that all indicators in the analysis give a good contribution to local economic growth Kerinci district in the period of the analysis, but a good trend when we are deeper analysis again and compared with the results of 11 districts / municipalities in the province of Jambi seen that Kerinci district Government performance is still relatively very low, even in the position of 2nd lowest of the 11 districts / cities in Jambi province.

Analysis of the performance of local governments is influenced by many factors, and it could be from a different viewpoint. From the results of this study can be suggested by the authors that as one of the drivers is getting low performance pada`periodeKerinci District Government can be expressed as a result of the limited land area due to the presence of TNKS. The total area of TNKS more than 57% in Kerinci district resulted in Kerinci District Government has not been able to benefit from the fees for use of natural resources and the environment. Meanwhile, in an investment activity should be equated between the additional benefit (marginal benefit) for an additional cost (marginal cost) as well as in the management of natural resources so that every resource extraction activities that will be able to produce a benefit that is at least equal to the value of perhaps missing items from the same activity at the time to come. Thus the benefits of additional natural resource extraction will exceed or at least equal to the cost of alternatives (opportunity cost).

CONCLUSION

Analysis of Local Government Performance and its connection KerinciSeblat National Park, it can put forward some conclusions, namely:

1. From the Local Government Performance analysis period 2000 to 2015 from the aspects of the Human Development Index, Population, the open unemployment rate, poverty rate and gross regional product domestic seen that during this period the Local Government Performance still is positive. Where HDI Kerinci district is still among the highest of the city district in Jambi Province, total population continues to increase but the number of unemployment and poverty rates have continued to fall each year. So also from the analysis of the GDP Changes in Kerinci district is also constantly increasing.
2. From this analysis also found also that the Local Government Performance Kerinci district, in the period 2000 to 2015 is still very low when compared with the performance of the City District Government in Jambi Province, This is evident from the change in the GDP percapita and a decrease Index the poverty rate which stood at 10 and 9 of the District Municipality in Jambi Province. The reduction in the highest poverty index in the district Sarolangun of 11.71%, While the Kerinci regency order to keep only 9 (nine) with a decrease in the poverty index by 3.37%. Even the results of the analysis of the GDP growth was also seen new Autonomous region like Muaro, Tebo, Sarolangun higher than the GDP growth of Kerinci.
3. From the analysis of the data also shows that the Local Government Performance Kerinci though is positive but decreasing, even today its position in the ranking of 9 out of 11 District Municipality in Jambi Province. It is clear that the factors of limited land because of the vast territory incoming district TNKS area is one of the factors inhibiting the increase in the rate of economic growth in Kerinci.
4. The need to do similar research deeper to support this research, especially using qualitative methods, because the quantitative analysis of these results are still describe the condition is false, and does not describe the phenomena that occur in the field at this time.

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GDP growth rate Based On Constant By Regency / City Year 2009-2015

Regency / City	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1.Kerinci	5.12	5.39	5.31	5.89	5.86	5.88	5.89	5.69	6.55	6.44	9.63	6.45
2.Merangin	4.85	5.19	4.8	7.02	5.99	8.42	7.85	7.02	6.47	6.45	6.95	5.48
3.Sarolangun	5.88	5.36	7.82	7.27	7.62	7.99	8.09	8.8	7.98	7.94	8.86	3.59
4.Batang Hari	5.19	5.84	5.12	5.6	6.24	7.99	8.09	8.8	7.13	6.84	8.02	4.26
5.Muaro Jambi	3.95	4.62	4.84	4.86	5.23	5.14	6.05	7.9	7.25	7.69	8.23	5.24
6.Tanjab Timur	3.19	3.67	5.88	4.71	5.71	5	5.78	6.83	7.44	4.09	5.92	1.87
7.Tanjab Barat	7.95	7.81	7.91	7.97	5.99	6.39	6.87	7.85	7.68	7.55	6.51	3.98
8.Tebo	4.79	4.74	9.69	5.95	6.08	5.01	5.96	6.78	6.73	6.51	9.28	5.28
9.Bungo	4.78	5.39	9.43	8.8	11.13	6.39	6.73	7.68	7.51	6.67	6.35	5.13
10.Kota Jambi	5.16	5.69	5.93	7.16	6.14	6.47	6.66	6.97	7.05	7.76	6.64	5.56
11.Kota Sei Penuh	-	-	5.85	5.99	5.61	6.3	6.47	6.73	6.93	6.92	6.35	7.06

Poverty Level District / City of Jambi province Years 2002-2014

No	Regency / City	Poverty Level District (%)												
		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
1	Kerinci	10.8	12.13	12.41	12.25	12.51	11.30	7.71	7.25	7.83	7.36	7.71	7.92	7.43
2	Merangin	16.04	14.75	15.00	14.73	14.05	12.10	9.50	8.65	8.07	7.68	8.09	8.23	9.37
3	Sarolangun	21.88	20.32	20.25	19.81	18.23	16.11	11.69	9.85	9.66	9.10	9.46	9.55	10.17
4	BatangHari	19.1	19.01	19.01	18.09	17.20	15.42	10.49	10.11	10.19	9.56	10.13	10.31	10.50
5	Ma Jambi	10.23	9.98	9.65	9.39	8.47	7.13	4.35	4.54	5.29	4.98	5.08	5.13	4.45
6	Tanjabtim	11.86	11.41	11.61	13.44	13.97	13.44	13.49	12.21	12.40	11.60	12.50	12.87	13.55
7	Tanjabbar	18.28	18.06	15.73	13.28	12.48	12.79	13.43	11.65	11.08	10.43	10.92	11.03	11.64
8	Tebo	13.55	11.35	11.16	10.90	10.05	8.69	6.34	6.10	6.42	6.05	6.35	6.44	6.89
9	Bungo	14.8	12.44	11.64	9.72	8.92	7.63	5.12	5.32	5.70	5.35	5.55	5.61	5.12
10	Kota Jambi	5.32	6.26	6.04	5.37	5.18	5.04	11.63	10.54	9.90	9.27	9.80	9.96	8.94
11	Sei Penuh									3.64	3.42	3.66	3.73	3.33
	Province	13.18	12.74	12.45	11.88	11.37	10.27	9.28	8.55	8.40	7.90	8.28	8.41	8.39

The population of District / City of Jambi province Years 2000-2015

Regency / City	2000	2005	2010	2015
Kerinci	295 951	304,827	229,495	234 882
Merangin	258,125	278,628	333206	366 315
Sarolangun	182,117	198,822	246,245	278 222
Batanghari	194,251	210,069	241,334	260 631
Muaro Jambi	235,940	280,169	342,952	399 157
TanjabTimur	191,844	205,389	205,272	213 670
Tanjab Barat	211,952	236,095	278,741	310 914
Tebo	225,739	238,784	297,735	330 962
Bungo	219,834	242,355	303,135	344 100
Kota Jambi	423,891	460,427	531,857	576 067
Kota Sungai Penuh			82,293	87 132

Human Development Index Regency / City in Jambi Province 2002-2014

Regency / City		Human Development Index (HDI)											
		2002	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
15	Provinsi Jambi	67,10	70,1	71	71,3	71,46	71,99	72,45	72,74	73,30	73,75	73,78	68,24
01	Kerinci	68,0	71,4	72,2	72,8	73,3	73,71	73,94	74,26	74,76	75,11	75,11	68,0
02	Merangin	66,3	69,3	69,9	70,3	70,7	71,39	71,63	71,95	72,40	72,85	72,85	66,2
03	Sarolangun	65,0	69,3	70	70,3	70,7	71,36	72,0	72,46	73,08	73,61	73,61	67,7
04	Batanghari	66,7	70,9	71,4	71,5	71,8	72,36	72,59	72,87	73,44	73,83	73,83	67,7
05	Muaro Jambi	66,6	69,7	70,4	70,9	71,6	71,99	72,18	72,69	73,12	73,59	73,59	65,7
06	Tanjabt	65,3	68,7	69,4	69,5	70,2	70,61	71,17	71,49	72,05	72,52	72,52	59,9
07	Tanjabbar	68,2	70,2	70,7	71,1	71,4	71,93	72,47	72,79	73,24	73,70	73,70	64,0
08	Tebo	64,9	68,9	70,1	70,7	70,8	71,08	71,34	71,67	72,30	72,69	72,69	66,6
09	Bungo	64,2	68	68,8	69,5	70	70,67	71,34	71,95	72,50	73,05	73,05	67,9
10	Kota Jambi	71,4	73,5	74,1	74,5	75,1	75,47	75,79	76,07	76,60	77,08	77,08	74,9
711	Sei Penuh	-	-	-	-	-	76,29	76,52	76,76	77,02	77,63	77,63	72,5

Score Factor Analysis Results Variable Performance Factor of Economic Development District / City of Jambi Province in 2015

No	Regency / City	SkorKinerja		
		Ekonomi	Human Resources	Infrastructure
1	Kerinci	0,5739	0,1504	-1,4668
2	Merangin	0,5699	-0,2349	-0,3180
3	Sarolangun	-0,0020	-0,8485	0,0999
4	Batanghari	0,3779	0,0628	0,4058
5	Muaro Jambi	-0,7520	0,1348	0,7252
6	TanjabTimur	1,2939	-1,9036	-0,0571
7	Tanjab Barat	0,0504	0,1980	0,0z527
8	Tebo	0,7614	-0,6327	-0,6444
9	Bungo	-0,2545	0,0640	-0,1019
10	Kota	1,3703	2,3668	1,2892
11	Sungai Penuh	-0,1789	0,1730	0,0153

PREVALENCE FERTILITY WHICH CAUSED THE ECONOMIC AND SOCIAL CONDITIONS (SPATIAL ANALYSIS BY GEOGRAPHIC WEIGHTED LOGISTICS REGRESSION)

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Abstract. Changes in population dynamics that occur in all its aspects can not be separated from changes in the socioeconomic factors and spatial. Demographic variables are variables that changes are caused by factors proficiency level. Development of the population in order to suppress the population growth rate, fertility is one of the dominant component in the population change in addition to mortality or deaths and immigration. To suppress the population growth rate, one of the efforts is to reduce the dominant component of that fertility. The concept of fertility or birth can be assessed in a lot of theory, theory of economic, social and spatial; a) Demand and Utility Against Children; b). Theory of Production; c). The theory of population; d). Theory of Spatial Analysis

INTRODUCTION

Changes in population dynamics that occur in all of their aspects cannot be separated from changes in social factors and economics. Demographic variables are variables that the changes caused by various socio-economic fields. In developed countries, a large population is accompanied by highly improved the quality of human resources. Whereas in developing countries large population is not accompanied by adequate quality. This leads people to be a burden of development in all aspects of both economic development and social development.

Development of the population with the aim of reducing the rate of population growth, fertility or birth is one of the dominant components in the population change in addition to mortality or deaths and immigration. To suppress the population growth rate, one of the efforts is to reduce the dominant component of that fertility or birth.

Research on theory and model of birth or fertility has mostly been done by experts, especially those who focus on social demography and economics. In economic theory of fertility associated with the theory of 'demographic transition' which explains that in line with the socio-economic development of the fertility becomes an economic process. Various methods of birth control used on the basis that having many children can become an economic burden that interrupts the welfare of the family or otherwise

Such issue occurs because the social and economic problems arising from population growth (mainly caused by factors fertility) gets more complex. These theories are formulated from various fields of study disciplines of science such as social sciences and economics. While research on population which is analyzed spatially still rare, especially the study of fertility that is done spatially.

DEFINITIONS CONCEPT

The concept of fertility or birth can be assessed in a lot of theories, theory of economic, social and spatial.

Demand for Kids

Ownership of the households with children is affected by the lower the cost / price of care and rearing of children causes demand for children. At the request of law (The Law of demand), the lower the price of an item then the more demand for goods. Conversely, the higher the price of an item the less demand for goods.

Requests for children in a household explain about the character of the relationship between the amount of demand for children and the price. Demand is the needs of the community / individual to a particular type of goods that depends on the factors: 1). The price of the goods themselves; 2). The price of other goods; 3). Revenue consumers; 4). Public interest / taste; 5). Number of residents; 6). Season / climate; 7). Predicting the future

Utility theory

The theory of the value (utility) is the economic theory which studies the satisfaction or pleasure derived from a consumer in consuming goods. The higher the satisfaction, the higher use value. Conversely, the lower the satisfaction of an item, the lower the use value. Value is distinguished into two, namely:

- The value for which marginal increment / decrement satisfaction due to the increase / reduction in the use of the units of a particular item.
- Total value of order is the overall satisfaction derived from consuming a number of certain items. (Ramaa Lessandro. 2008) If consumers buy goods because of the hope of obtaining the value of the point, of course, a rational consumer expects to obtain optimal use value. Rationally, the use value will increase if the number of commodities consumed increases.

There are two ways to measure the value of a commodity; they are cardinal approach (using the absolute value approach) and ordinal approach (using a relative value approach, order or ranking). In the cardinal approach, the value is obtained by consumers can be expressed quantitatively and can be measured exactly. Each unit consumed can be calculated the value of the point. (Sugiarto, 2010).

Utility (utility) against children is a degree of how big the satisfaction is received by households from the use of goods and services. Every household has a level of satisfaction which is different, but they will try to achieve maximum satisfaction.

Becker's wrote in the form of a model as follows:

$$U = U_f(C, S) \dots\dots\dots (1)$$

In maximizing satisfaction, family is always limited by income, which is assumed to be a lifetime income, so that:

$$P_c P_s C + S = I \dots\dots\dots (2)$$

C is the satisfaction of the services of a child (both material and non-material) obtained. while S is the satisfaction of consuming goods and services. And P_c and P_s is the price and the price of C S, while I is a lifetime income. This model assumes a family decides the decisions throughout his life and has a lifespan that can be expected.

Theory of Production

Children as the human resources are the inputs or resources used in the production process, especially as unpaid workers, the relationship between the level of production of goods to the amount of labor used to produce different levels of production of the goods. The production function describes the relationship between the factors of production with production. Factors of production known as input, while the output referred to as output relations between the two variables (input and output) can be expressed in equation form, as follows:

$$Q = f(K, L, N \text{ and } T)$$

Q is output, while the K, L, R, and T is the input. Input K is the amount of capital, labor L is number, N is a resource, and T is the technology. The large amount of output produced depends on the use of these inputs. Total output can be increased by increasing the amount of the input K, L and N or improving the technology. To obtain an efficient result, manufacturers can make more efficient use of inputs. When the amount of capital (K), resources (N), technology (T) is assumed fixed and variable labor (L) is not fixed, then any increase in the number of labor may affect the value of output.

Aid obtained from child labor as a free labor/ no cost incurred for families in rural and urban areas as a result of the increase expected income. Child labor in rural areas is expected to work in the garden or in the family fields while urban areas child labor can work in the informal sector such as selling cigarettes, selling newspapers and so on.

Caldwell (in Lucas et al, 1994: 158) states the theories of the flow of wealth between parents and children, known as the Wealth Flow Theory of Fertility. In the theory guarantees parents the urban population does not depend on donations of children, because they have pensions and other income sources. But instead, in the village, the parents expect aid from their children in the old days, so that more children would be better off in old age.

The theory of population

Pollard (in Munir.1989: 141) says that fertility is a portrait of the number of children who were born alive and is a measurement of demographics / population. The number of births of a population is partly determined by a variety of demographic factors, social and economic environment within a certain period. For example, housing conditions, education, income, religion, attitudes to the magnitude of community members, the length of the marriage, the general distribution by sex and number of children born. While the family fertility is the number of children born alive by mother in the family. The demand for children is the desired number of children in a family. In a general sense the family fertility synonymous with public demand.

Most countries take account on other factors other in having children, one of which is the effect of having children on the spending patterns of a household, time spent with a parent, the amount of income

that should be spent on their children and an additional amount of income a family has a child, when compared with families who do not have children, (Koonnan, 2001: 126).

In developing countries where people are poor, low education, working in traditional sectors and health level is still low, children are viewed from the point of socio- economic importance. The concept of a child is seen as an economic investment that is expected to help the family in the form of free labor and the family's financial future parents in the older time (Todaro, 2000: 275).

Theory of Spatial Analysis

In the analysis of spatial econometrics analysis is a technique related to the interaction of economic units in a space or place that has the physical and economic characteristics (Lee and Yu, 2009). According to Anselin (1999), a spatial econometric methodologies are related to spatial effects, such as spatial autocorrelation and spatial heterogeneity. In other words, econometric spatial is the spatial econometrics techniques for modeling and analyzing data (cross-section or panel) in which account for the effect of regional (spatial effect). Effects can be the regional spatial interaction (spatial autocorrelation) and spatial structure (spatial heterogeneity). Therefore, the regression model is used to portray the relationship in which there is a spatial effect called spatial regression models. Excess use of spatial econometric model is the use of econometric perspective, spatial (territorial), and time in an integrated manner.

Their interactions (autocorrelation) Spatial will lead to spatial linkages. These linkages were presented with observed values to certain areas affected by the observed values on other areas. While the spatial heterogeneity is associated with instability of relationship behavior. This can result in the error variance is not constant (heterokedastisitas spatial) and the difference model coefficients so that the function of the relationship between regions differs from each other (not homogeneous). Spatial heterogeneity is important to be considered for the following reasons (BPS, 2011).

RELATIONSHIP BETWEEN THE CONCEPT

In 1974, Leibenstein published a paper entitled "An Interpretation of the Economic Theory of Fertility". According Leibenstein, children are viewed from two aspects: usefulness (utility) and the aspect of cost (cost). Its usefulness is to give satisfaction, can provide economic remuneration or assist in the activities of production and is a source that can support parents in the future. While expenses for raising children are the costs of having children.

Becker's (1981) (in Nazamuddin, 1989: 14) states the type of decisions made in a household is a special skill. Likewise, the economic models that describe the behavior of the family against the desired number of children is based on the assumption of existing resource allocation by the family to maximize satisfaction.

Willis (in Nazamuddin, 1989: 23) assumes that a family can not only choose to be able to withstand the maximum of the number of children but also become a vector of characteristics of future satisfaction obtained from the child as a whole, which is illustrated with items Q_t called the quality of the children. It means increased satisfaction obtained from the parents of children is compared to the increase in the resources given to the children, which is received satisfaction from the quality of children can be selected from the alternative combinations of goods and time. Last cost efficiency or a combination depends on the relative prices of time individual family members and the relative market price of goods and services.

The model that describes each child's quality produced by the production function domestics can be seen down below:

$$Q_t = f_t(R_t, X_t) \quad t = 1, 2, 3, \dots, n$$

Where :

Q_t = quality of children

R_t = vector of time family members given to her son

X_t = sectors of the exchange of goods given to her son

Likewise, Rosezweig and Schultz (1977), Portner (2001), Cignati and Rosato (2000) and some conclusions by Schultz (1997) (in Svarbeni.2005: 18) who considers that the decision of households aiming for maximum satisfaction in planning the number of children desired, education level, children's free time, spare time parents and consumption patterns are good. This activity aims to prepare the items that need to be purchased in the market or produce on their own. The production itself can be produced from the work done by mothers and their children both for their own consumption or sale. Household income can be obtained by selling such productions.

Todaro (2000: 272) also expressed in normal condition when the family income increases, the demand for children will also be rising. And if the cost of child care is getting higher, so the goods

consumption gets higher too. The relationship of the number of children in families and the family income and other factors can be illustrated through the following models:

$$Cd = f(Y, Pc, Px, Pt)$$

Where:

Cd = Child demand or the desired number of children in the family, and is a function and Y, Pc, Px, Tx
 Y = income families; income households and income mothers, as well as the income of other family members.

Pc = Price of children is calculated from the cost of child care and the opportunity cost of time spent by the mother

Px = price of other goods

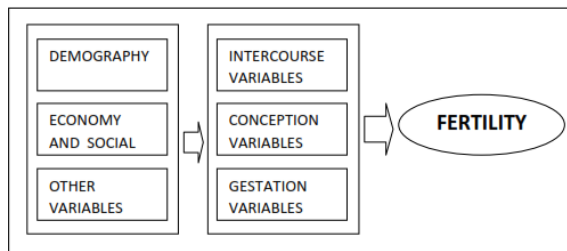
Tx = magnitude of the desires for the other goods (preference) in addition to the child.

In his article titled, "The Social structure and Fertility: an analytical framework" (1956), Kingsley Davis and Judith Blake did a sociological analysis of fertility. They cited the factors that affect fertility through the variables (intermediate variables).

According to Kingsley Davis and Judith Blake (in Singarimbun 1992) there are 11 variables between the through-factor of social and cultural factors affecting fertility. In other words, he said socio-cultural factors can not directly affect fertility and can only affect fertility through intermediate variable.

Among these variables are: 1. Marital Age 2. Unattended Marriage (officially married yet physically disconnected by distance) 3. Separation of reproduction age or widowed 4. Abstinence-voluntary, 5. The abstinence of necessity, 6. The frequency of sexual intercourse, 7. Biological fertility, 8. Contraceptive usage, 9. willful sterility, 10. Unintentional miscarriage, 11. Intentional abortion.

The theory was further developed by Freedman in his article titled "The Sociology of Human Fertility" (1962).



Source: Davis and Blake (1956)

Freedman (1975) Maesuroh (1985), in Hatmadji (BPS-UNFA, 1999: 18) shows the model framework to explain social and economic variables related to fertility or birth. To quantify the relationship between variables between and fertility, John Bongaart (1978) stated 8 determinants of fertility (proximate determinants of fertility):

1. The proportion of women married or in an intimate relationship (sexual unions): a) a. age of first marriage; b) b. the proportion of women who have never had sexual intercourse; c). frequency of divorce, widowed and remarried; d) sexual relations outside marriage.
2. The pattern of sexual activity: a) frequency of sexual intercourse; b) abstaining from sexual intercourse; c). the couple separated.
3. The period of lactation (postpartum infecund ability)
4. Contraception (including sterilization)
5. Intentional Abortion
6. Miscarriage (fetal loss)
7. Natural Infertility
8. Infertility due to abnormal (pathological infertility)

Adioetomo and Suprobo (in Siswanto, 2000: 7) mentions that there are some social and economic factors that affect fertility; they are:

1. Higher levels of education, especially for women, have an impact on the rising age of first marriage and fertility patterns. Further, women who are married and actively work for a living tend to reduce/limit the number of their children.
2. With the increasing number of people to the influence of the mass media (especially television and letter of force majeure) the more easily result in a change occurs in the values of the children in the community. This will lead also to a decrease in fertility.

Mutiakusuma, Hatmadji, Achmad and Singarimbun give as biological fertility of women affected by maternal age, which means that the future fertility of a woman depends on her age. In addition, the age of first marriage, which is one of the variables between, also directly affects fertility. (Siswanto, 2000: 9).

Ananta (1993: 167) states that there are many factors that affect fertility families, some of which are family income, education head of the family, the mother's education, income, occupation of household head / mother and custom backgrounds and cultures.

Ananta formulated models as follows:

$$Cd = a + b_1P_1 + b_2P_2 + \dots + b_NP_N$$

Where:

Cd = Number of children in the family	a = Constant
b1 = coefficient of family income	P1 = income families
b2 = coefficient factor of 2	P2 = Factor 2
BN = coefficient factor to n	PN = Factor to n

The high mortality rate in developing countries also causes a higher desire to have more children because they assume that some children will die and should be replaced soon. In the meantime, children are still viewed as a mutual/common possession and public pride; they are being a symbol of love and social status. Therefore, every marriage has a tendency in having children.

Theory and Spatial Model About Fertility

As a model of analysis, spatial analysis helps planners to analyze the condition of the problem based on data from the target area. And the concepts underlying a spatial analysis is the distance, direction, and relationships. The combination of all three of the region will vary so as to form a significant difference that distinguishes one location to another. Thus the distance, direction, and the relationship between the location of an object in an area with other objects in the area that would have obvious differences.

The regression model is often used to explain the relationship between the response variable (dependent variable) and the explanatory variables (independent variables). This model assumes that the regression coefficient applies to all geographic locations. In model-based regional, global models both applied if there is no spatial variation between regions. In other words, global models can be applied if the relationship between the explanatory variables and the response was not dependent territory, or so-called spatially stationary (Fotheringham et al. 2002).

Geographically Weighted Regression (GWR) is one of the developments of the regression model used to overcome the problem of spatial heterogeneity caused by the condition of one location to the other location that is not the same. Fotheringham et al. (2002) state that weighting function selection is one determinant resulted from the weighted geographic regression analysis (GWR). The weighting function used to construct a weighted regression models geographic in this study is the kernel function bisquare. The weighting function was chosen because it involves an element of distance between the locations of observation whose value is continuous in building weighting matrix, so that each location will receive weighted according to the distance of the location of the observation site.

Spatial analysis has been progressing quite rapidly, and therefore there are many methods that can be used to perform the analysis. Spatial / three-dimensional space is infinite extent to which objects and events occur and have relative position and direction. While the socio-economic development of spatial is social economic activities related to the allocation of resources that cannot be refurbished over the space and the location of socio-economic activities.

Spatial analysis is a set of methods for discovering and describing levels / patterns of a spatial phenomenon, so that it can be better understood. The methods of spatial analyses detect spatial autocorrelation between conservative observations (Moran index test) and detect spatial diversity on test data by using Breusch-Pagan test.

The steps in a weighted logistic regression modeling Geographic can be seen in the following figure 2.2. Based on these considerations, if a model of economic development and population is not included for the region neighbors into the analysis, it will make the obtained estimate become misspecification, because there is an assumption that each location is an area that stands alone in the region (Anselin, 1998; Rey and Montouri 1999; Yu and Lee, 2009). While Aziz (1994) states that the analysis that ignores the spatial element needs to be questioned since it postulates all the processes and mechanisms that occur in nature without the room (spaceless). The further effect of the implementation of policies supported by the studies that ignore spatial element is that there will be a bigger deviation that he expected hypothesis

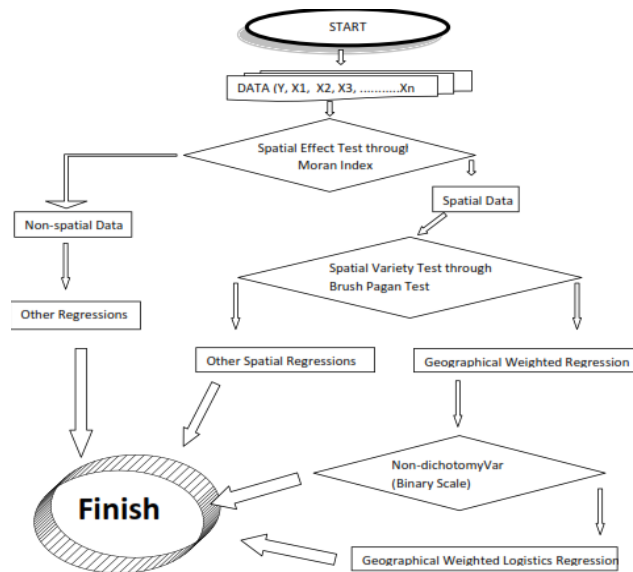


Figure 2.2 Research Flowchart

(Point, 2013). Therefore, along with the increase in needs of data-based regional programs, database systems today are increasingly developing well and making a lot of progresses.

Interaction between regions can occur in a variety of fields, for example in the form of the flow of goods and services, labor migration, transfer of capital and earnings, as well as technology transfer. Besides the political situation, the security and disruptions caused by the disaster in the region will affect the situation surrounding regions. The geographical position of the neighboring area will affect the economic activity in an area and the closer the area then the stronger the effect will be. This is in accordance with Tobler I law (1979) "Everything is related to everything else but near things are related to distant things."

Further, Rustiadi et al (2009) in Faisal (2010) adds that, in the development of the region that becomes an important indicator is the level of interaction between the region with other regions. The areas that are more developed basically have a higher level of interaction compared to other undeveloped areas. The interaction itself occurs because of the accessibility factors of one region to another region. Areas with better access will cause a high level of interaction with other regions, making them grow faster.

Another factor that drives development of the area is its proximity to the center of the economy or government. The location that is close to the center of the economy or government in general will be more motivated than the development of a region that is relatively farther. The region will likely to develop into a buffer for the central region that is nearby. Regional natural resources will not support the relatively less developed and tend to become its hinterland. This situation has led to the migration of the population to work in a more developed region in order to improve their living standards.

Economic linkages between the region and the surrounding environment can be influenced by several aspects (BPS, 2011), which are:

1. The limitation of an area is a barrier that disrupts it from meeting the needs. Such limitation can be either natural limitations, human resources, technology, or finance.
2. The existence of common economic interests of some regions will allow the establishment of cooperation in economy. This cooperation is expected to have a positive impact on the output of economic development of these areas.
3. The growth of awareness of forming a synergy between regions is expected to build a regional economic power. This will increase the region's economic activity and is expected to be a driving force of economic development in the region and surrounding areas.

CRITICISM

The research conducted by Ramli Utina et al done in Gorontalo Province under the title Studies Socioeconomic Factors that Impact on the First Marriage Age in Gorontalo Province concludes that the education factor has positive and significant effect on age at first marriage. This means that the higher the education level, the higher a person's first marriage age. In addition, one's employment status in the economic structure of the region also has positive and significant effect on age at first marriage. Respondents who have a job before marriage age at first marriage have a higher marriage age than those

who don't. While the location of the domicile residence does not have a significant effect on age at first marriage. (BKKBN Gorontalo Province; 2014)

I Wayan Santiyasa in his research on the relationship socio demographic factors as well as pre and post-natal behavior with mortality (Science-Univ.Udayana; 2004) states that of the six influential factors analyzed, there are four main factors that contribute to child mortality; they are: age of childbirth, birth order, pre labor behavior, and post labor behavior. These factors are a reflection of socio demographic that discredit and corner the women individually so that it can be concluded that the high influence of childbearing age, factors birth order, behavioral factors pre- and post-natal of mothers on children under-five mortality hinted that the gender factor is still very weak where women have less bargaining power. Planning and toddler care is still a conventional treatment because it depends on the woman, whereas this is in accordance with the development and modernization, it is irrelevant because the planning and toddler care should be the responsibility of the household done simultaneously.

A study by Yanuarlin (2005: 51) done in Serdang range of North Sumatra province states that the factor family residence and family income greatly affect fertility. Families in rural areas have more children than in urban areas as well as poor families in the district to have more children than the rich families.

The research by Ilias (2004) done in Makassar views the Influence of Gender Equality in the Family against Fertility Households found that equality of living, equal participation and inclusion in providing satisfaction have a negative correlation with fertility families, which means that the higher the level of equality of time, the lower fertility; growing role of women lead to the lower fertility; the more the level of the role of women in decision making, the lower the fertility. In other words, the greater role of women leads to lower fertility. Meanwhile, income equality does not affect on fertility.

Andriani (2004: 50) conducted a study in South Kalimantan on the factors that affect the increase in fertility. She concluded that the number of children who die and the duration of marriage affect fertility in Kalimantan Selman, while other factors do not affect significantly. While Suryadinata, et al (2003) conducted a study that viewed at ethnic and religious ties with fertility and found that fertility pattern of ethnic Malay and ethnic Batak was higher than the fertility of the Indonesian population as a whole, with ethnic Javanese being lower in fertility. It also found that the fertility of Muslim population is lower than Indonesia's population overall fertility and the fertility of the population of Christians is higher. He also concluded that by expanding opportunities in the field of education and high income job opportunities for women is one way to encourage family pars have fewer children.

Darwas, (2002: 39) conducted a study in Jambi Province and he that concluded variables that influence fertility in the province are the duration of marriage, the absence of contraceptive usage, the age of first marriage, the duration of work and education. Further, variable residence and the number of marriages do not affect fertility in Jambi Province.

Todaro (2000) conducted a study regarding factors that affect fertility. Fertility will be lower if there are opportunities for women to work outdoors and the school-age children to go to school. The study also provides evidence of no significant relationship between the decline in child mortality (infant) and low levels of fertility. Nazamuddin (1989: 63) conducted research that focused on looking at the relationship between wealth and family income with the number of children desired by assuming the child as normal goods. The results showed a positive relationship between family income by the number of children desired. But the wealth of the family with the desired number of children from the regression results have a negative relationship. The study also concluded that women who work gives a negative effect on the desire to have children.

IMPLICATIONS FOR RESEARCH

A high population growth rate, on one hand, and a relatively low economic growth rate, on the other hand, is a gap that is often encountered in the development of developing countries. Too rapid population growth will encourage the emergence of various problems of economic, social and security in the community if it is not matched by economic growth or investment.

For example, a lower economic growth will cause less availability in job provision to productive-age workers, resulting in the creation of unemployed workers on their productive age. The amount of unemployment would lead to economic and social insecurity, be it in the form of rising crime or the existing crimes, such as theft and robbery.

A high population growth also hinders the achievement of the general welfare, which means it inhibits the increase of people's income through development. The per capita income is a concept that is most often used as a measure of the level of economic welfare of a population in country (Todaro, 2000: 52).

Many countries have successfully overcome these gaps through a ravine or enhance capital accumulation (savings-investment and the use of foreign exchange) in the country, with foreign assistance in the form of grants or loans and a program on suppressing the population growth rate.

Most economists assert that human capital in addition to natural resources, is one important factor in the process of economic growth. With quality human capital, it is believed that the economic

performance will be better. It will also be the final determinant regarding the character and pace of the economy and social development of a nation. This was confirmed by Prof. Frederick Harbison of Princeton University, in Todaro (2000: 384) states that human resources are the primary basis for the welfare of the nation. Capital and natural resources as factors of production are passive, but human resources are the driving force (the agent), that is active against the accumulation of capital, exploitation of resources, the establishment of social, economic, and political organizations, and carry forward the development of national development.

Development policies that do not encourage human quality improvements will only make a country or region more underdeveloped than others, including in terms of economic performance. In other words, improving the quality of human capital will also provide benefits in reducing inequality between countries / regions.

The problems in high population growth rate cause in a decrease in the quality of human resources. This happens due to the unavailability of a residence, education, and welfare. Accordingly, it can be said that between human capital and economic growth, there has been a simultaneous effect. Therefore, in order to boost economic growth, human development programs need to be improved. Human development can be done through birth control or fertility. Because each additional resident or born population certainly requires additional attention and greater costs such as health, education and other needs that are fundamental to improving the quality of human life. To identify the prevalence of birth resulting socio-economic conditions in Jambi province, an early detection and its interventions have to be done.

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THE INFLUENCE OF CREDIT BANKING, INVESMENT, EXPORT AND GOVERNMENT SPENDING ON ECONOMICS GROWTH IN INDONESIA

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Abstract. Economic growth represent the economics problem in the term and is influenced by various factor. This research is objected to analyse the influence of banking credit, investment, export, and government spending to economic growth of Indonesia. The analysis uses, Ordinary Least Square (OLS) method. Secondary of time series data 1985-2011, are applied. The result of research indicate that the banking credit, investment, export and government spending had a significant effect to economic growth of Indonesia at $\alpha = 5\%$, with a coefficient of determinant (R^2) 98,69 percents. Partially, this study showed that the banking credit, investment, and government spending to had a significant and positively effect on economic growth of Indonesia. This mean that economic growth of Indonesia will progressively with increasing that the banking credit, investment and government spending. While exporting value has insignificant and positive effect to economic growth of Indonesia.

Keywords: economic growth, banking credit, investment, export, government spending

INTRODUCTION

Economic growth is a Long-Term Economic problem, and Economic growth is an important phenomenon that exist in the world nowadays. Economic growth in which the process is called as Modern Economic Growth. Economic growth is defined as a process of growth of per capita output in Long Term. It means, in Long-Term the prosperity reflected an increase in output per capita meanwhile it also provides alternative to consume goods and services, as well as society followed by purchasing power increases.

Economic growth is a measurement From the established Development , notably the Economics. The growth rate is a reflection of economic development. The details of Economic Growth from year to year, is presented through the Gross Domestic Product (GDP) of the basic differences Constant price based by Industrial Operations periodically. If there is a positive growth, it showed an increase in the economy compared with a year ago. Conversely, when the show is negative, it indicates a decline in the economy compared with last year. Indonesia GDP growth during the period 1985-2011 at constant prices in 2000 can be seen in Table 1.

Table 1. GDP in Indonesia at Constan Prices, Year 1985 – 2011

Year	GDP (MilyarRp)	Growth (%)	Year	GDP (MilyarRp)	Growth (%)
1985	701.259,8	-	1999	1.324.599,0	0,79
1986	742.461,6	5,88	2000	1.389.770,2	4,92
1987	779.032,2	4,93	2001	1.442.984,6	3,83
1988	824.064,1	5,78	2002	1.504.380,6	4,25
1989	885.519,4	7,46	2003	1.577.171,3	4,84
1990	949.641,1	7,24	2004	1.656.516,8	5,03
1991	1.018.062,6	7,20	2005	1.750.815,2	5,69
1992	1.061.248,0	4,24	2006	1.847.292,9	5,50
1993	1.151.490,2	8,50	2007	1.963.974,3	6,35
1994	1.238.312,3	7,54	2008	2.082.456,1	6,01
1995	1.340.101,6	8,22	2009	2.178.850,4	4,63
1996	1.444.873,3	7,82	2010	2.313.838,0	6,20
1997	1.512.780,9	4,70	2011	2.463.242,0	6,46
1998	1.314.202,0	-13,13			
Average				1.424.412.12	5,03

Source :Central Bureau of Statistics (BPS), 2012

During the period of 1985-2011 Indonesian GDP is likely increased by an average of 5.03% per year. Indonesia GDP growth was highest in 1993, amounting to 8.50%, while the lowest was the development of Indonesia's GDP in 1998 is minus 13.13%.

This condition is caused by a decrease in the contribution of industrial sector, trade, hotels and restaurants as the effects of the crisis in Indonesia at that time. In 2007, Indonesia's economic growth has increased by 6.35%, compared to the year 2006. In 2007 the economic situation in Indonesia, in general improved compared to previous years which can be seen from the increase in the real sector.

Indonesia's economic growth since the 1985-2011 showed an increase every year, except in 1998 as a result of the economic crisis that began in mid 1997. Until now, the economic crisis, it can be seen that economic growth in Indonesia has increased to fluctuate, where the greatest improvement occurred in 1993 amounted to 8.50%, and the most lowest in 1997 amounted to 4.70%. During the period of 1985-1997 fluctuations in economic growth in Indonesia is still low, (if illustrated by $8.50\% - 4.70\% = 3.8\%$).

As the impact of the economic crisis that occurred in 1997, the economic growth in Indonesia in 1998 decreased by 13.13%. Furthermore, after the economic crisis in the period 1999-2011, Indonesia's economic growth is quite stable, with growth of between 0.79% to 6.45% (if illustrated by $6.45\% - 0.79\% = 5.67\%$), which means quite stable. Thus economic growth in Indonesia, viewed from the stable economic growth, Indonesia's economic growth more stable condition than before the economic crisis after the economic crisis, because a good indicator of economic growth is the stability of economic growth and not the magnitude of the economic growth rate in question.

By sector, all sectors of the economy will record the economic growth. The manufacturing sector is expected to provide the largest contribution to economic growth. Other sectors that contribute significantly are trade, hotels and restaurants and transport and communications. Increased activity in the manufacturing sector is following the usual seasonal factors that are rapidly increasing in anticipation of increasing demand. In line with the increase in the industrial sector, activity in the trade sector and the transport sector which is a chain of production-distribution process of final consumers is also expected to record robust growth (Bank Indonesia, 2003). Increasing the contribution of manufacturing industry showed that the manufacturing industry showed an increase, where the increase in such activities, the needs of working capital will increase. Working capital requirements continues to increase will trigger an increased in bank credit

The development of loan portfolio in Indonesia showed two phases. The first phase was the period of 1985 s / d in 1994, which in this phase can be seen that the loan portfolio had increased at a rate that is likely to remain. Later phases of 1995 s / d in 2011, where it can be seen that the loan portfolio has increased at a higher rate as compared to the period 1985 s / d 1994. The phase was separated by the events of 1998-1999, which for the period decreased of loan portfolio was very large. This is the impact that the economic crisis is still not resolved properly, so in fact, the real sector becomes worse.

Loan portfolio showed stable every year. In the period 1985 s / d in 1994 an increase in loan portfolio, which was highest in 1990 amounted to 45.58% and the lowest was in 1992 that was equal to 8.95%. In 1999 the loan portfolio decreased by 53.81%. Later in the period of 1999 s / d in 2011, an increase in the loan portfolio was the highest in 2008, amounting to 30.84%, and an increase in lending of the lowest occurred in 2010 in the amount of 7.48%.

Since the enactment of Law No. 1 1967 Jo No. 11 of 1970 on Foreign Direct Investment (FDI) and Law No. 6 of 1968 Jo No. 12 of 1970 on Domestic Investment (DCI), investment tends to increase from year to year (Lopez et al, 2008). However in certain years had also decreased. An increasing trend not only take place on the investment by the public or private sector either domestic or foreign investment, but also investment by the government. Meanwhile priority capital investment from abroad is given to financing in the form of foreign direct investment, or FDI.

Gross domestic capital development (I) is carried out both the private sector (domestic and foreign) and government in Indonesia shows some fluctuation. When viewed the development of investment in 1985 and 1997, investment growth was still low, but after the crisis ends of gross domestic capital (I) began to increase, especially in 2000, 2002-2004. The average increase in Investment Indonesia during the study period amounted to 15.86%.

Based on the data, the volume growth of exports, it is known that the development of Indonesia's export volume up to 1998 showed a rising trend. But in 1999, Indonesia's export volume decreased to 31.80% from 1998 as the impact and the economic crisis in mid-1997 which had not shown an improvement. Along with the various reform initiatives taken by the government, since 2000, the volume of exports began to show improvement, though still moved very slowly until 2003. Even in 2002, the volume of exports showed a decline of 1.22%. But since 2004, when the Indonesian economy was getting better and stable, the export volume had increased rapidly until 2007.

Indonesia showed an increase in government spending is fairly stable each year, despite a decline of 0.17% in 1987 and a considerable increased in 1989 of 10.49%. Furthermore, in 1998, public expenditure showed a decline of 15.37% from the previous year. It was closely related to the economic crisis in 1997 that led to the government having limitation in increasing expenditure. Since 1999, government spending began to show increased returns of 0.69% and continued to increase every year

until 2007, with the rate of increase was faster than the period 1985 s / d 1997. This is in line with the economic recovery that is more conducive, so the government can undertake various development activities and routine.

The success of economic development, demonstrated by an increase in economic growth at the macro always grounded on the various factors that influenced it. Macro economic growth in Indonesia will bring direct and indirect effects of the national economic conditions. Based on the formulation of the aforementioned problems, as for the purpose of this study is to determine and analyze the effect of bank credit, investment, exports and government spending to economic growth of Indonesia during the period 1985-2011.

RESEARCH METHODS

As for the data in this research is secondary data that can be obtained from various related agencies that was collected by the compiler and writer, other sources such as writing or journals and research results have been published. The data needed to be this research material is data on all of bank credit, the value of the investment, exports and government spending, as well as the economic growth of data analyzed by GDP (Gross Domestic Product).

Model Analysis

To identify factors that influenced economic growth in Indonesia then analyzed using Ordinary Least Square method (OLS). As the dependent variable (dependent variable) in this study is the GDP of Indonesia, the independent variables (independent variable) is the amount of bank credit, the value of exports, government spending and the amount of investment.

In this research, the factors that affect Indonesia's economic growth is analyzed with mathematical functions as follows:

$$PE = f(KR, EX, PP, I)$$

According to Gujarati (2004), that the economy's dependence on the dependent variable to the independent variable rarely occurs in a linear line, but requires an interval. Therefore the above mathematical function is transformed into a logarithm. Thus the model specification that will serve as a research model is as follows:

$$PE = a_0 + a_1 \log KR + a_2 \log EX + a_3 \log PP + a_4 \log I$$

Where: PE = Indonesia's economic growth, with GDP in proxy (Rp.); KR = bank credit (Rp.); EX = value of exports (Rp.); PP = government spending (Rp.); I = amount of investment; a_0 = intercept (constant); a_1, a_2, a_3, a_4 = regression coefficient; μ = errors

Hypothesis

There are three (3) conformance tests used in this study), which are:

T-statistics

T-statistics (Partial Test) is intended to determine the statistical significance of the partial regression coefficient. If $t_{count} > t_{table}$, then H_0 rejected and H_1 accepted. With this test meant the independent variables can be partially explain the dependent variable. If at a certain confidence level probability of t-count value is smaller than the value α , meaning each independent variable have significant effect (significant) to the dependent variable.

Statistical t test formula is as follows (Gujarati: 2003) as follows:

$$T_{count} = \frac{bi}{Se(bi)}$$

Where: bi = regression coefficient; Se = Standard Error

F-statistics

Test F-Statistics (Overall Test) is intended to determine the statistical significance of the regression coefficients simultaneously. If $F_{hitung} > F_{tabel}$, then H_0 rejected and H_1 accepted. This test will be seen each coefficient independence together give effect to the dependent variable changes. F value calculated by the formula (Gujarati, 2003):

$$F_{hitung} = \frac{R^2/(k-1)}{(1-R^2)/(n-k)} =$$

Where: R^2 = coefficient of determination; n = Number of Observations; k = Total Variable

Determination Test

Determination Test (Determinant Coefficient) = R^2 is to see the power of the independent variables (independent variables) explain the dependent variable (dependent variable). The test measures the amount of variation of the proportion of variation dependent variable (dependent variable) can be explained by the independent variable (independent variable). This test is performed by the formula (Gujarati, 2003):

$$R^2 = \frac{\sum ei}{(Y - Y^2)}$$

Wherein R^2 ranges between 0-1 equations, if approached 0 mean less strong relationship between the dependent variable with the independent variable. If the value close to 1, indicates the magnitude of the relationship between the two variables.

Classic Assumption Test

Multicollinearity Test

Multicollinearity can be detected with magnitudes of regression obtained, namely: (1) major variation (of the estimated OLS); (2) The width of the confidence interval (due to large variation, the large standard error so wide confidence intervals); (3) The t-test was not significant. An independent variables statistically substance and if it is made of simple regression bias, is not significant due to large variations due to collinearity. If the standard error is too large, it will be great as well the possibility of regression coefficient estimates are not significant; (4) R^2 is high but it is not much significant variable of t-test; (5) In some cases the value of the estimated coefficients obtained will have a value that is not in accordance with the substance so that it can be misleading interpretations.

Autocorrelation Test

Autocorrelation can be defined as the correlation between members of a series of observations, sorted by time. In the context of regression, linear regression models assume that autocorrelation classic as it was not contained in the disturbance or use. By using the emblem μ is simply the classical model assumes that the element of disorder associated with an observation is not affected by the elements disturbance or disorders related to any other observations.

To detect the presence of autocorrelation in the model of this research is conducted through the test Lagrange Multiplier Test (LM Test), by comparing the value X^2 count dengan X^2 tabel, with the following criteria: (1) If the value X^2 count > X^2 tabel, the hypothesis which states that there is no autocorrelation in the empirical model used, was rejected; and (2) if the value X^2 hitung < X^2 tabel, then the hypothesis that there is no autocorrelation in the empirical model used, cannot be rejected.

Heterokedastisitas Test

Heterokedastisitas testis a state where interference factor does not have the same variant. Test on heterokedastisitas symptoms can be done through the White Test, that is by dual regression squared (U_i^2) with independent variables, the independent variable and multiplication squared independent variables. Guidelines for the use of the model White Test is if the value of chi-square count ($n \cdot R^2$) is bigger than the value of the χ^2 critical with confidence level 0.05 (α) then there heterokedastisitas and vice versa if the chi-square count is smaller than the value χ^2 showed no heterokedastisitas.

Normality Test

Normality test is intended to determine whether there is any deviations from the classical assumptions about confounding variables were normally distributed error. Normality test formally OLS can be detected by the methods developed by the Jarque-Bera (JB test). Statistical value A-B is based on chi-square distribution with degrees of freedom (df) particular, for large samples are assumed to be asymptotic. The residual value is normally distributed if JB statistic will be equal to or close to zero.

The hypothesis:

Ho: if statistics $JB \leq$ chi-square value (rejected)

Ha: If the statistics $JB \geq$ chi-square value (acceptable)

RESULTS

Estimates analysis

Table 2 The result of Estimates analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.935125	0.479583	6.120161	0.0000
KP	0.073057	0.029332	2.490657	0.0208
PM	0.095022	0.033494	2.836977	0.0096
VE	0.143475	0.112808	1.271851	0.2167
PP	0.294600	0.084064	3.504455	0.0020
R-squared	0.986898	Mean dependent var		6.128015
Adjusted R-squared	0.984515	S.D. dependent var		0.154259
S.E. of regression	0.019196	Akaike info criterion		-4.902697
Sum squared resid	0.008106	Schwarz criterion		-4.662727
Log likelihood	71.18641	Hannan-Quinn criter.		-4.831342
F-statistic	414.2699	Durbin-Watson stat		1.594954
Prob(F-statistic)	0.000000			

From each of the dependent variable (the dependent variable) and the independent variables (independent variables) that are included in the estimation model in Table 2, the coefficient of determination (R^2) of 0.9869 means the overall variables, namely bank credit (KP), investment (PM), the export volume (VE) and government spending (PP) is able to explain the variation in economic growth (PE) Indonesia amounted to 98.69% during the study period. While the rest of 1.31% is explained by other variables not included in the estimation model.

When viewed together (simultaneously) from each of the independent variables means bank credit, investment, exports, and government spending were able to have a significant influence on the economic growth of Indonesia at 95% level. It can be seen from the F-statistic of $414.2699 > F$ -table (4:22) by 2.82 at $\alpha = 0.05$.

Based on the statistical t-test (partial test), it can be seen that the variable bank credit, investment and government spending have significant effect on economic growth in Indonesia, while exports have no significant effect. Here are the results of the t test of each independent variable.

a. Credit Banking

The estimation results indicate that credit positive effect on economic growth in Indonesia. It means that the increased lending, the economic growth in Indonesia will increase. The regression coefficient of credit of 0.073 means that any lending of 1%, then it leads to economic growth in Indonesia increased by 7.3%, *ceteris paribus*. Views from the regression coefficient is smaller than one, the credit is inelastic to economic growth. Based on the value of the regression coefficient is known that the effect of the credit to the economic growth is low. It is associated with bank lending policies more income that means more priority to loans with guaranteed revenue potential and higher. This policy is an effort to reduce the risk of bad debts. From the test results of the t-statistic values obtained 2.491 greater than t-table ($\alpha 0,10 = 1.7056$). It means clearly visible credit variables significantly influenced economic growth in Indonesia.

b. Investation

The estimation results indicate that investment has positive influence on economic growth in Indonesia. It means that increasing investment in Indonesia, then Indonesia's economic growth will increase. The regression coefficient of credit of 0.095 means that any investment of 1%, then it leads to economic growth in Indonesia increased 9.5%, *ceteris paribus*. Views from the regression coefficient is smaller than one, the investment is inelastic to economic growth. Based on the value of the regression coefficient is known that the effect of the investment on economic growth is low. It is associated with the investment policies of domestic and foreign. From the test results of the t-statistic values obtained 2.8370 greater than t-table ($0.05 \alpha = 2.0555$). It means investment variables significantly influence economic growth in Indonesia.

c. Export volume

The result indicates that the volume of exports has positive influence on economic growth in Indonesia. It means that increasing the volume of exports, the economic growth in Indonesia will increase. The regression coefficient of export volume amounted to 0.143 means that any export volume by 1%, then it leads to economic growth in Indonesia increased by 14.3%, *ceteris paribus*. Views from the regression coefficient is smaller than one, the volume of exports is inelastic to

economic growth. From the test results of the t-statistic values obtained value 1.2718 which is smaller than t-table ($\alpha 0,10= 1.7056$). This means the export variables did not significantly affect Indonesia's economic growth.

d. Government spending

The estimation results indicate that government spending has positive influence on economic growth in Indonesia. It means that increasing government spending, the economic growth in Indonesia will increase. The regression coefficient of 0.2946 government spending means that any increase in government spending by 1%, will lead to economic growth in Indonesia increased 29.46%, ceteris paribus. Views from the regression coefficient is smaller than one, government spending is inelastic to economic growth.

Based on the regression coefficient is known that the effect of government spending on growth, the economy is low. Government spending for the current year, particularly for the construction of only an impact on subsequent years, because of the public benefits of these developments is greater after construction is completed. In the current year, more government spending affect taxes.

From the test results on the value of t-statistic values obtained 3.50445 larger than t-table ($\alpha 0,05= 2.0555$). This means that government spending variabel significant effect on economic growth in Indonesia

Classic Assumption Test

From the data obtained by the author, after being processed in accordance with the tools used analisis estimate the obtained results is given below.

Multicollinearity

To detect whether there is a problem of multicollinearity in the estimation model is done by looking at R2 generated from model estimation.

Decision criteria as follows:

1. If the value $R^2_{yx} < R^2_{xx}$, then the hypothesis that there is a problem multicollinearity in empirical models used can not be denied.
2. If the value $R^2_{yx} > R^2_{xx}$, then the hypothesis that there is a problem multicollinearity in empirical model used is rejected. Results from testing the partial regression coefficients are presented in the following table:

Table 3 The Result of Multicollinearity

Variable			R ²
LogPE	= f(LogKP, LogPM, LogVE, Log PP)	(Model 1)	0,9869
LogKP	= f(LogPM, LogVE, LogPP)	(Model 2)	0,9487
LogPM	= f(LogKP, LogVE, LogPP)	(Model 3)	0,9519
LogVE	= f(LogKP, LogPM, LogPP)	(Model 4)	0,9735
LogPP	= f(LogKP, LogPM, LogVE)	(Model 5)	0,8730

Based on the table above it can be seen that the coefficient of determination (R^2) partial regression model 1 is larger than the value of the coefficient of determination Regression Model Model 2 through 5. Since the partial regression coefficient test is no greater than the value of the regression coefficients Model 1, then it can be concluded that the model was not found multicollinearity problem.

Autocorrelation

To determine whether there is autocorrelation in the model study was conducted to test the Lagrange Multiplier test (LM test). It is the results of the test Lagrange Multiplier test (LM test) as shown in the table.

Table 4 The Result of Autocorrelation

F-statistic	0.467713	Prob. F(2,20)	0.6331
Obs*R-squared	1.206399	Prob. Chi-Square(2)	0.5471

The test results showed that the value LM Obs * R-squared = 1.2064 to 0.5471 probability that means insignificant. Thus the null hypothesis (H_0) stating that there is no autocorrelation is rejected. That is the model that estimates do not contain serial correlation (autocorrelation) between confounders (error term).

Heteroskedastisitas

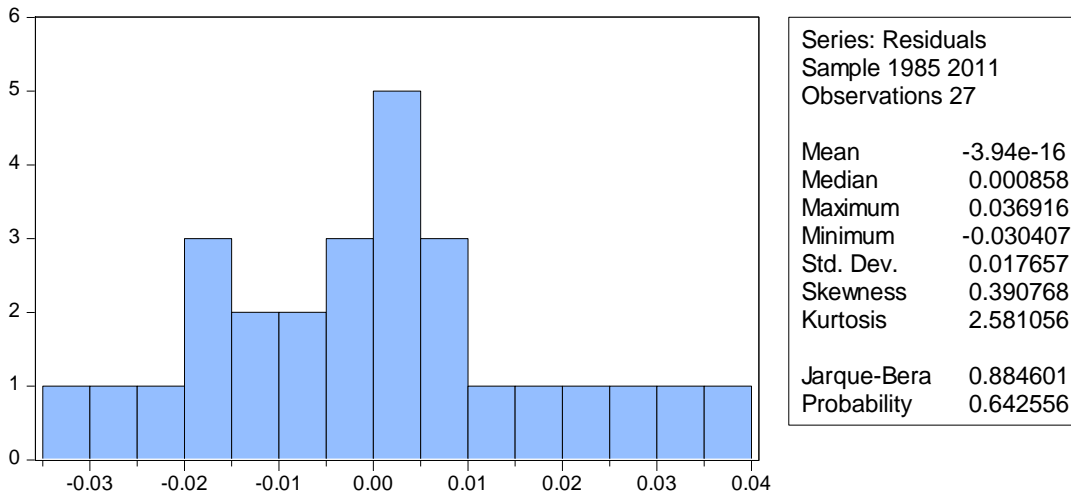
Testing whether there is an element of heteroskedastisitas in the research model, this research used White Test model. The test results with the model White Test to the model research was as follows:

Table 5 The Result of Heteroskedastisitas

F-statistic	3.898330	Prob. F(4,22)	0.0153
Obs*R-squared	11.19932	Prob. Chi-Square(4)	0.0244

Based on test results obtained that the calculated value of chi-square ($n.R^2$) (11.1993) is smaller than the critical χ^2 (33.9244) with a confidence level of 0.05 (α), then, it does not exist in the research model heterokedastisitas and continue as research.

Normality



Picture 5 The Result of Normality in Reasearch Model

Normality test with Ordinary Least Squares (OLS) on all models of the hypothesis that the value of JarqueBera (0.8846) < Chi-square (χ^2); so H_0 rejected, meaning that the residual model this hypothesis has to be normally distributed.

Credit Banking

From the estimation, it is known that the amount of credit positive and significant effect on economic growth in Indonesia. Loan portfolio primary objective is to finance the real sector and also finance the construction. Thus the availability of funds to the real sector will boost the real sector economic activities that will boost economic growth. Likewise, the availability of funds for development will further boost economic activity, which it will boost economic growth. Thus, that the increase in lending by banks is directly related to economic activity, it is lending significant effect on economic growth.

This results support the research of Hakim, Kusmiarso, et.al. (2000) found that a low credit growth in the business world is one of the problems that contributed to the slow growth of national economic recovery. These results also support the research Retnadi (2007), thatsaid the loan portfolio has a large enough portion in promoting economic growth. If it is seen the link between contributions per economic sector to gross domestic product (GDP) with a portion of loans by economic sector, it appears there are no synchronization, because the direction of bank lending less in line with the dominant sectors in the GDP, it is quite reasonable to economic growth we can not achieve a targeted rate.

Based on data from Bank Indonesia (2008), the contribution to the composition of consumer credit loans tend to be getting bigger as compared to other loans. This is in line with the composition of the GDP of Indonesia is still dominated and driven by consumption growth. Consumer credit is not only expansive but the quality tends to improve, demonstrated by collectable relatively low. Growth in consumer credit is good enough and with collectablereatively intact. Conditions were quite convincing was in 2005 where the NPL total bank credit increased significantly (also the impact of the policy PBI 7 / 2/2005 concerning uniformity kolektibiliti), while NPL relatively stable consumer credit far below even the NPL other types of credit. It means that consumer loans are relatively less sensitive to rising inflation and the BI rate in 2005.

According Retnadi (2007) there are three external factors are expected to affect bank lending patterns of banks in the second half of 2006. All variable the condition of the interest rate (BI rate) is still

relatively high, which is still 12.75%, uphoria eradication of corruption in state-owned banks, and the government appeal to banks to finance infrastructure projects, agriculture and energy. Although the last two variables more devoted to state-owned banks, but considering the portion of the state bank lending is still around 40% of all bank loans, then the two variables teresbut apparently cannot be ignored.

Export volume

From the estimation, it is known that the volume of exports is positive but it has no significant effect on economic growth. This is related to the volume of imports, where the volume of exports will also be reduced by the volume of imports. The results support the research of Lihan and Yogi (2003) that the role of the export sector in Indonesia did not significantly affect the GDP growth in Indonesia. This was in line with the opinion of Jung and Marshall (1985), that suggested the majority of developing countries do not show empirical support that growth in exports will boost economic growth. These findings are also in line with the opinions expressed Arief (1993) which states that if the export sector is still dependent on imported inputs, the influence on the GDP is not real. The factor that really influenced in this research is exports minus imports the previous year. The results of research showed that prominent multiplier impact caused by the oil sector exports umi to the gross national product (GNP) during the period under investigation is 1.2876; smaller compared to that caused by the export of non-oil sector of the magnitude of 3.093. The main cause of this is the non-petroleum sector exports have a higher effect on consumption, investment and taxes. Furthermore, similar studies for different time series, to cover the period 1970 - 1996 by Adirineksa (2000), showed that the export of oil and gas during the period of study leave considerable influence for the gross national product when compared with non-oil exports.

According to Hastiadi (2009), the contribution of net exports to GDP has increased in 2006 to 5.40%. However, in 2007 the contribution of net exports fell to just 4.10%. And since 2007 till third quarter of 2008 the contribution of net exports as a pillar of GDP continues to decline. In the third quarter of 2008, the contribution of net exports, contracted or even recorded negative growth of 0.10%. The worsening of net exports is an illustration that there has been a slowdown in the performance that influence the real sector.

Investation

The effect of realization of investment to economic growth during the observation period is positive and significant, but the elasticity of investment in Indonesia has decreased. It can be explained that since the crisis the flow of foreign capital into backfire because it has been a backflow harmful both to the exchange rate and the macro economy, in the form of an increase in interest expense and principal repayments of external debt negara, unemployment and so on. So it can be said that the sensitivity level of investment in its contribution to the economic growth to be lower.

According to Basuki (1997), there are several things that always should be considered to attract investors. First, investors are usually very sensitive to the social, political, legal and bureaucratic system of the area. Therefore, the investment climate concerning non-economic aspects such, should be built as conducive as possible, because the environment was taken into consideration early investors to get into an area. The law enforcement and political stability should be a major concern. The crisis of the real sector with extensive unemployment rate and the problem of poverty is increasing, due to the weakness of investment into the economic system, both domestic and foreign investment. Second, one of the determinants of investment attractiveness the main one is the government and its policies. Because investors are always monitoring the role of a government in the economic system, as well as the behavior and actions of investors. If the government and its policies are not friendly to investment, it is very difficult to get into the flow of investment in the economy. Therefore, the government must still respond positively to the business world. Third, service agencies and service systems are very influential on investment. Not only that, the agency that is responsible and authorized to direct the investment, it needs to carry out a proactive program promoting excellence in the region so as to increase the investment attractiveness. Barriers often happens is the quality of investment services is still so low. Investors are kings like a government sensitive and cautious on the development of the economic situation. Fourth, the government should play an active role to the maximum in the era of regional autonomy. The local government should compete well to compete foreign and domestic investment.

Government spending

From the estimation, it is known that government spending has significant positive effect on economic growth. Government expenditure intended for the implementation of public services provided by pemerintah and development can take place as planned. Government expenditures for development intended that the economy can grow by increasing infrastructure development undertaken by the

government. The construction of facilities and infrastructure by the government can directly affect the economy of a region and give a multiplier effect.

This research supports the research of Putri (2005), that government spending, government investment and private investment has a positive and significant effect, either partially or simultaneously to economic growth in Indonesia. Government spending is a variable that has the greatest influence among other variables to economic growth regions in Indonesia during the study period.

According to Suprpto and Ahniar (2008), that government spending be a major driver of economic growth in the third quarter of this year compared to the same quarter last year. In addition to government spending, the source of growth was also underpinned by export growth of 14.3%, 12% investment and household consumption.

According to Wijaya (2000) that government spending has a multiplier effect and stimulates the increase in national income that is greater than the payment of the same amount. Government spending will increase revenue as well as multiple production throughout the economy has not yet reached the level of full employment because it raises aggregate demand based on the assumption that government spending is not on projects that prevent or replace private sector investment. Because the actual implementation of the development by the government aims to build infrastructure and facilities that are useful and make it easier for investors to invest.

Therefore, development investments made by the government in contrast to the investments by the private sector. Development undertaken by the government does not directly affect the improvement of the community's economy through income and employment, but it provides facilities and infrastructure for the smooth investment by the private sector. Private sector investment is the direct impact on the community's economy as it will provide employment and income to the community long enough.

CONCLUSION

Based on the results of research and discussion that has been described in the previous chapter then be concluded as follows:

1. Bank lending significant and positive impact on economic growth in Indonesia, so if lending by banks has increased, the growth of the Indonesian economy will increase.
2. Investments significant and positive impact on economic growth in Indonesia, so if the investment (capital investment of domestic and foreign) increased, the growth of the Indonesian economy will increase.
3. The value of exports is positive but has no significant effect on the growth of the Indonesian economy.
4. Government spending is positive and significant impact on economic growth in Indonesia. It means that Indonesia's economic growth will increase with increased government spending.

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CONTRIBUTION OF AGRICULTURE SECTOR TOWARD GDP AND ELASTICITY OF LABOR ABSORPTION IN EAST TANJUNG JABUNG

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Abstract. An economy can be said grow when its economic activity levels are higher than what was achieved in previous times. This research event will by the phenomenon of economic potential is still a lot that has not been identified and utilized optimally to support an increase in GDP in the Tanjung Jabung Timur Resident. The purpose of this research was to know and analyze the economic sectors which have the potential to be developed and specialized. The data used in this research is data period secondary 2002-2012 year because of BPS Tanjung Jabung Timur and Bappeda Tanjung Jabung Timur Jambi. Model analysis used ratio is a model of growth, contribution and elasticity. The results of this research show that the potential of the agricultural sector is still the dominant sector of the base in Jambi province because this sector contributes to the formation of GDP Tanjung Jabung Timur Resident; as for the other sectors varied growth enhancement special mining sector and processing industry.

INTRODUCTION

The process of economic development does not happen by itself, but requires a variety of consistent effort of various parties to provide the greatest possible prosperity for mankind. The main objective of economic development according to Jhingan (2002: 420) is to build capital equipment in sufficient scale to increase productivity in agriculture, mining, and industrial estates. Capital was also required to set up schools, hospitals, highways, railways, and so forth. In short, the essence of economic development is the creation of economic and social overhead capital.

Regional economic development is a process in which local governments and communities manage existing resources and form a pattern of a partnership between local government and the private sector to create a new jobs and stimulate the development of economic activities in the region (Arsyad, 2009: 108). Enforcement of Law Number 32 Year 2004 on Regional Government and Law No. 33 of 2004 on Financial Balance between the Central Government and Local Government requires local governments to implement decentralization and spur economic growth in order to improve the welfare of the community in which the goal of regional autonomy is to improve public services and improve the economy of the area. Second Act has a very important significance for the region, due to the delegation of authority and funding which has been the responsibility of the Central Government.

Development that is done in Indonesia aims to create a society that is just, prosperous, physical and spiritual prosperity evenly throughout the territory of the Republic of Indonesia. Economic development of a region is basically a series of activities carried out consciously and continuously to achieve a better state together and continuously. Within that framework, economic development is also intended to spur equitable development and results in order to improve the welfare of the people in a fair and equitable.

Regional economic development is defined as an activity in which local governments and communities manage existing resources in order to achieve development goals. The management tailored to the needs of the region concerned so there is no inefficiency in resource use. Regional economic development is also done by avoiding the exploitation of natural resources not give prosperity to the community while minimizing the negative effects of development to a minimum.

Regional economic development has two key objectives to improve and expand employment opportunities for people in the area. To achieve this goal, local governments and communities should jointly take the initiative exploit all this potential optimally in regional economic development for the welfare of the community.

Labor factor is an integral part in a process of development. Labor factor is not only seen as a part in the creation of unit output, but also how the quality of the labor force interacts with other factors of production to create an added value (productivity). The more productive labor force impact on increasing the added value generated. In addition to the money market and goods market, labor market also determines the workings of an economic system in development.

Economic sectors will change during the development process progresses. Similarly, the percentage of people working in various sectors of the economy will also undergo changes. Regional development will have an impact on improving the economic sectors. And it can not be separated from human resource development and employment. Employment is an important issue in regional development. Labor could be used as a measure of the success of development of a region, meaning that

employment support overall success of regional development. So that the conditions of employment may also describe economic conditions, social, social welfare in an area within a certain time.

In an effort to encourage increased participation and creativity of the community in local development, the central government issued a policy of regional autonomy through Law No. 22 Year 1999 on Regional Government and Law No. 25 of 1999 on Financial Balance between Central and Regional Government. Regional autonomy is an autonomous regional authority to regulate and manage the interests of the local community at its own initiative based on the aspirations of the people in accordance with the legislation. Law number 22 of 1999 on Regional Government, set the regional administration that prefers decentralization.

Implementation of regional autonomy requires local governments to be more creative in exploring and developing the economic potential for improving the local economy. Their economic potential in a region does not have meaning for the economic development of the region if no efforts to exploit and develop optimally. Greater authority given to local autonomy era now requires local governments and communities should jointly take the initiative of regional development and the use of existing resources is able to assess the potential of the existing resources to be used in preparing the economic development model that best fits the area the.

Based on the economic sector contribution to the GDP formation, the economic structure of East Tanjung Jabung during the 2009-2012 period showed primary structure characteristic or structural characteristics of natural resource-based economy. Over the past few years the economic structure of East Tanjung Jabung shows that the contribution of the agricultural sector and the mining sector is still dominant in the formation of the GDP.

This condition is quite reasonable because it is known as the East Tanjung Jabung district that have natural resources such as petroleum, natural gas, coal, and agricultural products (rubber, oil palm, and coffee). Contribution of the agricultural sector and the mining and quarrying sector is the most dominant for the economy of East Tanjung Jabung is expected to be the dominant sector that can spur economic growth so as to increase the income of the population and create jobs, which in turn can absorb labor in the two sectors. However, within the last few years, both sectors are always experience a decrease in the percentage of the working population.

Based on the descriptions above, the identification and analysis of economic sectors featured are able to absorb labor in development planning in East Tanjung Jabung is very important to be studied in more detail, so that the economic sectors featured in East Tanjung Jabung can be further developed. By knowing the economic potential to be developed, the development planning in East Tanjung Jabung can be expected to be more focused thus stimulating the creation of sustainable development.

The economic growth that is not accompanied by growth in employment opportunities can be a serious problem in the process of economic development of a region. The rapid development of the workforce population generates large amounts and is growing fast. This led to a number of labor force in the economy has not fully absorbed. With the existence of this problem is expected to look for solutions and advice to the local authorities in determining the sectors that the development priorities in favor of employment while the goal is to determine the contribution and elasticity of the agricultural sector to the GDP in Tanjung Jabung Timur.

RESEARCH METHODS

This research was conducted in East Tanjung Jabung area. The data used is secondary data obtained from related parties such as Bappeda and the Central Statistics Agency (BPS) Tanjung Jabung Timur. The Central Statistics Agency (BPS), among others Tanjung Jabung Timur In figures, Gross Domestic Product (GDP) of East Tanjung Jabung, Jambi province in Figures, Gross Regional Domestic Product (GRDP) of Jambi Province. The data is also used, among others, the data Gross Regional Domestic Product (GDP), both at current prices and at constant prices in 2000 and employment data (number of persons employed), as well as other data relevant to the study. The data used are time series data from 2002 to 2012.

To support the completeness of the materials and resources, the author utilizes the existing literature on several related libraries. Journals as well as several manuals are used to increase knowledge about the issues that are being studied. The analysis of the data used by the author is as follows;

Analysis of Elasticity of Labor

In analyzing the absorption of labor in each sector, then the relationship between employment growth with the growth of Gross Domestic Product, known as Elasticity of Labor that can be formulated as follows (Simanjuntak, 2008):

$$E = G_n / G_y$$

Where:

E = Elasticity of Labor (Employment Income Growth Elasticity)

Gn = Growth of Labor
 Gy = Investment Growth

Analysis of Coefficient of Labor

From employment data and value added, an analysis of labor absorption can be conducted in each sector by calculating the coefficient of labor. Labor coefficient is a number that indicates the magnitude of the amount of labor required to produce one unit of added value that can be formulated as follows:

$$li = Li / Xi$$

Where:

li = coefficient of Labor Sector i

Li = Total Labor Sector i

Xi = Value Added Sector i

RESULTS AND DISCUSSION

Analysis of GRDP

One indicator to assess the success of the development of a region is of high economic growth. Economic growth is expected to improve the ability of production factors that stimulate the development of regional economy in a larger scale. In keeping with the government policy after applying the autonomy of the district / city since 2002, the expected development in the region to further encourage equitable development, and also accelerate the economic recovery. Stable economic growth will have an impact on increasing incomes of the population that ultimately aims to improve the welfare of society.

The value of GDP is the total value of final goods and services produced by the various production units by subtracting the cost of each sector's gross production of each activity, subsector or sector within a specified period (usually one year). GRDP is the basis for the measurement of the added value arising from the various economic activities in a region that describes the ability of the region to manage the natural resources they have. Because of the price change from year to year, causing the GDP based on current prices also fluctuate annually. Therefore, the GDP based on current prices do not reflect any of the changes in purchasing power. So in this paper, the GDP used is the GDP at constant because with the GDP based on constant price, we can compare and see how the people's purchasing power, social welfare and economic growth. In addition, the GDP at constant output can also be used in a different year.

GDP of East Tanjung Jabung is most supported by the oil and gas sector. Oil and gas sector in the county is growing because the district has huge oil and gas potential. Petrochina's presence as an upstream oil and gas industry operating in the district is a major influence on the GDP of this district and also have a big impact on economic growth in East Tanjung Jabung district.

Table 3.1 GDP East Tanjung Jabung years 2002-2012

YEAR	GDP (in million Rupiah)	Growth (%)	GDP in agriculture Sector (million Rupiah)	Growth (%)
2002	2,264,446,38	-	511,654.94	-
2003	2,605,914,26	15.08	593,368.84	15.97
2004	2,991,433,55	14.79	625,329.45	5.386
2005	3,606,035,87	20.55	797,473.19	27.53
2006	4,104,722,52	13.83	799.254.83	0.223
2007	4,737,679,03	15.42	839.936,96	5.09
2008	6,410,461,58	35.31	1.065.451,31	26.85
2009	7,713,175,45	20.32	1.258.855,20	18.15
2010	9,020,955,48	16.96	1.563.147,49	24.17
2011	10,392,480,19	15.2	1.787.546,99	14.36
2012	11.658.598,30	12.18	1.985.463,55	11.07

Source: BPS East Tanjung Jabung, 2013

In the table above, the GDP growth is increasing in which at the beginning of the period in 2002 the GDP position East Tanjung Jabung amounted to 2,264,446,38 billion rupiah, then the next year ie 2003 unchanged at 15.08% or an increase of 2,605,914 , 26 billion rupiah. In 2004 the number of GRDP East Tanjung Jabung increased to 2,991,433,55 billion rupiah or experience a change of 14.79% when compared to the previous year 2005, the number of East Tanjung Jabung the GDP increased by 3,606,035,87 billion rupiah or amended by 20:55%. and in 2008 the GDP increased by 6,410,461,58 Jambi billion or 35.31% increase in the GDP Jambi continued to experience growth of 11.658.598.30 billion or 12:18% in 2012.

The development of the value of GDP in the agricultural sector in East Tanjung Jabung in the same period value is always increased, but its development trend fluctuate downward trend. The development of the highest occurred in 2005 amounted to 27.53%, while the smallest growth in 2006 amounted to 0.223%. But in general, the GDP increase in East Tanjung Jabung is influenced by the dominant sectors, namely mining, agriculture, manufacturing, and transport and communication contribute greatly to the growth of the GDP.

Development of Manpower Absorption In Agricultural Sector

The number of workers absorbed is the total effect of a change in employment in the economy as a result of changes in final demand on sutau sector. Changes in final demand in a sector will cause a change in output which in turn will lead to changes in labor demand. To be able to see the effect of changes in final demand to changes in employment in some sectors, the necessary number of workers in each sector beginning in generating output. The number of workers is a number that is already used for the production process at the relevant time. Moreover, the assumption used here is that a worker only works in one sector only and there is no possibility of working in two or more sectors at once. So that the determination of a labor employment sector by defining the main job. The main job is jobs that are allocated time most of the time working person. The following data on the development of the number of workers absorbed in Agriculture sector in East Tanjung Jabung period 2002-2012.

Table 3.2 Labor Absorption In Agricultural Sector in East Tanjung Jabung During 2002-2012

Year	Labor population (> 15 years)	Participant's rate of labor (%)	Absorption rate of labor (people)	Growth of Absorption rate of labor (%)
2002	139194	31.034	43197	-
2003	133018	30.933	41146	-4.748
2004	144092	30.013	43247	5.106
2005	147823	29.963	44292	2.416
2006	156383	31.007	48489	9.476
2007	157212	31.69	49821	2.747
2008	165332	29.879	49400	-0.845
2009	175634	29.394	51626	4.506
2010	189436	28.928	54800	6.148
2011	182355	29.377	53571	-2.243
2012	193424	27.258	52724	-1.581
Average	162173	29.952	48392	2.098

Source: Central Bureau of Statistics East Tanjung Jabung, 2013

Employment in East Tanjung Jabung from 2002 until 2012, had been developed. Absorption rate of this work is in accordance with the availability of agricultural land in Tanjung Jabung Timur. Most people Tanjung Jabung Timur has subsistence farmers from food crops to plantations. Food agriculture usually cultivated society itself atai rental system and for the results. For the plantation sector, there are several palm oil companies operating in the district.

Most residents in the district who work in the plantation work as laborers or daily wage workers. In addition, there are people who have their own oil palm plantations. Employment actually have the potential to affect the social issue, because people still think companies in this county only employs people as labor wages, bahkan sometimes they bring wage labor from outside the area. There are some villagers who work in companies but only to the extent of security personnel. Companies are also less open when it is open recruitment.

From the above data, the development of employment in the agricultural sector has increased in terms of the number of people working in the sector but if viewed from a percentage of its development shows the condition fluctuated during the study period 2002-2012, the value of the highest employment occurred in 2006 amounted to 9.476 %, and most low of -4.748% in 2003. in East Tanjung Jabung global economic crisis that is happening in the world do not affect the value of employment in the sector is characterized by the value of labor in the agricultural sector amounted to 6.148% indicate the numbers positive.

Discussion

Contribution of the Agricultural Sector toward GDP of East Tanjung Jabung

Based on the calculation above can be seen the level of contributions made by a known percentage.

Table 3.3 Contribution of the Agricultural Sector East Tanjung Jabung Year 2002-2012

Year	GDP of Agriculture Sector (million Rupiah)	GDP (Million Rupiah)	Contribution (%)
2002	511,654.94	2,264,446,38	22.595
2003	593,368.84	2,605,914,26	22.77
2004	625,329.45	2,991,433,55	20.904
2005	797,473.19	3,606,035.87	22.115
2006	799.254.83	4,104,722,52	19.472
2007	839.936,96	4,737,679,03	17.729
2008	1.065.451,31	6,410,461,58	16.621
2009	1.258.855,20	7,713,175,45	16.321
2010	1.563.147,49	9,020,955,48	17.328
2011	1.787.546,99	10,392,480,19	17.2
2012	1.985.463,55	11.658.598.30	17.03
Average	5,955,082.056	1,131,582.781	18.749

Source: BPS East Tanjung Jabung, 2013 (data processing)

Based on the results in the table above shows indeed the contribution of employment in the agricultural sector is quite large when compared to the employment overall, Contributions of the largest occurred in 2002 in the amount of 22.77% and the smallest contribution occurred in the year 2009 in the amount of 16.321%. On the average contribution during the study period that is equal to 18.749% of the total employment in Tanjung Jabung Timur.

Elasticity of Labor Absorption In Agricultural Sector

In analyzing the absorption of labor in each sector, then the relationship between employment growth with the growth of investment in the agricultural sector which is known as the Elasticity of Labor.

Table 3.4 Elasticity of Labor Absorption Toward Agricultural Sector Investment In Agriculture Sector East Tanjung Jabung during 2002-2012

Year	Investment (Million Rupiah)	Growth (%)	Labor absorption (people)	Growth (%)	Labor Elasticity	Criterion
2002	511,654.94	-	43197	-	0.084	Elastic
2003	593,368.84	15.97	41146	-4.748	0.069	Elastic
2004	625,329.45	5.386	43247	5.106	0.069	Elastic
2005	797,473.19	27.53	44292	2.416	0.056	Elastic
2006	799.254.83	0.223	48489	9.476	0.061	Elastic
2007	839.936,96	5.09	49821	2.747	0.059	Elastic
2008	1.065.451,31	26.85	49400	-0.845	0.046	Elastic
2009	1.258.855,20	18.15	51626	4.506	0.041	Elastic
2010	1.563.147,49	24.17	54800	6.148	0.035	Elastic
2011	1.787.546,99	14.36	53571	-2.243	0.03	Elastic
2012	1.985.463,55	11.07	52724	-1.581	0.027	Elastic

Source: Central Bureau of Statistics (data processing), 2013

Elasticity of agriculture sector during the period 2002-2012 shows all criteria elastic means activity in the sector is able to lead to employment in the agriculture sector and the agricultural sector investment or gross regional domestic product (GRDP) agricultural sector Tanjung Jabung Timur. Although the numbers are not too great elasticity.

Results of the coefficient of absorption of labor In Agricultural Sector

From the analysis using simple linear regression method, it can be a form of equation model. By using the computer program SPSS 19.0 was obtained estimated as follows:

Table 3.5. Results of regression equation Agriculture

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-13.893	3.003		-4.627	.001
Absorption of labor	4.246	.641	.911	6.621	.000

a. Dependent Variable: Agricultural Sector Investment

From the estimation is known that the absorption coefficient of labor in agriculture (X) has positive influence on the agricultural sector investment. It is seen from the positive coefficient means higher absorption of labor in the Agricultural sector, the agricultural sector investment will increase. Regression coefficient value of 4.246 means that any increase in the absorption of labor in the sector of Agriculture by 1%, the agricultural sector investment will increase by 4.246 percent.

And if it is seen from the calculation of t-statistics obtained for the variable absorption of labor in agriculture (X), obtained t value $t = 6.621$ with a significance of 0.000. By using a significance and $\alpha = 0.05$, t table with $df = n-k-1 = 11-1-1 = 9$ obtained t table of 2.262. Then the $t (6.621 > 2.262)$ is greater than t table. This shows there is a positive influence between the absorption of labor in the agriculture sector to the agricultural sector investment. Thus, H_0 is rejected and H_a accepted, so the hypothesis that there is a positive and significant influence between the absorption of labor in agriculture (X) to the agricultural sector investment (Y) is received.

CONCLUSION

1. Elasticity of agriculture sector during the period 2002 to 2012 shows all criteria elastic means activity in the sector is able to lead to employment in the agriculture sector and the agricultural sector investment or gross regional domestic product (GRDP) agricultural sector Tanjung Jabung Timur. Although the numbers are not too great elasticity.
2. From the discussion we concluded as follows:
 - a. The contribution of employment in the agricultural sector is quite large when compared to overall employment, on average contributions during the study period that is equal to 18.749% of the total employment in Tanjung Jabung Timur.
 - b. From the estimation is known that the absorption coefficient of labor in agriculture (X) has positive influence on the agricultural sector investment. It is seen from the positive coefficient means higher absorption of labor in the Agricultural sector, the agricultural sector investment will increase. Regression coefficient value of 4.246 means that any increase in the absorption of labor in the sector of Agriculture by 1%, the agricultural sector investment will increase by 4.246 percent.
 - c. On the results of test calculations t-statistic t values obtained arithmetic $t = 6.621$ with a significance of 0.000. By using a significance and $\alpha = 0.05$, then the $t (6.621 > 2.262)$ is greater than t table. This shows there is a positive influence between the absorption of labor in the agriculture sector to the agricultural sector investment.

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DETERMINANT OF ECONOMIC GROWTH IN JAMBI (DEMAND APPROACH)

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Abstract. Economic growth is an important process that must be overcome in the context of economic development. In the process there are many problems that affect both the demand and supply side. But in this study researchers look at the determinants of economic growth in the province of Jambi on the demand side. This study aims to analyze the influence of aggregate domestic demand (domestic, foreign investment and government spending) and analyze the effect of international economic activity (exports and imports) to economic growth of the province of Jambi. This study uses qualitative and quantitative descriptive method by using multiple linear regression analysis while the data used in this research is secondary data in the form of time series. The results showed that during the period of partial research and domestic aggregate variables simultaneously (FDI, domestic investment and G) significantly affect the economic growth of the province of Jambi. As for international economic activity (exports and imports) partially has no significant effect on economic growth in Jambi.

Keywords: Foreign investment, domestic investment, G, Export, Import.

INTRODUCTION

Each region of the world always wants a steady economic growth because in fact the economic growth is one of indicators that is used to assess the success of development that took place in an area where the construction is basically a series of activities to exploit all potential as basic assets that are used effectively and efficiently through the planning in order to improve the welfare of society. Success or failure of development of a country can be seen from the increase/decrease of its variables that influence economic growth.

The question that arises is how important is economic growth of a country? The first answer is, in terms of macro, economic growth will close the gap in the balance of the macro-economic balance. *Second*, poverty reduction has positive relationship with economic growth

In addition of growth, the process of economic development will also bring a change in the economic structure that mainly occurs by the increase in people's income that makes some changes in public's passion which are reflected in the changes of consumption patterns. In the supply side factor, the main driving factor is the change in technology (technology progress), improvement of human resources (HR), and the discovery of a new material for production. Factors on this supply side (production) are also an important source for growth.

So it is necessary to determine the factors that become a major base in the increase of economic growth in Jambi Province especially factors that in the short term have a positive effect on the economy of Jambi. It also requires proper and systematic plan which is accompanied by appropriate policies in order to achieve a prosperous society.

Based on the background of the problems above, the purpose of this study are: (1) To analyze the effect of aggregate demand Domestic (foreign investment, domestic investment and mixed) on the growth of economy of Jambi, (2) To analyze the effect of the international economic activity (Export and Import) for economic growth of Jambi.

RESEARCH METHODS

Sources and Data Analysis Tools

The data used in this research is secondary time series (time series) of the Central Statistics Agency (BPS), Disperindagkop, and Bappeda Jambi. Analysis of the data in this study is a descriptive quantitative and qualitative, by using multiple linear regression models, with the following model:

$$PE = f(X_1, X_2, X_3, X_4, X_5)$$

Where :

PE = economic growth

X1 = Foreign investment in Jambi

X2 = Domestic investment in Jambi

X3 = Government Spending

By introducing a log linear model, the model of the estimate is as follows:

$$\text{Log}Y = \beta_0 + \beta_1 + \beta_2 \log X_1 X_2 + X_3 + \beta_3 \log \mu t$$

$$\text{LogY} = \beta_0 + \beta_1 \log X_1 + \beta_2 \log X_2 + \beta_3 \log X_3 + \beta_4 \log X_4 + \beta_5 \log X_5 + \mu_t$$

Where :

Y = Gross Domestic Product

log X1 = foreign investment in Jambi

log X2 = domestic investment in Jambi

log X3 = Government Spending

μ_t = disturbance errors

$\beta_0, \beta_1, \dots, \beta_n$ = regression coefficient.

For the regression results, author conducts statistical tests include: the F test, t test and R^2 test. The coefficient of determination (R^2) was used to determine the contribution of independent variables on the dependent variable (economic growth). The greater the value of the coefficient of determination means the better estimation.

Statistical test (t-test statistics and test f-statistic) is used to determine the effect of independent variables on the dependent variable (economic growth) with the following criteria: if the t-count larger than t-table then the estimate is correct or represent as well as by using the f-test.

RESEARCH RESULT

Determinants of Economic Growth in Jambi

In the analysis, we emphasize the factors that affect economy of Jambi on the demand side with a variable that consists of exports, imports, domestic investment, foreign investment, and G (Government spending).

Effect of domestic aggregate demand (Domestic, Foreign and G area) on growth Economic Jambi Province.

From the data processing of the obtained results as follows:

$$LY = 4,933 + 0,418 LPMDN + 0,226 LPMA + 0,230 LG$$

$$t_{hitung} \quad (3,759) \quad (4,113) \quad (3,789)$$

$$R^2 = 0,978 \quad F = 179,561$$

From the result of simple regression estimation above, it can be explained as follows:

1. Statistics Test

- a. Based on the results, the F test (simultaneous) is conducted by comparing the F arithmetic with F table at significance level (α) of 0.05, value of F count $179.561 > F$ table 3:36, the null hypothesis (H_0) is not accepted, it means simultaneously that variable Domestic Investment, Foreign Investment and government spending (G) positively effect (significant) towards the economic growth of Jambi Province.
- b. Based on the result of test partially, by comparing the value of t arithmetic with t table at a significance level (α) of 0.05.
 - Testing the hypothesis of Domestic Investment variable
From the calculation, the value t arithmetic amounted to 3.759 while t table at a significance level (α) of 0.05 with a degree of freedom (df) = 16 - 4 - 1 = 11 is equal to 1.796. Because the value of t count $3,759 > t$ table 1.796, the null hypothesis (H_0) is rejected and alternatives hypothesis (H_a) is accepted. This means that the Domestic Investment statistically has significant effect on economic growth in the province of Jambi.
 - Testing the hypothesis of Foreign Investment variable
From the calculation results obtained by value t arithmetic amounted to 4.113 while t table at a significance level (α) of 0.05 with a degree of freedom (df) = 16 - 4 - 1 = 11 is equal to 1.796. Because the value of t count $4,113 > t$ table 1.796, the null hypothesis (H_0) is rejected and alternatives hypothesis (H_a) is accepted. This means the Foreign Investment statistically has significant effect on economic growth in the province of Jambi.
 - Hypothesis test on government spending variable (G)
From the calculation results obtained by value t arithmetic amounted to 3.789 while t table at a significance level (α) of 0.05 with a degree of freedom (df) = 16 - 4 - 1 = 11 is equal to 1.796. Because the value of t count $3,789 > t$ table 1.796, the null hypothesis (H_0) is rejected and alternatives hypothesis (H_a) is accepted. This means that the government spending statistically has affected economic growth in the province of Jambi.

2. Economic Analysis

a. The regression coefficient of Domestic Investment variable

Regression coefficient value of the domestic investment variable is equal to 0.418. This figure shows that between domestic investment and economic growth showed a positive or unidirectional. This means that if the domestic investment in the Jambi province increase by 1 percent, the economic growth will increase by 0.418 percent. Vice versa, if the domestic investment fell by 1 per cent economic growth Jambi province will decrease by 0.418 percent. Steadiness between domestic investment that is embedded with the needs of existing and potential causes such investment has benefit. With the support of the availability of information regarding the potential of a region to local investors will make local/domestic investors are easy to participate in investing. Furthermore, the availability of capital owned by domestic investors becomes the main reason for the development of Domestic Investment. From this view, Domestic Investment is said to be significant to the economic growth.

b. The regression coefficient variable Foreign Investment

Regression coefficient value of the foreign investment variable amounted to 0.226. This figure shows that domestic investment and economic growth showed a positive or unidirectional. This means that if the foreign investment in Jambi increase for 1 percent then economic growth would increase by 0.226 percent. Vice versa, if the foreign investment fell by 1 percent economic growth in Jambi will decrease by 0.226 percent. Foreign Investment has a significant influence and economic growth Jambi because most of the foreign investment move on the sector that has not been managed and labor-intensive sectors such as mining. Foreign investment has also touch the plantation sector in the province of Jambi such as palm oil and rubber where all of them takes a lot of labor so that it is able to increase the income of the local communities and will ultimately stimulate economic growth.

c. The regression coefficient in government spending variable (G)

From the calculation of regression coefficients of government spending that is equal to 0.230. Variable regression coefficient government spending also shows a positive relationship between government spending or the direction with an economic growth rate of Jambi province in the period of the last sixteen years. This means that if government spending increases by 1 percent, the rate of economic growth in Jambi Province will increase by 0.230 percent. Likewise, if government spending fell by 1 percent economic growth in the province of Jambi will decrease by 0.230 percent. This is because of increasing government spending is directed to existed developing activities. The government spending are aimed at the general administration expenditure, operational and maintenance expenditure, capital expenditure (investment) and unpredictable expenditure. Moreover the spending is spent on salaries. There are also government spending aimed at increasing the mobility and productivity of government personnel. Through various forms of government spending this that economic growth can be realized quickly.

Effect of International Economic Activity (Export and Import) toward Economic Growth of Jambi

From the analysis of the data, it is obtained the following results:

$$\begin{array}{l} LY \\ t_{hitung} \end{array} = 8,565 + 0,021 LX + 0,208 LM \qquad \begin{array}{l} R^2 = 0,318 \\ F = 3.04 \end{array}$$

(0,048) (1,254)

From the result of simple regression estimation above, it can be explained as follows:

1. Test Statistics

a. Based on the result of F test (simultaneous) This is done by comparing the F arithmetic with F table at significance level (α) of 0.05, calculated F value of 3.04, while the value of F table is equal to 3.49. Because the calculated F value of 3.04 < F Table 3.49, the null hypothesis (H_0) is received and the alternative hypothesis (H_a) is not accepted. This means that the value of exports and imports did not affect the statistics on economic growth.

b. Based on the test results partially, by comparing the value of t arithmetic with t table at a significance level (α) of 0.05.

From the calculation results obtained by value t arithmetic amounted to 1.990 while t table at a significance level (α) of 0.05 with a degree of freedom (df) = $n - k - 1 = 16 - 3 - 1 = 12$ is equal to 1.782. Because the value of 0,049 $t < t$ table 1.782, the null hypothesis (H_0) is accepted and alternatives hypothesis (H_a) is rejected. This proves the value of exports was not statistically have an influence on the economic growth of the province of Jambi.

From the calculation results obtained by value t arithmetic amounted to 1.254 while t table at a significance level (α) of 0.05 with a degree of freedom (df) = $n - k - 1 = 16 - 3 - 1 = 12$ is equal to 1.782. Because the t value 1.254 < t table 1.782, the null hypothesis (H_0) is accepted and alternatives

hypothesis (Ha) is not accepted. This proves the value of imports was not statistically affect the economic growth of the province of Jambi.

2. *Economic Analysis*

a. The regression coefficient variable of export

From the calculation of the variable export regression coefficient that is equal to 0.021. Export variable regression coefficients also showed a positive relationship or the direction of exports to the economic growth rate of Jambi province in the period of the last sixteen years. This means that if the value of exports increased by 1 percent, the rate of economic growth in Jambi Province will increase by 0,021 percent. Vice versa, if the value of exports fell by 1 percent economic growth in the province of Jambi will decrease by 0,021 percent. This relationship is characterized by an increase in some production sectors of activity in the province of Jambi. With the increasing value of exports through increasing comparative advantage and competitive advantage, the value of net exports will increase as a result of the growth sectors of the existing production and it also will boost the high rate of economic growth. Trade between the two regions occur due to differences in production costs on different goods. The potential for the sake of potential continue to be extracted and processed in order to achieve high export value, for Jambi some sectors that are considered to bring high export value is the mining, plantation and agriculture. By knowing these advantages should serve as a trigger to higher export value of Jambi province, generating high economic growth as well. Yet reflected statistically insignificant relationship and this is because exports have not be excellent in the increasing rate of economic growth in the province of Jambi. Because there is improvement in economic activity in the province of Jambi yet so powerful that some of the goods produced can not be exported into another area.

b. Regression coefficient variable of import (M)

From the calculation of the variable import regression coefficient that is equal to 0.208. This import variable regression coefficient indicates a positive relationship or the direction between imports with an economic growth rate of Jambi province in the period of the last sixteen years. This means that if the value of imports increased by 1 percent, the rate of economic growth in Jambi Province will increase by 0.208 percent. Vice versa, if the value of imports fell by 1 percent economic growth in the province of Jambi will decrease by 0.208 percent. Since most of the items produced by the Province of Jambi not independent of imported goods which are used as a supplement in the production process. But statistically insignificant indicated due if an economy in a region triggered economic growth of the import sector then it indicates that the micro economy has not grown in the region or in other words it can be said not develop. In addition, if a territory is still a lot of trade activity turns through import activity it will generate a negative impact on the local industry. Such as clothing, for the province of Jambi still import from West Sumatra province, especially Bukit Tinggi. Furthermore many food products imported from China that went into the province of Jambi become increasingly high ketergantungan against imported products. By considering the high consumption patterns Jambi products imported into the new prima donna among the community because it is cheap and satisfactory quality. This is not very good on the business world because it can impact the development of an industry that does not exist in Jambi Province and will affect the output generated and ultimately resulted in sluggish economic growth.

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

From the analysis that has been done, it can be concluded as follows:

1. Simultaneously and Partially, variable of foreign investment, domestic investment and Government Spending has positive effect (significant) to economic growth in the province of Jambi (during the study period from 1993 to 2013).
2. During the period 1993-2013 the international economic activity export and import partial and simultaneous has no significant effect on the economic growth of the province of Jambi.

Suggestion

From the results of the above conclusions, suggested:

1. In an effort to boost economic growth in the province of Jambi government needs to increase spending, especially spending on development to encourage faster economic activity, in addition to the government's need to improve the licensing system, ease, openness and promotion in order to attract investors in the country and abroad.
2. The thing to do is to improve the competitiveness of export commodities and the quantity of exports through a variety of programs that are relevant and pressing import expenditure to a minimum. If this is done in the long-term economic activity will be able to have a positive impact on economic growth in Jambi Province.

EFFECTIVE EMPOWERMENT OF PEASANT FOOD

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Abstract. Mentoring Farmers needed to enhance the productivity of farmers and farmers' welfare. Therefore efektifitas agricultural development if the companion is able to enhance both these aspects. The ability of the agricultural extension officers and Principals of other agricultural development programme in carrying out the activities of the agricultural development in particular mentoring program "Self-sufficiency of rice, corn and Soybeans" to the community of farmers (farmers, farmergroup as well as a combined group of farmers) to make it more effective. As the 'Spearhead' in the implementation of agricultural development program, then the ability and skills extension officers in 'memfasilitasi' pembelajaran (the process of empowerment) Community farmers into 'keys to success' in the implementation of the program. Unfounded thoughts and reflections from the implementation of other programs that are using the same approach, then needed a serious and systematic effort to increase the capacity of extension officers as the main perpetrator of the mentoring community farm. In addition to the prerequisite skills and skills for an extension officers, there are still other prerequisites that is able to integrate with the community, have the knowledge, facilities, has the credibility and the intensity of the illumination capable. Another prerequisite of not less importance in the effective empowerment of farmers is the prerequisite program preceded the existence of the feasibility study, the program originated from the bottom (bottom up), a program implemented already internalized, support farmers' resources and quality of natural resources, institutional support, as well as the need for insurance of agricultural land.

Key word: Effectivity, extension officers/escort, productivity, empowerment and well-being.

INTRODUCTION

The agricultural sector has the versatility that includes aspects of production or food security, increasing farmers welfare or poverty reduction, environmental sustainability and keeping. For Indonesia, the value of the function of the farm need to be considered in the determination of the structure of the agricultural sector incentive policy. The commitment of support incentives through understanding the role of multifunctional agriculture needs to be defined broadly, not only economic incentives (subsidies and protection), but also support the development of systems and business sustainability in the broad sense.

According to Slamet (2003), program extension effective and efficient development can be developed by professionals in the field of construction of this extension is only possible if the program undertakes educational and institutional system by the lectures in a clear and supported by staffs who are competent in the field of counseling. Increased competence in development of agricultural extension officers, could be conditioned through various efforts such as: (1) enhance the effectiveness of training for extension officers, (2) increase the self-development extension officers through increased independence of learning and career development extension officers, (3) improve support to the Organization of outreach such as policy support local governments against funding extension, the role of institutional support, support technologies and means of outreach, patterns of leadership in favour of farmers and (4) motivating personal extension officers to always improve work achievement (performance extension officers) and follow the existing strategic environmentchanges. In line with the thinking of the Slamet (2003), the Government has conducted various efforts, which have been declared

Revitalizing agricultural extension (RPP) which is a mounting effort, portray and enables as well as re-arrange the agricultural extension in order to manifest the unity of understanding, unity and the unity of the Corps policy directions. One of the milestones for the implementation of this revitalization is already verificate the legislation system of agricultural extension, fisheries and forestry (SP3K) No.16 of 2006 on October 18, 2006. This ACT is a starting point in empowering farmers through

increased human and institutional resources of the agricultural extension officers of CIVIL SERVANTS, private and non-governmental agricultural extension officers.

Principal problems encountered during this is the low quality and quantity of energy extension officers (including East Tanjab district in Jambi province). Beside that there is the most fundamental factor is the condition sine qua non of Government that must be met, otherwise the already good quality though and quantity of extension officers already qualified. The extension will lose meaning, farmers got disaster flood, drought and pest attacks. This research is intended to analyse the effectiveness of extension officers in terms of determinants which influence on the effective level of performance agricultural extension officers. Besides looking at the performance of extension officers, also want to know the cause of the farmers stuck in subsistence economy although they have received counseling. This research is expected from the results of this research are able to provide a jarring thought for the improvement of the quality of the performance of the agricultural extension officers who are capable of improving the capacity and self-reliance of farmers.

The performance is intended in this study is referring to the opinion of Gruneberg (1979), which was exhibited in actual behaviour by a person in response to a task that is performed by him. The purpose of agricultural extension is to increase the capacity (keberdayaan) and the self-reliance of farmers, then performance is a performance extension that refers to the concepts of empowerment that is capable of increasing the capacity and the farmers' independence.

Based on the study of deductive reasoning that refers to Sayogyo (1999), Florus (1998), Iff (1995), Slamet (2003), Narayan (2002) and Sumardjo dkk. (2002), at least six basic tasks of agricultural extension officers who are aiming for the fulfillment of the development of the capacity and self-reliance of farmers, namely: (1) the development of farmer inovatif behavior; (2) Strengthening the participation of farmers; (3) Institutional Strengthening of farmers; (4) Strengthening access of farmers against various resources; (5) Strengthening the ability of farmers network and (6) cadre recruitment. The performance of the agricultural extension officers influenced by internal and external factors of extension officers. Performance of extension officers in this research is perceived by the level of satisfaction of farmers who receive agricultural extension services. Internal factors are thought to have an effect on the performance of agriculture extension officers competence is the extension officers. External factors that are thought to affect the performance characteristics of the social system is the extension officers (i.e. aspects which include/inhibit change in the social system as a result of the process of agricultural development interventions).

Based on the background of the main problems, thinking of this research are: (1) how the characteristics of the social system characteristics, farmers, agricultural extension officers level of competence and performance levels of agricultural extension officers and (2) where determinants that influence effective against performance level of agricultural extension officers in empowering farmers. (3) How the level of well-being of farmers? Based on the main issue, the purpose of this research is: (1) Analyze the characteristics of the social system characteristics, farmers, agricultural extension officers level of competence and performance levels of agricultural extension officers in empowering farmers; (2) Analyse factors that have an effect on the performance of agriculture extension officers; (3) find out the level of welfare of farmers, and (4) formulate a strategy. performance improvement of agricultural extension officers in empowering farmers.

RESEARCH METHODS

This resemblance to a research study Marliati, et al, entitled determinants of performance improvement of agricultural extension officers in empowering Farmers (Case Kaupaten Kampar in 2008.) The thing that distinguishes a farmer is similar with researchers Marliati et al, researching farmers of rice, palm oil and rubber.

Researchers themselves just perusing farmers food plants and sawit. In addition, Marliati et al, not researching with regards to the well-being of farmers. This research is explanatory research (explanatory research), that describes the relationship of causality between the variables through hypothesis testing.

A theoretical model will be tested in this study include some form of relations between variables, i.e. the relationship of the independent free peasant characteristics X_1 (age; formal education, non formal education; and experience farmers farming), the characteristics of the social system X_2 (socio-cultural values; the institutional system farmers; support experts and institutional research and outreach facilitation by the Government Agency; related institutional support; agribusiness and local leadership) and agricultural extension officers X_3 competence (competence of production management communication, competence, competence of organizing learning activities of farmers and the competence of social interaction) with the variables bound i.e. agricultural extension officers performance Y_1 . Variables and variables measured in this study are based on the perception of farmers.

To find out the level of welfare, based on the national family planning Coordination Board (BKKBN) which has been held by the logging program called family. This logging which aims to obtain basic data on population and the family in order of development programs and poverty reduction. As for phasing the prosperous family is as follows: (a) Pre-prosperous Family, namely the families who have not been able to meet basic needs (basic needs) are minimal, such as: spiritual needs, food, clothing, and Health Board or the family who have not been able to meet one of the prosperous family of indicators I. (b) Family Prosperous I namely the families who have been able to meet the needs of its base are minimal, but has not been able to meet the overall needs of the social psychological, such as: the need for education, family planning, family interactions, interaction with the environment and transport. (c) the prosperous Family II IE families beside can meet the needs of nature, has also been able to meet social needs in Pb, but not yet able to meet the needs of development, such as: to save and obtain information. (d) Family Prosperous III, namely families who have been able to meet the overall needs of the basic psychological and social needs, the needs of development, but not yet able to give the maximum donation and regular for the community in the form of materials, such as: donation materials for the benefit of the community or social foundations of social, religious, arts, sports, education and so on.

The prosperous family III Plus, namely families who have been able to meet the entire needs, whether that is the basis of social or psychological development, and has contributed a real and sustainable for society.

Research conducted in the Eastern Province of Jambi Jabung Cape. Tanjung Jabung Timur Regency is one of regencies have development potential of agribusiness in the province of Jambi. Research conducted from November 1999 until December 2016.

Sampling of farmers (respondents research) performed with the sampling method of stepwise cluster (multistage cluster sampling). Through this sampling method, the number of selected respondents research 180 farmers (consisting each of 60 peasant food crops and palm oil). The data used in the study, including the primary data and secondary data. Primary data obtained using a questionnaire structured, in-depth interviews and observations of non participation (non participant observation). Secondary data obtained through the study of documentation and literature study.

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DEVELOPMENT MODEL FOR MARITIME TOURISM POTENTIAL RELATED WITH THE PEOPLE COASTAL ECONOMY IN GORONTALO PROVINCE

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Abstract. The object of this research is 1) To Know the tourism object and infra and supra structure possibility at Bone Bolango Regency; 2) To know the situation of institutional, institutional function and related with institutional at Bone Bolango Regency; 3) To Know the result of survey of maritime tourism potential development related with increasing of people coastal economy in Gorontalo Province; 4) Analyzed the economy of home industry of Abon Ikan Tuna; and 5) Analyzed the economy of home industry of Nugget Ikan Tuna with used survey method. This research conducted on August till September 2016. Data analysing is descriptive and quantitative. The result of research is; 1) The tourism object in Bone Bolango regency is divided into three those are natural tourism, maritime tourism, history tourism and culinary tourism; 2) The situation and function also relationship between institution at Binalahe village is still conducted well; 3) The situation and function also relationship between institution at Botutonuo village is not still conducted well; 4) The situation and function also relationship between institution at Olele village is still conducted very well; 5) survey of maritime tourism potential development related with increasing of people coastal economy in Gorontalo Province at Olele, Botutonuo and Binalahe village is dominated by local visitor, whether demografi of people involved in home industry activities dominated by productive age and most of them are growing up in those village, and also most of them have permanent houses, using pump water and used electricity power. 6) The result economy of home industry for Abon Ikan Tuna will earn profit if the income is above of break even point is Rp 320.000, if production is produced above break even point about 8.041 gram and if the price will over the break even point Rp 168.200; 7) The result economy of home industry for Nugget Ikan tuna will earn profit if the income is above of break even point is Rp 325.000, if production is produced above break even point about 6.537 gram and if the price will over the break even point Rp 166.000.

Key words: Development of Maritime Village Tourism and Coastal People Economy

INTRODUCTION

Based on the concept of national development as government outlined that today through the concept of Nawa Cita include concept Marine Development Toll. One of the potential ecotourism can developing in Indonesia is Tomini Bay located in three provinces in Sulawesi Island: North Sulawesi, Gorontalo and Central Sulawesi. Gorontalo Province have long region compared to other province. Especially for the marine tourism sector the government takes policy direction to develop among others is Olele Marine Park in the village of Olele, Kabila Bone Bone Bolango District. The Government believes that the particularities of these attractions will be a new economic power to give impact on economic growth Bone Bolango District.

Ambo Tuwo (2011: 157), the weakness of socio-economic coastal communities and islands requires governments to strengthen institutions before implementing an activity. Institutional strengthen focused on three main elements are: (1) rules and procedures, (2) organization, and (3) the resources.

Akhmad Fauzi (2005: 166), explanation some of concerns to the problem will be the answer to the question that always present in the mind of decision makers, why the coastal areas incidentally has abundant natural resource wealth, even relative to rates of growth low even stagnant.

Fadel Muhammad (2008: 321), household socio-economic structures of fisheries (RTP in Indonesia) in Gorontalo province still pyramidal shape reflecting how high socio-economic inequality fisheries sector 85.85% or 25,840 RTP mean fishing without motor boat or simple catch, 13.95% or 4,200 RTP classified into middle level fishermen that able to have boat with outboard motors and fishing gear such as longline somewhat modern, gill net, mini purse seine and other gear. While the fishermen on board there were 60 RTP or 0.20% they have been able to have a fleet of motor boats.

To developing tourism activity, tourist destinations should have the components from (UNESCO, 2009: 1) places as tourist attraction, 2) transport and infrastructure, 3) accommodation (lodging), 4) Business of food and drinks, 5) other support services.

Creative economy and the tourism sector are the two things that affect each other and can synergize if can manage properly (Ooi, 2006).

RESEARCH METHODOLOGY

This research conducted at the location of marine tourism in Botu Tonuo Beach, Molotabu and Olele Marine National Park Bone Bolango District. The research time take one year, from January until December 2016.

Data collected by observation, interview, and literature study by Method of selecting respondents. For households, the method used simple random sampling method, the organization used purposive method. Total sample of households will take 90 respondents consist of 30 respondents from each sample location. the organization interviewed by the number of unit organization in each sample location, it is estimated the number of units of institutions interviewed about 5-10 for each institution sample locations, and the last by Focus Group Discussion.

Data processing techniques by using descriptive analysis tools and infrastructure for tourism will use descriptive and quantitative analysis, to determine the hierarchy that will be important to be recommended to the government.

DISCUSSION

Ecotourism is a form of integration between interaction, accommodation and support facilities presented in a structure of a society that mix with the procedures and the prevailing tradition. Ecotourism attractions in Bone Bolango District: lombongo village, Perintis lake and KIAT area, Cekdam Tapa dam, Source Geothermal Village Libungo / village board, meranti peak, waterfall taludaa, river rafting bone, waterfall molotabu, and hunbers peak.

Marine tourism is an activity to spend time enjoyed the beauty and uniqueness of the area along the coast and the ocean. Marine tourism in the District Bone Bolango called Olele Marine National Park, botutonuo beach, beach molotabu, bintalahe beach, bulawa beach, and the bootubarani beach.

Travel history is a decent place to visit and preserve because there is an element of certain advantages compared to anywhere / any other event. The historical sights in Bone Bolango District: Nani Wartabone Heroes Cemetery, Hubulo tomb, the Tomb of King Atinggola (Ti Bulonggadu), and Manuli Poets Tomb Oral (Tanggomo). Culinary tours as tourism that have purpose to eat. Culinary tourism in Bone Bolango District: Market tapa snacks and culinary tours.

Table 1. Number of Hotel, Restaurant and Restaurants in Bone Bolango District 2015

Number	Sub District	HOTEL / HOME STAY	RESTAU RANT	FOOD STALLS	CAFÉ
1	TAPA	0	0	10	1
2	BULANGO UTARA	0	0	0	0
3	BULANGO SELATAN	0	0	10	1
4	BULANGO TIMUR	0	0	5	0
5	BULANGO ULU	0	0	0	0
6	KABILA	0	0	15	0
7	BOTUPINGGE	0	0	5	0
8	TILONGKABILA	0	1	10	0
9	SUWAWA	0	0	10	1
10	SUWAWA SELATAN	0	0	0	0
11	SUWAWA TIMUR	0	0	0	0
12	SUWAWA TENGAH	0	0	0	0
13	PINOGU	0	0	0	0
14	BONE PANTAI	1	0	15	5
15	KABILA BONE	7	1	80	7
16	BONE RAYA	0	0	1	2
17	BONE	0	0	9	2
18	BULAWA	1	0	4	3
TOTAL		9	2	174	22

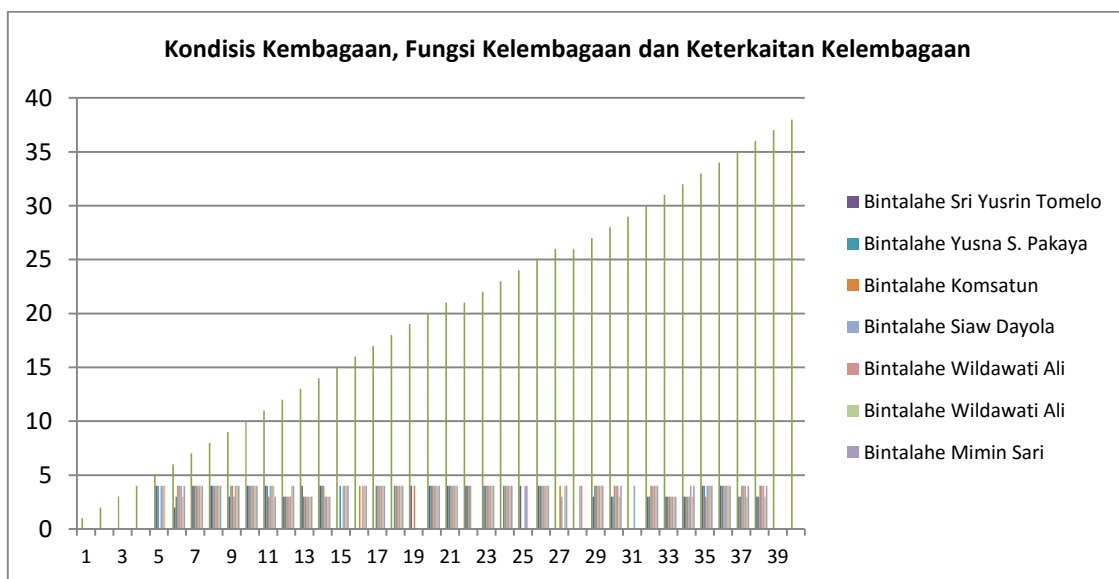
Table 2. Number of Tourism Awareness Group in Bulango District Department of Transportation and Tourism

Number	Village	District	Group	Tourism Attract	Total
1	LOMBONGO	SUWAWA TENGAH	POKDARWIS	HOT WATER	40
2	BULUDAWA	SUWAWA	POKDARWIS	PERINTIS LAKE	40
3	MERANTI	TAPA	POKDARWIS	AGRO TOURISM	40
4	OLUHUTA	KABILA	POKDARWIS	CULLINARY	40
5	OLELE	KABILA BONE	POKDARWIS	MARINE NATIONAL PARK	40
6	BINTALAHE	KABILA BONE	POKDARWIS	BEACH	40
7	MOLOTABU	KABILA BONE	POKDARWIS	BEACH	40
8	BOTUTONUO	KABILA BONE	POKDARWIS	BEACH	40
9	BOTUBARANI	KABILA BONE	POKDARWIS	WHALESHARK	40
10	MOLOTABU	KABILA BONE	POKDARWIS	WATERFALL	40
11	NYIUR HIJAU	BULAWA	POKDARWIS	BEACH	40
12	KAIDUNDU BARAT	BULAWA	POKDARWIS	BEACH	40
13	BILUNGALA	BONE PANTAI	POKDARWIS	BEACH	40
14	ILOHUWA	BONE	POKDARWIS	WATERFALL	40
15	BOTUBARANI	KABILA BONE	POKDARWIS	KURENAI BEACH	40
16	PANCORAN	SUWAWA TIMUR	POKDARWIS	HOT WATER	40
17	HUNBERS	BULANGO TIMUR	POKDARWIS	NATURE	40
18	BENDUNGAN	BULANGO UTARA	POKDARWIS	DAM	40
Total					720 people

Table 5. The number of domestic tourist arrivals (WD) and Foreign (WM) in the Heritage District of Bone Bolango 2015.

Number	Tourism	WD	WM
1	LOMBONGO	5.162	139
2	BOTUTONUO	50.031	0
3	MOLOTABU	5.381	0
4	BINDALAHE	860	0
5	OLELE	4.126	429
6	MERANTI	31.972	0
TOTAL		97.532	568

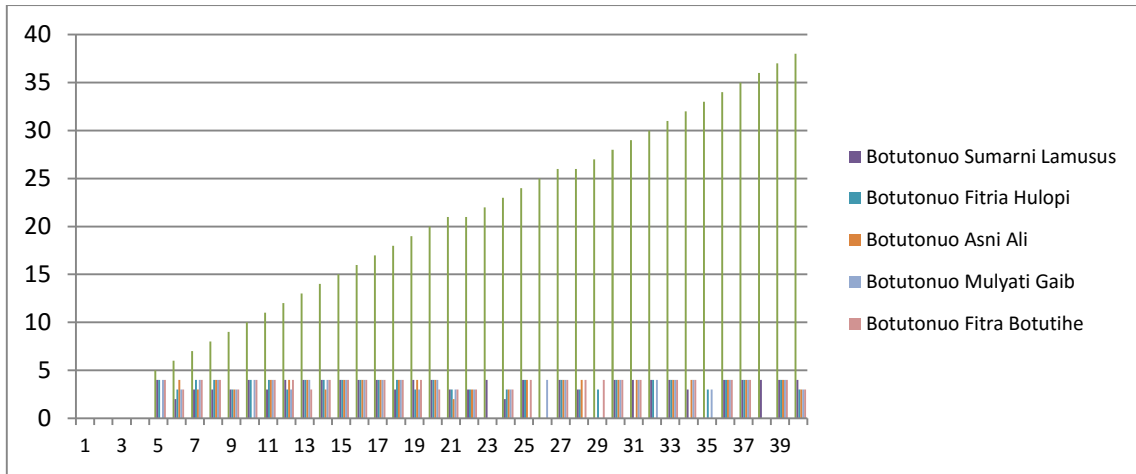
The graph condition, function and institutional Linkage Village Binatalahe Kabila Bone Bolango District:



From the chart above describe institutional environment, institutional functions and institutional linkages. Based on a questionnaire with question a total of 39 numbers. It can judge that the best good

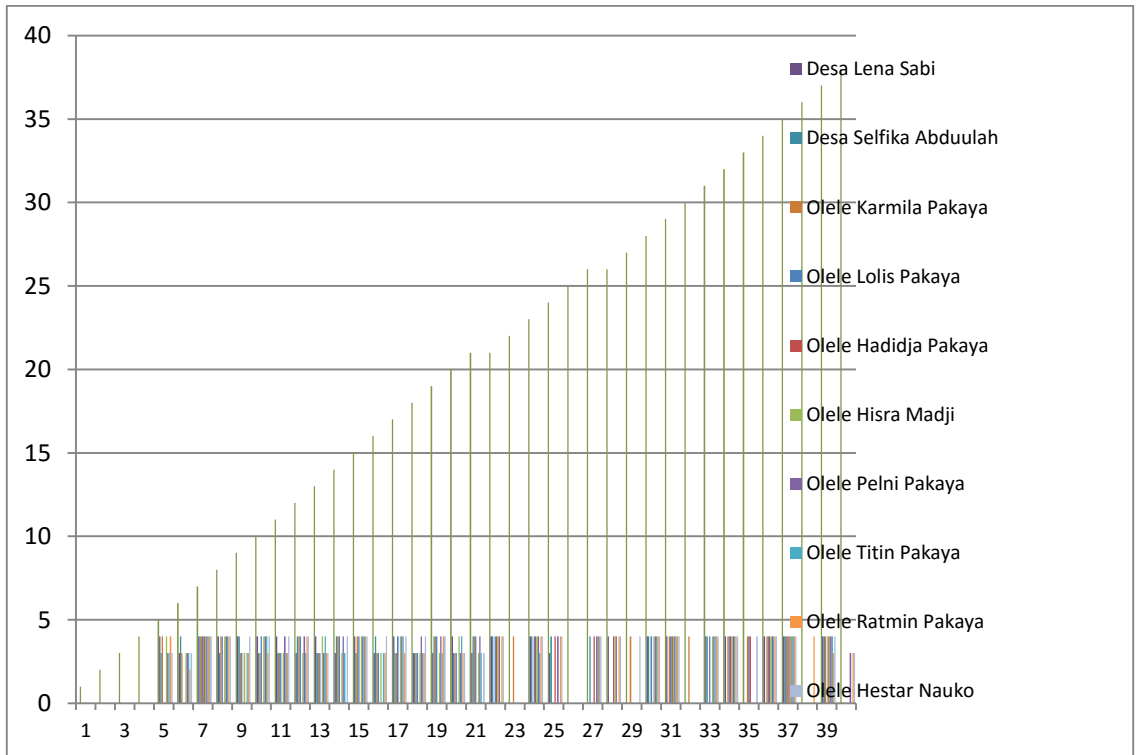
grades 4 and 3. Therefore, in the graph that the institutional environment, institutional functions and institutional linkages in the village Bintalahe until today still going well. And that can not run institutions are only a few people one mother Siaw Dayola.

The following graph conditions, functions and institutional linkage Village Botutonuo District of Kabila Bone:



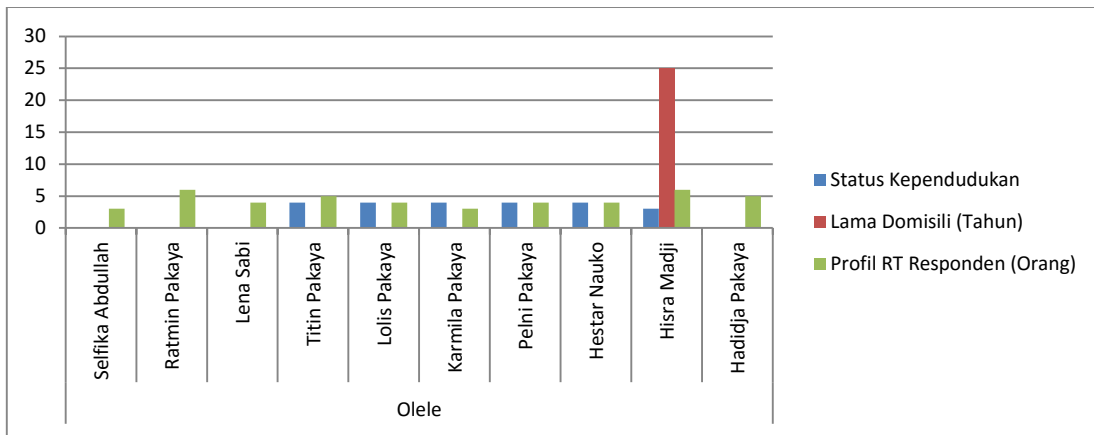
Graph 2 showed that the institutional setting in the village of Botutonuo currently not running smoothly can be seen there are some people who do not support their organization or community institutions in the village Botutonuo.

The following graph conditions, functions and institutional linkage Village Olele District of Kabila Bone:



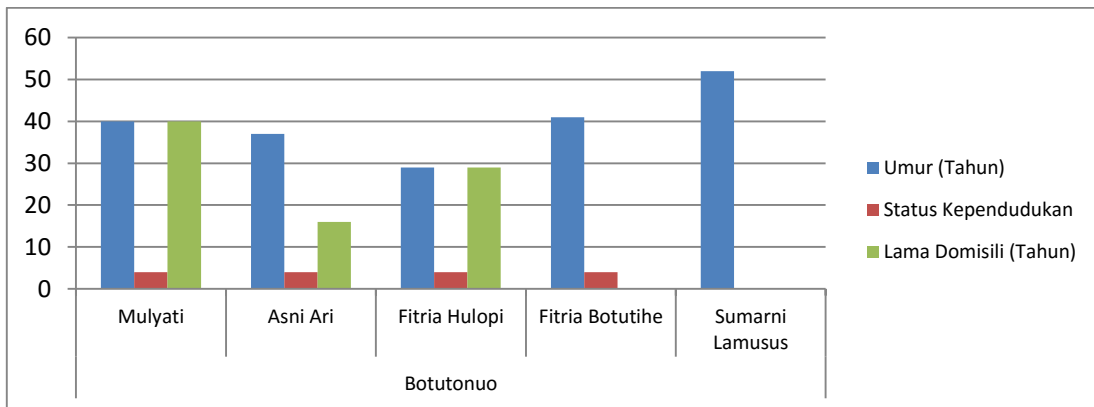
The graph above explained that the institutional setting in the village of the District Olele Kabila Bone organization conditions smoothly. There are some members of the group who did not agree with what was decided by farmer groups.

Survey Potential Development Model connect with Marine Tourism Economic Development of Coastal Communities in the village, Gorontalo province Olele village:



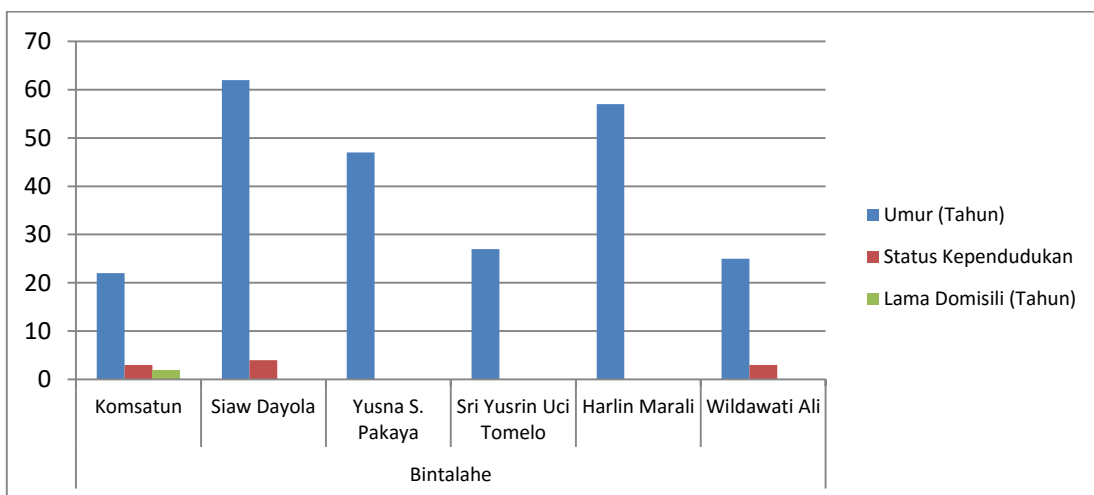
The picture illustrated that the status of residence in Olele still many locals then the immigrants. There are some people who do not have residence status.

Survey Potential Development Model connect with Marine Tourism Economic Development of Coastal Communities in the village, Gorontalo province Botutonuo village:



The graph describe that age level in the village of Botutonuo most over 30 years old and still in productive age. While the residence status of 10 respondents the average local population.

Survey Potential Development Model connect with Marine Tourism Economic Development of Coastal Communities in Bintalahe village:



Based on the data that age of fishing respondents still going to be productive, but there was one respondent who are not productive because it has been over 60 years is Ms. Diaw Dayola.

1. Break Event Point (BEP) Analysis of Tuna Fish

$$\begin{aligned} \text{BEP revenue (Rp)} &= \frac{FC}{1 - \frac{VC}{TR}} \\ &= \frac{160.000}{1 - \frac{260.300}{500.000}} \\ &= \frac{160.000}{1 - 0.5} \\ &= \frac{160.000}{0.5} \end{aligned}$$

$$\text{BEP revenue(Rp)} = 320.000$$

$$\begin{aligned} \text{BEP production (gram)} &= \frac{FC}{P - \frac{VC}{Q}} \\ &= \frac{160.000}{20.000 - \frac{260.300}{2.500}} \end{aligned}$$

$$\begin{aligned} &= \frac{160.000}{20.000 - 104} \\ &= \frac{160.000}{-84} \end{aligned}$$

$$\text{BEP production (gram)} = 8.041$$

$$\begin{aligned} \text{BEP Price (Rp)} &= \frac{TC}{Q} \\ &= \frac{420.300}{2.500} \end{aligned}$$

$$\text{BEP Price (Rp)} = 168.200$$

a. $\text{BEP}_{\text{revenue}} = \text{Rp } 320.000$

The domestic industry would benefit if the revenue obtained exceeds BEP is Rp. 320,000 otherwise domestic industry would suffer losses if the receipts obtained less than the BEP.

b. $\text{BEP}_{\text{production}} = 8.041 \text{ Gram}$

The domestic industry would benefit if production exceeds the limit of BEP is 8,041 Gram, domestic industry would losses if production less than the BEP.

a. $\text{BEP}_{\text{price}} = \text{Rp } 168.200$

Domestic industry would benefit if the price exceeds the limit BEP is Rp. 168,200 otherwise household industry will loss if the price less than the BEP. BEP tuna shredded curve below:

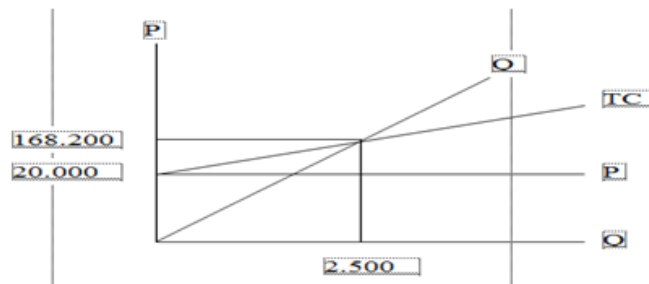


Figure 2. BEP Curve tuna shredded

Table 6. Variabel Cost tuna shredded

Variabel Cost	Total (Rp)
5 Kg Tuna	200.000
5 Piece Lemongrass	2.000
15 Lembar Orange Leaf	2.000
15 Teaspoon Palm Sugar	7.000
5 Teaspoon Coriander	5.000
1 Teaspoon Cumin	1.000
10 Garlic	10.000
15 Onion	5.000
30 piece chili	5.000
5 Ginger	2.000
5 Turmeric	2.000
5 Galangal	2.000
1 Kg Fried Oil	13.000
5 Teaspoon tamarind liquid	2.000
10 Piece Salam Leaf	2.000
5 Teaspoon Salt	300
Total	260.300

Based on the table it can be seen that the amount of tuna shredded variable cost is Rp. 260 300 with the basic ingredients that 5 kg of tuna for Rp. 200,000.

Table 7. Fixed Cost tuna shredded

Fixed Cost	Total (Rp)
Packing	30.000
Labor	100.000
Gas	30.000
Total	160.000

Based on the table above it can be seen that the number of fixed costs shredded tuna is Rp. 160,000 which consist of the cost of packaging, labor, and gas.

Table 8. Total Cost tuna shredded

Total Cost	Total (Rp)
Variabel Cost	260.300
Fixed Cost	160.000
Total	420.300

Based on the table above it can be seen that the total cost of the production process shredded tuna is Rp. 420 300.

Table 9. Revenue of tuna shredded

Category	Production	Price	Total
Revenue	2.500 gr	20.000 / 100 gr	500.000

Based on the Table 9 showed that the revenue total from tuna sherrred selling is Rp. 500,000.

Table 10. Income of Tuna Shredded

Category	Total
Revenue	500.000
Total Cost	420.300
Income (1-2)	79.700

Based on Table 10 above that Income from tuna sherred selling is Rp. 79,900

2. Break Event Point (BEP) Analysis of Tuna Sherred

$$\begin{aligned} \text{BEP revenue (Rp)} &= \frac{FC}{1 - \frac{VC}{TR}} \\ &= \frac{130.000}{1 - \frac{285.000}{500.000}} \\ &= \frac{130.000}{1 - 0.6} \\ &= \frac{130.000}{0.4} \end{aligned}$$

$$\text{BEP revenue (Rp)} = 325.000$$

$$\begin{aligned} \text{BEP production (Gram)} &= \frac{FC}{P - \frac{VC}{Q}} \\ &= \frac{130.000}{20.000 - \frac{285.000}{2.500}} \\ &= \frac{130.000}{20.000 - 114} \\ &= \frac{130.000}{19.886} \end{aligned}$$

$$\text{BEP production (Gram)} = 6.537$$

$$\begin{aligned} &\sim \\ &= \frac{415.000}{2.500} \end{aligned}$$

$$\text{BEP}_{\text{price}} (\text{Rp}) = 166.000$$

- $\text{BEP}_{\text{revenue}} = \text{Rp } 325.000$
Home industry will be gained the profit when the revenue exceeds the limit of Rp. 325.000, otherwise home industry would suffer losses if the revenue gained less than the break-even point.
- $\text{BEP}_{\text{production}} = 6.537 \text{ Gram}$
Home industry will be gained the profit when the production exceeds the limit of break event point production limit 6.537 Gram, otherwise home industry would suffer losses if the production gained less than the break-even point.
- $\text{BEP}_{\text{price}} = \text{Rp. } 166.000$
Home industry will be gained the profit when the price of product exceeds the limit of break event point production limit 6.537 Gram, otherwise home industry would suffer losses if the price gained less than the break-even point. Here is the tuna nugget break event point curve

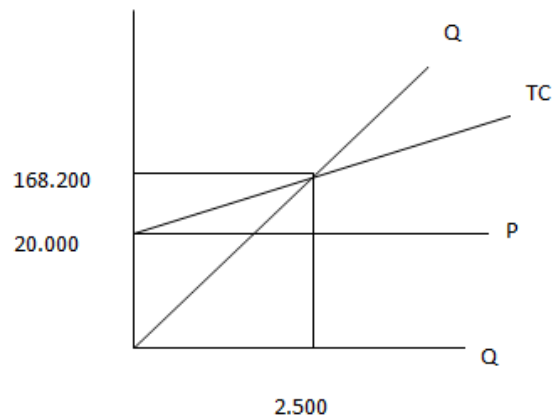


Figure Tuna Nugget Break Event Point Curve

Table 10. Tuna Nugget Variabel Cost

Variabel Cost	Total (Rp)
5 Kg Tuna	200.000
5 Ons Tapioca Flour	5.000
50 Siung garlic	20.000
15 Siung onion	10.000
30 Cayenne pepper	5.000
5 tea spoon pepper	2.000
1000 Gr bread crumb	20.000
10 egg	13.000
5 tea spoonsalt	500
5 tea spoon tamarind	2.000
10 Grain Eggs Dyers	7.500
Total	285.000

Based on the table above, tuna nugget variable cost is Rp. 285.000 which is contained of 5 kg of tuna as a raw material and price for Rp. 200,000.

Table 11. Tuna Nugget Fixed Cost

Fixed Cost	Total (Rp)
packaging plastic	40.000
labor	70.000
Gas	20.000
Jumlah	130.000

Based on the table above, tuna nugget fixed cost is Rp. 130.000 which is contained of packaging plastic cost, labor cost, and gas cost.

Table 12. Tuna Nugget total Cost

Total cost	Total (Rp)
Variable Cost	285.000
Fix Cost	130.000
Total	415.000

Based on the table above, tuna nugget total cost production is Rp. 415.000

Table 13. Tuna shredded Revenue

Description	Production	Price	Total
Revenue	2.500 gr	20.000/100 gr	500.000

Table. Tuna Nugget Profit

Description	Total
Revenue	500.000
Total cost	415.000
Profit (1-2)	85.000

Profit is the total revenue after deducting the total cost of production. Based on the table, the tuna nugget profit is Rp. 85.000

CONCLUSION

Based on the research results concluded as follows:

1. Tourism in Bone Bolango regency are natural tourism, bahari natural tourism, historical tourism / pilgrimage, and four culinary tourism.
2. The condition, functions and institutional linkages in the village Bintalahe have been going well

3. Conditions, functions and institutional linkages in the village Botutonuo currently running slowly because of some people who do not support their organization or community institutions
4. Conditions, functions and institutional linkages in the Olele village that the institutional environment running smoothly.
5. Survey of the development model of marine tourism potential relation to the improvement of the economy of coastal communities Gorontalo Province shown the most people in Olele village are local people, Botutonuo Village mostly aged over 30 years, Bintalahe village fisherman are in the productive age, population status showed no respondent's status as a local resident or a newcomer, Number of dependents as well as the status of an average home already own. While 5 people have been using a tin roof and marble floor as a type of roof, 5 people using clean water tap / pump as much as 5 people and have been using electric / PLN.
6. Tuna shredded home industry will be gained the profit when the revenue exceeds the limit of Rp. 320.000, The production more than break event point limit of 8.041 gram and and if the price obtained exceeded the break-even point is Rp. 168 200.
7. Tuna nugget home industry will be gained the profit when the revenue exceeds the limit of Rp. 325.000, The production more than break event point limit of 6.537 gram and and if the price obtained exceeded the break-even point is Rp. 166 200.

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MAIZE PROCESSING PRODUCTION DEVELOPMENT AS THE ECONOMIC DRIVEN OF PEOPLE IN GORONTALO PROVINCE

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Gorontalo State University

Abstract. Research object is; 1) to know about the profile of maize farmer enterprise in Gorontalo regency; 2) to know the people characteristic at home industry group in Todito village at Pulubala sub-district; 3) to know the people characteristic at home industry group in Barakati village at Batudaa sub-district; 4) Economics analysis for maize stict tasted with shrimp from Limboto lake; 5) Economics analysis for Sweat Maize Dodol with used survey method. This research conducted since august till september 2016 with used descrifritive, SWOT and economics analysis. The result of this research is 1) Groups of farmers enterprise, the more much of members and land is worked on by maize farmer found at Dunggala village in Batudaa sub-district is 8 gorups, 187 members, and the land worked on for maize about 157,3 Ha. There fore at Pulubala Sub-district the more much of gorups of farmer enterprise at Puncak Village about 32 groups, and the members is more much found at Toidito about 705 members, but the largest land worked on by maize farmer is at Puncak village about 701,21 Ha; 2) Demografy aspect for home industry members: at Toidito village is dominated by women is about 80%; 3) and demografy aspect for home industry at Barakati village is about 100% dominated by women; 4) Economics analysis for home industry for Maize Stict with tasted by Shrimp from limboto Lake will get profit if the in-come above of break event is Rp 120.000,- if production is over of break even point is 11,975 gram and will follow of the price over of break even point about Rp 52.500; 5) Economics analysis for home industry for Dodol sweat maize will get profit if the in-come earned over of break even point is Rp 170,174, if production is earned over of break even point 6,90 basket and if the price is over of break even point is about 19.550.

Key words: *Processing Maize Production Development and Economic Driven*

INTRODUCTION

Since Gorontalo became a Provinceon February 12nd 2000, the government has put the position of agriculture as the entry point of corn that prospected for export but has not been cultivated optimally by using technological inputs, without ignore the aspects of sustainable corn farming.

Corn has many advantages beside as people daily needs and also can be process to some products such as corn sticks, corn oil, corn starch, poultry feed, fish feed, and other function as food. In addition, corn grain can process for a variety of products, corn waste can make variety of products such as corn waste into ruminant feed, corn waste into organic fertilizer, corncob into charcoal, and corn husk can processbecome flower, paddodol, the basic material of clothes, tablecloth and someof unique products.

Based on the survey that the cornseed (yield) in Gorontalo only used for daily meal also sold to other places like export to another city in Indonesia or to another countries. Seed corn (yield) is not process into processed products that enhance the economic value of products. The price comparison corn kernels 1 kg Rp. 3,200 if it has been processed into animal feed prices reached 5 times from the original price when unprocessed. Processing the kernels into a basic ingredient of animal feed will increase the economic value of the product.

The role of the agricultural sector contributed most (28%) to the GDP ofGorontalo District, together with the services sector (23%). Because most people in Gorontalo districtworked in the agricultural sector of food crops (rice and corn), plantation crops (coconut) and fisheries. The developing of agribusiness corn in Gorontalo district need to improved because of the potential for development is big enough and has wide land. The steps to solved problem ofmaize plantations must be in accordance with local characteristics, social, economic and institutional capacities in the community because almost 90% of corn plantation is smallholder agriculture.

Baruwadi (2009), suggest that household contribution income farmers from maize farming in GorontaloProvince is 64.03%, which proved the high dependence of farmers on corn as a source of household income. In Anonymous (2012) explained that in the last five years, the national corn demand for industrial materials feed, food and beverages increased by $\pm 10\% -15\%$ / year. In 2010 corn in Gorontalo mostly exported to several countries such as Malaysia, South Korea, Japan, and Philippines amount of 34,200 tons. To export, Gorontalo corn production is also absorbed by the local market through between regionsamount 104,810 tons of which 88,225 tons Surabaya and Jakarta 16,858 tons.

Friedmann (1990), showed that empowerment is a believed to be a " alternative development" on the model of development center to growth. At the first the development of alternative put forward some

trusts: first, country is the problem of development showed development of alternatives to eject even against the country; second, people could did no wrong and the public is an independent association; Third, community actions had capable and sufficient to realize the alternative development without state interference. Kartasmita, 2009 suggested that community empowerment: The development concept is rooted in the community, said that the concept of community empowerment includes the notion of community development (community development) and development focused on the community (community based development).

METHODOLOGY

This research done in the district and sub district BongomemeTibawaGorontalo regency and to the research start from January 1 to December 2016. Furthermore, the method of selecting respondents was conducted using different methods in the two groups of respondents (group home and organization groups). For households, the method used is simple random sampling method, while the agency unit used purposive method. Total sample of households take 200 respondents consist of 40 respondents from each sample location. While the organization groups interviewed unit adapted to the number of units existing organization in each country, it is estimated the number of units of organization interviewed about 15-20 organization for each sample location.

The research method will used in the program, activities and output produced for each year of implementation of activities. In the first year of 2016 because the output are: 1) Potential socio-economic household profile, institutional corn farmer. 2) Formulation Hierarchical strategy and on the development of government policy on product development of corn processed. 3) Output products and their sales outlets in refined product sales. Meanwhile output in 2017: 1) Control the use of tools / technology products processing corn. 2) Increased insight and institutional work team development. 3) Developing the ability to access the market. And output in 2018: 1) Products Processed competitive. 2) Model of Institutional Agribusiness Corn. 3) Skills to access market information.

1. Observation

Observation techniques used to obtain data and information on the resource potential of agriculture to research data and other relevant information.

2. Interview

Interview techniques used to obtain data and information, formulate strategies and corn farmer empowerment activities to increase the income of corn farmers data and other relevant information.

3. Questionnaire

Mechanical questionnaire used to obtain data and information on the resource potential analysis of maize agriculture based on comparative advantage, competitive and influence to empower farmers through processing corn maize and corn waste into productive economic commodity corn to increase farmers income.

4. Focus Group Discussion (FGD).

Techniques Focus Group Discussion (FGD) was used to complete the data and research information, during the conduct data collection and information the draft of research reports.

RESULT AND DISCUSSION

Maize Farmer Profile in Gorontalo District

Table 1 showed that the number of groups in each village is different, there are composed of two groups of farmers of corn, even up to 8 groups of farmers of corn, with an average of 4 groups of crop farmers to every village in the Batudaa village. The groups that exist in each of these villages have the members of the group which is quite diverse and numerous, ranging from 49 members of the group, up to 187 members of the group to the village. Dunggala village district. Batudaa has a number of groups, include 8 corn farmer groups and also the number of group members, include 187 members of farmers of maize compared with other villages in the district Batudaa. Total corn farmer groups contained in the smallest villages and the village Bua and Iluta which only consisted of two corn farmer groups, while the number of group members at least are in the village Payunga the 49 members of the group. On average, the number of members of maize farmer groups in 8 villages in the district Batudaa is reached 87 people, with total members is 693.

Beside number of groups and group members the high total compared to other villages in the district Batudaa, corn farmers Dunggala, Pilobuhuta, and Huntu which the corn cultivated is the most wide reached 157.3 Ha; 105.9 Ha; and 103.6 Ha. The smallest corn crop in Bua Village area of 40.1 hectares. The total area of cultivated corn crop in the district. Batudaa can be reached 615.65 Ha; with an average area of arable corn crop is 76.96 hectares for every village in the district Batudaa.

Table 1. Data of Group, Member Total, and Land Area in Subdistrict of Batudaa, Gorontalo District

Number.	Village Name	Total Group of Village	Total of members in Group	Land Area (Ha)
1	Barakati	3	69	62
2	Iluta	2	49	41.5
3	Bua	2	53	40.1
4	Huntu	5	101	103.6
5	Pilobuhuta	5	112	105.9
6	Payunga	3	47	39.75
7	Dunggala	8	187	157.3
8	Ilohungayo	4	75	65.5
Total		32	693	615.65
Average		4	87	76.96

Table 2 showed that the villages in Pulubaladistrict have a lot corn farmer, from 13 to 32 groups in the village. This indicates that the majority of people work in PulubalaDistrictare corn farming. The members in each group in each village to approximately 300 members of the group, even some villages has 500 more members of the group. The high of the village in the district.Pulubala has a number of groups, include 30 maize farmer groups with a total membership of the second largest group after the 563 members of the village Molamahu corn farmer groups. Corn farmer groups premises smallest number in a neighboring village and village TridarnaMaolalahuie, each consisting of 13 corn farmer groups, while the number of members of each group 295 group members and 318 members of the group. The average number of members of cornfarmer groups in 11 villages inPulubaladistrict are462 people, with total members are 5077 members.

Table 2. Data of Group, Member Total, and Land Area in Subdistrict of Pulubala, Gorontalo District

Number.	Village Name	Total Group of Village	Total of members in Group	Land Area (Ha)
1	Pulubala	20	400	427.5
2	Tridarma	13	295	300.93
3	Molalahu	13	318	276
4	Toyidito	25	705	579.5
5	Molamahu	30	584	624.71
6	Bakti	28	529	640.5
7	Pongongaila	21	495	504.5
8	Mulyonegoro	20	405	439
9	Puncak	32	563	701.21
10	Ayumolingo	21	406	435.25
11	Bukit Aren	20	377	391
Total		243	5077	5320.1
Average		22	462	483.65

The village which has the largest corn crop cultivated in the district is located in the village Pulubala with the land area is 701.21 hectares. Baktiand Molamahu with corn crop the second largest and third, respectively in the amount of 640.5 Ha; and 624.71 Ha. The average area of cultivated corn crops in villages in the district Pulubala is 483.65 Ha; with the total area cultivated corn crop reached 5320.1 hectares.

People Characteristics to Household Toidito Village Pulubala Sub District

Gender

The tabulated results of the questionnaire related to the characteristics of a people based on gender in Table 3 below:

Table 3. People Characteristics Based on Gender

Number.	Gender	Percentage (%)
1.	Male	20
2.	Femala	80
Total		100

Source: Primary data processed, 2016

Table 3 showed that people in the group of households in Pulubala Subdistrict consist of 20% men and 80% women. These results showed the group of households dominated by women.

Age

The tabulated results of the questionnaire related to the characteristics of a people based on age in Table 4 below:

Table 4. People Characteristics Based on Age

Number.	Age (Year)	Percentage (%)
1.	20 – 30	40
2.	31 – 40	20
3.	41 – 50	30
5.	> 50	10
Total		100

Source: Primary data processed, 2016

Table 4 showed that the age of the people to the group of households in Pulubala subdistrict showed diversity, the range from age 20 years old to 50 years old. Most people living in households dominated by 20-30 years old by 40%, then 41-50 years old by 30%, then 31-40 years old by 20% and the rest was followed by the oldest old people above 50 years old. These results prove that the majority of people who encountered are individuals who are productive padamasa (located in the working lives).

Education Level

The tabulated results of the questionnaire related to the characteristics of a people based on education level in Table 5 below:

Table 5. People Characteristics Based on Education Level

Number.	Education Level	Presentase (%)
1.	Elementary School/equivalent	50
2.	Junior High School/ equivalent	10
3.	Senior High School/ equivalent	40
4.	D3/S1/S2	0
Total		100

Source: Primary data processed, 2016

Table 5 showed that people with the highest education level for elementary school is 50%. People with secondary school education level is 10%. Furthermore, people with the highest education level of high school /equivalent at 40%, and for the level of D3 / S1 / S2 no or 0%. From the above results indicate that a majority of the Group of Households dominated by people who have a level of education on elementary school. but it does not affect the productivity of social labor incorporated in the Household in Pulubala subdistrict.

Side Job

The tabulated results of the questionnaire related to the characteristics of a people based on main job and side job in Table 6 below:

Table 6. People Characteristics Based on Main Job

Number.	Job	Percentage (%)
1.	Farmer	30
2.	Fisherman	0
3.	Non Farmer	70
Total		100

Source: Primary data processed, 2016

Table 7. People Characteristics Which hasSide Job

Number.	Status	Percentage (%)
1.	Have	70
2.	Does not have	30
Total		100

Source: Primary data processed, 2016

Based on Table 6 and 7 showed that people who work as farmers is 30% and the remaining 70% are people who work not as a farmer (non-agricultural). This showed that the people who joined the group Households in the Pulubal subdistrict mostly not as farmers, even none of the fishermen.

Residence Status and Length of Stay

The tabulated results of the questionnaire related to the characteristics of a people based on residence status and length of stay in Table 8 below:

Table 8. People Characteristics Based on Residence Status

Number.	Status	Percentage (%)
1.	Local People	100
2.	Immigrants	0
3.	Foreigner	0
Total		100

Source: Primary data processed, 2016

Table 9. People Characteristics Based on Length of Stay

Number.	Status	Percentage (%)
1.	3-5 Years	50
2.	6-10 Years	0
3.	10 Years Above	50
Total		100

Source: Primary data processed, 2016

Based on Table 8 showed that the whole of society incorporated in the Household are local peoples, not immigrants nor foreigners. From Table 9 shows that the majority (50%) of the population lived 3-5 years length of stay, and the majority (50%) again had more than 10 years length of stay.

People Characteristics Households Barakati Village BatudaaSubdistrict

Gender

The tabulated results of the questionnaire related to the characteristics of a people based on gender in Table 10 below:

Table 10. People Characteristics Based on Gender

Number.	Gender	Percentage (%)
1.	Male	0
2.	Female	100
Total		100

Source: Primary data processed, 2016

Based on Table 10 showed that all peoples should in the household is a woman that is equal to 100%. It showed a group of households in Batudaa dominated by women, while men do not exist who participated in the group of households.

Age

The tabulated results of the questionnaire related to the characteristics of a people based on age in Table 11 below:

Table 11. People Characteristics Based on Age

Number.	Age (Years)	Percentage (%)
1.	20 – 30	10
2.	31 – 40	50
3.	41 – 50	40
5.	> 50	0
Total		100

Based on Table 11 showed that the age of the people who are members of households in Batudaa showed the diversity, from the age of 20 to 50 years old. Most people living in households dominated by people aged 31-40 years old percentage 50%, then people aged 41-50 years old percentage 40%, then the people aged 20-40 years old percentage 10%; and no people over 50 years old and the oldest incorporated in household groups. These results prove that the majority of people who encountered are individuals who are productive padamasa (located in the working lives).

Education Level

The tabulated results of the questionnaire related to the characteristics of a people based on Education Level in Table 12 below:

Table 12. People Characteristics Based on Education Level

Number.	Education Level	Percentage (%)
1.	Elementary School/equivalent	30
2.	Junior High School/ equivalent	20
3.	Senior High School/ equivalent	50
4.	D3/S1/S2	0
Total		100

Source: Primary data processed, 2016

Based on Table 12 showed that people with the highest education level for elementary school by 30% . Peoples with secondary school education level is only 20%. Furthermore, people with the highest education level of high school / equivalent at 50%, and for the level of D3 / S1 / S2 no or 0%. From the above results show that a majority of the Group of Households in Batudaa dominated by individuals who have a high school education level. These results suggest that in addition to having high labor productivity, the local community has enough knowledge to manage the farm, especially the Group of Households in Batudaa.

Main Job and Side Job

The tabulated results of the questionnaire related to the characteristics of a people based on main job and side job in Table 13 below:

Table 13. People Characteristics Based on Main Job

Number.	Job	Percentage(%)
1.	Farmer	20
2.	Fisherman	0
3.	Non-Farmer	80
Total		100

Source: Primary data processed, 2016

Table 14. People Characteristics Based on Side Job

Number.	Status	Percentage (%)
1.	Have	40
2.	Does not have	60
Total		100

Source: Primary data processed, 2016

Based on Table 14 showed that people who work as farmers reached 20% and the remaining 80% are people who work not as a farmer (non-agricultural). It showed that the people who are members of the Group of Households in the district. Batudaa mostly not as a farmer, but mostly as office workers, even none of the fishermen. Judging from Table 14 amount 40% of people have a second job, and the remaining 60% do not have a second job. This proves that the people who joined the group Households in the district. Batudaa not just focus on the main job, but still look for other income, especially in the field of agriculture.

Residence Status and Length of Stay

The tabulated results of the questionnaire related to the characteristics of a people based on residence status and length of stay in Table 8 below:

Table 15. People Characteristics Based on Residence Status

Number.	Status	Percentage (%)
1.	Local People	100
2.	Immigrants	0
3.	Foreigner	0
Total		100

Source: Primary data processed, 2016

Table 9. People Characteristics Based on Length of Stay

Number.	Status	Percentage (%)
1.	3-5 Years	100
2.	6-10 Years	0
3.	10 Years Above	0
Total		100

Source: Primary data processed, 2016

Based on Table 16, showed that the majority of the peoples togetherwith the group Households are locals or indigenous peoples, not aimmigrantsor foreigners. According to Table 16, it is showed that the public has long been domiciled for 3-5 Years.

The Economic Analysis of Limboto lake Shrimp Corn Stik

1. Break Event Point (BEP) Analysis

$$\begin{aligned}
 \text{BEP Revenue (Rp)} &= \frac{FC}{1 - \frac{VC}{TR}} \\
 &= \frac{96.000}{1 - \frac{81.500}{200.000}} \\
 &= \frac{96.000}{1 - 0,20} \\
 &= \frac{96.000}{0,80} \\
 \text{BEP Revenue (Rp)} &= 120.000
 \end{aligned}$$

$$\begin{aligned}
 \text{BEP production (gram)} &= \frac{FC}{P - \frac{VC}{Q}} \\
 &= \frac{119.500}{10.000 - \frac{81.500}{3.000}} \\
 &= \frac{119.500}{10.000 - 20,5} \\
 &= \frac{119.500}{9.979,5} \\
 \text{BEP production (gram)} &= 11.975
 \end{aligned}$$

$$\text{BEP production (gram)} = 11.975$$

$$\begin{aligned}
 \text{BEP}_{\text{price}}(\text{Rp}) &= 52.500 \\
 \text{BEP}_{\text{price}}(\text{Rp}) &= \frac{TC}{Q} \\
 &= \frac{157.500}{3.000} \\
 \text{BEP}_{\text{price}}(\text{Rp}) &= 52.500
 \end{aligned}$$

b. $\text{BEP}_{\text{penerimaan}} = \text{Rp } 120.000$

The domestic industry would benefit if acceptance is obtained exceeds the limit of USD 120,000 of the BEP, otherwise households industry will losses if the receipts obtained less than the BEP.

c. $BEP_{production} = 11.975$ Gram

The domestic industry would benefit if production were obtained exceeds the limit BEP is 11.975 Gram sebalikya domestic industry would losses if production gained less than the BEP.

d. $BEP_{price} = Rp. 52.500$

The domestic industry would benefit if the price obtained exceeds the limit BEP is Rp. Conversely 52,500 domestic industry would losses if prices gained less than the BEP. The break event point corn stick curve taste shrimp Limboto Lake, below:

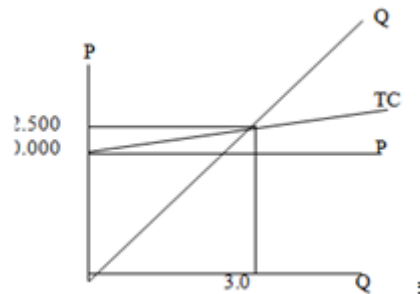


Figure 2. Break Event Point Curve of Limboto Lake Shrimp Corn Stick

Table 17. Limboto Lake Shrimp Corn Stick Variabel Cost

Variabel Cost	Total (Rp)
1 Kg Lokal Corn/Motorokiki	12.000
1 Kg Lake Shrimp	15.000
500 Gr Tapioca Flour	9.000
100 Gr Garlic	5.000
1 Sdm salt	500
250 Gr Sugar	4.000
2 Kg Fried Oil	26.000
Total	61.500

Variable cost is change in proportion to the business activity or the amount of the marginal cost of all units produced. Based on the above table it can be seen that the number of variable limboto lake shrimp corn stick is Rp. 61,500 with a raw material that is 1 Kg of local corn for Rp. 12,000.

Table 18. Shrimp Corn Stick Fixed Cost.

Fix Cost	Total(Rp)
plastic packaging	11.000
Labor	50.000
Gas	10.000
rental equipment for a grinders /hour	15.000
Electric/hour	10.000
total	96.000

Fixed Cost are the costs that does not depend on the level of goods or services output that produced by the business. The table shows that the total of fixed costs of shrimp corn is Rp. 96,000 which consists of the cost of plastic packaging, labor, gas, rental equipment for a grinders and electric.

Table 19. Shrimp Corn Stick Total Cost

Biaya Total	Total(Rp)
Variabel Cost	61.500
Fix Cost	96.000
Total Cost	157.500

The total cost was the the amount of variable costs and fixed costs. Based on the table the shrimp corn stick total costs is Rp. 157 500.

Table20.Shrimp Corn Stick Revenue

Description	Production	Price	Total
Revenue	3.000 gr	10.000/ 100 gr	300.000

The Revenue is all income received from economic activities without deducting the total production expenditure. Based on the table the shrimp corn stick total revenue is Rp. 300,000

Table 21.Shrimp Corn Stick Profit

Description	Total
Revenue	300.000
Total Cost	157.500
Revenue (1-2)	142.500

Profit is the total revenue after deducting the total cost of production. Based on the table, the shrimp corn stick profit isRp. 142 500.

Economics Analysis of Sweet Corn Dodol

1. Break Event Point (BEP)Analysis

$$\begin{aligned} \text{BEP Revenue (Rp)} &= \frac{FC}{1 - \frac{VC}{TR}} \\ &= \frac{119.500}{1 - \frac{78.000}{250.000}} \\ &= \frac{119.500}{1 - 0,30} \\ &= \frac{119.500}{0,70} \end{aligned}$$

$$\text{BEP Revenue (Rp)} = 170.714$$

$$\begin{aligned} \text{BEP production(bucket)} &= \frac{FC}{P - \frac{VC}{Q}} \\ &= \frac{119.500}{25.000 - \frac{78.000}{10}} \\ &= \frac{119.500}{25.000 - 7.600} \\ &= \frac{119.500}{17.300} \end{aligned}$$

$$\text{BEP production(bucket)} = 6.90$$

$$\text{BEP price (Rp)} = \frac{10}{19.550}$$

d. $\text{BEP}_{\text{revenue}} = \text{Rp } 170.174$

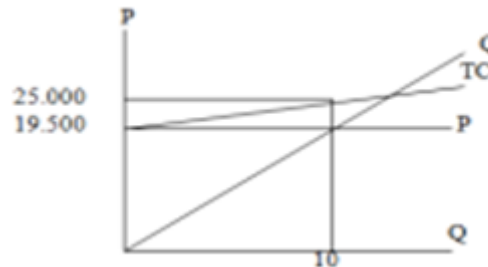
The home industry will get a profit when the revenue more than break event point value Rp. 170.174 otherwise home industry would suffer losses if the revenue obtained less than the break-even point

e. $\text{BEP}_{\text{production}} = 6.90 \text{ bucket}$

The home industry will get a profit when the production is more than break event point value 6.90 bucket, otherwise home industry would suffer losses if the production obtained less than the break-even point

f. $BEP_{price} = Rp. 19.550$

The home industry will get a profit when the price is more than break event point value Rp.19.550, otherwise home industry would suffer losses if the price obtained less than the break-even point. Here is a corn dodol break event point curve



Picture3. Corn Dodol break event point curve

Table 22. Variabel Cost Corn Dodol

Variabel Cost	Total (Rp)
1 Kg Sweet Corn	20.000
500 ml coconut milk	8.000
650 Gr sugar	12.500
300 Gr brown sugar	5.000
2 pack Full Cream milk	7.000
125 Gr butter	4.000
250 Gr Sticky Rice	5.000
1 pack Food Colour	500
50 Gr rice	2.000
3 pack Vanila	2.000
Gas	10.000
Total	76.000

Variable costs is the costs that change proportionally to the business activity or the amount of the marginal cost of all units produced. The table above shows that the number of variables corn dodol is Rp. 76,000 based on the main material is 1 kg of sweet corn for Rp. 20,000.

Table23. Corn Dodol Fixed Cost

Fix Cost	Total(Rp)
Plastic packaging	10.000
Plastic binding	7.500
Labor	50.000
15 Bucket	52.500
Jumlah	119.500

Fixed Cost are the costs that does not depend on the level of goods or services output that produced by the business. The table shows that the total of fixed costs of corn dodol is Rp. 96,000 which consists of the cost of plastic packaging, Plastic Binding, labor and bucket.

Table24. Total Cost Maize Dodol

Biaya Total	Total(Rp)
Variabel Cost	76.000
Fix Cost	119.500
Total	195.500

The total cost was the the amount of variable costs and fixed costs. Based on the table the corn dodol total costs is Rp. 195.500

Table27. Table Maize Dodol Revenue

Description	Production	Price	Total
Revenue	10 Bucket	25.000/ Bucket	250.000

The Revenue is all income received from economic activities without deducting the total production expenditure. Based on the table the corn dodol total revenue is Rp. 250.000

Table28. Maize Dodol Profit

Description	Total
Revenue	250.000
Total Cost	119.500
Profit (1-2)	130.500

Profit is the total revenue after deducting the total cost of production. Based on the table, the corn dodol profit isRp. 130.500

Factors and Distribution Development Strategy of Maize Products

The way to find out more about the Distribution Development Strategy of Corn Products are identify alternative method how an organizations can use the strength or to use the opportunity to avoid threats and overcome weaknesses. SWOT matrix illustrates how the corn product can match opportunities and threats faced by its internal strengths and weaknesses. This can be seen in the following explanation:

1. Strength

Based on analysis of data, the Strength that can be used for the product development strategy are:

- a. Fresh and high quality raw materials such Local Maize (Motoro Kiki) and Limboto Lake Shrimp, Sweet Maize, Brown Sugar and Coconut Milk
- b. Having a good business prospect and environmentally friend
- c. Build a good working atmosphere between the home industry and managerial team
- d. Characteristically taste and quality of products

2. Weakness

Based on analysis of data, the weaknesses that can be used for product development strategy are:

- a. Production Volume / supplies
- b. The ineffective of information media
- c. Small area product distribution

3. Opportunity

Based on analysis of data, the opportunities that can be used for the product development strategy are:

- a. Good consumer responses
- b. The wide market target for all people
- c. The possibility to develop new product

4. Threats

Based on analysis of data, the threats that can be used for the product development strategy are:

- a. New competitor
- b. Unstable market taste

Table 29. Internal Factors Of Maize Product

No	Internal Factor	Scale	Rating	Score	Description
Kekuatan					
1	Having a good business prospect and environmentally support	0.20	4	0.80	There is good business prospect
2	high quality raw materials of corn product	0.20	4	0.80	Using high quality raw materials
3	Build a good working atmosphere between the home industryand managerial team	0.15	3	0.45	Good teamwork
4	Characteristically taste and quality of products	0.15	3	0.45	having Characteristic products
Nilai Skor = 2.50					

Kelemahan					
1	Production Volume / supplies	0.10	2	0.20	Limited supplies volume
2	Ineffective of product information and price product information	0.10	2	0.20	Ineffective promotion
3	Small area product distribution	0.10	2	0.20	Small area product distribution
Score = 0.60					
Total		1	20	3.10	

Source: Primary Data After processed, 2016.

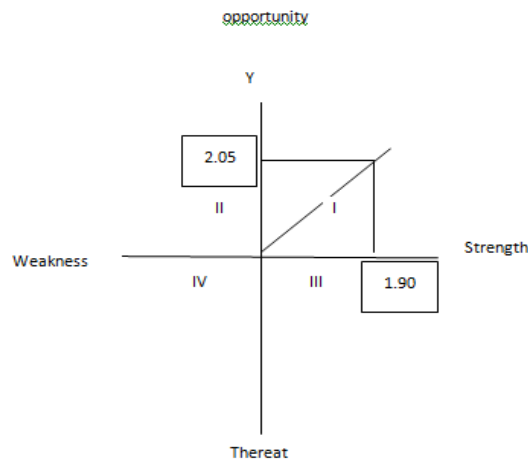
The table above shows that total strength value = 2.50 are bigger than total weakness value = 0.60, this situation indicates that the strength factor for the distribution product development strategy is greater than a factor of weakness as an inhibitor of the distribution product development strategy

Table 29.External Factors Of Corn Product

No	External factor	Scale	Rating	Score	Description
Opportunity					
1	The wide market target for all people	0.30	4	1.20	Accessible to all levels of consumer
2	Good consumer responses	0.23	3	0.69	consumer has a good responses
3	The possibility to develop new product	0.22	3	0.66	There is a . The possibility to develop new product
Nilai Skor = 2.55					
Threat					
1	New competitor	0.13	2	0.24	There are New competitors
2	Unstable market taste	0.12	2	0.26	unstability of consumers taste
Score = 0.50					
Total		1	14	3.05	

Source: Primary Data After processed, 2016.

The table above shows that total opportunity value = 2.55 are bigger than total threat value = 0.50, this situation indicates that the opportunity factor for the distribution product development strategy is greater than a factor of threat as an inhibitor of the distribution product development strategy. To determine the distribution product development strategy by using SWOT analysis diagram, it can be seen in the figure below:



SWOT analysis diagram of distribution product development strategy

Based on the results of the analysis contained in the picture, it is known that the strength is greater than weakness and generates the X axis in the diagram SWOT. Likewise, an opportunity that will be faced greater than the threat and generates the Y axis SWOT diagram. These values shown that the difference between opportunity and threat is 2:05 while the difference between strength and weakness is 1.90.

1. Strength – Opportunity Strategy

Fresh and high quality raw materials such a Local Corn (Motoro Kiki) and Limboto Lake Shrimp and the other additional raw material produced a good corn stick product and accepted by the various levels of the consumer. Similarly, raw material such as sweet corn and Palm Sugar and Coconut Milk used is still in a fresh and qualified that is processed into becoming Dodol sweet corn. Therefore, have good business prospects and environmentally friend generates the possibility of new product development as well as produced taste and quality products that have characteristics, thus the market target of all level consumer can be completed

2. Weakness – Opportunity Strategy

An improvement in volume of production / supply of shrimp corn stick and corn dodol is important to fulfill the market target. increased the effectiveness of product and price information, and open market distribution are required to push the product be accepted by all level of consumers

3. Strength- Treat Strategy

Keep the fresh and high quality raw materials such a Local Corn (Motoro Kiki) and Limboto Lake Shrimp and the other additional raw material produces a unique corn stick taste so the product is hard to defeated by new competitors and can make the public taste remained stable

Strategi (W-T). Similarly, raw materials and Palm Sugar Sweet Corn and Coconut Milk used is still in a state of quality fresh and processed into becoming Dodo Sweet Corn with characteristic flavor and chewy softness is the main attraction for this product olehan

4. Weakness –Treat Strategy

An increasing of product and price information of shrimp corn stick and sweet corn dodol are necessary to do to know market taste development. Increasing product distribution are important to face the competitor.

These factors and the development strategy of product distribution of shrimp corn stick either Sweet Corn dodol is very important. In the distribution will occur or appear several factors, both threats or weakness while development strategy is necessary for the distribution of corn product in order to improve further the quality and distribution of refined products kuantitas of the corn itself.

Based on the analysis SWOT matrix, the factors and strategies for developing distribution corn product, namely 1)The high quality of material used are received well by the public, (2) has a good business prospects and environmentally friend, generates the possibility of new product development 3) flavor and quality of products that have characteristics reach the market target in all societies level In the other hand the weakness of the factors and strategies for developing distribution corn product, namely (1)increased the volume of production / inventory to reach the market target (2) increased the promotion of product and price information, and open market distribution are required to push the product be accepted by all level of consumers

CONCLUSION

1. Maize Farming Profile in the district of Gorontalo

Data group, the number of members and the largest corn crop cultivated area in the district are in the village BatudaaDunggalais by 8 groups, 187 the number of members of the group, and 157.3 ha of arable area corn crop. As for the District Pulubala amount of data contained in the largest group, namely PuncakDesa some 32 groups, for the highest number of members in the village Toyidito there is a number of 705 members and the largest corn crop cultivated area located at Peak Village is an area of 701.21 ha.

2. Characteristics of People In Household group Village Toyidito District of Pulubala

People who were in the group of households in the District of PulubalaToidito dominance that has the characteristics of sex is dominated by women as much as 80%, for age dominated by the age interval 20-30 years is 40%, for the highest education level is dominated by SD equivalent as many as 50%, for the work is dominated by non-agricultural jobs in as many as 70% while for the duration of the population lived dominated by people who have been domiciled for 3-5 years and 10 years respectively by 50%.

3. Characteristics of People In Household group Village Barakati District of Batudaa

People who were in the group of households in the District of BatudaaBarakati dominated by women, as much as 100% for the category of gender, for age dominated by the age interval 31-40 years as many as 50%, for the education level of high school dominated by as many as 50% , for the work is

- dominated by non-agricultural jobs in the field as much as 80% while for the duration of the population lived dominated by people who have been domiciled for 3-5 years is 50%.
4. Economics analysis of shrimp Maize stick
Home industry of shrimp corn stick will be gained profit when the revenue larger than the break event point value is Rp. 120.000, if the production obtained exceeds the limit break-even point is 11 975 grams and if the price obtained exceeds the limit break-even point is Rp. 52,500.
 5. Economics analysis of Maize Dodol
Home industry of corn dodol will be gained profit when the revenue larger than the break event point value Rp 170.174, if the production obtained exceeds the limit break-even point is 6.90 bucket and if the price obtained exceeds the limit break-even point is Rp. 19.550.
 6. Factors and Distribution Development Strategy of Maize Products
Based on the analysis SWOT matrix, the factors and strategies for developing distribution corn product, namely 1) The high quality of material used are received well by the public, (2) has a good business prospects and environmentally friend, generates the possibility of new product development 3) flavor and quality of products that have characteristics reach the market target in all societies level. In the other hand the weakness of the factors and strategies for developing distribution Maize product, namely (1) increased the volume of production / inventory to reach the market target (2) increased the promotion of product and price information, and open market distribution are required to push the product be accepted by all level of consumers

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BUDGET DEFICIT AND POLICY ANALYSIS IN THE PROVINCE OF JAMBI

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Abstract. Economic growth is one indicator to assess the success of development in a country and region. Consumption and investment are the driving factor in the growth of the demand side. Theoretically, that economic growth is supported by consumption growth will not be sustainable. Sustained economic growth is economic growth supported by investment. Growth is underpinned by investment is considered to increase of productivity, the which in turn can help the absorption of labor (Kuncoro, 2004). With the increasing growth of the economy is Able to make a major contribution in supporting economic development. One of the policies that can be done to improve the investment is expansionary fiscal policy. Expansionary fiscal policy was Considered to be encouraging investment through increasing improvement of Aggregate Demand (aggregate demand). The government's fiscal policy contained in the budget (Budget Areas) District/Town With Budget Deficit Conduct Policy and the City District Government of Jambi Impact of economic growth. This analysis to PROVE the theory Pump-priming.

Key words: productivity, economic growth, demand side

INTRODUCTION

Background

The success of regional development one of its assessment indicators is the level of economic growth is a reflection of the level of the dihasil produk-income society in an area at a certain period .Konsumsi and investment is a driving factor in the growth of the demand side. Theoretically, that economic growth is supported by consumption growth will not be sustainable. Sustained economic growth is economic growth supported by investment. Growth is underpinned by investment is considered to increase productivity, which in turn can help the absorption of labor (Kuncoro, 2004). With increasing economic growth is expected to make a major contribution in supporting economic development.

Regional autonomy is part of democratization in creating a system that PowerShare at every level of government and to demand the independence of the management system in the area. Distribution of authority / power, adapted to national and local authorities, including financial authority. To make decisions economic, social and political, the necessary accounting information, which is one form of financial statements (Halim, 2010: 105). In this regard, necessary to good financial management to prepare financial statements for an area. Based on Government Regulation No. 58 Year 2005 on Regional Financial Management explained that the supervision over local finances conducted by the board, and the examination of financial management by external, namely CPC. Further to the overall budget planning area include the preparation of Public Policy Budgets up with the formulation of the draft budget. Although the doing of good financial management and budget planning is good, in some areas continue to experience budget deficits. The budget deficit is the difference between income and spending less. In order to finance the budget deficits of local governments, the needed financing sources. Local financing is all that needs to be repaid receipts or expenditures that will be welcomed back, either in the relevant fiscal year and in subsequent fiscal years. Funding area as defined in Regulation No. 13 of 2006, Article 22 paragraph (1) letter c consists of financing revenue and expenditure financing. One source of revenue is 20 loan financing area. Regional Loan is a financing alternative budget that is used to cover the budget deficit, financing expenses and cash flow shortage

District and town in the province of Jambi perform a variety of ways to increase investment in order to boost economic growth. One of the policies that can be done to improve the investment is expansionary fiscal policy. Expansionary fiscal policy was considered to be encouraging investment through increased aggregate demand improvement of the government's fiscal policy is contained in the Income and Expenditure District and City of the overall load on government revenues and expenditures, is based on estimates of the government's ability to collect revenue Regions. In the estimate of two things can happen, namely the possibility of a surplus or a deficit. Budget deficit occurs when a government's total expenditure is greater than the reception. In accordance with Government Regulation (PP) of the Republic of Indonesia Number 23 Year 2003, the government budget deficit is less difference between income and expenditure in the same fiscal year. And a surplus of the budget if the opposite of acceptance is greater than expenditure.

Differences of opinion about the impact of government policies on the economy budget deficits occur in theory and empirical research. Pump-priming theory states that the government budget deficit is needed to encourage economic activity in the area so that the economy avoid a prolonged recession. Through the policy of financing the government budget deficit is possible to create jobs (employment creation). If the jobs can be created will increase people's purchasing power and aggregate demand increases. This will stimulate entrepreneurs to increase production.

The increase in aggregate demand can also occur through an increase in public spending. Keynesian economists expressed the view that the policy of the government budget deficit is financed by tax cuts led to the taxpayer feels after-tax income increased. The increase in after-tax income will be responded by spending more. The increase in expenditure will increase the demand for goods and services and this will encourage economic activity.

The results of empirical research also found the conclusion that the government budget deficit could have positive influence on the economy. Richardian equivalence hypothesis states that the government budget deficit will not affect the macro economy. This hypothesis is based on the assumption that society has discouraged reason (rational expectation) against government policy. For a rational society, government policies cover the budget deficit by cutting taxes impact the increase in after-tax income for the time being. But in the future the government must pay the installments and interest on the accumulated debt. The way in which the government usually by raising taxes. So the tax reduction now seen by consumers only provide temporary income (transitory income) alone and in the future will be "taken back" by the government. Thus, consumers will not increase their spending this time (Mankiw, 2005).

Conditions That happened in the counties and cities in the province of Jambi implementing policies budget deficit in preparing the budget and the revenue and expenditure (budget) there is even the district and the city exceeds the regulations set by the government to the need to analyze whether these policies affect the economic growth of the Sar.

Problem Formulation

There is controversy opinions about the impact of policies on the government's budget deficit on economic growth, both in the realm of theory and empirical research. Therefore, the problem in this research is the policy of budget deficit Is the government district and the city of Jambi effect on economic growth during the study period. This analysis to prove the theory Pump-priming.

Purposes

Test the effect of government policies in the budget deficit and the city district in Jambi province on economic growth during the study period. This analysis to prove the theory Pump-priming.

THEORETICAL REVIEW

Fiscal Policy

Fiscal policy is an economic policy in order to drive the economic conditions to be better with the change of government revenue and expenditure. On the revenue side, if changing the applicable tax rate will affect the economy. If taxes lowered the purchasing power of the people will increase and the industry will be able to increase the amount of output. Instead of tax increases will reduce the purchasing power as well as lower industrial output in general. In economic literature, there are some differences of views on fiscal virtue, especially according to Keynesian theory and the theory of traditional classics. In principle Keynes argued that fiscal policy a greater influence on output rather than monetary policy.

It is based on his opinion that, first elasticity of money demand to the interest rate very small, so the IS curve upright. Expansionary fiscal policy shifts the IS curve to right so that the output increases. While monetary expansion with the addition of the money supply in the IS curve that still will not affect the output. This indicates that the fiscal policy will be more effective than monetary policy.

Fiscal policy objectives is to influence the course of the economy. This is done by road enlarging and reducing government consumption expenditure (G), the number of transfer pemerintah (Tr), and the amount of tax (Tx) received by the government so that it can affect the level of national pendapatn (Y).

Type Fiscal Policy

From the angle of the macro-economic fiscal policy can be divided into two Expansionary fiscal policy and contractionary fiscal policy. Expansionary fiscal policy is an economic policy in order to drive the economic conditions to be better with the change of government revenue and expenditure. Expansionary policies carried out by increasing government spending (G) or lower taxes (T) to increase the output (Y).

While contractionary fiscal policy is government policy by lowering regional spending and raise tax rates. This policy aims to reduce the purchasing power of the community and tackle inflation. government policies to create greater revenues than expenditures. This is usually done when a budget surplus when the economy is on the condition that expansion starts to heat (overheating), to reduce the demand pressure. at the time of the emergence of expansionary gap. Expansionary gap is a condition in which potential output is smaller than the Actual output.

Budgets

According GOMES (1995, p.87-88) The budget is a document that seeks to reconcile the priorities of the program with the sources of income in proyeksikan. Anggaran combines an announcement from the organization's activities on purpose for a period of time determined by the information regarding the funds needed for the event or to achieve these goals.

According MULYADI (2001, p.488) Anggaran merupakan a work plan that is expressed quantitatively measured in monetary units and units of measurement standards covering a period of one tahun. Penganggaran is a corporate financial planning as a basis for the control (supervision) financial companies for the period to come.

According Supriono (1990, p.150) Concept of Measurement and Deficit Financing Concepts size of the budget deficit that is used is the corresponding budget and the district budget in the provincial city of Jambi Where the amount of the deficit is total government revenue coupled with grants and then diselisihkan with government spending. As for the concept of deficit financing in the Minister of the Interior No. 13 of 2006 on guidelines for financial management, in his book Darise, (2009: 129) APBD deficits, can be funded from regional financing sourced from the substantial amount of last year's budget, the use of reserve funds, borrowing, proceeds wealth separated areas and receiving back the loan. 2.2 Local Government Loans

Budget Deficit

Economic activity undertaken by a country constantly deal with attempts to improve the welfare of the population. In this case, economic growth is becoming a requirement for the achievement of a prosperous society. Economic development does not just focus on economic development, but also about improving the welfare, safety and quality of available resources. The resources in question not only the processing of natural resources, but also on improving the quality of human resources. Special to economic growth, conducive policy is required to comply with the targets set.

The state budget, through the unit that handles the receipt and expenditure, plays an important role in influencing economic growth. Budget management policies greatly affect the quality of the budget. According Rahardja and Manurutng (2004), the budget deficit is the budget that was planned for a deficit, due to budget constraint, planned government spending is greater than government revenue ($G > T$) to fulfill the purpose of the state. The budget deficit is usually taken when the government wants to stimulate economic growth. This is generally done when the economy is in kondisiresesi. Definisi of the budget deficit by Samuelson and Nordhaus (2001) is a budget when the spending is greater than tax. Meanwhile, according to Dornbusch, Fischer and Startz budget deficit is the difference between the amount of money spent and the government tax revenue. The combination of massive spending and government revenues are summarized in a government budget.

To deal with the specific economic conditions, the one that the government can do is melalui..kebijakan fiskal. Fiscal policy can be seen in the government budget, and the budget deficit is one of the government's fiscal policy is expansionary fiscal policy.

Algifari (2009) conducted a study on the economy of Indonesia based on data from the government's budget deficit and the economic growth years of 1990-2007 with a partial adjustment models. The results showed that the government's budget deficit negatively affect economic growth in the same period and a positive effect on economic growth in the next period.

According to Abhimanyu (2005), the government budget deficit is the fiscal stimulus is expansive. The economy is in a state of lethargy, which is indicated by the decline in economic growth requires an expansionary fiscal policy to stimulate economic growth.

According Kartika (2006), the government has three options to close the budget deficit, which is from the privatization of state enterprises, debt of the Interior and of Foreign Debt.

Budget Deficit To achieve economic growth requires the role of government in the economy. Basically, the role of government in the economy is very broad. One form of such activities can be summarized within the framework of the government's budget. The budget of a country can be arranged differently depending on the economic conditions of the country.

Fiscal policy is a form of government intervention in the economy and economic development of a country. Fiscal policy has two principal instruments, namely Revenues and expenditures of government

(government expenditure) (Mankiw, 2003; Turnovsky, 1981). Dampak fiscal policy is a controversial issue and it has been around a long time. Some reform efforts kebijakanfiskal often done so that the economy is on the right track. However, the measures taken have not been able to show the maximum results for the influence of non-economic policy that is more dominant.

Hendrin H. Savitri (2006) states that stems from the crisis of 1997 until now continued with other crises that lead to economic growth in Indonesia is still very difficult to grow positively. The economic crisis marked by a decline in aggregate demand so that the economy shows the characteristics of depression such as drastically decreasing purchasing power, reduction or even loss of foreign investment and rising unemployment in the various sectors. In other sectors, the sector offers, occurred ketidakkonduksifan policies that resulted in the supply elasticity is very lemah. Kebijakan fiscal in the economy are set forth in the items listed in government revenues and expenditures.

According to Romer in Savitri (2006) states that simultaneous fiscal functions aimed at creating a conducive macroeconomic conditions to achieve economic growth, creation of employment and reduce unemployment, control inflation and encourage more equitable income distribution.

Policy budget deficit becomes important in times of crisis so that many of the issues is a dilemma in choosing the appropriate fiscal policy.

Policies deficit or surplus budget becomes an important issue to be studied due to the business cycle budget deficit into a pretty serious discussion in spurring economic growth.

Theoretically, the budget deficit policy affect monetary variables melalui two lanes (R. Maryanto, 2004). Both lanes are influencing monetary variable through the real sector and through the financial relationship between the government and the monetary mastery.

Stanley Fischer and William Easterly (1990) also revealed a correlation between income equality account budget, the budget deficit financing equality, and equality between the dynamical evolution of debt to GNP ratio. Securities budget deficit policy is a movement that does not appear because they have long-term impact.

The budget deficit in macroeconomic theory we can understand through perokonomian closed. Where in a closed economy with fiscal measures the government, the national income is composed of the National Income (Y) Consumption Expenditures (C), investment (I), government spending (G) (Froyen, 2002). $Y = C + I + G$

These areas of income, by the income recipient partly used to pay taxes (Tx) to the local government. But otherwise the local government will also give money to certain people or certain institutions without expecting any remuneration directly. Income after accounting for the receipt of government transfers and taxes to be submitted to the government this is called "disposable income", ie revenue will be ready for consumption and for saving. Local government budget deficit is said to be in a state that is when expenditure is greater than income and in a state of surplus revenue is greater than expenditure contained in the budget revenue and expenditure.

Theories

One theory is basically a simplification of the actual situation. In the sense that such a relationship, the economic theory of development, is an explanation of what determines the variable variabel- increase in output per capita of a society or a nation in the long term and how these variables interact with each other resulting in the development process. So the economic theory of development is nothing other than a logical and systematic disclosure of how the development process it happened or how it was driven development process to occur. To categorize the various theories of economic growth and development is not easy because it must memprtimbangan various things, such as the birth of a theory of the theory or the basic idea of the theory. However, to facilitate the discussion of the theory - the theory is there, then Todaro (Kuncoro, 2000) classifies the -teori theory in 4 approaches, such as the theory of linear growth (linear stages of growth), structural growth theory, the theory of international dependence revolution (depedensia), and the neo-classical theory. In pendalam theory showcased in this dissertation is concerned with the theory that having a relationship and approach to research that will be discussed in this dissertation.

Traditional Neoclassical Growth Theory

In the neoclassical free market argument is the belief that the liberalization of national markets will stimulate investment, both domestic investment as well as from abroad, so that by itself will spur the rate of accumulation of capital. When measured by unit growth rate of Gross National Product (GNP), it is the same with the addition of the level of domestic savings, which in turn would increase the capital ratio of labor (capital-labor ratios) and per capita income developed areas are generally poor capital, Model-traditional neoclassical growth model stands as diametrically directly from Harrod-Domar model and Solow.

Harrod-Domar growth model to explain the economic mechanisms that rely on increasing investment in accelerating economic growth. This model suggests that every economy basically should always back up or save a certain portion of national income to supplement or replace capital goods (buildings, equipment, and raw materials) which have shrinkage or damaged. However, in order to spur economic growth required new investment is a net addition to reserves or capital stock (capital stock).

According to the traditional neoclassical growth theory output growth came from one or more of the three factors, namely the increase in the quantity and quality of labor, capital increase and improvement of technology. The increase in the quantity and quality of labor can be seen from the growth of the population and also the improvement of education. Factors capital increase can be seen through savings and investment.

Keynesian Theory

Keynes a view different from the standard neoclassical paradigm in two fundamental things. First, it allows that some economic resources unemployment. Secondly, it presupposes the existence of a large number of myopic or liquidity constrained individuals. This second assumption ensures that the aggregate consumption is very sensitive to changes in disposable income. In simple Keynesian models, an increase in the budget deficit of \$ 1 causes an increase in output in contrast to the marginal propensity to save (MPS). In the standard economic analysis of monetary IS-LM, the increase in output will increase the demand for money. If Money Supply is fixed (deficit financed bonds), interest rates will rise, and private investment fell. This in turn will reduce output and some balance Keynes multiplier effect (Bernheim, 1989).

According to the Keynesians, the budget deficit will increase the income and welfare, and consumption in the next turn. The budget deficit is financed by debt, which means that the tax burden on the present relative becomes lighter, will cause an increase in disposable income. The increase in disposable income will increase consumption and the overall request. If the economy is not yet in a state full of opportunities, increased demand side will encourage the production and subsequent increase in national income. In the next period, the increase in national income will stimulate the economy through Keynesian multiplier effect. Because the budget deficit to increase consumption and income ingkat at once, the level of savings and capital accumulation also increased. According to Keynesians as a whole, the budget deficit in the short term will benefit the economy (Pamudji, 2008). But it should be noted that the assumption Keynes who said that the economy will continue to produce as much as required (supply is infinitely elastic) occurred during the depression at that time and not in normal conditions (Nelson, 2006). Indonesia itself suffered a crisis that began with the financial crisis that hit since the early half of 1997 and turned into an economic crisis.

Neo Classical

Bernheim, (1989) states that the standard neoclassical model has three main features. First, the consumption of each individual is determined as a solution to an optimization problem over time, in which borrowing and lending interest rate allowed on the market. Second, individuals have a limited life span. Every consumer is included in a particular group or generation, and the life span of successive generations overlap. Third, Market Clearing is generally assumed in all periods. They argue that every individual has enough information, so they can plan the level of consumption over its life time.

The budget deficit will increase the level of consumption over its life time. The budget deficit will increase the level of consumption in the long term by way of levy for the next generation. If all resources to be fully used, the increase in consumption would lower the level of savings and interest rates will rise. The theory postulates that in conditions of full employment, a permanent budget deficit will lead to private investment evicted. The government budget deficit by lowering tax rates would increase interest rates and lower private investment. As a result, economic growth is going down (crowding out). In general, the classical argue that budget deficits will harm the economy.

DISCUSSION AND ANALYSIS,

Discussion

Basic Law of Budget Deficit Financing

The legal basis for the financing of budget deficit are:

- Law No. 41 of 2008 on the State Budget for Fiscal Year 2009 (and the Law on State Budget, which is published every year)
- Government Regulation No. 23 of 2003 on Control Number Cumulative Number Cumulative Deficit and Central and Local Government Loans

- Minister of Finance Regulation No. 45 / PMK.02 / 2006 on Guidelines for the Implementation and Monitoring Mechanisms budget deficit
- Regulation of the Minister of Finance No. 138 / PMK.07 / 2009 on the maximum limit of Cumulative Deficit Budget Revenue and Expenditure, Maximum Limit Budget Deficit Regions Each Regional and Local Borrowing Cumulative Maximum Limit for Fiscal Year 2010

Causes of occurrence of Budget Deficit

1.To Speed up of Economic Growth

To speed up the construction of large investment required and to funds. If the funding is inadequate, the state usually perform selection by borrowing abroad in order to avoid the imposition of citizens if the lack of it is closed through the collection of taxes. State is burdened with a great responsibility in improving the welfare of its citizens. This expense includes the development of programs, such as:

- a) Programs related to economic growth, such as roads, bridges, electricity, ports, etc.
- b) Programs related to defense.
- c) development covering areas of law, such as the projects of the courts, prisons, etc.
- d) Program areas of social, education and health, such as schools, hospitals, orphanages.
- e) Program related to income distribution, such as the transmigration program, local development, etc.
- f) Programs addressing poverty issues, such as the KDP, P3DT, etc.

Everything it takes a huge cost, and among them should be implemented by the state, especially the program numbers b, c, e, and f, for private / public is not possible to build such programs.

2. The Low Purchasing Power

People in developing countries like Indonesia, which has a low per capita income, are known to have low purchasing power anyway. While the goods and services required, the price is very high because most of the production has imported components, so that low-income communities can not afford to buy goods and services. Goods and services such as electricity, transportation, fuel, and so forth. If left alone by the market mechanism, the stuff was definitely not possible affordable by the community and they will continue to decline. Therefore, the state requires the expenditure to subsidize these items so that poor people can come to enjoy.

3.Equitable Distribution of Income

The extra spending is also needed in order to support the equal distribution across the region. Indonesia, which has a very spacious area with a level of progress that vary in each region. To maintain political stability, unity and integrity of the nation, the state must pay for example, expenditure transportation subsidies to poor and remote areas, so that people in the region can enjoy the fruits of development are not much different from the more developed regions. The activities for example by subsidizing a cruise ship Pioneer connecting remote islands, so that people can reach other areas at a cost appropriate to their abilities.

4.Depreciation

Indonesia, which since 1969 foreign borrowing, encountered a problem when there is volatility every year. This problem is caused because the loan amount is calculated by the foreign currency, while the installment payments of principal and interest on the loan is calculated with the rupiah. If the exchange rate declining against the currencies of US dollars, which will be paid also increased. For example, the state budget in 2000, have been prepared assuming the rupiah against the US dollar exchange rate of Rp. 7,100, -, in the course of the fiscal year has reached Rp. 11.000, - more per US \$ 1.00. What does it mean ? That payments of principal and interest on loans taken from the state budget grew, more than what was originally budgeted.

5. Global Crisis

The global crisis happened lately led to rising unemployment in Indonesia. While tax revenue declined, due to declining economic sectors as the impact of the crisis, when the state should be responsible for raising the purchasing power of people who are poor. In this case the state was forced to pull out extra funds for poverty programs and community empowerment, especially in rural areas are poor.

6 The realization of which is not according to plan

If the state revenues misses than was planned, or in other words the state revenue plan can not achieve goals such as what was planned, then it means that some of the activities, projects, or programs

must be cut. Cutting the project was not so easy, however, because in order to achieve the performance of the construction, a project can not stand alone, but is related to other projects. If this happens, the state must cover the shortfall, so the performance of development can be achieved in accordance with the original plan.

7. Costs Due to Inflation

The preparation of the state budget at the beginning of the year, based on standard according to a predetermined price. The standard price itself in the course of the fiscal year, its accuracy can not be guaranteed. In other words, during the course of the fiscal year standard price can be increased but rarely declined. When there is inflation, with rising prices that mean program development costs will also increase, while the budget remains the same. All this will result in reduced quantity and quality of the program, so that the state budget needs to be revised.

Deficit Impact on the Economy Macroeconomics

Why do we talk about the deficit? And why the state budget deficit is a scourge dreaded? The budget deficit is like hypertension whose effects could affect the work of the heart, kidneys, eyes, brain, resulting in paralysis. Similarly, the budget deficit also have an impact on several macroeconomic variables, among others:

1. Interest Rate

The budget deficit is characterized by a lack of financing expenditures due to lack of state revenues from taxes. To meet the needs of the community in increasing the development budget and routine, the State requires additional capital, which means that the demand for money increases. Flowing, which is the price of capital, will experience a higher level of balance, or the interest rate will increase.

2. Balance of Payments

In an open economy, the budget deficit can affect the position of export and import from and to foreign countries. With rising interest rates, domestic investment will decline, which means the chances of foreign capital tends to flow into the country to meet the needs of domestic investment. When this happens, the budget deficit has two related impacts, namely: first, the budget deficit will increase the deficit in the balance of payments; The second, with the swelling balance of payments deficit, will lower the exchange rate in the country against foreign currencies. Thus decreasing the value of the rupiah against foreign currencies during this time not only due to psychological factors, but also technical factors.

3. Inflation

State expenditures that exceed revenues means the state budget was expansionary, which means that there is a tendency to rise in general prices (inflation). Why, because the state expenditures are used for the construction projects at great expense and futures old, during the development have not been able to produce in a short time, but on the contrary, the state has done pengeluaran-pengeluaran, among others, for wages that resulted in an increase in purchasing power. With increasing consumer purchasing power on the one hand, and no output is generated on the other hand, will push general prices will rise, the impact is on inflation. During the construction of the passionate hard unavoidable circumstances this inflation.

4. Consumption and Savings

Inflation is caused due to the country's budget deficit would reduce the real income of the community. Reduction in the real income of the community that would result in a reduction in both consumption and saving. Saving is very important to encourage investment. If real income is declining, meaning the level of real consumption and savings also decreased, whereas the level of real savings that will affect the level of investment. With the decline in the savings rate, investment rate also declined.

5. Unemployment

Unemployment means a decrease in the level of employment. Employment opportunities depend on the amount of investment made by the state and society. Higher interest rates as a result of the state budget deficit, it will have an impact declining passion for investment, which means that many projects and expansion of existing projects can not be built, resulting in the firing of workers or the lack of new workers entering the labor market, Thus the budget deficit is also directly resulted in increased levels of unemployment rise.

6. The growth rate

Increased growth is the result of increased investment, both state and society. Increased investment it could happen, unless caused by a conducive security situation, as well as low interest rates. But if these variables change opposite to that mentioned above, especially high interest rates due to the budget deficit, the high growth rate will not be achieved or can be said that the budget deficit also resulted in a decrease in the growth rate.

Government policy to close the budget deficit

In order to close the budget deficit, there will be policy measures in order to obtain financing sources at a low cost and level of risk that can be tolerated. Steps

Policies in domestic financing

Policy actions in the domestic financing will be pursued al with:

- 1 managing a portfolio of government bonds (SUN) through the steps of interest and principal payments of government bonds in a timely manner, the issuance of government securities denominated in rupiah and foreign currency, the exchange of debt (debt switching) and repurchase (buyback) of government bonds;
- 2 continues the privatization policies that are carried out under the provisions in force in the capital market;
- 3 ex-moratorium use the funds to finance the reconstruction and rehabilitation of Aceh and Nias;
- 4 use part of government deposits; and
- 5 provide financial support to accelerate infrastructure development in order kemitraanPemerintah-Private.

Policy on foreign financing

Measures taken include the following:

- 1 Securing foreign loans have been agreed and planned absorption of foreign loans, both loans and project loans program, and
- 2 Payment of principal repayments of foreign debt that is due.
- 3 In order to finance the budget deficit financing, the Government will put forward the principle of independence, by prioritizing funding from domestic sources. Funding from abroad will be made more selective and cautious, by seeking the loan burden of the lightest through withdrawal of loans with low interest rate and a grace period that is long, and has not led to their political ties, as well as prioritized to finance the activities productive.

Policy of Expenditure side:

1.Reducing subsidies

That aid is taken from the state budget for expenditures that are helping consumers to cope with the high price of which is not covered by them in order to create political and social stability, such as fertilizer subsidies, subsidized fuel oil (BBM), electricity subsidies, and so forth. In principle, the state provides a subsidy to the goods, because the goods it is considered the price too high compared with the purchasing power of the people. To avoid turmoil in the community, the state spends to subsidize the goods. The subsidy was done in several ways, for example: i). provide subsidies to consumers by way of subsidizing the prices of goods consumed; ii). provide subsidies to producers, which provide subsidies on the raw materials used to produce such goods. If the reduced subsidy expenditures will result in price increases that were given subsidies.

2. Saving on every expenditure both routine and development expenditure

The savings in routine expenditure carried out by the technical department, for example, for expenses for electricity, telephone, stationery, business travel, meetings, seminars, etc. without reducing the performance of the technical department concerned.

3.Selecting portion of development expenses

Development expenditure in the form of development projects are selected according to priorities, for example, projects that rapidly produce. The projects that absorb huge costs and settlement in the long term, while postponed.

4. Reducing spending programs that are unproductive and inefficient

Such programs are programs that do not support the growth of the real sector, does not support the increase in tax revenue, and does not support the increase of foreign exchange earnings. Cutting these programs should be done with caution. Cutting spending without improving the productivity program, meaning there will be a tendency for the declining quality and quantity of output.

RESEARCH METHODS

Research methods

To analyze the policy of budget deficits and the effect on economic growth and City District, and components using the Partial Adjustment Model (PAM), which is the model used in the study by Eisner. Eisner is DGNPDEF_t research model of economic growth in year t, X1 and X2 is a dummy variable for 2008-2013.

DGNPDEF_{t-1} is a growth year t-1, u is the unemployment rate in year t, and PAHES is the government budget deficit in year t as a percentage of Gross National Product (GNP) in year t.

DCOM_t is the percentage of GNP component of the GNP in year t, X1 and X2 is a dummy variable for 2008-2013, PEHES_{t-1} is the government budget deficit in year t-1 as a percentage of GNP in year t-1, and DMB_{t-1} is the percentage of money the core of the GNP in year t-1. GNP component is household consumption, investment and government spending. The regression model used in this study is the Partial Adjustment Model (PAM), so no need to conduct testing of stationary data. The coefficient of inaction (lag) is the dependent variable between 0 and 1 and must be statistically significant with a positive coefficient sign (Insukindro, 2001).

Here are the models used to test the effect of budget deficits on economic growth and its components.

Model to analyze the effect of budget deficits on economic growth.

To test the effect of budget deficits on economic growth, private consumption and investments using the data deficit in the government budget deficit to economic growth and private consumption District and the city in 2008 to 2013.

Research Approach

This study uses a positivistic paradigm approach. With a positive approach and quantitative research methods requires research designs that specify the object explicitly eliminated other objects that were not studied (Moehadjir, 1989: 11). In the approach to the study of positive Technically search for meaning which is applied in the form of looking for significance. The steps of the analysis will be discontinued when the meaningfulness tested in a series of tests of significance with evidentiary techniques based on frequency or variety of events. This relates to the trust the prediction of the pattern of causality departing from the basic statement as assumptions. Assumptions used in a logical and consistent derived from the theory or model. This statement may be delivered in the form of language, graphs and mathematical similarity.

Positivistic approach used in this study to analyze the correlation independence, keeksistensi and kausaliti, likewise able to predict on matters that may occur in connection with the relationship between public investment to private investment and determinants on private investment. The approach aims to answer the research problem through hypothesis testing.

Types and Sources of Data

The data used in this research is secondary data. Secondary data was sourced from the Local Government Unit District and the city, namely the Regional Secretary, Planning and Regional Development (Bappeda), Board of Finance and Asset Management Area (BPKAD), the Department of Revenue (Revenue), provincial Bappeda Jambi and Statistics and institutions and other relevant internet sites.

Data collected include Gross Domestic Product (GDP), private investment (Gross Fixed Capital Formation), government spending in the form of Public Service, Economic, Housing and public facilities, health, education, interest rate, Employment, wages, inflation and political institution. Data were collected starting the period 2008-2013. The data is expected to explain the determinants of private investment and the associations of government expenditure in the county and city in the province of Jambi.

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FISCAL DECENTRALIZATION AND TRADE BETWEEN PROVINCES IN SUMATRA: AN APPROACH GRAVITY MODEL

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Abstract. The study, entitled "decentralized fiscal and trade among the provinces in Sumatra: through an approach gravity model". The model used in this study is a model of gravity and fall into multiple linear regression models and using a model of interdependence or differentiation ratio. In this study the main attraction is the first researcher, Is Fiscal decentralization is capable of creating inter-provincial trafficking diSumatera using gravity model approach; second, whether fiscal decentralization and trade among the provinces in Sumatra by using Gravity Model can increase economic growth; Third, fiscal decentralization and Trade Is among the provinces in Sumatra able to create mutual depencwhich provide benefits in Sumatra; fourth, Does Fiscal Decentralization and Inter-regional Trade in Sumatera able to accelerate the development process; fifth, Does Fiscal Decentralization and trade between regions in Sumatra able to control the rate of inflation in each of the blood in Sumatra; sixth, Does Fiscal Decentralization and trade between regions in Sumatra significant effect on economic growth and increased prosperity districts / cities in Jambi province; and seventh, Does Fiscal Decentralization and trade between regions in Sumatra significant effect on employment and increase social welfare districts / cities in Jambi province. Sumatra is the sixth largest island in the world are located in Indonesia, with an area of 443.065,8km². The island population is about 42,409,510 inhabitants (2000). The island is also known by another name, namely Pulau Percha, Andalas, or Suwarnadwipa (Sanskrit, meaning "island of gold"). Then in Padang Roco inscription carved in 1286 swarnabhūmi (Sanskrit, means "golden land") and Bhumi Malay ("Tanah Melayu") to refer to this island. Furthermore, in the State Kertagama manuscript from the 14th century also back calls "Earth Malay" (Malay) to this island.

Key word: fiscal decentralization, trade, area, and jmlah penduduk provinces in Sumatra: an approach gravity model;

INTRODUCTION

Background

Patterns of governance in Indonesia through many changes from the centralized system of governance change form the old system of decentralized government. Law No. 22 of 1999 concerning Local Governance and Law No. 25 of 1999 on financial balance areas to set up and manage their own what is the authority of local governments in order to improve public services. The basic idea of the fiscal decentralization process becomes very important component in the presence of fiscal transfers from the central government to local governments in the hope that the implementation of regional autonomy becomes more effective.

Then born again law number 32 of 2004 on Pemerintahan area and Act No. 33 of 2004 on Relations between the central government, provincial and district/ city reorganized. Seacara specifically, the role of the provincial government returned as a liaison between the central government and district / city governments. Fiscal decentralization is one of the implementations of the paradigm of central and local government relations. The initial policy formulated in the Law no. 22 and Law. No. 25 out in 1999 among others marked by dialakosikannya General Allocation Fund (DAU) to finance various government functions that have diderahkan, Dana For HASL DBH) of extra natural resources located in the area in question and the granting of tax ortortas limited to local governments.

Furthermore, amendments to legislation decentralization conducted in 2004 focused to a monitoring mechanism by the central government, and improvements to the accountability of government spending elapsed areas (Brodjonegoro 2004). On the fiscal side, the Law No. 33 2004 enlarge the tax base of natural resources dimiliki area, mapun of national tax tingkat other, and the expansion of the total funds being sumer DAU. Changes kibijakan fiscal decentralization is itself a reflection of the fiscal needs of their expanding local level, prakek soft budget constraint of the central pemerintah which is also due to the slow pace of reform of local taxes.

Although he has performed a variety of remedial policies, fiscal decentralization in Indonesia still has many weaknesses and shortcomings, both in level of concept and implementation. There are still conflicting rules to one another, there are differences of opinion as well as the seizure of kewenangan between multiple levels of government in the area of fiscal management, or are still common multi-

interpretation in the implementation of policies in the area. It disebabkan because there is a common perception on fiscal decentralization in Indonesia. A common perception that should be accommodated in a good design of fiscal decentralization. This indicates that fiscal decentralization is a must, as well as in implementasinya in the field should be carried out carefully without any doubt and multiple interpretations. Concrete manifestation of the fiscal transfer in Indonesia has several instruments, diantaranya is the General Allocation Fund, Special Allocation Fund and the Fund for the results. The fiscal instruments can be categorized as matching funds.

The mechanism of the components of the balance funds have the purpose of each priority of the transfer funds. Percentage transfer funds in each region is different, because it is determined by the needs of each region. Therefore, indicators that can explain the needs of each region becomes important in the determination of the formula in providing public services to be run optimally on how big the transfer of funds held by each region. Similarly, the provision of facilities and infrastructure and adequate infrastructure to support the course of trading activity in optimal. The trade sector became one of the important factors in the growth of the economy of a country. Trading is able to create a new jobs and are directly able meningkatkan income is the basis for economic growth. This is the basis begi this study to focus on the effect of fiscal decentralization of the country, especially on trade in 10 provinces on the island of Sumatra. This study uses a gravity model approach to the time period of 2004, 2009 and 2015 and the estimation method used was Formulation contribution and simple linear regression approach (OLS). The data showed trade flows between provinces in this study uses data MAT current movement of goods exports and imports.

Research Purposes

1. To analyze the contribution of the PDRB of each province in Sumatera
2. To analyze the contribution of exports each province in Sumatera
3. To analyze the contribution of the import of each province in Sumatera
4. To analyze the effect of exports to the PDRB Province in Sumatera

STUDY OF THEORETICAL

Some definitions of concepts relepan the research plan titled "Fiscal Decentralization and Trade Inter-Province in Sumatra; Approach Theory of Gravity ". Definitions and variables used considering the results of previous relevant research.

Theory of Fiscal Decentralization.

The process of decentralization is to strengthen the local government unit and the decision-making autonomy, resources and authority from the highest level to the lowest level in government (Bird, 1993; Falleti, 2004). Decentralized government system is a system of government where the local government has the authority to take a decision on each dankebijakan own territory. Decentralized governments will not run with the maximum without allocation of central government funds to local governments, it makes fiscal decentralization became a major komponen in a decentralized government system. Shah (2007) explains that there are two categories of intergovernmental transfer, namely transfer for general purposes and transfer for a particular purpose. Transfer for general purpose dsediakan as statutes in maintaining local autonomy and can raise equity interyuridiksional. Transfer to implement the program or activity.

Implementation of fiscal transfer in Indonesia, better known as balance funds. Fund balance becomes an important component of the local government in carrying out its responsibility for the provision of public services. Components of the balance funds include Alakosi Fund (DAU), Special Allocation Fund (DAK) and the Fund for results and natural resource taxes (DBH). Bodman et al (2009) melakukan research on certain factors of fiscal decentralization with a focus on the impact of income levels and the level of fiscal decentralization. Proxy decentralized research model uses data subnational expenditure and revenue as the dependent variable. Vareabel independ- ent in the model covers the area, enduduk growth, urbanization, military expenditure and trade. The results showed that the proxy decentralization has a positive with relation to area and population, but has a negative and significant relationship on trade.

Mayrowani (2006) in his study wanted to see the effect of regional autonomy policy against trade industry. Focus on trading results for the agricultural sector, the study found that local government autonomy setelah terfokus only on increasing original income as local revenue through tax levies. Regulations and levies overlapping mengakibatkan inter-regional trade costs become so large. The theory of fiscal decentralization can be seen from the two approaches, namely peandekatan Musgrave and Neo Classical approach (Simanjuntak, 1998). In general, the approach Musgravian stated that the presence of the public sector is to perform some basic functions. Things like answered from this approach is the level

of government which the function should be run. Criteria to decentralize or centralize function is based on two criteria, namely externalities and sensitivity preferences. Based on these two criteria, then the stabilization function centralized, while the allocation and distribution functions can be decentralized. Although there is an opportunity for the distribution function for the central government to do so.

Neo Classical approach is an approach to political economy, who want to find out, can the local governments are perceived as befits the individual? The classical approach based on the assumption that considers that local communities have a relatively homogeneous preferences as appropriate individuals. From this approach can be inferred that the choices of local government is closer or more according to individual preferences rather than the choices made by the central government. Decentralization of decision-making will work best when it is homogeneous preferences. The above conclusion is in accordance with what is stated by Gramlich (1993) that public services should be provided by a governmental level as low as possible, or areas with the smallest administrative boundaries which benefited from the distribution. According to Bahl (1999), fiscal decentralization has several advantages; The first and most important is the advantage of the displacement of the government closer to the people.

The efficiency argument that most economists thought-provoking. Second, the mobilization of the entire reception can be improved because decentralization can expand the tax. Third, if the fiscal decentralization has been pretty much lasted the size distribution of cities in more bauik will be generated. The implications of a decentralized system of government is not necessarily that the maximum social welfare can be achieved. It is closely linked to the hazard posed, namely the question of cost is significantly embedded within it, namely in terms of distributive justice and macroeconomic management. Several studies have tried to examine the effect of fiscal decentralization and trade among the provinces in Indonesia, with a gravity model approach, incorporating elements of the present study economic size of each province and the distance between provinces as trade barriers. This study using the estimation method OLS (Ordinary Least Squares) for the period 2004, 2009 and 2015. The data show the trade flows between prvinsi use data MAT (Matrks Origin Destination) the movement of goods flow modes of land transportation derived from transportation Derjen Army as the dependent variable in research in trest use ini. Variable of total fund balance accumulated DAU, DAK and DBH or each category of balance funds separately.

Measuring Fiscal Decentralization.

In general, fiscal decentralization is interpreted as a transfer of authority from central to local government-related decision-making (Akai and Sakata, 2002). To measure fiscal decentralization, we must determine the degree of authority of local governments to take decisions or level of authority possessed by the lower levels. Associated with decision-making authority in matters of allocation based on the legal relationship between lower levels of government with higher levels of government. The standard approach for measuring the allocation of authority is to use measurement calculations such as income or expenditure. However, there are several ways to get the right size in the allocation of authority. First, the low level of government spending could be financed by higher government.

The division of this expenditure in the total budget does not in itself reflect the level of allocation of authority to lower levels because, in a broader sense, this provision is considered expenditures allowed by the government higher. Is not appropriate to consider the division of expenditure as something important in measuring the distribution of authority. This happens because of the division of authority is always associated with a given expenditure at lower levels. Second, if the expenditure or revenue sharing small, the fiscal authority be decentralized to provide resources for public expenditure allocated to the government's original lower levels, with these conditions, autonomy is achieved. Some studies typically measure fiscal decentralization of the distribution of the allocation of expenses and revenues of local governments and the central government (Vazquest and McNab, 2001).

General Allocation Fund (DAU)

General Allocation Fund described in Regulation No. 33 of 2004 as funds from the state budget allocated to bring equality among the regions financial ability to fund the needs of the region in the implementation of decentralization. Which is included in that sense it is a guarantee of the continuity of the regional administration in all areas in order to provide basic services to the community and is the unity with the general acceptance of the budget (Widjaja, 2002). DAU is a fund that is "Block Grant" which means that when they are directed the Central Government to Local Government, the Regional Governments are free to use and allocate these funds according to the priorities and needs of the region for the improvement of services to the community in the implementation of regional autonomy.

DAU is the balance funds of central government which has the greatest percentage of the balance between the amount of funds more given to local governments in the state budget. DAU provided

by the Government to address the issue of horizontal imbalance, which is to ensure the balance of resources allocation among units of government at the level of the same government (Solihin, 2011) In some areas largely DAU allocated for personnel expenses and the rest is used for other expenses such as shopping capital.

DBH (DBH)

DBH is described as funds from the state budget allocated to the regions based on the percentage to finance the needs of the region in the implementation of decentralization (Law No. 33 of 2004). In his explanation of DBH in APBN is income derived from national resources are located in areas such as taxation and natural resources. DBH given the central government to address the issue of vertical fiscal balance is to ensure a balance between the fiscal needs with fiscal resources at various levels of government (Solihin, 2011). DBH usability together with DAU. Both of these funds are "block grant" means that if the funds have been received by the Local Government in Regional Treasury, the funds must be allocated to the various shopping areas in accordance with the needs that DBH can be one source of funds to finance capital expenditures.

Special Allocation Fund (DAK)

In the explanation of Law No. 33 of 2004 increasingly emphasized that DAK is intended to finance infrastructure and basic public services that have not reached a certain standard to accelerate regional development. DAK amount established annually in the state budget based on the respective areas of spending that are tailored to the needs. DAK allocated to certain areas based on the proposed activities and sources of funding are submitted to the Technical Minister by the area. When the activities proposed by the area including the requirement that can not be taken into account, the region needs to prove that the area is less able to cover all the expenses of the proposed activities of the PAD, Section regions of the United Nations, Section area of BPHTB, Section area of natural resource revenue, DAU, Regional Loans, and other legitimate acceptance, the use of which can be determined entirely by the region (Bratakusumah and Solihin, 2002).

Theory Inter-Provincial Trade

The development of CPI inflation in Indonesia within the last 7 years is more influenced by the inflation component administered prices and volatile foods. This suggests that CPI inflation in Indonesia is still dominated by the influence of shocks that are not favorable (unfavorable shocks), among others, the rise in prices of strategic commodities, such as fuel oil, electricity tariffs, and higher food such as rice, beef, chicken, and horticulture. Geography Indonesia is an archipelago affect the characteristics of economic growth and cause inflation in the region. In the midst of various structural problems that exist, the conditions of dependency supplies one area to another, the structure of the market is not efficient, and the length of the distribution of goods to get to consumers, so strengthening cooperation among regions is one alternative in ensuring continuity of supply in order to drive the establishment of a national inflation target low and stable.

Through cooperation between the regions, the benefits will be felt by both parties, both areas received the goods, and the area exporting goods. With the guarantee of availability of goods from the specific supplier, the consumer price stability in the area will be relatively subdued. Similarly, for local suppliers, to guarantee the availability of the market in certain areas, then the stability of reasonable prices at the farm level can also be maintained. Until now trade cooperation between regions has not been touched by the Local Government (LG), so that the behavior of price formation is still more determined by the market mechanism with the conditions that have not been efficient and transparency of information is relatively minimal (asymmetric information). Considering this, the active role of local governments to speed up implementation, and or facilitate cooperation between the regions, has become even more necessary. LGs active role in supporting the program of inter-regional cooperation can be done through various ways and be more optimal if the implementation is supported by the availability of adequate local budget.

RESEARCH MEODOLOGI

Gravity Model

Gravity model has been used by many researchers to estimate the volume of bilateral trade as a function of two main components, the size of the economies of both countries and the distance between them (Helpman et al, 2008). The origins of the theory of gravitation theory goes Neowton also described by the Head (2003) with reference to the following formula:

$$Y_{ij} = \frac{X_i X_j}{D_{ij}^2}$$

Y_{ij} is the flow of the origin of the region i to region j , and Y shows the total volume of interaction between i and j . X_i and X_j relevant to the economic size of the two regions. D_{ij} is the distance to the two regions i and j corresponding to Newton's laws. A simple form of the gravity model to trade can also be defined as the volume of interaction between the two trading partners, which is a function of the increase in national income and a decrease in function of the distance between them (Wall, 1999).

Analysis Tools

The analysis tools that use in this research is descriptive quantitative through the calculation of contributions in accordance with the formulation of the problem that was developed ie 1). To analyze the contribution of the PDRB of each province diSumatera; 2). To analyze the contribution of exports each province diSumatera and 3). To analyze the contribution of each import diSumatera province. The following formulations contributions as follows:

$$K = \frac{y_i}{Y} \cdot 100\%$$

K = Contributions

y_i = sub-sector

Y = total sector

Furthermore, to test the formulation of the theory of gravity between provinces in Sumatra test OLS can be used as follows:

$$y = \beta_0 + \beta X_1 + e$$

Y = The total PDRB of each province in simatera

X_1 = Export Value of each province in simatera

β_0 = Constant

βX_1 = regression coefficient

e = error

RESULTS AND DISCUSSION

PDRB contributions of each province in Sumatra

PDRB contribution calculation results for the province in the past 11 years Sumatran highest Riau Province amounted to 28.37%, while for the second rank, followed by North Sumatra province is 16.99% and the third is the province of South Sumatra by 13.59%. Then for Jambi province PDRB contribution amounting to 6.38% and is almost equal to the PDRB contribution of Riau Island province that is 6.84%. Bandar Lampung provincial contribution to the PDRB is 8.09%, followed by West Sumatra province amounted to 7.69% and are not much different from the PDRB contribution of the province of Aceh, namely 7.60%. As for the PDRB contribution of the lowest in the province of Bengkulu at 1.79% and was followed by Bangka Belitung province is 2.67%. For Jambi province are at the highest in the order of 6 Sumatra. The contribution of the PDRB following the data in the table below:

Table. 4.1. PDRB Contributions Of Each Province In Sumatera

Years	Province	Contributions
2014	Sumatera Barat	7,69
2013	Kepulauan Riau	6,84
2012	Bengkulu	1,79
2011	Bangka Belitung	2,67
2010	Riau	28,37
2009	Sumatera Selatan	13,59
2008	Sumatera Utara	16,99
2007	Aceh	7,6
2006	Jambi	6,38
2005	Bandar Lampung	8,09

Contributions Exports Every Province in Sumatera

The result of the calculation of the export value contribution of each Province in Sumatra, Riau Islands Province highest at 27.80%, followed by second place which is 26.70% of Riau province and Bengkulu at the third position, namely 24.80%. As for Jambi Province by 4.51% greater when compared

with neighboring provinces, namely South Sumatra of 4.39%. However, the contribution of exports to North Sumatra Province two times higher when compared to Jambi, namely 8.45%. As for the contribution of the Aceh Province is 3.17% while the province of West Sumatra lowest export contribution of 0.004% and almost equal to Bandar Lampung province, namely 0.04% followed by Bangka Belitung 0.16%. Of the 10 provinces jambi in fifth position for the contribution of exports in Sumatra. The data export contribution as follows:

Table 4.2. Contributions Exports Every Province in Sumatera

Years	Province	Contributions
2014	Sumatera Barat	0,004
2013	Kepulauan Riau	27,8
2012	Bengkulu	24,8
2011	Bangka Belitung	0,16
2010	Riau	26,7
2009	Sumatera Selatan	4,39
2008	Sumatera Utara	8,45
2007	Aceh	3,17
2006	Jambi	4,51
2005	Bandar Lampung	0,04

Contributions imports every province in Sumatera

The result of the calculation of import contribution each province Bengkulu province in Sumatra where the biggest import last 11 years is 65.11% and the second place is the province of Riau Islands amounted to 22.39% and in third place is the province of Jambi, namely 5.37% over 1% if compared with 4.15% Riau Province. Then to North Sumatra, contributing imports amounted to 1.26% while South Sumatra Province by 0.88% higher than the province of Aceh and the Pacific Islands are 0.68% and 0.14%. As for the contribution is the lowest import of West Sumatra Province and Bandar Lampung are 0.009% and 0.01%. The following data is the contribution of imports in the table below:

Table 4.3. Contributions imports every province in Sumatera

Years	Province	Contributions
2014	Sumatera Barat	0,009
2013	Kepulauan Riau	22,39
2012	Bengkulu	65,11
2011	Bangka Belitung	0,14
2010	Riau	4,15
2009	Sumatera Selatan	0,88
2008	Sumatera Utara	1,26
2007	Aceh	0,68
2006	Jambi	5,37
2005	Bandar Lampung	0,01

Analysis of Effect of Export Against the PDRB in Sumatera

Table 4.4 Effect of Export Against PDRB in West Sumatra

Coefficients ^a						
Model	Unstandardized Coefficients			Standardized Coefficients	t	Sig.
	B	Std. Error	Beta			
1	(Constant)	1992591,515	633529,422		3,145	,012
	pdrb_sumbar	,017	,006	0,663; R2=0,439	2,654	,026

a. Dependent Variable: eks_sumbar

$$Y = 1992591,515 + 0,017x + e$$

Simple linear regression coefficient value of exports to the PDRB in the province of West Sumatra obtained a figure of 0,017 means that if the value of exports increased by 1%, the value of PDRB

increased by 0,017 or 1.7% significantly below 5% or 0,026 alpha and the influence of exports to the PDRB amounted to 0,439 or 43.90% is influenced by other variables.

Table 4.5 Against Export influence the PDRB in Riau Islands Province

Coefficients ^a						
Model	Unstandardized Coefficients			Standardized Coefficients	t	Sig.
	B	Std. Error	Beta			
1	(Constant)	16597201811,312	5297454446,847		3,133	,012
	pdrb_kp.riau	115,182	53,667	0,582; R2=0,339	2,146	,060

a. Dependent Variable: eks_kp.riau
 $Y=16597201811,312+115,182+e$

Simple linear regression coefficient value of exports to the PDRB in Riau Islands Province obtained a figure of 115.182 means that if the value of exports increased by 1%, the value of PDRB increased by 115.182 or 115.2% significantly below 10% or 0.060 alpha and the effect of exports to the PDRB amounted to 0,339 or 33.90% is influenced by other variables.

Table 4.6 Against Export influence the PDRB in Bengkulu

Coefficients ^a						
Model	Unstandardized Coefficients			Standardized Coefficients	t	Sig.
	B	Std. Error	Beta			
1	(Constant)	18991059853,170	510098090,366		37,230	,000
	pdrb_bengkulu	152,846	19,792	0,932; R2=0,869	7,723	,000

a. Dependent Variable: eks_bengkulu
 $Y=18991059853,170+152,846+e$

Simple linear regression coefficient value of exports to the PDRB in the Bengkulu Province obtained a figure of 152.846 means that if the value of exports increased by 1%, the value of PDRB increased by 152.846 or 152.85% significantly below 5% or 0,000 alpha and the influence of exports to the PDRB amounted to 0.869 or 86 , 90% were influenced by other variables.

Table 4.7 Against Export influence the PDRB in Bangka Belitung

Coefficients ^a						
Model	Unstandardized Coefficients			Standardized Coefficients	t	Sig.
	B	Std. Error	Beta			
1	(Constant)	-52509204,854	53634336,527		-,979	,353
	pdrb_babel	6,600	1,511	0,824; R2=0,680	4,369	,002

a. Dependent Variable: eks_babel
 $Y=-52509204,854+6,600+e$

The coefficient of linear regression of exports to the PDRB in Bangka Belitung Province obtained a figure of 6,600 means that if the value of exports increased by 1%, the value of PDRB increased by 6,600 or 66% significantly below the alpha 5% or 0.002 and the effect of exports to the PDRB amounted to 0.680 or 68% the rest is influenced by other variables.

Table 4.8 Against Export influence the PDRB in Riau Province

Coefficients ^a						
Model	Unstandardized Coefficients			Standardized Coefficients	t	Sig.
	B	Std. Error	Beta			
1	(Constant)	17765762735,190	739940690,356		24,010	,000
	pdrb_kp.riau	79,261	7,496	0,962; R2=0,925	10,574	,000

a. Dependent Variable: eks_riau
 $Y=17765762735,190+79,261+e$

Simple linear regression coefficient value of exports to the PDRB in Riau Province obtained a figure of 79.261 means that if the value of exports increased by 1%, the value of PDRB increased by

79.261 or 79% significantly below 5% or 0,000 alpha and the influence of exports to the PDRB amounted to 0.925 or 92.50 % is influenced by other variables.

Table 4.9 Against Export influence the PDRB in South Sumatra Province

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3814465686,227	26774608,207		142,466	,000
	pdrb_sumsel	,613	,144	0,817; R2=0,667	4,250	,002

a. Dependent Variable: eks_sumsel

$$Y=3814465686,227+0,613+e$$

Simple linear regression coefficient value of exports to the PDRB in Riau Province obtained a figure of 0.613 means that if the value of exports increased by 1%, the value of PDRB increased by 0.613 or 61.30% significantly below 5% or 0,002 alpha and the effect of exports to the PDRB amounted to 0.667 or 66, 70% were influenced by other variables.

Table 4.10 Against Export influence the PDRB in the province of North Sumatra

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	7009424646,422	503597492,616		13,919	,000
	pdrb_sumut	2,889	1,875	0,457; R2=0,209	1,541	,158

a. Dependent Variable: eks_sumut

$$Y=7009424646,422+2,889+e$$

Simple linear regression coefficient value of exports to the PDRB in North Sumatra province obtained a figure of 2,889 means that if the value of exports increased by 1%, the value of PDRB increased by 2,889 or 28.89% significantly above 10% or 0.158 alpha and the effect of exports to the PDRB amounted to 0.209 or 20.90% is influenced by other variables.

Table 4.11 Effect of Export Against PDRB in Aceh Province

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-2627446060,785	432402444,083		-6,076	,000
	pdrb_aceh	70,922	5,191	0,977; R2=0,954	13,663	,000

a. Dependent Variable: eks_aceh

$$Y=-2627446060,785+70,922+e$$

Simple linear regression coefficient value of exports to the PDRB in Aceh province obtained a figure of 70.922 means that if the value of exports increased by 1%, the value of PDRB increased by 70.922 or 80% significantly below 5% or 0,000 alpha and the influence of exports to the PDRB amounted to 0.954 or 95.40 % is influenced by other variables.

Table 4.12 Against Export influence the PDRB in Jambi Province

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3809603047,298	347575907,291		10,960	,000
	pdrb_jambi	3,088	3,919	0,254; R2=0,065	,788	,451

a. Dependent Variable: eks_jambi

$$Y=3809603047,298+3,088+e$$

Simple linear regression coefficient value of exports to the PDRB in Jambi Province obtained a figure of 3,088 means that if the value of exports increased by 1%, the value of PDRB increased by 3,088 or 30.88% does not significantly above 10% or 0.451 alpha and the effect of exports to the PDRB of 0.065 or 6.5% were influenced by other variables.

Table 4.13 Against Export influence the PDRB in the province of Bandar Lampung

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-18717741,605	11453649,984		-1,634	,137
	pdrb_b.lampung	,588	,099	0,893; R2=0,797	5,949	,000

a. Dependent Variable: eks_b.lampung

$$Y = -18717741,605 + 0,588x + e$$

Simple linear regression coefficient value of exports to the PDRB in Aceh province obtained a figure of 0.588 means that if the value of exports increased by 1%, the value of PDRB increased by 0.588 or 58.80% significantly below 5% or 0,000 alpha and the influence of exports to the PDRB amounted to 0.797 or 79,70% were influenced by other variables.

RECOMMENDATIONS

As for the recommendation that needs to develop in this research are:

1. It is expected that the PDRB contribution of each province in Sumatra did not occur high ravine between regions so that equalization can be created
2. Expected contribution of exports every province in Sumatra can be a positive influence on improving the quality of development among regions, and exports of goods manufactured in accordance with the potential of the region can be controlled so that competition among regions in Sumatra
3. Expected contributions Import every province in Sumatra should be directed to strategic and capital goods sectors so as to accelerate the development and economic growth in Sumatra
4. It is expected that the value of PDRB in continuing to provide positive and significant impact on the value of exports in each province in Sumatra and can create inter-provincial trade that better meet the needs of society

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PERCEIVED SOCIO-ECONOMIC IMPACTS OF COAL FUELLED STEAM POWER PLANT PROPOSED TO ESTABLISH IN PULAU BAAI, BENGKULU, INDONESIA

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Abstract. This paper presents partial results of an assessment of environmental impact of a coal fuelled steam power plant proposed to establish in PulauBaai, Bengkulu, which focuses on perceived socio and economic impacts of the proposed plant by selected respondents. The main aim of the assessment is investigate and compare the perceived advantageous and disadvantageous of the plant in terms of job creation, electricity generated to fill in the needs of community, and income generation. The analysis used primary data collected from selected respondents. The data were analysed using descriptive analysis. The results suggest that the proposed coal fuelled steam power plant was perceived to be able to provide various benefits for the community but also several disadvantageous as negative impact of the project which should be managed appropriately in order to minimize the negative impacts. Implications of the finding were discussed and recommendations for future research were also provided at the end of the paper.

Keywords: coal fuelled steam power plant, perceived socio-economic impact, environmental impact analysis

THE EFFECT OF LOCAL FINANCIAL PERFORMANCE ON CAPITAL EXPENDITURE IN THE JAMBI PROVINCE GOVERNMENT

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Abstract. The regional autonomy policy to provide more opportunity for local governments to manage their own finances were there. The ability of local governments to manage finances outlined in Budget (APBD). To determinate the success of the regional government in managing their own finances can be measured using financial performance analysis area. The purpose of this study was to determine the effect of the financial performance of the capital expenditure in the provincial Government Jambi . The data used in this research is secondary data based on time (time series) with quantitative descriptive analysis techniques. This method of data analysis used in this research is multiple regression. The result showed that the ratio of the degree of contribution of public enterprises and the ratio of direct expenditures harmony positive effect on capital spending. While the region's financial dependency ratio and the ratio of PAD does not affect the effectiveness of capital expenditures.the Government of Jambi province in 2001-2014.

Keywords: Regional Financial Dependency Ratio, Ratio Effectiveness of PAD, Harmony direct expenditure ratio, ratio Degrees Contributions enterprises, Capital Expenditure

. INDONESIA'S EXPORT-IMPORT ANALYSIS: GRANGER CAUSALITY APPROACH

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Abstract. In a global economy context, the role of export-import becomes really important in supporting economic growth. An interesting phenomenon is that, most of Indonesian export is import-content and capital goods. This study is aimed at (1) analyzing Indonesia's export-import patterns, (2) analyzing causality relationship between export and import in Indonesia. Analysis method used in this research is Granger Causality model. The result of study shows that the patterns of the progress and the changes of Indonesia's export and import have similar patterns since 1980-2015. Those have causality relationship which indicates that export and import are mutual dependence. The conclusion of the research is that when Indonesia's export would be increased so import should also be increased. On the other hand, the increasing of import must also be preceded by the increasing in export.

Key word : Export Import and Causality Grange

ACCOUNTING

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IMPLEMENTATION OF PARTICIPATORY BUDGETING, TRANSPARENCY, ACCOUNTABILITY AND PERFORMANCE-BASED BUDGETING TO THE PERFORMANCE OF LOCAL GOVERNMENT UNIT

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Abstract. The study aims to examine the effect of the participatory budgeting, transparency, accountability, and performance-based budgeting of local government performance. Research was conducted on all the Local Government Unit (LGU) Bengkulu city government. The respondents of this study were led on all three pieces on education by distributing questionnaires in each LGU. Respondent data are processed as many as 53. The data is processed using SPSS. The results showed that all variables are statistically good. The regression model was fit, and value Adjust R Square of 0.873. Hypothesis testing results show that the implementation of participatory budgeting, accountability and performance-based budgeting in the budgeting process Bengkulu city government has a positive effect on LGU performance Bengkulu city government. It means that the better level of participation, accountability, and performance-based budget implementation in LGU Bengkulu city government, then it will be better the performance of LGU Bengkulu city government. Only variable transparency in the budgeting process of Bengkulu city government that is not proven to affect the LGU performance of Bengkulu city government. It indicates that the application of transparency during the budgeting process has not been able to improve the performance of government or LGU of Bengkulu City government.

Keywords: *LGU performance, participatory budgeting, transparency, accountability, performance-based budgeting*

INTRODUCTION

Indonesia's decentralization reforms that started in 2001 were a manifestation of Indonesia's commitment to the local democratic governance and sustainable development. The enactment of Law No. 17 Year 2003 on State Finance and Law Number 32 Year 2004 on Regional Autonomy and Law No. 33 of 2004 on Financial Balance between Central and Local Government shed new light on local government financial management. Furthermore, the government also issued Law No. 1 of 2004 on State Treasury and Law Number 15 Year 2004 on Management and Responsibility of the State Treasury. To further provide guidance and direction in the management of administration and finance for local government in detail, the Government issued Regulation of the Minister of Home Affairs (Regulation) Number 59 Year 2007 on Guidelines for Financial Management formerly the Regulation Number 13 Year 2006. Regulation No. 59 Year 2007 has been improved with Regulation No. 21 of 2010.

The enactment of legislation indirectly paved the way for the implementation of public sector reforms in the region. Dimensions of this reform is not just a change in the format of the institution, but also includes the renewal of the tools used to support the passage of public institutions such as economical, efficient, effective, transparent and accountable so that the ideals of reform to create good governance really realized (Mardiasmo, 2002; Baswir, 2002). Furthermore Siregar (2010) says the shift of development management authority of the central government to local governments provide challenges for local governments to focus on the management of regional development, especially financial management so that is really able to provide welfare to the people. Achievement of local government performance through a variety of indicators of achievement is the goal of good management of government (Bastian, 2006). Based on the Instruction, the government began to encourage each government departments to change the orientation from the orientation of the output to outcome orientation or referred to performance accountability. The performance accountability embodied in a performance accountability system consisting of components of strategic planning, performance planning, measurement and evaluation of performance, and performance reporting. This research will try to formulate a variety of factors that can make local governments realize the good performance such as participatory budget, accountability, transparency, and performance-based budgeting.

Budgeting is a process carried out by public sector organizations to allocate its resources to the needs that are not restricted (Nordawan, 2006). Mardiasmo (2005) stated that there are several reasons the importance of budgetary public sector, namely: (a) budgeting is a tool for the government to direct the

socio-economic development, ensure sustainability, and improving quality of life, (b) budgeting required for their problem of resource constraints (scarcity of resources), selection (choice) and tradeoffs. (c) budgeting required to assure that the government was accountable to the people. Rahayu, et al (2007) says that, given the importance of the public sector budget, the Budget should be prepared based on the main principles of the public sector budget. Participation in the preparation of the budget is the level of involvement and influence how much a manager in the budgeting process periodical and annual (Brownell, 1982, in Nanda, 2010). Budgeting participation believed to provide high understanding among employees/employee against the budget established. The results obtained can not show that the relationship between the two can be inferred conclusively. The results of these studies exist that show a negative relationship between budget participation and managerial performance (Cambell and Gingrich, 1986; Ivancevich, 1977 in Supriyono, 2004). Then there is also the finding that budget participation was positively related to performance (Browell and McInnes, 1986; Chenhall and Brownell, 1988; Early 1985; strees, 1975 in Supriyono, 2004).

Another component that should receive attention in the budgeting process at the local government which is also an issue of this research is the implementation of accountability and transparency in budgeting. Rahayu et al (2007) say that the meaning of accountability and transparency in budgeting can be seen in two ways, namely; (1) one form of government accountable to the people, and (2) efforts to improve the management and good governance and reduce the chance of collusion, corruption and nepotism. The application of the principles of accountability and transparency in local governance gives people an opportunity to find out information about the regional administration is correct, fair and non-discriminatory (Rahmanurrasjid, 2008). The consequences of government transparency are a guarantee of public access in participating, especially in decision-making processes (Fernandez, 2004).

Another important issue in local government budgeting is an issue of this study is on the application of performance-based budgeting. Law No. 1 of 2004 on State Treasury opened a new corridor for the budget implementation performance basis. The government agency duties and functions to provide services to the community can implement a flexible financial management with the addition of productivity, efficiency, and effectiveness. This performance-based budget approach says that the budget allocation is based on the achievement of performance targets proposed by the agency proposer (Yusriati, 2007). Performance measures for the program are the benefits (outcomes) while the activity is the output. Budgeting performance or performance-based budgeting is the emphasis on the orientation of the output and the outcome that has a consequence on the mechanism of budget preparation. In Government Regulation No. 58 of 2005 and Siregar (2010) mentioned that the preparation of performance-based budgeting is based on achievement of the performance, the performance indicators, the analysis of expenditure standard, the standard unit price, and minimum service standards.

Based on the above description relating to the importance of things that need to be considered in the budgeting process. The purpose of this study is to demonstrate empirically about the effect of the implementation of participatory budgeting, accountability, transparency, and performance-based budgets of local government performance. The issue of this study is a combination of several previous studies (Siregar, 2010; Julianto, 2009; Desvertika 2008; Ismiarti, 2012; and Supriyono, 2005) which saw the above phenomenon. Past research is still looking at the problems of research on each of the variables that influence the performance. This study tries to combine the various variables in the research model for each of these variables is concerned. The hope is obtained comprehensive model of the budgeting process in accordance with the expectations of government organizations implementing Regulation No. 59 Year 2007 in the process of preparation of the Regional Budget (APBD). This study tries to prove the phenomenon in which local governments unit (LGU) in the City of Bengkulu.

PREVIOUS RESEARCH AND THE FORMULATION OF HYPOTHESIS

Regional Budget Revenue and Expenditure

Regional Budget Revenue and Expenditure, the annual financial plan of local governments in Indonesia were approved by the Regional Representatives Council. Budgets are set by the Regional Regulation. The fiscal year budget covering a period of one year, starting from January 1 to December 31. Budgets consist of: Budget revenues, consisting of the original income, which include local taxes, levies, local wealth management results, and other income; Part of equalization funds, which include DBH, General Allocation Fund and Special Allocation Fund; Other legitimate income such as grants or emergency fund. The budget, which is used for the purposes of the implementation of government duties in the area.

The function of the budget is as authorization, planning, supervision, allocation, distribution, and stabilization. Renyowijoyo (2008) says that the function of the budget for governments is to guide the government in managing the region/country in the coming period, a tool for public oversight of government policies, and monitoring tools on the ability of government policy implementation.

Noordiawan (2007) says that the main function of the public sector budget is a planning tool, control, fiscal policy, a political tool, a means of coordination and communication, performance assessment tools, motivational tools and tool creates a public space. Therefore, the public sector budget should be based on the principle of justice budgets, efficiency and effectiveness of the budget, a balanced budget and deficit, budget discipline, transparency and accountability of the budget (Halim, 2001 in Suparno, 2012).

Local Government Performance (LGU)

Based on Law No. 17 Year 2003 on State Finance, explained that the budget process is done by integrating the programs and activities of each working unit at the local level to achieve the goals and objectives set. Julianto (2009) says that the expectations of this policy is to create synergy and high rationality in allocating limited resources to meet the needs of people who are not unlimited. In the reform era, the phenomenon of measuring the success of which only emphasizes the above *input* as many under the spotlight of various parties. It is therefore considered to improve indicators of the success of a government agency more closely reflect actual performance. The success rate should be measured not only by the *input* of agency program with more emphasis on the *output*, process, *outcome*, and impact of the program for community welfare agencies (Mahmudi, 2007).

Government Regulation No. 8 of 2006 on Financial Reporting and Performance of Government Agencies stated that the performance is the output/result of the activities/ programs to be or has been achieved with respect to the use of the budget with the quantity and quality measurable. Mardiasmo (2002), Tangkilisan (2005) in Rahman (2012) says that a marking criteria can be used as a reference for measuring the performance of public organizations is the responsiveness, responsibility, and accountability. In order to measure the success rate of a government agency is very necessary to have clear indicators by *stakeholders*. With the performance indicators, the organization had rides clear how he will be said to be successful or not successful in the future (Mahmudi, 2007). Value For Money (VFM) is the management concept of public sector organizations which rely on three types of elements: the economy, efficiency, and effectiveness (Renyowijoyo 2008; Suparno, 2012). Furthermore Ulum (2009) said that the discussion regarding the 3 E VFM namely Economy, Efficiency and Effectiveness.

Participatory Budget and Local Government Performance

The process of local government budget based on the rule of law must involve all the elements involved in the planning, implementation, and monitoring. For the planning stage budgeting is generally the local government has involved various related components so that we will get the budget that really can improve people's welfare. The initial stage of the public and other interested parties have been involved in the process of formulation of Local Government Work Plan through public aspirations, discussions/dialogues and seminars, working visits, study tours, etc. Then, at the stage of preparation of the Work Plan and Budget on each also involve stakeholders in the preparation of programs and activities as well as the performance-based budget. Involving several elements to participate in the budget process is expected to result in the achievement of goals and indirectly improve the performance of local budget managers and institutions. Budgeting participation expected to improve the performance, when the goal has been planned and approved in a participatory manner, employees will internalize these objectives and they will have the responsibility personally to achieve through their involvement in the budget process that will ultimately improve organizational performance (Riyadi, 2000; Milani 1975 in Nanda, 2008).

According to Brownell (1982) in Nanda (2008) participation is generally considered as a managerial approach to improving the performance of the organization's members that also have an impact on organizational performance. Participation in budgeting can improve performance: 1) participation allows subordinates to communicate what is needed by managers and employees to his superiors; 2) participation can allow subordinates to pick and choose actions that can build commitment and regarded as the responsibility for what has been. Participation budgeting resulting high peak performance (Sopannah and Mardiasmo, 2003). Indriantoro (1993) in Supriyono (2004) found a positive relationship between budget participation and managerial performance. Some researchers have previously shown evidence that budget participation has a strong positive effect on managerial performance as demonstrated by the results of research Riyadi (2000), Supriyono (2004), Eker (2007), Yunita (2006), Ghozali and Yusfaningrum (2005). High participation has a positive influence on managerial performance. Sinambela (2003) in his research shows that participation in budgeting have positive influence on managerial performance.

H1	Positively Participatory Budget Performance Against LGU
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Budgeting and Accountability in Government Performance

People's demands for the implementation of accountability arose because the new order concept of accountability is not able to be applied consistently in all levels of government that eventually became one of the causes of various irregularities in the financial management and administration of the state in Indonesia (Arifiyadi, 2005; Wiranto and Tatang, 2012). Accountability includes the provision of financial information to the public and other users making it possible for them to assess the government accountable for all activities performed, not only the financial activity only (Mardiasmo, 2006). This concept emphasizes that the financial statements of the government as a form of government accountable for governance (performance) should be able to provide the required information of its users in making economic decisions, social and political (Halim, 2002). According Krina (2003) relates to the obligation of accountability of government institutions and officials who work on it to make policy and take action in accordance with prevailing values and needs of the community.

Accountability is an instrument to control activities, especially in achieving results in the public service. In this connection, the necessary performance evaluation was conducted to determine the extent to which the achievement of results and the means used to achieve it. Accountability as a form of an obligation to account for success or failure of the implementation of the organization's mission in achieving the goals and objectives that have been set previously, through a media accountability periodically (Rahmanurrasjid, 2008). Annual budgets typically have the legal authority for the expenditure of public funds, so that the overall budgeting process becomes relevant for fiscal management and to implement the financial accountability and control at different levels of operation (Pasaribu, 2011). Siregar (2011), conducted a study entitled influence public accountability and oversight of the management of the budget with government accounting standards as moderating variable on the City Siantar. Research results demonstrate public accountability partially significant positive effect on the management of the budget. This indicates that the implementation of accountability in governance from the planning, execution and reporting has been able to improve the performance of the management of the budget.

H2	Accountability In Budgeting Positively Performance against LGU
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Transparency in Budgeting and Performance of Local Government

Transparency in local governance is the principle that open up to the public's right to obtain correct information, honest and does not discriminate on the regional administration (including budgeting) with regard to the protection of personal rights, class and state secrets. Implementation of the concept of transparency in governance (including budgeting) is believed to be able to improve the overall performance of the government. Implementation of transparency in local governance gives people an opportunity to find out information about the regional administration is correct, fair and non-discriminatory (Rahmanurrasjid 2008; Wiranto and Tatang, 2012). The consequences of government transparency is a guarantee of public access in participating, especially in decision-making processes (Fernandez, 2004). Transparency is a principle that guarantees access or the freedom for everyone to obtain information about government administration, information on policies, the process of making and implementation and the results achieved. Substantial control of the communities will lead to government managers will work in accordance with the existing provisions, and will eventually be able to produce a good performance by the government and sided with the people (Werimon, et al, 2007).

The budgeting process at the local government in accordance with the legislation requires involving all relevant elements ranging from the preparation of the Local Government Work Plan, Public Policy Budget, Priority plapon Provisional Budget, and the preparation of the Action Plan and Budget to be the budget. Relevant parties should be involved to get a budget that truly fit the needs of the people. The programs and activities involving related parties signaled their openness to the public will be programs/activities to be carried out. Openness and participation in exercising control over the planning, implementation, and accountability of local fiscal management requires the government to implement the budget in earnest, carefully and correctly according to the rules, and always siding with the people.

H3	Transparency in Budgeting Positively Performance against LGU
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Performance Based Budgeting and Performance of Local Government

Robinson and Last (2009) in Siregar (2010) stated performance-based budgeting aims to improve the efficiency and effectiveness of public expenditure by linking the funding of public sector organizations with the results achieved by the systematic use of performance information. Carter (1994), as quoted by Young (2003) in Julianto (2009), states budget performance using a mission statement, goals

and objectives to explain why the money is spent. Ikhsan (2006) in Julianto (2009) says that performance budgeting is a budget that is focused on the structure or function activities the creation of a product or outcome and where the resources it uses. Then the performance budgeting shows that try to link the budgeting process between organizational goals with the use of its resources. In this case the principle of budget focused on increasing efficiency by means of classification and measurement of the activity of the cost so as to achieve the purpose.

Asmoko (2006) in Siregar (2010) has conducted research on performance-based budgeting at the local government. Research results prove that the performance-based budgeting significant positive effect on the effectiveness of financial controls and the effectiveness of controls on the performance of Local Government. The results support the existence of a causal relationship between performance-based budgeting to the effectiveness of financial controls and performance effectiveness. Yusriati (2007) conducted a study on the effect of performance-based budgeting on performance. Research results prove that there is a positive influence on the adoption of performance-based budgeting on performance itself. Furthermore Julianto (2009) conducted a study on the effect of the application of performance-based budgeting on performance. By using the entire local government involved in the budgeting process demonstrated that the application of performance-based budgeting affect the performance. Siregar (2010) examines the application of performance-based budgeting and procedural justice on managerial performance research results prove that the implementation of performance-based budgeting able to influence managerial performance.

H4	Performance Based Budgeting Positively Performance against LGU
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RESEARCH METHODS

This research is a causal comparative study, the research aimed to determine the causal relationship between the study variables. The variables of this study is the performance of local government (the dependent variable), and the participatory budget, accountability, transparency, and performance-based budgeting (independent variable). Variable local government performance was measured by a questionnaire from Verbeeten (2008) in Maryati (2012) with 7 items statement. Participatory budgeting was measured by a questionnaire Milani (1975) in Ghozali (2005) with 10 item statement. Accountability is measured by indicators of Krina (2003 with 14 items statement. Transparency is measured by indicators also from Krina (2003) with 14 items statement. Implementation of performance-based budgeting was measured using a questionnaire from Siregar (2010) with 8 statement items. The questionnaire study using Likert scale with from Strongly Disagree (1), Disagree (2), Neutral (3), Disagree (4) Strongly Agree (5).

The population in this study were all employees involved in the budget process (budget) at the Regional Work Units of Bengkulu. Samples were employees / mid-level managers who are involved in the preparation of the budget in the city of Bengkulu. Sampling was done by purposive sampling with criteria of minimum term of two years. Data analysis was performed using the computer program SPSS (Statistical Package For Social Science). There is some analysis of the data used in this research is descriptive statistical analysis to provide an overview or descriptive of the study variables. Data quality test conducted by the variable measuring instrument (questionnaire) of testing the validity and heteroskedastisitas testing data. Hypothesis test uses multiple linear regression model (Multiple Linear Regression).

RESULTS AND DISCUSSION

This study questionnaire deploy as many as 68 pieces to 34 Local Government Unit/LGU (each LGU by the two questionnaires). Of the 68 questionnaires distributed, a total of 61 questionnaires were returned questionnaires, and questionnaires that can be processed as much as 53 questionnaires from 53 respondents, based on the demographic data of respondents, 21 persons are female, and as many as 32 persons of the male sex. In general, the age of the respondents ranged from 30 s / d 45 years, this signifies that the budget team in Bengkulu city still at a young age and still productive. Budget teams Bengkulu city is S1 scholars in various fields of science and majority-based economy.

According to the table below, it appears that the actual average of all variables that include performance local governments in Bengkulu, Budget participatory, Accountability, Transparency and Performance-based budgeting shows a higher rate than the average theoretical, it indicates that all variables are either where respondents give high scores on every statement there. Based on these results it can be concluded that the regional work units (LGU) in Bengkulu city government has implemented the Participatory Budget, Performance-Based Budgeting, Transparency and Accountability in the budgeting

process is done. Furthermore, respondents gave answers that LGU performance Bengkulu city government to a high rate so that meant that local government performance has been good.

Descriptive statistics

Variable	Theoretical range	Average Theoretical	Standard Deviation	Actual range	Average Actual
Local Government Performance	7 - 35	21	4.35715	18 - 35	27.4717
Participatory budget	10 - 50	30	12.59374	11 - 50	31.8868
Accountability	8 - 40	24	4.50028	22 - 40	31.4528
Transparency	12 - 60	36	4.86352	36 - 59	46.0000
Performance Based Budgeting	8 - 40	24	3.10122	25 - 37	31.8113

The test results show that the validity of all of the variables include the performance of the local government, participatory budgeting, accountability, transparency and performance-based budgeting are all valid. Reliability testing data show that the performance of local government, participatory budgeting, accountability, transparency and performance-based budgeting is reliable with a value of Cronbach Alpha is > 0.07. Testing normality of the data shows all the variables have the value Asymp Sig more than 0.05, so that the data used in this study normal distribution. Testing heteroscedasticity data showed all independent variables have a significance value of more than 0:05, so there is no problem heteroscedasticity. Testing multikolinieritas show all independent variables have a value of tolerance > 0:10 and VIF <10, so this shows that all independent variables free from multicollinearity problems.

Based on the regression results in the table below can be seen that the first hypothesis values obtained Adjust R Square of 0.873 indicates that 87.3% of local government performance variables that can be explained by the participatory budget, accountability, transparency and performance-based budgets while the remaining 12.7 % explained by other variables not included in this equation. F statistical value of 90.605 with a significance value of $p = 0.000 < 0.05$ indicates that the model used in the study fit for use.

Hypothesis Testing Results

variable	Equation			confirmation hypothesis
	value coefficient	t-statistic	Sig.	
Participatory budget	0.043	2.404	0.020	
Accountability	0.876	17.741	0.000	
Transparency	0.015	0.306	0.761	
Performance Based Budgeting	0.187	2.463	0.017	
R Square	0.883			
Adj R Square	0.873			
F	90.605			
Sig.	0.000			

The research proves that the implementation of the Participatory Budget in the budgeting process Bengkulu city government positive effect on Lokal Government Unit (LGU) performance Bengkulu city government. The higher the level of participation in the budgeting process Bengkulu city government involving all relevant components, the higher the performance of LGU Bengkulu city government. The results are consistent with studies that have been carried out by Milani (1975), Browner in Nanda (2008). Participation in budgeting can improve performance: 1) participation allows subordinates to communicate what is needed by managers and employees to his superiors; 2) participation can allow subordinates to pick and choose actions that can build commitment and regarded as the responsibility for what has been. Participation budgeting resulting high peak performance. The study also supports research Indriantoro (1993) in Supriyono (2004), Riyadi (2000), Sinambela (2003), Supriyono (2004), Eker (2007). Sinambela (2003). The results of this study provide ideas and stabilization to the government of the city of Bengkulu covers all LGU, either on behalf of organizations and individuals, at various levels of managerial, leadership and all parties concerned, that active participation in the budgeting process is indispensable. The involvement of these various components will give good consequences in eliciting a sense of responsibility for all personnel because they feel appreciated in proposing opinions and activities in the preparation of the budget, thus providing a positive feel in the spirit of realizing or executing the budget

later so as to improve the performance of individuals who will ultimately improve organizational performance LGU in Bengkulu city government.

The results also proved that the implementation of accountability in the budgeting process Bengkulu city government affect the performance LGU Bengkulu city government. These results indicate that the application of accountability in the budgeting process Bengkulu city government is getting better, it will increase the performance of LGU Bengkulu city government into a better direction. This study is in line with research conducted by Siregar (2011), Krina (2003), Rahmanurrasjid (2008). Implementation of accountability in governance from the planning, execution and reporting has been able to improve the performance of the management of the budget. Bengkulu city government at all LGU should continue working to improve the implementation of accountability in the budget process (budget) so as to create public trust in the government of Bengkulu. The budgeting process is accountable covering their documents about the policy (Strategic Plan), a clear work program, the method of determination of budget targets and standardize costs, goes evaluation and documentation properly, accountability reports were good, the implementation of the budget and proper information, their policy positions were good, and the creation of efficiency and effectiveness of the budget, has been able to improve the performance of individual managers and also on education overall organizational performance.

Next, these results prove that the implementation of transparency in the budgeting Bengkulu city government has no effect on LGU performance Bengkulu city government. This means that transparency has not been able to improve the performance of LGU and Bengkulu city government as a whole. The results of this study are not consistent with Rahmanurrasjid (2008), Fernandez (2004), Werimon et al (2007). The results provide suggestions to the government that the implementation of transparency in the budgeting process and management of other governments during this time is necessary to evaluate and develop which will be able to produce management performance LGU better governance. Transparency as well as the obligations under the legislation, is also the responsibility of government officials in providing information to the widest public so that the public knows very well the development process undertaken. Society as the owner of the regional administration is only fitting to participate in determining the existing development process by involving themselves and obtain good information in the decision making process. The local government is expected to continue working to improve understanding of the apparatus to always apply the concept of transparency in governance that will improve the performance of existing government institutions.

Recently the results of this study prove that the implementation of Performance Based Budgeting in the budgeting Bengkulu city government has a positive effect on LGU performance Bengkulu city government. The better implementation of Performance Based Budgeting in the budgeting process is carried out in LGU, the higher the performance LGU concerned. The results are consistent with research Asmoko (2006) in Siregar (2010), Yusriati (2007), Julianto (2009). The results provide an understanding that the adoption of performance-based budgeting in the budget process should be made to produce a performance better governance. Budgeting based job performance or the performance is based on achievement of the performance, the performance indicators, the analysis of expenditure standard, the standard unit price, and minimum service standards. In its implementation, the local government demanded more responsive, transparent, and accountable to the public interest. Performance-based budgeting is also called a budget system that promotes the achievement of the work or *the output* of a cost allocation plan or *inputs* are set based on the goals and performance targets, the implementation of *value for money* and effectiveness of the budget. To that local governments should promote the concept of performance-based budgeting is the budgeting process so that it will be able to produce better government performance. The budget process has to have an *outcome* that is able to estimate the benefits of all the programs and activities that will be done so that the process of achieving goals of LGU as a whole will be better.

CONCLUSIONS, IMPLICATIONS, LIMITATIONS AND RECOMMENDATIONS

Based on test results and discussion of research data on all local government unit (LGU) Bengkulu city government, it can be concluded that: The application of participatory budgeting, accountability and performance-based budgeting in the budgeting process Bengkulu city government proved to have a positive effect on the performance of Bengkulu city LGU. This means more and better participation in budgeting, implementation of accountability in budgeting, and implementation of performance-based budgeting in Bengkulu city government on education, the better the performance of LGU Bengkulu city government. The application of transparency in the budgeting process Bengkulu city government proved no effect on LGU performance Bengkulu city government. This indicates that the application of transparency during the budgeting process has not been able to improve the performance of LGU Bengkulu City.

The results of this study have implications in providing an understanding of how important proper management of participatory budgeting, accountability, transparency, and performance-based budgeting in government budgeting process. For that is expected to Bengkulu city at all LGU for evaluation and realignment of the existing budgeting process over the years. Improvements back in the budgeting process, especially on the element of greater transparency in the budgeting process by making improvement efforts including childbirth policies and regulations related to it. The local government is able to build the competence of government officials at all LGU that will provide improvements in overall organizational performance.

The results of this study have limitations such as: the research was only able to prove the effect of the application of participatory budgeting, accountability and performance-based budgeting in the budget process affect the performance LGU. This research has not been able to prove the application of transparency on performance. The application of transparency in Bengkulu city LGU based on the respondent's answer is no indicator is still weak implementation in LGU Bengkulu city government. It is also possible weakness in data controls that respondents answer because there is no process of assistance in filling out the questionnaire. The concept of theory and previous research which was built to see the correlation between variables is still lacking, especially on the application of accountability and transparency in the performance of LGU. Public sector research is in the development phase to look for a theory that raw so that research is now more departing from the concept and relevance logic variable.

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THE INFLUENCE OF THE QUALITY OF HUMAN RESOURCES AND THE IMPLEMENTATION OF THE REGIONAL FINANCIAL ACCOUNTING ON THE QUALITY OF FINANCIAL REPORTS OF REGIONAL TASKFORCE WITH A SYSTEM OF INTERNAL CONTROL THE GOVERNMENT AS VARIABLE INTERVENING

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Abstract. The purpose of this research is to determine and obtains evidence empirical about the influence of the quality of human resources and the implementation of the regional financial accounting on the quality of financial reports SKPD with a system of internal control the government as variable intervening. The research on the entire financial administration officials SKPD unit (PPK-SPKD) of Merangin regency on 2016, by using the primary data was obtained from questionnaires distributed to respondents. A method of the sample collection by using purposive techniques of sampling , as many as 30 respondents. Analysis of data using smartpls version 3.0. through outer, inner model and hypothesis testing. Outer model and inner model showed the results of all research instrument are valid, reliabel and feasible to be to explain a model variables. The results of testing showing directly that the quality of human resources not significant on the quality of financial report, regional financial accounting system significant on the quality of financial report. Testing indirectly shows that the quality of human resources, and regional financial accounting system not significant on the quality of financial statements with internal control system of government as a variable no intervening.

Keywords : *the quality of financial report, the quality of human resources, regional financial accounting system, internal control system the government.*

INTRODUCTION

The era of recent reforms organization public sector has been steadily the development of which is quite rapid, as the endorsement of regional autonomy in the 1st january 2001 by statute no.2 of 1999 which has been revised with the law the no. 32 of 2004 on regional government, financial reform countries the central government and the government the region can then apply in the act of no. 25 years 1999 which has been revised the act of no. 33 of 2004 about financial balance the central and regional governments. Spirit reform financial management the government in order to achieve the success of regional autonomy characterized by the presence of change or improvement financial management, in an effort to create good governance (good government governance). In realize good governance, the government are required to continuously doing improvement in public sector institutions, these demands closely related to transparency and accountability of the implementation of the government.

An effort to realize transparency and accountability of financial management the government, both the central government and regional governments is by the accountability reports of financial report. Financial report is a report that provides information about financial condition an organization. A financial report quality is a financial report having the characteristics of relevant, reliable, can be compared and can be understood (PP no.71, 2010), so that such financial statement can inform us that are useful for users financial report both parties internal and external an organization.

Research is driven by phenomenon found that income from an investigation into of local government financial statements who receive an opinion unqualified still targetless who want to in achieved, of 504 of local government financial statements who audited by BPK in 2014, only 251 of local government financial statements who are opinion unqualified or amounting to 49,80% (ihps, 2015), this still targetless remember the government has projected of local government financial statements that received opinion unqualified in 2014 up to 60 % as stipulated in indicators the success of bureaucratic reform (Permenpan and RB no.11 2011). This was the case caused by several factors among other: the weakness of the factors of human resources, an accounting system regional financial, and the system of internal control the government. To produce a financial statement that quality needed high-quality human resources.

Accounting system financial is into factors affecting the quality of a financial report. In preparing the report financial expected based on standard as specified the government accounting standards. Based on the regulation the government 71 in 2010 standard government accounting is guidelines at in preparing and presenting financial report. Standard government accounting is requirements absolute who should be made guidelines to make the quality of financial report in indonesia can be increased. In addition in preparing the report financial is required financial accounting system. Financial accounting system the regions is a procedure of an early stage data collection until financial reporting over accountability the budget implementation affairs regulation no. 59 in 2007. If financial accounting system not yet understood shall be impede in the preparation of reports financial, so that it can be influenced the quality of financial report government financial itself.

Internal control also as the determining factor the quality of government financial statements. Internal control from the central government and regional governments are based on government regulation no 60 years 2008 of the internal control the government. Internal control system having the function of to give confidence adequate for the achievement of the effectiveness and efficiency in the process of accounting especially in create a quality of financial report. So that the implementation of the internal control able to increase reliabilit, objectivity information and prevent inconsistency and to ease the process audit financial report.

The research is the development of a model of research roviyantie (2011) competence about the influence of human resources and the implementation of the regional financial accounting on the quality of regional financial report the market, which is supplemented by yosefrinaldi (2014) on the utilization of technology and a system of internal control the government as variable intervening. The difference with this research is from years of research on previous studies research in doing in 2011, while in the study is done at 2016. Place research, in previous studies researchers conducted research on the district administration tasikmalaya, the study is done at A unit of working units merangin district.

The difference the study also located on a analysis, to research previous using of multiple regression by the use of a analysis spss while in this research using smart partial least square (SEM-pls) vers .3.0 as a means of analysis. Sample selection is also a different to previous studies, in previous studies sample taken 14 agency to a clerk subsection, financial / accounting, while to research is officials regional financial management (unit PPK-SKPD) as respondents who is based on the thought that Officials regional financial management was a competent in preparing the report financial of regional taskforce in accordance with the regulations the home affairs minister`s regulation) number 59 year 2007, the understanding of officials regional financial management (unit PPK-SKPD) in the system the accounting and system internal control affect the quality of a local government financial statements.

Problem Statement

Refer on exposure described at sub chapter background, problems research taken up in research is formulated as follows:

1. Whether the quality of human resources influenced the quality of financial report of regional taskforce?
2. Will the adoption of regional financial accounting system influenced the quality of financial report report of regional taskforce ?
3. Whether the quality of human resources, and regional financial accounting system and influenced the quality of financial report working units with internal control system of government as a variable no intervening?

Research purposes

The purpose of this research is to explain empirically about test influence the quality of human resources, and the application of regional financial accounting system, on the quality of financial report working units with internal control system as variable no intervening.

Benefits research

Benefits research this is to provide knowledge of the quality of human resources, and regional financial accounting system, internal control system the government and the quality of financial report. The result of this research can is used to and of reference material for research for accounting public sector dimasa-masa next. And give input (input) to the officers bertanggungjawab, on the need for further attention of human resources, internal control and accounting system financial and pemanfaatan information technology on the quality of government financial statements of regional taskforce.

LITERATURE REVIEW AND HYPOTHESES

The quality of financial report

Characteristic qualitative financial report according to the the government 71 years 2010 about government accounting standards is as follows: characteristic qualitative financial report is known normative that need to be in information accounting so that it can be fulfill its purpose. The four characteristic here is a prerequisite normative necessary to manage government financial report able to meet the quality of being :

1. Relevant;
2. Reliable;
3. Comparable;
4. Can be understood;

Human resources

The quality of human resources is the ability of human resources to undertake the task and responsibilities of given with the support education, training, and considerable experience adequate (widodo, 2001 in kharis, 2010).

Financial accounting system

Keppmendagri no.29 year 2002 article 70 paragraph (1) regional financial accounting system is a system accounting which includes the process recording, of the interpretation, summary financial transactions or events as well as reporting financial in order the budget implementation, carried out in the principles of an accounting he common. Of the government regulation no. 58 of 2005 on financial management an area arranged that the government regions should be make an accounting system of being set with regulation the head of the region.

System internal control the government internal

Control system according to the the government 60 years 2008 of the internal control the government is as follows: internal control system is the process of that are integral to the action of and activities undertaken by is constantly being by the leader of and all of the employee to give confidence sufficient over the achievement of the aims organization through activities that effective and efficient, the reliability of financial reporting, security state assets, and observance of legislation. Element internal control system the government adapted in government regulation number 60 years 2008 includes:

1. Environment control
2. Risk assessment
3. Activities control
4. Information and communication
5. Monitoring.

Framework thinking

The framework of the research is presented in figure the following .

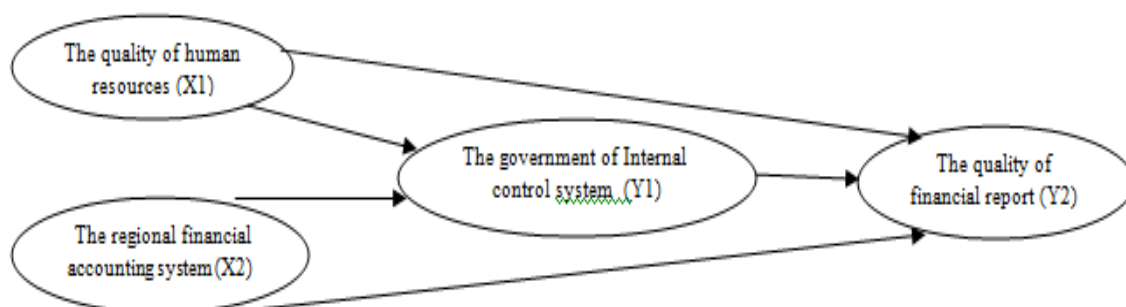


Figure 2.1 Framework thinking

Hypothesis research

The quality of financial report (Y2) as dependent variable due to some the independent variable the human resources (X1), and accounting system finances (X2), and internal control system the

government (Y1) as variable no intervening. The relationship between variable can be explained as follows :

Influence the quality of human resources on the quality of financial report SKPD Merangin regency

Amran in yudianta (2011) said that human resources are one of the factors determine the success particular agencies. Government regulation no. 101 in 2000 article 3, states that is the ability of competence and characteristic of owned civil servants, in the form of knowledge, skill, and attitude behavior necessary in the implementation of the service. The success of particular agencies one of them is in stir by a factor of human resources, with the good quality human resource will affect the quality of accounting information on financial reporting. Research roviyantie (2011), yudianta (2011), ihsanti (2014), yensi (2014) and hertati (2015) the research results show that human resources significant on the quality of regional financial report.

Based on the discussion was suspected to there is a positive connection among human resources on the quality of lkpd so researchers make hypothesis:

H1: human resources have had a positive impact on the quality of financial report SKPD Merangin regency.

Influence application of the system regional financial accounting on the quality of financial report SKPD Merangin regency

The preparation of reports financial expected based on standard appointed .In this case the government accounting standards. In which based on the regulation the government 71 years 2010 standard government accounting is guidelines at in preparing and presenting financial report .Standard government accounting is requisite absolute that should be made guidelines to make the quality of financial report in Indonesia can be increased. In addition in preparing the report financial is required financial accounting system. Regional financial accounting system is a procedure of an early stage data collection until financial reporting over accountability the budget implementation affairs regulation no. 59 in 2007. If accounting system not yet understood shall be impede in the preparation of reports financial, so that it can be impact on financial report government financial itself. Research yensi (2014) show that the system accounting regional financial influenced the quality of local government financial statements .Based on the discussion was suspected to there is a positive connection between regional financial accounting system on the quality of lkpd so researchers make hypothesis:

H2: regional financial accounting system have had a positive impact on the quality of financial report SKPD Merangin regency.

The influence of human resources, and an accounting system regional financial on the quality of financial reports SKPD Merangin regency

with a system of internal control the government as variable internal control from the central government and regional governments designed with based on government regulation no 30 years 2008 on SPIP. According to irwan in sudrianti (2011) stated that SPIP run by human resources who have competence able to provide adequate belief that sap be implemented as well as it should, hopefully with a understanding a system of regional financial accounting can realize the quality of financial reports meet four characteristics that are mandated that is relevant, reliable, can be compared and can be understood.

Hopefully with a the quality of human resources, accounting system and internal control system government sufficient for a variable no intervening so will produce output of the quality of good financial report. Based on the discussion was suspected to there is a positive connection between the quality of human resources, and regional financial accounting system on the quality of local government financial statements through a system internal control of government as a variable no intervening. So researchers make hypothesis:

H3: the quality of human resources, and regional financial accounting system have had a positive impact on the quality of financial report SKPD Merangin regency with a system of internal control of government as a variable intervening.

METHODOLOGY

Object research

Object in this research selected by researchers is related to things will be discussed namely the influence of the quality of human resources, and the application of accounting system on the quality of financial report working units with internal control system of government as a variable no intervening in all SKPD Merangin regency as an object research. SKPD within the Merangin district consist of 2 secretariat, 14 agency, 1 inspectorate, 10 agency, 3 offices .

The population and the sample

Population in research it is a whole element financial management officials at the skpd level within the Merangin district consisting of 2 secretariat, 14 agency , 1 inspectorate, 10 agency, and 3 offices. Population represented unit PPK-SKPD which consisted of 30 respondents assuming that that they understand all activities penatausahaan in working units all of these sudiaranti, dkk, (2015). Considering at least a population of, then the researcher have undertaken an initiative to have made all we in the sample the 30 (thirty-two) of respondents. It is like put forward by arikunto for 2010 that if a population of research less than 100 people, so should be taken them for sample or the respondents research.

Technique data processing

Research asserts on measuring variable with numbers and an analysis of data by a statistical procedure by using smart partial least square (SEM-pls). According to ghozali (2015) partial least square is the method of analysis that powerful by because they did not assume data must be to the measurement of certain scales, the sample of the small. The purpose of partial least square is help scientists to get a variable latent for the purpose of predictions .

Operation and measurement of variable

Independent variable

An independent variable in this research is the variable human resources, and the application of regional financial accounting system

1. The quality of human resources (X1) human resource referred to in this research was unit PPK-SKPD within the districts Merangin in implementing the tasks the office in officials regional financial management indicators the ability individual, knowledge, behavior and organization and institutional .Indicators symbolized as follows:
SD1: the ability of an individual
SD2: knowledge individual
SD3: behavior individual
SD4: organization and institutional
2. Accounting system finances (X2) next days no.29 2002 article 70 paragraph (1) regional financial accounting system is a system accounting which includes the process recording, of the, interpretation, summary financial transactions or events as well as reporting financial in order the budget implementation, carried out in the principles of an accounting he common.Indicators: conformity with SAP, identification transactions, analysis and recording transactions in chronological order, who symbolized as follows:
SA1: conformity with government accounting standards (SAP)
SA2: pengidentifikasian transactions
SA3: analysis transactions
SA4: recording in chronological order

Variable no intervening

Variable no intervening in research this is a SPIP the system internal control the government (Y1). Indicators the application of spip according to government regulation no.60 years 2008 .Internal control system measured by 5 (five) indicators: control environment, risk assessment, the activity of control , information and communication and monitoring. By symbols as follows:

- SP1: environment control
- SP2: risk assessment
- SP3: the activity of control effort
- SP4: information and communication
- SP5: monitoring

The dependent variable

Research it made the quality of government financial report as variable dependen, to see how entanglement variable human resources, and regional financial accounting system with the quality of government financial report. Variable the quality of financial report in measuring with 4 (four) indicators: relevant, reliable, can than, can be understood. By symbols as follows:

- KL1: relevant
- KL2: reliable
- KL3: can than
- KL4: can understood

Technique data analysis

In the analysis by using pls there are some things is:

- a. assess outer a model or measurement model there are three criteria to judge outer model that is convergent validity, discriminant validity and composite reliability.
- b. assess onto inner a model or structural model structural evaluated by using r-square to konstruk dependent and the book and significance of the coefficients parameter the structural.
- d. Diagram construct the
- d. estimation
- e. goodness of fit
- f. the testing of hypotheses

RESULTS AND DISCUSSION

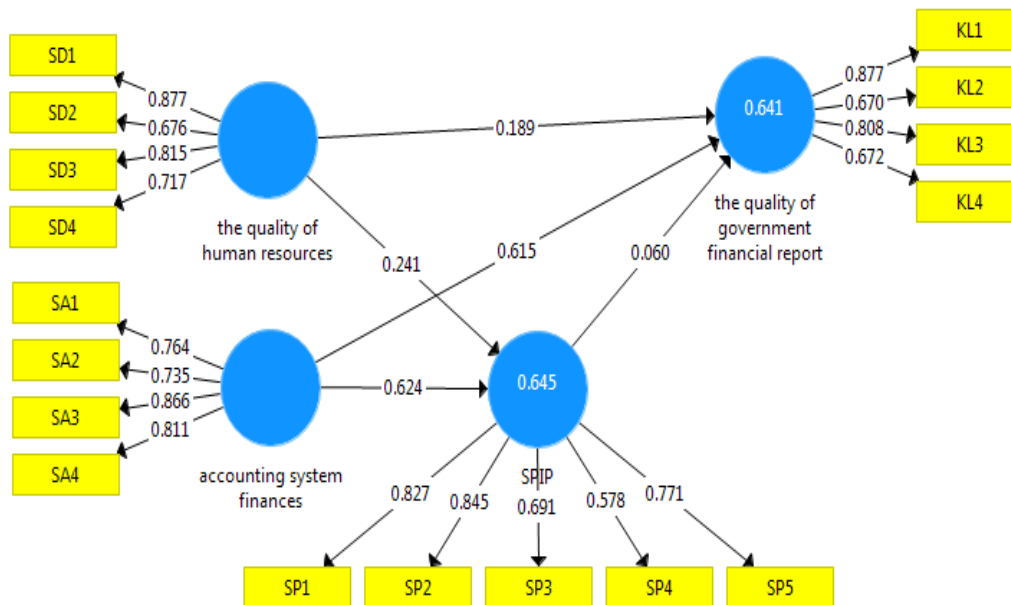
There are two tests carried out by adopting partial least squares pls namely the outer a model (test indicators) and onto inner a model (test structural).

a. The outer a model (test indicators)

The outer model latent or in other words measure how far the indicator can explain variable latennya.To indicators reflective as used on in this research, testing is conducted by seeing the outer loadings convergent validity, discriminant validity, and composite reability.

1) convergent validity

Convergent validity of the outer model can be seen from the outer loadings model research with an indicator refektif showing correlation between grades the indicator with constructnya. The outer loadings can the results a picture outer loadings based on the results of outer loadings in figure 4.1 it can be seen that every indicator valid because it having value loading above 0.5.



Graph 4.1 .Full model structural

Based of graph 4.1 it can be seen that it can be seen that all indicators have valid because it having value loading above 0.5. So obtained indicators konstruk fulfill the convergent validity by a factor of loading > 0.5 that all indicators for variables the quality of human resources, regional financial accounting system, and quality of financial report so that it can be concluded that all data the indicators in the diagram full model are valid and having converging good.

2) discriminant validity

Value AVE the quality of human resources (X1) as much as 0,601. Value AVE construct regional financial accounting system (X2) as much as 0,633.Value AVE construct internal control system the government (Y1) as much as 0,561.Value AVE construct the quality of financial statements (Y2) as much as 0,581 this indicates that fifth the variable having discriminant validity enough because it has a score of above 0.5, where as required by good models if value ave greater than 0.50 (ghozali, 2015).

3) composite reability

The results of composite reliability all construct shows the above 0.7, namely 0,856 to the quality of human resources (X1), 0,873 to regional financial accounting system (X2), 0,863 to SPIP (Y1), 0,845 to the quality of financial statements (Y2). This indicates that all construct appropriate to do so test onto inner model.

b. Test onto inner a model (test structural)

Test onto inner modeled on principle is test influence between one other variables variable latent other good exogenous and endogenous. It can be said also test hypotheses between variables latent the one with variable latent other. Testing is conducted by seeing the path analysis and goodness of fit. The stability of estimation this tested by using test t-statistic obtained through bootstrapping procedure.

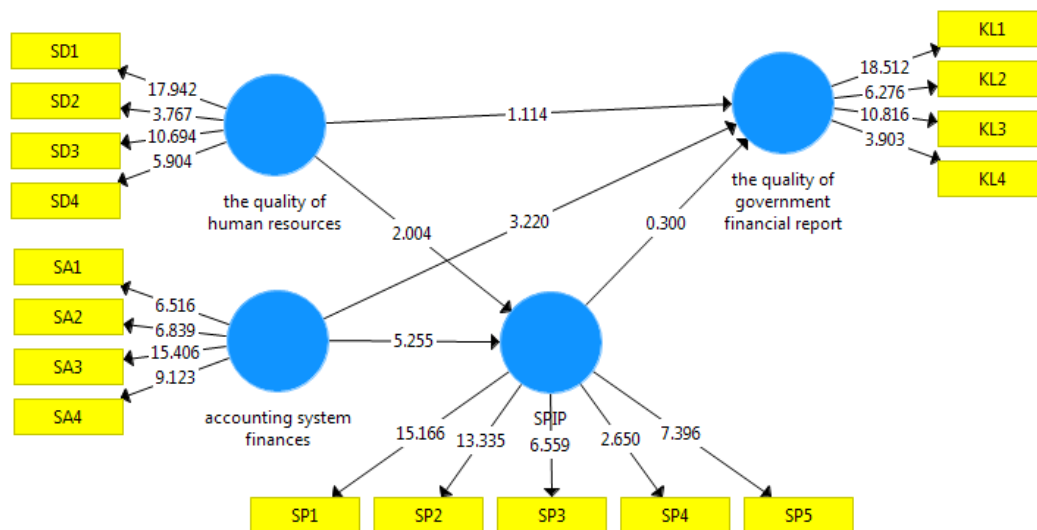


Figure 4.2 the Results of testing bootstrapping

The results of goodness of fit show variability of variable latent in the model research. Goodness value of fit obtained from the coefficients r^2 (r square). The results r^2 be seen that variability SPIP (Y1) can be explained by variability the quality of human resources (X1), and regional financial accounting system (X2), as much as highest amount is collected by 61,6 %, the rest of 38,4 % is other variables that there is no in the model research. In addition, variability the quality of financial statements (Y2) can be explained by variability the quality of human resources (X1), and regional financial accounting system (X2), as much as 59,6 % the rest of 40.4 % is variability other there is no in the model research as standard government accounting. Of the value of r^2 for variables internal control system the government and the quality of financial report each of 0.616 and 0.596 which means that included in a category moderate.

The testing of hypotheses

a) test the direct effect

The path coefficients, value original sample who are positive show a clear in line (positive) .The quality of human resources having the positive coefficients of 0,189 who show a clear in line (positive). Value p value 0,283 the level of errors in ($\alpha=5\%$), with the t-statistic of 1.074 & lt; t-table of 1,697, this indicates that the quality of human resources not influenced the quality of financial report .

Financial accounting system regions having the positive coefficients of 0,615 who show a clear in line (positive). Value p value 0,004 with a significance ($\alpha=5\%$), with the t-statistic 3,150 & gt; t-table 1,697, this picture show that the system regional financial accounting influential the quality of financial report.

b) test indirect effect

Influence the quality of human resources having indirect effect positive for the coefficients of 0,014 with p-value of 0,811, t-statistic value of 0,284 & lt; t-table of 1,697. Regional financial accounting system having value p value 0,777 with the level of errors in ($\alpha 5\%$). Value t-statistic 0,284 & lt; t-table 1,697, with a value of the coefficients 0,037. The results of the study indirect shows that the quality of human resources, and the application of accounting system not influenced the quality of financial report working units with internal control system as variable no intervening.

Discussion

Influence the quality of human resources on the quality of financial report

knowledge possessed by acting in regional financial management capable of producing a report financial reliable. Hutapea & toha in 2008, stated that knowledge is information that is owned by someone to undertake the task and responsibility in accordance with sectors. Research conducted by winidyaningrum and rahmawati for 2010 also shows the result that function and the process of accounting that is carried out by employee who have knowledge in the field of accounting in order to help the reliability of financial reporting the government.

The quality of human resources officials regional financial Merangin regency merangin. Still need to at the by local governments, where seen from data from respondents, there are still many officials financial not majoring in accounting or financial, this can affect a less than optimal understanding officials regional financial in regional financial management. Exposure to was supported by (warisno, 2008), which stated that in regional financial management good, local unit should prepare good quality human resource, supported by education background accounting, often follow education and training, and have experience in the field of finance. Supported also by notoatmodjo (2009), stated that elements the development of human resources that is, that education and training, where formal education in an organization is a the process of development the ability at which is sought by an organization concerned.

The local government of Merangin regency to improve the quality of human resources involved in regional financial management in order to produce the quality of a financial report meet characteristic quality of financial report the relevant, reliable, to be understood and can be compared, can be done by the way the government Merangin district regularly hold training regional financial management and the regulations relating to regional financial, remember officials financial unit (PPK-SKPD) have a background education diverse and most not from the background the field of accounting, for education and training is needed to overcome weakness the background education officials regional financial management, because the better the quality of human resources will produce the quality of a financial report good.

The influence of regional financial accounting system on the quality of regional financial report

Application of the system accounting local financial carried out well in regional financial management by officials financial, cendrung will produce the quality of a financial report meet characteristic quality of financial report the relevant, reliable, to be understood and can be compared. Where in preparing the report financial required regional financial accounting system, financial accounting system the regions is a procedure of an early stage data collection until financial reporting over accountability the budget implementation affairs regulation no. 59 in 2007, the better the application of regional financial accounting system, so the quality of a financial report produced will be getting better, order to be able to meet characteristic quality of financial report the relevant, reliable, can be understood, and can be compared. System influenced the quality of government financial report because basically accounting system is a whole if applied or one piece a system that is no applied it is difficult to obtain characteristic qualitative financial report the region in accordance sap the relevant, reliable, to be understood and can be compared (yensi, 2014).

This research in line with research yensi (2014) who discovered that system of regional financial accounting significant on the quality of local government financial report. This research in contrast with research ihsanti (2014) found that an accounting system regional financial has no significant impact on the quality of financial reports.

The influence of the quality of human resources, and the application of regional financial accounting system on the quality of financial report working units with internal control system of government as a variable no intervening

Research indicates that internal control system the district government Merangin still experienced weakness as delivered by BPK through its results. BPK express the problems related internal control system and disobedience to the laws and regulations (LHP Merangin district, 2015). According to the BPK problems SPI is due officials manager or responsible negligent and unexamined in presenting financial report, not yet optimal in implementing the tasks and responsibilities in accordance their respective duties, not fully understand regulation, weak in to supervise and control activities, and less coordinate with the parties involved, and the weakness in an application used.

Related to this case, the government the regions have yet to receive an opinion reasonable without exception on the report local government financial. And consequently to increase against the system internal control, because the better system internal control it would impact on improving the quality of information a financial report produced. That in line with of the government regulation number 60 years 2008 that internal control system related to the financial report is a process that designed to give confidence adequate over the reliability of financial report according to the standard of government accounting, that will produce a financial report quality. Regent as the head of the region and all heads of SKPD are required to conduct control for holding governmental activities (PP 60 in 2008), so that an effective financial management, efficient, transparent, and accountable can be achieved .

CONCLUSIONS , LIMITED AND SUGGESTIONS

Conclusions

Based on the results of the analysis the data that has been described in chapter before , it can be taken conclusion as follows:

1. The quality of human resources not significant on the quality of financial report.
2. Regional financial accounting system significant on the quality of financial report.
3. The quality of human resources, and regional financial accounting system not significant on the quality of financial report working units with internal control system of government as a variable no intervening.

Limited

1. This research is only talks through the three independent variable that deals with the quality of financial report, other variables ignored and are not have leverage on the quality of financial report.
2. Due to limited time and energy, this research is only research in working units so that it result only reflect the condition of in the skpd and not surrealism in all circumstances.
3. Respondents this research is only one in each of the regional working units, namely officials financial unit PPK-SKPD because of the limitation of time so it is not can completely reflect all the situation on the ground.
4. The data collected from the answers of the respondents based on perceptual responden that are vulnerable cause refraction namely the perception of respondents to the state of the truth.

Suggestion

1. Considering the importance of the quality of human resources, the district government merangin need to regularly hold training in the preparation of financial reports and socialization pertaining financial remember unit (PPK-SPKD) have a background education diverse and most not from the background the field of accounting.
2. The district government merangin let optimize utilization of information technology in regional financial management with a training or training pertaining to utilization of information technology in the accounting.
3. The district government merangin also needs to improve the systems internal control the government remember where internal control can giving confidence adequate to run governmental activities.
4. For researchers next interested to scrutinize the same problems, recommended increase other variables influenced the quality of financial report skpd, remember the results of 0,616 r-square indicated that there are 38,4 % variability the quality of financial report explained other variables out model so open an opportunity for researchers next to dig and consider other variables and other indicators.

5. Enlarge the sample of the involved in regional financial management and furnish method survey by interviewing to increase caring attitude and commitment of the respondents in answer all the questions are lodged and reduce subjectivity from of the respondents who could cause the result of this research susceptible to refraction answer respondents.
- 6 . To further research, first improve the questionnaires used in research.

INTELLECTUAL CAPITAL, FIRM VALUE AND FINANCIAL PERFORMANCE

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Abstract. The ownership of intangible assets especially intellectual capital has becoming more important in this modern era where technology and knowledge have significant roles in company operating activities. The objective of this study is to examine the effect of intellectual capital on firm value and financial performance as intervening variable. The sample in this study is the banking sector listed in Indonesia Stock Exchange between 2011-2014 and 15 banks become samples in this study. The data was analyzed using the path analysis method with SPSS. The test result shows that intellectual capital has a positive effect on firm value, intellectual capital has a positive effect on financial performance, financial performance has a positive effect on firm value, and financial performance proved to intervene the relationship between intellectual capital and firm value.

Keywords: *Financial Performance, Firm Value, and Intellectual Capital.*

INTRODUCTION

The rapid development of science and technology in modern era has made companies realized that the ownership of intangible assets has a significant role just like tangible assets. One of the intangible assets is knowledge assets, such as ideas, information, creativity and company human resources' knowledge. Knowledge assets are better known as intellectual capital. The first known instance of intellectual capital is from Thomas Stewart's article which was released in 1991. After this article had been published, the research on intellectual capital began to be done especially to gives a precise definition of intellectual capital and to determine an appropriate indicator to measure intellectual capital. An example of this is the research that conducted by Pulic (2000).

According to Pulic (2000), intellectual capital is a part of knowledge that gives value added contribution to a company and will result in a competitive advantage. The most common indicators used by researchers to measure the performance of intellectual capital is VAIC™ (Value Added Intellectual Coefficient).

Research on intellectual capital in Indonesia began after the publication of Statement of Financial Accounting Standard (PSAK) 19 which discussed intangible assets. In 2005, Dunamis Organization Services held Indonesian Most Admired Knowledge Enterprise (MAKE) Study. Indonesian MAKE Study is a study about the most self-sufficient company in the field of knowledge management and intellectual capital in Indonesia. Data that was obtained from MAKE Study states that banking sector in Indonesia tend to report fewer intellectual capital attributes compared to companies in other sectors. In contrast, banking sector should receive the award every year since banking is an "intellectually intensive" business sector (Kamath, 2007), which means the quality of service to consumers rely heavily on the intelligence of human resources owned by the company. To that end, the utilization of intellectual capital should have been increased, especially in the banking sector.

Research conducted by Chen and Cheng (2005), Ulum (2007; 2008), and Clarke, Seng and Rosalind (2011) investigate the relationship between intellectual capital and financial performance. The research proves a positive effect on financial performance and the results of research performed by Sunarsih and Mendra (2012), Alghifari and Juhaeni (2013), and Sudibya and Restuti (2014) showed that financial performance is positively related to firm value.

Another issue that also attracted the attention of academics and practitioners is the relationship between intellectual capital and firm value (Hong, 2007). Randa and Solon (2012), Berzkalne and Zelgalve (2014) and Sudibya and Restuti (2014) found that there is a positive relationship between intellectual capital and firm value. But, different results obtained from the research by Sunarsih and Mendra (2012) and Muna (2014), which show that there is an indirect relationship between intellectual capital and firm value through financial performance. The difference results between research by Sudibya and Restuti (2014), Sunarsih and Mendra (2012) and Muna (2014) became the underlying motivation for this research. The differences in results of previous studies may be caused by differences in the indicators used to calculate the performance of intellectual capital, the firm company, as well as the financial performance of companies that became the sample of their researches. This study aims to find the relationship between intellectual capital, financial performance and firm value to answer these question:

- (1). Does intellectual capital has a positive effect on firm value.
- (2). Does the intellectual capital has a positive effect on financial performance.
- (3). Does the financial performance has a positive effect on firm value.
- (4). Does the financial performance intervenes the relationship between intellectual capital and firm value.

This study uses M-VAIC model or VAICTM that have been modified to measure intellectual capital performance (Ulum, 2014), Return on Assets (ROA) for financial performance (Ulum, 2008) and Price to Book Value (PBV) for firm value (Sudibya and Restuti, 2014).

LITERATURE STUDY AND HYPOTHESES DEVELOPMENT

Resources Based Theory (RBT)

Resource-Based Theory was first presented by Wernerfelt (1984) in his article. The article combines the idea by Selznick (1957) and Penrose (1959) concerning the definition of the enterprise as a system that produces resources (Ulum, 2013). However, the most influential article for intellectual capital research is an article by Barney (1991) which discussed about firm resources and sustained competitive advantage. RBT stated that a company has the resources to make a competitive advantage and able to manage itself to have an excellent long-term performance. A rare and valuable resources can be managed to create a competitive advantage so that the owned resources will be durable and can not be easily copied, transferred or substituted (Ulum, 2013).

RBT is a proper choice to describe research on intellectual capital, especially in the context of the relationship between intellectual capital, financial performance, and firm value. In intellectual capital's perspective, intangible assets of companies are classified into three main categories: human capital, structural capital, and customer capital (Bontis, 1998 in Ulum, 2013). According to Pulic (2004), each company has unique knowledge, skills, values and solutions –in this case, are intangible resources– that can be transformed into a 'value' in the capital market. Intangible resources that are efficiently managed can assist companies to achieve competitive advantage, increase productivity and its market value.

Stakeholder Theory

The stakeholder term in the classical definition is the definition by Freeman and Reed (1983) which states that the stakeholders are groups and individuals who can influence the achievement of company goals or those who are affected by the activities of the company during the company's pursuit of goals.

Based on stakeholder theory, organizational management is expected to perform activities that are important to their stakeholders and report those activities back to stakeholders. To explain the relationship of intellectual capital, financial performance, and firm value, stakeholder theory should be viewed from two fields, which are the ethics field and managerial field. Ethics field argues that all stakeholders have the right to be treated fairly by the organization, and managers should manage the organization for the benefit of all stakeholders (Deegan, 2004). Managerial fields of stakeholder theory views that the stakeholders ability to influence corporate management should be seen as a control over the resources needed by an organization (Watts and Zimmerman, 1986). Maximum management over the entire potential of the organization will give the opportunity to create value added that will increase the company's financial performance and increase the firm value in the capital market which is the purpose of stakeholders in influencing the company's management (Ulum, 2007).

Intellectual Capital (IC)

Intellectual capital is everything that can provide a competitive advantage for a company in the form of intangible resources such as knowledge, a technology used by the company, financial information as well as HR experiences that will result in the creation of value added for the company. According to Pulic (2004), intellectual capital consists of Human Capital (HC) and Structural Capital (SC). Human Capital represents the knowledge of an organization that is represented by its employees meanwhile SC covers the entire company's knowledge assets such as database, organizational charts, process manuals, strategies, routines and all the things that make the firm value's greater than the nominal value (Bontis, 2000 in Ulum, 2008). To measure the efficiency of intellectual capital, Pulic (2004) built a model called VAIC™ consisting of Intellectual Capital Efficiency (ICE) and Capital Employed Efficiency (CEE) where ICE consisted of Human Capital Efficiency (HCE) and Structural Capital Efficiency (SCE).

The model used in this study is the M-VAIC, namely the VAIC™ model by Pulic (2000) which has been modified by Ulum (2014) that adding the Relational Capital Efficiency (RCE) to be a part of the ICE to measure the performance of the company's intellectual capital with more comprehensively. RCE is a harmonious relationship between the company and its partners (Sawarjuwono and Kadir, 2003). HCE, SCE, and RCE will form ICE in M-VAIC model. The model used in this study is the M-VAIC, namely the VAIC™ model by Pulic (2000) which has been modified by Ulum (2014) that adding the Relational

Capital Efficiency (RCE) to be a part of the ICE in order to measure the performance of the company's intellectual capital with more comprehensively. RCE is a harmonious relationship between the company and its partners (Sawarjuwono and Kadir, 2003). HCE, SCE and RCE will form ICE in M-VAIC model,

Modified Value Added Intellectual Coefficient (M-VAIC)

M-VAIC model (Ulum, 2014) begins by assessing the company's ability to create value-added (VA) which is the efficiency of human capital (HC), structural capital (SC), relational capital (RC), and capital employed (CE). Following Pulic research (2004), VA can be calculated by the total of Operating Profit (OP), Employee Cost (EC), Depreciation (D) and Amortization (A). The process of value creation efficiency (VA) is influenced by the efficiency of four components, which will be added together to form M-VAIC indicator which are:

1. Human Capital Efficiency (HCE). HCE shows how much VA can be generated with the cost for labor whereas HC's proxy are salaries and employee benefits.
2. Structural Capital Efficiency (SCE). SCE shows the contribution of structural capital (SC) in value creation. SCE measures the amount of SC needed to produce 1 rupiah of VA. The greater the input of HC in value creation, the less the input of SC, where SC is VA minus HC. HCE, SCE, and RCE together will result in Intellectual Capital Efficiency (ICE).
3. Relational Capital Efficiency (RCE). RCE is an additional component to calculate the performance of intellectual capital that proposed by Ulum (2014) in his research. RCE measures the amount of RC needed to produce 1 Rupiah of VA. In his research, Ulum (2014) uses the company's marketing costs as an indicator of the RC.
4. Capital Employed Efficiency (CEE). CEE shows the contribution made by each unit of CE to VA. According to Pulic (2000; 2004), if one unit of CE generates a larger return than other company in the same sector, it means that the company can use their CE more efficiently.

Company Financial Performance

Company financial performance is the measure of a company's financial condition during a particular period. Performance can be a benchmark for company's ability to manage and allocate all of their available resources to obtained profit from their operating activities.

The ratio that used to measure the financial performance is the return on assets (ROA). Based on an assessment letter from Bank Indonesia (BI) No. 23/67/KEP/DIR in 1991, the minimum limit for ROA in banking sector is 1%.

Firm Value

Firm Value is reflected in the stock price. A company that has a great value will be a hot item among investors. The company's value in this study was measured using PBV (Sudibya and Restuti, 2014). PBV describes the given market premium on the intellectual capital of the company. High PBV means that company has a stock price that greater than the book value per share. The company that has high stock price reflected their ability to create value for shareholders. The company that can successfully create a value will certainly give hope to the shareholders in the form of greater profits (Agus Sartono, 2001 in Sudibya and Restuti, 2014).

Hypotheses Development

Company investment in the form of intellectual capital will have an impact on the difference between market value and book value. RBT supports the statement an intellectual capital that well managed will have an impact on the increase in firm value.

According to stakeholder theory, all of the company's activities begin from value creation. Stakeholders can appreciate a company that has superior intellectual capital because it will help the company to fulfill all of the stakeholders interests. Investors as one of the stakeholders in the capital market will show their appreciation by invest in the company. Researches done by Randa and Solon (2012) and Berzkalne and Zelgalve (2014) proves that intellectual capital has a positive effect on firm value. Based on this, the first hypothesis is:

H1: Intellectual capital has a positive effect on firm value.

A company in RBT, described as a collection of tangible and intangible assets and a financial performance is the effectiveness of the tangible and intangible assets utilization (Firer and Williams 2003 in Sunarsih and Mendra, 2012).

Stakeholder theory states that the companh which have a high intellectual capital will be capable of generating value added, and makes the company have better performance than before. This high performance will increase the stakeholders' trust to the company. The study done by Chen and Cheng (2005), Ulum (2008), and Clarke, Seng and Rosalind (2011) proves that intellectual capital has a positive influence on the company financial performance, then the second hypothesis proposed in this study is:

H2: Intellectual capital has a positive effect on financial performance.

An efficient utilization of tangible and intangible assets in a company according to RBT theory would provide a competitive advantage for the company, thus increasing the productivity and the value of the company. Stakeholder theory states that a good financial performance will have an impact on increasing the confidence of shareholders. Shareholders trust in a company reflected on how they assess the company in the capital market.

Research conducted by Sunarsih and Mendra (2012), Alghifari and Juhaeni (2013) and Sudibya and Restuti (2014) proved the existence of a positive relationship between financial performance and firm value. Based on this, the third research hypothesis proposed in the study are:

H3: Financial Performance has a positive effect on firm value.

According to the RBT theory, a company can compete competitively if the company can manage and use their resources efficiently. It can only be done if it's supported by a good intellectual ability. When resources are managed effectively and efficiently, it can lead to value added and have an impact on the competitive advantages that exist in the company.

According to stakeholder theory, a company needs to perform an action to increase their value so stakeholders can have a high trust in the company. The increase in the value of these companies can be done with the effective utilization of the company's intellectual capital.

Belkaoui in Sunarsih and Mendra (2012) states that the company's investment in intellectual capital presented in the financial statements, was the result from the increased between the differences of market value and book value. Intellectual capital is a measurable resource for the increased of competitive advantages. Hence intellectual capital will give a contribution to the financial performance and firm value (Chen and Cheng, 2005).

Researches done by Sunarsih and Mendra (2012) and Muna (2014) proves that intellectual capital has an indirect effect on the value of the company through financial performance as an intervening variable. Based on this statement, the fourth hypothesis in this study are:

H4: Intellectual capital has an indirect effect on the firm value through financial performance.

RESEARCH METHODOLOGY

Independent variable

The independent variable in this study is the intellectual capital measured by the efficiency of intellectual capital in the creation of value added using VAICTM measurements that have been modified (M-VAIC) by Ulum (2014). M-VAIC calculation results are categorized into four categories:

- 1) Top performers - M-VAIC value above 3.50
- 2) Good performers - M-VAIC value between 2.5 and 3.49
- 3) Common performers - M-VAIC value between 1.5 and 2.49
- 4) Bad performers - M-VAIC value below 1.5.

Company that fall into Top Performers category indicated as a company that can manage and exploit their intellectual capital very efficiently in order to create value added. Meanwhile, the companies that fall into lowest category, which is Bad Performers indicated as a company that can not take advantage of their intellectual capital efficiently to create value added.

The formula to calculate M-VAIC is as follows (Ulum, 2014):

$$\text{M-VAIC} = \text{HCE} + \text{SCE} + \text{RCE} + \text{CEE}$$

HCE	:	Human Capital Efficiency = VA / HC
VA	:	Value Added = OP + EC + D + A
OP	:	Operating Profit
EC	:	Employed Cost
D	:	Depreziation
A	:	Amortization
HC	:	Human Capital, in the form of wages and salaries
SCE	:	Structural Capital Efficiency = SC / VA
SC	:	Structural Capital = VA-HC
RCE	:	Relational Capital Efficiency = RC / VA
RC	:	Relational Capital, in the form of marketing costs
CEE	:	Capital Employed Efficiency = VA / CE
CE	:	Capital Employed available for funds (equity)

Dependent variable

The dependent variable in this study is the firm value that measured using the Price to Book Value (PBV). PBV can show how the company creates value for the company. Company that well managed generally have PBV above 1, which shows the market value is higher than its book value. PBV is calculated using this formula:

$$ROA = \frac{Net\ Income}{Average\ Total\ Assets}$$

Intervening variable

Intervening variable in this research is financial performance which measured using Return on assets (ROA). ROA ratio in this study was formulated as follows:

$$P/B\ Ratio = \frac{Market\ Price\ per\ Share}{Book\ Value\ per\ Share}$$

The sample is 15 companies from banking sector listed in Indonesia Stock Exchange in 2011-2014, that has met the requirements which are the sample report all of their financing aspect on audited financial statements and don't have negative equity book value and profit during the observation period. Data analysis using path analysis with this formula:

$$PBV = \alpha + \beta_1 + \beta_3\ MVAIC\ ROA + \varepsilon \dots\dots\dots (H1, H3)$$

$$ROA = \alpha + \beta_2\ MVAIC + \varepsilon \dots\dots\dots (H2)$$

Information:

- PBV = Firm value
- M-VAIC = Modified Value added intellectual coefficients company
- ROA = Financial Performance
- α = Constant
- β_1 = The coefficients of PBV on M-VAIC
- β_2 = The coefficients of ROA on M-VAIC
- β_3 = The coefficients of ROA on PBV
- ε = Residual

RESULTS

Table 4.1 showed that the average value of M-VAIC is above 3.5. Therefore, companies that become samples in this research fall into the top performers category (Ulum, 2014). Top performer means that the company can utilize their intellectual capital efficiently. ROA value of samples averagely is greater than the minimum ROA limit set by Bank Indonesia which is 1%. PBV value of samples averagely is above 1, indicated that samples market value is greater than their book value.

Table 4.1 Descriptive Statistics

	N	Minimum	maximum	mean	Std. deviation
MVAIC	60	1.83	6.36	3.5921	1.09841
ROA	60	.0022	.03	.0163	0.00793
PBV	60	.296	4.86	1.7308	1.13533
Valid N (listwise)	60				

Hypothesis testing

Table 4.2 shows the β_1 coefficient (.447) is significant at 5% (.011). This proves that there is a direct positive effect of intellectual capital (M-VAIC) on firm value (PBV), which meant that any increase in the efficiency of utilization of intellectual capital will increase the company's value.

Table 4.2 Results 1

Variable	sign	Koef.	T	Sig.
MVAIC	(+)	.447	2.624	.011
R Square		.108		
Adj R Square		.092		
F		6.883		
Sig		.011		

Dependent Variable: SQ RTPBV_1

Based on table 4.3, the β_2 coefficient (.04) is significance at 5% (.000). This shows that there is a positive effect of intellectual capital (M-VAIC) on financial performance (ROA), which means that any increase in the efficiency of utilization of intellectual capital will improve financial performance.

Table 4.3 Results 2

Variable	sign	Koef.	T	Sig.
MVAIC	(+)	.078	7.269	.000
R Square		.481		
Adj R Square		.472		
F		52.832		
Sig		.000		

Dependent Variable: SQRTROA_1

Table 4.4 shows the β_3 coefficient (6.204) is significance at 5% (.000). This indicates that there is a positive effect of financial performance (ROA) to firm value (PBV), which means that any increase in the company's financial performance would enhance its value.

Table 4.4 Hypothesis Testing Results

Variable	Sign	Koef.	T	Sig.
ROA	(+)	6.204	4.510	.000
R Square		.263		
Adj R Square		.250		
F		20.341		
Sig		.000		

Dependent Variable: SQ RTPBV_1

Table 4.5 shows the direct influence (DI) of intellectual capital (M-VAIC) on financial performance (ROA) is .078. The DI of intellectual capital (M-VAIC) to firm value (PBV) is .447 and the DI of financial performance (ROA) to firm value (PBV) is 6.204. The effect of intellectual capital (M-VAIC) to firm value (PBV) through financial performance (ROA) is 0.484 (0.078 x 6.204).

Table 4.5 Effect of Direct and Indirect Influence

VARIABLE	M-VAIC		ROA	
	PL	PTL	PL	PTL
ROA	.078 (β_2)	-	-	-
PBV	.447 (B1)	.484	6.204 (B3)	-

The result indicates that intellectual capital has the capability to affect firm value directly or indirectly through financial performance. The indirect effect that has higher value than direct effect means that intellectual capital will have a better ability to improve firm value if IC affect FV through financial performance.

This is the sensitivity test results to see which of the Intellectual Capital constructs are the most influential to firm value and financial performance:

Table 4.6 Sensitivity Test Intellectual Capital Constructs on Firm Value

variable	Koef.	t	Sig.
HCE	2.088	3.879	.000
SCE	-5.412	-3.267	.002
RCE	0.764	.994	.324
CEE	3.507	5.048	.000

Dependent Variable: SQ RTPBV_1

Table 4.6 shows that CEE (3.507) have the most significant effect at the level of 5% to the firm value followed by HCE (2.088). RCE is positive at .764, but the effect is not significant. SCE negatively impacts the firm value at -5.412. From these results, it is known that the increases in HCE, RCE, and CEE, will increase the firm value. But if there is an increase in SCE, it will reduce the firm value.

Table 4.7 Sensitivity Test Intellectual Capital Construct on Financial Performance

variable	Koef.	t	Sig.
HCE	.008	.341	.735
SCE	.232	3.113	.003
RCE	-.064	-1.849	.070
CEE	.230	7.355	.000

Table 4.7 shows that SCE has the greatest influence on ROA with a coefficient of .232 followed by CEE with a coefficient of .230. HCE has a coefficient of .008, but not significant at 5%. RCE has a negative coefficient of -.064 and is not significant at 5%. This indicates that each of the increase in HCE, SCE, and CEE, will increase the company's financial performance meanwhile it will be reduced if RCE value increased.

DISCUSSION

Intellectual Capital and Firm Values

The first results indicate that there is a positive effect of intellectual capital on firm value. Every time the efficiency of intellectual capital increased, the firm value will also be increased. It means that the market has given a high appraisal to the banking sector that can utilize their intangible assets especially intellectual capital for value added creation.

Statistically, banking sector on average falls into Top Performers category, and this is one of the reasons why the market gave high appraisal for Indonesian banking sector. These results differ from Sunarsih and Mendra's research (2012) where the research sample has an average value of 1.51. The low value is one of the reasons why no direct influence found on intellectual capital to firm value because low IC value made the market wouldn't give a high assessment to the company.

The banking sector in its operating activities relies heavily on the intellectual abilities of human resources as well as its technology. High intellectual capital value shows that the banking sector has proven to utilize their intangible resources, especially intellectual capital efficiently so that in the end the company's value in the market can be increased.

This finding is consistent with RBT theory which states that the intangible resources which can be managed efficiently, especially the intellectual capital, can help companies to achieve a competitive advantage, so it will attract investors to invest and have an impact on the increased value of the company. The stakeholder theory states that a company that can harness their intellectual capital in the creation of value added efficiently will help the company to meet the interests of stakeholders, especially investors so that they will show their appreciation by investing in the company.

The results of this study are consistent with Randa and Solon (2012), Berzkalne and Zalgale (2012), and Sudibya and Restuti (2012), but the study was not consistent with the research by Sunarsih and Mendra (2012) in which there's no direct influence on the value of the intellectual capital of the company.

Intellectual Capital and Financial Performance

The second test results indicate that intellectual capital has a positive effect on financial performance, which means that the higher the utilization of intellectual capital in the creation of value added, will increase the effect of company's efforts to get a better financial performance. By leveraging the intellectual capital they have, the company's financial performance can be increased through increased revenue without adding the costs and expenses. The findings of this study also indicate that the more efficient the companies can manage their intellectual capital (human capital, structural capital, relational capital and capital employed), the more their financial performance will improve.

The average value of the samples financial performance has been above the minimum level set by the central bank. It means that the financial performance value is directly proportional to the intellectual capital value. The average value is proven that the ownership of high intellectual capital would have an impact on their financial performance which can occur with an increase in revenues generated by their intangible assets without adding their costs and expenditures.

The second hypothesis proves that an increase in intellectual capital will also increase banking company assets for their operating activities that focused on the intellectual abilities of their employees, technology which they owned and how banking sector can persuade a customer to make a loan or opened a bank account. Thus, an increase in intellectual capital can also be accompanied by an increase in revenue. Therefore, the ROA ratio will be increased if the IC increase too.

These findings support the RBT theory that the company's performance is a result of tangible and intangible assets owned by the company, in this case, is the intellectual capital. Excellent management of

intellectual capital will help the company to achieve a competitive advantage thus improving their financial performance. These findings also support the stakeholder theory, which states that a company that can utilize their intellectual capital efficiently to create value-added will improve their financial performance. The high value of performance will increase stakeholders trust to the company, especially the shareholders or investors.

The results of this study are consistent with findings Ulum (2008), Chen and Cheng (2005), Clarke, Seng and Rosalind (2011), Sunarsih (2012) and Sudibya (2014) which states that intellectual capital is a positive influence on the financial performance of the company.

Financial Performance and Value

The third test result shows that financial performance has a positive effect on firm value. It means that financial performance is directly proportional to their firm value. The average market value of the banking company has been above its book value shows that on average the banking company has been rated highly by the market. Financial performance (ROA) were proven to have a positive effect on firm value (PBV), indicates that the value of ROA is one of the factors that determines how much the PBV owned by banking company. High ROA value shows the high level of profit achieved by the and demonstrates the ability of a good asset management.

This test is consistent with the RBT theory which states that the effective and efficient utilization of tangible and intangible assets will enhance the company's ability to generate more operating profit. It would result in the increase of return received by shareholders and ultimately increase the firm value in the capital market.

This finding is also consistent with stakeholders theory which shows that high financial performance of the company will attract investors to invest in the company (Arifin in Sudibya, 2014). It would also have an impact on the stock price in the market and will end in an increase of firm value.

The results of this study are consistent with studies that have been done before, namely from Sunarsih (2012), Alghifari and Juhaeni (2013), and Sudibya (2014). These studies state that financial performance has a positive influence on the value of the company.

Intellectual Capital, Financial Performance and Value

Research shows that financial performance intervenes the relationship between intellectual capital and firm value of the company with higher value if through financial performance. From these results, it can be concluded that the companies were able to manage their intellectual capital as good as they can to create value added and competitive advantage through innovation, research, and development, which will lead to an increase in the company's financial performance. The better financial performance will attract the attention of investors to invest so that the company's market value will increase.

Intellectual capital is influenced by four constructs which are HCE, SCE, RCE, and CEE. High intellectual capital value shows that that banking sector has employees who are competent, creative, able to work efficiently and would not incur costs that are not needed. Then it is also indicated that the facilities and infrastructure owned by banks, such as databases, software, and organizational structure could support the entire employee to increase bank's performance and can provide value added to attract the investors. Also, banking sector already has a good marketing system and promotion for introducing the bank to the public so that it can attract more customers. Banks that have sufficient funds can meet investors' expectations because the funds can be used for the payment of dividends to investors.

This results support RBT theory that if the resources were managed effectively and efficiently, it would create value added for the company. An increase in value added will increase financial performance and will result in competitive advantages for the company. A company that has a competitive advantage will attract more investors, which in turn will increase the company's value in the capital market. This finding is also consistent with the stakeholders theory, which states that company would use their intellectual capital to increase the firm value. The better utilization of intellectual capital will reflect on how high company's financial performance can generate more profits. Companies that can efficiently use their resources to produce a high return for shareholders will increase their firm value.

The result is consistent with the results of research done by Sunarsih and Mendra (2012) and Muna (2014) where they found an indirect effect of intellectual capital on firm value via financial performance.

CONCLUSION

Conclusion

From the first hypothesis result, we know that the market will give a company a high appraisal if it's capable of utilizing its intellectual capital to create value-added. From the second hypothesis, we can conclude that the efficient use of intellectual capital is proven to improve the company's financial performance in the banking sector by increasing its revenues without adding to the expense and costs. The third hypothesis result indicated that the increase in a company's financial performance, will attract more

investors to invest, thus will give the company higher value in the capital market. The fourth hypothesis result shows that a company that can manage their intellectual capital properly will create a value added and thus from there, it will also create a competitive advantage and result in increased financial performance. A better financial performance will attract the attention of investors to invest in the company. Thus it will increase its value in the capital market.

Research limitations

1. This study was done only to banking sector companies that listed in BEI between 2011-2014.
2. Adj R Square value of the independent variable are still relatively small at under 50%. Even Adj R Square value of intellectual capital on firm value is only 9%. It indicates that there are other independent variables that affect the firm value.

Suggestion

1. Companies from other sectors should be added or the period of the study should be extended.
2. Using alternative indicators or models other than M-VAIC model to measure intellectual capital.
3. Indicator for Financial performance can use Employee Productivity (EP), Return on Equity (ROE) or Growth Revenue (GR) just like in the researches by Chen and Cheng (2005) and Clarke, Seng and Rosalind. (2011). The firm value can use Tobin's Q as in the researches by Randa and Solon (2012), Alghifari and Juhaeni (2013) and Berzkalne and Zelgalve (2012).

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PERFORMANCE-BASED BUDGET, CLARITY OF OBJECTIVES, BUDGET REPORTING SYSTEM, OBSERVANCE OF LAWS AND REGULATIONS, AND PERFORMANCE ACCOUNTABILITY OF GOVERNMENT AGENCIES

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Abstract. The aim of this study is to empirically prove the influence of performance-based budgeting, the clarity of the budget target, reporting systems, and adherence to the laws and regulations against the performance accountability of government agencies. This study was conducted in the Ministry of law and Human Rights (human rights) of Bengkulu province. The respondents of the research was the leader in the organization which is under the Ministry of Justice and human rights, by providing questionnaires. The data used in this study was the primary data of 56 respondents. The tool data analysis applied Smart PLS version 2.0 M3. The results showed that outlier model testing is good for convergent validity, discriminant validity, and then reliability testing, all showed that the condition of gauges and the existing data was good. Inner model Testing also showed that its structural equation model was fit. Hypothesis testing produced that Clarity of budget targets, reporting systems, and adherence to the laws and regulations have a positive influence against the performance accountability of government agencies. Performance-based budgets, thus has no effect on the performance accountability of government agencies.

Keywords: *performance-based Budgets, clarity of Objectives, Budget reporting system, observance of laws and regulations, performance accountability of government agencies*

INTRODUCTION

The embodiment of good governance in Government demands the increasing of accountability, by applying the good norms of in running government wheel such as the application of the system of accountability for the proper, clear, measurable and legitimate, so that the accomplishment of government and the development can be directly helpful, effective, clean and responsible, as well as free from corruption, collusion and nepotism. In a more specific reference, the decision of the head of LAN Number 239/IX/6/8/2003 on guidelines for the preparation of Reporting performance accountability of government agencies, is explaining that the performance accountability of government agencies is the embodiment of an obligation of government agencies to be responsible the success and failure of the implementation of the Organization's mission in achieving the goals and objectives that have been established through periodic accountability system. To support the enhancement of the accountability, the Government issued Regulations covering Government Regulation (PP) No. 8 in 2006 about financial reporting Guidelines and the performance of government agencies, the regulation of the Minister of State for Administrative Reform State number PER/09/URM.PAN/05/2007 General guidelines about the determination of the Main performance indicators in an environment of government agencies, and presidential instruction number 7 in 1999 about the accountability of the performance of government agencies. One of its realization is by making accountability and evaluation reports contained in the report of the performance accountability of government agencies (LAKIP). The Government as the provider of the public funds in order to meet performance accountability may notice a few things like budget, reporting systems and observance of laws and regulations.

The purpose of this study is to examine the influence of the application of performance-based budgeting, the clarity of the budget target, reporting systems, and adherence to the laws and regulations against the performance accountability of government agencies. The budget became a very relevant and important governmental surroundings because of its impact on government accountability, with respect to the function of the Government in providing services to the community. Act No. 33 of 2004 and No. 17 of 2004 about the finances of the State has established the use of a performance-based budget approach is an approach in the preparation of the budgets that are based on the performance to be achieved. The application of performance-based budgeting is a form of budget reforms in improving the budgeting process is accountable. Performance-based budget (performance based budgeting) is output-oriented budgeting and relates very closely to the vision, mission and strategic plan of the Organization (Bastian,

2006). Budget performance approach emphasized on the concept of value for money and oversight of performance output (Mardiasmo, 2002).

The link target of the budget with the clarity of the performance accountability and its effects on performance accountability was ever delivered by Indudewi (2009) and Anjarwati (2012) who said that the clarity of the budget goal influences on performance accountability of government agencies. A clear budget targets will make it easier to account for the success or failure of the implementation of the tasks of the Organization in order to achieve the goals that have been set previously. The higher the degree of clarity of the objectives of the budget, it will be increasingly high levels of performance accountability of government agencies.

Reporting system has related to the accountability of the performance of government agencies. This has been proved by Anjarwati (2012) and Indudewi (2009) stating that the reporting system has an effect on performance accountability of government agencies. Regional financial management systems that include reporting systems will create a transparent financial management and accountability. This suggests that the higher the level of the reporting system, it will have an effect on increasing accountability for the performance of government agencies.

Observance of laws and regulations is also an important factor that directly relates to the accountability of the performance of the Government, as stated in The President of the Republic of Indonesia number 7 in 1999 about the performance accountability of government agencies. The existence of this accountability report generated expected would be appropriate and fit within the framework of the fulfilment of duties to the Central Government and public information needs. Therefore, to realize the performance accountability of government agencies required obedience over regulatory legislation (Riantiaro & Azlina, 2011). This is supported by research conducted Sumiati (2012) that proved that observance of laws and regulations have a positive affect toward the performance accountability of Government.

The phenomena above indicates that how important performance accountability as accountability of public institutions that use public funds in an economical, effective, and efficient without any dissipation of funds and corruption. The results of the evaluation of the performance accountability of government agencies by 2015 conducted by the Ministry for administrative reform of the State apparatus and Bureaucracy (PANRB) against 77 ministries/agencies that routinely done every year, the Ministry of Justice and the human right gain value of B or better with the score 65-75 range. Based on the assessment and the various pefomena in the top of the link budget, reporting systems and laws and regulations, then the researchers want to prove in a comprehensive manner the implementation of performance-based budgeting relation, the clarity of the budget target, reporting systems, and adherence to the regulations with the performance accountability of government agencies.

THE CONCEPT OF THEORY, THE PREVIOUS STUDY AND FORMULATION OF HYPOTHESIS

Performance Accountability Of Government Agencies

The increasing demands of society towards the Organization of a good and clean government has encouraged the development and implementation of a system of accountability that is clear, precise, organised and effective Accountability Reports, known as government agencies (LAKIP). The goal of LAKIP is to make the holding of governance and development can take place useful, effective, responsible and free from the practice of collusion, corruption and nepotism. The Government then issued a Presidential Instruction of the Republic of Indonesia number 7 in 1999 about the accountability of the performance of government agencies. In the presidential instruction, there are several definitions of performance accountability that is the embodiment of the obligations of government agencies accountable for the success or failure of the Mission of the Organization in achieving the goals and targets that have been established through the periodic accountability tool. At first the accountability is often associated with finance, but now performance has been a major concern despite financial (BPKP, 2007; Mardiasmo, 2002). The decision of the head of the LAN Number 239/IX/6/8/2003 on guidelines for the preparation of performance accountability of government agencies, explaining that the performance accountability of government agencies is the embodiment of an obligation of government agencies accountable for success and failure of the implementation of the Organization's mission in achieving the goals and objectives that have been established through the periodic accountability system.

Performance-based budgeting and performance accountability of government agencies

Performance-based budgeting is budgeting system oriented organization output (output measurement) as an indicator of performance and closely related to the vision, mission and strategic plan

of the organization (Bastian, 2006). Performance-based budgeting is budgeting method is done with attention to the linkages between the output and the expected results of the activities and programs including efficiency in the achievement of outputs (Kurniawan, 2009). Halim (2007) says performance-based budget is a method of budgeting that associates each poured in funding activities with the expected results and outputs including efficiency in the achievement of results. Characteristics of the performance-based budget in the framework of the application of performance-based budget includes; based on the inputs, outputs and outcomes to be achieved, the relationship between the input with the output to be achieved, the performance targets (Asmoko, 2006).

Program on performance-based budget is defined as an instrument of policy that contains one or more activities that will be implemented by government agencies. The process of drafting the budget first, and accommodate the needs of the community selection will be filled within a certain period. Performance-based budgeting requires the creation of new programs and activities and strategies to get around the limitation of resources. Nina (2009) in her research showed that the implementation of performance-based budget positive effect on performance of managerial work units of the device area. Kurniawan (2009) found in his research that the performance-based budgeting a positive effect against the performance accountability of government agencies.

H1 : Performance-based budgeting a positive effect against Performance Accountability Of Government Agencies

The clarity of the budget Targets and performance accountability of government agencies

The government budget is one way the implementation of management accounting that is becoming an essential tool in conducting resource allocation in the Government. Budget is a process which is implemented by public sector organizations to allocate resources to bear on the needs of the infinite (the process of allocating resources to unlimited demands) reveal the role of strategic budgeting in the wealth of a political organization (Deddi, 2008). Kenis (1979) in Robbyta (2013) and Suhartono and Solichin (2006) says the clarity of the budget target is the extent to which the objectives of the budget clearly defined and specific purposes so that the budget can be understood by the person responsible for the achievement. Locke and Lathan (1984) in Samuel (2008) States that the setting of specific goals will be more productive than not setting specific goals. The budget targets of deliberate clarity to govern the behavior of employees.

The budget should be able to become a benchmark achievement of performance accountability expected, so that budget planning should be able to describe clearly the performance target. Therefore the budget targets should be expressed in clear, specific and understandable by those responsible for implementing it. The existence of the measurement of the success rate of an organization in the form of the evaluation mechanism, then it can be known for the performance of an organization (Herawaty, 2011; Abdullah, 2005). When the target clarity budget stated clearly then the performance accountability of government agencies has increased. This will encourage employees to do their best for the attainment of the desired goal, so it could have implications for increased performance. Anjarwati (2012) concluded that the clarity of the budget target of a positive effect against the performance accountability of government agencies. Kusumaningrum (2011) show that the positive effect of the budget goal clarity against the performance accountability.

H2: The clarity of the budget target of a positive effect against Performance Accountability of Government Agencies

The system of reporting and performance accountability of government agencies

There are three goals of the Government's financial reporting such as managerial accountability, and transparency. Accountability is defined as the attempt to account for resource management and implement policies which is entrusted to the organizational units of the Government in the framework of the achievement of the goals that have been set. Managerial means providing financial information that is useful for planning and managing the Government's finances as well as facilitating an effective control over all the assets, debt and equity funds Kusumaningrum (2012). BPKP (2000) stated that a good report is a quality that should be prepared honestly, objectively and transparently, by using the principle of liability, exclusions, comparison, accountability, and benefits. Anthony, et al (2005) reveals the characteristics of a good reporting system is a report detailing the actual achievements of variants based on factors the causes of organizational units, the annual forecasts are concerned, include a description of the preparation of systematic, cause variant, and evaluation or action taken to correct a variant which is not profitable.

Reports can be compiled properly, if the accounting system used is good too, so that the required reporting systems. Mardiasmo (2002) reveals, the local government as the provider of public funds should

be able to provide the necessary financial information accurately, timely and trustworthy. Therefore, local governments are required to have a reliable accounting accounting systems. Anjarwati (2012) concluded that the reporting system a positive effect against the performance accountability of government agencies. Indudewi (2009) discovering the existence of regional financial management systems that include a reporting system, will create a transparent financial management and accountability.

H3: Reporting system a positive effect against Performance Accountability Of Government Agencies

Adherence to regulations and Performance Accountability Of Government Agencies

Accounting and the relation to this law has been expressed by Soleman (2007) in his view about accounting and its surroundings, there are 8 elements in the environment affecting the accounting system of accounting, taxation, funding sources, the political and economic relations, inflation, the level of economic development, levels of education, and culture, then coupled with the influence of legal and accounting developments. Robbyta (2013) says the legal system in force in one country depends on the system that adhered to whether the concerned country adopt the Civil Law or Common Law. The legal system is rooted in the public sector in accounting is a system of civil law, where any rules associated with the public sector accounting that are loaded in the form of regulatory legislation. In Indonesia has many laws and Government regulations published to achieve good governance. Accountability cannot be effective in the absence of transparency and the rule of law that is clear, so that the development of accountability required a mechanism and a clear regulation. This indicates that adherence to the regulations of the legislation will affect the performance accountability of government agencies. Hara (2010) found that adherence to legal regulations a positive effect on the performance of government agencies. This is in line with the research Soleman (2007) and Robbyta (2013) are proving the existence of the positive influence of obedience regulations against the performance accountability of government agencies.

H4 : Influential positive observance legislation against Performance Accountability Of Government Agencies

RESEARCH METHODS

This research is quantitative research with testing causality variables independent of the dependent variable. The variables tested are (the dependent) performance accountability, and performance-based budgets, clarity of objectives, budget reporting system and obedience regulations (independent). Accountability is measured by indicators of accountability and honesty of law, accountability processes, accountability program, and accountability policies, with 12 grains statement. Budget-based performance measured by the indicators of the budget based on the inputs, outputs and outcomes, the relationship between the input to the output, the preparation of performance targets, with 5 round statement (Kurniawan, 2009). The clarity of the budget objectives measured by indicators of budget objectives clear and specific, understandable, transparent and accountable, as well as relevant, with item 8 statement (Robbyta, 2013; Yusmaneli, 2008). The reporting system is measured using the preparation of systematic, causes the occurrence of irregularities, evaluation or actions taken, with the 7 item Declaration (Robbyta, 2013); Yusmaneli, 2008). Obedience regulations legislation measured with 5 round statement (Robbyta, 2013).

The respondents in this study were officials at agency regional office environments on the vertical of the Ministry of Justice and human rights Work in the Unit as well as Bengkulu in scope which is the city of Bengkulu. Respondents who participate are officials of the Echelon III, IV, and V consisting of a head, head of section, head of the subfields and head subsections at regional offices of the Ministry of Justice and Human Rights Unit and Work Surroundings of Bengkulu local offices. The data was analyzed using Partial Least Square approach (PLS) (Abdillah, 2015; Ghozali, 2014). First the outer model testing was done to know the validity and reliability of data. Further inner or structural models was tested to look at the relationship between invalid constructs. Hypothesis testing is done by the process of bootstrapping/resampling bootstrapping. Testing the hypothesis put forward can be seen from the magnitude value of the t-statistic.

THE RESULTS OF THE RESEARCH AND THE DISCUSSION

The number of samples (respondents) in this research was as many as 56 people, consisting of Local office of Ministry of justice and human rights (23), Bengkulu Lapas Class II A Bengkulu (10), Rutan class II B Bengkulu (4), class II Bapas Bengkulu (4), Rupbasan class I Bengkulu (3), and the Immigration Office class I Bengkulu (12). Viewed from gender, 45 men and 11 women. The age of

respondents was average from 41 to 50 years. Their education was majority of Undergraduate, Graduate and Diploma. The working time is generally in the range of 21 - 30 years.

The overview of the variable research (performance-based budgets, clarity of objectives, budget reporting system, observance of regulations and performance accountability of government agencies), all of them showed greater than average from theoretical. This means that the application of performance-based budgeting had been applied, was good on the existing reporting system, the budget target planned has been clear, has the presence of adherence to laws and regulations, and the performance accountability has gone well. Regional Office of the Ministry of Justice and human rights of Bengkulu has implemented with either all indicators that are used as measuring variables descriptive statistically based on the data of the respondents.

Table 1 Descriptive Statistics Of The Variables Research Before Preliminary Swimsuit Segment

Variable	N	Estimated			Actual Estimated			
		Min	Maks	Mean	Min	Maks	Mean	Std. Deviasi
Performance Based Budgeting	56	5	25	15	15	25	20,59	2,21
The clarity of the budget target	56	8	40	24	19	40	31,30	5,78
The system of reporting	56	7	35	21	22	35	30,02	3,12
Adherence to regulations	56	5	25	15	14	25	22,13	2,63
Performance Accountability Of Government Agencies	56	12	60	36	34	58	45,77	4,98

This research used a structural equation model which was analyzed by using the program SmartPLS 2.0 M3. Outer/measurement model (model of measurement) was applied to know the validity and reliability of the indicators which connects with the laten variable. The following image shows the display results of PLS Algorithm after an indicator having a loading of less than 0.70 eliminated.

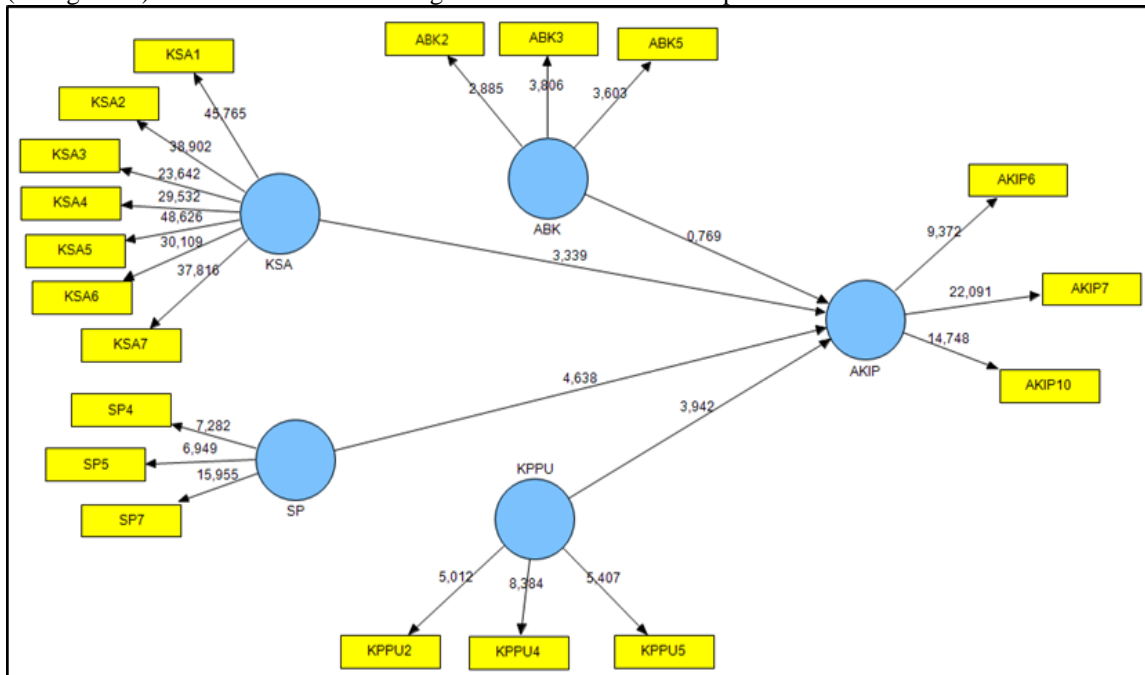
There are two methods used to assess the validity of the discriminant. The first method is comparing correlation indicator an invalid construct with the indicator of correlation with another invalid constructs by looking at the value of the cross between the loading indicator with its construction. The result showed that there was good discriminant validity, because the correlation value indicators against the construction of the correlation value is higher than the indicators with another invalid constructs. The second method is by looking at the value of the AVE (Average Variance Extracted) and the value of the root of the AVE for any invalid constructs with the correlation between invalid constructs with other invalid constructs in the model. A good model is required if the value for invalid constructs individualized AVE roots is greater than the value of the correlation between invalid constructs with other invalid constructs must be greater than 0.5. The results showed the value of the AVE (Average Variance Extracred) invalid constructs for performance-based budgets, clarity of objectives, budget reporting system, observance of regulations and performance accountability of government agencies have a value greater than 0.5.

In addition to testing the validity of constructs, the reliability of constructs test was done as measured by composite reliability and reinforced with a Cronbach alpha of indicators that measure invalid constructs. The test results of composite reliability and cronbach alpha value have composite reliability > 0.70 and alpha cronbachs > 0.60.

Table 2 Composite Reliability dan Cronbachs Alpha

Variabel	Composite Reliability	Cronbachs Alpha
Performance Based Budgeting	0,8652	0,7707
The clarity of the budget target	0,9739	0,9687
The system of reporting	0,8836	0,8051
Adherence to regulations	0,8387	0,7181
Performance Accountability Of Government Agencies	0,8356	0,7041

The structural model was evaluated by using the R-square for the dependent invalid constructs (endogenous) and t-test as well as the significance of the structural parameters of line coefficients.



Testing against the structural model is done by looking at the value of R-square which is a test for goodness-fit model. The R-square value of 0.2822, which means that invalid constructs variability of performance accountability of government agencies can be explained by the variability of performance-based budget invalid constructs, the clarity of the budget target, reporting systems and observance of legislation of 28.22% whereas 71.78% explained by variables other than the ones examined.

The second test is to see its significance by looking at the values of the parameters and values for the coefficients of the significance of the t-statistic. To assess the significance of the model prediction of the structural model in testing, can be seen from the value of the t-statistic between independent variables to the dependent variable. From the table below shows that the results of the t-statistic calculation of performance-based budgets (ABK) have no effect against the performance accountability of government agencies (AKIP) (0.7688) t-table < (1.96). The clarity of the budget target (KSA) has a positive effect against the performance accountability of government agencies (AKIP). Reporting system (SP) has a positive effect against the performance accountability of government agencies (AKIP). Obedience regulations (CHOCOLATE) has a positive effect against the performance accountability of government agencies (AKIP).

Table 3 Path Coefficient (Mean, STDEV, t-Values)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	t-statistics (O/STERR)	t-tabel
ABK ≥ AKIP	-0,0707	-0,0881	0,0920	0,0920	0,7688	1,96
KSA ≥ AKIP	0,2250	0,2173	0,0674	0,0674	3,3395	1,96
SP ≥ AKIP	0,3115	0,3173	0,0672	0,0672	4,6382	1,96
KPPU ≥ AKIP	0,3554	0,3663	0,0902	0,0902	3,9416	1,96

The results of the study proved that performance-based budget has no effect against the performance accountability of government agencies. Implementation of performance-based budget for this in the Local Office of the Ministry of Justice and Human Rights Unit Works as well as in Bengkulu have not been able to improve the accountability of the performance of government agencies. The results

of this study do not support Kurniawan's study results (2009) which found that performance-based budget influence on performance accountability of government agencies. Likewise, Kurniawan (2009) said that the existence of a relationship between a performance-based budget with managerial performance Unit Working Device area. Nina (2009) that performance-based budgeting is budgeting method which is done with attention to the linkages between the output and the expected results of the activities and programs including efficiency in the achievement of those results. Bastian (2006), argued that the budget is essentially a performance based budgeting system output-oriented organizations and closely related to the vision, mission and strategic plan of the organization. Performance-based budgeting is drafting a budget based on performance planning, which consists of the programs and activities that will be implemented and performance indicators to be achieved by an entity budgets. The Government at the Regional Office of the Ministry of Justice and human rights should continue to improve the application of performance-based budget so that it is able to improve organizational performance (accountability kinerja government agencies)

The results of the study proved that the clarity of the budget goal influenced on performance accountability of government agencies. This means that the more obvious budgetary goal setting made in the budget of the Regional Office of the Ministry of Justice and human rights Work Units as well as in Bengkulu, it will also better accountability of its Government agencies ' performance. This study supports the results of research conducted by Kusumaningrum (2011), Anjarwati (2012) who found that the clarity of the budget target of a positive effect against the performance accountability of government agencies. Robbyta (2013) stated that the clarity of the budget target is the extent to which the objectives of the budget clearly defined and specific so that the budget can be understood by the man responsible for his accomplishments. The budget should be able to become a benchmark achievement of performance accountability expected, so that budget planning should be able to describe a clear performance targets. Therefore the budget targets should be expressed in clear, specific and understandable by those responsible for implementing it

The research results proved the reporting system have an effect on performance accountability of government agencies proven empirically supported. Based on the results, this study showed that the better accountability reporting systems at the Regional Office of the Ministry of Justice and human rights as well as the working Unit in Bengkulu will be getting better performance accountability agencies his Government. The results of this study are consistent with research conducted by Indudewi (2009), Anjarwati (2012) who managed to prove the existence of the influence of the system of reporting against performance accountability. A good reporting system according to Anthony et al., (1989) in Robbyta (2013), is a system that specifies the actual achievements of variants, including the annual forecast, the causes of Variant (deviation) action taken to correct a Variant that is not profitable, and the time required in order for the actions of the corrections/improvements can be effective. Performance reporting is a reflection of the duty to represent and to report the performance of all activities and resources that need to be accounted for. The existence of a good reporting system should make it easier to account for the success or failure of the implementation of the tasks of the Organization in order to achieve the goals that have been set.

Observance of laws and regulations have influenced the performance accountability of government agencies. The results of this research showed that the better adherence to laws-invitation in making budget and reporting at the Regional Office of the Ministry of Justice and human rights as well as the working Unit in Bengkulu will be getting better performance accountability of government agencies. The results of this study support the research of Soleman (2007) and Robbyta (2013), Sumiati (2012) who found that the observance of laws and regulations influence on performance accountability of government agencies. The obedience of the laws and regulations referred to in the preparation of the financial statements, the Government must satisfy the minimum requirements specified in the Government's accounting standards. Government accounting standards as guidelines are a staple in composing and presenting financial accountability reports should be aligned with the Government's budgetary system. Therefore, the classification of the budget in the Government's accounting standards must be the same as the classification system of budgeting. Public authorities are obliged to obey the rules of the applicable legislation. Obedience regulations will encourage fluency program so that the achievement of business

goals or desired goal that will realize the performance accountability. The existence of the adherence to the regulations will make it easier to account for the success or failure of the implementation of the tasks of the Organization in order to achieve the objectives that have been set previously.

CONCLUSIONS, IMPLICATIONS, LIMITATIONS AND RECOMMENDATIONS

The results of this study concluded that performance-based budget has no effect against the performance accountability of government agencies at the Regional Office of the Ministry of Justice and Human Rights Unit Works as well as in Bengkulu. The clarity of the budget target, reporting systems, and adherence to the laws and regulations influence the performance accountability of government agencies at the Regional Office of the Ministry of Justice and Human Rights Unit Works as well as in Bengkulu. This means that the more clear goal setting the budget, the better the existing reporting systems, and the better implementation of the legislation, it will be getting a nice performance accountability of government agencies at the Regional Office of the Ministry of Justice and human rights Work Units as well as in Bengkulu.

From the results above, this study will hopefully become input for the Regional Office of the Ministry of Justice and human rights as well as the Unit Works in Bengkulu in assessing the influence of the clarity of the budget target, reporting systems and observance of legislation against the performance accountability at the Regional Office of the Ministry of Justice and human rights of Bengkulu. For officials such as heads of agencies, heads of Sections/fields and Head Subsections/Subfields in carrying out the functions, duties and responsibilities in improving the accountability of its performance that will continue to improve and to build competencies in organization by continuing to increase the accountability of the performance with improving the process of preparation of the budget, reporting systems and the application of the legislation.

This research process has some limitations that require improvement and development in the next research which covers only done limited the scope of the Regional Office of the Ministry of Justice and human rights institutions does not use vertical Bengkulu. This research could be made only by means of disseminating a questionnaire and does not do interviews with respondents so that the information obtained was very limited. By the time the researchers doing the distribution, the questionnaire, questionnaire returns time in constrained because it is not exactly an election time, researchers submit the questionnaire due to the flurry of each agency. Researchers cannot prove the influence of performance-based budgets against the performance accountability of government agencies. For next study, it is better to not only research in the Regional Office of the Ministry of Justice and human rights of Bengkulu, but also involves the entire vertical agencies that exist in Bengkulu province. Using both interview and questionnaire method, the data information was obtained better, honest and insightful as well as the selection of the correct time in distributing the questionnaire.

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THE EFFECT OF GOOD CORPORATE GOVERNANCE (GCG) ON FINANCIAL PERFORMANCE AND THE IMPLICATIONS ON FIRM VALUE

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Abstract. This research aimed to examine the effect of Good Corporate Governance (GCG) on financial performance and the implications on firm value. Good Corporate Governance (GCG) was measured by Corporate Governance Perception Index (CGPI). CGPI was assessed by the Indonesian Institute of Corporate Governance (IICG), an independent institute that conducting development of Good Corporate Governance in Indonesia. Financial performance was reflected by ROA (Return On Assets), ROE (Return On Equity) and NPM (Net Profit Margin). Firm value was reflected by the stock price, PBV (Price to Book Value), Tobin's Q and EPS (Earnings Per Share). This study used 10 firms as a sample is consistently listed in Indonesian Stock Exchange and followed CGPI program during 2012-2014. The sample was determined by using purposive sampling. Analysis of data in this study used Structural Equation Modeling-Partial Least Square (SEM-PLS) with SmartPLS version 3. The result showed that Good Corporate Governance was reflected by CGPI had no effect on financial performance (ROE and NPM). Good Corporate Governance was reflected by CGPI had no effect on firm value (stock price, PBV, Tobin's Q and EPS). Financial performance (ROE and NPM) had effect on firm value (stock price, PBV, Tobin's Q and EPS). It means that financial performance was not able to mediate Good Corporate Governance and firm value.

Keywords: *Corporate Governance Perception Index (CGPI), financial performance, firm value, Good Corporate Governance (GCG), Indonesian Stock Exchange*

INTRODUCTION

Background

The company listed in Indonesia Stock Exchange is normally separates between owner and managers. Husnan (2006) states that the limited company (listed on the stock market), often there is a separation between the management company (management, also known as agent) with the owner of the company (shareholders, also referred to as principal). Separate management of the owners (shareholders) allows any divergence of interest between the manager (management) and the owners (shareholders). Different interests are often referred to as agency problems. This is supported by Jensen and Meckling (1976) in the agency theory that is when a company separates management functions with ownership functions, it will be susceptible to conflicts of interest.

There are several cases that reflect the agency problems, such as large-scale financial scandals like Enron and Worldcom. Choi & Pae (2011) stated that the Enron case best exemplifies accounting manipulation or fraud. Enron's management took advantage of flexibility of the financial reporting system to hide the company's poor financial condition and operating performance. In Enron's case, its managers went as far as committing a financial reporting fraud. Enron was an extreme example where management's unethical actions extended to illegal acts. Worldcom's scandal has raised its profits to \$ 3.9 billion in the period January 2001 and March 2002. In 2001 and early 2002, WorldCom post a US\$ 3,9 billion US dollars which is the normal operating cost in the post investment. This allows the company to reduce the cost for many years. The loss of this operational cost item, then post profits become larger and larger gains seen would indicate that WorldCom's performance is very good. WorldCom shares are listed on the stock exchange in 1999 at a price of US\$ 62, plunged 94 percent since January 2002 as a result of the scandal airings (www.finance.detik.com).

Agency problem is the basis used to understand good corporate governance. Sutedi (2012) defined that good corporate governance is also be interpreted as a system to regulate and control the companies that create value added to all stakeholders. The only organization which conducts assessment of a corporate governance practices on firms in Indonesia is the Indonesian Institute for Corporate Governance (IICG). The organization that was established June 2000 at the initiative of the Indonesian Transparency Society and the Indonesian public figures is an independent agency to develop GCG in Indonesia. Main activity is the implementation of GCG conducts research conducted by the company, which then results

poured in a report called Corporate Governance Perception Index (CGPI). IICG been doing the rating will be the implementation of CG public companies and state-owned enterprises since 2001.

Debby, Mukhtaruddin, Yuniarti, Saputra & Abukosim (2014) stated that good corporate governance is motivated by the concept of agency theory is expected to serve as a tool to give confidence to investors that they will receive a return on the funds they have invested. Agoes & Ardana (2009) also stated that theoretically good corporate governance can increase firm value. Mukhtaruddin, Relasari & Felmania (2014) stated that every company will try to do the best to improve the company's value. To increase company value in long-term is one of company goals. Increase in the value of the company will be reflected in the market price of the stock. Investors will be watching the movement of shares in companies that are listed on the Indonesia Stock Exchange (IDX). Khairiyani, Rahayu & Herawaty (2016) explained that the firm value become very important, because it relates to the firm's survival. Firm's survival is certainly related to one of the postulates of accounting that is a going concern. Going concern expressed that the objective of the establishment of a company is not to be dispersed, but is expected to continue to be sustainable (Harahap, 2011).

Price of stock indicates the firm value. Debby, Mukhtaruddin, Yuniarti, Saputra & Abukosim (2014) stated that the higher price of the stock means the higher the firm value. Market value of stock and book value or usually called by PBV (Price to Book Value) also be used to measure the firm value, the higher the value of PBV (Price to Book Value), the higher the firm rated by investors (Husnan, 2006). Puteri & Rohman (2012) stated that the firm value as measured by Tobin's Q which is a description of shareholder's prosperity. The higher the firm value, it can also describe more prosperous owner. In addition, EPS (Earnings Per Share) may also reflect the firm value (Harmono, 2011). The average of firm value listed on CGPI assessment and the Indonesian Stock Exchange 2012-2014 period is as follows:

Table 1 Firm value listed on CGPI assessment and the Indonesian Stock Exchange 2012-2014

No.	Variable	Year		
		2012	2013	2014
1.	Stock Price	5.420	4.836,50	6.606
2.	Price to Book Value	2,45	1,99	2,43
3.	Tobin's Q	1,31	1,19	1,18
4.	Earnings Per Share	440,76	409,09	439,15

Source: Secondary data was processed

Table 1 showed the fluctuation of average of firm value listed on CGPI and the Indonesia Stock Exchange in 2012-2014. In 2013 stock price decreased by 10,77% from 2012. In 2014 stock price increased by 36,59% from 2013. In 2013 Price to Book Value decreased by 18,55% from 2012. In 2014 Price to Book Value increased by 21,68% from 2013. In 2013 Tobin's Q decreased by 8,81% from 2012. In 2014 Tobin's Q decreased by 0,76% from 2013. In 2013 Earnings per Share decreased by 7,19% from 2012. In 2014 earnings per share increased by 7,35% from 2013. The company in the ranking CGPI is a company that has good corporate governance. The higher implementation of good corporate governance as measured by CGPI means the higher the level of company's compliance with the rules and increasing the firm value. We expect that the firm value in table 1 show continues to increase, but these results showed that there was gap between expectation and reality (phenomena gap).

Good corporate governance also effect on financial performance. This statement is supported by Tjager et al., (2003) in Agoes & Ardana (2009) that one of the reasons of good corporate governance is based on various analyzes, there were indications of linkages between the financial crisis and the protracted crisis in Asia with weak corporate governance. Laksana (2015) stated that the financial performance will be better and can continue to excel in the competition, if no improvements are carried out continuously. Therefore, it is necessary the existence of regulatory and control mechanisms that direct the operations of the company as well as the ability to identify those who have different interests. Mechanism to improve and maximize financial performance is the implementation of good governance in the organization, known as good corporate governance.

Istighfarin & Wirawati (2015) and Maretha & Anna (2013) showed that good corporate governance was measured by CGPI had effect on financial performance, but Prasinta (2012) showed that good corporate governance was measured by CGPI had no effect on financial performance. Triyono (2013) and Black, Jung & Kim (2006) showed that good corporate governance was measured by CGPI had effect on firm value, but Nuswandari (2009) and Prasinta (2012) showed that good corporate governance was measured by CGPI had no effect on financial performance.

All of previous research above showed inconsistent conclusion with each others (research gap). This prompted the researchers to conduct further studies about the effect of Good Corporate Governance (GCG) on financial performance and the implications on firm value. It relates to theory that linking Good

Corporate Governance (GCG) on financial performance, and financial performance on firm value. Khairiyani, Rahayu & Herawaty (2015), Debby, Mukhtaruddin, Yuniarti, Saputra & Abukosim (2014) and Antari & Dana (2013) showed that financial performance had effect on firm value.

The difference of this research with previous research is the population in this study is a companies registered in CGPI assessment and the Indonesian Stock Exchange, because there was gap between expectation and reality (phenomena gap). Period 2012 to 2014. The analysis method used is Structural Equation Modeling (SEM).

Objectives

This research aims to prove empirically the effect of Good Corporate Governance (GCG) on firm value directly and indirectly.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Agency Theory

Agency theory was first proposed by Jensen and Meckling in 1976. Agency theory is a theory that explains the relationship of cooperation between the principal (owner) and agent (management), where the principal delegate authority to an agent to manage the company and take decision (Jensen & Meckling, 1976). Based on agency theory is the conflict of interest between the owners of company (shareholders) with the manager.

Good Corporate Governance

Sutedi (2012) defined that good corporate governance is also be interpreted as a system to regulate and control the companies that create value added to all stakeholders. Code of Corporate Governance of Indonesian Stock Exchange stated that in general guidelines GCG Indonesia, there are five main principles of good corporate governance, which is as follows: (1) transparency (disclosure of information), the transparency in the decision making process and openness in expressing material and relevant information about the company, (2) accountability, the clarity of function, structure, and accountability system so that its organs are effective enterprise management, (3) responsibility, which is in conformity with the principles in the management of the company as well as the healthy corporate applicable legislation, (4) Independency is a condition in which a professionally managed company with no conflict of interest and influence or pressure from management that is not in accordance with the laws and regulations in force and the principles of healthy corporate and (5) fairness (equality and fairness), the fair and equal treatment in meeting stakeholder rights arising under the agreement and applicable legislation.

Hypothesis Development

Hypothesis in this research are as follows:

The Effect of Good Corporate Governance on Financial Performance

Laksana (2015) stated that the financial performance will be better and can continue to excel in the competition, if no improvements are carried out continuously. Therefore, it is necessary the existence of regulatory and control mechanisms that direct the operations of the company as well as the ability to identify those who have different interests. Mechanism to improve and maximize financial performance is the implementation of good governance in the organization, known as good corporate governance. Based on these explanation, we can say that good corporate governance affect on financial performance. Istighfarin & Wirawati (2015) and Maretha & Anna (2013) showed that good corporate governance was measured by CGPI had effect on financial performance.

H1. Good Corporate Governance affect on financial performance

The Effect of Good Corporate Governance on Firm Value

Debby, Mukhtaruddin, Yuniarti, Saputra & Abukosim (2014) stated that good corporate governance is motivated by the concept of agency theory is expected to serve as a tool to give confidence to investors that they will receive a return on the funds they have invested. Increasing a shareholder wealth means increasing the firm value. Every firm always try to increase the firm value. The movement of firm value can be reflected by stock price listed on stock exchange. Agoes & Ardana (2009) also stated that theoretically good corporate governance can increase firm value. Triyono (2013) and Black, Jung & Kim (2006) showed that good corporate governance was measured by CGPI had effect on firm value.

H2. Good Corporate Governance affect on firm value

The Effect of Financial Performance on Firm Value

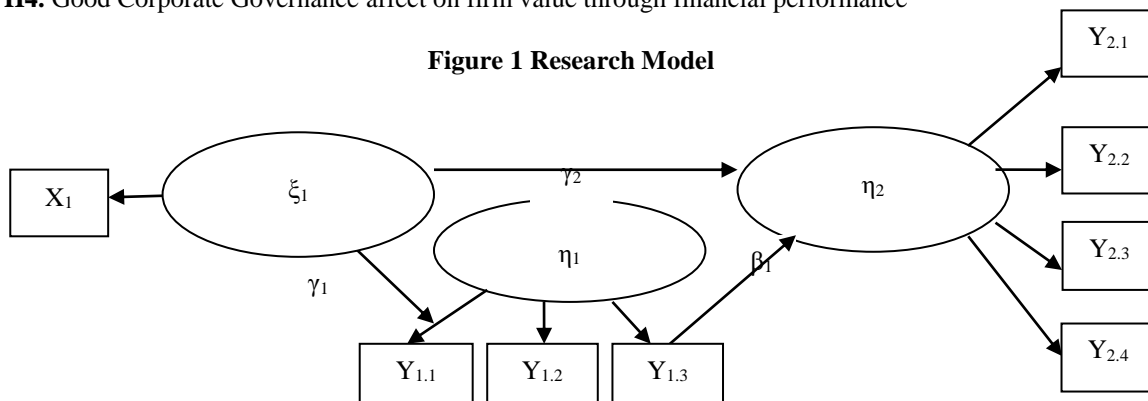
Public companies presenting financial statements published as a form of accountability to the company's internal and external parties. These financial statements show the financial performance. One of analysis on financial performance is profitability. Profitability is the company's ability to earn a profit. Based on this information, investors can assess the company's financial performance and determine which stocks are going to be used as an investment option. More and more investors are investing, the stock price will rise. The higher price of the stock means the higher the value of the firm. Debby, Mukhtaruddin, Yuniarti, Saputra & Abukosim (2014) menyatakan that the higher the profitability means the higher the firm value. Khairiyani, Rahayu & Herawaty (2015), Debby, Mukhtaruddin, Yuniarti, Saputra & Abukosim (2014) and Antari & Dana (2013) showed that financial performance had effect on firm value.

H3. Financial performance affect on firm value

The Effect of Good Corporate Governance On Firm Value Through Financial Performance

Good corporate governance can increase financial performance theoretically. Laksana (2015) explained that to improve and maximize financial performance is the implementation of good governance in the organization, known as good corporate governance. We know that profitability an important indicator in assessing the financial performance because it shows the company's ability to earn a profit. Istighfarin & Wirawati (2015) also stated that the enhancement in profitability of companies one of which can be achieved through the good governance in the company. Debby, Mukhtaruddin, Yuniarti, Saputra & Abukosim (2014) menyatakan that the higher the profitability means the higher the firm value. Therefore, it can be concluded that the theoretically good corporate governance affect the firm value through financial performance.

H4. Good Corporate Governance affect on firm value through financial performance



METHODOLOGY

Population dan Sample

The population of this research was the company in Indonesian Stock Exchange and followed CGPI performed by SWA magazine.

Table 2 Purposive Sampling Process

No.	Purposive Sampling	Amount
1.	Companies listed consistently in CGPI during 2012-2014	16
2.	Less the companies not listed in Indonesian Stock Exchange	(6)
	Total	10

Data Collecting Method

The data collection began with the study of literature by studying books, journals and other references related to this research. Furthermore, the researchers collected data on Swasembada Magazine (SWA) and the company's annual report.

Variable Measurement

The variables used in this study consisted of the exogenous variables and endogenous variables. Cooper & Pamela (2006) stated that the exogenous variables are variables that affect the dependent variable, while the endogenous variable is a variable that affected or become due for their independent variable. Exogenous latent variable in this research is good corporate governance, while the endogenous latent variables are financial performance and corporate value.

Table 3 Indicators of exogenous and endogenous latent variables

No.	Variable	Indicator	Measurement
1.	Good Corporate Governance	Corporate Governance Perception Index (CGPI)	Good Corporate Governance is measured by a score of Corporate Governance Perception Index (CGPI) published by IICG. Index is a number from 0 to 100. (SWA Magazine, 2015)
2.	Financial Performance	Return On Assets (ROA)	$\frac{\text{Earnings after tax}}{\text{Total assets}} \times 100\%$ (Kasmir, 2012)
		Return On Equity (ROE)	$\frac{\text{Earnings after tax}}{\text{Total equity}} \times 100\%$ (Kasmir, 2012)
		Net Profit Margin (NPM)	$\frac{\text{Earnings after tax}}{\text{Net sales}}$ (Kasmir, 2012)
3.	Firm Value	Stock Price	Closing price per 31 st December (Mahendra, 2011)
		Price Book Value (PBV)	$\frac{\text{Market price per share}}{\text{Book value per share}}$ (Husnan, 2006)
		Tobin's Q	$\frac{\{(\text{CP} \times \text{number of shares outstanding}) + \text{TL} + \text{I}\} - \text{CA}}{\text{TA}}$ Explanations: CP : Closing Price TL : Total Liabilities I : Inventory CA : Current Assets TA : Total Assets (Puteri & Rohman, 2012)
		Earnings Per Share (EPS)	$\frac{\text{Earnings after tax}}{\text{Number of shares outstanding}}$ (Harmono, 2011)

Data Analysis Method

The analysis method used is Structural Equation Modeling (SEM). Researchers using SEM-PLS to make it easier to analyze and perform statistical calculations, because these analysis methods can be used for the analysis of complex causal-predictive and fixed models can be estimated with a small sample size. In conducting the test, the researchers used SmartPLS software Version 3. Ghazali & Latan (2015) stated that evaluation model of PLS by assessing outer and inner models. Evaluation of outer models aims to assess the validity and reliability of the model. Evaluation of inner models aims to predict the relationship between the variables of latent.

Equation in this research is as follows:

Equation for Outer Model:

$$X_1 = \lambda_1 \xi_1 + \delta_1$$

$$Y_{1,1} = \lambda_1 \eta_1 + \varepsilon_1$$

$$Y_{1,2} = \lambda_2 \eta_1 + \varepsilon_2$$

$$Y_{1,3} = \lambda_3 \eta_1 + \varepsilon_3$$

$$Y_{2,1} = \lambda_1 \eta_2 + \varepsilon_1$$

$$Y_{2,2} = \lambda_2 \eta_2 + \varepsilon_2$$

$$Y_{2,3} = \lambda_3 \eta_2 + \varepsilon_3$$

$$Y_{2,4} = \lambda_4 \eta_2 + \varepsilon_4$$

Equation for Inner Model:

$$\eta_1 = \sum \gamma_1 \xi_1 + \zeta_1$$

$$\eta_2 = \sum \gamma_2 \xi_1 + \sum \beta_1 \eta_1 + \zeta_2$$

Explanations:

- ξ_1 = Good Corporate Governance (GCG)
- η_1 = Financial performance
- η_2 = Firm value
- X_1 = Corporate Governance Perception Index (CGPI)
- $Y_{1,1}$ = ROA (Return On Assets)
- $Y_{1,2}$ = ROE (Return On Equity)
- $Y_{1,3}$ = NPM (Net Profit Margin)
- $Y_{2,1}$ = Stock price
- $Y_{2,2}$ = PBV (Price to Book Value)
- $Y_{2,3}$ = Tobin's Q
- $Y_{2,4}$ = EPS (Earnings Per Share)
- $\lambda_1, \lambda_2, \lambda_3, \dots$ = Matrix loading connecting latent variables and indicators
- $\delta_1, \delta_2, \delta_3, \dots$ = Error measurement of exogenous latent variable indicator
- $\varepsilon_1, \varepsilon_2, \varepsilon_3, \dots$ = Error measurement of endogenous latent variable indicator
- ζ_1, ζ_2 = Error measurement of inner models
- γ_1, γ_2 = Path coefficient of exogenous latent variable towards endogenous latent variable
- β_1 = Path coefficient of endogenous latent variable towards endogenous latent variable

RESULT AND DISCUSSION

Result of Evaluation for Outer Model

Results of evaluation for convergent validity are as follows:

Figure 2 Result of Evaluation for Convergent Validity 1

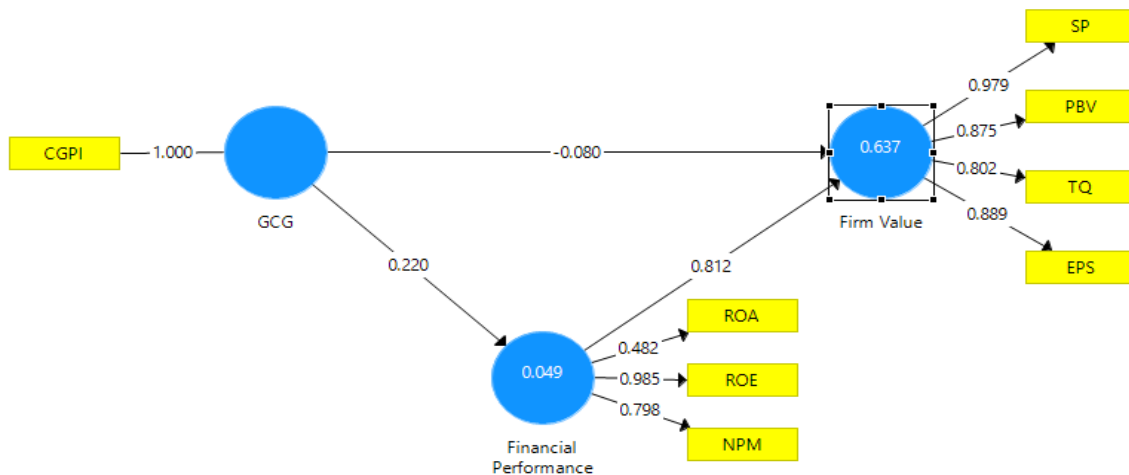


Figure 2 showed that the CGPI has a loading value of 1.000. Financial performance consists of three indicators namely ROA, ROE and NPM with loading value respectively 0,482; 0,985 and 798. Firm value consists of four indicators namely the stock price, PBV, Tobin's Q and EPS with loading value respectively 0,979; 0,875; 0,802 and 0,889.

ROA should be excluded from the research model, because it has a loading of less than 0,50. ROA illustrate the company's ability to generate profits based on the level of certain assets (Kasmir, 2012). These result indicated that the companies sampled in this research did not have the ability to generate profits based on the level of assets, so that ROA was not able to reflect financial performance. Therefore, it is necessary to calculate the PLS algorithm (running calculate) back.

Figure 3 Result of Evaluation for Convergent Validity 2

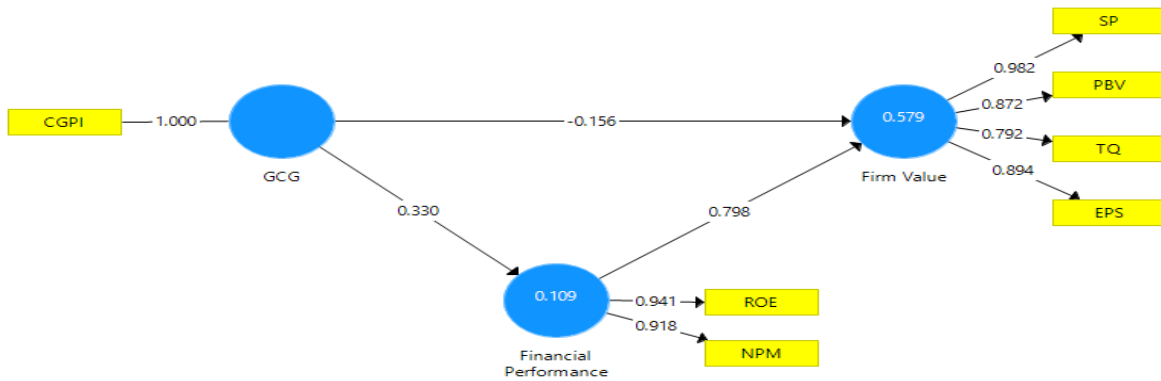


Figure 3 showed that after removing the invalid indicator, then all of indicators have met the convergent validity test.

Results of Evaluation for discriminant validity are as follow:

Table 4 Results of Evaluation for Average Variance Extracted (AVE)

Latent Variable	AVE	\sqrt{AVE}
Financial Performance	0,864	0,929
Firm Value	0,788	0,888
GCG	1,000	1,000

Source: Secondary data was processed

Table 4 showed that the roots of AVE for financial performance, firm value and GCG respectively 0,929; 0.888; 1,000.

Table 5 Results of Evaluation for Correlation among Latent Variables

Latent Variable	Financial Performance	Firm Value	GCG
Financial Performance	1,000		
Firm Value	0,746	1,000	
GCG	0,330	0,107	1,000

Source: Secondary data was processed

Table 4 and 5 showed that the roots of AVE each latent variable is higher than the correlation between the latent variables with each other latent variables, it means that our model had good value in discriminant validity test.

Results of evaluation for composite reliability block indicator are as follows:

Table 6 Results of evaluation for Composite Reliability

Latent Variable	Composite Reliability
Financial Performance	0,927
Firm Value	0,937
GCG	1,000

Source: Secondary data was processed

Table 6 showed that the value of all the latent variables above 0.70, it means that the latent variables in this research had good reliability.

Table 7 Results of Evaluation for Cronbach Alpha

Variabel Latent	Cronbach Alpha
Financial Performance	0,844
Firm Value	0,913
GCG	1,000

Source: Secondary data was processed

Result of Evaluation for Inner Model

Results of R-Square Adjusted are as follows:

Table 8 Results of R-Square Adjusted

Laten Variable	R-Square Adjusted
Financial Performance	0,077
Firm Value	0,547

Source: Secondary data was processed

Table 8 showed that the variability in financial performance (ROE and NPM) can be explained by the variability of GCG (CGPI) was only 7.7%, while the remaining is explained by other variables outside this research model. Variability firm value (stock price, PBV, Tobin's Q and EPS) can be explained by the variability of GCG (CGPI) and financial performance (ROE and NPM) of 54.7%, while the remaining 12.1% is explained by other variables outside this research model.

Results of hypothesis test are as follows:

Table 9 Direct Effect

The Effect	Original Sample	Sample Mean	Standard Error	T-Stat	P-Value
Financial Performance → Firm Value	0,798	0,809	0,057	13,895	0,000
GCG → Financial Performance	0,330	0,330	0,179	1,846	0,065
GCG → Firm Value	-0,156	-0,152	0,106	1,475	0,141

Source: Secondary data was processed

Table 9 showed that the testing of GCG on financial performance (ROE and NPM) had a coefficient of 0,330 and p-value of 0,065 (greater than 0,05), then H1 rejected, it means GCG had no effect on financial performance. GCG on firm value (stock price, PBV, Tobin's Q and EPS) had a coefficient of -0,156 and p-value of 0,141 (greater than 0,05), then H2 rejected, it means GCG had no effect on firm value. Financial performance (ROE and NPM) on firm value (stock price, PBV, Tobin's Q and EPS) had a coefficient of 0,798 and p-value of 0,000 (less than 0,05), then H3 received and means financial performance had effect on firm value. This result indicates that the increase in ROE and NPM in financial performance can increase the firm value was reflected by the stock price, PBV, Tobin's Q and EPS.

The testing GCG on firm value through financial performance is as follow:

Table 10 Indirect Effect

The Effect	Original Sample	Sample Mean	Standard Error	T-Stat	P-Value
GCG → Firm Value	0,263	0,270	0,148	1,777	0,076

Source: Secondary data was processed

Table 10 showed that GCG on firm value was reflected by the stock price, PBV, Tobin's Q and EPS through financial performance was reflected by ROE and NPM had a coefficient of 0,263 and p-value of 0,076 (greater than 0,05), then H4 rejected and means GCG had no effect on firm value indirectly.

Discussion

The Effect of GCG on Financial Performance

Table 9 showed that GCG had no effect on the financial performance. These results indicate that the GCG was reflected by CGPI has not been able to improve financial performance (ROE and NPM). This is due to the effect of good corporate governance on performance of the market tends to be viewed in the long term, while this research was limited in three years. Maretha & Anna (2013) also explained that GCG is effective in the long term can improve the company's financial performance. The results of this study was supported by Prasinta (2012) showed that good corporate governance was measured by CGPI had no effect on financial performance.

The Effect of GCG on Firm Value

Table 9 showed that GCG had no effect on firm value. These results indicate that the GCG was reflected by the CGPI has not been able to increase the firm value was reflected by the stock price, PBV, Tobin's Q and EPS. This is due to the market response to the implementation of good corporate governance does not directly, but takes a time. The effect of good corporate governance on performance of the market tends to be viewed in the long term, because it is associated with a confidence level of investors. In addition, investors are still less attention to the CGPI survey results in making investment decisions to determine which stocks will be selected. Nuswandari (2009) and Prasinta (2012) showed that good corporate governance was measured by CGPI had no effect on financial performance.

The Effect of Financial Performance on Firm Value

Table 9 showed that the financial performance was reflected by ROE and NPM had effect on firm value was reflected by stock price, PBV, Tobin's Q and EPS. It means that the higher ROE and NPM in financial performance, the higher the firm value was reflected by stock price, PBV, Tobin's Q and EPS. These results indicate that the actually profit from the use of equity and net sales of companies in this research capable to creat firm value. The results are consistent with the statement by Debby, Mukhtaruddin, Yuniarti, Saputra & Abukosim (2014) that the higher the profitability, it will increase firm value. The results of this research are supported by Khairiyani, Rahayu & Herawaty (2015), Debby, Mukhtaruddin, Yuniarti, Saputra & Abukosim (2014) and Antari & Dana (2013) showed that financial performance had effect on firm value.

The Effect of GCG on Firm Value Throught Financial Performance

The result of hypothesis test in table 10 showed that the the hypothesis of GCG affeced on firm value through financial performance was rejected. Based on table 9, GCG also did not affect on firm value directly. It means that GCG had no effect on firm value either directly and indirectly.

CONCLUSION AND SUGGESTION

Conclusion

Good Corporate Governance (GCG) had no effect on financial performance (ROE and NPM). Good Corporate Governance (GCG) had no effect on firm value (stock price, PBV, Tobin's Q and EPS). Financial performance (ROE and NPM) had effect on firm value (stock price, PBV, Tobin's Q and EPS). It means that financial performance (ROE and NPM) was not able to mediate Good Corporate Governance (GCG) and firm value.

Suggestion

The result in this research can not be generalized, because the sample is only includes firms that have index of GCG. This research did not include the effect of type of industry that may affect the implementation of GCG. The period used in this research is only three years. Recommendation for future research is to add or change other indicator that reflect financial performance and firm value, then add or change mediating variable had used in this research. Future research should to add the period of research about the effect GCG on financial performance and firm value. Indonesian Institute of Corporate Governance (IICG) should be more attention and declarate about GCG for investors and others.

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Appendix

List of Sample

No.	Code	Company's Name
1.	ANTM	Aneka Tambang (Persero) Tbk.
2.	BBCA	Bank Central Asia Tbk.
3.	BBNI	Bank Negara Indonesia (Persero) Tbk.
4.	BBRI	Bank Rakyat Indonesia (Persero) Tbk.
5.	BBTN	Bank Tabungan Negara (Persero) Tbk.
6.	BMRI	Bank Mandiri (Persero) Tbk.
7.	JSMR	Jasa Marga (Persero) Tbk.
8.	NISP	Bank OCBC NISP Tbk.
9.	PTBA	Tambang Batubara Bukit Asam (Persero) Tbk.
10.	TINS	Timah (Persero) Tbk.

ANALYSIS IMPLEMENTATION OF GOVERNMENT ACCOUNTING STANDARDS BASED OF ACCRUAL IN OFFICE OF ASSETS MANAGEMENT AND REGIONAL FINANCIAL

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Abstract. Research aims to understand the implementation of government accounting standards based of accrual. Research conducted in office of assets management and regional financial at one of regencies in Jambi Province. The data collection technique is in-depth interview, participant observer, and study the documents. Qualitative method was used in the present study, emphasizing the descriptive approach. The result of the study showed that implementation of accrual-based has been supported by Regulation Regent about Policy of Accrual Basis Accounting and Regulation Regent about Accrual-based Accounting System. Minimal amount of resources and complexity of financial reporting is the main obstacles in implementation accrual-based. An understanding of the concept of accrual is still low, priority implementation focus on the ability to use the application system. The effort made in overcoming obstacles is with increasing amount of human resources in section accounting and reporting. The regional government can improve the dissemination, technical assistance and improving the competence of accounting for accounting staff.

Keywords: *The Government Accounting Standards, Accrual-Based, Implementation.*

INTRODUCTION

Background

In realizing a good governance, need for a change in government accounting rule because through the accounting process generated financial information for the various parties. Changes in accounting rule should be based on a solid foundation namely the government accounting standards.

The issuance of Government Regulation No. 71 Year 2010 on government accounting standards to be used to produce the financial statements are reliable and can be used as a foothold in the decision and is expected to be a reference, benchmarks and standards to be applied within the scope of government, ie central government, regional government and organizational units in the central government / regional is obliged to present financial statements to create more accountability and transparency of the financial management of the area.

The stipulation of Government Regulation No. 71 Year 2010, the application of accrual-based accounting system of government does have a legal basis. This means that governments have an obligation to be able to immediately apply the new government accounting standards ie accrual-based government accounting standards and must be implemented no later than 2015. This is in accordance with Article 32 of Law No. 17 of 2003, which mandates that the form and content of the report accountability of APBN (The Indonesian Budget) / APBD (Regional Government Budget) prepared and presented in accordance with government accounting standards. And this is confirmed in Article 4 paragraph (1) of Government Regulation No. 71 Year 2010 states that the Government apply Accrual-based government accounting standards. Government accounting standards is prepared by the Government Accounting Standards Committee (KSAP) are independent and set by government regulation after having first received the judgment of the Supreme Audit Agency (BPK).

The government accounting standards is used to produce reliable financial statements and can be used as a foothold in the decision. Without of these common standards, the reports generated by the financial accounting area may vary between regions, which in turn will bring new issues at the national level. Hence the importance of government accounting standards then every financial statement presentation area should follow this standard. In the presentation of financial statements can not be separated from the supporting factors of human resources and support tools in the form of infrastructure, as it helps in presenting the financial statements of the area.

Relationships implementing accrual-based government accounting standards on the financial statements of regional government is very closely. Compliance of implementation conducted is reflected in opinions given by the State Audit Board on Audit Reports of the financial statements of the government. In the first year of implementation of accrual-based government accounting standards fully,

opinions of regional government financial statements in Jambi province can be seen in the following table:

Table 1 The Opinions of Regional Government Financial Statements in Jambi Province

NO	Regional Government	Opinion
1	Kerinci	Unqualified opinion
2	Batang Hari	Unqualified opinion
3	Muaro Tebo	Unqualified opinion
4	Sungai Penuh	Unqualified opinion
5	Muaro Jambi	Qualified opinion
6	Muaro Bungo	Qualified opinion
7	Tanjung Jabung Timur	Qualified opinion
8	Sarolangun	Qualified opinion
9	Merangin	Qualified opinion
10	Kota Jambi	Disclaimer opinion
11	Tanjung Jabung Barat	Disclaimer opinion

Results of studies on the application of accrual-based accounting standards on government administration has been carried out by several studies. (Langelo, Saerang and Alexander: 2015) show that the government of Bitung yet to implement the Government Regulation No. 71 Year 2010 but has been in accordance with Government Regulation No. 24 of 2005 is to use the cash to the accrual basis. There are obstacles in readiness ie the number of human resources involved in quantity is not enough in every SKPD and readiness support device untested. Faradillah study (2013) showed that the readiness of the government of Makassar in the implementation of accrual-based government accounting standards is a reflection of a formality. This is supported by the government regulations that require for all regional governments, including the city of Makassar in implementing accrual-based government accounting standards. The complexity of the financial statements of the main factors in the resistant attitude by government's financial managers of Makassar in the implementation of accrual based government accounting standards. Meanwhile, in terms of organizational culture, Makassar City Government is obliged to apply accrual based government accounting standards.

Research Ranuba, Pangemanan, and Pinatik (2015) showed that DPKPA as manager of the financial district south minahasa ready to application of accrual-based government accounting standards, only DPKPA role as SKPKD still have barriers that human resources for financial managers in every SKPD- SKPD not have basic education in accounting. In the study Sitorus, Kalangi, and Walandouw (2015) showed that DPPKBMD as the manager of financial of Tomohon not have the readiness in the application of accrual-based SAP. In addition the role DPPKBMD as SKPKD still have barriers that improper placement of human resources appropriate educational background they have. Kusuma (2013) in his research indicates that the Regional Government of Jember Regency seen from the parameter integrity is ready and categories for HR readiness, readiness of information systems and infrastructure are adequately prepared categories. Constraints in the implementation of Government Regulation No. 71 of 2010 concerning the Government Accounting Standards, among others, to date the preparation LKPD still done manually (excel) no special software, the number of HR executive in quantity is not enough, the lack of Bintek or training, lack of socialization , facilities and infrastructure already exists but still not sufficient.

In line with the implementation of accrual-based government accounting standards will both at central government and regional government, with the revision of Government Regulation No. 24 of 2005 to the Government Regulation No. 71 Year 2010 concerning the Government Accounting Standards, bring some changes in the standards and mechanisms of financial statements in the government, and supported by the enactment of Regulation No. 64 Year 2013 Article 10 paragraph (2) which states that the application of accrual-based government accounting standards in the regional government slowest start of the fiscal year 2015. Therefore, the authors are interested to do research with title “**Analysis Implementation of Government Accounting Standards Based of Accrual in Office of Assets Management and Regional Financial**”

Research Purpose:

1. To gain an understanding the implementation of accrual-based government accounting standards on office of assets management and regional financial.
2. To gain an understanding of the constraints in the implementation accrual-based government accounting standards.

3. To gain an understanding of the efforts to overcome the obstacles in the implementation accrual-based government accounting standards.

REVIEW OF RELATED LITERATURE

Government Accounting Standards

Government Accounting Standards is the accounting principles applied in preparing and presenting the financial statements of the government. Thus government accounting standards is a requirement which has the force of law in an effort to improve the quality of financial statements in Indonesia (Government Regulation No. 71 Year 2010).

To solve the various needs that arise in financial reporting, accounting and auditing in government, both central government and regional government in Indonesia, it is needed a credible government accounting standards established by a Government Accounting Standards Committee. In preparing the government accounting standards, KSAP use the material published by:

- a. International Federation of Accountants;
- b. International Accounting Standards Committee;
- c. International Monetary Fund;
- d. IAI;
- e. Financial Accounting Standards Board;
- f. Governmental Accounting Standards Board;
- g. Legislation and other government regulation in force in Indonesia;
- h. Others professional organizations in various countries in charge of financial reporting, accounting, and auditing government.

Government accounting standards consists of a conceptual framework and 11 statements, namely:

- a. PSAP 01 : Presentation of Financial Statements
- b. PSAP 02 : Realized Budget Report
- c. PSAP 03 : Statement of Cash Flow
- d. PSAP 04 : Notes to Financial Statements
- e. PSAP 05 : Accounting inventory
- f. PSAP 06 : Accounting for Investments
- g. PSAP 07 : Accounting for Fixed Assets
- h. PSAP 08 : Accounting for Construction in Workmanship
- i. PSAP 09 : Accounting Obligations
- j. PSAP 10 : Error Correction
- k. PSAP 11 : Consolidated Financial Statements.

Accrual-based Accounting

Accrual-based government accounting standards is the government accounting standards which recognizes revenue, expenses, assets, debt, and equity in the financial reporting of accrual, as well as recognizing revenue, expenditure and financing in the reporting of budget execution on the basis set out in APBN / APBD (Government Regulation No. 71 Year 2010).

There are several aims in using the accrual basis as follows:

- 1) To increase the efficiency and effectiveness of the financial system in the public sector.
- 2) To improve fiscal control, asset management and culture of the public sector.
- 3) To improve accountability in the program provision of goods and services by the government.
- 4) To provide more complete information for the government to take a decision.
- 5) To reform the budget system.
- 6) To achieve greater transparency over the cost of services performed by the government.

Accrual-Based Government Accounting Standards (Government Regulation No. 71 Year 2010)

A phenomenon that occurs in the development of the public sector in Indonesia today is stronger demands for accountability for public institutions, both at central and regional levels. Accountability can be interpreted as a form of obligation to account for success or failure of the implementation of the organization's mission in achieving the goals and objectives previously set via a media accountability periodically (Stanbury, 2003) in Mardiasmo (2005).

Components of Financial Statements in Government Regulation No. 71 Year 2010

The financial statements of the government in Government Regulation No. 71 Year 2010 are as follows:

1. Budget Realization Report
2. Balance

3. Statement of Changes in Budget Balance
4. Report of Operations
5. Statement of Cash Flows
6. Statement of Changes in Equity
7. Notes to Financial Statements

RESEARCH METHODOLOGY

Type of the research is descriptive qualitative research with case study method. Qualitative research is The research that aims to understand the phenomenon of what is experienced by the subject of the study such behavior, perception, motivation, action, and others, in a holistic manner and by way of description in the form of words and language, in a specific context in which the natural and by utilizing a variety of natural methods (Moleong: 2005).

This research was conducted by taking the object in office of assets management and regional financial at one of the regencies in Jambi province. Data collection methods used in this research are by in-depth interviews, participant observer, and study the document.

The methods of data analysis which performed in this study are as follows (Moleong: 2005):

1. To review all available data from various sources, from interviews, observations that have been written in the field notes, personal documents, official documents, drawings, photographs and so on.
2. Make a summary of the core, process, and statements that need to be maintained so as to remain in it.
3. put them together in a single-unit then categorized. The categories are made while coding.
4. Hold data validity checking.

To test the validity of the data in this study is by means of triangulation data. Triangulation is done in this study is to compare the observed data with data from interviews and comparing the results of interviews with any content-related documents.

RESULTS AND DISCUSSION

Accrual-Based Government Accounting Standards Implementation

Accrual-based government accounting standards implementation in the preparation and presentation of financial statements to office of assets management and regional financial has been supported by the enactment of Regent Regulation No. 27 Year 2014 on Regional Government Accounting Policies Accrual-based. This decree replacing Regent Regulation No. 28 Year 2012 on Regional Government Accounting Policy. Preparation of accrual-based accounting policies are based on Ministry of Home Affairs Regulation No. 64 Year 2013 on Implementation of the Government Accounting Standards Accrual-based on Regional Government.

Besides supported the decree on the accrual basis of accounting policies, accrual-based government accounting standards implementation in office of assets management and regional financial also with the issuance of Regent Regulation No. 46 Year 2014 concerning the Government Accounting System Accrual-based.

In addition to support in terms of regulation, the application of accrual-based government accounting standards at office of assets management and regional financial also supported in terms of information systems. The information system is used financial management information system. Procurement application support financial management information system full accrual basis as information systems at office of assets management and regional financial in accordance with the instructions of the Ministry of Internal Affairs DG Regional Finance. However, for the development of the features and performance of this application was vendored to a third party, namely PT. Usadi Sistemindo Intermatika (usadi). As said by head of accounting and reporting of assets management and regional financial office follows:

(Talking about information system. It was already an IT –based application. For the example if it is SIMDA it will be accompanied by BPKB. If it is financial management information system it should be accompanied by people from Ministry of Home Affairs. Just because the limited of Ministry of Home Affairs people he returned to the vendor, the vendor PT USADI right)

The existence financial management information system applications simplify the process of preparing and presenting the financial statements of regional government fiscal year 2015. In this accrual basis there are calculations that must be calculated based BAST, namely the minutes of the handover. So the preparation and presentation of accrual-based financial statements can not be done using a manual system.

Problems in the Implementation of Accrual-Based Government Accounting Standards

Although it has been supported in terms of regulation with the issuance of the decree related policies and accounting system of regional government and supported the accrual basis of accrual-based information system, it does not mean accrual-based government accounting standards implementation office of assets management and regional financial is not having problems. Accrual-based financial statements at office of assets management and regional financial had only been done by two people consisting of 1 Head of accounting and reporting and 1 staff. This lasted since September 2015. As was mentioned earlier that in addition to making financial statements as an accounting entity, the Office of the Asset Management and Financial Policies are also required to make regional government financial reports. This means that the preparation and presentation of financial statements had only been done by two people of human resources. However, the constraints lack of human resources in quantity also occurs in some regional government and municipal government in Indonesia, as noted research by previous researchers, namely (Kusuma: 2013) and (Langelo, Saerang, and Alexander: 2015) which states that the readiness of the implementation of accrual-based government accounting standars in Jember and also in Bitung City Government is still constrained by the number of HR executive that quantity is not enough.

(My educational background was Vocational Senior High School. S.IP was the degree of my Bachelore of Terbuka University, and my Magister Degree is ME from Jambi University concentration in the financial area. Maybe it was the one that relevance. If it is for the education of my SIP UT was pretty incoherent, state administration also does financial problems the area was related as well. Just be sure that we really learn directly STM. Perhaps with accounting knowledge was not relevant but I start from the first financial BAPPEDA of its base is in finance. So if the problem accrual readiness, SAP was its constraints remain in HR. It was the most basic).

Head of accounting and reporting section is a SIP bachelor degree of Terbuka University, of course it is not relevance to the field of accounting and finance. However, for Master Degree he took the Masters in Economics with a concentration of regional finance, and experience as a financial officer in the District BAPPEDA quite helpful in things that are also associated with this financial. While the educational base staff accounting and reporting of office assets management and regional financial are as follows:

(My high school is accounting. My 3 Diploma is accounting computer. My bachelor is accounting of Universitas Terbuka).

Educational background of accounting and reporting staff of assets management and regional financial office are relevant to the field of accounting, and there are more value because of the ability of computer accounting at diploma level 3. As we know that in 3 Diploma program with more emphasis on skill of students with more practice multiply directly on the field of study concerned. In education of Bachelor Degree at Terbuka University is also in the field of accounting, but it is still in the stage of education, not graduated yet.

Based on observation, the ability to operate information systems (application) and experience in financial management is very helpful and the priorities in the preparatory process and the preparation of this accrual-based financial statements.

Besides constrained in HR, presentation and preparation of the 2015 budget year the financial statements of regional government accrual is also constrained by be required to make a return statement or restatement from 2005 to 2014. The restatement should correspond to the number or nominal the financial statements of regional government fiscal year 2014 have been audited by BPK.

(For now the restatement was that a lot of it. It's restatement of the re- restatement. So for the pass, there receivable, shrinkage, calculated over all the assets it recapitulated adjusted from 13 to 64 to 13. With All Ministry of Home Affairs Regulation).

Many posts have to be restatements, while the number of staff only two people can cause other problems. Inputting error. This is what happens when the number of employees / staff is not comparable to the task at hand. As researchers encounter when searching for office tool inventory balance restatement, 2014. The search was performed because there is a difference between the inventory balances contained in the information system with inventory balances contained in the Report of Examination.

Constraints of this restatement is an indication of the complexity of the process of preparation and presentation of financial statements accrual-based regional government. This is similar to the research

conducted by previous researchers (Faradillah: 2013) which states that the Government of Makassar, the complexity of the financial statements of the main factors in resistant attitude of financial operators in the implementation of accrual-based government accounting standards.

The process of inputting this restatement also have constraints from other agencies as expressed by the head of accounting and reporting department of office assets management and regional financial as follows:

(As yet is the main Department such education department and health department. Because it has clinic, and its' branches. It should be combined back and put into application. I had asked for help to re-entry into the application. On average they are assisted . only 10% were helped. Finally, never mind we just handled with our own).

The process of inputting restatement to applications increasingly propagated by a lack of support from other units, as has been mentioned, namely official who had children or branches underneath. Health Department has health centers in each district and the Department of Education that underneath there schools ranging from elementary to high school levels throughout the district.

It also indicates that the placements of human resources to manage finances on the departments are not in accordance with the appropriate educational background and also minimal or no basic education in the field of accounting. However, more and more problems of this kind also occur on district governments in Indonesia, as raised by previous researchers (Sitorus, Kalangi, and Walandouw: 2015) that the Department of Revenue, Finance, and Regional Property Tomohon there are also constraints the same that the improper placement of human resources in accordance with the educational background they have. Moreover, other studies (Ranuba, Pangemanan, and Pinatik: 2015) also mentions that on DPKPA South Minahasa who also serves as SKPKD have obstacles, such as human resources for financial management in every SKPDs as branch offices do not have the basic education the field of accounting.

Attempts to Overcome Problems Faced

To overcome the problem faced, the accounting and reporting section got an extra two people on staff. The addition of two human resources in the section on accounting and financial reporting is a direct request by the Head of accounting and reporting. As explained by the Secretary of assets management and regional financial office as follows:

(Actually, right now it's like this, based on the request of the section head that only asked two people. We have two staff already, the section head by staff Mr Ujang. then asked for an additional two. Mr Yuwono, one mrs dewi. Mrs Dewi is based on the legality of the warrant for the task already made because she was an employee here. As for mr Yuwono's status is the section head in Perindagkop. So here from head section to the staff that there should be a decree of BKD. So based on head section its are three, and become four with the section head it self).

The complexity of the presentation and preparation of accrual is not supported by the quantity of human resources which is proportionate is then added to the pressure coming of supreme audit regency teams to conduct a preliminary examination made head of accounting and reporting with 2 staff had to work both in terms of energy, thought, time, and even psychological. In this case they have to work overtime until late at night, can be up to an hour and a half one night and even up to an hour and a half four this morning carried out almost every day even on Saturdays which is a holiday for common SKPD, but they keep working. The warrant for the task issued directly by the head of management assets and finansial regional office. the warrant for the task aims to provide instructions for performing overtime for the preparation and presentation of the financial statements of regional government fiscal year 2015. Where the financial statements of regional government submitted to the supreme audit agendy in province no later than 3 months after of the budget year ends or in March next fiscal year.

While constraints lack of support or assistance from other agencies especially in offices or branches that have children under treatment efforts have not been made concrete. There are no training event or bimtek which aims to increase the competence of human resources in the departments which also served as a branch office. Efforts to tackle only be overcome by directly handled by officials of assets management and regional financial office itself as SKPKD or headquarters for inputting the restatement of these other units.

CONCLUSION AND SUGGESTION

Conclusion

The Conclusions from this research were:

1. The application of accrual-based government accounting standards at the office of assets management and regional financial has been supported by Regent Regulation No. 27 Year 2014 on Regional Government Accounting Policies Accrual-based.
2. The application of accrual-based government accounting standards at the office of assets management and regional financial has been supported by Regent Regulation No. 46 Year 2014 concerning the Government Accounting System Accrual-based district.
3. The application of accrual-based government accounting standards at the office of assets management and regional financial has been supported by the information system, its management financial regional information system full support accrual-based.
4. Problems in the implementation of accrual-based government accounting standards at office of assets management and regional financial is the quantity of human resources in accounting and reporting section, restatements, and human resource capacity.
5. Efforts made in overcoming problems that happen is the addition of 2 HR, issuance the warrant for the task overtime and takeover assignments.

Suggestion

Based on the research results and conclusions obtained, the researcher is further recommended for:

1. Can develop this study by examining the policy or the efforts made by the government and office of assets management and regional financial in the development and improvement of the quality and quantity of human resources (HR) and improvement of information system applications.
2. Can develop this study by examining office of assets management and regional financial Policies in a different district.

Limited Research

The lack in this study is the researchers were unable to interview the head of the existing fields in the regional governments can improve the dissemination, technical assistance and improving the competence of accounting for employee restricted area. Informants focus only on cation along with staff accounting and reporting.

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THE ANALYSIS OF TURNOVER INTENTION FACTORS AGAINST ACCOUNTANTS (EMPIRICAL STUDY ON FINANCING COMPANY IN BENGKULU CITY)

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Abstract. This study aims to determine the turnover intentions factors that influence the accountants at the finance company in Bengkulu city. Using Motivation Theory model, Organizational Commitment is influenced by Organizational Culture, Role Conflict and Role Ambiguity. Job Satisfaction is influenced by Role Ambiguity, Promotion opportunities, salary satisfaction and Needs to Evolve. Organizational Commitment is influenced by Job Satisfaction. Turnover Intention is influenced by the Job Satisfaction and Organizational Commitment. Respondents in this study were 38 employees of the accounts in corporate finance in Bengkulu city. Analysis technique was using the assistance program SmartPLS 1.0. The result showed that organizational culture does not positively influence on organizational commitment, role conflict does not negatively influence organizational commitment, role ambiguity does not negatively influence organizational commitment, role ambiguity does not negatively influence job satisfaction, promotion opportunity does not positively influence job satisfaction, pay satisfaction does not positively influence job satisfaction, needs to evolve positively effect job satisfaction, job satisfaction does not negatively affect turnover intention, job satisfaction has positive affect on organizational commitment and organizational commitment does not positively affect turnover intention.

Keywords: *Organizational Culture, Role Conflict, Role Ambiguity, Promotion Opportunities, Salary Satisfaction, Needs to Evolve, Organizational Commitment, Job Satisfaction, Turnover Intention*

INTRODUCTION

Every company has employees who have different positions. The employees of the accounting department is one of the key personnel in the company. The employees of the accounting department has a vital role in terms of recording a variety of financial or economic activity (Robbins, 2009). Accounting information can be a tool for business owners or companies in making decisions. An accounting department employees have high credibility in carrying out their duties, so that employees of the accounting department has a big responsibility to the company.

The phenomenon of turnover intentions have been recognized by academics and researchers. Willingness to move the public accounting profession has been publicized in various professional and academic literature. Several research to identify factors that affect the turnover of public accountants have also been made, such as Roth and Roth (1995), Kelvin and Indriantoro (1999), Toly (2001), Andini (2006), Muliawan (2009), Robbins (2009), Witasari (2009), Permatasari (2011) has conducted testing of the factors - factors that favor the desire to move in public accounting in Indonesia with the results of job satisfaction and organizational commitment affect the increased turnover intentions.

This also happened in the financing of companies in the city of Bengkulu. Finance company in Bengkulu city today is growing more rapidly, as more and more consumers are choosing to buy goods through finance companies. Increasing number of transactions that occur, the more the work to be done accounting department employees. Based on the results of the survey researchers at several finance companies in the city of Bengkulu, employee turnover in recent years increasingly high. Most employees in the finance and accounting at finance companies in the city of Bengkulu has a desire to move because it was triggered by several factors, including cultural factors organization, promotion, salary satisfaction, role ambiguity, role conflict, the need to develop, organizational commitment, and job satisfaction.

If the company can not meet the needs of employees of the accounting department, then the level of employee satisfaction will decrease the accounting department and tend not to have a commitment to the organization, so that it can lead to a desire to move (Kelvin and Indriantoro, 1999). As with the accounting department employees who have job satisfaction and feel comfortable in the company, they will provide support, contribution and commitment towards the organization even if the organization is in a difficult situation though. Thus, the factor of job satisfaction is one of the factors for creating the organizational commitment of employees of the accounting department. Therefore, to meet the needs of

employees can improve job satisfaction of employees of the company so that the company can reduce employee turnover intentions.

Some of the factors that determine job satisfaction, the work that is mentally challenging, the rewards are worth, a conducive working environment, supportive colleagues, and the opportunity to become more professional. In accordance with the statement of Robbins (2009), job satisfaction is a general attitude of the individual toward his work, the difference between the amount of rewards received by a worker and the amount they believe they should receive. If an employee has a job satisfaction on the company, then they will have a strong commitment to the company. This will reduce the level of desire to move employees to other companies.

High commitment will lead to a sense of love, comfortable and loyal to the company. According Hersudadikawati (2005), if an employee has a high commitment, so when the company is experiencing Complications, employees will remain loyal to the company. Employees who have a high commitment to the organization will feel that the work is not a burden that must be borne, otherwise the employee will provide employee attitudes that reflect loyalty to the organization and ongoing process in which members of the organization expressed concern to the organization and success and sustainable progress. In accordance with the statement Trisnarningsih (2007), a commitment to an organization involving three attitudes, the sense of identification with the goals of the organization, feeling involved in organizational tasks, and feeling loyal to the organization. High organizational commitment to reduce the level of an employee turnover intentions.

A professional will always have a desire to be able to evolve to become better in the working environment, because a professional has the skills, abilities, experience, and the potential that is used to create new innovations (Robbins, 2009). In order to increase the need for developing an employee, companies must provide education and training appropriate to the work of employees, so that employees are able to develop themselves. This will create a job satisfaction for employees of the company.

Companies must provide salaries in accordance with the performance generated by employees, because the salary is a most important aspect and very meaningful to employees. Employees will be satisfied if an employee receives a salary in accordance with the resulting performance. According to Handoko (1998) in Andini (2006), the satisfaction of the salary received by an employee, will lead to job satisfaction, so as to increase organizational commitment. This will reduce the desire to move employees to other companies.

Companies must also provide promotional opportunities to employees, so that employees get a higher position and earn a higher salary. With the chance of promotion, then the employees will feel satisfied with what they have given to the company. This is consistent with the statement Nitisemito (2001) in Permatasari (2011), where the sale is a process to transfer employees from one office to another position higher. A person who gets a promotion is generally considered to have a good performance. Employees who get a chance of promotion, they will assume that what they have done for the sake of the company, getting positive feedback from companies on the achievements they have done. This will increase the job satisfaction of employees in the company, so the move will decrease the level of interest.

If the job satisfaction of employees increased, this will also increase the organizational commitment to the company. To retain employees to remain loyal to the company, the company must provide appropriate task to an employee clearly. According Catharina (2001), when there is no clear communication between employee and boss or co-workers, and the lack of supervision of the management, it would appear role ambiguity or obscurity role. The ambiguity of the role such as this will cause employees to feel it is not clear what they have to do. Employees would think that the company gives the task they should not do. This is consistent with the statement of Singh (1993) in Catharina (2001), role ambiguity may hinder opportunities to improve employee performance, reduce job satisfaction, and increased employee *turnover*. Therefore , the company must provide a clear task, that role ambiguity does not occur, so that employee commitment will remain intact and will not cause a desire to move the work.

In addition to the ambiguity of the role, the company must also avoid a conflict role of an employee. Conflicts can occur when an individual roles only comply with the demands of the role that can cause him trouble comply with the demands of other roles that different (Robbins, 2009). Role conflict can also occur due to differences in different types of work between departments within a company. The different types of this work resulted in differences in perception between departments on a task that must be done together. In line with the statement and Sebastianelly Sumrall (1999) in Sasangka (2001), role conflict arises when the management gives a task that can not be solved properly by employees due to lack of time and resources. Role ambiguity and role conflict would be the cause of the decline in commitment to the organization, and role ambiguity can also lead to decreased job satisfaction of employees, so this will give rise to the desire of employees to move (Sasangka, 2001). By minimizing

the role ambiguity and role conflict, employees will have job satisfaction and retaining their commitment to the company, so that employees have a desire to move lower.

The difference of this study with previous research is the study include variables of organizational culture as a factor in their commitment to the organization. This is because the organizational culture also has an influence in an organization that was created, discovered and developed so employees can adjust to the life of the organization. According Permatasari (2011), if the employee can accept a culture that is created in the organization, it will influence the attitudes and behavior of employees in the work because the culture will give answers to whether an action is right or wrong and whether conduct is recommended or not. Thus, the culture of the organization serves as a foundation for the behavior and the demands of the organization that carried out by employees.

In addition, differences in this study with previous research is the research object, where this research using the research object accounting department employees in the finance company in the city of Bengkulu. Researchers are interested in taking the employees of the accounting department at the finance company in the city of Bengkulu, because based on a survey conducted by the researchers, there is a level of worker turnover is high on finance companies in the city of Bengkulu, where from 2010 to 2016 an increase in the outflow of employees, both stopped work or move to another company. Therefore, this study becomes interesting to do.

REVIEW OF LITERATURE

Motivation Theory

Motivation is an internal factor that is in every human being. Motivation is able to move the heart and soul of a person to do something for his purpose. According Ivancevich (2007), the motivation has three different components. First, the direction is referring to what is chosen to be performed by an individual when it presented a number of alternative actions. Second, the intensity of which refers to the strength of the individual response when a choice of direction made. Lastly, perseverance is referring to the persistent strength of behavior, or how long a person will dedicate efforts.

According Ivancevich *et al.* (2007), the theory of motivation focuses on factors in a person who encourages, directs, maintain, and stop the behavior. Four important approach to the theory of motivation is:

1. Maslow Hierarchy of Needs Theory

These needs are: (1) Physiological: the need for food, water, shelter, and freedom from pain; (2) The security and safety, namely the need to obtain safety and protection of the physical and emotional damages; (3) Social, namely the need for love, to belong, was well received, and friendship; (4) Choice, namely the need for respect internal, such as self-esteem, autonomy, and achievement; and factors external respect, such as status, recognition, and attention; (5) self-actualization, namely the need to meet their own needs maximum in using abilities, skills, and potential. These needs are met anyone internally (from inside), and there are filled externally, for example with wage, union contracts, and tenure. This causes every employee wants to evolving needs, promotion, salary satisfaction and job satisfaction.

2. ERG Theory of Alderfer

According to Alderfer ERG theory, there are three groups patio needs, namely: (1) Existence (*existence*), which needs to be satisfied by factors such as food, air, remuneration and working conditions. (2) Relationship (*relatedness*), which needs to be satisfied by the social and interpersonal relationships are meaningful. (3) Growth (*growth*), that requirement is satisfied if the individual makes a productive and creative contribution.

3. Herzberg's Two-Factor Theory

Herzberg's two-factor theory is also called motivation-hygiene theory. According Ivancevich *et al.* (2007), the initial research that provoked the emergence of this theory provides two specific conclusions. First, the existence of a series of extrinsic conditions that cause dissatisfaction among employees when the condition does not exist. If these conditions exist, then the condition does not have to motivate employees, which is commonly called the hygiene factor. Hygiene factors are factors such as company policy and administration, interpersonal relations, working conditions and salaries, which when adequate in a job then it will reassure workers. Conversely, if these factors are not sufficient, then people will not be satisfied (Robbins, 2009).

Second, a series of intrinsic condition, which when present in the work, can form a strong motivation to be able to produce good work performance. Conversely, if these conditions do not exist, then the job is not proved satisfactory, commonly called a motivating factor. These motivating factors such as achievement, recognition, responsibility, advancement, job itself, and is likely to grow.

4. McClelland's Theory of Needs

McClelland's needs theory focuses on three needs, namely: (1) The need for achievement, namely the urge to surpass, excel in connection with a set of standards, and strive for success. (2) The need for power, namely the need to make others behave in a way in which people with no compulsion would not behave that way. (3) The need for affiliation, namely the desire to make interpersonal relationships were friendly and familiar. McClelland's needs theory states that when it emerged a strong need within a person, it needs to motivate himself to use a behavior that can bring satisfaction.

Hypothesis Development

1. Organizational Culture on Organizational Commitment

Trisnarningsih (2009) argues that organizational culture as a result of the collective agreement will make the members of the organization have a sense of responsibility in implementing key aspects of the organizational culture. This leads to good behavior or employee commitment to the company that shelter. This is consistent with the results of research Permatasari (2011) that organizational culture has a positive influence on organizational commitment. Then the hypothesis that will be described in this study is:

H1: Organizational culture has a positive influence on organizational commitment.

2. Role Conflict on Organizational Commitment

The increasing role conflict experienced by an employee will result in a decrease in the performance of the employee because the employee to devote more energy to resolving conflicts facing roles rather than finish the job properly. Performance of employees have a positive relationship to organizational commitment (Luthans 2006 in Permatasari, 2011). Low-performance employees will tend to eliminate the existence of the organization so that it would cause them to want to move work. This is consistent with the results of research Permatasari (2011) that the conflict has a negative influence on the role of organizational commitment. Based on the above, the hypothesis which will be described in this study is:

H2: Role conflict has a negative influence on organizational commitment.

3. Role Ambiguity on Organizational Commitment

If the role of the higher level of ambiguity, it will lead to lower employee commitment to the company, due to the ambiguity of the role can interfere with the role of employees with organizational goals to be achieved (Sasangka, 2001). In line with research conducted by Sasangka (2001) that the ambiguity of the role have a negative effect on organizational commitment. Based on the above, the hypothesis outlined in this study are:

H3: Role Ambiguity have a negative impact on organizational commitment.

4. Role Ambiguity on Job Satisfaction

Muliawan *et al.* (2009) stated that the ambiguity of the role of blocking improved performance, and limit the ability of individuals to get an award, and potentially reduce job satisfaction. According to research conducted by Permatasari (2011) found that role ambiguity negatively related to job satisfaction. Based on the above, the hypothesis which will be described in this study is:

H4: Role ambiguity has a negative effect on job satisfaction

5. Promotion opportunities on Job Satisfaction

Research Permatasari (2011) states that the promotion of the opportunity to have a positive effect on job satisfaction employees. Based on the above, the hypothesis which will be described in this study is:

H5: promotional opportunities to have a positive effect on job satisfaction.

6. Salary Satisfaction on Job Satisfaction

If the salary is given to the right, then the employees will be more satisfied and motivated to achieve organizational goals. Lawler (1971) in Muliawan *et al.* (2009) found dissatisfaction in the payment of wages is likely to affect job dissatisfaction. The statement is the same as the results of research Permatasari (2011) that k epuasan salary has a significant effect on job satisfaction. Based on the above, the hypothesis which will be described in this study is:

H6: Salary satisfaction has a positive effect on job satisfaction.

7. The need to Developing on Job Satisfaction

Provide an opportunity for self-development with their education and training to improve the skills, abilities, and potential to provide satisfaction to the employees in the work. In line with the results of research Permatasari (2011) that it needs to develop into a better directly have a positive effect on job satisfaction. Based on the above, the hypothesis outlined in this study is:

H7: The need to develop a positive influence on job satisfaction.

8. Job Satisfaction on Turnover Intention

If the job satisfaction of employees is getting low, it will make improved employee turnover intentions become higher. Therefore, there is a negative relationship between job satisfaction and turnover intentions. In accordance with Permatasari study (2011) that job satisfaction in have a direct negative impact the desire to move. Based on the above, the hypothesis outlined in this study is:

H8: Job satisfaction has a negative effect on turnover intentions employees of the accounting department at the finance company in the city of Bengkulu.

9. Job Satisfaction on Organizational Commitment

Employees who get job satisfaction will make a donation, support, and commitment to the organization even if the organization is in difficult circumstances so that corporate objectives can be achieved effectively and efficiently. In line with the research Permatasari (2011) states that job satisfaction has a positive influence on organizational commitment. Based on the above, the hypothesis which will be described in this study is:

H9: Job satisfaction has a positive influence on organizational commitment.

10. Organizational Commitment on Turnover Intention

Employees who have a strong commitment to the organization will be declared to have no desire to leave the organization. In accordance with the results of research conducted by Permatasari that an auditor in public accounting as a subject of research, suggests that organizational commitment has a negative effect on employee turnover intentions. Based on the above, the hypothesis outlined in this study is:

H10: Organizational commitment has a negative effect on turnover intentions employees of the accounting department at the finance company in the city of Bengkulu.

RESEARCH METHODS

Operational Definitions & Measurement Variable

This research is an empirical study that seeks to explain the factors that affect the decision of employees of the accounting department at the financing company in Bengkulu city to stop working or moving work. These factors include the culture of the organization, role conflict, role ambiguity, promotion, salary satisfaction and the need for developing an exogenous variable. While the organizational commitment and job satisfaction is an endogenous variable and turnover intentions of employees of the accounting department is a purely endogenous variables. All variables were measured using a questionnaire with a 5-point Likert scale.

Population, Sample, and Sampling Technique

The population in this study were all employees of the accounting department at the financing company in the city of Bengkulu. The accounting department in this study is a *staff accounting* or bookkeeping. The sampling technique in this study using a *non probability sampling, purposive sampling*. For this study, the criteria applied in the selection of the sample are employees of the accounting department at the finance company in the city of Bengkulu, which has the motivation to meet the need to develop. The criteria used for this study will examine the level of motivation in fulfilling the needs for developing and intention to move. Participating in this study were 42 respondents from 15 financing companies in the city of Bengkulu.

RESULTS AND DISCUSSION

In this study, analysis of data using the approach *Partial Least Square* (PLS). Where there are two test models in PLS, namely:

a. Measurement Model or Outer Model

This model is used to determine the validity and reliability of connecting indicators with latent variables. Indicators in this study are reflective because the indicator latent variables affect the indicator, for it used four measurements, namely:

1) Convergent Validity

Convergent validity measure the correlation between a construct with latent variables. In the evaluation of convergent validity of individual examination realibility item, it can be seen from the standardized loading factor, standardized loading factor illustrates the magnitude of correlation between each item measurement (indicators) with konstruknya. Correlation can be said to be valid if it has a value of > 0.7 .

2) Discriminant Validity

Discriminant Validity conducted to prove whether the indicator on a construct would have the biggest factor in a construct loading the establishment of the loading factor to construct another. Model measurements assessed by measurement of cross loading the constructs. If the correlation construct with each indicator is larger than the size of the other construct, then the latent construct the indicator predicts better than any other construct.

3) Composite Reliability

To determine the *reliability of composite*, when the *composite reliability* values greater than 0.7 can be said that a construct has a high reliability or reliable if the *composite reliability* greater than 0.6 is said to be quite reliable.

4) Cronbach Alpha

In PLS, reliability testing enhanced by *cronbach Alpha* wherein the consistency of every answer tested. *Cronbach Alpha* said to be good if the $\alpha \geq 0,7$ and is said to be sufficient if negligent ≥ 0.6 .

This study meets all the criteria of validity and reliability by eliminating three indicators that do not meet the test criteria of convergent validity.

b. Structural Model or Inner Model

Inner model (*inner relations, structural models and substantive theory*) describe the relationship between latent variables based on a substantive theory. Structural models were evaluated using *R-Square* to construct dependent, *Stone-Geisser Q-square test* for predictive relevance and significance of the t test and the coefficient parameter structural lines.

Tabel 4.1 R-Square

Variabel	R Square
KO	0.398
KK	0.491
TI	0.386

Source: Primary data is processed, 2016

In the PLS statistical testing every relationship hypothesized done using simulation that compares the value of t-statistic with t-table significance $\alpha = 5\%$ (1.96). If the value of t-statistic > t-table then the hypothesis is accepted and if the value of t-statistic < t-table then the hypothesis is rejected. The significance of the model in testing the structural model can be seen from the value of t-statistics in Table 4.2:

Tabel 4.2 Path Coefficient (Mean, STDEV, t-Values)

	Original sample estimate	Mean of subsamples	Standard deviation	T-Statistic	T-Table	Direction	Conclusion
BO -> KO	0.108	-0.067	0.179	0.605	1.96	Same direction	Rejected
KP -> KO	-0.256	0.270	0.211	1.216	1.96	Same direction	Rejected
AP -> KO	-0.095	0.064	0.163	0.582	1.96	Same direction	Rejected
AP -> KK	-0.130	-0.157	0.131	0.993	1.96	Same direction	Rejected
KSP -> KK	0.247	0.298	0.211	1.170	1.96	Same direction	Rejected
KG -> KK	0.158	0.156	0.150	1.054	1.96	Same direction	Rejected
KUB -> KK	0.466	0.465	0.127	3.673	1.96	Same direction	Accepted
KK -> TI	-0.117	0.161	0.120	0.974	1.96	Same direction	Rejected
KK -> KO	0.549	0.509	0.119	4.614	1.96	Same direction	Accepted
KO -> TI	0.547	0.541	0.097	5.618	1.96	Contrast	Rejected

Source: Primary data is processed, 2016

CONCLUSION

Conclusion

Based on the results of the discussion it can be concluded as follows: (1) Cultural organizations, role conflict and role ambiguity is not proven effect on organizational commitment. (2) Role ambiguity,

promotion, and salary satisfaction is not proven effect on job satisfaction. (3) The need to develop a proven effect on job satisfaction. (4) Job satisfaction is proven effect on organizational commitment. (5) Job satisfaction and organizational commitment is not proven effect on turnover intention.

Implications Research

Based on the research results and the above conclusions, the research has implications as follows:

1) for companies

With the results of this study can be input to understand what are the factors that influence turnover intentions of employees of the accounting department at the finance company in the city of Bengkulu, because the results of the study found that respondents have a need to develop a high enough and job satisfaction were quite good. Therefore we need the support of the company and head of the company to be able to make the employees of the accounting department wishes to move reduces the level of employment.

2) for Academics

The results of this study can enrich research in the field of accounting reference especially behavioral accounting.

Limitations of Research

This research is still far from perfect because the study has limitations, including:

- 1) The data in this study can only be gathered from the respondents that exist in 15 finance companies in the city of Bengkulu. Supposedly researchers can collect data from all respondents in the entire finance company in the city of Bengkulu. This limitation is because the company has no employees in accounting/finance, so that some companies do not meet the criteria.
- 2) This study uses a less extensive object, namely finance companies in the city of Bengkulu. This condition can be interpreted that the results of this study can not be generalized for the study with the same object.

Suggestions

Based on the research results, discussion and conclusions above, and the consideration is the limitations of this study, to further research may consider the following suggestions:

- 1) For future studies should look for companies that have employees in accounting/ finance, not only in the city of Bengkulu, but in the other cities that are more of a finance company.
- 2) Future studies are expected not only limited testing on finance companies in the city of Bengkulu, but may consider a broader research object again.

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THE MODERATING ROLE OF FIRM SPECIFIC FACTORS ON THE INFLUENCE OF ENTERPRISE AND CREDIT RISK MANAGEMENT ON FIRM PERFORMANCE OF INDONESIAN BANKING COMPANIES

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Abstract. The purpose of this study is to examine the effect of enterprise risk management (ERM) and credit risk management (CMR) on firm performance. This study also investigates the moderating role of firm specific factors on those impacts. We selected all 24 Indonesian public listed Banks as the sample of this study for four years observations.

This study found ERM and CRM positively influence on Indonesian listed bank performance. This study also reported that the influencing of ERM on Bank performance will be stronger since Indonesian listed bank classified as large bank and the bank operate in higher environmental uncertainty, higher complexity, and lower independent board monitoring. In contrast this study provide an empirical evidence on stronger CRM-bank performance relationship will be occur when Indonesian listed bank classified as small bank and the bank operate in lower environmental uncertainty, lower complexity, and higher independent board monitoring.

Keywords: *Enterprise Risk Management, Credit Risk Management, Firm Performance, and Banking*

INTRODUCTION

Banks play a very important role in creating economic growth in both developed and developing countries. In order to achieve those objectives, banks must continuously be able to maintain the stability of their performance especially in term various indicators financial performance including net income, loan growth, net interest margin, and non performing loan. However, it is not easy for banks to continuously report their superior performance in along time because of highly competitive business environment. The bank currently facing various risks that may affect the achievement of the bank's performance. In last five years, Indonesian banks report net income around 3% and total assets grow around 4% per year. Even the largest loan portfolio banks report their net income for 3.5% in 2014. However, some of Indonesia top ten banks highlighted decline net profit in 2015 including the Bank Negara Indonesia (BNI), Panin Bank, and Bank Danamon. Its indicates there is not easy for Indonesian banking industries to maintain sustainability of their higher performance because of various risks.

Fraser and Kolari (2001) concluded that banking industries at least deal with credit, country, market, interest rate, liquidity, operational, legal and reputation risk. In addition Basel Committee on Banking Supervision (2000) define credit risk as the potential failing of banks borrower or counterparty to meet its obligations. Moreover, the committee highlighted that banks face credit risk sourced from loan and other various financial instruments, including acceptances, interbank transactions, trade financing foreign exchange transactions, financial futures, swaps, bonds, equities, options, and in the extension of commitments and guarantees, and the settlement of transaction. Those risks would have a negative impact on the bank's performance. Since the bank facing a variety of potential risks throughout the bank's operations, management must be able to implement an effective risk management to control and manage risk. Banks' managers should consider the best way to reduce risks. Gordon et al. (2009) describe management in any industries including banking must view and manage risk as firm fundamental concern based on a holistic perspective known as enterprise risk management (ERM) in addition Pagach and Warr (2011) state that ERM is a strategy that holistically evaluate and manage the risks. However, for banking industries credit risk should be given greater attention in risk management compared to other risks. Therefore, in the context of the banking industry, banks' managers should implement a holistic risk management (ERM) as well as specific credit risk management (CRM) principles

Some previous studies highlighted that the implementation of ERM provide the positive impact to firm performance (e.g. Barton *et al.*, 2002 & Liebenberg & Hoyt, 2003). Furthermore, Beasley *et al.* (2005) found that ERM promote the better company's operational performance. In addition, Miccolis and Shah (2000), Lam (2001), Meulbroek (2002) indicate that ERM can reduce the volatility of stock prices, reduced capital costs, increase efficiency, and create synergies. However, Rafika (2012) and Fitrianti

(2013) found that ERM positively impact on firm value, and Gordon, *et.al* (2009) found the strengthening of enterprise risk management on firm performance companies depend on the companies and environmental conditions.

In another perspective, the banking industry should also focus on mitigating credit risk as inherent risk in the banking business activities through implementation of the credit risk management. Bank for International Settlements (Basel Committee on Banking Supervision, 2000) describes the credit risk as a potential lending or counterparty will fail in repayment obligations. Credit risk is the greatest risk faced by commercial banks and a major cause of failure (Fraser & Kolari. 2001; Angerer 2004).

The effective management of credit risk is a critical component of a comprehensive approach to risk management and essential to the long-term success of any banking organisation. Al Shatti (2015) found that credit risk management that proxied by non performing loan ratio (NPL) positively effect on the performance of the Jordan commercial. In contrast, Poudel (2012) reported the negative relationship between credit risk management financial performance of commercial banks in Nepal. Ruth (2013) examine the effect of credit risk on the performance of companies with good corporate governance (GCG) as the moderating variable. He pointed out that the credit risk management negatively effect on firm performance, and good corporate governance which is proxied by managerial ownership, institutional ownership, independent board, and the number of audit committee members moderate the negative effects of non-performing loan (NPL) on firm performance.

Abiola (2014) found a positive (unusual) relationship between Non-performing loans (NPL) and bank's profitability. It means the better credit risk management will be followed by lower bank performance. Adeusi, Akeke, Adebisi and Oladunjoye (2013) concluded that NPL is not effected on banks performance. Fan and Yijun (2014) found that there is a negative relationship between NPL and ROE and between NPL and ROA. However, the findings on year by year analysis demonstrate a fluctuating relationship between those variables dependent on the contingency factors such economic crisis. Kurawa and Garba (2014) provide additional evidence on a positive relationship between NPL and ROA. Poudel (2012) found credit risk management indicators including NPL negatively affected banks' financial performance. Ogboi and Unuafé (2013) found sound credit risk management that measured by NPL is not affected on bank's financial performance.

However, according to the contingency theory, the organization's performance is a consequence of external factors such as environmental, organizational structure, corporate culture, and technological factors. Moreover, contingency theory states that organization must adapt a variety of contingent factors, such as organizational structure, environment, organizational size, and business strategy in achieving higher performance (Lawrence & Lorsch, 1967). Meanwhile, Otley (1980) conclude that the stronger relationship between ERM and firm performance dependent on firm contextual factors. Therefore, contingency theory plays a very important role in explaining what factors are contributing to firm performance. In context of risk management-firm performance relationship, contingency factors need to be taken into account are: (1) the environment uncertainty (Tjahjadi, 2011), (2) complexity (Husaini, *et. al.* 2013), (3) firm size (Husaini *et al.* 2013), and independent board Monitoring (Beasley, *et.al*, 2005). So the purpose of this study is to investigate the moderating role of contingency (firm specific) factors on the influence of ERM and CRM on Indonesian bank/s performance.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

ERM and Bank Performance

COSO (2004) defines ERM as "a process, affected by an entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives." While, The Casualty Actuarial Society (CAS) defines ERM process of assessing, controlling, financial exploitation, and monitoring risks from various sources which aims to increase the short term and long term firm value for all stakeholders. ERM encompasses aligning risk appetite and strategy, enhancing risk response decisions, reducing operational surprises and losses, identifying and managing multiple and cross-enterprise risks, seizing opportunities, and improving deployment of capital (Beasley, *et al.*, 2005).

COSO (2004), explains that the effectiveness of an organization's ERM should be determined based on the achievement of four objectives ERM ie strategy, operations, compliance, and reporting. Some studies using those objective as comprehensive proxies for measuring implementation of ERM (for example see Gordon *et al*, 2009)

Barton *et al* (2002), Lam (2002), Liebenberg, (2003) proved that ERM implementation can improve the performance of the company. Miccolis and Shah (2000), Lam (2001), Meulbroek (2002) highlighted that ERM can reduce the volatility of stock prices, reduced capital costs, increase efficiency,

In context of indonesia Rafika (2012) and Fitrianti (2013), found that the positively relationship between ERM and firm value. So we come up with hypothesis:

H1: ERM positively effect on bank performance

CRM and Bank Performance

According to Bank Indonesia Regulation Number: 11/25 / PBI / 2009, the credit risk is the risk of the failure of the debtor and / or other parties to meet obligations to the bank. Investopedia defines credit risk as a potential lost of loan principal and interest for the borrower's failure to fulfill obligations in accordance with the loan contract. Most previous studies on credit risk measured those potential lost through non performing loan proxy (see Ratih, 2013; Al Shatti,2015) .

The effectivemanagement of credit risk is a critical component of a comprehensive approach to riskmanagement and essential to the long-term success of any banking organisation. Credit risk can arise from the various bank businesses. Ratih (2013) use of non-performing loans as a proxy for measuring credit risk management efectiveness Therefore credit risk management will positively affect the profitability of the banking (Li and Zou in Alshatti, 2015). Furthermore, Al Shatti, (2015) to measure credit risk management with some indicators, namely the capital adequency ratio, the ratio of credit facilities, net facilities ratio, leverage ratio and non-performing loans.. In this study the credit risk management indicators have also used the ratio of non-performing loans.

Credit risk management is proxied by the ratio of non-performing loans. Non-performing loans shows the bank's ability to manage the risk of non-performing loans granted by banks. High NPLs will lead to a decrease in profit or earnings to be received by the bank (Almilia and Herdiningtyas, 2005). The lower the NPL ratio, the lower the credit risk, and the higher of credir risk management successfully. Low credit risk will affect the bank's financial performance and market. This is because the credit risk is low will give confidence to the owners and other stakeholders on the success of the bank implement credit risk management well. Poudel (2012) states that credit risk management is proxied by NPL negatively affect the financial performance of banks in Nepal. So we come up with hypothesis:

H2: Credit risk management positive effect on bank performance

Risk Management, environment uncertainty, and Bank Performance

Gerloff *et al.* (1991) states that the environment uncertainty consist of contingencies and perceptual aspects. Aspects of contingencies related to the understanding of the environment and organizational adjustment to the reality of the environment. While the perceptual aspect relates to a process orientation, comprehension, interpretation, and scanning of the environment. Gong *et al.* (2009) measures the uncertainty of the environment by using Cash Flow Volatility. Gordon *et. al.* (2009) measures the uncertainty of the environment with a combination of: (1) market (coefficient of variation of sales), (2) technology (coefficient of variation of R & D costs and capital expenditures divided by total assets), (3) Income (coefficient of variation of income before taxes). risks to be borne by the company will vary depending on environmental uncertainty to be faced. The higher the environmental uncertainty facing companies will affect the relationship between the risk management systems with the performance of this. Gordon, *et.al.* (2009) find environmental uncertainties affect the relationship between the implementation of ERM and firm performance. So we come up with hypothesis

H3: Environmental Uncertainty moderatesERM-bank performancerelationship.

Many economic theories state that the credit cycle and failures are still common with empirical conditions of uncertainty in the cycle. Lesmana (2006) suggested that the need for a credit risk management model specific to anticipate the credit risk of failure of the borrower to repay the loan principal and interest.The credit risk management model should be appropriate to the conditions of environmental uncertainty. When banks operating at a high environmental uncertainty impacting on the increased likelihood of a borrower experiencing financial difficulty and fail to repay the loan, bank managers must implement a good credit risk management. In that condition, the effect of credit risk management on firm performance will be stronger. So we come up with hypothesis

H4: Environmental Uncertainty moderates CRM-bank performance relationship.

Risk Management, Complexity, and Bank Performance

The complexity of the company can be proxied by the number of business segments owned by a company (Doyle *et.al.*2007). Meanwhile, Merchant (1981) concludes that highly diversified companies

will require intensively internal control than the less diversified and decentralized companies. This is due to the complexity of such operations which pose more risks to be faced by the companies. Doyle *et al.* (2007) highlighted that the material weaknesses internal control occurs in companies with more complex operations. Hoyt *et al.* (2006) found that the high complexity companies need to implement better ERM, in order to improve their financial performance. We therefore conclude that the company with a high level of complexity will strengthen affect ERM implementation on firm performance. So we come up with hypothesis

H5: bank complexity moderates ERM-bank performance relationship.

Credit risk is the assessment of the quality of the bank's operational risk management. Credit risk of them comes from bad loans, if large amounts will affect every corner of the bank's operations. Bad credit will hamper banking operations because bank profits obtained from the difference between deposits and lending interest (Elizabeth, 2009). credit risk will increase when the bank has a high complex or relatively broad diversification. in this condition should menerapkan bank with good credit risk management in order to achieve optimum performance. So we come up with hypothesis

H6: bank complexity moderates CRM-bank performance relationship.

Risk Management, Size, and Bank Performance

The relationship between firm size and organizational structure has been a major consideration in the organization theory literature (Lawrence dan Lorsch, 1967). In addition, the accounting scholars also conclude that firm size is an important factor when considering the design and use of management control systems. Hoyt *et al.* (2006) found firm size is positively related to the the level risk management implementation. Beasley *et al.* (2005) showed that organization size positively related to the risk management implementation phase. Merchant (1981) argues that the growth of the organization raises communication and control escalation. So organization size will affect risk management - firm performance relationship. So we come up with hypothesis:

H7: bank size moderates ERM-bank performance relationship.

Rachdi, *et al.* (2003) found that small size banks assume lower credit risk, so there is no incentive to implemented intensive credit risk management. Moreover, Ranjan and Dahl (2003) states that the bigger the bank, the smaller the rate of non-performing loans. So management needs to implement an effective credit risk management to reduce the risk of the loans in order to improve bank performance. So we come up with hypothesis

H8: bank size moderates CRM-bank performance relationship

Risk Management, Independent Board, and Bank Performance

Enterprise Risk Management as a strategy to manage the risks that can reach all parts of the company, not in spite of the existence of an independent commissioner who oversees the effort to control the risks that have been applied. Kleffner *et al.* (2003) suggests that the main factor underlying the adoption of ERM strategy firms in Canada was a drive of the board of directors. COSO (2004) also argues that the board of directors plays an important role in ERM implementation strategy. Beasley *et al.* (2005) suggested that independent directors on the board is positively related to the stage of implementation of ERM. In addition, Gordon *et al.* (2009), concluded the relationship between ERM and the performance of the company depends on the monitoring of the board of directors. So we come up with hypothesis:

H9: Independent board moderates ERM-bank performance relationship.

Dannon (2009) states that the internal governance mechanism including independent board role more effective in explaining bank risk. Moreover, Pathan (2009) found that independent board monitoring could contribution to reduction of various banking risks. Since credit risk can be mitigated by independent board monitoring, credit management will not be strong contribution to increase bank performance. So we come up with hypothesis:

H10: Independent board moderates CRM-bank performance relationship.

RESEARCH METHOD AND MODEL

Population and Sample

The population in this study are all banking companies listed in Indonesia Stock Exchange (IDX) from 2010 until 2013. The sample in this study were selected by using purposive sampling method where the selection of samples taken in accordance with the criteria of the samples described in chapter previous. From several samples into the population there are some companies that are not used as samples because they do not meet the criteria. So from 31 banking companies, the population, as many as 24 companies sampled in this study. Observations were made during the four (4) years, so there are 96 observasi.

Definition and Measurement of Variables

Bank Performance (BP)

There are two approaches that commonly employed in measuring firm performance i.e. financial accounting based measures (FAB) such as return on asset (ROA), return on equity (ROE), and return on sales (ROS), financial market based measures (FMB) such as stock return, market to book ratio, and Tobin-Q.

This study measures the bank performance using ratio of return on assets (ROA) to adjust the Indonesian central bank regulation on guidelines for Calculation of Financial Ratios:

$$BP = \frac{\text{Profit before tax}}{\text{Total asset}} \times 100 \% \dots\dots\dots(3.1)$$

Enterprise Risk Management

Enterprise risk management (ERM) is calculated using ERM index (ERMI) that developed by Gordon, *et al.* (2009) based on COSO ERM objectives, namely strategy, operations, reporting, and compliance.

$$ERMI = \Sigma \text{Strategy} + \Sigma \text{Operation} + \Sigma \text{Reporting} + \Sigma \text{Compliance} \dots\dots\dots(3.2)$$

Strategy refers to the way the company positions itself against the competition in the market. It means that the greater the income received by a company relative to the average industry income, the better strategy of that company or the higher ERM implementation, so.

$$\text{Strategy}_1 = \frac{\text{Revenue}_i - \mu_{\text{Revenue}}}{\sigma_{\text{Revenue}}} \dots\dots\dots(3.3)$$

- Note :
- Revenue_i : revenue bank i in year t
 - μ_{Revenue} : evarege revenue all banks in year t
 - σ_{Revenue} : standard deviation revenue all banks in year t

Another approach to measure a success strategic is based on competitive advantage of a bank in reducing systemic risk through diversification strategy compared to other banks (Thompson, 1984).

$$\text{Strategy}_2 = \frac{\Delta\beta_i - \mu_{\Delta\beta}}{\sigma_{\Delta\beta}} \dots\dots\dots(3.4)$$

- Note :
- $\Delta\beta_i$: $-(\beta_i \text{ year } t - \beta_i \text{ year } t-1)$
 - β_i : beta bank i
 - $\mu_{\Delta\beta}$: Average all bank $\Delta\beta$ in year t
 - $\sigma_{\Delta\beta}$: standard deviation $\Delta\beta$ all bank

Operating efficiency can be measured as an input-output relationship in the process of operating bank (Banker *et al.* 1989). The greater the output at a certain level of input or lack of inputs for a given level of output indicates better operating efficiency. So turnover of assets defined as income on total assets is one measure of the efficiency of operation (Kiymaz, 2006),

$$Operation_1 = \frac{Revenue}{Total Asset} \dots\dots\dots(3.5)$$

The second measurement for the operating ratio is determined by the income on the number of employees of the bank.

$$Opertioni_2 = \frac{Revenue}{Number of Employees} \dots\dots\dots(3.6)$$

Reporting refers Reliability Reporting: Illegal earnings management, financial restatements, and financial fraud are the obstacle in the achievement of reliable financial statements (Cohen *et al.* 2004). reliability of reporting is proxied by the three dimensions are easily observed: namely: material weaknesses, the auditor's opinion, and restatements.

$$Reporting_1 = (Material\ weakness) + (Auditor\ Opinion) + (Restatement) \dots\dots\dots(3.7)$$

Reporting₁ obtains a value -1 for each component reliability include (1) the disclosure of material weaknesses in the annual report, (2) the audit report with an unqualified opinion, and (3) announced the restatement in year t, and the value 0 if otherwise,.

The second measure of the reliability of bank reporting is using the relative proportion of absolute normal accruals divided by the sum of the absolute accrual normal and abnormal accruals. Abnormal accruals are measured using cross-sectional Jones (1991) model of accrual measurement, as described in Defond and Subramanyam (1998) and Herawaty (2008). Calculation of total accruals are measured as the difference between profit and operating cash flows using the formula:

$$TA = net\ income - net\ operating\ cash\ flows \dots\dots\dots(3.8)$$

To compose a total accrual becomes abnormal and normal accrual then calculated with the following steps.

$$\frac{TA_{it}}{A_{it-1}} = \alpha_0 + \alpha_1 \left[\frac{1}{A_{it-1}} \right] + \alpha_2 \left[\frac{(\Delta OR_{it} - \Delta Resc_{it})}{A_{it-1}} \right] + \alpha_3 \left[\frac{PPE_{it}}{A_{it-i}} \right] + e_{it} \dots\dots\dots(3.9)$$

$$NDA_{it} = \alpha_1 \left[\frac{1}{A_{it-1}} \right] + \alpha_2 \left[\frac{(\Delta OR_{it} - \Delta Resc_{it})}{A_{it-1}} \right] + \alpha_3 \left[\frac{PPE_{it}}{A_{it-i}} \right] e_{it} \dots\dots\dots(3.10)$$

$$\frac{DA_{it}}{A_{it-1}} = \frac{TA_{it}}{A_{it-1}} - \left\{ \alpha_1 \left[\frac{1}{A_{it-1}} \right] + \alpha_2 \left[\frac{(\Delta OR_{it} - \Delta Resc_{it})}{A_{it-1}} \right] + \alpha_3 \left[\frac{PPE_{it}}{A_{it-i}} \right] \right\} e_{it} \quad \text{or}$$

$$DA_{it} = TA_{it} - NDA_{it} \dots\dots\dots(3.11)$$

Note:

- α_0 : Constant
- $\alpha_1 - \alpha_3$: Regression Coefficient
- TA_{it} : Total Akrua Bank i in year t
- DA_{it} : Discretionary accrual Bank i in year t
- NDA_{it} : Nondiscretionary accrual Bank i in year t
- A_{it-1} : Total asset Change Bank i in year t
- ΔOR_{it} : Operating revenue change Bank i in year t
- it : Receivable (loan) change Bank i in year t
- PPE_{it} : Fixed Asset plus accumulated depreziation Bank i in year t
- e_{it} : error Bank i in year t

OLS (ordinary least squares) was used to obtain the coefficients of each variable above. The value of the coefficient α of equation (3.9) is put back into the equation (3.10) to get the value of normal accruals (NDA). Furthermore, abnormal accruals (DA) is computed by inputting the coefficient α of equation (3.10) into the equation (3.11).

If the actual value of the normal and abnormal accruals has been obtained, the next step is to calculate the value of the reliability of reporting. Reliability of reporting is measured by using the following formula:

$$\text{Reporting}_2 = \frac{|Normal\ Accrual|}{|Normal\ Accrual| + |Abnormal\ Accrual|} \dots\dots\dots(3.12)$$

Compliance: O'Keefe, *et. al.* (1994) found evidence that firm compliance can be increased with an increase in audit fees. Thus, compliance in this study measured by the auditor fee for financial statement audit, certification, check the individual accounts and consolidated, review due-diligence, agreed procedures (for example, confirmation of compliance with specific contractual agreements), as well as compliance and consulting tax, using the following equation:

$$\text{Compliance}_1 = \frac{\text{Auditor Fee}}{\text{Total Asset}} \dots\dots\dots(3.13)$$

Credit Risk Management

Management of credit risk in this study is proxied by the reversal of the non-performing loan ratio. This is because the higher non-performing loan (NPL) indicates the worse the credit risk management, so that this study did reversal NPL value by multiplying by negative1. The formula used to calculate credit risk management are as follows:

$$\text{CRM} = \frac{\text{Ksubstandard loans} + \text{doubtful loans} + \text{Bad loans}}{\text{Total Loan}} \times 100\% \times (-1) \dots\dots\dots(3.14)$$

Environmental uncertainty

This research uses Gong et al. (2009) approach in measuring environmental uncertainty by using Cash Flow Volatility, which is formulated as follows:

$$\text{EUC} = (\text{Operating Cash Flows} + \Delta \text{ Operating Cash Flows}) / \text{Total Asset} \dots\dots(3.15)$$

Bank complexity

Bank complexity is the number of business segments owned by a bank (Doyle & Mcvay 2007):

$$\text{BC} = \Sigma \text{ Business Segments} \dots\dots\dots(3.16)$$

Bank Size

Bank size can be measured by total assets (Sudjoko and Soebiantoro, 2007). The greater bank total assets, the greater the bank size. So:

$$\text{BS} = (\text{Ln}) \text{ Total Asset} \dots\dots\dots(3.17)$$

Independent Board

Fama and Jensen (1983) stated that non-executive director (independent directors) can act as a mediator in disputes between managers and oversee internal management policy and provide advice to management. The number of independent directors should be able to ensure that the monitoring mechanism run in accordance with applicable regulations. The formula in calculating the independent directors, namely:

$$\text{IB} = \frac{\Sigma \text{ Independent Board Members}}{\Sigma \text{ all board members}} \dots\dots\dots(3.18)$$

Data Analysis Techniques

In order to test the hypotheses of this study, five regression models has been developed as follows:

- BP_{it} = α + β₁ERM_{it} + β₂CRM_{it} + e_{it} Model 1
- BP_{it} = α + β₁ERM_{it} + β₂CRM_{it} + β₃EUC_{it} + β₄ERM x EUC_{it} + β₅CRM_{it} x EUC_{it} + e_{it} Model 2
- BP_{it} = α + β₁ERM_{it} + β₂CRM_{it} + β₃FC_{it} + β₄ERM x FC_{it} + β₅CRM_{it} x FC_{it} + e_{it} Model 3
- BP_{it} = α + β₁ERM_{it} + β₂CRM_{it} + β₃SIZE_{it} + β₄ERM x SIZE_{it} + β₅CRM_{it} x SIZE_{it} + e_{it} Model 4
- BP_{it} = α + β₁ERM_{it} + β₂CRM_{it} + β₃IB_{it} + β₄ERM x IB_{it} + β₅CRM_{it} x IB_{it} + e_{it} Model 5

Note :

- BP_{it} : Bank i performance in year t, as measured by ROA
- α : Constant
- β₁-β₅ : Regressions Coefficient
- ERM_{it} : Enterprise Risk Management Index

CRM_{it} : Credit Risk Management measured by Non Performing Loan bank i in year t
 EUC_{it} : Bank i Cash Flow Volatility in year t
 BC_{it} : Bank i complexity in year t
 $SIZE_{it}$: Bank i size in year t
 KI_{it} : Bank i Independent board in year t

THE FINDINGS

Statistic Descriptive

A statistic description of variables that included in this study is presented in table 1. Table 1 shows that on average ERM index score is -0.33 with maximum score is 3.31 and the minimum score is -5.31. It indicates that some Indonesian listed Banks have been effectively implemented ERM system. In term of CRM, on overall Indonesian listed bank have no effectively adopted better credit risk management. Table 1 also shows that Indonesian listed bank operate in not so complexity, well business environment, and better independent board monitoring. On average Indonesian listed bank highlighted lower net profit around 2.16% of total assets, even some bank reported loss.

Table 1: Statistic Descriptive

Variables	Min	Max	Mean	Std. Dev
BP	-7,58	5,15	2,16	1,68
ERM	-5,31	3,31	-0,33	1,53
CRM	-0,02	-6,25	-1,59	1,35
EUC	-0,34	0,45	0,01	0,15
FC	2,00	8,00	3,97	1,28
SIZE	28,08	34,23	31.11	1,75
IB	0,25	1,00	0,57	0,12

Correlation Analysis

Firstly, this study analyzed the correlation among independent and moderating variables in order to detect multicollinearity problem. Hair, Black, Babin, Anderson, and Tatham (2006) stated that multicollinearity problem occurs since the correlation among independent and moderating variables is 0.90 and higher. Table 2 presents the correlation matrix among independent variables and between independent and dependent variables. ERM is positively significant correlated to CRM ($r = 0.259$, p -value < 0.05), BC ($r = 0.479$, p value < 0.01), BS ($r = 0.372$, p value < 0.01) and IB ($r = 0.479$, p value > 0.05) but ERM negatively not significant related to EUC ($r = -0.020$, p value > 0.05). This result indicated that there is no multicollinearity problem occurred in this study.

Secondly, this study analyzed the correlation between independent and dependent variables in order to determine the relationship between independent and dependent variables individually. This found that BP is positively significant associated with ERM ($r = 0.345$, p value < 0.01) and CRM ($r = 0.353$, p value < 0.01). BP is also positively significant correlated two moderating variables i.e. BC ($r = 0.347$, p value < 0.01) and BS ($r = 0.489$, p value < 0.01). This findings indicate that an individual ERM and CRM positively influence Indonesian listed bank performance.

Table 2: Pearson Correlation

	BP	ERM	EUC	BC	BS	IB	CRM
BP	1						
ERM	0.345***	1					
EUC	-0.088	-0.020	1				
BC	0.347***	0.479***	-0.005	1			
BS	0.489***	0.372***	0.027	0.441***	1		
IB	-0.113	0.116	-0.091	-0.016	-0.166	1	
CRM	0.353***	0.259**	-0.119	0.188	0.195	-0.185	1

***Represents statistical significance at the 1% level (two-tailed test)

**Represents statistical significance at the 5% level (two-tailed test)

Hypothesis Testing

Table 3 consists of the five regression models results: The first model using to test hypotheses 1 and 2 (direct influencing of ERM and CRM to BP). The second model using to test hypotheses 3 and 4 (moderating role of EUC on influencing of ERM and CRM to BP). The third model using to test hypotheses 5 and 6 (moderating role of BC on influencing of ERM and CRM to BP). The second model using to test hypotheses 3 and 4 (moderating role of EUC influencing of ERM and CRM to BP). The fourth model using to test hypotheses 7 and 8 (moderating role of BS on influencing of ERM and CRM to BP). The fifth model using to test hypotheses 9 and 10 (moderating role of IB on influencing of ERM and CRM to BP).

Based on the regression results in Table 3 model 1, the R Square 0.194 and significance p-value of $F < 0.01$ indicate the model is fit and 19.4% variation of BP could be explained by ERM and CRM. This finds that by putting moderating variables in the model (EUC in model 2; BC in model 3; BS in model 4; and IB in model 5) the model still fit and the explanation power increase. It indicate that moderating variable play an important role in explaining variation of Indonesian listed bank performance.

Risk Management and Bank Performance

The regression results in Table 3 model 1 showed that ERM ($\beta=0.238$ and P-value $< 0,01$) and CRM ($\beta=0.281$ and P-value $< 0,01$) are positively significant influence BP. This result suggested that H1 and H2 were supported.

The results of this study are consistent with Barton et al., (2002). Lam (2002), and Liebenberg (2003) who found that the ERM implementation can improve firm performance. This finding also indicates that bank with higher ERM practices followed by superior performance. This result is also align with Gustina (2015), Ruth (2013), Almilia and Herdiningtyas, (2005), and Poudel (2012) which states that credit risk management positively affects on firm performance.

Risk Management, Environment Uncertainty, and Bank Performance

The regression results in Table 3 model 2 showed that interaction ERM and EUC ($\beta=1.633$ and P-value $< 0,01$) is positively significant influence BP. However, interaction CRM and EUC ($\beta=-1.383$ and P-value $< 0,01$) is negatively significant influence BP. This result suggested that H3 and H4 were supported.

The results indicate that EUC strengthen the influencing of ERM and CRM on BP. The strengthen relationship between ERM and BP will be exist when EUC is high. Meanwhile strengthen relationship between CRM and BP will be exist when EUC is low

The results of this study are consistent with research Tseng et al. (2009), who obtained the result that the relationship between ERM and firm performance is highly dependent on environmental uncertainty factors. This argument is in line with the view that concluded that the environment is an important contextual factors that have very strong impact on the direction and strategy of the company (Hamel and Prahalad, 1994).

The uncertainty of the environment is based on the basis of contingency theory which states that the relationship between two or more factors are very dependent on other factors (contingent) that can not be controlled by an organization (Otley, 1980). Uncertainty environment is always changing, causing the company to be able to adjust the implementation of ERM in accordance with the conditions of their environment. So the application of enterprise risk management to improve corporate performance more effective when high environmental uncertainty

Risk Management, Complexity, and Bank Performance

The regression results in Table 4 model 3 showed that interaction ERM and BC ($\beta=0.115$ and P-value $< 0,05$) is positively significant influence BP. However, interaction CRM and BC ($\beta=-0.099$ and P-value $> 0,05$) is negatively not significant influence BP. This result suggested that H5 was supported and H6 was not supported.

The results indicate that BC strengthen the influencing of ERM on BP. The strengthen relationship between ERM and BP will be exist when BC is high.

Risk Management, Size, and Bank Performance

The regression results in Table 4 model 4 showed that interaction ERM and BS ($\beta=0.120$ and P-value $< 0,01$) is positively significant influence BP. However, interaction CRM and EUC ($\beta=-0.137$ and P-value $< 0,05$) is negatively significant influence BP. This result suggested that H7 and H8 were supported.

The results indicate that BS strengthen the influencing of ERM and CRM on BP. The strengthen relationship between ERM and BP will be exist in larger bank. Meanwhile strengthen relationship between CRM and BP will be exist in smaller bank.

Table 3: Summary Results of ERM Model for Indonesian listed companies

Variables	Model				
	1	2	3	4	5
Constant	2.781 (14.369)***	2.750 (15.023)***	2.282(3.343)***	-1.344 (-0.427)	1.064 (1.107)
ERM	0.238 (2.801)***	0.224 (2.766)***	-0.365 (-1.317)	-3.662 (-2.537)**	0.945 (2.211)**
CRM	0.281 (2.921)***	0.279 (3.030)***	0.281 (1.998)**	4.429 (2.447)**	-1.177 (-2.876)***
ENVUC		-1.884 (-1.505)			
FC			0.641 (0.490)		
SIZE				0.123 (1.217)	
IB					2.706 (1.669)*
ERM X		1.633			
ENVUC		(3.055)***			
CRM X		-1.383			
ENVUC		(-2.688)***			
ERM X BC			0.115 (1.992)**		
CRM X BC			-0.099 (-1.137)		
ERM X SIZE				0.120 (2.626)***	
CRM X SIZE				-0.137 (-2.304)**	
ERM X IB					-1.245 (-1.644)***
CRM X IB					2.266 (3.628)***
F-Stat	11.046***	7.962***	6.525***	11.772***	8.014***
R ²	0.194	0.309	0.268	0.398	0.310

***Represents statistical significance at the 1% level (two-tailed test)

**Represents statistical significance at the 5% level (two-tailed test)

*Represents statistical significance at the 10% level (two-tailed test)

Risk Management, Independent Board, and Bank Performance

The regression results in Table 4 model 4 showed that interaction ERM and IB ($\beta=-1.245$ and $P\text{-value} < 0,01$) is negatively significant influence BP. However, interaction CRM and IB ($\beta=2.266$ and $P\text{-value} < 0,01$) is positively significant influence BP This result suggested that H7 and H8 were supported.

The results indicate that IB strengtner the influencing of ERM and CRM on BP. The strengtner relationship between ERM and BP will be exist in lower independent board monitoring bank. Meanwhile strengtner relationship between CRM and BP will be exist in higher independent board monitoring bank.

CONCLUSIONS

The objectives of this study are to examine the influence enterprise (ERM) and credit (CRM) risk management on bank performance as well the moderating role of bank specific factor including bank environment uncertainty, complexity, size, and independent board monitoring. This study found enterprise and credit risk management positively influence on Indonesian listed bank performance. This study also reported that the influencing of ERM on Bank performance will be stronger since Indonesian listed bank classified as large bank and the bank operate in higher environmental uncertainty, higher complexity, and lower independent board monitoring. In contrast this study provide an empirical evidence on strangtner CRM-bank performance relationship will be occur when Indonesian listed bank classified as small bank and the bank operate in lower environmental uncertainty, lower complexity, and higher independent board monitoring.

This results imply that ERM and CRM are complements risk management components that impact to bank performance. However, the contingency or bank specific factors change the focus of those risk management practice. For example smaller bank should be implemented higher CRM than ERM. Moreover, bank with higher environmental uncertainty, higher business complexity, and ineffectively independent board role should highly into account to implement better ERM practices than CRM.

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THE POLICY FOR SUSTAINABILITY REPORTING OF INDONESIA'S HIGHER EDUCATIONAL INSTITUTIONS

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Abstract. This article aims at analyzing sustainability reporting policy for higher educational institutions in Indonesia. Higher educational institutions has a major role in achieving the objective for sustainability development, hence they are required to play an active role by carrying out sustainable university programs. The impact of their activities suitable for sustainability principles, the higher institutions should prepare sustainability reporting as a part of their accountability to the stakeholder. Sustainability reporting of the university is expected to provide information to stakeholders about the economic, environmental and social impacts caused by its everyday activities

The supporting factor for sustainability reporting at higher educational institutions is the government policy. The government policy, which regulates the preparing of higher educational reporting is decreed in PMK no. 76 in 2008, PMK no. 225 in 2014, and Act of the republic of Indonesia no 12 in 2012. In fact, the policy run by the government has not yet been implemented for higher educational institutions to make sustainability reporting and has not been able to assess the sustainability activity of the institution.

Keywords: *Government Policy, Sustainable University, Sustainability Reporting.*

INTRODUCTION

The term *sustainability development* becomes popular after it was first introduced in *Brundtland Report* in 1987. A team led by the Norwegian prime minister Gro Harlem Brundtland define the term as a development, which fulfill the need of present generation, without affecting the ability of the next generation to fulfill their need¹. The awareness to carry out sustainable development should be considered by all countries, hence their development does not only aim at economic growth but also consider social justice and environmental preservation.

Every nation requires support from all parties to achieve its goals for sustainable development, including the support from higher educational institutions. Higher education institutions play an important role for it so that the term *sustainable university* is introduced. This concept has developed since it was introduced in *The World Summit on Sustainable Development* in Johannesburg in 2002. The UNO initiated forum considered that education is an important factor for sustainable future life, because education is the agent of change^{2,3}. Education for Sustainable Development becomes the program to influence the people's way of thinking in order to realize the sustainable future. The forum agreed to decree *the Decade of Education for Sustainable Development*, which emphasizes that members of UNO under the UNESCO should support sustainable development programs from 2005 to 2014. The detailed roadmap has been established up to 2014.

The roadmap has been stated in the Global Action Program on Education for Sustainable Development. *Sustainable university* is a concept for higher education institutions or universities carrying out the teaching, research and community service activities in relation with economic, environmental, and social aspects to minimize the negative impacts on the exploitation of natural resource and to support the sustainable lifestyle. The concept of *sustainable university* emphasizes economic, environmental, and social aspects in all activities done by the institutions ranging from determining their visions, missions and the strategies up to the reporting their activities⁵. Furthermore, *sustainable university* prepares students to actively take part in creating sustainable environment and social welfare. Being students, they are required to actively support the program and after finishing their study they are expected to disseminate their understanding on sustainable development and social welfare to the society.

Every program carried out by the universities should lead to the sustainable environment and social welfare with the consideration of sustainable university especially from the economic aspects. Sustainable programs done by the university can minimize negative impacts of the programs towards the

environment, the use of natural resources efficiently and people's education on sustainability so that the nature is preserved and can be used for the next generation.

Universities, which have implemented their important roles in supporting sustainability, are expected to be able to prepare sustainability reports as a form of transferring information to the *stakeholder* about their activities. Sustainability reporting done by the university management is expected to give information to the *stakeholder* on the negative as well as positive impacts of their existence on the environment, society and economy. The number of universities in Indonesia now reaches 4281 universities consisting of 121 state universities (2.82%) and 4160 private universities (97.18%)⁹. The government oblique the state universities to prepare accounting report to maintain public transparency and accountability through a decree. The report is a form of university responsibility for the use of fund from the state budget (APBN, Anggaran Pendapatan dan Belanja Negara), public fund and other sources. The form and period of the report vary from one university to others depending on the status of the university.

According to the Indonesia government law no. 4 of 2014, the status of fund management of state university falls into three categories i.e. state university with fund management like any other state institutions; state university with the right to manage the fund in the form of BLU (Badan Layanan Umum) or public service unit; and state university with the right to manage the fund as a legal entity, that is BH (Badan Hukum). Accounting report for universities under BLU is determined in the law of Financial Minister no. 76 of 2008 (PMK No. 76 of 2008), whereas the accounting report for universities under BH is determined in the law of Finance Minister no. 225 of 2014 (PMK 225 of 2014). Principally, both laws oblique the state universities to prepare financial and performance reporting based on financial accountancy and government accountancy standards.

The regulation to make financial reports is so far implemented for state universities, whereas private universities (PTS, Perguruan Tinggi Swasta) are not required to prepare such a report. The making of financial report for private universities is limited to internal purposes i.e. as a part of responsibility to the foundations of the universities. The private universities, whose fund comes partially or wholly from public, should prepare the same reports as a part of their responsibility and transparency of the use of fund to public.

Universities either state or private ones are required to make financial reports for the purpose of accreditation. The regulation for this is the Act of republic of Indonesia no.12 of 2012 on higher education¹⁰. Accreditation reports are forms of accountability for public on the running a program and or educational institution in a higher education objectively, fairly, transparently, and comprehensively¹¹.

The worthiness of program and or educational institution is assessed to determine the quality of educational output. The government gives the authority to National Board of University Accreditation to assess the properness of a program and or educational institution.

Universities play dual role in achieving sustainability development. First, they run environmental and social economic programs. Some university activities i.e. three university programs (*tridarma*) and operational activities should concentrate the mentioned programs to ensure university programs run continuously up to the next generation. Secondly, they should educate the students and society the importance of sustainable lifestyle.

This article aims at analyzing the act policy of reporting for higher education institution in Indonesia i.e. PMK no, 76 of 2008¹², PMK no. 225 of 2014¹³ and Act of Republic of Indonesia no. 12 of 2012 and their implementation regulations related to the sustainable information.

METHOD

This was a literary research. The main literatures, which were analyzed, were PMK No. 76 year 2008 on the obligation of the making of report for state universities under BLU, PMK no. 255 year 2014 on the obligation of state universities under BH, Act no. 225 year 2014 on the obligation of universities to make a report to meet the requirements of accreditation and some other regulations and related documents.

DISCUSSION

Based on the financial management, the status of universities falls into university under BLU, BH and private universities. The financial management of university under BLU is done according to PMK no. 76 of 2008, the financial management of universities under BH is done according to PMK no. 225 of 2014. For private universities there has not been regulation for financial management for universities founded by public organizations. Meanwhile, for quality assurance of university programs, all universities either state or private universities are required to report their programs in their accreditation report. This is due to the Act no. 12 of 2012.

PMK No. 76 of 2008

The decree of financial minister (PMK) No. 76 of 2008 regulates the financial management of universities serving as Public Service Board (BLU). This kind of university is a state university serving as a non-profit educational institution with efficient and productive principles (article 1). Based on this article, universities under BLU are required to prepare financial and performance report. The financial report is the report of using fund and or operational, balance sheet, cash flow and notes on financial report (article 11)

The performance report deals with information on income, spending, transfer, surplus/deficit and funding, and residue of the budget. The information is presented in the form of side by side of inflow and outflow cash in a certain period and classified into operational, investment, and fund activities. The balance sheet deals with university's financial condition consisting of asset, debt, equity at certain time. Notes on financial report present information on the description or detailed information or analysis of value of item presented in financial report to reveal proper information.

PMK No. 225 of 2014

The law of financial minister (PMK) no 225 of 2014 regulates the financial management of state universities under BH. The state university of this kind is founded by the government as autonomous law subject. The autonomy of state university under BH covers the academic and non-academic matters, which are broader than that of state university under BLU. Although the latter is also autonomous but the former kind is more autonomous than the latter. The state university under BH is autonomous in the possession of facilities apart from the property of state. In accordance with the government regulation no. 4 of 2014, in order to conduct non-academic supervision, the university under BH can initiate a trustee board so that the supervision is not only done by the ministry of finance.

For the financial management report of state university under BH shows no difference from that one of the same report done by state university under BLU, which consist of financial report of operational, balance sheet, and cash flow activities. Whereas for financial report consolidation, the state university under BH is also required to make a financial report based on an institutional accountancy system consisting of the report of budget realization, balance, and notes on financial report. Accountancy system used should produce information on the main financial report, fixed assets, and information about the item costs in a service unit. But state universities under BLU and BH can also develop other accountancy systems, which are useful for their managerial purposes and which produce information about healthy business practices. (article 5 and 6 PMK 76 of 2008).

The financial reporting for both kind of universities should refer to Financial Accountancy and Governmental Accountancy Standards. The financial accountancy standard is used as the material for financial report of the government fund. Based on the analysis of the two decree, the two kinds of state universities under BLU and BH are required to make a financial report, which emphasizes both financial and performance aspects. This suggests that the universities are not required to make a report on the social and environment activities. State universities' reports mainly deal with financial aspects. This fact is supported by the research done by Musyarofah (2012)¹⁴. The research reveals that the information presented in LAKIP (State Institution Performance Accountability Report) is lack of sustainability report.

Acts No. 12 of 2012

Act No. 12 of 2012 stipulates higher education policy in Indonesia. Article 7 of the Act says that the task of the minister of Research, Technology and Higher Education is to carry out higher education covering the regulation, supervision, monitoring, evaluation, guidance, and coordination. The above

mentioned tasks are realized in an accreditation process for a department in the university to see the prudence of the department for quality assurance (article 60 Act. No. 20 of 2003). Accreditation is a form of objective and comprehensive public accountability (Article 86 Government law No 19 of 2005). Accreditation is a must for every department in university for only accredited departments can issue a diploma for the graduates. An accreditation process is an activity to assess educational activities in a department with the criterion based on National Standard of Higher Education (Article 55 Act No. 12 of 2012)

The department is a unit carrying out *tridarma* three activities related to the teaching, research and community service of higher education institution so that to support the function the department should be ready to improve and assure the sustainable quality graduates. To do this the department should internally build quality assurance. This is assessed by external quality assurance to indicate that the internal quality assurance runs well.

The accreditation standard for internal quality assurance include commitment capacity standard toward institution of study program and commitment toward educational effectiveness, which are classified into seven accreditation standards i.e. (1) vision, mission, objectives and goals with achievement strategies, (2) organizing, leadership, management system, and quality assurance, (3) students and alumni, (4) human resources, (5) curriculum, instruction, and academic atmosphere, (6) budgeting, infrastructure, and information system, and (7) research and community service and cooperation with other institutions.

According to the above mentioned policy, every higher education institution either the state of the private one is required to make and present information related to the standard instrument of accreditation. The information should be systematically made in a report completed with related document so that the government i.e. the ministry of higher education can monitor that the internal quality assurance runs well and properly.

In relation with sustainability reporting, the accreditation standard policy is more comprehensive than the two previous policies. This is seen from the seven standards to be reported by the university. The university reporting for accreditation does not only involve financial matters but also vision, mission, educational, research, community service, and organizational matters. The information presented in accreditation reporting actually can be used as materials for sustainability university reporting.

The preparing of sustainability university reporting should be based on the standard set by GRI (*Global Reporting Initiative*). GRI is a non-profit organization founded in 1997 whose mission is guiding and supporting enterprises on sustainability reporting. GRI provides guide lines on sustainability reporting so that the enterprises can provide reliable and standardized sustainability information. The guidelines developed by GRI are developed through periodic review to be up date. The last GRI guideline is the fourth (G4) guideline released in May 2013. The guideline of sustainability reporting set by GRI can be applied in various organization so that GRI guideline becomes one of the most used guideline for sustainability reporting.

Sustainability reporting based on the fourth generation of GRI should fulfil general and specific disclosure standards. The general disclosure standard includes information on strategy and analysis, organization profile, material aspects, boundary, stakeholder participation, reporting profile, integrity and ethics management. The general disclosure standard should be followed by an organization. The specific disclosure standard includes the information on economic, environmental, and social aspects done by an organization. The range of specific information disclosure depends on the choice of reporting criterion and materials set by an organization⁸.

Based on the finding of this research, the government of Indonesia is expected to be able to make a policy on higher education reporting system, which includes sustainability. This is done in order that university stakeholder can access information on sustainability activities done by the university as its responsibility to the stakeholder.

Higher education institutions in Indonesia need the government law protection in making their sustainability activity reporting. Firstly, the regulation may function as guideline for sustainability reporting of higher educational institutions. The institutions need a guideline to achieve the goals of their

sustainable development, to assure that their programs are in line for the achievement of sustainable development.

Secondly, the regulation may function as *coercive power* for the government to require the institutions to prepare sustainability activity reporting. The report can be used to assess how far the institutions consider sustainability aspects in their activities. The assessment can be used as one of the requirements for operational permit for a study program as part of accreditation assessment in the study program.

It is advisable for either state or private universities to make regular reports containing information on financial and sustainability reporting. The information needed for the making of the report actually is available in the institution so the task is to manage the materials and present the in the financial report¹⁸, as well as sustainability report. Moreover, the present government regulation makes it possible for the higher educational institutions especially the state owned ones to implement accountancy system required by the government.

CONCLUSION

The law protection for higher educational institution reporting system in Indonesia is PMK number 76 of 2008 on the obligation of state universities under BLU, PMK number 225 Year 2014 on the obligation for state universities under BH and Act number 225 of 2014 on the obligation for university reporting system to be accredited. The three law policies have not yet met the standard guidelines for sustainability reporting. Nevertheless, the higher educational institution reporting system to meet the accreditation requirements has provided complex information when compared with the two regulations. The two regulations require financial reports only but the reporting system for accreditation purposes require financial reports as well as the report containing other aspects.

Sustainability reporting is needed for the higher educational institutions to be able to measure their roles in achieving national sustainable goals and environmental sustainability. To prepare sustainability reporting, higher educational institutions need guidelines and support from the government. For that reason the government needs to pass acts or laws to complete the three regulations then institutions can prepare sustainability reporting.

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THE EFFECT OF ACCOUNTABILITY AND TRANSPARENCY OF THE LOCAL GOVERNMENT FINANCIAL STATEMENTS QUALITY (LKPD) AND THE IMPLICATIONS OF FINANCIAL PERFORMANCE BENGKULU PROVINCIAL GOVERNMENT

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Abstract. The purpose of this research is to find out the effect of Accountability and Transparency on the Quality of Local Government Financial reports and Implications for Financial Performance of Province Local Government of Bengkulu. Population in Local Government Civil Servants the Research are Bengkulu Province, while the sample in the research are 273 respondents with using purposive sampling technique as Determine sample. For answer the problem of research and hypothesis testing, the study used analysis techniques Structural Equation Modelling (SEM) using AMOS. The results Showed that 1) Accountability Affect the Quality of Local Government Financial Statement, 2) Transparency does not Affect the Quality of Local Government Financial Statement, 3) Accountability Affect the Performance of Local Government Finance, 4) Transparency Affect the Performance of Local Government Finance 5) Quality Reports Local Government Finance Affect the financial performance of Local Government

Keyword: *Accountability, Transparency, Quality of Government Financial Reports Regions (LKPD), Financial Performance of Local Government of Bengkulu Province*

INTRODUCTION

The point of bureaucratic reform in Indonesia is to change the development of governance to good governance. Good governance is characterized by high level of performance, public accountability, transparency, efficiency, effectiveness, free of corruption, collusion and nepotism. Local government performance is good if it can produce financial statements with high quality. Financial statement is the way to know whether a government has been running well, so the government is required to be able to produce financial statement with high quality. The financial statement that was produced must meet the qualitative characteristics of financial statements comprising of relevant, reliable, comparable and understandable (PP 71 of 2010) and components of financial statements include Budget Realization Statement, Balance Sheet, Statement of Cash Flow, and Notes to Financial statement.

Criteria and elements forming the information that makes the quality of information in the financial statements the government has a value or benefit mentioned in Government Accounting Conceptual Framework (PP # 71 in 2010) consists of: (a) relevant, (b) reliability, (c) comparability, and (d) understandability. If the information contained in the financial statements of local governments meet the criteria of the qualitative characteristics of government financial reports as required by Regulation No. 71 Year 2010, means that the local government is able to realize accountability and transparency in the financial management area. The information contained in the financial statements produced by the local government must be in accordance with the criteria of the value of the information required by the legislation.

BPK's opinion on Local Government Financial Statement (LKPD) as a measure of performance of a local government, especially local government's financial performance over the region financial management. Bengkulu Province in the last four years since the 2012 to 2015 in a row got an unqualified opinion (WTP) from BPK RI representatives of Bengkulu province. The results of this opinion indicates that the Provincial Government of Bengkulu already performing well on their public financial management, but this is not in line with the results of the examination report (LHP) BPK also found several problems, which are (<http://bengkulu.bpk.go.id>):

1. From the BPK audit on LKPD Bengkulu provincial government, there are still weaknesses in the internal control system
2. BPK find their non-compliance with laws and legislation on provincial Bengkulu
3. BPK found capital expenditure, spending on goods / services, management and accountability of inadequate capital investment.

Based on the above-mentioned problems, it can be stated that the given opinion on Local Government Finance Statement of Bengkulu province in particular by BPK as external auditor can not

guarantee the performance of local government financial is good. Moreover, the opinion for LKPD rendered by external auditor, BPK also provides recommendations and follow-up results checks to the Regional Head as the supreme ruler of financial management area for immediate action so that past mistakes are not repeated in the future. But in fact the mistakes of last year are still often repeated in the following year, such as the Internal Control Systems and Compliance with Laws and Regulations.

This study is based on the theory of agency which are the agency relationship in bureaucracy, with the government, the people and the legislature, the government as the agent that given the mandate by the people as the principal through the legislature to run the government and carry out the vision and mission for the welfare of the people.

Research related to accountability and transparency done by Wulandari (2014) and Nandita (2014) found that accountability and transparency have positive and significant impact on the performance of local government. The difference of this study with previous study is that the previous study only look at the effect of transparency and accountability to the financial statements while this study adds implications towards financial performance of local governments. The purpose of this study is to analyze the influence of accountability and transparency quality of local government financial statements (LKPD) and analyze the quality of local government financial statements (LKPD) towards the financial performance of local governments

THEORY AND HYPOTHESES

Agency Theory

Agency theory can be defined as a relationship in a contract in which one or more persons (principal) govern another person (agent) to perform a service on behalf of the principal and authorized agent to make the best decisions for the principal (Jensen & Meckling in Syarifudin, 2014). Halim & Abdullah (2006) states that the agency theory can be applied in public organizations. Agency relationships in democratic governance is the relationship of the delegation of authority from the public to its representatives in parliament, from parliament to the government, from government to the ministers, and the government bureaucracy.

Signaling Theory

This theory reveals how the parties are given the mandate to convey the information in their possession to the parties which gives a mandate. This theory explains that the financial statements are either a signal or a sign that the entity has also been operating properly. A good signal will be responded well by other parties. In this case, the government that given the mandate by the people will give a good signal (Evans and Patton; 1987) by providing high quality financial statements, improvement of the system of internal controls, more complete disclosure and detailed explanations in government's official website. Good governance performance should be informed to the people as a form of accountability as well as a form of promotion for political purposes.

Local Government Financial Performance

Local government performance is an achievement overview of the implementation level from activity / program / policy in realizing the goals, objectives, mission and vision of the organization as stated in the formulation of strategic planning of organization. Generally, it can also be said that the performance is a feat that organizations can be achieved within a certain period (Hidayat, 2015).

The financial performance of local government is the achievement level of a work in district finance includes revenue and public spending using the financial indicators stipulated through a policy or statutory provisions during the period of budgeting performance in the form of financial ratios that are formed from the elements Accountability report of Regional Head in the form of budget calculations (Albasiah, 2013).

Accountability

Accountability is a principle that determines each activity and the final result of the activities of the state organization must be accountable to the people or the people as the supreme sovereign state in accordance with the legislation in force. Accountability is accountable for resource management and policy implementation is entrusted to entities reporting in achieving the goals that set periodically (KK, SAP, 2005). Mardiasmo (2004) defines public accountability is the obligation of a fiduciary to provide accountability, serving, reporting, and disclosure of all activities and events which it is responsible to the grantor trustee (principal) who has the right and authority to request such accountability.

Transparency

Transparency is the openness of the Government in making regional financial policies, so it can be seen and monitored by legislature and public. Transparency of financial management would ultimately create horizontal accountability between local governments and their communities, in the end it will create a clean, effective, efficient, accountable and responsive local government to community's aspirations and interests (Sumarsono, 2009). Transparency aims to create mutual trust between local

governments and the public with adequate information and ensures ease in obtaining accurate information and Transparency built on the basis of free information flow, the whole process of government, institutions and information needs to be accessible by concerned parties, and the information provided should be sufficient to be understood and monitored (Mardiasmo, 2006).

Framework Analysis in Research

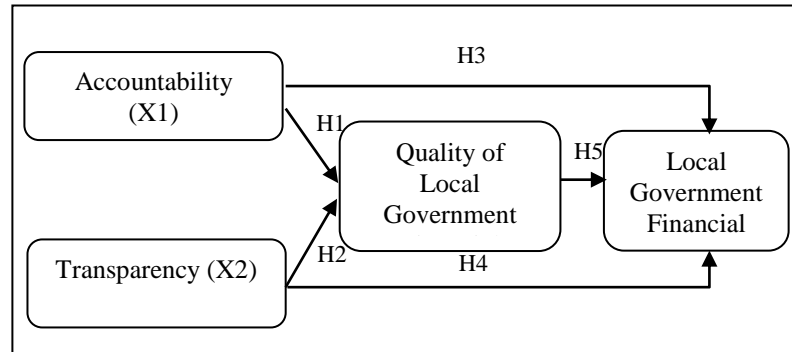


Figure 1. Framework Analysis Research

Hypotheses

Hypotheses to be tested in this study as follows:

- H1: Accountability has a positive and significant effect on the Quality of Local Government Financial Statement(LKPD)
- H2: Transparency has a positive and significant effect on the Quality of Local Government Financial Statement(LKPD)
- H3: Accountability has a positive and significant effect on Local Government Financial Performance (LKPD)
- H4: Transparency has a positive and significant effect on the Local Government Financial Performance (LKPD)
- H5: The quality of local government financial statements has a positive and significant effect on theLocal Government Financial Performance of Bengkulu Province

RESEARCH METHOD

This research is explanatory research using survey approach that used questionnaire as data collection instruments. Determination of the sample in this research is purposive sampling with a reason for the selected sample financial statement user with better understandability of financial statement. The total sample were 273 civil servants in 39 SKPD of Provincial Government of Bengkulu. The collected data were analyzed using SEM (Structural Equation Modeling) program Analisis of Moment Structure (AMOS).

Operational Definition of Variables

Accountability is accountability efforts of resource management and policy implementation is entrusted to entities reporting in achieving the goals set periodically. Financial accountability is accountability regarding financial integrity, disclosure and compliance with laws and regulations made by the regional work units. Transparency is the openness of the government in making policies of local finance, so that it can be seen and monitored by the parties concerned. The quality of local government financial statements is the achievement of normative measures which are embodied in the financial statements in order to meet the objective. The financial performance of local governments is an achievement level overview in implementation of an activity or program, policy in achieving the goals, objectives, mission, vision contained in the organization's strategic planning organization.

RESEARCH RESULT AND DISCUSSION

Profile Data Respondents

Respondents in this study were 273 civil servants working for the financial management of the 39 SKPD at the Provincial Government of Bengkulu.

Table 1. Profile of Respondent Data

Description		Amount	Percentage (%)
Total Questionnaires		273	100%
Age	20-25 Years	22	8.1
	26-30 Years	57	20.9
	31-35 Years	58	21.2
	36-40 Years	67	24.5
	≥ 41 Years	69	25.3
Gender	Male	136	49.8
	Female	137	50.2
Last education	Diplma III	22	8.1
	Bachelor	219	80.2
	Magister	32	11.7
Length of work	1-5 years	63	23.1
	6-10 Years	90	33.0
	11-15 Years	57	20.9
	16-20 Years	27	9.9
	≥ 21 Years	36	13.2

Source: Research result, 2016, data were processed

Based on the table above, the number of female respondents were 137 people (50.2%). This amount shows that financial management is not concerned with the gender but is more concerned with individual ability, thoroughness and understanding of accounting and adherence to regulations. It is very necessary for the observance of rules and regulations that constitute the guidelines or constraints in the implementation of financial management so as to reduce or prevent perverts-irregularities and corrupt practices that caused losses to the state, so it takes an employee who is able to financial reports accountably and transparency so as to produce quality financial statements and the implications on the financial performance of the local governments themselves.

Respondents aged ≥ 41 years were 69 people (25.3%). It shows employees shown in executing tasks as financial manager were majority aged ≥ 41 years. Then followed by the age between 26-40 years, this signifies that the appointment of staff in financial management requires good mature age of thinking, intelligence and sense of responsibility. With a mature age, then the financial management can be performed well, especially in terms of making financial statement accountable and transparent to increase the quality of local government financial statement as well as the impact on the financial performance.

Respondents that work for 6 to 10 years were 90 people (33%). This indicates that most respondents have work experience over 5 years and indicated the respondents already have an understanding of accountability, transparency, quality of Local Government. financial statements and local government financial performance.

Most respondents had bachelor level were 219 people (80.2%) it means that the majority of employees of the Bengkulu Provincial Government have a pretty good level of education of the suitability of rank, class or position in the line of duty as a financial manager.

Model Research

A causal relationship between exogenous and endogenous that was mentioned is shown in Figures 2

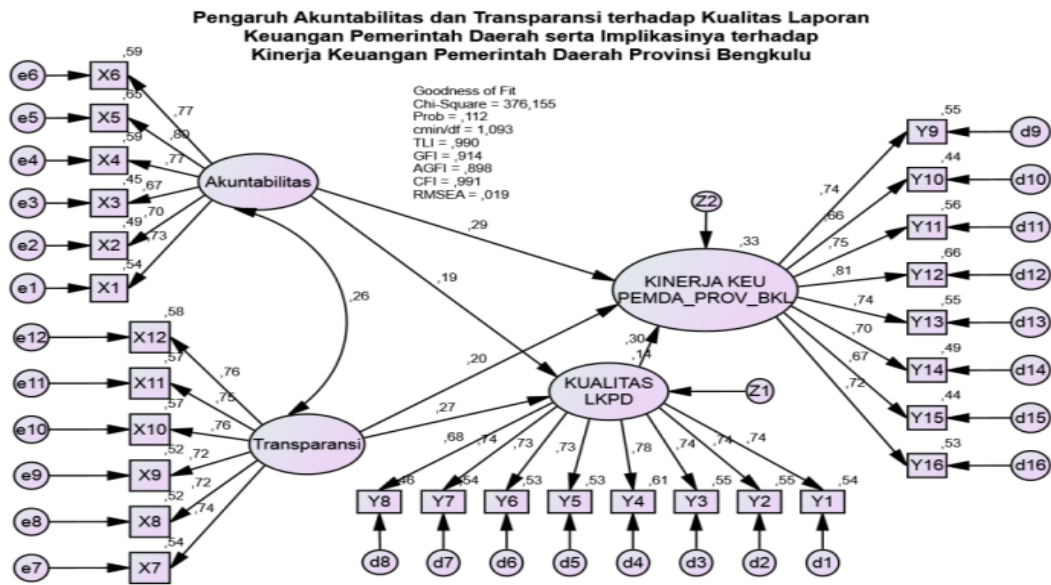


Figure 2. Preliminary Research Model

Model Identification

Model identification is done by looking at the degree of freedom value of the model shown in the AMOS output section Notes for Model as shown in table 2 the following.

Table 2. Computation of degrees of freedom (Default model)

<i>Number of distinct sample moments:</i>	153
<i>Number of distinct parameters to be estimated:</i>	40
<i>Degrees of freedom (153-40):</i>	113

Source: Research result, 2016, data were processed

Model value of Degree of freedom used in this study is positive, which is 113, it means that the model is in over-identified category and testing on the model can be done.

Normality Test

Testing normality of the data done by considering the Skewness value of indicators and variables of the study. Testing normality emphasis on statistical multivariate data can be seen from the Critical Ratio (CR). When used a significance level of 1%, then the value of CR is between -2.58 up to 2.58 ($-2.58 \leq CR \leq 2.58$) it can be concluded that the data were normally distributed, both univariate and multivariate analyzes.

AMOS normality test results shown in the Assessment of normality output. Results of this research shows c.r. multivariate value is 13.533 and the CR (critical ratio) that are generated for the univariate kurtosis coefficient greater than 2.58 ($\alpha = 1\%$) as from the variables: X9, X10, Y1, Y3, Y4, Y7, Y10, Y12, and Y13. This value is greater than the critical value for normally distributed data, which is ± 2.58 . Therefore, the distribution of the data in this study both multivariate and univariate not normally distributed and data can not be processed further. Outlier data evaluation is necessary because one of the causes of data were not normally distributed data is the emergence of outliers.

Outlier Evaluation

The testing of outliers aims to assess the reasonableness (extreme) of data, whether it's evaluation on a single data (univariate) and data combinations (multivariate). Detection of outliers' multivariate done by looking at the mahalanobis distance value. The criteria used is based on Chi-squares value on degrees of freedom, which is 28 indicator numbers at a significance level of $P < 0.001$. Mahalanobis distance X^2 value

is $(28,0.001) = 56.892$. This value indicates that all the cases that have mahalanobis distance greater than 56.892 is multivariate outliers.

The results of the evaluation of outliers using AMOS contained in the output section Farthest Observations from the centroid as shown in Table 3 below.

Table 3. Observations Farthest from the centroid

<i>Observation number</i>	<i>D-squared Mahalanobis</i>	<i>p1</i>	<i>p2</i>
185	65.464	,000	,021
243	62.534	,000	.001
155	60.277	,000	,000
86	60.262	,000	,000
177	59.552	,000	,000
253	57.913	.001	,000

Source: Research result, 2016, data were processed

Based on the results of the outlier in this study, the observation number that identified as outliers can be known and present in the observation 185, 243, 155, 86, 177, 253, because of the value of p1 and p2 were small and statistically D² value is very different than the D² to from other observations (D² value is greater than 56.892). It is necessary to eliminated outliers or drop from these observations one by one and then re-analyzed the data until it becomes normal and doesn't have outlier. After deletion of 43 outlier data from 273 data and 11 indicators (X2, X9, X10, X11, Y3, Y4, Y5, Y7, Y10, Y12 and Y13.) from 28 indicators, Normality of the data assumption has been met with a final value of c.r multivariate is 1,033 (less than 2.58) and for univariate kurtosis coefficient average value of variables is < 2.58, therefore the normality assumptions of univariate has been met, and data test in the next stage can be done.

Test Measurement of Fit Model

Validity Indicator Test

Validity of the indicators test in the model can be done by looking at the value of each indicator loading factors. The construct validity test results of each indicator can be seen in Table 4 below.

Table 4. Values Loading Factor

Indicator	Loading Factor	Cut Of Value	Information
X1	0.716	0.7	<i>valid</i>
X3	0.727	0.7	<i>valid</i>
X4	0.802	0.7	<i>valid</i>
X5	0.798	0.7	<i>valid</i>
X6	0.778	0.7	<i>valid</i>
X7	0.714	0.7	<i>valid</i>
X8	0.714	0.7	<i>valid</i>
X12	0,781	0.7	<i>valid</i>
Y1	0,800	0.7	<i>valid</i>
Y2	0.839	0.7	<i>valid</i>
Y6	0.750	0.7	<i>valid</i>
Y8	0.759	0.7	<i>valid</i>
Y9	0.757	0.7	<i>valid</i>
Y11	0.791	0.7	<i>valid</i>
Y14	0.748	0.7	<i>valid</i>
Y15	0.721	0.7	<i>valid</i>
Y16	0.788	0.7	<i>valid</i>

Source: Research Results, 2016, the data were processed

Table 4 appears that all the indicators have a value greater than 0.70. Thus all the indicators of the table above can measure each variable while the indicators that are not valid have been removed from the model after outlier evaluation. The indicators are: X2, X9, X10, X11, Y3, Y4, Y5, Y7, Y10, Y12 and Y13.

Reliability Test of Research Variable Indicator

Reliability indicators test conducted to determine a reliable indicator of the construct. The test results can be seen in Folder Estimate, Scalar, Square Multiple Correlations in Amos output, the following table presents a summary of reliability indicators Research Variables

Table 5. Variables Indicators Reliability Research

Indicator	Estimate R2	The critical value	Information
Y16	0.621	≥0,5	reliable
Y15	0.519	≥0,5	reliable
Y14	0.560	≥0,5	reliable
Y11	0.626	≥0,5	reliable
Y9	0.574	≥0,5	reliable
Y8	0.576	≥0,5	reliable
Y6	0.562	≥0,5	reliable
Y2	0,703	≥0,5	reliable
Y1	0.640	≥0,5	reliable
X12	0.611	≥0,5	reliable
X8	0,509	≥0,5	reliable
X7	0.510	≥0,5	reliable
X6	0.605	≥0,5	reliable
X5	0.636	≥0,5	reliable
X4	0.643	≥0,5	reliable
X3	0.529	≥0,5	reliable
X1	0.513	≥0,5	reliable

Source: Research Results Year 2016, the data were processed.

Based on the above table it can be concluded that the value of R² entire indicator is greater than 0.5, then it can be said that all of the indicators are reliable and can be continued in the subsequent analysis phase.

Reliability Construct Test

Reliability measurement in SEMuse two sizes of composite reliability (CR) and the average variance extracted (AVE). A construct has good reliability if it has a value of CR ≥ 0.70 and has a value of AVE ≥ 0.50 (Hair et al., 2009).

Table 6. Reliability Test of Accountability Variable

Accountability	Loading (λi)	λi ²	εi (1 - λ ²)	C.R	Cut Of Value	AVE	Cut Of Value
X1	0.716	0.513	0.487	0.876	0.70	0.585	0.50
X3	0.727	0.529	0.471				
X4	0.802	0.643	0.357				
X5	0.798	0.637	0.363				
X6	0.778	0.605	0.395				
Total	3.821	2,926	2,074				

Source: Research Results in 2016, the data were processed

Table 7. Reliability Test of Variable Transparency

Transparency	Loading (λi)	λi ²	εi (1 - λ ²)	CR	Cut Of Value	AVE	Cut Of Value
X7	0.714	0.510	0.490	0.781	0.70	0.543	0.50
X8	0.714	0.510	0.490				
X12	0,781	0.610	0.390				
Total	2,209	1,630	1,370				

Source: Research Results in 2016, the data were processed

Table 8. Reliability Quality Test of LKPD

LKPD Quality	Loading (λ_i)	λ_i^2	ϵ_i ($1 - \lambda^2$)	CR	Cut Of Value	AVE	Cut Of Value
Y1	0,800	0.640	0.360	0.867	0.70	0.621	0.50
Y2	0.839	0.704	0,296				
Y6	0.750	0.563	0,438				
Y8	0.759	0.576	0.424				
Total	3.148	2.483	1,517				

Source: Research Results Year, in 2016, the data were processed

Table 9. Pemda_Prov_BKL Financial Performance Reliability Test

Local Government Fin_Per Prov_BKL	Loading (λ_i)	λ_i^2	ϵ_i ($1 - \lambda^2$)	CR	Cut Of Value	AVE	Cut Of Value
Y9	0.757	0.573	0,427	0.873	0.70	0.580	0.50
Y11	0.791	0.626	.0374				
Y14	0.748	0.560	0.440				
Y15	0.721	0.520	0.480				
Y16	0.788	0.621	0.379				
Total	3.805	2,899	2.101				

Source: Research Results Year, in 2016, the data were processed

From the table above, it can be seen that all the latent variables provide CR values above the cut of value of 0.7 and AVE values above the cut of value is 0.50, so it can be said that the latent variables accountability, transparency, quality of government financial reports area (LKPD) and Financial performance The regional government of Bengkulu province reliable.

Overall Model Fit Test

Evaluation of overall model fit is performed to determine whether the model used in the study fit with the data. The results of comparison of model fit the criteria of GFI (Goodness of Fit Indices) from this study is shown in Table 10 below.

Table 10. Goodness of Fit Test Results

Model	Cut Of Value	Result Analysis	Evaluation Model
Chi-square (CMIN)	≤ 150.882 , where the Chi Square for df 113; Taraf Sig 1% = 150.882	137.997	Good
Probability Level (p)	≥ 0.07	0.55	Good
CMIN / DF	≤ 2.00	1,221	Good
GFI	≥ 0.90	0.933	Good
TLI	≥ 0.90	0.983	Good
CFI	≥ 0.90	0.986	Good
RMSEA	≤ 0.05	0,031	Good

Source: Research result, 2016, Data were Processed

Structural Model Fit Test

At this stage, the testing is done by comparing the C.R value of the relationship between the constructs with the critical value of 2.58. C.R value can be seen in AMOS output Regression Weights section. If the value of inter-constructs C.R greater than 2.58 it can be concluded that there is a real relationship between these two constructs.

Table 11. Test Results of Structural Model Fit

			<i>C.R.</i>	<i>Cut Of Value</i>	result
LKPD Quality	←-	Accountability	2.778	2.58	Significant
LKPD Quality	←-	Tranprancy	1,944	2.58	Not significant
Financial Performace	←-	Accountability	3.187	2.58	Significant
Financial Performace	←-	Tranprancy	2.894	2.58	Significant
Financial Performace	←-	LKPD Quality	3.526	2.58	Significant

Source: Research Findings, 2016, Data Processed

Based on data in Table 11, there are only one C.R value that smaller than the critical value (2.58) ie the value of the relationship between variables C.R LKPD with Transparency Quality of 1,944, indicating that the relationship between the constructs with LKPD Quality Transparency constructs is not significant.

Hypothesis Test

Can acceptance or rejection of a hypothesis using a standard significance level of 0.01 (99%) can be seen from the CR and Probability acquired ($CR > 2.58$ and $P < 0.01$). Table 12 below shows the results of testing the hypothesis in this study.

Table 12. Hypothesis Testing Results

Hypothesis	Constructs		<i>Estimate</i>	<i>SE</i>	CR	P
H1	LKPD Quality	←- Accountability	0.235	0.085	2.778	0.005
H2	LKPD Quality	←- Tranprancy	0.184	0.095	1,944	0.052
H3	Financial Performace	←- Accountability	0.243	0.076	3.187	0.001
H4	Financial Performace	←- Tranprancy	0.249	0.086	2.894	0.004
H5	Financial Performace	←- LKPD Quality	0.250	0.071	3.526	***

Source: Research Results, 2016, Data were Processed

According to Table 12, only H2 declined while four other hypotheses accepted standard significance level of 0.01 (99%).

Path analysis

Influence analysis needed to determine the influence of exogenous variables on endogenous variables either directly or indirectly. The effect value of each variable directly (direct effect), indirectly (indirect effect), and total (total effect). Direct effect analysis is done to see how much direct influence between exogenous variables, the following are presented the table below:

Table 13. Direct Effect -Estimates

	TRANPRANCY	ACCOUN TABILITY	LKPD QUALITY	FINANCIAL PERFORMANCE
LKPD Quality	0.164	0.224	0.000	0.000
Financial Performace	0.234	0.245	0.264	0.000

Source: Research Result, 2016, Data were Processed

Based on the table above it can be seen that for the first path analysis the effect of direct accountability to the quality of local government financial statements is 0.224 (22.4%) and the P-value (Table 4:20.) is 0.005 ($P < 0.01$ ($\alpha = 1\%$)), the second path analysis results show the level of influence directly from the transparency of the quality of financial reports of local governments is 0.164 and P-value (Table 4:20.) is 0.052 ($P > 0.01$ ($\alpha = 1\%$)), third path in the model study showed that there is a direct effect of accountability the financial performance of local governments is 0.245 and P-value (Table 4:20.) is 0,001 ($P > 0.01$ ($\alpha = 1\%$)), the fourth Path in this research model known direct effect of transparency on the financial performance of local governments is 0.234 and P-value (Table 4:20) is

0.004 ($P > 0.01$ ($\alpha = 1\%$)) and the fifth path of model can be seen LKPD quality direct influence on the financial performance of local governments is 0.264 and P-value (table 4:20) is *** means Kualitas_LKPD is significant towards Kinerja_Keu because the value of $P < 0.01$ ($\alpha = 1\%$).

The indirect effect analysis was done to see how much influence does not directly between exogenous variables, presented on Table 14.

Table 14. Indirect Effect -Estimates

	TRANPRANCY	ACCOUNTA BILITY	LKPD QUALITY	FINANCIAL PERFORMANCE
LKPD Quality	0.000	0.000	0.000	0.000
Financial Performace	0.043	0.059	0.000	0.000

Source: Research result, 2016, Data were Processed

Path analysts indirect results is influence of accountability on the financial performance of local governments through LKPD Quality is 0.059 and indirect effect of the transparency of the local governments financial performance through Kualitas_LKPD is 0.043. Meanwhile for significant test calculation can be done manually by the formula $CR = \text{Estimating} / SE$ or can be tested through Sobel test. In this study the significance test for indirect effect carried through the Sobel test, Sobel test is a test of the C.R critical value through Z test statistic, where CR is the ratio of the estimated coefficients raw errors (estimation/SE) (Dachlan, 2014). The following Sobel test results shown in Figure 3 and Figure 4.

Figure 3. Test Sobel ACCOUNTABILITY > QLKPD > FINACPERFORM

Input:		Test statistic:	Std. Error:	p-value:
a	0.235	Sobel test: 2.17450696	0.02701762	0.02966708
b	0.250	Aroian test: 2.12220722	0.02768344	0.03382034
s _a	0.085	Goodman test: 2.23087424	0.02633497	0.02568946
s _b	0.071	Reset all	Calculate	

Source: Test Sobel on <http://quantpsy.org/sobel/sobel.htm>,

Figure 4. Test Sobel Transp > QLKPD > FINACPERFORM

Input:		Test statistic:	Std. Error:	p-value:
a	0.184	Sobel test: 1.6970466	0.02710591	0.08968785
b	0.250	Aroian test: 1.64682605	0.02793252	0.09959381
s _a	0.095	Goodman test: 1.75216092	0.0262533	0.07974614
s _b	0.071	Reset all	Calculate	

Source: Test Sobel on <http://quantpsy.org/sobel/sobel.htm>,

In Figure 3 above can be obtained SE value of 0.027. Thus C.R Value = $(0.235 * 0.250) / 0.027 = 2.185$, $C.R < \pm 2.58$ ($\alpha = 1\%$) and in Figure 4 above obtained value of 0.027 SE So Values $CR = (0.184 * 0.250) / 0.0271 = 1.697$, $CR < \pm 2.58$ ($\alpha = 1\%$). The results of this analysis show that the variable quality of LKPD not act as a mediating variable that affects the variable accountability on the financial performance of Bengkulu Province Local Government and variable transparency on the financial performance of Bengkulu Provincial Government.

DISCUSSION

Based on the data analysis, it can be explained that (1) accountability has a positive and significant impact on the Quality of Local Government Finance Statement, it is characterized by the value of correlation (estimate) between accountability and quality of Local Government Financial Statements is 0.235, C.R. is $2.778 > 2.58$ (Cut of Value $\alpha = 1\%$) while the probability (P-value) of the accountability is

0.005 smaller than 0.01 (Cut of Value $\alpha = 1\%$). Hypothesis testing results prove that the Financial Accountability of Provincial Government of Bengkulu is able to improve the quality of Financial Statements of Provincial Government of Bengkulu,

(2) Transparency have a positive effect on the Quality of Local Government Financial Statements but not significant. This result was proved by the correlation (estimate) between the transparency and quality of Local Government Financial Statements is 0.184 while the probability (P-value) of the transparency amounted is 0.052 greater than 0.01 (Cut Of Value $\alpha = 1\%$), C.R. is 1,944 < 2.58 (Cut of Value $\alpha = 1\%$) while the probability (P-value) of the accountability is 0.052 greater than 0.01 (Cut of Value $\alpha = 1\%$). Hypothesis testing results prove that transparency does not affect the quality of the financial statements of the Provincial Government of Bengkulu,

(3) Accountability has a positive and significant impact on the financial performance of Bengkulu Provincial Government as proved by the correlation value (estimate) between accountability and financial performance Bengkulu Provincial Government is 0,243, CR is 3.187 > 2.58 (Cut Of Value $\alpha = 1\%$) and probability (P- Value) of accountability is 0,001 less than 0.01 (Cut of Value $\alpha = 1\%$). Hypothesis testing results prove that accountability in financial management area will able to improve financial performance at the Provincial Government of Bengkulu,

(4) Transparency has a positive and significant impact on the financial performance of Bengkulu Provincial Government. This was proved by the correlation value (estimate) between transparency and Financial Performance Provincial Government of Bengkulu is 0,249, C.R is 2.894 > 2.58 (Cut Of Value $\alpha = 1\%$) and probability (P- Value) is 0.004 smaller than 0.01 (Cut Of Value $\alpha = 1\%$). The results of hypothesis testing meant that the more transparent financial management and financial reporting in the Provincial Government of Bengkulu will further improve the performance of the Provincial Government of Bengkulu and

(5) The results of data analysis showed that the quality of Local Government Financial Statements have an influence on Financial Performance of Provincial Government of Bengkulu. Correlation (estimate) between the Quality of Local Government Financial Statements and Financial Performance Bengkulu Provincial Government is 0.250, CR is 3.526 > 2.58 (Cut Of Value $\alpha = 1\%$) and the probability (P-value) of the Quality of Local Government Financial Statements is *** smaller than 0.01 (Cut of Value $\alpha = 1\%$). The results of hypothesis testing is the higher the quality of Local Government Finance Statement presented by financial managers in each SKPD on Provincial Government of Bengkulu will illustrated the level of financial performance of the Provincial Government of Bengkulu.

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

This study aimed to identify and analyze the Effect of Accountability and Transparency on the Quality of Local Government Financial Statement (LKPD) and Financial Performance Implications in Provincial Government of Bengkulu, according to tests that was conducted, it can be concluded:

1. Accountability has a positive and significant effect on the Quality of Local Government Financial Statement. This meant that the higher the Accountability of Local Government in the management and financial reporting, the quality of the financial statement that is produced will be better and increased.
2. Transparency has a positive but not significant effect on the Quality of Local Government Financial Statement. This meant that transparency not a major factor in the increase quality local government financial statements or in other words have not been able to improve their implementation of the Transparency Quality of Local Government Financial Statement
3. Accountability has a positive and significant effect on the Local Government Financial Performance. This means the government accountable in its financial management, the Financial Performance of Local Government is getting better and improving.
4. Transparency has a positive and significant effect on the Local Government Financial Performance. This indicates that the more transparent financial management and financial reporting in the local government will increase the performance of the local government.
5. Quality of Local Government Financial Statement has a positive and significant effect on the Local Government Financial Performance. This gives the meaning that the better the local government financial statements is presented, the better overview of the financial performance of local governments.

Suggestion

Based on the research results and conclusions of research that has been described previously, presented some suggestions as follows:

1. Methods of data collection in this study only uses primary data through questionnaires, so the perceived lack of answer that could be added to the method of interviews and analysis of financial statements through secondary data.
2. The next study can add related variables in measuring the quality of financial reporting and financial performance such as: Auditor independence, Commitment Regional Head, Budget Clarity, SPIP, and Information Technology variables.
3. To improve the performance of the Provincial Government of Bengkulu, especially in financial management in terms of the need for accountability of integrity HR moral or ethical in improving the quality of financial statements which have an impact on the financial performance of Bengkulu province and local governments.
4. The need for improvement on the performance measurement of employee performance, especially with the measurement of performance based on balance score card in accordance with Perpers No. 29 of 2014.
5. Further research can add the respondents from other users of financial statement such as: Entrepreneurs, External Auditors, Internal Auditors, academics, general public and others.

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SYNERGIZING MANACIKA IN THE STRATEGIC MANAGEMENT ACCOUNTING: SOLUTION FOR THE STIGMA OF COOPERATION?

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Abstract. Strategic management accounting is facing a materially oriented and mismanaged challenge. It will have a positive influence when strategic management accounting is synergized with manacika which bases on dharma. This article aims to develop the strategic management accounting through synergizing manacika as the basic values to achieve the goals of the cooperation. This article uses Tri Kaya Parisudha as the research methodology. The data analysis employs inter-subjective approach. Mind based on dharma/ultimate truth (manacika) as one part of Tri Kaya Parisudha has a significant vibration to words based on dharma (wacika) and behaviors based on dharma (kayika) in the function of the strategic management accounting. Manacika helps to develop awareness of dharma internalization in the strategic management accounting. Manacika has the ability to create values in financial benefits and nonfinancial benefits.

Keywords: Tri Kaya Parisudha, manacika, dharma, strategic management accounting, cooperation

INTRODUCTION

The stagnancy within an organization can be overcome with strategic management accounting (Nyamori, 2000) which owns a significant role in providing necessary information for the organization. The lack of performance in applying this strategy could contribute to stigmatizing the cooperation as a marginalized form of business (Setiawaty, 2012). Therefore the awareness of applying the function of strategic management accounting has become an urgent issue.

The urgency of the role of Strategic Management Accounting is seen by the data from the Ministry of Cooperation and Small-Medium Enterprises of Indonesia where in 2014 there are around 40% of cooperation businesses that were not productively operating (bisnis.com30/11/2014). This is considerably because the self-activating and self-help methods have not been properly internalized within the cooperation business themselves. The strategic managing accounting is still oriented on material achievement instead of aiming at the balance of material and non-material goals as a single form of prosperity aiming towards the balance of life values (Hines, 1992).

Aside from the factors mentioned above the pillars namely management of cooperation and members have yet to understand the benefits of the business and lack of capability in building the cooperation. This is far different from the characteristics of the cooperation in which the sources and foundations are the value saying that members are users and owners of the business itself. Hatta as the founder of cooperation business in Indonesia introduced it as a tool to create values of togetherness. Ironically, a number of business cooperation are focusing more on material gains instead of non-materials (Sudaryanti, Sukoharsono, Baridwan, & Mulawarman, 2015). This strong objective on material achievements shows the empirical and material perspective of the business regardless of its true nature where mutual prosperity of the members should be put over material gains. The issue becomes more complicated when it involves the people of Hinduism because the Bhagawad Gita (Sloka II, 48) in the teaching of Hinduism aims at the balance between materials and non-materials.

This situation surely needs to be overcome because in its' practices accounting is still an imbalanced social constructor (Hines, 1992). This imbalance shows the dysfunctional role of strategic information bank in cooperation business which also contributes to the weakness of strategic management accounting. At this point the awareness of manacika which is originated from the strategic management accounting is becoming a crucial factor that can save cooperation business.

Dysfunctional strategic accounting management creates impact on moral judgment. The loss of moral judgment can be seen from material oriented process of making profit by ignoring the real happiness (Ludigdo, 2012; Harahap, 2007). The awareness of manacika is expected to guide strategic management accounting toward creating the resonance of truthfulness and knowledge, thoughts, and kind attitude of people involved in it.

The purpose of life is applied through tri kaya parishuda which are three values of dharma; the thought based on dharma (manacika), dharma words (wacika) and dharma attitude (kayika). These three foundations are based on manacika (the right/good thought). These three values can be applied in the cooperation business because it emphasizes on the awareness of life that is internalized in the words, thought and actions whether personally or collectively. Therefore considering the cooperation business is membership-based enterprise; the manacika needs to be synergic with the strategic management accounting. This surely needs commitment from the board, supervisor, stakeholders and members of the cooperation itself. This commitment needs active and well contributing stakeholders (Hoque, 2006:118).

The manacika becomes the trigger of wacika and kayika within the strategic management accounting and therefore it requires thoughts with high values in running the cooperation business. Good thought will encourage the stakeholders to work properly and the members to participate actively in building the cooperation business. Therefore the manacika becomes in synergy with the strategic management accounting which is the main element of strategy in running the business (Ramljak, 2012). In this case the manacika which aims at the balance of material and non-material goals and has been internalized within the strategic management accounting will be able to provide sufficient information for the strategic management accounting.

RESEARCH METHOD

The cultivation of data is done through interview and observation and the analysis is done by using the method of inter-subjectivity. Observation is done on the daily activities within the cooperation and from informant that could give more in depth understanding of the case. The observer-and-reality distance approach becomes an approach called 'the theoretical attitude' that can be used to analyze and interpret output in order to gain the real meanings (Denzin & Lincoln, 2009).

The site of the research is the cooperation business itself because it is an enterprise formed by the awareness of its members in gaining mutual prosperity. The cooperation of people is expected to carry the teaching of Hinduism into the cooperation culture. The culture internalized with religious teaching acts as the guideline in doing cooperation activities. The cooperation becomes an entry to the informants. There are three samples of cooperation businesses with three informants and all of them have a history of difficulty in the past but has now managed to develop.

The informants are those with same beliefs because religion is able to form mindset, emotions and behaviors (Mathras, Cohen, Mandel, & Mick, 2015). The choosing of informants is done through considering the values of localities through intensive interaction of how much information they can provide. Informants in this research are the leader and the manager of the cooperation business. This cooperation has members from those with Hindu belief who understand about the tri kaya parishuda and run their businesses in the city of Kupang (the Hindus from Bali who live outside of the province of Bali) and the city of Denpasar (the people of Bali who are mostly Hindus) in Indonesia. The people of Bali are well associated with and internalized with the teaching of Hinduism and can be seen from their activities.

This research aims at building concept that synergizes manacika within the strategic management accounting. This concept is done through explanation and consideration on the practices by connecting the objective and subjective aspects inside inter-subjectivity (Lewelyn, 2003; Belkaoui, 2006). Considering that the research aims at exploring the balance between the materials and nonmaterial through the synergy between manacika and strategic management accounting therefore inter-subjectivity with reflectivity approach is applied (Nielsen, Mitchell, & Nørreklit, 2014) along with inclusivity (Gillespie & Cornish, 2010), and retrospectivity (Coad, 1996). The second, inter-subjectivity involves the participation of material and non-material aspects (Duranti, 2010). Third inter-subjectivity becomes the core concept in understanding social pattern and in learning individuals within the group and the meaning of group to individuals (Gillespie & Cornish, 2010). Inter-subjectivity is used in this research because in collecting data the informants are chosen based on their personal perspective as individuals and their roles as the chief of board or manager of cooperation business running the function of strategic management accounting.

Inter-subjectivity requires observation of inclusivity, retrospectivity, and reflection. The analysis phases are simultaneously done through inclusivity, retrospectivity, and reflection. It is all because of the researcher's inclusivity, retrospectivity and reflection are inseparable. Manacika is inter-subjectively analyzed through reflection, inclusivity, and retrospectivity to dig the values of tri kaya parishuda generated from the minds connected to strategic management accounting.

The collective analysis of the researcher's inclusivity, retrospectivity, and reflection is done by seeking the meaning of consensus in order to find the basic concepts in building the synergy between manacika and strategic management accounting. Inclusivity uses the informant's perspective to understand the reality within context and to preserve the values. Inclusivity motivates cooperation to reach the goal because it gives more potential to achieve it. Retrospective observation is done by going

through the previous premises and finds the connection between causes and their impacts in order to find the basic concepts. Reflection shows internal reflection as a constructive criticisms, quality improvement of learning and an evaluation of related goals in order to understand and take action towards what has happened, what is yet to happen and things need to be done.

Data collection continues to data classification through the process of choosing, simplifying, abstracting, and transforming raw data (Salim, 2006) by reducing data or information into becoming solid data. Data reduction is done simplifying, abstracting, and transforming raw data based on field records.

The next step is codification that will ease searching (Salim, 2006). Codification is done based on theme of the simplifying, abstracting, and transforming raw data from the interview transcript, documents and on field data. These codifications are put together into certain themes. Next, findings on fields will be interpreted. The interpretation confirmed to the informants is adjusted to the result of the observation, and then followed with inter-subjectivity analysis. The report of the research result is the next step.

The stages of the research covers: the first stage is doing presentation of data and information by exploring the practices of strategic management accounting in the cooperation. The second stage is exploring the practices of strategic management accounting by collecting and analyzing data through inter-subjectivity interaction with the informants. The data collection is helped by questions that are temporary synthetic of field development. The third stage is inter-subjectivity is done in order to find basic concepts within the balance of materials and non-material in manacika in synergy strategic management accounting. The fourth stage is making conclusion of basic principles that build the concept of synergy between manacika and strategic management accounting of the cooperation.

DISCUSSION

The Absence of Balance Value in Strategic Management Accounting: Ignoring the Truthful Thought (Manacika)

Strategic management accounting focuses on the use of strategic thinking (Shah, Malik, & Malik, 2011). But, this application of thinking and practices within modern accounting still ignores spiritual dimension (Molisa, 2011). This shows that strategic management accounting is still aiming at material benefit and giving less attention to the purpose of life where there is a balance between material prosperity and spiritual gain. Therefore there needs to be a strategic management accounting that internalizes religious values that encourage learning of self-control in order to reposition the strategic management accounting as an important part in cooperation business.

Strategic management accounting is required to solve problems that are complex, unsystematic and dynamic. This is because the actors of strategic management accounting often face intensive competition, raising risks, and social responsibilities (Nishimura, 2005). Therefore strategic management accounting focuses on flexibility and commitment (Anderson, Asdemir, & Tripathy, 2013) and value added (Noordin, Zainuddin, & Tayle, 2009:30). Flexibility, commitment, and the rise of values shows the critical power of strategic management accounting in the spirit of learning and improvement while commitment indicates the awareness and responsibility of strategic management accounting's functions as a good deed to God.

Therefore the strategic management accounting faces a challenge to develop its own management of accounting (Nishimura, 2005). This shows that strategic management accounting needs to adapt with multi-activity environment (Waweru, 2010). In doing that every organization has their own characteristics of accounting management practices (Alleyne & Weekes-Marshall, 2011) that are following the need of each cooperation business. Besides that, fundamentally individuals are shaped by their own world and therefore contribute to changing and shaping it (Orsi, 2003). The practices of strategic management accounting are shaped by the changes of economy and culture (Alleyne & Weekes-Marshall, 2011). Basically the strategic management accounting in local entity is affected by the traditional community and their entitlement to their religious teaching instead of rationality (Nishimura, 2005). This means that strategic management accounting needs to adapt with the culture and environment in order to internalize values within its activities.

If it is connected to the thoughts based on the dharma (the real truth) the practice perspective of the strategic management accounting covers economic (business oriented) and non-economic approach (evaluation oriented) (Waweru, 2010). This indicates that accounting (including the strategic management accounting) is shaped by and shaping its organizational environment (Hoque, 2006; Zaitul, 1988) in order to be accepted by the society with their social norms. The thinking guidelines within the balance of material and non-material produce material and non-material satisfaction. This causes a vibrant and positive mindset among the stakeholders in building the cooperation.

Therefore the strategic management accounting is required to produce knowledge and the carrier of values (Kozarkiewicz & Lada, 2014) of true awareness. Knowledge and values are actually the dharma (the real truth) that is vibrating with happiness (Sarasamuscaya, sloka 34). Thoughts that are related to

dharma have a role in building the strategic management accounting as a carrier of truthful values. The value of religious teaching grows kindnesses that are connected to the material and non-material happiness (Emmons, 2005). The meaning of life activity (including the strategic management accounting) is knowledge in seeking the truth for the awareness of finding oneself (Kebung, 2011). This indicates that material activities in life should be in line with non-material aspects within dharma as a way of finding the purpose of life within the dimension of religion.

If we look at this from the standpoint of Hinduism strategic management accounting needs to internalize the true life and those who don't do this would go astray from the dharma (Sarasamuscaya, sloka 9). Those who are able to control themselves and their desire are wise people and deserve becoming the example in the dharma (Sarasamuscaya, sloka 42). The awareness of truthfulness is what should be the foundation of strategic management accounting.

This has become a specific challenge to the strategic management accounting in keeping its strategic role by creating resonance with the truthful values within the ethic as a trigger of activity through the minds. This is supported by a remark from Socrates that truthfulness comes from the mind. Manacika that needs to be made a parameter are the absence of contempt, the absence of negative thoughts and the elimination of intention to afflict other people. These three elements of manacika need to be internalized with strategic management accounting. The absence of contempt makes the success of cooperation business as a place of learning and improving work performances. The absence of negative and destructive thoughts is done to achieve mutual prosperity and balance between material and non-material achievement. And the elimination of intention to afflict others means the willingness to accept advices to build cooperation that come from others.

According to Aristotle a good life is constructed by thinking and doing the best (Graham, 2015). A good life will affect people and vice versa. This shows that man should be able to control themselves from the material world and aims at spiritual peace (Kebung, 2011). In this case man need to be actively involved in life activities by creating productive imaginary mental relationship to produce prosperity and happiness (Graham, 2015) based on good values.

Religious teaching will shape culture and culture has a significant role to practices. The teaching of religion that is entitled to the Balinese culture is carried along by the Balinese Hindu people when they move and live outside Bali. The entitlement of Hinduism to the Balinese culture affects the life of the Hindu people in Indonesia including their cooperation businesses. The culture here means the tradition of Bali that is embedded by the teaching of Hindu in the form of Tri Kaya Parisudha (TKP). The TKP is the framework of ethics within the teaching of Hindu in words, actions, and thinking towards others based on the dharma. Thinking, speaking and acting are one unity and are originated from the mind. The harmony among religion, culture and arts in Bali shows the shaping of life based on good characteristics and love to *Ida Sang Hyang Widhi Waca* (God).

Therefore the spiritual values are sources of ethics and sprits that are fundamental and natural in doing accounting works (Ludigdo, 2012). The entitlement of spiritual values becomes the source of good deeds (Ludigdo & Kamayanti, 2008). Therefore actions with spiritual elements need to be grown as a source and motivation in actualizing prosperity (Ludigdo, 2012) through strategic management accounting.

In order to gain prosperity in every life activity including the strategic management accounting in cooperation businesses there needs to be a foundation of aiming towards the purpose of life as self-control. This is because individuals are not separated from the purpose of life in the teaching of Hinduism which is "*moksartham jagaditha ya ca iti dharma*" meaning the gain material and spiritual happiness (Sarasamuscaya, sloka 1) which becomes the base of people's activities in life.

This shows that dharma guides people in acting based on the teaching of religion in achieving spiritual and material happiness. The thought of dharma bases the existence of awareness to work as best as possible because the work based on dharma will produce income and non-income benefits. Therefore the thought of dharma is the self-control in doing activities (Sarasamuscaya, sloka 72). This thought of dharma will move and control the sayings of dharma (wacika) and the attitude of dharma (kayika) (Sarasamuscaya, sloka 73-76, 80) towards the happiness (*Sarasamuscaya* sloka 81). The thought control can use the power of contemplation to differentiate between the good and the bad (Graham, 2015) because everything in mind will be seen through actions and words (*Manawa Dharmacastra, sloka VIII.26*) and all actions are based on what people have in mind and will be resulted in the outcomes of actions (karmaphala). The sayings and actions are controlled by thoughts and thoughts are controlled by dharma. Therefore strategic management accounting based on dharma has a potential to move the development of values and changes passive mentality into active mentality with the awareness that all activities are done toward the achievement of life prosperity either material or non-material.

Synergizing between Manacika and Strategic Management Accounting

At this point the cooperation business is facing challenges which are the absence of religious values in strategic management accounting which takes form in the ignoring of dharma-based thoughts (manacika). The synergy between manacika with strategic management accounting will stimulate the performance of strategic management accounting based on dharma. This research is in accordance with the opinion of Simon saying that the rationality of decision making within individuals is limited to the values, synergy, level of knowledge, and information (Belkaoui, 2002). The internalization of manacika synergy with strategic management accounting will also stimulate mind (strategic), saying, (expression, information and communication) and action (personal activities).

The internalization of religious teaching can motivate the awareness to do the best work in achieving balanced prosperity between material and non-material based on the purpose of life. This is because the management accounting is built from attitude foundation and strategies in gaining organizational goal (Belkaoui, 2002). By applying the right mindset the strategy applied will work along.

Mind has a power of shaping environment through strategies which is the connector between organization and its' environment through purposes, action program and the allocation of resources (Belkaoui, 2002). Basically strategic management accounting has similar origin with the management accounting. Strategic management accounting is used as a learning value because it continuously provides high valued information needed to communicate with the stakeholders. This important role should exist in building cooperation.

This research tries to build a solution which emphasizes on the stigma of cooperation as a form of enterprise that is marginalized. In this research it is found that cooperation business is not dedicated towards creating balanced prosperity between the material and non- material prosperity. It this also found that there is a weak commitment within the management and the members themselves in building the cooperation and that there is also a misunderstanding within the management in running the cooperation where they are not supported by continuous learning process. This condition has led to an unexpected performance of the cooperation.

Strategic management accounting should be positioned as a management control system to improve the organization's performance (Al-Mawali & Amoush, 2013; Shank 2006) including the cooperation management. In the practices, there is still some cooperation ineffectively running the strategic management accounting as seen in their monotonous management without providing information to support the effectiveness of the performance improvement. Indeed the gained information can be benefitted for the cooperation development through risk management, performance management, and strategic management by employing the techniques of management accounting. Even more, there is cooperation which does not understand about management accounting. This shares an unproductive cooperation.

The synergy of manacika and strategic management accounting plays a vital role in the decision making to reach the material and non-material prosperities. This concept is to develop a critical approach to interdisciplinary values to direct a cooperation management.

This research leads to a balanced life as a self-reflection in achieving the material and non-material prosperity. The balance of life is able to stimulate positive behavior, self-motivation, and power of innovation, work in sincerity, rights and obligations fulfillment, awareness and understanding establishment, work performance, love, and responsibility.

The values enrichment of the strategic management accounting underlies actors of the strategic management accounting in yielding products of strategic management accounting as needed in cooperation. In this context, the strategic management accounting stimulates management to improve values, knowledge, benefits, and the ability to organize the resources. The consolidation of the cooperation structure and the elements collaboration involvement encourages the actors' business intuition of the strategic management accounting in form of self-strategic management accountantpreneur.

The Continuity of Manacika Mindset

The continuity of the cooperation occurs when there come some benefits and active participation of the members. On the other side, the management fixes the administration, system, and strategy. To reach the members' prosperity, a collective awareness is demanded amongst the members. Moreover, if the cooperation is still considered small, the chosen management should learn more about the administration. The awareness should be informed through knowledge product education, communication about the cooperation's condition, benefits for the members, system fixation, and learning. This awareness has to be internalized through the openness of the information and "closeness" to the members.

Strategic management accounting takes a role in its function as a strategic control, managerial, operational; include resources management, budgeting, financial analysis, planning, cost accounting,

internal audit, system, and financial accounting (IAI-KAM, 2001:01.3). The role of strategic management accounting is applied in the process of strategic management, administration, planners of the strategic management system, resources allocation, providers of strategic information for decision making, planners and maintenance personnel of strategic management system (IAI-KAM, 2001:02.11). This indicates that the cooperation management should proactively improve its role and function with perceivable benefits seen in its performance. Besides that, because of the dynamic information provision, the cooperation management should always update the information significantly impacting on the performance and prosperity development.

The performance of strategic management accounting can be perceived when the actors have the competency and commitment to continuously learn since the business environment is very dynamic. They also must equip themselves with knowledge and skills, for instance, predicting the environmental change tendency, interpreting the meanings of nominal in the financial report, having the financial management knowledge, risk management, performance management, strategic management, accounting information system, and the ability in communication. Both the knowledge and skills of the actors of strategic management accounting need to be supported by the reliability of financial accounting in releasing a financial report.

For a small scaled cooperation, the cooperation management chosen by the members commonly has different backgrounds from those available job specifications in case of knowledge and experience. It influences on the cooperation. By contrast, the large scaled cooperation with its own strong capital has practiced a better recruitment by seeing the competencies.

In the cooperation observed, the actors of strategic management accounting are played by the administrator, supervisor, and cooperation management. Sharing information is routinely and accidentally conducted by both the cooperation management and the members to get strategy for the cooperation development. The information sharing includes education for professionalism quality improvement of the management, education for knowledge products and the cooperation benefits to members and the initiates, the management of cooperation, the goals of the cooperation. The limited actors of strategic management accounting can be covered if the management has the commitment and willingness to learn about its management and maintain the relationship with the stakeholders in developing the cooperation.

The strategic management accounting has not yet shown the synergy with manacika of the cooperation stakeholders. In consequences, the concept of strategic management accounting has to be developed as a mindset guidance (manacika) to influence, to communicate and to inform (wacika), and to manage (kayika) the cooperation. The synergy of manacika and strategic management accounting can be guidance for strategic management accounting of cooperation.

The cooperation is facing a dynamic environment, signified by; firstly: fast characteristic, flexible, integrated, and innovative; secondly: knowledge-based work; thirdly: employees empowerment; fourthly: organization networking; fifthly: strategic management system (IAI-KAM, 2001:02.7-02.8). For a cooperation bases on from, for, and by members, it is necessary for a combination of introspective sensitivity of internal costs and strategic perspective through learning, refinement, and anticipation of strategy planning.

Since the cooperation users, owners, and management are taken from the members, the sources of the information about strategic management accounting can be obtained from any sides with full awareness of the members and externals to give inputs. The information orientates on the decision making strategy (Lo, 2011:2,4,8). The cooperation which faces a management problem is influenced by the cooperation management that do not play the function and the role of strategic management accounting in the strategic decision making so that it impacts on the performance.

CONCLUSION

By the society, the cooperation is criticized for its improvement of strategic management accounting which leads to the refinement of structure and system. Structure and system refinements and improvement should be supported through the internalization of the synergy of manacika in the strategic management accounting. The parts of manacika that can be driven as barometers are no envy, no adverse thought, and no negative thinking to others. Through the ability of dharma vibration generated from manacika, the orientation oof leaning and performance can be stimulated in order to reach the balance of financial benefit and non-financial benefit.

Through the internalization of the synergy of manacika in the strategic management accounting, there forms a spirit and a commitment of the members to actively participate and develop the cooperation. This understanding should be shaped at the first time of member recruitment by the cooperation management through programming education. Therefore the members become cooperation minded.

Cooperation minded concept allows all sides to actively contribute to the continuity of the cooperation and the members' prosperity.

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THE EFFECTS OF OWNERSHIP STRUCTURE AND FIRM CHARACTERISTICS TO PERFORMANCE AND RISK: THE ROLE OF THE QUALITY OF CORPORATE GOVERNANCE VARIABLE

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Abstract. The paper aims to examine the role of the quality of corporate governance on relationship ownership structure, firm characteristic to performance and risk. This research used companies which are listed on Indonesia Stock Exchange and included Indonesian Most Trusted Companies in 2008 - 2013 as the samples. The sampling procedure used purposive sampling. The method analysis used multiple regressions. The quality of corporate governance positively affected on performance, and negatively affected on risk but not significant. The result suggested that the quality of corporate governance is incremental information and complementary function relating to the performance and risk. The debate on the relationship between company characteristic and a firm's performance or risk needed to take directly into account the role of moderation and or mediation of the quality of corporate governance. This paper promotes, as an aim for future research, a verification of the validity of this model.

Keywords : *corporate governance, ownership structure, firm characteristic, performance and risk*

INTRODUCTION

The global events regarded the company's failure to make the debate about the effectiveness of good corporate governance as one way to improve company performance (Sanda et al., 2005). Financial scandals and management problems make the issue of good corporate governance has a close relationship with issues of business ethics. Sanda et al (2005) assert that good corporate governance is recognized as an important factor in the economy and the management of the company.

Keasey and Wright (1993) argued that corporate governance has two major dimensions. First, the monitoring of management performance and assure the accountability of management to shareholders that emphasizes accountability and dimensions of accountability of corporate governance. Second, the corporate governance as structures, mechanisms and governance processes motivate the behavior of managers to increase the prosperity of businesses and companies. The effectiveness of corporate governance framework should involve institutional investors, the board of directors of insider and outsider, executives with an incentive-based salary, board committees, auditing, market for corporate control and others. The effectiveness of corporate governance can encourage managers to invest in projects that have a positive net present value. The firm with better governance has better operational performance (Brown and Caylor, 2006).

McKinsey and Co (2002) conducted a survey and the result showed that investors tend to avoid companies with bad predicate in corporate governance. Investors believed that companies implement good corporate governance practices has sought to minimize the risk, thus improving the company's performance and maximize the value of the firm. Many studies have documented that there are positive relationship between corporate governance and corporate performance (Brown and Caylor, 2009; Chen et al., 2008; Chalhoub 2009; Humera et al., 2011). Research on the effectiveness of corporate governance has also been carried out in Indonesia, among others: Midiastuty and Machfoedz (2003), Veronica and Bachtiar (2004), Wedari (2004), and Wilopo (2004), Boediono (2005), Veronica and Utama (2005) Triyono (2012).

The research gap is that previous research examining the relationship or influence the mechanism or structure of good corporate governance to corporate performance, but the results are not consistent. This is the motivation for the study of the role of good corporate governance on the relationship of ownership structure, the characteristics of the company with the performance of the company listed Indonesian Stock Exchange as well as to bridge the gap that exists Besides, it will also analyze the differences the quality of good corporate governance between financial and non-financial industry.

LITERATURE REVIEW

Corporate Governance in Indonesia

Terminology corporate governance appeared as tools, mechanisms and structures are used to check managerial behavior self-serving, monitoring the opportunistic behavior of managers, improving the

quality of enterprise information and managing the relations between all parties so that their interests can be accommodated in a balanced manner.

The study is conducted by the Asian Development Bank (ADB) that the major contributor to the economic crisis was weak corporate governance (Zhuang, et al, 2000). Thus, the financial crisis became an important momentum that drives the urgency of corporate governance reform in Indonesia. The important milestone implement corporate governance in Indonesia was as follows.

- a. In 1999 established the National Committee on Corporate Governance (KNKCG) through the Decree of the Coordinating Minister for the Economy, Finance and Industry, involving 30 representatives from the public and private sectors to recommend national corporate governance principles. In 2004, KNKCG converted into a National Committee on Governance (NCG) with consideration to extend coverage to the governance of the public sector (public governance). NCG has published National Guidelines for Good Corporate Governance. Furthermore, many organizations appearing pioneered the importance of good corporate governance practices in Indonesia, among others, Indonesian Institute for Corporate Directorship (IICD), Indonesian Institute for Corporate Governance (IICG), the Forum for Corporate Governance in Indonesia (FCGI), Institute of Audit Committee Indonesian (IKAI) and the Institute of Commissioners and Directors Indonesia (LCDI).
- b. Government issued Limited Company Act Number 40/2007. It was more comprehensive in accommodating and outlines the principles of governance to regulate equality of organ company consisting of a General Meeting of Shareholders (RUPS), the Board of Commissioners and Directors, It was also describes the roles and responsibilities of the Board of Commissioners and Directors, as well as other elements of corporate governance.
- c. The various initiatives applied the principles of good corporate governance has also been awakened, are as follows:
 - Annual Report Award (ARA). It appreciated for of annual report. The event is a result of cooperation between the FSA, the Directorate General of Taxation, Ministry of Enterprise, Bank Indonesia, National Committee on Governance, Indonesia Stock Exchange, and the Institute of Accountants Indonesia.
 - Capital Market Awards. It aimed to promote the application standards of good business practices and sustainable by listed companies and securities companies.
 - IICG-Most Trusted Award. These awards focused on companies go public, state-owned and private. The ranking is based on a survey of the practices in good corporate governance that resulted in a score Corporate Governance Perception Index (CGPI).

The Relationship of Ownership Structure and Quality of Good Corporate Governance on Performance

The research related to the ownership structure of a lot of emphasis on monitoring hypothesis. The reason is of the high cost of supervision, so that only large shareholders such as institutional investors have an incentive to monitor (Shleifer and Vishny, 1997). In addition, institutional investors have the opportunity, resources, and ability to monitor and influence the manager. They proved that institutional investors can force managers to better focus on the company's performance and reduce opportunistic behavior manager.

Zhuang (1999) argued that the ownership structure is one of the most important factors in establishing good corporate governance, because it related to the agency problem. Zhuang identified two important aspects of the ownership structure as concentration and composition. First, the level of concentration of ownership in a company determined how power is distributed between shareholders and managers. When the ownership of a company are concentrated, they would play an important role to monitor management. However, the problem with the form of ownership was how minority shareholders will be protected from exploitation by controlling shareholders to act in their own interests.

Second, the composition of ownership determined who the shareholders among them as the control group. It can be assumed that between ownership and control must lead to conflict reduction. He stated that it can become complicated when looking at the relationship between the ownership, control and value of the firm. Therefore, the effect of managerial ownership on firm value are trade-offs between the alignment of interests with the firm's value (Denis and McConnell, 2002).

Shleifer and Vishny (1997) argued that institutional investors, which also act as a fiduciary, have a greater incentive to monitor management and corporate policies. The effectiveness monitoring of institutional investors could reduce opportunistic behavior of management which leads to reduced agency costs and lower cost of equity. Fidyati (2004) explained that the institutional investors have spent more time to analyze investment and they have access to information that was too expensive acquisition for other investors. Institutional investors actively participate in corporate governance by reducing the level of risk of the companies through monitor to management. Roberts and Yuan (2009) founded that

institutional ownership can reduce the cost of borrowing due to the large institutional ownership provides an incentive to conduct surveillance or tighter monitoring of the management that encourages management to improve company performance

Pound (1988) examined the effect of institutional ownership on corporate performance and proposes hypotheses about the relationship between institutional shareholders and corporate performance. The first hypothesis is the efficient monitoring hypothesis revealed that individual investors as well as insider with a low level of share ownership (minority) have a tendency to use or borrow the voting strength possessed by the majority of institutional shareholders to oversee the management performance. In this case the majority of institutional investors will be in favor of the interests of minority shareholders because it has the same importance, especially in terms of economic incentive either long-term (dividends), as well as short term (abnormal stock return). This action resulted in increased value of the company, demonstrated by rising stock prices in the capital market.

The second hypothesis is the strategic alignment hypothesis. This hypothesis stated that the majority of institutional investors have a tendency to compromise or side with the management and ignoring the interests of minority shareholders. The presumption that management often take actions or policies that are non-optimal and leads to personal interests, resulting in a strategic alliance between the majority of institutional investors with management, be taken negatively by the market. This contributed to the decline in stock prices of companies in the capital market.

The third hypothesis is the conflict of interest hypothesis. This hypothesis basically has the same concept with the second hypothesis, namely the tendency of the majority of institutional investors to reduce conflict by making compromises and alliances with management. The three hypotheses provided instructions separately the positive and negative influences between institutional ownership and corporate performance.

Some studies focused on the influence of institutional ownership on corporate performance. McConnell and Servaes (1990) founded that the proportion of institutional ownership positively associated with firm performance. The other studies have found similar results (eg: Cornett et al 2007; Elyasiani and Jia 2008). Institutional investors are often considered to have the ability to monitor actively to maximize the value of equity investments in companies (Chen et al., 2007).

The Relationship of Company Characteristics and Quality of Corporate Governance on Performance

The characteristics of companies are a factor that the company adopted good corporate governance. Klapper and Love (2004) indicated three determinants of the quality of good corporate governance, namely: benefit of good corporate governance, the nature of the company's operations, and the size of the company. Durnev and Kim (2005) also analyzed the determinants of potential quality of corporate governance at the enterprise level. Durnev and Kim (2005) concluded that the investment opportunities, the need for external funds, and sales positively related to the quality of corporate governance. Anand et al. (2006) examined the factors that drive companies to adopt corporate governance guidelines in Canada. They founded that the investment opportunity and research and development spending affect the level of good corporate governance. Black et al. (2006) examined a small company in the Korea Stock Exchange and concluded that the size of the company and the company's risk significantly positive affected on corporate governance, while the age of company and the market share no significant effected.

The relationship between corporate governance and firm performance is not universally acceptable, although today there is widespread recognition that the establishment of corporate governance can substantially affect shareholders. Short et al (1999) suggested that the absence of strong evidence for the relationship between success and corporate governance is important to recognized, despite the belief of good governance can enhance a company's prospects. Klapper and Love (2002) examined the relationship between corporate governance with the protection of investors and the company's performance in the emerging capital market. The results showed a significant positive relationship between Tobin's-Q and governance indicators. The companies with better corporate governance have higher market valuation. Other results showed a significant positive relationship between corporate governance behavior with ROA.

Black et al, (2005) reported evidence that corporate governance is an important factor in explaining the market value of public companies Korea. Corporate Governance index of companies listed on stock exchanges in Korea has a significant correlation with the value of firm. Brown and Caylor (2006) examined the Gov-Score with operational performance, appraisal companies and payments to shareholders. The result showed that companies with better governance were relatively more profitable, more valuable and payment of cash to shareholders.

Adjaoud et al., (2007) examined the relationship between scores governance to corporate performance. They founded that in general there was no significant correlation between the score of governance with financial performance measures such as ROI, ROA, EPS. While the relationship

between governance scores to market value have significant relationship. Humera et al., (2011) provided evidence that there was a relationship between corporate governance and corporate performance. The performance of corporate governance is analyzed through Tobin's Q, while the company's performance is measured by return on assets (ROA) and return on equity (ROE).

Darmawati. (2005) founded that corporate governance was statistically significantly affect the company's operating performance. But corporate governance has not been able to influence the company's market performance is proxied by Tobin's q. Because the market response to the implementation of corporate governance can not be directly or immediate, but it takes time. Sayidah (2007) conducted a study that aims to examine the influence of corporate governance with the performance of public companies. The results showed that the quality of corporate governance did not affect the company's performance with proxy for the profit margin, ROA, ROE and ROI. Triyono (2012) provided evidence that the corporate governance index affected the performance and the value of the company. Triyono (2013) also provided evidence that the quality of corporate governance effected on the value of firm and risk-taking behavior but institutional ownership was not significant.

The linkage of financial problems and the real condition of the company is a crucial problem in the analysis of financial decisions. The financial decisions caused problems agency (Bajeux et al, 2003). The agency problem can be mitigated through good governance by giving control for the grantor of credit through financial decisions and shareholders through operational decisions. In this context, changes in stock prices are signaling information for managers to change or adjust its strategy (Neffati et al, 2011).

Chen and Jian (2007) founded that the principles transparency of good corporate governance reduced the risk of default. Piot and Piera (2007) also founded that there was a significant negative influence between the quality of GCG with the cost of debt. Neffati et al (2011) founded that the practice of good governance tends to reduce the risk. But their research also concluded that the good practices have different effects on different types of risk. Research in Indonesia, for example Riananingsih (2009) also provided evidence that GCG has an influence on the bond rating. This means that companies with good corporate governance have a good performance than companies have less good corporate governance practices.

The role of the Quality Corporate Governance on Relationship of Ownership Structure, Corporate Characteristics on Performance

The relationship between corporate governance and firm performance is not universally acceptable, although today there is widespread recognition that the establishment of corporate governance can substantially affect shareholders. Short et al (1999) suggested that the absence of strong evidence for the relationship between success and good corporate governance, despite the belief of good governance can enhance company's prospects.

Brailsford et al., (2004), and Mahrt-Smith, (2005) give research proposal that future research should evaluate how corporate governance has an influence on the relationship of capital structure and corporate value by considering the influence of corporate governance as a mediating and or mederating variable. Harris and Raviv, (1991) provided evidence that the ambiguity related to the relationship of capital structure and value of the company when considering corporate governance. The corporate governance becomes a crucial variable in explaining the relationship between capital structure and value of firm, because the variable corporate governance serves as a possibility of intervening or moderating.

RESEARCH METHODS

The data used in the empirical analysis was derived from the financial statements. The sample is based on companies entering Indonesian Most Trusted Company on Corporate Governance Perception Index (CGPI) in 2008 - 2013. The sampling procedure used purposive sampling and a sample 100 companies. We used multiple regression to test the the role of the quality of corporate governance on the relationship of ownership structure, and the characteristics of company on the performance and risk. We use the following multiple regression models:

$$\text{Model 1 : } ROA_{it} = \alpha + \beta_1 IO_{it} + \beta_2 MO_{it} + \beta_3 CA_{it} + \beta_4 DEBT_{it} + \beta_5 ROA_{it-1} + \beta_6 GSALE_{it} + \beta_7 SIZE_{it} + \mu_{it}$$

$$\text{Model 2 : } ROA_{it} = \alpha + \beta_1 IGCG_{it} + \beta_2 IO_{it} + \beta_3 MO_{it} + \beta_4 CA_{it} + \beta_5 DEBT_{it} + \beta_6 ROA_{it-1} + \beta_7 GSALE_{it} + \beta_8 SIZE_{it} + \mu_{it}$$

$$\text{Model 3 : } STDE_{it} = \alpha + \beta_1 IO_{it} + \beta_2 MO_{it} + \beta_3 CA_{it} + \beta_4 DEBT_{it} + \beta_5 ROA_{it-1} + \beta_6 GSALE_{it} + \beta_7 SIZE_{it} + \mu_{it}$$

$$\text{Model 4 : } STDE_{it} = \alpha + \beta_1 IGCG_{it} + \beta_2 IO_{it} + \beta_3 MO_{it} + \beta_4 CA_{it} + \beta_5 DEBT_{it} + \beta_6 ROA_{it-1} + \beta_7 GSALE_{it} + \beta_8 SIZE_{it} + \mu_{it}$$

where ROA is based on the return on assets. STDE is based on the standard deviation of earnings. Variable quality of good corporate governance (IGCG) is measured by the score CGPI (Corporate Governance Perception Index) developed by IICG. The ownership structure is the managerial ownership and institutional ownership. The managerial ownership (MO) is measured by the proportion of

outstanding shares are owned by the manager or board director. The institutional ownership (IO) is measured by shares outstanding owned by institutions. The firms characteristics are measured by liquidity (CA), solvency (DEBT), profitability (ROA t-1), investment opportunities (GSALE) and the size of the company (SIZE). Liquidity is measured by the current ratio, the solvency used of the debt ratio, profitability used earnings ratio of the previous period, investment opportunities used growth in sales, and the size of company used ln total assets.

Before use interpretation, the model will be tested on the classical regression assumptions. Normality test used K-S test technique on unstandardized residuals. The result showed that the four models were normal distribution. It is evident that the value of asymp sig above 5% for the fourth model. Autocorrelation occurs when confounding variables are correlated over time. Based on Durbin-Watson test, the results showed that the four models free from the assumption of autocorrelation. The value of DW model 1 of 1.838; model 2 of 1.932; model 3 of 1.627 and model 4 of 1.622. The multicollinearity happened if the independent variables are strongly correlated with each other. The multicollinearity can be tested by calculating tolerance and variance inflation factor (VIF). The analysis showed that the four models free from multikollinearity. Heteroscedasticity test used Glejser test. Based on the test results do not happened heteroskedastisity for model 1 and 2 but the models 3 and 4 occur heteroskedastisity at significance of 5%. Most of the data crosssection containing heteroskedastisity situation because this data represented a variety of sizes (Gozhali, 2005: 105). Problems heteroskedastisity does not cause bias in the estimator but less efficient (Gujarati, 1995: 370).

Loek and Willinger (1996) explained that to see the predictive ability of the model can be evaluated based on absolute percentage error (APE). The effectiveness of model was chosen based on the lowest mean absolute errors (MAPE). MAPE is a method to determine an effective model (Jensen, 2005). Then the paired t-test is used to test differences in the two models based on the value of each APE.

RESULTS AND DISCUSSION

Descriptive statistics

Table 1 presents the descriptive statistics for all the variables. The average ROA is 0.068 with a standard deviation of 0.127, meaning the company's performance based on ROA sampled very varied. The average ROA is compared to the previous period (ROA t-1) decreased. It is also related to increased levels of risk. The average variable risk as measured by standard deviation of profit after tax (STDE) is 0.215550 and levels deviation is 0.8661488. This result showed that the risks of the companies as sample are very varied, because in this study did not classify each industry.

The average score CGPI is 79.182 which means that the companies as sample included good governance categories. Average institutional ownership (IO) is 64.65%, which means on average 64.65% of outstanding shares owned by institutions with standar deviations of 19.24%. The managerial ownership (MO) is very small with an average of 0.05%. Average liquidity is 1.78 and include in good category. Average ratio of debt (DEBT) is 0.63, meaning that most companies used more foreign funds to finance its assets. Average of the sales growth of the company (GSALE) is 0.197 and standar deviation of 0.235, meaning the company's sales growth into the sample average of 19.72%, and uneven. The size of company is measured by assets relative same, ie an average of 17.078 with standard deviation of 1.796.

Table 1. Discriptive Statistic

Variables	N	Minimum	Maximum	Mean	Std. Deviation
CGPI	100	57.7300	91.9100	79.182400	7.5327920
IO	100	5.2600	96.9200	64.645500	19.2369035
MO	100	.00	1.89	.0456	.22087
CA	100	.0816	10.6423	1.776262	1.6457475
DEBT	100	.1815	.9586	.628515	.2433134
ROA1	100	-.0676	.8416	.115599	.1642997
GSALE	100	-.2644	1.1760	.197228	.2354709
SIZE	100	11.9540	20.4160	17.078039	1.6959658
IND	100	.00	1.00	.2300	.42295
ROA	100	-.6673	.4035	.067687	.1270586
STDE	100	.0001	5.9585	.215550	.8661488

The Role of the Quality of Corporate Governance on Relationship Ownership Structure, Characteristics of Company to Performance

The results of the analysis based on models 1 and 2 are presented in table 2. F-test for model 1 is 8.174 with sig F test is very significant. This means that the statistical model 1 is fit. This result is

supported by R square of 0.418. This means that the variation in ROA is explained by change of eighth independent variables by 41.8% and the rest is explained by other variables not included in the model. This showed that the model 1 was statistically robust. Likewise for the 1 model 2 was statistically also fit and robust.

The results showed that the ownership structure which is proxied by institutional ownership (IO) positive affected on company performance (ROA), but the variable managerial ownership (MO) did not affect the performance. The results indicated that institutional investors have a greater incentive to monitor management and enterprise policies and capable of acting as a fiduciary. These results are consistent with the Shleifer and Vishny (1997). They founded that institutional investors have an incentive to monitor. Several other studies have found similar results (eg Cornett et al, 2007; Chen et al., 2007; Elyasiani and Jia 2008) that institutional investors are often considered having the ability to monitor actively to maximize the value of equity investments in companies.

Based on descriptive statistics, the managerial ownership has small portion and less than 1%. This may be the cause of managerial ownership variable does not affect the performance. The small managerial ownership is not able to influence company policy though as manager. Pound (1988) explained by the hypothesis that the efficiency of monitoring individual investors as well as insider with a low level of share ownership has a tendency to use or borrow the voting strength possessed by the majority of institutional shareholders to oversee the management performance.

Table 2. Regression Result Model 1 and 2

Variables	Model 1				Model 2			
	Unstan- dardized	Standar- dized	t-test	Sig.	Unstan- dardized	Standar- dized	t-test	Sig.
Constant	-.328		-1.928	.057	-.536		-2.932	.004
IO	.002	.365	4.001	.000	.002	.290	3.117	.002
MO	.006	.011	.128	.898	.017	.029	.361	.719
CA	.015	.196	2.087	.040	.014	.175	1.917	.058
DEBT	-.198	-.379	-3.351	.001	-.185	-.354	-3.217	.002
ROA1	.151	.195	2.322	.022	.159	.205	2.522	.013
GSALE	.036	.066	.788	.433	.064	.118	1.417	.160
SIZE	.019	.254	2.190	.031	.012	.162	1.374	.173
IND	-.050	-.166	-1.275	.206	-.065	-.215	-1.687	.095
CGPI					.004	.261	2.639	.010
R square	.418				.460			
F-test	8.174 Sig. : .000				8.516 Sig. : .000			
Durbin-Waston	1.838				1.932			

The characteristics of companies partially positive affected on performance in both models is the variable liquidity (CA), profitability (ROA1) and firm size (SIZE). The solvency (DEBT) negatively affected on both models. This suggested that the benefit of debt is smaller than the cost of debt thus resulting in lower performance. Variable growth (GSALE) does not affect the performance. This is likely due to that sales growth was followed growing larger costs or accrued expenses increased, so an impact on earnings.

The industry type in both models negatively affect on the performance at the alpha level of 10%. This means no performance difference between types of regulated industries (finance and banking) with the non-financial companies and banks type. These findings indicated that the type of the regulated industries (finance and banking) has a smaller performance than the type of non-financial and banking industry.

Variable of quality of corporate governance (CGPI) has positive affect on performance in model 2. The result of this study consistent with previous research, ie: Klapper and Love (2002); Balck et al, (2005), Brown and Caylor (2006); Brown and Caylor (2009); Chen et al. (2008); Chalhoub (2009) and Humera et al. (2011). When compared with the model 1 to incorporate the variable quality of corporate governance (CGPI), it provided additional information on performance.

The dominant variable positively affected to the performance on both models was the variable institutional ownership. It can be seen from the standardized regression coefficient which has a coefficient of most large and significant. The results supported Roberts and Yuan (2009) that large institutional ownership provides an incentive to conduct surveillance or tighter monitoring of the management that encourages management to improve company performance. While the dominant variable negative effect on performance is variable debt. These findings suggest that the benefit of debt is smaller than its cost. The results comparisons of model (table 3) showed that the model 2 is better than 1 in predicting the

performance at level of significance of 10%. These findings also indicated that the variable quality of corporate governance is to mediate or provide additional information on the relationship between ownership structures, the characteristics of the company to performance. These findings also indicated that the variable quality of corporate governance was complementary in predicting performance.

Table 3. Paired Test of Model 1 and 2

Model	Mean	t-test	df	Sig.(2-tailed)	
Pair 1	Mape2 - Mape1	.00443	1.873	99	.064

The role of the Quality of Corporate Governance on Relationship of Ownership Structures, Characteristics of Companies to Risk

The F-test for model 3 is 8.650 with sig F test is significant (0.00), meaning that the model 3 is fit. This result is supported by R square of 0.432. This means that the variation risk (STDE) is explained by variations of eighth independent variables and the remaining 43.2% is explained by other variables not included in the model. By adding the variable quality of corporate governance (CGPI) on model 4, the results of testing showed fit. It showed that model 3 and 4 are robust.

The results of the t-test models of 3 and 4 are showed in table 4. The ownership structure which is proxied by institutional ownership (IO) negative affect on the risk (STDE) at the 10% significance, but the model 4 has not a significant effect on the risk. The findings of this study supported Piot and Missioner (2007), Robert and Yuan (2009), and Collins and Huang (2010). Their study indicated that institutional ownership reduces the risk. The institutions ownership provided incentive to monitor of management. These results are consistent with several previous studies (eg Cornett et al, 2007; Chen et al., 2007; Elyasiani and Jia 2008) that institutional investors are often considered to have the ability to monitor actively to maximize the value of equity investments in companies.

The managerial ownership negatively affected on the risk on 10% significance level. These findings indicated although small ownership but still capable of influencing company policy. These findings supported the hypothesis Pound (1988) which explained through the monitoring efficiency hypothesis that individual investors as well as insider with a low level of share ownership has a tendency to use or borrow the voting strength possessed by the majority of institutional shareholders to oversee the management performance. Another possibility is that the management also has share of ownership in the institution.

Table 4. Regression Result Model 3 and 4

Variables	Model 3				Model 4			
	Unstan- dardized	Standardiz ed	t-test	Sig.	Unstan- dardized	Standardi zed	t-test	Sig.
(Constant)	5.856		5.104	.000	5.908		4.623	.000
IO	-.007	-.156	-1.724	.088	-.007	-.153	-1.602	.113
MO	-.573	-.146	-1.790	.077	-.568	-.145	-1.732	.087
CA	-.051	-.097	-1.045	.299	-.051	-.096	-1.028	.307
DEBT	.574	.161	1.443	.152	.571	.160	1.421	.159
ROA1	1.250	.237	2.858	.005	1.248	.237	2.835	.006
GSALE	.592	.161	1.950	.054	.585	.159	1.861	.066
SIZE	-.343	-.671	-5.859	.000	-.341	-.668	-5.535	.000
IND	.476	.232	1.806	.074	.479	.234	1.791	.077
CGPI					-.001	-.010	-.095	.924
R square	.432				.432			
F-test	8.650 Sig. : .000				7.606 Sig.: .000			
Durbin-Waston	1.627				1.622			

The variable liquidity (CA) on models 3 and 4 give a negative influence on risk but not significant. Variable profitability of the previous year (ROA1) and sales growth (GSALE) positive effected on the risk and significant in models 3 and 4. Based on descriptive statistics that both variables have a high standard deviation that causes fluctuations in earnings is also high. This means that the higher fluctuations on previous earnings and sales growth positive affected on the risk, because the risk is measured by the standard deviation of earnings. These findings supported the theory of the high returns -high risks.

The variable firm size (SIZE) negatively affected on risk in model 3 and 4. The implication of these findings is that large companies tend to face less risk associated with the volatility of profits. Variable type of industry (IND) positively affected on the risk at 10% significance level. This result means

that there was a difference effect between the financial-banking company category and the non banking-finance to business risks. The banking-financial company categories are more at risk than companies in the non-banking finance.

Variable quality of corporate governance (CGPI) in 4 models negatively affected to the risk but not significant. The result was not consistent with the previous study, eg, Chen and Jian (2007) in his research founded that the principle of GCG provided information reduce the risk of default. Piot and Piera (2007) also founded negative influence between the quality of GCG with the cost of debt. Neffati et al (2011) explained that good corporate governance practices tend to reduce the risk. But his research also concluded that the good practices have different effects on different types of risk. The dominant variables positively influence on the risk in model 3 and 4 is variable profit the previous period (ROA1). It can be seen from largest of the standardized regression coefficient. While the dominant variable negatively affects the risk is variable firm size (SIZE).

The comparisons results of both models (Table 5) showed that there was no significant difference in predicting risk. This is evident from the comparison of mean absolute percentage error both models was not significant. These findings also indicated that the variable quality of corporate governance was not mediating the relationship between ownership structures, characteristics of the company to the risk. These findings also indicated that the variable quality of corporate governance was complementary in predicting risk.

Table 5. Paired Test of Model 3 and 4

Model	Mean	t-test	df	Sig.(2-tailed)	
Pair 1	Mape4 - Mape3	.00069	1.091	99	.278

CONCLUSION

Institutional ownership positively affected the performance of the company, but the variable managerial ownership did not affect the performance. When associated with business risk, institutional ownership negative effect. These findings suggested that institutional ownership have a greater incentive to monitor management and company policies and capable of acting as a fiduciary.

Characteristics of company positively affected to performance, ie variable liquidity, profitability and firm size. While variable solvency negative affected on performance. When associated with business risk, profitability variable and variable sales growth significant positive effect on risk. The variables firm size negatively affected to risk. These findings support the theory of the high returns-high risks.

Industry type variable negatively affected to performance and positively affected to risk. This finding means that there was a difference of performance and risk between regulated industries (finance and banking) and non-financial banking industries. Type of regulated industries (finance and banking) has a smaller performance than the type of non-financial banking industries. Besides, the company's financial-banking categories were also more risk than the non-banking finance categories.

Variable quality corporate positive affected on performance, but negative affected on risk and did not significant. These findings suggested that the function of quality of corporate governance as an enhancer and complementary information about the performance and risk.

This study has several limitations, ie 1) the results of this study can not be generalized, because the use of the sample is limited to the "most trusted company" and not random, 2) the study did not include the influence of industry groups so that there may be differences in the implementation of GCG.

For further research is recommended to add the sample so as to distinguish the effect of GCG score on the performance and risk for companies with good corporate governance score of high, medium and low. Besides, it also needs to consider the use of risk variables with different types of risk, ie, financial risk, operational risk, or systematic risk. The next study will need to verify the quality of corporate governance functions as a mediating or moderating variable.

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EFFECT OF INCENTIVE EXECUTIVE, CORPORATE RISK AND CORPORATE GOVERNANCE ON TAX AVOIDANCE

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Abstract. This study aimed to prove the influence of executive incentive, corporate risk and corporate governance on tax avoidance by using independent variables executive incentives, corporate risk and corporate governance (institutionally ownership, independent board, audit committees and audit quality). The sample in this study is a non-financial companies listed on the Indonesia Stock Exchange in 2012-2014 and consisted 112 companies. The data used secondary data obtained from financial from the website www.idx.co.id. Data was analyzed using multiple linear regression using EViews 7.0. The results showed that the risk of the company had effect negative on tax avoidance. Institutional Ownership, Independent Commissioner, Audit and Quality Audit Committee has no effect on tax avoidance. While incentives executives has positive influence on tax avoidance.

Keywords : *Tax Avoidance, Incentive Executive, Corporate Risk, Corporate Governance*

INTRODUCTION

Tax avoidance is legal tax avoidance efforts which do not violate tax laws that do taxpayers by way of trying to reduce the amount of taxes payable by seeking regulatory weaknesses (vulnerabilities) (Hutagaol, 2007). Taxpayers are trying to relieve the obligation to pay taxes in ways that minimize the amount of taxes to be paid legally. Efforts to minimize taxes is often referred to as tax planning. Generally, tax planning companies in tax avoidance as did investment decisions.

When an investment is funded through debt policy, the company responsible for repayment of debt to debt holders (bondholders). The fixed costs in the form of debt interest expenses will be paid by the company to holders of debt affect the profit reduction and ultimately the payment of the corporate tax burden will be smaller, and this is called tax avoidance.

To reduce conflicts due to agency problems arising from the separation between owners and management, one of which is through the granting of appropriate compensation for managers. Executive incentive is an award, either material or non-material given to executives to be motivated in achieving the company's goals. Incentives provided in the form of cash if the investments made by the manager is the presence of overinvestment and managerial stock ownership (insider ownership) can be used to reduce agency costs that may arise, because by having the company's shares are expected to managers feel the direct benefits of any decision taken.

Corporate governance mechanisms are indispensable for exercising control and supervision over the management's ability to subvert the interests of shareholders to benefit themselves to the fullest. This is where the important functions of corporate governance, namely as guaranteeing protection of the rights of shareholders. Good corporate governance is the mechanism of the regulation and control of the company through the relationship between shareholders, management companies, lenders, governments, employees and stakeholders of other internal and external. Fadhilah (2014) states that corporate governance mechanism covering both institutional ownership, the proportion of independent board, audit committee and audit quality menyimpulkan bahwa kepemilikan institusional.

According Pohan (2009), institutional ownership is the percentage of shares held by institutions and blockholder (investor with a portion of shareholding of at least 5%). The higher the institutional ownership is expected to create a better control, because the institutional investors will be able to monitor the company's performance (Jensen and Meckling, 1976). Pohan (2008), Khurana and Moser (2009), and Annie (2011) concluded that institutional ownership negatively affect tax avoidance.

Independent commissioner could represent the existence of non-controlling shareholders in supervising the company. According to regulations issued by the Indonesia Stock Exchange, the percentage of the number of independent directors at least 30% of the commissioners, in addition, the independent directors must understand the laws and regulations of the capital market, and proposed by shareholders who are not controlling shareholders in a General Meeting of Shareholders. Independent commissioner in a company is expected to enhance the integrity of financial statements (Mayangsari, 2003). Research conducted by Annisa (2011) concluded that the independent commissioner variables negatively affect tax avoidance.

The audit committee is working effectively allows control of the company and generate financial reports better and to support good corporate governance (Andriyani, 2008). In general, the audit committee has a role as a supervisor in the financial reporting process and internal controls, as BEI require all issuers to establish and have an audit committee chaired by an independent commissioner. In accordance with the applicable rules, at least in the company's audit committee consisted of three people. Pohan (2008) concluded that audit committees have a negative effect on tax avoidance.

Audit quality is one important element in the implementation of corporate governance. Audit quality can be measured by whether the company's financial statements are audited by the Big Four accounting firm or not. KAP Big Four is Erns't & Young, Price Waterhouse, KPMG and Delloitte. Big Four auditors considered to have a higher quality than non-Big Four, the Big Four auditor to be capable of limiting the management practices in the tax avoidance compared to non-Big Four auditors. High quality audits will be given by an auditor who has a high quality and ability to maintain its reputation (Fadhilah, 2014) so that the quality of audit has a negative effect on tax avoidance.

The purpose of this research is to find empirical evidence of the negative effect of the incentive executives, the company's risk, institutional ownership, the proportion of independent directors, the number of audit committee, and audit quality on tax avoidance in the sample non-financial companies listed on the Indonesia Stock Exchange.

LITERATURE REVIEW

Agency Theory

According to Jensen and Meckling (1976) agency theory is a theory that describes the agency relationship as a contract, in which one or more parties (principal) engage another party (the agent) to perform some service on behalf of the principal. Both sides are brought together by an agreement or a contract of employment to regulate relations, authority, and responsibility among them. Shareholders, as principal, assign or delegate authority to the management (agent) to run the company and use the resources needed to achieve the objectives, and make decisions that can benefit the owners of the company.

Agency problem between shareholders (the company owner) with the manager, potentially happen if the management does not have a majority stake. The shareholders would want managers to work with the objective of maximizing shareholder wealth. Instead, company managers may act, not with the aim of maximizing shareholder wealth, but rather to maximize their own welfare, so that there is conflict of interest. To ensure that managers work seriously for the benefit of shareholders, shareholders must pay the so-called agency cost which include, among others: the expenditure to monitor the activities of the manager, spending to create an organizational structure that minimizes the actions of managers who do not desired, as well as the opportunity cost arising from the conditions in which the manager can not immediately take a decision without the approval of shareholders (Atmaja, 2008).

Positif Accounting Theory

Positive accounting theory, explaining the factors that influence the management in selecting the optimal accounting procedures and has a specific purpose. In the positive accounting theory said that the accounting procedures used by the company should not be the same as the others, but the company is given the freedom to choose one alternative procedures are available to minimize the cost of the contract, and maximize the value of the company. Due to this freedom, then the manager has a tendency to perform an action, which according to the positive accounting theory, named as opportunistic behavior (Scott, 2000). Thus, opportunistic behavior is an action taken by the company in selecting accounting policies that benefit the company and maximize the satisfaction of the company. One way is through earnings management.

There are various motives that can motivate management to manage earnings. Positive accounting theory proposed three hypotheses about the motivation of earnings management associated with opportunistic behavior by companies (Watts and Zimmerman, 1986). These three hypothesis that is, the bonus program hypothesis, the hypothesis of debt agreements and political cost hypothesis.

Tax Avoidance

Tax avoidance is an effort to minimize the tax burden that is often done by the company, as it still is in the frame of existing tax regulations. Although tax avoidance is legal, from the government still does not want it. According to Dewi and Sari (2015), tax avoidance is efforts for avoiding taxes in a way that does not contradict or violate the terms of taxation and taxation strategies were used. Tax avoidance is done because many corporate taxpayers and personal feel burdened to pay taxes.

There was no denying that the taxpayer always wanted a smaller tax payments. The willingness of taxpayers to not comply with tax laws, making the emergence of resistance to taxation. Resistance to taxes can be divided into two, namely passive resistance and active resistance. Passive resistance is a

form of barriers that complicate tax collection and closely linked to the economic structure, while the active resistance is all the effort and actions are directly addressed to the government (tax authorities) in order to avoid taxes. The company will seek ways to minimize tax payments both legally and illegally. Tax avoidance is legally referred to as tax avoidance, while illegal tax avoidance is called tax evasion.

Executive Incentive

Executive incentive is an award, either material or non-material, given to executives to keep them motivated in achieving the goals of the company. According to Franco (2012), the theoretical roots of the compensation study accounting is a psychological paradigm of social capital (the theory of motivation) and labor market model of economics (neoclassical theory of labor). Irawan and Farahmita (2012) found that the level of compensation of directors, has a negative effect on the company's tax avoidance. Budiman and Setiyono (2012) states that the practice of tax avoidance committed by the taxpayer (company) is often done through the policies taken by the leaders of the company. Budiman and Setiyono (2012) and Dewi and Jati (2014) found that executive compensation, impact negatively on tax avoidance.

Corporate Risk

The risk of companies is a condition, in which the possibilities that lead to the performance of firms will be lower than what is expected of a company because of a certain condition of uncertain future. The risk of the company reflects a deviation or standard deviation of earnings, both that deviations are less than planned or perhaps more than planned, as the greater the deviation of earnings indicating the greater the risk of existing companies.

High or low risk of the company, indicating the character of the executives at the company, whether they are risk taker or risk averse (Paligorova, 2010). The higher the risk of a company, it can reflect that the company leaders have dared to take action to contain high risk, such as aggressive taxation.

Corporate Governance

Corporate governance is closely related to trust, both to companies that execute them or to the business climate in a country. The application of good corporate governance that will encourage healthy competition and a conducive business climate. Corporate governance is a system to regulate and control the company to create value added for all shareholders (Desai and Dharmapala, 2007). According to the Komite Nasional Kebijakan Governance (KNKG), the principles of good corporate governance, namely: (1) *transparency*, (2) *accountability*, (3) *responsibility*, (4) *independency*, and (5) *fairness*.

Institutional Ownership

Institutional ownership is the proportion of share ownership by institutional founders of the company, not shareholders of public institutions, as measured by the percentage of shares held by institutional investors internal (Sudjoko, 2007). Institutional investors have an incentive to ensure that the management company will make decisions that will maximize shareholder wealth. Focus on voluntary disclosure found that companies with a greater institutional ownership is more likely to pull out, foresee and predict something more specific, accurate and optimistic (Khurana, 2009).

Independent Commissioner

Independent commissioner is defined as a non-affiliated in any way with the controlling shareholder, has no affiliation with the board of directors or board of commissioners and the director of a company associated with a company owner in accordance with the regulations issued by the Indonesia Stock Exchange. The number of independent directors is proportional to the number of shares held by shareholders who do not play a role as controller, with the proviso that the number of independent directors at least thirty percent (30%) of all commissioners. In addition, independent commissioner should understand the laws and regulations of the capital market, and proposed by shareholders who are not controlling shareholders in the Shareholders General Meeting (Pohan, 2008)

The Audit Committee

Natawidiana (2008) states that the audit committee is a group of people selected from commissioners who have oversight responsibility for financial reporting and disclosure process. The function of the audit committee that works effectively allows control of the company and financial reports as well as better support corporate governance (Andriyani, 2008). The audit committee has a duty to exercise control in the company's financial reporting process to avoid fraud management. Pohan (2008) concluded that audit committees have negative effects on tax avoidance.

Pohan (2008) in his research explained that the board of directors is obliged to establish an audit committee consisting of at least three members, appointed and dismissed and responsible to the board of commissioners. The audit committee is composed of little, tend to be able to act efficiently, but it also has drawbacks, namely a lack of diversity of experience of members, so that the members of the audit

committee should have a sufficient understanding of the financial reporting and internal control principles. The most important qualification of a member of the audit committee lies in common sense, intelligence and an independent view.

Audit Quality

High quality audits will be given by an auditor who has a high quality and ability to maintain its reputation. Research conducted by Fadhilah (2014) concluded that audit quality has negative effect on tax avoidance. Large Public Accounting Firm (KAP) are more independent because it is more able to withstand from the managers pressures to not to report violations (Watts and Zimmerman, 1986 in Kurniasih and Siregar, 2007), thus indicating that the quality of audit increases with firm size. The financial statements were audited by KAP The Big Four are believed to be of quality, thus displaying the actual value of the company, and has a fraud rate that is lower than the companies audited by KAP non The Big Four. The Big Four accounting firm is the accounting industry that are oligopolistic and professional services as they control most of the market, which are companies that have gone public (listed on the stock market) throughout the world, and other large private companies.

The influence of the Executive Incentives on Tax Avoidance

Executive incentive is closely related to the agency relationship and the agency conflict between principal and agent. Incentives executive, is an award, either material or non-material given to executives, to motivate them to achieve corporate objectives. Incentive compensation plans granted to executives as stated by Slemrod (2004), Crocker and Slemrod (2005) and Chen and Chu 2005) relating to the company's efforts so that managers have no incentive to tax avoidance. (Irawan and Farahmita (2012) found that the level of compensation of directors have a negative effect on corporate tax avoidance.

Research conducted by Dewi and Sari (2015) examine the effect of executive incentive against tax avoidance as measured by cash ETR, where using a sample of companies engaged in the manufacturing industry during the observation period 2011-2013. Research results provide evidence that executives negatively affect tax avoidance. Results of some previous studies that have provided empirical evidence that executive incentive negatively affect tax avoidance, then the hypothesis is:

H1 : Incentives Executives have a negative effect on tax avoidance

Influence of Corporate Risk on Tax Avoidance

Risks of the company has a negative impact on tax avoidance. This is because, a company that has a high risk tend to present financial statements as it is, to see how far the performance achieved by the company, so the opportunities for tax avoidance to be low. The results of this study strengthen the research conducted Budiman and Setiyono (2012), Dewi and Jati (2014), which states that the risk of the company has a negative influence on tax avoidance.

Research conducted by Dewi and Sari, (2015) tried to test the effect of the company's risk against tax avoidance, which is measured by the standard deviation of EBITDA (Earnings Before Interest, Tax, Depreciation, and Amortization), using a sample of companies engaged in manufacturing, with the observation period in 2011-2013, the research results provide evidence that the risk of the company, has a negative influence on tax avoidance. Results of some previous research has provided empirical evidence, that the company risk has a negative effect on tax avoidance, then the hypothesis is:

H2 : Corporate Risk has a negative influence on the Avoidance of Double Taxation

Effect of Institutional Ownership on Tax Avoidance

Research conducted by Dewi and Sari (2015) examine the effect of institutional ownership against tax avoidance as measured by the percentage of the ownership of shares, using a sample of companies operates in manufacturing, during the observation period 2011-2013. Research results provide evidence that institutional ownership negatively affect tax avoidance. This is in line with the results of research Pohan (2008), Khurana and Moser (2009), Annie (2011) as well as and Sari Dewi, (2015) which concluded that institutional ownership negative effect on tax avoidance. Results of some previous studies that have provided empirical evidence that institutional ownership negatively affect tax avoidance, then the hypothesis is:

H3 : Institutional ownership has a negative effect on tax avoidance

Effect of Independent Commissioner on Tax Avoidance

Research conducted by Dewi and Sari (2015) examined the influence of independent directors (as measured by the number of independent directors in the company) on tax avoidance, using a sample of manufacturing firms during 2011-2013. Research results provide evidence that the independent directors have a negative effect on tax avoidance. These results concur with those of Annisa (2012). Results of some previous studies that have provided empirical evidence that independent commissioners negatively affect tax avoidance, then the hypothesis is:

H4 : Independent Commissioner negatively affect tax evasion

Effect of the Audit Committee on Tax avoidance

The audit committee is a group of people selected from commissioners who have oversight responsibility for financial reporting and disclosure process (Natawidnyana, 2008). The audit committee has a duty to exercise control in the company's financial reporting process to avoid fraud management. Research conducted by Dewi and Sari (2015) examine the effect of the audit committee on tax avoidance and the findings provide evidence that the negative effect on the audit committee of tax avoidance. Results of some previous studies that have provided empirical evidence that the audit committee negatively affect tax avoidance, then the hypothesis is:

H5 : The Audit Committee has a negative effect on tax avoidance

Effect of Quality of Audit on Tax avoidance

Research conducted by Dewi and Sari (2015) tried to examine the influence of an audit of tax avoidance, as measured by the dummy method, using a sample of manufacturing firms, with the observation period 2011-2013. Research results provide evidence that audit quality negatively affects tax avoidance. Results of some previous studies that have provided empirical evidence that audit quality negatively affect tax avoidance, then the hypothesis is:

H6 : Audit quality has a negative effect on Avoidance of Tax

RESEARCH METHOD

Research Data and Sample

The data in this research is secondary data from the financial statements of non-financial companies Listed in Indonesia Stock Exchange (BEI) in 2012 - 2014. The sample was selected using purposive sampling with the following criteria:

- Non-financial companies listed on the Stock Exchange during 2012-2014.
- Has the complete data for all variables.
- Companies whose financial statements are denominated in rupiah and financial report ending December 31st.
- Companies that do not suffer losses during the observation period.

Research Variable, Operational Definition, and Measurement of Variables

1. Dependent Variable

Tax avoidance is an attempt to reduce, or even eliminate the tax debt to be paid by the company, it does not violate existing laws. Measurement of book-tax difference may reflect earnings management, tax planning strategies, and different of the rules underlying the financial reporting and tax reporting (Mills & Newberry, 2001; Tang & Firth, 2008). Calculation of book-tax difference used in this study followed the calculation Manzon and Plesko (2002), which is the difference between accounting profit to taxable profit. **The first step**, to calculate the estimated taxable income is as follows:

$$\hat{Y}^T = \frac{\text{Current tax expense}}{\text{Tax rate}} \quad (1)$$

Descriptions :

- \hat{Y}^T : Taxable income
 Current tax expense : current income tax expense
 Tax rate : corporate tax rate, which is 25%

The second step, for the calculation of book-tax difference with the formula Manzon and Plesko (2002) are as follows:

$$BTD_MP_{it} = \frac{Y^S - \hat{Y}^T}{\text{Total asset}_{it-1}} \quad (2)$$

Descriptions :

- BTD_MP_{it} : differences in accounting income to taxable profit
 Y^S : accounting profit
 \hat{Y}^T : taxable income
 Total asset_{it-1} : total assets of the company in the previous year

2. Independent Variable

a. Executive Incentive (IE)

Variable incentive executives in this study was measured using the total compensation that includes the amount of salary, bonuses, allowances and other payments received by the executive (board of commissioners and directors) divided by the number of sales in a year (Armstrong et al., 2012), so it can be formulated as follows:

$$IE = \frac{\sum \text{salary, bonuses, allowances and other payments received by the executive}}{\text{TotalSales}}$$

b. Firm Risk (Risk)

Paligrova (2010) states that the company's risk can be measured by calculating the standard deviation of EBITDA (Earnings Before Interest, Tax, Depreciation, and Amortization) divided by total assets of the company. Standard deviation formula is as follows:

$$RISK = \sqrt{\frac{\sum_{T-1}^T (E - 2/T \sum_{T-1}^T E)^2}{(T-1)}}$$

Where E is EBITDA divided by total assets of the company. The size of the risk reflects the company, whether the company's executives are included in the category of risk-taking or risk-averse, the greater the risk the company shows the company's executives are risk-taking, whereas the less risk the company shows the company's executives are risk-averse.

c. Institutional Ownership

Khurana (2009) state institutional ownership (KI) is calculated using the formula:

$$KI = \frac{\text{the proportion of shares held by institutions}}{\text{number of shares issued}}$$

d. Independent Commissioner (KIn)

Measurement of variables commissioners use the proportion of independent board which is measured by the ratio as follows:

$$KIn = \frac{\text{the number of independent board members}}{\text{the total number of commissioners}}$$

e. Audit Committee

The audit committee is the number of audit committee members in a company

f. Quality of Audit

Measuring the quality of audits based on the size of the Public Accounting Firm (KAP), which conducted an audit in a company, using dummy variables. Companies that use the services of the Big Four accounting firm (Price Waterhouse Cooper-PWC, Deloitte, KPMG, Ernst & Young-E & Y) are given a value of 1, whereas if it is not audited by the Big Four accounting firm rated 0.

Analysis Method

In this research, testing variables using a regression, with the help of Eviews 7.0 applications. The analytical method used in this research include descriptive statistics, the classic assumption test, and hypothesis testing. Model of research are as follows:

$$BTD = \alpha + IE + RISK + KI + KIn + KA + KuA$$

Descriptions :

BTD	= Book Tax Difference
α	= constants
IE	= Executive incentive
RISK	= The risk of the company
KI	= Institutional Ownership
KIn	= Independent Commissioner
KA	= Komite Audit
KuA	= Kualitas Audit

RESULTS AND DISCUSSION

Population and Sample Research

With the criteria established at the beginning of the study, the number of samples obtained in this research consisted of 112 companies with the observation period of 3 years so that the number of observations as much as 336 observations. The number of samples in the study are presented in Table 1.

Table 1. Population and Sample Research

criteria of sample	Number of Company	Percentage (%)
Non-financial companies listed on the Indonesian Stock Exchange (BEI) from the year 2012 to 2014, the accounting period December 31	422	100
Having a bookkeeping period other than December 31	(63)	14,93
The financial statements are presented in Dollars	(69)	16,35
Companies that suffered losses with tax benefits	(77)	18,25
The financial statements of companies that do not have complete data	(101)	23,93
The number of companies that serve as samples	112	26,54
Total Years of Observation	3	
Number of observations	336	26,54

Source: Secondary data were processed, 2016

Descriptive statistics

Descriptive statistics of research, together with details of the frequency of categorical variables are presented in Table 2.

Tabel 2. Descriptive Statistics Research Variable

Variables	N	Minimum	Maximun	Mean	Std. Deviation
BTD	336	0,00006	0,237420	0,028083	0,034096
IE	336	0,000000668	0,362092	0,012235	0,024649
RISK	336	0,004953	0,355648	0,093571	0,066912
KI	336	0,071621	0,981786	0,495831	0,228124
KIND	336	0,2	0,8	0,376732	0,108743
KA	336	2	6	3,101190	0,452388
KuA	336	0	1	0,386905	0,487768
Variabel Kategorikal					
KAP					
Kategori	Dummy	Jumlah (n)		Persentase (%)	
Non Big Four	0	206		61,31	
Big Four	1	130		38,69	
Total		336		100	

Source: Secondary data were processed, 2016

Based on descriptive statistics, the average value of the variable BTD indicates that the average sample company very few utilize temporary differences between accounting income and taxable income as a form to avoid the imposition of tax liabilities. In other words, the sample firms have a low tax avoidance measures.

The Testing of Hypothesis

Testing the hypothesis aims to explain the influence of executive incentive, corporate risk, and corporate governance on tax avoidance.

Table 3. Results of Multiple Regression Testing

Variable	Coefficient	The value of the coefficient	<i>p value</i>
C		0,009229	0,4325
IE	β_1	0,129836	0,0006
RISK	β_2	-0,071610	0,0009
KI	β_3	-0,004902	0,3058
Kind	β_4	0,004115	0,7458
KA	β_5	0,004360	0,2254
KuA	β_6	0,003402	0,1678
<i>R-Squared</i>			0,175984
<i>Adjusted R-Squared</i>			0,142350
F			5,232417
Sig			0,000065

Based on Table 3, the results of tests with regression, the value of Adj. R Square shows that 14.24% variable tax avoidance (BTD) can be explained by the independent variable, while 85.76% is explained by other variables not included in this equation. F significance value of .000065 shows that the model is made is fit and can be used to test the hypothesis.

Based on Table 3, the coefficient β_1 has a positive direction and value of 0.0006 significance (p-value <5%). This suggests that executives incentives positive effect on tax avoidance. The results of this study are not consistent with a hypothesis first proposed, which aims to test whether the executive incentive negative effect on tax avoidance, so the first hypothesis is rejected. The coefficient β_2 has a negative direction and has a value of 0.0009 significance (p-value <5%). This suggests that the risk of tax avoidance affect the company negatively, so that the second hypothesis are accepted.

The coefficient β_3 has a negative direction and has a significance level of 0.3058. This means that institutional ownership has no influence on tax avoidance, so the third hypothesis is rejected. β_4 coefficient has a positive direction and has a 0.7458 significance (p-value > 5%). The results of this study are not consistent with the fourth hypothesis proposed that aims to test whether the commissioner independent negative effect on tax avoidance, so that the fourth hypothesis is rejected.

Coefficient β_5 has a positive direction and pick the significant value of 0.2254 (p-value > 5%). These results are inconsistent with the hypothesis put forward five which aims to test whether the audit committee negatively affect tax avoidance, so the fifth hypothesis is rejected. Coefficient β_6 has a positive direction and insignificant. These results are inconsistent with the hypothesis put forward five which aims to test whether the quality of audit negatively affect tax avoidance, so the sixth hypothesis is rejected.

Effect of Incentive Executives on Tax Avoidance

Based on the results of testing the first hypothesis showed that the executive incentive positive effect on tax avoidance. This study concludes that companies proven to do acts of tax avoidance, with the higher the incentive received by the executive. Sample of non-financial companies during the observation period 2012-2014 on the Stock Exchange are likely to commit acts of tax avoidance. These results are not consistent with the results of research Dewi and Sari (2015), Fadhilah (2014), Dewi and Jati (2014), Budiman and Setiyono (2012) and Irawan and Farahmita (2012) showed that the amount of incentives that include salary, bonuses, allowances and other payments received by executives negatively affect tax avoidance.

Effect of Corporate Risk on Tax Avoidance

The second hypothesis testing aims to prove that the risk of the company has a negative effect on tax avoidance. Based on the hypothesis testing results showed that the risk of the company have a negative effect on tax avoidance. These results indicate that the risk of companies able to influence the company to prevent acts of tax avoidance.

These results are consistent with the results of research and Sari Dewi (2014), Dewi and Jati (2014) as well as Budiman and Setiyono (2012) which states that the risk of negative effect on the company's tax avoidance. Thus it can be interpreted that the company's risk is an aberration or a standard deviation of earnings, both that deviations are less than planned (downside risk) or may be more than planned (upside potential). The greater the deviation of earnings indicating the greater the risk of the company. High or low risk of the company indicates that the company including risk taker or risk adverse.

Effect of Institutional Ownership on Tax Avoidance

Based on the results of testing the third hypothesis, the result that institutional ownership (KI) has a negative effect, but no significant effect on tax avoidance. Institutional ownership derived from ownership of shares held by an institution can not be shown to have a negative effect on tax avoidance. This result proves that institutional ownership is not aimed at tax avoidance. These results are not consistent with the results Annisa (2011), Khurana and Moser (2009) and Pohan (2008) which concluded that institutional ownership negatively affect tax avoidance.

The influence of Independent Commissioner on Tax Avoidance

Based on the results of hypothesis testing that the independent commissioner (Kind) has a negative impact and no significant effect on tax avoidance. Independent commissioners obtained from the comparison of the number of independent directors on the overall number of commissioners. But the result of this study proves that an independent commissioner has no influence on tax avoidance. These results are not consistent with the results Annisa (2012) which states that the independent commissioner variable negative effect on tax avoidance.

The influence of Audit Committee on Tax Avoidance

Based on the results of the fifth hypothesis testing showed that the audit committee (KA) has a negative impact and no significant effect on tax avoidance. The audit committee obtained from the number of audit committee of the company. The results of this study prove that the audit committee has no influence on tax avoidance. With no influential audit committee on tax avoidance it can be concluded that the audit committee is not able to become a monitoring mechanism on management measures for tax avoidance. The results of this study support the results of research of Dewi and Sari (2014), as well as Kurniasih and Sari (2012) who found that the audit committee variables do not negatively affect tax avoidance. But the results are not consistent with research Pohan (2008) who found the results of that audit committees negative effect on tax avoidance.

The influence of Quality Audits of Tax Avoidance

Based on the results of the sixth hypothesis testing showed that the quality of the audit (KUA) has a negative impact and no significant effect on tax avoidance. The results of this study prove that the quality of audit does not affect the tax avoidance. This is possible because of the efforts of tax avoidance is caused by the differences in accounting methods according to the tax laws that are justified by the accounting methods of the accounting standards. Auditors only provide an opinion on the obligation of presenting the financial statements. The results of this study are not consistent with the research and Sari Dewi (2015) who obtained results of audit quality positive influence on tax avoidance.

CONCLUSIONS, IMPLICATIONS, LIMITATIONS AND FURTHER RESEARCH SUGGESTIONS

Conclusions

Incentives executive is not proven to have a negative effect on tax avoidance, but the results showed that the executives incentives have a positive influence on tax avoidance.

- 1) Corporate Risk is shown to have a negative effect on tax avoidance.
- 2) Institutional ownership was not shown to have an influence on tax avoidance.
- 3) Independent Commissioner shown to have no effect on tax avoidance.
- 4) The audit committee found to have no effect on tax avoidance.
- 5) Quality audits proved to have no effect on tax avoidance.

Implications of Research Results

- 1) The executive incentives have a positive effect on tax avoidance. Giving the magnitude of incentives become significant determining factor for the actions of tax avoidance. So that high incentives received executive will increase corporate tax avoidance.
- 2) Evidence of the risk the company has a negative influence on tax avoidance explained that the higher the risk the company will affect the company's inaction tax avoidance.

Research limitations

- 1) This study uses only book tax difference to measure tax avoidance action, and the result does not give effect to the company's risk, institutional ownership, independent directors, audit committees and audit quality. Book tax difference is caused by permanent and temporary differences, whereas tax avoidance can be attributed to the choice of accounting methods.
- 2) In testing the normality, the data affected by the problem of normality, despite the establishment of improvement efforts regression model with the data reduction that is still affected by the problem outlier test for normality

Suggestions Further Research

- 1) Using proxy tax avoidance in addition to BTD (book tax difference) because BTD see differences temporary of accounting income and taxable income, the effective tax rate or cash effective tax rate, so they can produce research that diverse and increasingly demonstrate empirically the relationship between tax avoidance in forms of tax planning
- 2) Further research can use other independent variables such as firm size and leverage
- 3) The study period should be extended to determine the effect of long-term research and obtained more precise predictions.

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MAPPING THE REGULATIONS AND POLICY ON THE IMPLEMENTATION OF ACCRUAL ACCOUNTING IN INDONESIA AND JAMBI MUNICIPALITY

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Abstract. The purpose of the study is to describe the regulation and policy related to the implementation of accrual accounting in Indonesia and Jambi Municipality. The time span of the regulation and policy is the transitions from cash-based accounting system to accrual-based accounting and eventually full accrual-based accounting system. The mapping determines the position of both Indonesia and Jambi in the implementation of accrual accounting. The study used historical approach to find out and obtain information from artifacts in the form of the relevant regulation and policy related to the implementation of accrual accounting by the public sector management of the central government and the regional government of Jambi. Pallot's managerial phase was utilized to analysis the position of Indonesia in the implementation of accrual accounting. The findings showed that the adoption of accrual accounting in Indonesia is in the form of marketization. The phase introduced private sector management technique from managerial phase in Indonesia as well as used various managerial ideas and economic theories emphasizing on their personal interest.

Keywords: Accrual Accounting; Historical Approach; Public Sector Management

INTRODUCTION

In the 1980s, New Zealand and Australia followed by European countries such as Spain, Sweden, UK and Italy innitiated public sector reformation by the adoption of accrual accounting as their main feature (Ahn, Jacobs, Lim, & Moon, 2014; Boxall, 1998; Carlin, 2003; Hassan, 2013; Steccolini & Pessina, 2003). The reformation resulted in shift in structure of accountability, regulation and accounting scheme. The shift, rationally, involved corporatization of government ministries and departments in order that they became more transparent and accountable (Guthrie (1998).

Change or transition in a system, (e.g.: accounting system, management system and performance evaluation system) gets different response from individuals whose institutions affected by the transition. A study of which setting is a telecommunication company in Portugal conducted by Hopper and Major (2007; Norhayati & Siti-Nabiha, 2009) mentioned there was resistance from the production engineers and rejection from the employees towards the implementation of cost-based system activities. Studies toward the implementation of accounting device in government organization in Malaysia that underwent transition in performance management system revealed there was resistance from the employees due to time and cost (Norhayati & Siti-Nabiha, 2009). Meanwhile in Indonesia, Harun, Peurseem, and Eggleton (2012) explained that politics and authority gave complexity nuance towards the institutionalization process of the transition from cash- based accounting system to accrual-based accounting system.

The transition is needed because it is considered that cash-based accounting system can no longer provide accurate financial overview and sufficient managerial information that facilitate both performance evaluation planning and process (lihat Cohen, Kaimenaki, & Zorgios, 2007; Jan, 2005; Paulsson, 2006) since the focus of cash-based accounting system are budget and obedience toward law, instead of efficient and effective resource management (Pallot, 1998). Different from the focus of cash-based accounting, accrual- based accounting focuses on providing more transparent information about the actual cost used by the government (Blöndal, 2003, p. 45) and allows the politicians to monitor return of investment and state financial sustainability (Jan, 2005). In other words, accounting aims at providing financial information for its users. Hood (1995) coined the term "accountingization" from Power and Laughlin (1992, hal. 133) to explain how vital transition in public management is. The public management transition represents how little trust is given to public authority and professionals as well as how much given towards the market and private business sectors (Hood, 1995).

Taking a look at the phenomena, it is fair that Bale and Dale (1998) suggested that not only does accrual accounting question what the government should do, but it also should re-investigate how the government do so. The government should adjust reformation plan with their condition. Government authorities may learn what best practices are and learn from the principles applied by the central government.

The article aims at making historical analysis towards development of the regulation and policy related to the implementation of accrual accounting. Finally, the article will describe which rules becoming the bases for the regional rules and policies of Jambi government to carry out accrual accounting principles. Prior to the hystorical analysis of the regulation and policy, the researcher presents the findings of previous studies and articles focusing on the implementation of accrual accounting in public sector.

METHODOLOGY

The setting of the study is the central government and the government of Jambi. The sources of data are categorized into primary and secondary source of data. The researchers collected the primary data in order to answer the research question. The data collection methods for the primary data were participant observation and in-depth interview with the employees of the government of Jambi. Besides the primary data, the researchers also used secondary data. Source of secondary data is information from available sources (Sekaran, 2006, p. 60) obtained through non-direct method using particular media generally in the form of published or non-published evidence, archives or historical reports. The source of the secondary data was literatures that empirically or non-empirically analyzed the public sector organizations such as model of organization, management, accounting control system. Analysis towards the secondary data was carried out by collecting relevant information, literatures and documents, from the archives available in the setting of the study.

The researchers used both published and non-published documents, such as ones available in the library, research center, government institutions or other institutions. Cooper (1998, pp. 3-4) used two type of document analysis. The first was research review. Its focus was to carry out empirical studies, draw conclusion from the findings of previous related studies and making review towards the relevant related theories from various literatures significant to the study.

The second is review of literature. The procedures were to analyze previous research methodology as well as the regulation and policy related to accrual accounting applied by the government.

FINDING AND ANALYSIS

Dynamics of Accrual Accounting Adoption

Athukorala and Reid (2003, pp. 12-13) analyzed status of accrual accounting implementation and accrual budgeting in the countries becoming OECD (Organisations for Economic Cooperations Development) members. The findings showed that most of the OECD members had introduced the aspects of accrual accounting and would keep doing so in the future. The findings of Athukorala and Reid (2003)'s analysis become evidence that information resulted from accrual accounting system will increase transparency. On the other hand, other studies have shown vulnerability in accrual accounting system towards transparency (Carlin, 2005), such as one related to creative accounting or earning management (lihat juga Clarke & Dean, 2014; Jensen, 2001; Mulford & Comiskey, 2002; Rezaee, 2002; Schilit & Perler, 2010). While academics are still debating whether or not accrual accounting practice can accommodate the need for accounting in public sector, adopting accrual accounting practice becomes increasing trend in a number of public and government entities (Carlin, 2005).

In order to ensure positive encouragement towards implementation of accrual accounting, the researchers have analyzed 52 (fifty-two) literatures in the form of journal or articles related to accrual accounting in public sector (see Apendix 1). The purpose of the analysis is to find out how much support the academics have towards implementation of accrual accounting or accounting transition in an organization, either public or state-owned organization. Google and Google scholar are search engine used to select the literature using the following keywords, accrual, public sector, and or government and accounting. Furthermore, having obtained suitable literatures, the researchers inserted the tittles into Libgen and/or ProQuest and Google to get the entire materials. For Google, the researchers added ".pdf" extension at the back of the tittle in order to get the materials. The researcher concluded that out of fifty-two journals, eighteen articles supported implementation of accrual accounting or accounting transition, twenty-five of them questioned the implementation of accrual accounting or accounting transition, and ten of them refuted the implementation of accrual accounting or accounting transition.

Controversies around the implementation of accrual accounting in public sector are related to accrual accounting that initially is intended for business purpose. Conceptually, different implementation of accrual accounting in both public and private sectors is clearly indicated by Newberry (2001). Besides Newberry, Buhr (2012) also mentioned underlying difference from the concept, namely: one; authority and purpose, two; expenses and asset, and three; stakeholders and akuntabilitas. Generally, basic purpose of public sector accounting practice is to practice the society's wealth, while private sector accounting practice has never been designed for the purpose (Emami, Nazari, Rayegan, & Parveizi, 2012, p. 525; Pallot, 1992, pp. 39-40). As the effect, Kamayanti (2011) postulated that apart from increasing efficiency and effectiveness, accrual accounting practice may also have negative impact in the form of issues that may threaten Indonesia as a country and a nation as well as localism. Kamayanti (2011) emphasized that NPM management style that focus on efficiency and effectiveness can eliminate how public the public sector is. In other words, accrual accounting has contribution to eliminate public sector altruism and replace it with private sector ego focusing on individualism and putting personal (private) rights forward.

Arguments about how accurate the mplementation of accrual accounting in public sector is is also related to asset evaluation and how sufficient the implementation of accrual accounting itself (Carlin, 2005; Lapsley, Mussari, & Paulsson, 2009; Ouda, 2014). A number of assets in public sector are distinctive public domain that private sector does not have such as heritage involving historical building, archeological sites and infrastructure like road, bridge, office building, train, sewer, irrigation, electrical reticulation, dam, harbor, airport, park plantation, museum, monument, and other network (Lapsley et al., 2009; Ouda, 2014; Rowles, 1991). Thus, public sector needs different accounting procedure from that of private sector.

Implementation of accrual accounting in several public institutions has resulted in confusing financial report. Financial report aims at giving qualified information for the authority. As an example, Mellet (2002) found absurdity from the implementation of accrual accounting in England. Since the introduction of accrual accounting in health facilities in England in 1991 (Wynne, 2008, p. 119), the National Audit Office (NAO) in UK through the 2003 government's financial management report concluded that it is premature to identify the benefit of management transition to enhance public service efficiency (lihat juga Bourn, 2003, p. 31). The government of England acknowledged significant improvement after the implementation of accrual accounting in the 2008 Government's financial management report (Burr, 2008, p. 7). It is implied that the government needs at least sixteen years to apply accrual accounting sufficiently.

Meanwhile, Abd-elsalam and Weetman (2003) in Egypt, Asraf and Ghani (2005) in Pakistan, Tyrrell, Woodward, and Rakhimbekova (2007) in Kazakhstan conducted studies related to the implementation of accrual accounting. English is not the official language of the developing countries. They revealed that language and improvement in the field of accounting are cultural factors that inhibit adoption and implementation of accrual accounting so that it requires translation to adjust into the accrual accounting these countries adopted.

Global political organizations such as IPSASB, IMF and the World Bank contribute to the rapid increase of accrual adoption in many countries. Despite of the increasing trend of adoption, Yamamoto (2001) questioned whether accounting transformation of the Japanese government is considered as revolution or fashion. If it is considered as faschion, the reformation is not going to develop the government performance.

Accrual Accounting in Indonesian Reform Context

Scott (1989, p. 681) stated that history does not discuss on what happened or what information to be revealed or spread; instead, history was related to knowledge about the past, rules and convention that control production and reception of knowledge. Furthermore, Scott (1989) explained that history was constructed historians to become reflection as well as create power relations. Standard, importance and evaluation of history is not objective but it is covention-based produced for political interest. Political process refers to agreement and disagreement, either explicit or implicit, substantial, value and meaning of knowledge. The process revolves around establishment and protection. Based on the previous elaboration, the reseachers conclude that history is the result of the political process. Historical analysis in the sub-chapter refers to an analysis the researchers obtain from the secondary source of data in the form of evidence, archives or reports of past events and published or unpublished documentation. Half of the secondary data are in the form of decree, government regulation, presidential decree, ministerial decree, regional regulation, mayor regulation and other relevant documents. Cooper (1998, pp. 3-4)'s document analysis is used to analyze the secondary source of data.

The government of Indonesia adopted accrual accounting as part of political and economic reform after the 1998 political and monetary crisis (Harun et al., 2012). To overcome the crisis, the government provide legal entity as the foundation of the reformation taking place. Through the People's Consultative Assembly (known as MPR), the government issued three decrees that become the legal bases for the 1998 public sector reform. The first is MPR's Statement No. X/1998 about the principles of developmental reformation to salvage and as normalization of national life as the state policy. The second is MPR's Statement No. XI/1998 about transparency and develop the country into corruption, collusion and nepotism-free country. The third is MPR's Statement No. XV/1998 about regional autonomy; regulation, division and utilization of the national resources in a fair manner; as well as balance between the central and regional budget within Indonesian ideology.

Elaboration of MPR's Statement No. XV/1998 is in the form of the Indonesian Law No. 22/1999 concerning regional government and the Indonesian Law No. 25/1999 concerning regulation that maintains balance between the central and regional budget. Implementation of the Indonesian Law No. 22/1999 brings significant impact towards regional management, including regional financial management. Regional financial management is a tool to maintain and manage regional budget so that it meets particular need and condition in the area. Both decrees are the bases for the country to carry out decentralization and government accounting reformation as well as public sector budgeting. Economic-wise, decentralization improves efficiency that becomes obvious demand in legal supply of public goods and service (Prasojo, Maksum, & Kurniawan, 2006). To accommodate performance report of an institution responsible for the supply, the President issued the Presidential Instruction No. 7/1999 concerning performance accountability of the governmental agency or the implementation of a report that measure government institution performance of which purpose is to improve performance, competitive advantage of both central and regional government. The competitive advantage is facilitated by regional independence. The regional independence is facilitated through regional autonomy. The central government maintains its authority and that of the province as autonomous area through the Government Regulation No. 25/2000 concerning government and regional government authority as autonomous area.

Juridically, regional financial management in Indonesia is accommodated through the Government Regulation No. 105/2000 and the Ministry of Home Affairs Instruction No. 29/2002. Government Regulation No. 105/2000 maintains regional government management and responsibility. Technically, the Minister of Home Affairs issued Ministry of Home Affairs Instruction No. 29/2002 to maintain regulation, responsibility and supervision towards regional budget and the establishment of regional budget. The regulation starts to introduce the use of modified cash basis accounting as well as double entry bookkeeping to keep record of regional budget.

Through both regulations, regional budget management reform experience fundamental transition in the form of financial structure and mechanism. The purpose is to create transparency and enhance public accountability. The current financial structure allows regional government to have back-up. Classification of expenses, which previously used routine expenditure concept and developmental expenditure, is changed into apparatus and public expenditure. The goal is to make public analysis, evaluation and supervision towards the implementation and management of regional budgets easier.

The Government Regulation No. 105/2000 and The Ministry of Home Affairs Instruction No. 29/2002 are the substitute for former regulation about regional budget such as The Government Regulation No.5/1975 about the regulation, responsibility and supervision of regional budget, The Government Regulation No.6/1975 about regional budget planning, implementation of regional financial administration, and the preparation of the budget calculations, The Minister of Home Affairs Instruction No 900-099/1980 as well as The Minister of Home Affairs Instruction No. 2/1994 that supervise and maintain implementation of regional budget. The bases of the four regulations are The Indonesian Law No. 5/1974, The Government Regulation No. 5/1975, and The Government Regulation No. 6/1975.

In the development, the economic and political reformation is regulated in series of decrees about the national budget such as The Indonesian Law No. 17/2003 concerning national budget, The Indonesian Law No. 1/2004 concerning national treasury and The Indonesian Law No. 15/2004 concerning supervision towards national budget management and responsibility. Article 36 verse (1) of The Indonesian Law No. 17/2003 states that recognition and evaluation of accrual-based income and expenditure should be implemented at least in five years. Using the regulation, accrual accounting internalization is spread out to all regional government in Indonesia. It requires Government Accounting Standards, standard for government accounting as the basis for financial government report for government institution. Technically, the implementation of accrual accounting in government institution is regulated in the Government Accounting Standards, standard for government accounting

(The Government Regulation No. 24/2005 that later is changed into The Government Regulation No. 71/2010).

The Government Regulation No. 71/2010 Article 1 Verse 8 clearly stated that:

“Accrual-based standard for government accounting that acknowledges income, debit, asset, debt, and equity in budget implementation report based on the bases established in the national/regional budgets”

The regulation is a legitimation for public managerial phase in Indonesia using accrual-based accounting in both central and regional government. Pallot (1998) conducted a study on public management in New Zealand. There are four phases of the implementation of public management between 1978 and 1992. The first phase is traditional phase, taking place prior to 1978, characterized by cash-based accounting and input control. The second phase called managerial phase starts from 1978 to 1985. The phase introduces private sector management technique and accrual-based accounting. The third phase, marketing phase, takes place between 1986 and 1991. The phase combines various managerial ideas and economic theories emphasizing on personal interest. The fourth phase, strategic phase, takes place between 1992 until now. It emphasizes on comprehensive government strategy. Taking a look at development of the regulations related to the implementation of accrual accounting elaborated in the sub-chapter, Indonesia is on the third phase compared to New Zealand.

The first phase (traditional phase) of public management in Indonesia took place prior to the reformation. manajemen publik di Indonesia terjadi sebelum era reformasi. Pallot (1998) stated that the characteristic of the phase is cash-based accounting and input control. During the phase, Indonesia government issued some regulations and policies related to public budget management. These were issued between 1975 and 2002. In the phase, government accounting in Indonesia had yet had accounting system; the country had an administration system known as regional budget administration. It was manually operated and had yet been computerized. The controlling system towards budget realization is based on input control. In 1980, the government through The Ministry of Home Affairs issued The Minister of Home Affairs Instruction No. 900-099 concerning regional budget administration manual (known as *MAKUDA*). The manual was guideline for regional budget recording. It basically was a book-keeping system instead of an accounting system. For approximately two decades, Indonesia experienced change in the government structure with the implementation of regional autonomy and fiscal decentralization in the beginning of 2001. It resulted in a change in budget format and reporting. To deal with the change, the government through the Ministry of Home Affairs issued The Minister of Home Affairs Instruction No. 29/2002. It introduced modified cash-based accounting as well as entry bookkeeping for regional budget recording.

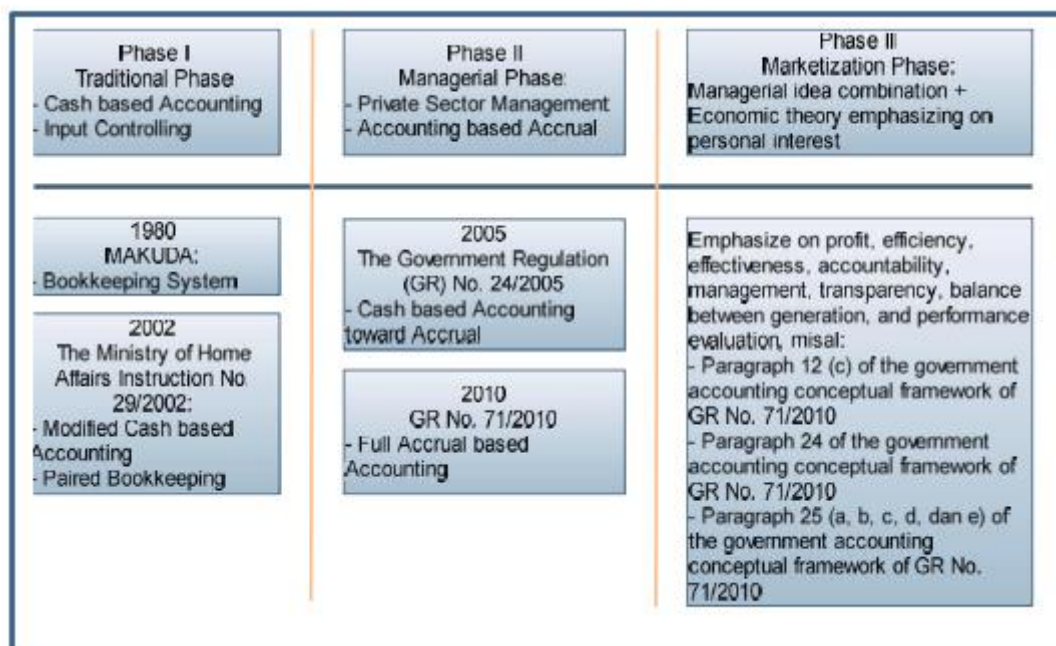
The characteristics of Pallot (1998)'s second and third phases are introducing accrual-based accounting and private sector management technique as well as combination of various managerial ideas and economic theories emphasizing on personal interests. The first characteristic of the phase appeared when Indonesia had public sector accounting reform. It resulted in certain regulations related to accounting implementation between

2003 and 2013. 2005 was a critical year because it was the year the government issued the Government Regulation No. 24 concerning the implementation of accrual accounting with particular requirement. In this regulation, article 7 verse 1 stated that reporting entity that implement accounting and present accrual-based financial report keep on presenting cash-based budget realization report. The statement was again stated in the amendment of the Government Regulation No. 24/2005 that is The Government Regulation No. 71/2010. Requirement for the implementation of accrual-based accounting in Indonesia was emphasized on the first and second attachment of The Government Regulation No. 71/2010 that it should be implemented at least four years after the 2010 fiscal year. The government issued a more technical regulation that encouraged the implementation of accrual accounting in Indonesia through The Minister of Home Affairs Regulation No. 64/2013. It required regional government to establish regional government accounting policy, system and standardized accounting chart. In other words, it was the legitimation towards the implementation of accrual accounting in Indonesia.

The characteristics of the second phase (that introduces private sector management technique and accrual-based accounting in Indonesia) and those of the third phase (that combines various managerial ideas and economic theories emphasizing on personal interest) obviously shown characteristics of which basis is the principles of private sector management. They emphasize on profit, efficiency, effectiveness, accountability, management, transparency, balance between generation, and performance evaluation. The concept can be seen from the government expectation to apply efficiency and effectiveness in liberalization of public service. The government has transformed the principles into regulations such as Paragraph 12 (c) of the government accounting conceptual framework of The Government Regulation No. 71/2010. The paragraph stated that service efficiency given by the government is more difficult to evaluate compared to service retribution due to service monopoly by

the government. Evaluation of efficiency by the government is getting easier once other institutions are allowed to provide types of service similar to the ones provided by the government.

Efficiency and effectiveness also become the parameter for government performance and achievement. The after-effect of public service liberalization is Indonesian public service is no longer free-of-charge, elimination of subsidy and higher cost to access public facilities. Other examples of the government expectation to carry out management concept, transparency, balance between generation and performance evaluation can be seen in Paragraph 24 and 25 (verse a, b, c, and d) of *Government Accounting Standards* in 2010. The managerial phase in Indonesia is shown in Picture 1.



Picture 1. Public Managerial Phase in Indonesia

Accrual Accounting Era in Jambi Municipality

Indonesian government consists of central and regional government. The President is the chief of the central management and he is assisted by a number of Ministers. Governor or Mayor is the chief of the regional government and he answers to the Minister of Home Affairs. As the result, the Minister of Home Affairs establishes general regulation, technical guidance and facilities related to the implementation of regional government, regional development, supervision and public empowerment. The government of Jambi municipality, as part of the structure, should follow the system.

Middle-term regional development planning document or *Rencana Pembangunan Jangka Menengah Daerah (RPJMD)* of Jambi municipality document between 2013 and 2018 explains that Jambi as one of the regional government in Indonesia has an authority to manage and maintain their own regional interest referring to Indonesia constitution and law. Government of Jambi has opportunity to carry out plans of which purpose is the public welfare using any resources they have. The document states that the government of Jambi has established long-term plan, between 2005 and 2025 to achieve its vision as religious and cultural trading center for goods and service.

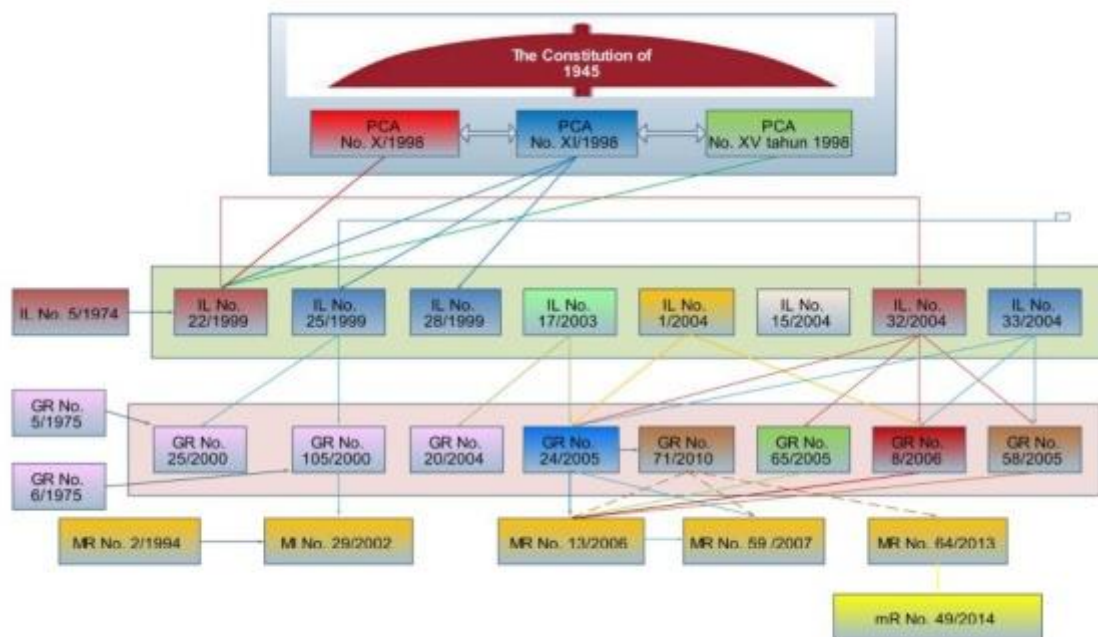
The government of Jambi municipality carries out their activities using particular regulations in the form of the regional budgets as the basis. It is further stated in the 2004 Decree number 33 about balance of national budget. Well-balance budget between the national and regional government is an overall system of which bases are decentralization, deconcentration and assisting tasks. Some aspects the government of Jambi has to pay attention to is not only regional income but also regional management and responsibility. Most of indicators the government of Jambi municipality gets for the regional development is assisting tasks. The government of Jambi municipality is required to report the amount of budgets they spend. As an addition, they also is required to evaluate their programs and activities for the sake of effectiveness and efficiency.

The government of Jambi municipality has initiated *sistem informasi pengelolaan keuangan daerah (SIPKD)*, the information system for regional budget management since 2004 to maintain the budget accountability. It is the result of the implementation of The Ministry of the Home Affairs Instruction No. 29/2004. In 2004, the government of Jambi municipality worked together with the Center of Accounting and Business Faculty of Economics Brawijaya University. Prior to the implementation of the Instruction, the government had used *MAKUDA* as the guideline for regional budget recording. Mr.H confirmed the information saying that:

“Before Ministry of the Home Affairs Instruction No. 29....we used *MAKUDA*..., small expenditure [SIC].”

Therefore, *SIPKD* or the information system for regional budget management has been implemented prior to the implementation of the accrual-based government accounting standard. Furthermore, the government of Jambi municipality has an update from the older version of *SIPKD* to accrual-based *SIPKD* or the information system for regional budget management using vendor from the Ministry of Home Affairs. The central government through the Ministry of Home Affairs as the supervisor for the regional government has established the 2013 Minister of Home Affairs Regulation No. 64/2013 about the implementation of accrual-based government accounting system in regional government. Scope of the decree is regional government accounting policy, accounting system and standardized accounting chart in order to establish accrual-based government accounting system. When the researchers have finished the observations, the government of Jambi municipality has just had one regulation that is the 2014 Mayor Regulation No. 49/2014 about regional accounting policy. In relation to the decree, the government of Jambi municipality has yet had sufficient tool in the form of regulation related to accrual accounting policy to carry out accrual-based accounting. The evidence is the result of the Indonesian Audit Board evaluation on 2014 about regional government preparation to apply accrual accounting for the first semester of the 2014 fiscal year report. The report revealed that the regional government has established accrual-based regional government accounting system as stated in The Government Regulation No. 71/2010. It results in awareness towards how not optimum the implementation of accrual accounting in Jambi municipality is.

The researchers develop a chart to conclude some legal bases transformed into regulations related the implementation of accrual accounting in the government of Jambi. Based on Picture 2, the legal baseds and regulations related to the implementation of accrual accounting in the government of Jambi municipality can be divided into two era; the first is the *MAKUDA* era and the second is the accounting era. The *MAKUDA* era took place before 2002. During the era, the recording simple was very simple using single book- keeping system. The basis is cash-based accounting system.



Picture 4.2. Legal Bases for Regulations related to the Implementation of Accrual Accounting by the Government of Jambi Municipality

Source: Data Analysis

Description:

PCA : People Consultative Assembly
IL : Indonesian Law
GR : Government Regulation
MR : The Ministry of Home Affairs Regulation
MI : The Ministry of Home Affairs Instruction
mR : The Mayor Regulation of Jambi Municipality

According to Mr.H, before 2002 the government of Jambi municipality still used treasurer bookkeeping and *MAKUDA* as the guideline. On the other hand, the accounting era took place after 2002. The treasurer started to use “accounting” bookkeeping as stated in The Government Regulation No. 105/2000 and The Minister of Home Affairs Instruction No. 29/2004 using the modification of cash-based accounting system. Furthermore, the Indonesian Law No. 1/2004 has stated accrual-based accounting for accountability and evaluation of income and expenditure.

CONCLUSION

The implementation of accrual accounting in Indonesia is inseparable from the history of national budget management as well as economic and political reform. Various policies and regulations have been issued to adjust the current situation and condition of the country. Compared to the findings of Pallot’s study about public management in New Zealand between 1978 to 1992, Indonesia has achieved the second phase and is looking forward to the third phase. On the second phase, Indonesia has applied the private sector management principles to introduce accrual accounting to maintain public assets and expenditure. Indonesia is looking forward to the third phase due to introduction of managerial ideas and economic theories that emphasize on personal interests. These ideas emphasize on efficiency and effectiveness as parameter of success regulated in various policies and regulations related to public budget management.

The legal bases of the implementation of accrual accounting in Jambi are divided into two eras, namely the *MAKUDA* era taking place before 2002 and the accounting era taking place after. The Government of Jambi municipality has just issued a regulation about Accounting Policy through Mayor Regulation No. 49/2014. At the time the researchers no longer visited the site of the study, the government of Jambi municipality has yet established other regulations about other implementation of the accrual accounting. The regulation is supposed to maintain the accounting chart and accounting system. As government organization that is run based on legal bases, it has practical implication towards operating legal bases for management and responsibility that the government of Jambi municipality use. The staff should apply the accrual accounting using available resource since the necessary regulation has yet been issued.

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THE INFLUENCE OF GOVERNMENT AUDITOR'S KNOWLEDGE, ABILITY, AND SKILL TOWARDS THE EFFECTIVENESS OF AUDIT INVESTIGATION PROCESS ON FRAUD DETECTION IN INDONESIA

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Abstract. Nowadays, financial fraud especially corruption has been a most critical problem in the world. Governmental institutions' participations are necessary in combating financial issues and corruption. In order to combat corruption, Indonesian government established independent institutions such as the Corruption Eradication Commission (KPK). The KPK is assisted by governmental audit institutions, the Supreme Audit Agency (BPK) and the Financial Development Comptroller (BPKP). This research aims to explain how to assess the capability of government auditors who serve in investigative field based on their knowledge, abilities, and skills and how the capability can influence the effectiveness of audit investigation process on fraud detection. Because investigation audit is not similar with financial audit. This research's samples are gathered in several branches of BPKP in Indonesia and reach 103 sample size. The data was processed with statistical software. It was found that the knowledge, ability, and skill of government auditor has no significant influence to the effectiveness of audit investigation process on fraud detection, and the knowledge of government auditor does not influence to the government auditor's skill, but it was found that the government auditor's skill has significant influence to the government auditor's ability.

Keyword: Ability, Audit Investigation, Forensic Audit, Fraud, Government Auditor, Knowledge, Skill.

INTRODUCTION

Fraud is a common yet problematic thing to happen in any kind of businesses in the world (Bogdanovičičiūtė, 2011). According to Association of Certified Fraud Examiner (ACFE), there are three kinds of frauds that commonly happen: fraudulent statement, asset misappropriation, and corruption (Silverstone & Sheetz, 2007). Those three frauds are commonly occurred in a businesses or institutions, but the latter fraud, corruption, occurs in almost economical aspects in the world. Corruption has been a major cause of poverty across the globe as it affects every layers of society, both government and non-government actors. However, the lowest level of society is the one who get affected the most even though all elements are affected nevertheless. The government as policy maker is the first domino that brings down businesses and other services. Then it will bring down people as the latter domino who enjoy the services provided by businesses and other services, as corruption undermines political development, democracy, economic development, the environment, people's health and more (Shah, 2011).

Indonesia is ranked 114 out of 177 countries in Corruption Perception Index based on Transparency International (Indonesia Investments, 2013). This condition is depressing if we consider Indonesia has functional the Corruption Eradication Commission (KPK) as its anti-corruption agency. According to article 4 of Law No. 30 of 2002 on the Corruption Eradication Commission, the KPK is established in order to increase efficiency and results of corruption eradicating effort. In its process, the KPK needs strong evidences in order to accuse a suspect. In order to fulfill such duty, the KPK will perform an Investigative audit against corruption as economical fraud.

The biggest result of fraud is a financial loss; therefore many investing people think that auditing and accounting profession is a profession that is related to a fraud prevention, fraud detection, and fraud investigation (Skalak, Alas, & Sellitto, 2005). Audit investigation is an evidence collecting and submitting process related to abnormality in the State financing and economy in order to obtain conclusions and recommendation to support litigation process and/or managerial corrective action (BPKP, 2014). Audit investigation can only be performed by professional and authorized investigative auditors, in this context, auditors which belong to Supreme Audit Agency (BPK) and Development Finance Comptroller (BPKP) or often called as government auditor. The Constitutional Court has acknowledged the BPKP's authority to perform Investigative audit. The acknowledgement was stipulated in the Constitutional Court Ruling No. 31/PUU-X/2012 on 23rd October 2012 which strengthened the

BPKP's authority to perform investigative audit which has been regulated in Presidential Decree No. 103 of 2001 and Government Regulation No. 60 of 2008. Both BPKP and BPK have the authority to perform audit investigation based on those positive regulations (Wibowo, 2012).

Like financial audit, investigative audit also has procedures that need to be obeyed by the auditor. Procedure of financial auditing and investigative audit are different due to different result. Procedures of investigative audit are more complex because it involved the role of criminal financial crime and court proceedings. So auditor who do investigative audit must be trained and have several requirements. Knowledge, ability, and skill are three key points that must be owned by auditor who do investigative audit in order to achieve high-quality audit results and can be accounted for, because the results will determine whether a suspect is designated as a defendant or not, this is a crucial work since it involves the loss of the country. Because the work investigation audit is more complex than the usual financial audit work, it can be ascertained that the audit investigation was a lengthy process. But, a lengthy process is not always proportionate with predetermined time; an investigation is usually performed in a limited time but the auditor is obliged to work effectively. This is caused by the KPK and judiciary bodies that eager to solve corruption case as soon as possible but effective.

Because of the increasingly widespread cases of fraud that occurred in Indonesia and increasingly need for auditor who do investigative audit or investigation audit process, especially government auditor in Indonesia in proving fraud, and also based on the facts above, researchers is interested to perform a research with Statement of Problem: (1) To what extent does the knowledge of government auditor influence the effectiveness of audit investigation process on fraud detection in Indonesia. (2) To what extent does the ability of government auditor influence the effectiveness of audit investigation process on fraud detection in Indonesia. (3) To what extent does the skill of government auditor influence the effectiveness of audit investigation process on fraud detection in Indonesia. (4) To what extent does the knowledge of government auditor in Indonesia influence the ability of government auditor in Indonesia. (5) To what extent does the skill of government auditor in Indonesia influence the ability of government auditor in Indonesia.

THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

In accounting and auditing area, the terms of forensic accounting, fraud auditing, fraud investigation, or investigative accounting are not clearly defined. Nowadays, the terms of antifraud profession is forensic accounting which refers to the incorporation of all the terms involved with investigation, including fraud auditing (Singleton & Singleton, 2010).

Forensic accountants are people who are experienced, trained, and knowledgeable in all kind and condition of fraud investigation such as communication skills to interview people effectively, how to report the result for the clients and courts, how to provide and deliver expert testimony about the result of investigation in court, and know the rules of evidence (Singleton & Singleton, 2010). Forensic accountant is also known as an investigative auditor (Bragg, 2014). In the reality, forensic accountants are only needed after an allegation, complaint, or discovery that leads to evidence or suspicions regarding the fraud have arisen to the surface. The needs of forensic accountants also for translating numerical data and financial transaction into the ordinary terms so the laypersons can understand. In order to fulfill those needs, forensic accountants have to master accounting and auditing area as well as in communication and investigation process such as criminal investigation, interviewing, report writing, and terrifying as expert witnesses. The result or findings of forensic accountant will affect an individual or companies (suspect) freedom or a financial award or loss (Singleton & Singleton, 2010).

Many aspect of forensic accounting is beyond traditional education, training, and experience of auditors and accountants in common. To serve an effective forensic accountant, it is necessary to fulfill the following skills, abilities, and/or knowledge (Singleton & Singleton, 2010):ability to detect frauds with minimal information, interviewing, mind-set, knowledge of evidence, presentation of findings, knowledge of Investigation Technique, investigative skills, investigative Mentality, iidentification of financial issues, and interpretation of financial information.

Conducting investigation in forensic accounting is not really different with the financial audit process but with several consideration. The steps of conducting investigation in forensic accounting are (Weaver, 2008): (1) Accepting an investigation, (2) Planning The Investigation, (3) Gathering Evidence, (4) Reporting, and (5) Court Proceedings.

In Indonesia the one who do forensic in accounting and auditing area or often called as audit investigative are the one who expert in audit and fraud like government auditor in BPKP. Investigative audit must proceed based on standards and in a good manner by government auditor. The ending result of investigative is very useful in a fraud cases. Consequently, government auditor who do investigative audit must have a good capability in audit investigation process and procedures. Capabilities of

government auditor who do audit investigative are divided into three aspect which knowledge, ability, and skill. Those three aspects will influence the effectiveness of audit investigative process. The knowledge of government auditor who do investigative audit is divided into four indicators which are accounting knowledge, auditing knowledge, legal knowledge, and evidence knowledge (appropriate). The ability of government auditor who do investigative audit is divided into two indicators which are ability to detect fraud and ability to identify financial issue. Skill of government auditor who do investigative audit is divided into two indicators which are investigation skill and communication skill. In this research, knowledge, ability, and skill of government auditor are expected to have relationship towards the effectiveness of audit investigation process on fraud detection that divided into five indicators which are planning, gathering evidence, reporting, court proceedings, and audit techniques. This research also find another possible relationship between knowledge, ability, and skill. Knowledge and skill are expected to have positive relationship to the ability which are ability to detect fraud and ability to identify financial issue because the value of ability itself can increase along with the improvement of knowledge and skill. (see figure 2.1)

Hypothesis in this research are:

- H1: Government auditor's knowledge has significant influence to the effectiveness of audit investigation process on fraud detection.
- H2: Government auditor's ability has significant influence to the effectiveness of audit investigation process on fraud detection.
- H3: Government auditor's skill has significant influence to the effectiveness of audit investigation process on fraud detection.
- H4: Government auditor's knowledge has significant influence to the government auditor's ability.
- H5: Government auditor's skill has significant influence to the government auditor's ability.

RESEARCH METHOD

Operational Definition

- (1) Government Auditor's Knowledge (X1)
Government auditor in this research refers to the government auditor who does an audit investigation on fraud detection or fraud cases in Indonesia. Government auditor must fulfill some knowledge to serve an effective work as investigative auditor. Based on theoretical review which has been done by there searcher, thus the knowledge is divided into four indicators: accounting, auditing, llegal, and knowledge of evidence.
- (2) Government Auditor's Ability (X2)
Government auditor's ability refers to their ability in detecting fraud and their ability to identify financial issue.
- (3) Government Auditor's Skill (X3)
Government auditor's skill refers to investigation and communication skill that must be fulfilled by government auditor (investigator).
- (4) Effectiveness of Audit Investigation Process (Y)
Effectiveness in this context is about government auditor (investigator) done their job according to plan, time, and budget but produce high quality and on target result. Based on the theoretical review that has been done by researcher, there are four steps on audit investigation: investigation planning, gathering evidence, reporting, and court proceedings.

This research is using quantitative method because the goal of this research is to obtain the relationship among exogenous/independent variable and endogenous/ dependent variable (University of Southern California, 2010), in this case is to obtain the relationship between the government auditor's knowledge, ability, and skill (exogenous) in Indonesia towards the effectiveness of audit investigation process (endogenous) on fraud detection.

Population of this research is the entire government auditor in Development Finance Comptroller (BPKP) Indonesia who does audit investigation (work under investigation department). Researcher decide to choose sample (government auditor) in Central BPKP in Jakarta, Jakarta branch of BPKP, Banten branch of BPKP, and Bengkulu branch of BPKP. Sample size of this research is 103 samples because in Structural Equation Modeling minimum requirement of the sample size is 100 samples (Sugiyono, 2010).

Researcher uses probability sampling because each population in this research have the same probabilities for being chosen as sample. Probability sampling has several types and researcher choose area sampling as a sample technique in collecting data.

Research instrument of this research is a self-constructed questionnaires that has been tested the validity and reliability. There are 64 questions that must be answered by respondents.

Researcher used factor analysis and cronbach alpha for validity and reliability test, normality, multicollinearity, and heteroscedasticity for classic assumption test. For hypothesis testing, researcher used structural equation modeling (SEM) and lisrel version 8.70 as statistical software.

RESULT

The result of factor analysis test found that there are some questions that must be eliminated which are question number 51, 52, 57, and 59. For classic assumption test, the result found that the research model is normal, no multicollinearity, and free from problem heteroscedasticity.

Model fit can be measure by seeing the several fit indices. Fit indices are used to measure the degree of compatibility between hypothesis models with the data gathered. Researcher is expected to examine the model using several fit indices.

Based on the goodness of fit index table 4.1, almost all the fit index have good fit. So it can be concluded that model in this research is accepted. This research is also testing the structural model between government auditor's knowledge (knowledg), government auditor's ability, government auditor's skill, and effectiveness of audit investigation process (effectiv). The significance level of this research is 5% (0.05), thus the t-value of the diagram (result or output of lisrel 8.70) must be above 1.96 to obtain a significant result and to accept the hypothesis.

Here is the structural model in form of diagram as the result of program LISREL 8.70:

(1) *Estimates Structural Model*

Estimate structural model shows the estimates model and value for every relation between variable and indicator. The data for estimate structural model is a primary data gathered by the researcher. (see Figure 5.1)

(2) *Standardized Structural Model*

Standardizes structural model shows the value of loading factor for every indicator toward the construct.

Substantively the function of standardized loading factor is the same like factor analysis. They indicate the validity of the indicator, whether the indicator is valid to measure the construct or not. As stated on factor analysis section, the instruments which not valid has been eliminated based on standard. The result is the same if used standardized loading factor. As shown on the diagram above, the loading factor value for every indicators toward the constructs are more than 0.50. It means that all indicators is valid as the indicator to measure the construct. (see Figure 5.2)

(3) *T-Value Structural Model (see figure 5.3)*

As shown on the table above there are t-value below 1.96 and in the diagram there are t-value colored by red color. It means that there are several relations between variable which not significant. The t-value also used to interpret the hypothesis.

This research is not a replication of the previous research. While the previous researchs just have 2 variables and using regression model with spss program, this research have 4 variables with 13 indicators and using structural equation modeling with lisrel 8.70 as the program. The instrument of this research is questionnaire constructed by the researcher that has been tested with the pearson correlation as validity testing and cronbach alpha as reliability testing.

This research conducted in order to know the relationship between government auditor's knowledge, ability, and skill towards the effectiveness of audit investigation process and to know the relationship between government auditor's knowledge and skill towards government auditor's ability. Based on the results of the factor analysis and standardized loading factor, almost all indicator is valid as the indicator to measure the construct and to represent the variable. Although there are some questions have been eliminated in the factor analysis section, but in standardized loading factor section, all indicators are valid.

The validity and reliability of the instruments indicate that the instruments used in this research are represent the construct or variable and matched with the theory constructed in chapter two (see figure 5.4). It means that accounting knowledge, auditing knowledge,

legal knowledge, and evidence knowledge are compatible indicators to represent the government auditor's knowledge, ability to detect fraud and ability to detect financial issues are compatible indicators to represent the government auditor's ability, investigation skill and communication skill are compatible indicators to represent the government auditor's skill, and investigation planning, gathering evidence, reporting, court proceedings, and audit techniques are compatible indicators to represent the effectiveness of audit investigation process on fraud detection.

On structural fit indices, there is t-value diagram which indicates the hypothesis is accepted or rejected. The t-value for 5% level of significant is 1.96. The interpretation of the hypothesis testing are stated below:

(1) Hypothesis 1: Government auditor's knowledge has significant influence to the effectiveness of audit investigation process on fraud detection.

Hypothesis 1 presume that the knowledge of government auditor who do investigative audit is has positive or significant influence to the effectiveness of audit investigation process on fraud detection. The result as shown on the t-value diagram and table is not the same like the hypothesis. The t-value is 1.04 which means under 1.96 (standard), so the hypothesis is rejected. The result indicates that government auditor's knowledge is not has significant influence to the effectiveness of audit investigation process on fraud detection.

(2) Hypothesis 2: Government auditor's ability has significant influence to the effectiveness of audit investigation process on fraud detection.

Hypothesis 2 presume that the ability of government auditor who do investigative audit is has positive or significant influence to the effectiveness of audit investigation process on fraud detection. The result as shown on the t-value diagram and table is not the same like the hypothesis. The t-value is -0.06 which means under 1.96 (standard), so the hypothesis is rejected. The result indicates that government auditor's ability not has significant influence to the effectiveness of audit investigation process on fraud detection.

(3) Hypothesis 3: Government auditor's skill has significant influence to the effectiveness of audit investigation process on fraud detection.

Hypothesis 3 presume that the skill of government auditor who do investigative audit is has positive or significant influence to the effectiveness of audit investigation process on fraud detection. The result as shown on the t-value diagram and table is not the same like the hypothesis. The t-value is 0.07 which means under 1.96 (standard), so the hypothesis is rejected. The result indicates that government auditor's skill is not has significant influence to the effectiveness of audit investigation process on fraud detection.

(4) Hypothesis 4: Government auditor's knowledge has significant influence to the government auditor's ability.

Hypothesis 4 presume that the knowledge of government auditor who do investigative audit is has positive or significant influence to the government auditor's ability. The result as shown on the t-value diagram and table is not the same like the hypothesis. The t-value is 1.04 which means under 1.96 (standard), so the hypothesis is rejected. The result indicates that government auditor's knowledge is not has significant influence to the government auditor's ability.

(5) Hypothesis 5: Government auditor's skill has significant influence to the government auditor's ability

Hypothesis 5 presume that the knowledge of government auditor who do investigative audit is has positive or significant influence to the ability of government auditor. The result as shown on the t-value diagram and table is same like the hypothesis. The t-value is 2.73 which means above 1.96 (standard), so the hypothesis is accepted. The result indicates that government auditor's knowledge is has significant influence to the government auditor's ability.

CONCLUSION, IMPLICATION AND LIMITATION

Conclusion

This research has objectives to obtain the relationship between government auditor's knowledge, ability, and skill towards the effectiveness of audit investigation process on fraud detection in Indonesia, to obtain the relationship between government auditor's knowledge towards government auditor's ability, and to obtain the relationship between government auditor's skill towards government auditor's ability. The results obtained are:

(1) The knowledge of government auditor in Indonesia can be measured by their knowledge on accounting, auditing, law, and appropriate evidence. So government auditor in Indonesia can improve

their knowledge by improving their accounting knowledge, auditing knowledge, law knowledge, and appropriate evidence knowledge.

- (2) The ability of government auditor in Indonesia can be measured by their ability to detect fraud and the ability to identifying financial issue. So government auditor in Indonesia can improve their ability by improving their ability in detecting fraud and ability in identifying financial issue.
- (3) The skill of government auditor in Indonesia can be measured by their investigation skill and communication skill. So government auditor in Indonesia can improve their skill by improving their investigation skill and communication skill.
- (4) The effectiveness of audit investigation process done by government auditor in Indonesia can be measured by seeing the effectiveness of their work on investigation planning, gathering evidence, reporting, court proceedings, and audit techniques.
- (5) The research shows that knowledge, ability, and skill of government auditor in Indonesia is not influential to the effectiveness of audit investigation process on fraud detection in Indonesia. It is because of certain condition of the research. If we see the chi-square of this research is poor fit so it can be concluded that the respondents of this research is not enough or the sample size is small. Government auditor in Indonesia especially for investigative auditor under BPKP has been trained well, they have good knowledge, ability, and skill, as we can see on the conclusion above that all indicators is valid to measured the variable or construct.
- (6) The knowledge of government auditor in Indonesia is not influential to the ability of government auditor in Indonesia. So accounting knowledge, auditing knowledge, legal knowledge, and evidence knowledge does not have any relationship or does not affect the ability of government auditor in detecting fraud and in detecting financial issue. There are another variable that can influent government auditor's ability.
- (7) The skill of government auditor in Indonesia is influential to the ability of the government auditor in Indonesia. So to improve the ability in detecting fraud and identifying financial issue, government auditor must develop and improve their investigation and communication skill.

Limitation of The Research

- (1) The sample size is not enough.
Structural Equation Modeling (SEM) required a large sample size with minimum 100 samples or respondents. The sample size of this research is 103 respondents as suggested on the SEM theory is not enough. This condition also can be seen on the chi-square of the good fit index. The chi-square is poor fit indicates that the respondents is not enough as a sample in this research.
- (2) Questions and Wording
There are so many questions (64 questions) that must be answered by respondents and the questions sometime have long explanation. So when respondents answer the questions they could be boring in answering the questions and misunderstand the question.

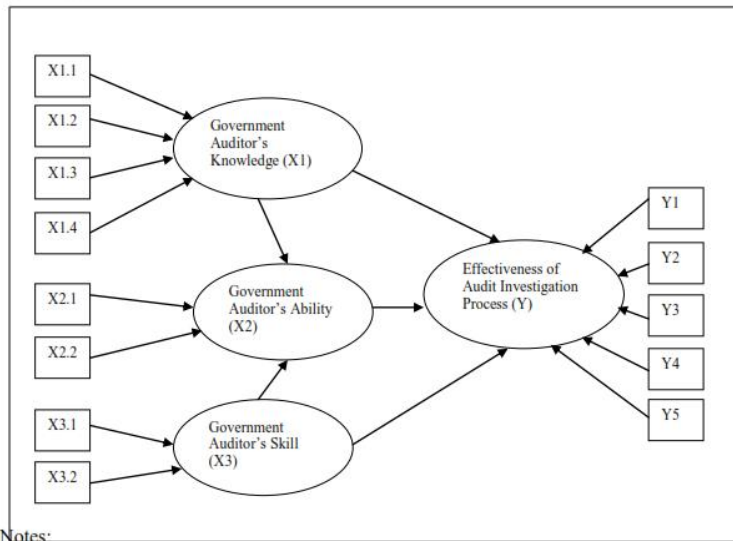
Recommendation

- (1) Based on the result, all indicators are valid as indicators to measure the variable or the construct. So if government auditors in Indonesia want to improve their knowledge, they have to improve several aspects which are accounting knowledge, auditing knowledge, legal knowledge, and appropriate evidence knowledge. Government auditor also have to improve their ability in detecting fraud and ability to identifying financial issue if they want to improve their ability. To improve government auditor's skill, they have to improve their communication skill and investigation skill.
- (2) Based on the result of this research, the government auditor's skill is influential to the government auditor's ability. Thus to increasing the level of government auditor's ability in Indonesia in detecting fraud and identifying financial issue, there must be a training or coaching about the investigation skill, communication skill, and also the implication of those two skills for their work and career.
- (3) Future research are expected to enlarge the sample size. This study using 103 samples that have been spread in Jakarta, Banten, and Bengkulu. Future research are expected to have more sample than this research and the wider scope of the region, as is expected to give different results.
- (4) Future research are expected to be more specific in setting the sample or respondents. It can be based on their experience, length of working period, or position.
- (5) Future research are expected to have a simple questionnaire that can be understood for every level of respondents, so the unwillingness of the respondents in answering the questions will decrease.
- (6) Future research are expected to use another statistic program to processing the data, to have different result of the research.

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Figure 1 – Theoretical Framework



Notes:

Source: Researcher

- X1.2: Auditing Knowledge
- X1.3: Legal Knowledge
- X1.4: Evidence Knowledge
- X2.1: Ability to Detect Fraud
- X2.2: Ability to Identify Financial Issues
- X3.1: Investigation Skills
- X3.2: Communication Skills

- Y1: Planning
- Y2: Gathering Evidence
- Y3: Reporting
- Y4: Court Proceedings
- Y5: Audit Techniques

Table4.1 Goodness of Fit Index

No	Goodness of Fit Index	Result	Cut-off Value	Information
1	Chi square	0.0016	p-value > 0.05	Poor Fit
2	GFI	0.88	>0.90	Mediocre Fit
3	AGFI	0.81	≥ 0.90	Mediocre Fit
4	PGFI	0.57	> 0.6	Mediocre Fit
5	RMSEA	0.073	< 0.05 RMSEA ≤ 0.08	Good Fit
6	ECVI model	1.52	< 1.78 and < 17.73	Good Fit
7	AIC model	155.22	< 182.00 and < 1771.61	Good Fit
8	CAIC model	271.53	< 512.76 and < 1818.87	Good Fit
9	CFI	0.98	≥ 0.90	Good Fit
10	NFI	0.94	≥ 0.90	Good Fit
11	NNFI	0.97	≥ 0.90	Good Fit
12	IFI	0.98	≥ 0.90	Good Fit
13	RFI	0.93	≥ 0.90	Good Fit
14	RMR	0.013	< 0.05	Good Fit
15	SRMR	0.057	< 0.05	Mediocre Fit

Source: Primary Data

Figure 5.1 Estimated Structural Model

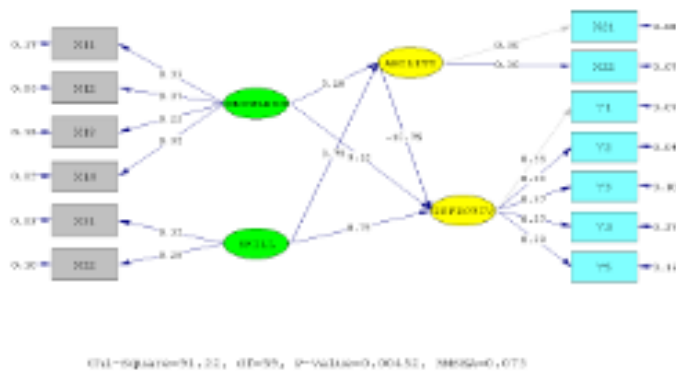


Figure 5.2 Standardized Structural Model

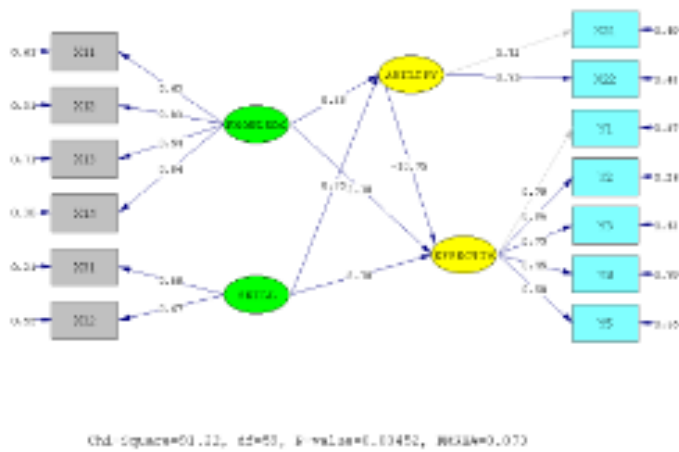


Figure 5.3 T-Value Structural Model

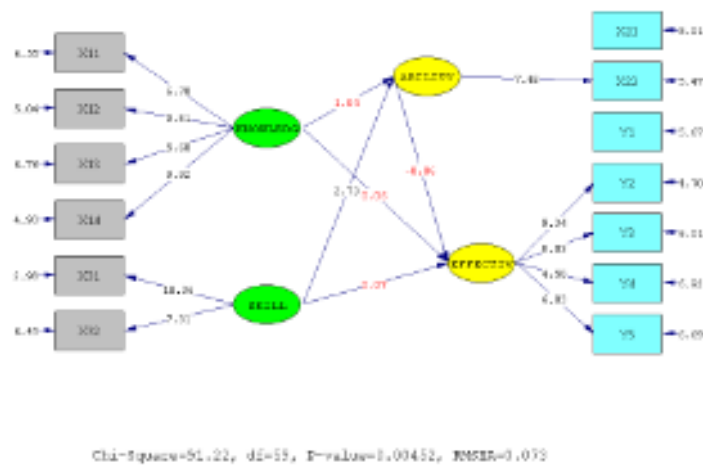


Figure 5.4 Relation Between Variable

Relation Between Variable	t-value	Conclusion
KNOWLEDG → EFFECTIV	1.04	NOT SIGNIFICANT
ABILITY → EFFECTIV	-0.06	NOT SIGNIFICANT
SKILL → EFFECTIV	0.07	NOT SIGNIFICANT
KNOWLEDG → ABILITY	1.04	NOT SIGNIFICANT
SKILL → ABILITY	2.73	SIGNIFICANT

RELATIONSHIP BETWEEN THE ACHIEVEMENT OF ECONOMIC GROWTH WITH DIFFERENT QUALITY OF FINANCIAL STATEMENTS AND DISTRICT/CITY IN SOUTHERN SUMATRA (SUMBAGSEL)

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Abstract. This study aims to examine the differences in relation to the achievement of economic growth with quality of financial statements and different city/regency's in SUMBAGSEL. The differences seen from the achievements of economic growth as measured by the Human Development Index (HDI) and the opinion of the CPC the which is a proxy of the quality of financial statement by local Governments. The population of this study was the local government city/regency's in Indonesia. The samples in this study were 45 local government city/regency's that are in the area SUMBAGSEL roommates Researches conducted from 2010 to 2014. The testing devices used were different; Kruskal Wallis Test with SPSS. The results of this study had found significant different of economic growth in the city/ regency's SUMBAGSEL. But result of the study had found no significant different between the achievement of economic growth (IPM) with quality of financial statements.

Key Words: Economic Growth, CPC, Local Government, Human Development Index, Opinion

INTRODUCTION

Economic development area in Indonesia is still not evenly distributed. Eg economic development in the region, especially Sumatra Southern Sumatra (SUMBAGSEL): Bengkulu, Jambi, Bangka Belitung, South Sumatra and Lampung is still relatively low. To enhance the economic development of the necessary process changes in economic conditions towards better within a certain period. This process is referred to economic growth. In the process of economic development is not removed of the process of economic growth. Thus, economic growth is one indicator of the success of economic development. According Sulistio (2012) development paradigm is emerging today economic growth is measured by the human development are viewed with the level of quality of human life in each country. One of the benchmarks used in viewing quality of human life is the Human Development Index (HDI) which is measured by the quality level of education, health and economic (purchasing power). Increasing through these three indicators is expected to be an increase in the quality of human life. This is due to the heterogeneity individual disparity community geographical and social conditions that vary, causing the level of income will no longer be a major benchmark in calculating the success rate of development.

Governments have a major role in the economic growth which progress depends to a program run by the government itself. Sound financial management of the government will create good programs in support of economic growth. But the phenomenon that occurs when many regions still have unemployment and poverty rates are high enough. If a region wants to grow and develop the area should be able to overcome the problems that occurred with the means proper management of the finances has been entrusted by the central government and create programs to reduce poverty and unemployment in society.

Rating Local governments ability to manage finances, it can be seen from the Local Government Finance Report (LKPD) as a form of government accountable to the public. Thus, in its financial report the Government should be monitored and audited so that Local Government Finance Report produced relevant and reliable. This oversight task performed by the Supreme Audit Agency (BPK), where the results of such surveillance in the form of financial audit, rating performance and examination with a specific purpose. The results of the BPK in the form of the auditor's opinion, the number of audit findings and conclusions in the form of recommendations to the local government. Opinion given by the Supreme Audit Agency (BPK) menunjukkan the quality of financial management performance which has resulted in Keuanagan Reports Local Government (LKPD). So to see the results of the performance of the financial management of the government in implementing its program to boost economic growth can be seen using the opinions of the Audit Board (Table 1).

From the data tables List of Values Human Development Index and the Opinion CPC show different phenomena of each area in the comparison between the achievement of growth economy the proxy by the value of the HDI with CPC Opinion on Local Government Finance Report.

Table 1. List Values Human Development Index (HDI) and Opinion CPC in 2013

Provinsi	IPM	Opini BPK
Aceh	68,30	WDP
Sumatera Utara	68,36	WDP
Sumatera Barat	68,91	WTP
Riau	69,91	WTP DPP
Jambi	67,76	WTP DPP
Sumatera Selatan	66,16	WDP
Bengkulu	67,50	WTP

Source: BPS dan BPK

The formulation in this study is whether there is difference Achievement Growth in Regency/City Southern Sumatra (SUMBAGSEL) and there are no difference between achievement in relation to the Economic Growth Quality Financial Statements of Local Government. The purpose of this study was to prove whether there is a difference Achievement Growth in Regency/City Southern Sumatra (SUMBAGSEL) and there are no differences between achievement in relation to the Economic Growth Quality Financial Statements of Local Government.

LITERATURE REVIEW

Agency theory. Jensen and Meckling (1976) describe the agency relationship as a contract under more principal one involving an agent to perform some service for them by delegating decision-making authority to the agent. Neither the principal nor the agent assumed the rational economic and solely motivated by personal interests. Shareholder or the principal delegate decision-making on the company managers or agents. However, managers do not always act as you wish shareholder, some is because of the moral hazard (Kurnia 2009).

Referring to Law No. 32 of 2004 as a reference to a formal contract, participants in government organizations include people, institutions regent or mayor, and the Parliament. It stipulates that the regents and mayors are responsible for the planning, implementation and accountability of government programs. Furthermore, it was stated that the regents and mayors elected by the people. The mechanism of this election is a sign of the delegation of authority from the people to regent and mayor. (Abdullah, 2009).

It takes an independent third party as a mediator in the relationship between principal and agent. This third party is used to monitor the behavior of the manager (agent) is already acting in accordance with the wishes of the principal. Auditor is deemed capable of bridging the interests of the principals (shareholders) with the manager (the principal) in managing the corporate finance (Setiawan, 2006). Auditors perform monitoring functions via a manager's work means that the annual report. The task of the auditor is to give an opinion on these financial statements, the unqualified. In addition, the current auditor will also have to consider the viability of the company (Kurnia, 2009).

Economic growth. According Sukirno (1996, 33), economic growth is the increase in output per capita are continuous in the long term. Economic growth is one indicator of the success of development. Thus the higher economic growth usually the higher the welfare of the community, although there are other indicators that the distribution of income in Mawarni et al (2013).

Growth with Human Development Index. According Sulistio (2012) development paradigm is emerging today economic growth is measured by the human development are viewed with the level of quality of human life in each country. One of the benchmarks used in viewing quality of human life is the Human Development Index (HDI) which is measured by the quality level of education, health and economic (purchasing power). The Increasing through these three indicators is expected to be an increase in the quality of human life. This is due to the heterogeneity individual disparity community geographical and social conditions that vary, causing the level of income will no longer be a major benchmark in calculating the success rate of development.

Human Development Index (HDI). According to the UNDP, Human Development Index (HDI) measures human development achievements based on a number of basic components of quality of life. As a measure of quality of life, IPM is built through a three-dimensional approach to the base. The dimensions include: long and healthy life; knowledge of a decent life.

The third dimension has a very broad sense as it related to many factors. To measure the health dimension of the use of life expectancy at birth. Furthermore, to measure the dimensions of knowledge used combined indicator literacy rate and average length of school.

The quality of the Regional Financial Statements. Quality financial reports show that regional heads responsible in accordance with the authority delegated to him in the implementation of the responsibilities of managing the organization. Quality is an assessment of the center output to account for any reason, be it in terms of tangible goods as well as in terms of intangibles, such as an activity (Setyowati and Wikan, 2014).

Audit opinion. According to Law No. 15 Year 2004 Explanatory Article 16 paragraph (1), a statement of professional opinion on the fairness examiner financial information presented in the financial statements. Criteria for provision of opinion, are: (a) compliance with government accounting standards, (b) the adequacy of disclosure (adequate disclosures), (c) compliance with laws and regulations, and (d) the effectiveness of internal control.

Based on Law No. 15 of 2004 there were four (4) types of Opinion given by the BPK on examination of a Government Financial Statements:

- 1) Unqualified Opinion states that the financial statements of the audited entity, present fairly in all material respects, the financial position, results of operations, and cash flows of a particular entity in accordance with generally accepted accounting principles in Indonesia. CPC to provide an unqualified opinion with Explanatory Paragraph (WTP-DPP) because of certain circumstances that require the examiner to add an explanatory paragraph in the LHP as a modification of WTP opinion.
- 2) Qualified Opinion states that the financial statements of the audited entity present fairly in all material respects, the financial position, results of operations and cash flows of the entity in accordance with generally accepted accounting principles in Indonesia, except for the impact it - things related to the excluded.
- 3) Adverse Opinion states that the financial statements of the audited entity does not present fairly the financial position, results of operations, and cash flows of a particular entity in accordance with generally accepted accounting principles in Indonesia.
- 4) Disclaimer of Opinion states that the auditor did not express an opinion on the financial statements, if audit evidence not to make any conclusions.

Local Government Finance Report (LKPD). Based on Government Regulation No. 71 Year 2010, the principal component of the Local Government Finance Report consists of:

1) *Budget Realization Report (LRA)*

Budget Realization Report (LRA) is presenting an overview of sources, allocation and use of economic resources that are managed by the central government/regions in the reporting period. Information presented in this report the income, expenditure, transfer, surplus/deficit, financing, surplus/lack of budget financing.

2) *Statement of Changes in Exceed Budget Balance*

Statement of Changes in Exceed Budget Balance (LP-SAL) present the following items, namely: balance budget early (the balance of the previous year), the use of budget balance over, Surplus/Less Funding Budget (Silpa/SIKPA) year running, error correction bookkeeping the previous year, other and more end budget balance for the current period. The posts are presented comparatively with the prior period.

3) *Statements of Operations*

Statements of Operations (LO) provide information on all the operational activities of the entity's financial reporting-LO is reflected in the income, expenses, and surplus/deficit operations of a reporting entity that presentation is juxtaposed with the previous period.

4) *Statement of Changes in Equity*

Statement of Changes in Equity presents at least the items Equity early or equity of the previous year, surplus/deficit-LO for the period on and corrections directly increase/decrease in equity, which among others came from the cumulative impacts caused by changes in accounting policies and correction of fundamental errors, for example:

- a. The fundamental error of the inventory correction that occurred in prior periods;
- b. Changes in the value of fixed assets due to revaluation.

5) *Balance Sheet*

The balance sheet is a reporting entity's financial position regarding assets, liabilities, equity funds on a specific date. In the balance sheet information presented on the assets, liabilities, and equity funds.

6) *Statement of Cash Flows*

Cash Flow Statement is a financial statement that presents information about the source, use, changes in cash and cash equivalents during the accounting period, and the balance of cash and

cash equivalents on the reporting date. This report informs about operating, investment activity of non-financial assets, financing activities, and non- budget activity.

7) *Notes to Financial Statements (CaLK).*

Notes to the Financial Statements is a narrative explanation / details of the numbers listed in the Budget Realization Report, Balance Sheet and Cash Flow Statement. CaLK also describes the information about policy for the accounting practices used by the reporting entity, other information required and encouraged to be disclosed in Government Accounting Standards (SAP), as well as the phrases needed to generate a reasonable financial statement presentation. The purpose of CaLK for users report is to facilitate the understanding of the financial statements and can be compared with the financial statements of other entities.

Economic Growth Achievement regencies/cities in Southern Sumatera (Sumbagsel)

High levels of human development will determine the population's ability to absorb and manage the sources of economic growth, both to do with technology and the institution as an important tool to achieve economic growth (Ramirez, 1998). Human development is a manifestation of a long-term goal of a society and laying the construction around the man, not man around development (Yunita, 2012) in the Nyoman and Ketut (2014). According Sulistio (2012) development paradigm is emerging today economic growth is measured by the human development are viewed with the level of quality of human life in each country. One of the benchmarks used in viewing quality of human life is the Human Development Index (HDI) which is measured by the quality level of education, health and economic (purchasing power). The increasing through these three indicators is expected to be an increase in the quality of human life. This is due to the heterogeneity individual disparity community geographical and social conditions that vary; causing the level of income will no longer be a major benchmark in calculating the success rate of development.

From previous research by Ayun (2012) fluctuating dynamics of economic growth, while the HDI shows the development that has increased every year. On economic growth did not show any significant differences, whereas the HDI there is significant at each typology. Therefore, the hypothesis is formulated as follows:

H1: There are differences in achievement of economic growth regencies/cities in South Sumatera (SUMBAGSEL)

Achievement of Economic Growth with Quality of Local Government Finance Report Quality financial reports show that regional heads responsible in accordance with the authority delegated to him in the implementation of the responsibilities of managing the organization. Quality is an assessment of the center output to account for any reason, be it in terms of tangible goods as well as in terms of intangibles, such as an activity (Setyowati and Wikan, 2014). Referring to Law No. 32 of 2004 as a reference to a formal contract, participants in government organizations include people, institutions regent or mayor, and the Parliament. It stipulates that the regents and mayors are responsible for the planning, implementation and accountability of government programs. The fact the grant of executive authority and delegation of authority to the heads shows that the heads of the people acting as an agent and a principal in the framework of the agency relationship (Abdullah, 2009)

It takes an independent third party as a mediator in the relationship between principal and agent. This third party is used to monitor the behavior of the manager (agent) is already acting in accordance with the wishes of the principal. Auditor is deemed capable of bridging the interests of the principals (shareholders) with the manager (agent) in managing the corporate finance (Setiawan, 2006).

According Heriningsih and Marita (2013) an area has good financial management performance when the financial statements of the local governments get an unqualified opinion from the BPK. Good financial management performance, indicating that the area is able to manage from the financial sector so that good governance impacts the quality of service to the public good and support economic growth in the region.

It can be concluded that an area has good financial management performance when the financial statements of the local governments get an unqualified opinion from the BPK. Performance of good financial management will produce good quality financial reports and indicating that the region is able to manage from the financial sector so that good governance impacts the quality of service to the public good and support economic growth in the region. Therefore, the hypothesis is formulated as follows:

H1: There is a difference between the achievements of economic growth with the quality of the financial statements of Local Government.

RESEARCH METHODS

Data and Research Sample

The data used in this research is secondary data. The data in this study were drawn from the data in the Human Development Index of the Central Bureau of Statistics districts / cities during 2010 to 2014. And for data about CPC can be obtained from the Report of Examination (LHP) issued by the Supreme Audit Agency (BPK) for Fiscal Year 2015 reported in the Summary Report of Examination (ILHP) first semester of 2015. the sample of this study is the regional government of Southern Sumatra.

Variables Research, Operational Definition and Measurement of Variables:

1. Variable Economic Growth

According Sulistio (2012) level of achievement of economic growth can be viewed using the Human Development Index for Human Development Index is one of the indicators that portray the achievements of the sector in the aggregate welfare of the community, because this index captures developments in the economic and social sectors as well. In the preparation of the Human Development Index constituent, there are three indicators are: life expectancy, level of education and decent living standards. The higher the index of human development in the region indicates that the achievement of economic growth in the region.

The achievement of economic growth measured by the Human Development Index data. To understand the meaning of HDI value through UNDP (United Nation Development Programmed) establish criteria for the status level that is: if Level Status Low criteria $IPM < 60$, if Level Status Intermediate Under the criteria of $60 \leq IPM < 70$, if Level Status SMA criteria $70 \leq HDI < 80$, If the High-Level Status IPM criteria ≥ 80

2. Variable Quality of Financial Statements

Variable Quality of Financial Statements in this empirically proxies by the Audit Opinion of the CPC. The audit opinion is a professional statement as a conclusion on examination on the fairness of presentation of financial information in the financial statements. Examination of the financial statements is a way to supervise or monitor the local government. The better the audit opinion obtained a local government, it indicates the quality of the government financial statement disclosure is also getting more better and opinions obtained, the better the performance of the government in financial managed. Criteria for provision of opinions, are: (a) compliance with government accounting standards, (b) the adequacy of disclosure (adequate disclosures), (c) compliance with laws and regulations, and (d) the effectiveness of internal control. Variable Opinion CPC consists of four types of assessment Opinion CPC are: unqualified (WTP), a qualified (WDP), unnatural, and no opinion is a variable katagorikal so that areas that get Unqualified Opinion given the scale of 4, WTP DPP given 3 scale, WDP given the scale 2, TW given the scale 1, and TMP were given a scale of 0.

Analysis method

This study uses more than 3 groups of samples so it is appropriate to use Kruskal-Wallis H-Test. Hypothesis testing is needed to determine the average difference with respect to the achievement of economic growth CPC Opinion on the Financial Statements The local government in Southern Sumatra (Sumbagsel). Basic decision is made if the probability is greater than 0.05 then the hypothesis is rejected, meaning that there are no significant differences between sample groups. Conversely, if the probability is greater than 0.05 then the hypothesis is accepted, it means that there are significant differences between sample groups.

RESULTS AND DISCUSSION

Population and Sample Research

In this study population is used throughout the district/city that has become an autonomous region in Indonesia. The number of districts/cities with observation period of 5 years as many as 43 districts/cities so that the number of observations 215 observations or percentage is 95.6%. 2 district is the new district so that the observation period only in 2014 with the total number of observations 2 observations to 217 observations with observations percentage of 96.4%.

Table 1. Research Sampling

	Amount	Observation period (year)	Observation (n)	Percentages (%)
Regent/City with 5 th years observation period	43	5	215	95,6 %
Regent/City with Once years observation period	2	1	2	0,8%
Jumlah	45		217	96,4%

Source: secondary data, 2016

Descriptive statistics

Descriptive statistics provide a snapshot or a description of a data seen from the average (mean), standard deviation, minimum, and maximum of the data obtained and analyzed using SPSS.

Table 2. Descriptive Statistic of Research Variable

Variables	N	Min	Max	Mean	Standard deviation
Economic Growth (IPM)	217	57,21	76,49	65,6165	4,16993
BPK's Opinion	217	0	4	2,4747	0,9673
Valid N (listwise)	217				

Source: secondary data, 2016

The achievement of economic growth in the proxy by using the value of the Human Development Index (HDI). The average value indicates that the average of the achievement of economic growth with the Human Development Index (HDI) of 65.6165. Standard deviation value which is smaller than the average value of 4.16993 indicates that the achievement of economic growth is proxied by the value of the Human Development Index (HDI) has a value that is less varied.

Opinion CPC is a proxy of the variable quality of the financial statements. The average value of the sampled CPC opinion is at 2.4747. Standard deviation of the sampled Opinion CPC has a value that is smaller than the average value and this means the Opinion of the CPC in the sample is less varied.

Hypothesis testing

Hypothesis Testing 1 uses data testing four sample groups (independent) who are not related, to test Kruskal Wallis, conducted to determine whether there are differences in HDI value among the provinces in Sumatera Selatan (SUMBAGSEL) is from the province of Bengkulu, Jambi, South Sumatra Province, and Bangka Belitung.

Table 3. Results of Kruskal Wallis Test

KK	N	MEAN RANK	IPM	
			Chi-Square	Asym.Sig
Bengkulu	50	100,10	22,062	0,000
Jambi	55	126,02		
Sumatera Selatan	77	88,38		
Bangka Belitung	35	140,33		
Total	217			

Source: Data managed, 2016

Variable HDI value of Chi-Square of 22.062 with a significance probability value of 0.000. Significance probability value of 0.000 less than 0.05 indicates that there are significant differences in HDI value in each region annually. The criteria of acceptance of the hypothesis is $p\text{-value} \leq \alpha$ (0.05). The results of significance shown in Table 4.6 shows the results according to the acceptance criteria of hypothesis that $0.000 < 0.05$. Therefore, achievement of economic growth in the regions of Southern Sumatra (SUMBAGSEL) have significant differences so that it can be concluded that the first hypothesis is accepted.

Hypothesis Testing 2 is to test the data HDI with the Opinion that the samples not related, using the Test Kruskal Wallis test, conducted to determine whether there are differences in HDI value in relation to the quality of financial statements proxied by the Opinion.

Table 4 Results Kruskal Wallis Test

BPK's Opinion	N	MEAN RANK	IPM	
			Chi-Square	Asym.Sig
WTP	50	115,41	3,257	0,516
WTP DPPP	55	125,12		
WDP	77	105,77		
TW	35	83,33		
TMP	7	91,36		
Total	217			

Source: Secondary data, 2016

Variables tested were variable Human Development Index (HDI) which is a proxy of the achievement of economic growth. OPINION variable Chi-Square value of 3.257 with significance probability value of 0.516. Significance probability value of 0.516 is greater than 0.05 indicates that there is no significant difference of Opinion CPC in each region every year. The criteria of acceptance of the hypothesis is $p\text{-value} \leq \alpha$ (0.05). The results of significance shown in Table 4.7 shows the results according to the acceptance criteria of hypothesis that $0.516 > 0.05$. Therefore, Opinions of the CPC which is a proxy of the financial statement quality in the area of Southern Sumatra (SUMBAGSEL) does not have significant differences so that it can be concluded that the second hypothesis is rejected.

Results of testing the hypothesis show that there are significant differences between the achievements of economic growth regencies/cities in South Sumatra (SUMBAGSEL). The test results demonstrate the value of the probability of HDI which is a proxy of the achievement of economic growth of any province Group were below 0.05 means showing the level of achievement of economic increasing obtained by the local government district/city in Southern Sumatra (Sumbagsel) 2010-2014 each him showed that every region is not the same.

In line with previous studies conducted by Ayun (2012) with the title of Relationship Patterns of Human Growth And Development In East Java Province from 2007 to 2011 with the findings that the volatile dynamics of economic growth, while the HDI shows the development that has increased every year. On economic growth did not show any significant differences, whereas the HDI there is significant at each typology.

Difference between Achievement Growth with Quality Local Government Finance Report.

Results of testing the hypothesis shows that there is no significant difference between the achievements of economic growth with the quality of the financial statements of Local Government. The test results demonstrate the value of the probability of HDI which is a proxy of the achievement of economic growth of the quality of the financial statements of the Local Government money Opinion given proxy for CPC was above 0.05 means showing the level of achievement of economic growth obtained by the local government district/city as Southern Sumatra (SUMBAGSEL) received in connection with the Opinion of the CPC in 2010-2014 every year is no different.

The lack of differences that occur due Opinion given by the CPC refers to the four criteria established by the CPC, namely: conformity with Government Accounting Standards; adequate disclosure; compliance with laws and regulations; the effectiveness of the Internal Control System (SPI). Each regional government in the same way in preparing the Local Government Finance Report (LKPD) because in preparing the Financial Statements are already regulated under the same standards from all over Indonesia. So opinions are accepted only in accordance with criteria which are also predetermined. Assessment according to criteria, that causes achievement of economic growth in respect of opinions given are not different or the same.

CONCLUSION, IMPLICATIONS AND LIMITATIONS

Conclusion

1. Achievement of economic growth of the district/city in South Sumatra (SUMBAGSEL) have significant differences.
2. The achievement of economic growth with respect to the Opinion of the Supreme Audit Agency (BPK) to the Financial Statements of Local Government does not have significant differences.

Research Implication

1. For the Government, districts/cities, the results of this research will be used as a material consideration in decisions relating to the increase in economic growth performance of local government financial management.
2. For others, this study can be used as a reference for further research.

Research limitations

1. This research was actually also want to examine the phenomena that occur in Lampung Province, but the desired data is not fulfilled so as to areas of Southern Sumatra (SUMBAGSEL) only uses 4 except for the province of Lampung.
2. The previous study of the same title has not been done so that reference materials are still very limited.

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ANTECEDENTS OF ENTERPRISE RISK MANAGEMENT (ERM) IMPLEMENTATION AND ITS CONSEQUENCE TO INDONESIAN BANKS' CREDIT RISK

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Abstract. The consistently and systematically implementation of risk management require prudent and proactive in monitoring the various events that have an impact on the waste of resources and prevent potential adverse events for the company. This study aims to examine the factors that affect the implementation of enterprise risk management (ERM) and its consequently to credit risk in the banking industry of Indonesia. The sample of this study consists of 17 banking companies listed in Indonesia Stock Exchange during the four (7) years observations from 2007-2013. This study found that audit committee, audit internal and the complexity of the companies were antecedent factors that positively influence on the implementation of enterprise risk management of Indonesian listed banks. These results imply that the higher level of enterprise management will be implemented by Indonesian listed bank with the greater the large number of audit committee, audit internal, and more complexity of their business. This study also provided the negatively consequence of enterprise risk management on Indonesian banks' credit risk. This finding imply that Indonesian banking will be face lower credit risk since they implement better enterprise risk management.

Keywords: ERM, Credit risk, Bank, complexity and corporate governance.

INTRODUCTION

Consistently and systematically adoption of Enterprise Risk Management (ERM) requires a precautionary and proactive monitoring on events that impact on the waste of resources and prevent on events that cause losses of the company. Subramaniam, et al., (2009) states that risk management is an integral part of good business practice that is done informally and sustained by each organization. Traditionally, risk management has been developed as a professional and technical disciplines in a number of key areas, namely finance, health and safety, clinical and environmental.

Some organizations like The Cadbury Committee (1992), published a report which suggested that the board of directors responsible for ERM policy. In addition, Standard Australia and Standards New Zealand (AS/NZS, 1995) published first ERM standard in the world. While, the Committee of Sponsoring organizations of the Treadway Commission (COSO, 2004) issued guidelines for integrated ERM, which was adopted by various organizations until now. However, the implementation of ERM and functioning of supervisory functions the organization at various companies are still far from complete. It is evident from the number of companies that are vulnerable when buffeted by various cases/financial scandals such as Enron, WorldCom, Adelphia, and Tyco in the United States, Nick Leeson with the Baring Bank in Singapore, Global bank, Century Bank and other cases, including the bankruptcy of numerous companies when the financial crisis experienced by Indonesia and other countries in Asia in 1997/1998 as well as the global economic crisis of 2008.

According to Cowan (2004) in an effort to ensure that organizations implement ERM, integrated supervision functions required from both inside and outside the organization as an important pillar in the implementation of corporate governance. Therefore ERM is part of corporate governance related to the functioning of the board of directors, independent board, audit committee, risk management committee and internal audit (Fraser and William, 2009; Beasley, et al., 2005; Desender, 2007; and Meizaroh and Lucynda, 2011). Bank Indonesia Regulation Number. 11/25/PBI/2009 on Amendment to Bank Indonesia Regulation No. 5/8/PBI/2003 concerning Application of Risk Management for Commercial Bank, clause 2 (a) states that the implementation of risk management at least include active supervision council commissioners and directors. This statement is in accordance with (AS/NZS, 1995).

Sarens and Beelde (2006a) concluded that one of the duties of the audit committee in the implementation of corporate governance is to review the progress of ERM, while the internal audit is specifically positioned to support the board of directors and management as an important component of

corporate governance mechanisms, and with expertise, must audit the internal audit function and ensure the organization's risk management process (Pickett, 2005: 141 and IIA, 2004). Therefore, expertise in risk management techniques and knowledge about the internal control system owned by the internal auditor be a source of strength that enables internal auditor plays an important role in an organization (Spira and Page, 2003; Sarens and Beelde, 2006b).

Furthermore, in its operations as an intermediation function, the bank can not be separated from the credit risk that still a big problem for the banking sector until now. Therefore, the credit risk needs special attention and serious, because every penny is doubtful to be jammed. This risk is indicated by the non-performing loan (NPL). Therefore we need a corporate governance mechanism so that the credit risk can be reduced, and the implementation of ERM is part of the implementation of corporate governance that can be used as a monitoring mechanism in controlling credit risk (Haneef, et al., 2012; and Lundqvist and Vilhelmsson, 2015).

This research aims to; (a) examine the factors associated with the implementation of ERM in the banking company in Indonesia. More specifically, this study tested whether the factor of corporate governance (board size, the proportion of independent board, audit committee, risk management committee and internal audit) and corporate characteristics significantly influence the implementation of ERM, and (b) examine the impact of the implementation of ERM against Non Performing Loan.

LITERATURE REVIEW AND HYPOTESIS DEVELOPMENT

Enterprise Risk Management (ERM)

The Committee of Sponsoring Organizations of the Treadway Commission in September 2004, compiled Enterprise Risk Management Integrated Framework, to provide a framework for the implementation of ERM. The framework defines ERM as a process, effected by an entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may Affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives (COSO, 2004). While, Standard Joint Australian/New Zealand (AS/NZS 4360, 2004) states that ERM is a culture or behavior, processes, activities that promote achievement of the goals by managing events or potential events that will affect the achievement of corporate goals.

Based on Bank Indonesia Regulation (PBI) 5/8/ PBI/2003 (revised by the new regulations of the PBI No.11/25/PBI/2009 dated July 1, 2009) on the Application of Risk Management for Commercial Bank, defining the risk is the potential for an event (events) that can cause bank losses, associated with (1) event risks, ie events that lead to potential losses (bad outcomes), (2) risk of loss, namely the consequences (direct or indirect) of the events / the risk event.

Furthermore, according to COSO (2004), the purpose of the implementation of ERM is to achieve the following four objectives.

- 1) Strategy: high-level goals, aligned and support the organization's mission.
- 2) Operations: effective use of resources and efficient.
- 3) Reporting: reliability of reporting.
- 4) Compliance: comply with the laws of draft regulations

While at the operational level to achieve these objectives, the implementation of ERM is done by implementing the eight components developed COSO (2004) namely; Internal environment, goal setting, event identification, risk assessment, response to the risks, control activities, information and communication, and monitoring. The implications of the implementation of the ERM allows companies to better inform risk profile and which serves as a signal of their commitment to risk management, along with the increasing openness of risk management, so that ERM is possible to reduce the cost of supervision and external capital (Meulbroek, 2002).

Board Size and ERM

By law the board of directors in charge of supervising and advising the management. The Board of directors is the highest supervisor in exercising oversight (monitoring and review) the implementation of enterprise risk management and ensures the company has an effective risk management program. Large board size can reduce the influence of the manager, the board can perform effective oversight function (Zahra and Pearce, 1989). Chtourouet al. (2001) argue that larger board promote better management monitoring mechanism. The large number of board members add an opportunities to exchange information and expertise to improve the quality of ERM (Desender, 2007). Although risk management is the responsibility of management, the board must create a conducive environment for the disclosure of risk management. This argument is consistent with the results of research by Subramaniam, et al., (2009)

who found that a larger board of directors are more likely to apply ERM. Likewise, the results of research by Husaini, et al., (2013) showed that the size of the board of commissioners significant positive effect on the implementation of ERM. Thus, the hypothesis put forward is:

H1: The size of the board of directors positive effect on the implementation of ERM

Independent Board and ERM

The Independent board are board members who do not have the financial, management, ownership or family relationship with the other board members, management, controlling shareholders or other relationship which could affect its ability to act independently. The Jakarta Stock Exchange (JSX) is now the Indonesian Stock Exchange through the Decision of the Board Jakarta Stock Exchange Inc. Number: Kep-305/BEJ/07-2004 on the Stock Registration No. 1- A: General Provisions on Registration of Shares and Equity Securities exchange, in 1-a mention about the ratio of independent directors, that the independent directors in number proportionally to the number of shares held by non-controlling shareholders with the provisions of the number of independent board of at least 30% (thirty percent) of the total members of the Board of directors

The proportion of independent board members be regarded as indicators of independence of the board. The presence of independent board can improve the quality of supervision because it is not affiliated with the company so freely in decision making. Research Beasley (1996) showed an inverse relationship between the proportion of independent directors with the level of fraudulent financial reporting. Companies with a high proportion of independent board tend to be more concerned with the company's risk compared to the low proportion of independent commissioners (O'Sullivan, 1997). Likewise, the research Kleffner et al., (2003) and Beasley et al., (2005) showed that the presence of independent directors enhance the quality of supervision over the implementation of risk management in order to reduce fraud and opportunistic behavior of managers. Thus the hypothesis as follows.

H2: independent board positive effect on the implementation of ERM

Audit Committee and ERM

The audit committee is a committee established by and responsible to the board of directors with the duties and responsibilities of its core to ensure that the principles of good corporate governance, especially transparency and disclosure are applied consistently and adequately by the executive (Tjageret, et al., 2003 : 34). The audit committee acts as a vehicle to review the ERM process, because this committee does not have operational responsibility, and its members should consist of independent persons (Cowan, 2004 : 111). This committee always discuss policies relating to risk assessment and ERM as a whole, as well as discuss the exposure-risk exposure faced by the company and measures to monitor and control the exposure-exposures such risks with the board of directors of The Institute of Internal Auditors / IIA (2004).

The audit committee is responsible for monitoring the ERM system, although this responsibility is delegated the responsibility of the directors of the company (Sarens and Beelde, 2006a). In performing its duties related to ERM, the audit committee should discuss policies relate to risk assessment and exposure-prime exposure of financial risks as well as measures to monitor and control the exposure-risk exposures to senior management (IIA, 2004). Establishment of Audit Committee based on certain characteristics such as independence, financial and accounting expertise, size and diligent so that the monitoring functions can be carried out effectively. Characteristics of the audit committee are most frequently cited in the literature of corporate governance as a prerequisite for the functioning of an effective monitoring are independence, where an audit committee composed of non-executive originating from outside (independent) assumed that it could be monitors better than management (Sarbane-Oxley Act, 2002; Blue Ribbon Committee, 1999). The results of the study Dionne and Triki (2005) prove that the requirements concerning the number and independence of audit committee encourages companies to pay more attention ERM. Furthermore, the results of research Husaini (2010), tested the effectiveness of the role of the audit committee of the operational risk management, the audit committee concluded that significantly influence the implementation of operational risk management. Thus the hypothesis as follows.

H3: The audit committee has a positive influence on ERM

Risk Management Committee and ERM

According to KPMG (2001) RMC is a sub-committee of the board of directors that provides educational enterprise risk management at the board level, setting risk appetite and risk strategy, develop a risk management oversight by the board of directors and review the company's risk report. Subramaniam, et al., (2009) stated that the quality of internal monitoring of risk management will be better when the risk management committee (RMC) exist compared with the situation when there is no

RMC. Where the existence of RMC allows the board to more effectively deal with various threats and opportunities faced by the entity. Further that the establishment and disclosure of RMC demonstrates the applicability of corporate governance quality company. Meizaroh and Lucynda (2011) concluded that the presence of RMC positive effect on ERM, this suggests that the existence of RMC can improve the implementation of ERM. Therefore the hypothesis as follows.

H4: Risk Management Committee (RMC) positive effect on the implementation of ERM

Internal Audit and ERM

The Internal Audit is an assurance and consulting activity that is independent and objective, which is designed to add value and improve an organization's operations. Internal audits also help organizations to achieve objectives, through a systematic and orderly approach to evaluate and improve the effectiveness of risk management, control and governance processes (IIA, 2004). Based on these definitions, the internal audit function has an important role in overseeing the implementation of risk management. This is in line with good corporate governance guidelines which assumes that the risks can be objectively identified, measured and strategically managed properly. Consequently, expertise in risk management techniques and knowledge about the internal control system became a source of strength that enables internal auditor plays an important role in an organization (Spira and Page, 2003).

Research Allegrini and D'Onza (2003), concluded that the company always develop a structured methodology for risk assessment, especially to improve corporate governance and internal control systems. Their results also concluded that the financial companies, the internal auditor always participates in the risk management team and contribute in a qualitative assessment of operational risk. Further research Sarens and Beelde (2005), found that internal auditors play a role in the risk assessment and can be an important input in the audit planning considerations. In another study Sarens and Beelde (2006b), concluded that the CEOs and internal auditors expect to meet one of the supporting roles management activities that focus on the continuous improvement of risk management, internal controls, organizational processes and strategic projects. One of the conclusions in the study Fadzil, et al., (2005), states that the internal auditor had identified ERM framework and risk management policies in monitoring the application of the policies and procedures of the organization. Likewise, the research conducted by Stewart and Kent (2006), concluded that there is a correlation between the presence of internal audit functions and their commitment to the power of ERM. Furthermore Husaini (2010), tested the effectiveness of the internal audit function to the implementation of operational risk management, internal audit function concluded that significantly influence the implementation of operational risk management. Thus the hypothesis put forward as follows.

H5: internal audit positive effect on the implementation of ERM

ERM and Credit Risk

According to the Bank Regulation Indonesia No: 11/25 / PBI / 2009, the credit risk is the risk of the failure of the debtor and / or other parties to meet obligations to the bank. Credit risk can be sourced from a variety of business activities of the bank. At most banks, loans are the largest source of credit risk. Credit risk may increase as the concentration of funding, among other things on the debtor, geographic region, product, type of financing, or a particular business field (Attachment of Bank Indonesia Circular Letter No. 13/23/ DPNP dated October 25, 2011). Therefore we need good corporate governance to guide the management in carrying out its function properly so that the credit risk can be lowered. ERM implementation is part of the implementation of corporate governance that can be used as a monitoring mechanism in controlling credit risk. Research Haneef, et al., (2012) in the banking sector in Pakistan concluded that the non-performing loans increased due to a lack of risk management, which affects the profitability of the bank. Likewise, the results of research Vilhelmsson and Lundqvist (2015) on the 78 largest banks in the world, concluded that the implementation of ERM at higher levels negatively affect on the credit default swap spreads (CDS) of banks. Thus the hypothesis put forward as follows.

H6: ERM negative effect on credit risk

Control Variables

Firm size and complexity used as control variables in this study. Large business activities are more complex and more vulnerable to the risk, so that large companies tend to pay more attention to risk management of the company's small size. Beasley, et al., (2005) and Hoyt and Liebenberg (2009) found that company size were positively related to the implementation of ERM. While complexity is associated to the number of business segments (Doyle & McVay 2007). The more complex the operations of a company, the greater the chances of operational failure or increasingly vulnerable to risks. Therefore, companies with complex business sigmen will be take into account the implementation of ERM compared with companies that have only one or two segments alone (Gordon, Laob and Tseng, 2009).

RESEARCH METHOD

Population and Sample

This research was conducted on banking companies listed in Indonesia Stock Exchange (BEI) from 2007-2013. Consideration of the use of banking companies that have been listed for reasons of data availability regarding disclosure of ERM and various variables related supervision, can only be obtained at companies that have a listing on the capital market. In addition to the listed companies are also obliged to publish annual financial statements and reports on the implementation of good corporate governance (GCG).

Sampling in this study using purposive sampling method. The sampling criteria are as follows: (a) the company has released its annual report and the audited financial statements as of December 31, as a form of information from companies that have been verified through an independent audit and have been officially published, (b) the company has GCG reports published on its website or on the website of the Stock Exchange, and (c) the financial statements are presented in rupiah currency and all the data required for this study are comprehensive. In Table 1 are presented samples of this study.

Tabel 1 Sample Selection

Criteria	Total	Observation	%
Banking companies listed on the Stock Exchange in 2007-2013	37	370	100
Companies that do not publish the GCG report and do not have complete data during the study period	(20)	(140)	54
Total samples	17	119	46

Based on Table 1 as many as 17 banks meet kriteia samples or 46% of the total listed banks during 2007-2013. Therefore, the final sample to be tested in this study was a total of 119 observations

Research Model

This study data analysis using multiple regression. Analysis was performed on two models of research, namely: the first model to examine the factors that affect the implementation of ERM, and the second model to examine the consequences of the implementation of ERM to credit risk (NPL). As for the model can be formulated as follows.

Model one:

$$\text{ERM} = \beta_0 + \beta_1\text{BS} + \beta_2\text{IB} + \beta_3\text{AC} + \beta_4\text{RMC} + \beta_5\text{IA} + \beta_6\text{Complx} + \beta_7\text{Size} + \varepsilon \dots \dots \dots (1)$$

Model two:

$$\text{NPL} = \beta_0 + \beta_1 \text{ERM} + \beta_6\text{Complx} + \beta_7\text{Size} + \varepsilon \dots \dots \dots (2)$$

Table 2: Variables Measurement

Variables	Measurement
Enterprise Risk Management (ERM)	ERM calculated by summing the ERM objectives; Strategy _{1,2} , Operation _{1,2} , Reporting _{1,2} and compliance _{1,2} (see Gordon, Loab and Tseng, 2009).
Credit Risk (CR)	The percentage of non-performing loans compared to total loans
Independent Board (IB)	The number of independent members compared to total member of board of directors
Board size (BS)	Total members of board of director
Audit Committee (AC)	total member of audit committee
Risk management Committee (RMC)	Total overall risk management committee.
Internal Audit	Value composite self assessment implementation of the internal audit function, if very well dummy 0, 1 other
Firm size (Size)	Natural Logaritma (Ln) of total asset
Complexity (CompX)	Total segment owned business

THE FINDINGS

Statistic Descriptive

Descriptive statistical analysis in this study are presented in Table 3, where the average implementation of ERM at 0.50 showed positive figures, while the average NPL of 2.17 shows that the average credit risk, banks are in a tolerable limit or still under the limit minimum set by Bank Indonesia (the central bank). Next to variable IA shows that the bank has implemented the internal audit function very well as 44 banks (37%).

Table 3: Statistic Descriptive

Panel A				
Variables	Min	Max	Mean	Std. Dev
ERM	-2.53	4.49	0.5035	1.69320
NPL	0.10	6.33	2.1781	1.51467
BS	2.00	9.00	5.5044	1.73269
IB	0.00	1.00	0.5538	0.11805
AC	2.00	8.00	4.0619	1.32479
RMC	3.00	8.00	5.0531	1.49308
Complx	2.00	8.00	4.0885	1.28562
Panel B				
AI	Freq	%		
Implementation of the internal audit function "very good"	44	37		
Implementation of the internal audit function "others"	75	63		
Total	119	100		

Furthermore, the average number of commissioners (BS) 5.50 (total 6) with the proportion of independent board (IB) of 55%, showing that the average proportion of independent commissioners bank went public in compliance with the provisions of the Regulation of Bapepam and FCGI Code. The average number of audit komitee (AC) is 4.06 (total 4 people), while the average number of risk management committee 5.05 (5 people) the number of compliance with regulations and recommendations that a minimum number of committee FCGI commissioners were 3 people. Further to the complexity of the control variables (Complx) showed an average of 4.08 or an average bank has four business segments, while the bank size (Size) is quite varied

Correlation Analysis

Table 4 presents the correlation study variables to model the consequences of ERM and ERM models to NPL. Based on Pearson correlation analysis that there is a significant correlation in both research models, but not correlation the independent board on the first model and the implementation of ERM in the second model. However, from the results of this correlation can be stated that no symptoms of multicollinearity the research model, this is according to Hair et al. (2010), that multicollinearity occurs if the correlation coefficient above 0.80.

Table 4. Correlations Model One

Variable	ERM	BS	IB	AC	RMC	IA	Complx	Size
ERM	1							
BS	0.196*	1						
IB	-0.090	-0.193*	1					
AC	0.298**	0.663**	-0.100	1				
RMC	0.244**	0.663**	-0.130	0.770**	1			
IA	0.259**	0.420**	0.146	0.230*	0.307**	1		
Complx	0.209*	-0.040	0.095	0.102	-0.063	0.077	1	
Size	-0.312**	0.149	0.097	0.182	0.055	-0.013	0.188*	1

Model Two

	CR	ERM	Complx
NPL	1		
ERM	-0.056	1	
Complx	-0.265**	0.209*	1
Size	-0.425**	-0.312**	0.188*

Notes: * $p < 0.05$; ** $p < 0.01$

Hypothesis Testing and Discussion

Hypothesis testing is done in two models. In the first model shows the value of F-statistics for 7.479, significant at the level of 0.000, with r-square of 32.20%. Hypothesis testing results indicate that the hypothesis 3 and 5 are supported, while hypothesis 1, 2 and 4 are not supported. While the two models show that the value of F-statistic of 11.429, and significant at the level of 0.000, with r-square of 23.90%. thus both models in this study is fit. Table 5 presents the overall results of hypothesis testing

Furthermore, based on the model test results, this study also showed that only the complexity of the company (Complx) and control variables of firm size (Size) that significantly influence the implementation of risk management (ERM) respectively at the level of 10% and 5%. These results indicate that the more complex a company, the better the company's risk management practices. These results are in line with Gordon, loab and Tseng (2009), which states that the company has complex business segment would be to consider the implementation of ERM.

Table 5. The Results of Hypothesis Testing

Dependen Variable	Model one			Model two		
	ERM			NPL		
Independent variable	Beta	t-stat	p-value	Beta	t-stat	p-value
(Constant)	0.112	0.118	0.906	4.757	9.511	0.000***
BS	-0.059	-0.521	0.603			
IB	-0.920	-0.857	0.393			
AC	0.447	2.508	0.014**			
RMC	-0.024	-0.156	0.876			
IA	0.634	2.001	0.048**			
Complx	0.305	2.759	0.007***	-0.172	-1.640	0.104
Size	-0.079	-5.122	0.000***	-0.075	-4.923	0.000***
ERM				-0.149	-1.809	0.073*
F-Stat	7.479			11.429		
Sig F	0.000***			0.000***		
R-square	0.322			0.239		

Notes: * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$

Testing the hypothesis in Table 5 shows the audit committee significant positive effect on ERM ($\beta=0.447$, $t=2.508$, $p < 0.05$). These results indicate that the greater number of the audit committee, the implementation of ERM will increase. Its implies that the presence of the audit committee in the discharge process of the implementation of ERM is mainly to monitor and control the exposure-exposures banking risk is well run (IIA, 2004), The results of research in line with Dionne and Triki (2005) that the requirements regarding the number of audit committee encourages companies for more attention to the ERM. The research results are also consistent with research Husaini (2010) that the audit committee significantly influence the implementation of risk management.

Furthermore, internal audit also significant positive effect on the implementation of ERM ($\beta=0.634$, $t=2.001$, $p < 0.05$). These results indicate that the better the internal audit function, the implementation of ERM has increased. Therefore assurance and consulting activity that is independent and objective in evaluating and improving the effectiveness of risk management has been run by the bank's internal audit function. This is consistent with the statement of Spira and Page (2003) that internal audit has an important role in the ERM in line with the guidelines for good corporate governance the latest, which assumes that the risks can be objectively identified, measured and strategically managed, then as a consequence, expertise in risk management techniques and knowledge about the internal control system became a source of strength that enables internal auditor plays an important role in an organization. The results are consistent with research (Allegrini and D'Onza, 2003; Fadzil, et al., 2005; Sarens and

Beelde, 2005; Stewart and Kent, 2006; and Husaini, 2010) concluded that the internal auditor and the contribution members play an active role in improving ERM implementation organizations.

Instead of the board of directors, independent board, and risk management committee does not affect the application of the ERM. which indicate each with a value ($\beta=-0059$, $t=-0521$, $p>0.10$; $\beta=-0920$, $t=-0857$, $p>0.10$; and $\beta=-0024$, $t=-0156$, $p>0.10$). These results show the board size, the proportion of independent board and the existence of a risk management committee did not determine an increase in the implementation of ERM. The results of this study are not consistent with Desender (2007) which states that a large number of board members to add opportunities to exchange information and expertise to improve the quality of ERM. The results of this study are also inconsistent with the results of the study (Subramaniam, et al., 2009 and Husaini, et al., 2013) that companies that have a larger board of directors are more likely to apply ERM and the positive effect on the implementation of ERM. Likewise, the proportion of independent commissioners that these results are not consistent with research Beasley (1996) that companies with a high proportion of independent board tend to be more subject to the risk, the results also inconsistent with research Kleffner, et al. (2003) and Beasley, et al., (2005) showed that the presence of independent board can improve the quality of supervision over the implementation of risk management. Next the results of this study indicate that the presence of the RMC does not affect the application of risk management, the result is also not consistent with the argument Subramaniam, et al., (2009) stated that the quality of internal monitoring of risk management will be better when the risk management committee (RMC) exist. The results also inconsistent Meizaroh research and Lucynda (2011) that the presence of RMC positive effect on ERM.

Testing the hypothesis with second modelis to examine the consequences of the application of the ERM to credit risk (NPL), the results explain that the application of the ERM negative effect on NPL ($\beta=-0.149$, $t=-1.809$, $p<0.10$), or in other words the implementation of ERM can reduce credit risk in the banking company. These results indicate that the application of the ERM can be used as a surveillance mechanism in controlling credit risk. Where the better implementation of ERM, the NPL can be derived. These results are consistent with research (Haneef, et al., 2012 and Lundqvist and Vilhelmsson, 2015) that the application of the ERM at a higher level negatively affect bank credit risk.

The study also examined two variables control the complexity of enterprise (Complx) and firm size (Size) for a model for one or two models. In the model the complexity of the positive effect on the implementation of ERM ($\beta=0.305$, $t=2.759$, $p<0.01$). These results indicate that the more complex a company then increasing attention to implementing ERM. Instead of firm size negative effect on the implementation of ERM ($\beta=-0.079$, $t=-5.122$, $p<0.01$). These results indicate that the bigger the company, the lower the implementation of ERM. this is possible because the larger the company the more comprehensive system of supervision and controls that must be implemented. Along with that the bank should also pay more attention to the ERM for the banking business is very vulnerable to the risk.

Furthermore, for the two models of variable complexity of the company (Complx) does not affect the credit risk (NPL) ($\beta=-0.172$, $t=2.759$, $p>0.10$), whereas the size of the company (Size) a negative effect on credit risk ($\beta=-0.075$, $t=-4.923$, $p<0.01$). These results indicate that large companies tend to credit risk (NPL) is high. Therefore, banks with large size should be more focus on credit risk management in particular and ERM implementation at the corporate level, so avoid the problem of bad loans.

CONCLUSIONS

This study aimed to test whether the factor of the board of directors, independent board, audit committee, risk management committee, internal audit affect the implementation of ERM, as well as examine whether the consequences of the implementation of ERM affect the credit risk. This study concluded that the audit committee and internal audit positive effect on the implementation of ERM, while the board size, independent board, and risk management committee did not affect the implementation of ERM. The results of this study indicate that the presence of audit committees and effective internal audit function can improve the implementation of ERM in the banking company. While the board size, the proportion of independent board, and a risk management committee instead determinant factor in the implementation of ERM. Furthermore, the implementation of ERM negative effect on credit risk (NPL), these results indicate that the application of the ERM in the banking company can reduce loans problem or credit risk.

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THE EFFECT OF CORPORATE SOCIAL RESPONSIBILITY, CORPORATE GOVERNANCE, AUDIT QUALITY, AND LEVERAGE ON INCOME SMOOTHING (EMPIRICAL STUDY ON MINING COMPANIES LISTED IN INDONESIAN STOCK EXCHANGE)

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Abstract. This study aimed to find the effect of corporate social responsibility (CSR), corporate governance (CG), audit quality, and leverage to income smoothing. This study also wants to prove that there are differences in the effect of CSR, CG, audit quality, and leverage to income smoothing of income smoother and non-income smoother companies. Using purposive sampling method, we got 18 mining company samples between 2011-2014. The test used in this study are multiple regression analysis and Chow test with the help of SPSS 17.0 version. The test results prove the hypothesis that audit quality has a significantly negative effect in income smoothing. While CSR, CG and leverage variables have no effect in income smoothing. Chow test result also proved that there are mixed effects of CSR, CG, audit quality, and leverage on the income smoother and non-income smoother companies.

Keywords: *Earning Management, Income Smoothing, Corporate Social Responsibility (CSR), Corporate Governance (CG), Quality Audit, Leverage.*

INTRODUCTION

Profit is the potential information for the parties concerned will be the financial statements for decision making. The preparation of financial statements in a company delegated by the owner to a manager (agent). As a result of the delegation that there is a difference between the information held by the agent and the principal (information asymmetry), which encourages agents to present information that is not in fact the principal, particularly if the information relates to the performance measurement agent. One form is the manager's actions earnings management (Widyaningdyah, 2001).

Cases of earnings management that have occurred in Indonesian companies, such as the case on: a) PT Perusahaan Gas Negara related violations (such as delay) disclosure gas volume declines in its financial statements; b) PT Waskita case with respect to the advantages of recording in the financial statements of 2004-2008 caused by the financial engineering by inserting a multiyear projection forward as income; and c) PT Katarina Utama Tbk earnings management before and one year after the IPO.

Earnings management is done with certain patterns, for example: taking a bath (reported earnings so low / high), income minimization (reported lower profit), income maximization (reported earnings higher), and income smoothing (income smoothing), Scott (2000). The fourth pattern of the earnings management, income smoothing (income smoothing) is one pattern of earnings management is most interesting to study, because the income smoothing an earnings manipulation is done by using a certain pattern in order to gain the confidence of external parties. Income smoothing performed by the company by minimizing fluctuations in earnings at a level that is considered normal for the company for some period. It can create a good image for the company external parties because earnings tend to fluctuate low indicates a low risk anyway (Juniarti and Carolina, 2005).

Income smoothing practices companies can be affected by several factors. Many previous empirical studies have tested these factors and the findings show that the results have not been agreed. Mining companies have unique characteristics, diantaranya mining company has a high political cost, the implementation of good corporate governance and level of debt (leverage) is high (Evadewi and Meiranto, 2014). High political costs in general can be seen from the size of the company or of the impact of corporate activities spacious environment. According Fajarini and Susanto (2012) in Evadewi (2014), the broader impacts of the company, the greater the attention of the public and other stakeholders, so the company will bear the political risk is even greater.

In addition to the disclosure of social responsibility, corporate governance and poor quality of audit is an important element for predicting corporate income smoothing. Corporate governance and audit quality monitoring becomes an item in the company, where corporate governance to be an element of the company while monitoring the auditor to be an element of monitoring from outside the company (Rahmawati, 2013). Another characteristic of the mining company is the level of debt (leverage) is high.

Financial leverage shows the level of the company's ability to fulfill its obligation to pay the debt with existing assets. In other words, the use of financial leverage shows the proportion of debt to finance investment. The greater the debt of the company, the greater the risk faced by investors so that investors will ask the higher profit levels. As a result of these conditions companies tend to perform income smoothing practices (Agustia, 2014). Based on these descriptions, the research questions are as follows:

- 1) Is corporate social responsibility a negative effect on income smoothing in mining companies listed on the Indonesia Stock Exchange?
- 2) Is the corporate governance negatively affect income smoothing in mining companies listed on the Indonesia Stock Exchange?
- 3) Is the quality of audit negative effect on income smoothing in mining companies listed on the Indonesia Stock Exchange?
- 4) What leverage positive effect on income smoothing in mining companies listed on the Indonesia Stock Exchange?
- 5) Are there differences in the influence of corporate social responsibility, corporate governance, audit quality, and the level of debt in companies belonging grading profit and not profit?

LITERATURE RIEW AND HIPOTESIS DEVELOPMENT

The theories underlying this study, namely positive accounting theory (positive accounting theory), the theory of agency (agency theory) and the theory of legitimacy. Positive accounting theory plays a role in explaining why and what is the reason that earnings management occurs. Agency theory states the divergence of interests between the agent and the principal, which will cause the agency conflict, which triggered profit management. While the theories used to explain the legitimacy of Corporate Social Responsibility. The theory shows that the legitimacy of the legitimacy occurs when companies and communities have a value system that is in harmony.

Research Hypothesis

Corporate Social Responsibility and Income Smoothing

Corporate Social Responsibility is a concept that organizations have various responsibilities towards all stakeholders which includes economic, social, and environmental. Yip et al (2011) meyebutkan that companies with a high political cost disclose the performance sosialya is for transparency and establish a good image in the eyes of society so that the company must minimize earnings management. Research conducted by Evadewi (2014) and Ratmono et al (2014) showed that CSR negatively affect earnings management action. A similar study is also proving a negative effect between CSR with earnings management is the research conducted by Yip et al (2011) and Chih et al (2008). Based on the above theory and previous research, the first hypothesis to be proposed in this study are:

H1 = Corporate social responsibility negatively affect the income smoothing

Corporate Governance and Income Smoothing

Conflicts of interest between owners and agents because of possible agents acted in accordance with the interests of the principal, thus triggering the agency fee (agency cost). Eisenhardt (1989) used three assumptions of human nature to clarify the agency theory, namely (1) humans in general selfishness (self interest), (2) human beings have the power of thought limited on the perceptions of the future (bounded rationality), and (3) humans have always avoid the risk (risk averse). Implementation of corporate governance are expected to be used as a monitoring mechanism that would reduce fraud will be done by the manager so that it can reduce agency costs (agency cost).

Results of research Xie (2001) used the audit committee and board of directors as a proxy for measuring corporate governance, managed to prove that corporate governance is negatively related to earnings management. Another study examined the relationship between corporate governance with earnings management is a research Swastika (2013) which menemukan that there is a relationship between governance kekola company with earnings management. Based on the theory and previous research, the second hypothesis proposed in this study are:

H2 = Good corporate governance negatively affect the income smoothing

Audit Quality and Income Smoothing

Earnings management is one of the weaknesses of the agency theory because earnings management arise because of the asymmetry of information. Independent auditors who worked at a public accounting firm (KAP) is a party that is authorized to audit the company's financial

statements to assess kewajarannya with accounting principles. KAP KAP big four rated as reputable as it has the largest number of clients and is considered more integrity and auditing capabilities are good, so that it can give the right opinion which is based on existing materiality and are expected to reduce earnings management (Herawaty, 2010).

Previous research that has examined the effect of audit quality on earnings management including research conducted by Gayatri & Wirakusuma (2011) and research & Daljono Effendi (2013) who found a negative influence between quality auditor with earnings management. Under these conditions, the hypothesis proposed in this study are:

H3 = negatively affect audit quality affect the income smoothing

Leverage and Income Smoothing

Watts and Zimmerman (1990) stated in a debt covenant hypothesis that the closer the company toward offense debt requirements based on accounting numbers that managers are more likely to choose accounting procedures that move the upcoming earnings period to the current period. Herawaty research results (2010) and Agustia (2013) stated that the leverage effect on the company's management did earnings management practices. Agustia (2013) in his study found the company will try to meet the debt agreements in order to get a good assessment of the creditors so that it can motivate managers earning management to avoid breaching debt covenants. It shows that the level of debt (leverage) positive effect on earnings management. Research conducted by Prabayanti (2008), Santoso (2009), and Herawaty (2010), found that the leverage has a positive relationship with earnings management. Based on these descriptions, then the hypothesis as follows:

H4 = Level of debt (leverage) positive effect on earnings smoothing

Testing the effect of differences in the four independent variables on the dependent variable, in this research will be the division of groups of observations into a group grading company profits and enterprise groups not grading profit. Then there will be differences in the effect of the four independent variables influencing income smoothing companies. Therefore the fifth hypothesis proposed in this study are:

H5 = There are differences in the influence of corporate social responsibility, corporate governance, audit quality, and the level of debt to income smoothing on company profits grading group and the group is not income smoother

RESEARCH METHOD

This research is an empirical study (empirical research). The data used in this study a quantitative data derived from the annual financial statements and mining company listed on the Stock Exchange in 2008 to 2014 were obtained from the website of the Stock Exchange (www.idx.co.id) and www.sahamok.com.

Definition of Operational Variables

The research variables are corporate social responsibility, corporate governance, audit quality and level of debt as an independent variable, and the smoothing of income (the dependent variable).

Income smoothing in this study were calculated using Eckel Index (Eckel, 1981) to classify corporate income smoothing and no income smoothing. The formula is as follows:

$$\text{Indeks Perataan Laba} = \frac{CV \Delta I}{CV \Delta S}$$

Information:

ΔI : Changes in profit in one period

ΔS : Changes in sales in one period

CV : coefficient of variation of the variable which is the standard deviation divided by the expected value.

$$CV \Delta I \text{ dan } CV \Delta S = \sqrt{\frac{\sum(\Delta x - \Delta X)^2}{n - 1}} : \Delta X$$

Information :

Δx : changes in earnings (I) or sale (S) between the years n to n-1

ΔX : the average change in the income (I) or sale (S)

N : number of years observed.

Criteria for companies that practice income smoothing are: 1) The company is considered income smoothing smoothing earnings if the index is smaller than 1 ($CV \Delta I < CV \Delta S$) and given the symbol 1 on a dummy variable. 2) The Company is not considered income smoothing when greater income smoothing index equal to 1 ($CV \Delta I \geq CV \Delta S$) and given the symbol 0 on Dummy variable.

Corporate Social Responsibility (CSR), which is proxied by using CSR disclosure index based on the index of Global Reporting Initiative (GRI) G3 are widely used by mining companies. In this study, to calculate a company's CSR disclosure index is done by counting each item contained in the CSR GRI G3 index composed of six indicators and amounted to 79 items. Each item is rated 1 if disclosed and 0 if not disclosed (Evadewi and Meiranto, 2014). Then the scores were summed and divided by the number of items contained in the GRI G3 index.

$$CSR = \frac{\text{items reported under GRI G3 index}}{\text{the total number of items contained in the GRI index (79 items)}}$$

Corpotrate Governance, measured by the scores obtained from charging GCG self assessment issued by the Forum For Corporate Governance in Indonesia (FCGI). There are five aspects assessed in the framework of GCG ratings FCGI version, namely (Auditorinternal, 2010): 1) The right of shareholders (weighting 20%); consisting of 10 points assessment, 2) Policy GCG (weighting 15%); consisting of 10 points assessment, 3) Practice GCG (weighting 30%); consisting of 37 points assessment, 4) Disclosure (weighting 20%); which consists of 8 points assessment, 5) Audit (weighting 15%); which consists of six ratings points. Each question in the assessment are given points: for example, 5 points for each "yes" and 0 points for a "No".

Audit Quality, measured by a dummy variable. A value of 0 for the sample of companies that are not audited by the Big Four accounting firm, and one for companies audited by the Big Four accounting firm.

Leverage, measured using the ratio of Debt to Total Assets Ratio (DAR). Debt to Total Assets Ratio (DAR) is measured by the formula:

$$\text{Debt to Total Asset Ratio (DAR)} = \frac{\text{Total Debt}}{\text{Total Asset}}$$

Sampling Method

The population used in this study is a mining company listed (listing) in Indonesia Stock Exchange (BEI). The sample used in this study will be selected by random sampling method. Table 1 informs the study sample

Tabel 1 Study Sample

Sample Creteria	Amount (Company)	Percentage
The mining company listed on the Indonesia Stock Exchange	32	100%
A mining company after the IPO in 2011	(0)	0 %
Companies that present the required data in units of currency other than Rupiah	(9)	28.13%
Companies that have incomplete data	(5)	15.62%
The number of companies that meet the criteria and the research sample	18	56.25
Total observation (18 x 4 Year)	72 Observasion	

Source: Secondary data processed in 2016

Data Analysis Method

Analysis of the data used in this research is multiple regression analysis (hypothesis testing 1, 2, 3, and 4), and chow test test (testing hypotheses to 5). Prior to analysis performed classical assumption. Testing aided by using SPSS 16. The multiple regression model equation is:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Y	=	Income Smoothing Indeks
α	=	Constanta
$\beta_1 - \beta_4$	=	Regresion Coefesiens
ε	=	Errors
X ₁	=	Corporate Social Responsibility
X ₂	=	Corporate Governance
X ₃	=	Audit Quality
X ₄	=	Leverage

Testing hypotheses 1, 2, 3, and 4 is done with two tests, namely: 1) test directions (coefficient β) with the assessment of negative or positive of the value of the coefficient, and 2) the significance test criteria of significance, p-value <5%. As for the hypothesis 5 is accepted or rejected, by comparing the results of F arithmetic with F table. If F count > F table, then the hypothesis is acceptable.

RESULT AND DISCUSSION

Descriptive statistics in this study can be seen in Table 2.

Table 2 Descriptive Statistics

Variable	N	Min	Max	Mean	StDev
IPL	72	.065290	7.367610	1.43193250	1.347506346
CSR	72	.278480	1.000000	.53568931	.175176311
CG	72	.632340	.951590	.82043847	.086294577
LEV	72	.047840	.936760	.46539542	.234574686
VARIABLE CATEGORIES					
Audit Quality					
Categories	Amount		Percentage		
NON BIG 4	42		58.3 %		
BIG 4	30		41.7 %		
Total	72		100.0 %		

Source: Secondary data processed in 2016

Based on Table 2 can be seen that the average value of the variable income smoothing index (IPL) is 1.4319 with a standard deviation of 1.3475. The average value of income smoothing index greater than one indicates that of all the companies included in the study sample is not a grading company profits because of the requirement of a company is regarded as profit if the value of the index grading grader smaller profits than 1. When viewed from the standard value deviations smaller than average values shows that all the variables of this study are less varied. For variable Quality Audit (KA), showed 58.3% of all observations which represents companies audited by KAP Non Big Four.

Classic Assumption Testing Results

Normality test data in this study assumes the central limit theorem (Dielman, 1961); multikoloniearitas independent variables; To resolve the problem autocorrelation test autocorrelation it can be done by forming a new variable in all regression models in a way to transform Cochrane Orcutt, and free data heteroskedastisitas.

Hypothesis Testing Results

The fourth hypothesis testing results are presented in Table 3

Table 3 Hypothesis Testing Results

Variable	B	t	Sig.	Conclusion
	1.981	3.062	0.03	
	-1.339	-0.925	0.359	
	-0.388	-2.046	0.046	
	0.212	0.557	0.580	

Source: Secondary data processed in 2016

In the fifth hypothesis testing using different test chow researchers test. The use of different test is to see whether there are differences in the influence of corporate social responsibility, corporate governance, audit quality, and the level of debt to income smoothing on a grading group company profit and not grading profit groups. The test results are shown in Table 4.

Table 4 Chow Test Results

Observation	N	Residual Sum Of Square	Df
The combined data	72	127.836	67
Grading income smoother	30	0.721	25
The group is not income smoother	42	88.119	37

Source: Secondary data processed in 2016

Data from Table 4, the magnitude of F count calculated using the equation for testing chow test, as follows:

$$F_{hit} = \frac{(RSSr-RSSur)/k}{(RSSur)/(n1+n2-2k)} = \frac{\{127.836-(0.721+88.119)\}/5}{(0.721+88.119)/(30+42-10)}$$

$$F_{hit} = \frac{(127.836-88.84)/5}{88.84/62} = \frac{7.7992}{1.4329} = 5.4429$$

F value table for df = 5 and 62 the 0.05 significance level was 2:36. Of the magnitude F of the table, we can see that the value of F count > F table. This condition is in accordance with the acceptance criteria the hypothesis that if F count > F table, then the hypothesis 5 is acceptable.

DISCUSSION

Influence of Corporate Social Responsibility of the Income smoothing

Results of testing the first hypothesis in this study showed an effect on income smoothing CSR, these results indicate a different direction from the hypothesis. The positive influence means that the higher the score on a CSR index, the higher the possibility of the company to do the income smoothing. This positive relationship between CSR and income smoothing may occur if companies disclose CSR goal is to meet the demands of various stakeholders, legitimate or not to establish a good image of the company. This is possible because the management has more information than the other interested parties who cause asymmetry of information (Agency Theory).

The results of this study are consistent with research conducted by Gargouri (2010) and Hong research and Andersen (2011) who obtained results that CSR has a positive effect on earnings management. However, this study contradicts the studies conducted by Chih et al (2008), Evadewi (2014), Ratmono (2014). Research Chih et al (2008) showed that companies with a high degree of CSR disclosure is likely to have a low level of income smoothing.

Influence of Corporate Governance on Income smoothing

The results showed that the negative effect of corporate governance but does not have a significant impact on income smoothing, it means that the level of corporate governance score has no ability to control the management so that it can not reduce income smoothing. This may imply that the size of the level of corporate governance is not a key determinant of the effectiveness of supervision of

the management company. But the effectiveness of the control mechanism, depending on the values, norms and beliefs are acceptable in an organization and the role of external parties in the company's control activities (monitoring) income smoothing.

Audit Quality Impact on Income smoothing

KAP is included in a group of big four votes can give the right opinion based on materiality, and companies earnings manipulation would avoid the use of audit services from large accounting firm with the unfolding of the fraud risk considerations. This study successfully proved, the direction of the negative coefficient means that the tendency of the auditor's reputation negatively affect the chances of income smoothing practices of the company.

The results of this study are consistent with the results of research Prabayanti (2008), Gayatri and Wirakusuma (2011) and research and Daljono Effendi (2013), but research is contrary to research conducted by Widyaningdyah (2011). Gayatri and Wirakusuma (2011) and Prabayanti (2008) found that companies that are not audited by the big four accounting firm tends to perform income smoothing practices compared with companies that are audited by the big four accounting firm.

Effect of Debt to Income Smoothing

The leverage ratio also shows the risks facing the company. The greater the risks faced by the company, the uncertainty of generating profits in the future will also be increased in agency theory, agents are usually regarded as a party that wants to maximize her but she remained always tried to fulfill the contract. The closer a company with debt covenant violations based accounting, it allows managers to choose accounting procedures move reported earnings from future periods to the current period (Watts and Zimmerman, 1986). The results of this study failed to prove the effect of the level of debt the company earnings manipulation, but the coefficient indicates the direction in line with the phenomenon that exists is a positive direction. This means that the higher the level of corporate debt, the closer the company with a debt contract, the company is more likely to manipulate earnings. The results support the research conducted by Budiasih (2006) and Prabayanti (2008), but in contrast to research Widyaningdyah (2001).

Differences Influence Income Smoother Groups and Groups Instead of Income Smoother

The fifth hypothesis in this study is to prove that there are differences in the influence of corporate social responsibility, corporate governance, audit quality, and the level of debt to income smoothing on a grading group company profit and not grading profit groups. Corporate social responsibility or Corporate Social Responsibility is a concept that the organization has a range of responsibilities to all stakeholders that includes economic, social, and environmental. Yip et al (2011) meyebutkan that companies with the political costs of high disclose the performance sosialya is for transparency and establish a good image in the public eye in order to achieve the legitimate so companies should minimize earnings manipulation because if companies manipulated the profit it can damage the main objectives of CSR disclosure the.

The main parties are included in corporate governance are the shareholders, management and board of directors. While other stakeholders include employees, suppliers, customers, banks and other creditors, regulators, the environment, and society. It is making an inverse relationship between corporate governance with earnings management. The better the governance of a company then such deviant behaviors within the company earnings manipulation can be eliminated.

Quality audits become an important item in the detection of smoothing earnings made by a company. If either or poor level of corporate governance have not been able to mitigate the fraud management to manipulate earnings, the quality of the audit should be items that can prevent earnings manipulation occurs because an audit quality monitoring item independent company. This led to the use of the services of external auditors be decisive whether the company will make profit manipulation or not.

Associated with the level of debt (leverage), Watts and Zimmerman (1990) stated in a debt covenant hypothesis that the closer the company toward offense debt requirements based on accounting numbers that managers are more likely to choose accounting procedures that move profits coming period to period walk. This causes the difference in the effect of leverage on income smoothing companies.

CLOSING

Based on the background, hypothesis and discussion, it could be concluded as follows:

- 1) Corporate social responsibility (CSR) as measured using the GRI G3 index indicates that there is no significant relationship between CSR with income smoothing.
- 2) Corporate governance has no effect on income smoothing companies.
- 3) Quality of KAP Big Four audit proxy negative effect on income smoothing.

- 4) The ratio of the level of debt (leverage) has no effect on income smoothing companies. 5) There are differences in the influence of corporate social responsibility, corporate governance, audit quality, and the level of debt to income smoothing on a grading group company profit and not grading profit groups.

There are several limitations in this study, such as :

- 1) In this study, the high and low scores CSR only seen from how much the corporate social responsibility is expressed in the annual report, giving rise to a bias in the implication in reality
- 2) Corporate governance in this study using the charging method of assessment issued by the Forum For Corporate Governance in Indonesia (FCGI). Limitations of using this assessment method as a measure of corporate governance score obtained may not reflect the high and low application of governance in the company.
- 3) This study did not have reverensi previous study of the same or similar to what was observed in this study. Especially for the first hypothesis and fifth hypothesis.

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INDIVIDUAL CAPACITY AND USE OF ACCOUNTING INFORMATION IN MAKING FINANCIAL STATEMENTS IN SMALL BUSINESS IN BENGKULU

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Abstract. In conducting the entire business activity, small businesses can not be separated from the operating result (profit) enterprises in the previous period. To determine the end of each period's operating results can be seen from the financial statements prepared by the small businessman. By knowing the operating results (profits) is, these entrepreneurs can perform management and better funding. But the reality on the ground is still a lot of small businesses that do not make financial statements. The purpose of this study is to empirically examine the influence of individual capacity and use of accounting information to the preparation of financial statements of small business in the city of Bengkulu. The sampling method in this research using random sampling of 100 small business in the city of Bengkulu. Hypothesis testing using multiple regression analysis. The test results indicate that there are influence the capacity of individuals and the use of accounting information to financial statements for small business in the city of Bengkulu.

Keywords: individual capacity, the use of accounting information, financial statements, small business

INTRODUCTION

According Assauri (2000: 41) other activities that support the company's business activities is on financing or financial management. This activity is not as important as marketing and operational activities for the company's business success is also determined by financing activities appropriate and beneficial. With good financial management activities or proper funding, expected the company does not face liquidity problems. By ensuring the liquidity needed in sufficient quantity at the right time ie when needed.

The financial statements of an entity that reported the end of each accounting period portray the financial effects of transactions and other events are classified in several major groups according to their economic characteristics. A large group consists of assets (statement of changes in financial position), liabilities and ekuitas. Statement of changes in financial position usually reflects the different elements of the income statement and balance sheet changes in various elements. Measurement and recognition of transactions that have been done of course will affect the financial statements that will be prepared by a business entity. Problems arise when the transaction will be recorded and classified into groups which in the financial statements. These problems, if not solved immediately will be the greater of course that will eventually make a business entity will not do the preparation of financial statements. And with good preparing the financial statements, the accounting information will be obtained.

Accounting information has an important role to achieve the success of the business, including for small and medium enterprises (Megginson et al., 2000). Accounting information can become a reliable basis for decision making in the management of small business, among others, market development decisions, pricing, and others. In the small business relationship with the government and creditors (banks), the provision of accounting information is also required. The obligation to keep records good accounting for small business in Indonesia actual been implied in Law No. 9 Year 1995 regarding Small Business.

In fact, there are many small business in the city of Bengkulu, which has not been able to prepare financial statements properly. Sil and Coryanata (2012) found that small business in the city of Bengkulu is still low in creating / presenting the financial statements of the business / business does. This condition is very ironic, causing a lot of their business is going in alone (not growing). Not the drafting of the finances well will have an impact on not knowing the results of operations have been conducted by the businessmen, so they do not know in detail the development and business prospects. This is consistent with the results of research Yoseva (2006) and Suhairi, et al (2004) found that one of the disadvantages of small business is not yet using accounting information to determine the condition of their business, so they do not know their business development. Though accounting information is needed to support the achievement of success in running the business. Thus the results of this research to be useful as an input to

Based on this phenomenon makes researchers wanted to test whether an individual capacity and use of accounting information in the financial reporting impact on small business in the city of Bengkulu.

Thus the results of this study will be useful as an input for the government to give special attention to the small business through training programs and mentoring bookkeeping and broaden knowledge in accounting, entrepreneurship and management.

LITERATURE REVIEW

Individual Capacity

The capacity of individuals in essence formed from the educational process in general, either through formal education, non-formal or informal. Qualified individuals are individuals who have enough knowledge. Size that determines the quality of man can be seen from various aspects such as health, education, freedom of speech and sebagainya. Among the various aspects of this, education is considered to have the most important role in determining the quality of a human. Through education, human thought will acquire knowledge and skills that will establish the existence of life with better (Setiawan, 2006).

In addition, individuals are also required to be able to improve their competence by developing a combination of skills through training and learning so that they can manage and share information and knowledge so as to overcome any problems that might arise. From this description it is, the capacity of individuals in the study visits of education, experience, and training.

From the above description, the researchers lowered the hypothesis 1 as follows:

H1: "The capacity of influential individuals in the financial reporting on small business in the city of Bengkulu"

Use of Accounting Information

Previous researchers findings indicate that small business tend to be reluctant to do the accounting records properly. This is motivated by the perception that small businesses to the accounting information (Pinasti, 2001). They do not use accounting information in the management of its business. Decision-making in business management has been based on information non-accounting and casual observation on the market situation. In general, for small business, accounting information is not important. The reasons put forward, among others: they feel too bothered by the implementation of the accounting records; These small business owners think that as long as they get a profit without direpoti with the implementation of accounting, because they have not felt the benefits (Pinasti, 2006).

According to various studies, in Marbun (1997), one of the disadvantages of small businesses in Indonesia are in general they did not control and is not practicing adequate financial system. In general, small businesses do not yet have and manage the accounting records of strict and disciplined with regular bookkeeping, either in the form of daily, weekly, monthly, and so on. One reason for the lack of adequate records is the need for procurement of accounting records is considered simply a waste of time and cost.

From the above explanation, the researchers lowered 2 seabagai following hypothesis:

H2: "The use of accounting information in the financial reporting impact on SMEs in the city of Bengkulu"

Theoretical Framework

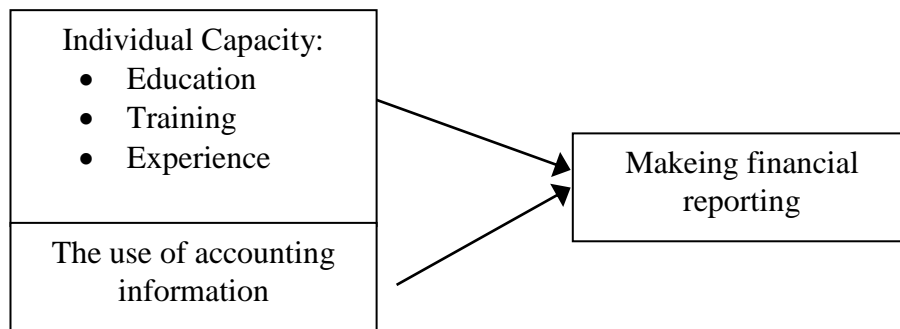


Figure 1. Theoretical Framework

RESEARCH METHODS

Types of Research

This research merupakan quantitative descriptive research using survey approach. The target to be achieved is to find variables related to the capacity of individuals, the use of accounting information

and financial reporting on small business in the city of Bengkulu. The data used in this research is primary data which are the responses of the respondents to the items to questions via a questionnaire.

Population and Methods of Sampling

The study population is small business engaged in the business of trading in Bengkulu City in 2012 as many as 547 small businesses (Department of Cooperatives and PPKM Bengkulu City, 2012). Sampling using random sampling method. The sample size will be the object of research is determined by the formula approach Slovin with the percentage of sampling error is tolerable and desirable is 10% (Sugiono, 2008) as follows:

$$n = \frac{N}{1+(N.e^2)}$$

Where:

n = sample size

N = population size

e = sampling error is tolerated or desirable

Slovin Based on the formula above, then the number of the sample set of 100 small business.

Data Collection Methods

Methods of data collection in this research was done by questionnaire / interviews or questionnaires and interviews

Method of Data Analysis

This research is descriptive quantitative research and tests will be done to research data using SPSS are:

Data Quality Testing

a. Validity test

Validity test is done by using Pearson correlation, if $r_{count} > r_{table}$ at alpha 5%, then the statement is said to be valid (Ghozali, 2005).

b. test Reliability

Reliability tests performed by calculating Cronbach alpha to test the feasibility of the consistency of the whole scale. The instrument is said to be reliable if it has more than 0.50 Cronbach alpha (Ghozali, 2005).

Classic Assumption Testing

a. Normality test

Normality test is done by using Kolmogorof-Smirnof with an alpha of 5%. If the significance of the test-Smirnof Kolmogorof alpha greater than 0.05 means the normal distribution of data. (Ghozali, 2005).

b. Multicollinearity test

Multicollinearity test is done by looking at the value of Tolerance and Variance Inflation Factor (VIF). Multicollinearity problem occurs if the value tolerancinya < 0.10 or equal to the value of Variance Inflation Factor (VIF) > 10 (Ghozali, 2005).

c. Heterokedastisitas test

Heterokedastisitas test is done by looking at the graph scatterplot: a) if there is a specific pattern, then the regression model occurred heterokedastisitas, b) if there is no clear pattern, as well as the points spread above and below the number 0 on the y-axis, then the model models regression did not occur heterokedastisitas (Ghozali, 2005).

Hypothesis Testing

Research hypothesis testing using multiple regression analysis and will be processed using SPSS with the following equation:

$$Y = \beta_0 + \beta_1 X_1 + X_2 + \beta_2 \beta_3 \beta_4 X_3 + X_4 + e$$

Where:

Y = Creation of financial statements

β_0 = constant

$\beta_1, \beta_2, \beta_3 \beta_4$ = regression coefficient

X1 = Education

X2 = Training

X3 = Experience

X4 = Use of accounting information

e = error

RESULTS AND DISCUSSION

Description of Respondents

Description of respondents by sex in Table 1 below.

Table 1. Description of Respondents by Gender

No.	Gender	Number	Percentage
1.	Male	67	67
2.	Women	33	33
Total		100	100

According to the table above shows that the number of respondents more men than women in conducting business activities of small business in the city of Bengkulu. This is understandable, for small business in the City has been partially married and have children so that as the head of the family has the burden of responsibility to earn a living to meet the daily needs of their families by way of running the business activities of small business. Description of respondents by age in Table 2 below.

Table 2. Description of Respondents by Age

No.	Age (Years)	Amount	Percentage
1.	20 – 30	19	19
2.	31 – 40	46	46
3.	41 – 50	35	35
4.	51 – 60	0	0
Total		100	100

Based on the table that most of the respondents aged between 31-40 years (46%) and aged between 41-50 years (35%). This age range is in the range of productive age in the work so that it has the ability to engage in business activities of small business.

Description of respondents by education last in table 3 below.

Table 3. Description of Respondents Based on Latest Education

No.	Level of Education	Total	Percentage
1.	JSS	5	5
1.	High school	58	58
2.	Diploma	14	14
3.	Bachelor	23	23
Total		100	100

Based on the above table that the majority of respondents had high school education (80.4%). This suggests that as major business activities undertaken by the SMEs in the city of Bengkulu does not require special skills and abilities.

Descriptive Data Analysis Research

Respondents to the Statement Variable Rate Education (X1)

Education variable (X1) has 5 indicators measuring the results of respondents' votes as follows:

Education Needed to Run Operations (X11)

The result of the respondents' assessment on this indicator in table 4 below.

Table 4. Respondents Rate Up Needed Education Indicators in the Run Operations

Scale	Score	Frquency	Percentage
Strongly Agree	5	18	18
Agree	4	46	46
Neutral	3	23	23
Disagree	2	13	13
Strongly disagree	1	0	0
Total		100	100
Avarage		3,69	
Category		Agree	

Source: data processed, 2016

According to the table above shows the majority of respondents agreed (46%) and strongly agree (18%) that education is required in running the business activities of SMEs in the city of Bengkulu. The tendency of respondents to the indicator is based on the average score of respondents included in the category scale: agree.

Education can be obtained Both Formal and Informal (X12)

The result of the respondents' assessment on this indicator in table 5 below.

Table 5. Respondents Rate Up Education Indicators can be obtained Both Formal and Informal

Scale	Score	Frquency	Percentage
Strongly Agree	5	35	35
Agree	4	42	42
Neutral	3	23	23
Disagree	2	0	0
Strongly disagree	1	0	0
Total		100	100
Avarage		4,07	
Category		Agree	

Source: data processed, 2016.

According to the table above shows the majority of respondents agreed (42%) and strongly agree (35%) that education can be obtained either formally or informally. The tendency of respondents to the indicator is based on the average score of respondents included in the category scale: agree.

I have studied (X13)

Results on the respondents' assessment indicators in pada table 6 below.

Table 6. Respondents Rate Indicator On My Own Received His Education

Scale	Score	Frquency	Percentage
Strongly Agree	5	40	40
Agree	4	43	43
Neutral	3	17	17
Disagree	2	0	0
Strongly disagree	1	0	0
Total		100	100
Avarage		4,18	
Category		Agree	

Source: data processed, 2016.

According to the table above shows the majority of respondents agreed (43%) and strongly agree (40%) that I have studied. The tendency of respondents to the indicator is based on the average score of respondents included in the category scale: agree.

Very Supporting education in Doing Business (X14)

The result of the respondents' assessment on this indicator in Table 7 below.

Table 7. Respondents Rate Up Education Indicators Very Support in Doing Business

Scale	Score	Frquency	Percentage
Strongly Agree	5	19	19
Agree	4	46	46
Neutral	3	21	21
Disagree	2	14	14
Strongly disagree	1	0	0
Total		100	100
Avarage			3.65
Catgiry			Agree

Source: data processed, 2016.

According to the table above shows the majority of respondents agreed (46%) and strongly agree (19%) that strongly support education in running the business. The tendency of respondents to the indicator is based on the average score of respondents included in the category scale: agree.

Education Very Supporting the Success in Doing Business (X15)

The result of the respondents' assessment on this indicator in table 8 below.

Table 8. Respondents Rate Up Education Indicators Very Support Running to Success in Business

Scale	Score	Frquency	Percentage
Strongly Agree	5	36	36
Agree	4	40	40
Neutral	3	24	24
Disagree	2	0	0
Strongly disagree	1	0	0
Total		100	100
Avarage			4,08
Catgiry			Agree

Source: data processed, 2016.

According to the table above shows the majority of respondents agreed (40%) and strongly agree (36%) that education is very supportive of the success in running the business. The tendency of respondents to the indicator is based on the average score of respondents included in the category scale: agree.

Respondents to the Statement Variable Rate Training (X2)

Training variable (X2) has 6 measurement indicators with the results of respondents rating as follows:

In Doing Business, I've Following Training (X21)

The result of the respondents' assessment on this indicator in Table 9 below.

Table 9. Respondents Rate Up in Doing Business indicators, I've Following Training

Scale	Score	Frquency	Percentage
Strongly Agree	5	11	11
Agree	4	37	37
Neutral	3	24	24
Disagree	2	28	28
Strongly disagree	1	0	0
Total		100	100
Avarage			3.27
Catgiry			Neutral

Source: data processed, 2016.

According to the table above shows the majority of respondents agreed (37%) and neutral (24%) that in running the business, small business getting training. The tendency of respondents to the indicator is based on the average score of respondents included in the category scale: neutral.

Training is Helpful in Doing Business (X22)

Results on the respondents' assessment of this indicator in the table below 10.

Table 10. Respondents Rate Up Indicator Training is Helping in Doing Business

Scale	Score	Frquency	Percentage
Strongly Agree	5	30	30
Agree	4	34	34
Neutral	3	36	36
Disagree	2	0	0
Strongly disagree	1	0	0
Total		100	100
Avarage		3.89	
Categiry		Agree	

Source: data processed, 2016.

According to the table above shows the majority of respondents agreed (34%) and strongly agree (30%) that the training is very helpful in running a business. The tendency of respondents to the indicator is based on the average score of respondents included in the category scale: agree.

I often Following trainings in Supporting Enterprises Run (X23)

The result of the respondents' assessment on this indicator in table 4.11. following.

Table 11. Respondents Rate Up Indicator I often Following trainings in Supporting Enterprises Run

Scale	Score	Frquency	Percentage
Strongly Agree	5	0	0
Agree	4	24	24
Neutral	3	20	20
Disagree	2	56	56
Strongly disagree	1	0	0
Total		100	100
Avarage		2,64	
Categiry		Neutral	

Source: data processed, 2016.

According to the table above shows the majority of respondents disagreed (56%) that I often attend trainings in supporting businesses being run. The tendency of respondents to the indicator is based on the average score of respondents included in the category scale: neutral.

It is expected that the government often provide trainings For Actors Small Business (X24)

The results on the respondents' assessment of this indicator in the table below 12.

Table 12. Respondents Rate Expected Over The government indicators often provide trainings For Actors Small Business

Scale	Score	Frquency	Percentage
Strongly Agree	5	36	36
Agree	4	30	30
Neutral	3	34	34
Disagree	2	0	0
Strongly disagree	1	0	0
Total		100	100
Avarage		3,98	
Categiry		Agree	

Source: data processed, 2016.

Based on the above table shows the majority of respondents stated strongly agree (36%) and agree (30%) that the government is expected to provide training-training for small business. The tendency of respondents to the indicator is based on the average score of respondents included in the category scale: agree.

I Ever Following training in the field of Accounting (X25)

Results on the respondents' assessment of this indicator in the table below 4:13.

Table 13. Respondents Rate Indicator On My Own Following Training in the Field Bookkeeping

Scale	Score	Frquency	Percentage
Strongly Agree	5	0	0
Agree	4	40	40
Neutral	3	23	23
Disagree	2	37	37
Strongly disagree	1	0	0
Total		100	100
Avarage		2,99	
Categori		Neutral	

Source: data processed, 2016.

According to the table above shows the majority of respondents agreed (40%) and neutral (23%) that I attended training in the field of bookkeeping. The tendency of respondents to the indicator is based on the average score of respondents included in the category scale: neutral.

Very Training Support in Achieving Business Success (X26)

Results on the respondents' assessment of this indicator in the table below 14.

Table 14. Respondents Rate Up Indicator Training Very Support Achieving Success in Business

Scale	Score	Frquency	Percentage
Strongly Agree	5	18	18
Agree	4	36	36
Neutral	3	22	22
Disagree	2	24	24
Strongly disagree	1	0	0
Total		100	100
Avarage		3,44	
Categori		Neutral	

Source: data processed, 2016.

According to the table above shows the majority of respondents agreed (36%) and strongly agree (18%) found the training very supportive in achieving business success. The tendency of respondents to the indicator is based on the average score of respondents included in the category scale: neutral.

Respondents to the Statement Variable Rate Experience (X3)

Variable experience (X3) has 5 indicators measuring the results of respondents' votes as follows:

I Have Experience in Doing Business (X31)

Results on the respondents' assessment of this indicator in the table below 15.

Table 15. Respondents Rate Up Indicators I Have Experience in Doing Business

Scale	Score	Frquency	Percentage
Strongly Agree	5	0	0
Agree	4	25	25
Neutral	3	33	33
Disagree	2	42	42
Strongly disagree	1	0	0
Total		100	100
Avarage		2,79	
Category		Neutral	

Source: data processed, 2016.

According to the table above shows the majority of respondents disagreed (42%) and neutral (33%) that I have experience in running a business. The tendency of respondents to the indicator is based on the average score of respondents included in the category scale: neutral.

Very Supporting experience in Doing Business (X32)

Results on the respondents' assessment of this indicator in the table below 16

Table 16. Respondents Rate Up Indicator Experience Very Support in Doing Business

Scale	Score	Frquency	Percentage
Strongly Agree	5	13	13
Agree	4	49	49
Neutral	3	38	38
Disagree	2	0	0
Strongly disagree	1	0	0
Total		100	100
Avarage		3,70	
Category		Agree	

Source: data processed, 2016.

According to the table above shows the majority of respondents agreed (49%) and strongly agree (13%) strongly support that experience in running the business. The tendency of respondents to the indicator is based on the average score of respondents included in the category scale: agree.

My Experience in Creating Bookkeeping (X33)

Results on the respondents' assessment of this indicator in the table below 17.

Table 17. Respondents Rate Up Indicators I Experienced Make in Bookkeeping

Scale	Score	Frquency	Percentage
Strongly Agree	5	0	0
Agree	4	21	21
Neutral	3	25	25
Disagree	2	44	44
Strongly disagree	1	10	10
Total		100	100
Avarage		2,53	
Category		Neutral	

Source: data processed, 2016.

According to the table above shows the majority of respondents disagreed (44%) and strongly disagree (10%) that I experienced in bookkeeping. The tendency of respondents to the indicator is based on the average score of respondents included in the category scale: neutral.

Businesses that I Run Now An effort down Temurun of Parents (X34)

Results on the respondents' assessment of this indicator in the table below 4:18.

Table 18. Respondents Rate Up Business Indicators that I Run Down Business Now An Temurun of Parents

Scale	Score	Frquency	Percentage
Strongly Agree	5	0	0
Agree	4	25	25
Neutral	3	21	21
Disagree	2	43	43
Strongly disagree	1	11	11
Total		100	100
Avarage		2,56	
Category		Neutral	

Source: data processed, 2016.

According to the table above shows the majority of respondents disagreed (43%) and strongly disagree (11%) that the business that I run now is a business handed down from parents. The tendency of respondents to the indicator is based on the average score of respondents included in the category scale: neutral.

Experience Very Determine Success in Doing Business (X35)

Results on the respondents' assessment of this indicator in the table below 19.

Table 19. Respondents Top Experience Very Determining Indicators Success in Doing Business

Scale	Score	Frquency	Percentage
Strongly Agree	5	21	21
Agree	4	52	52
Neutral	3	27	27
Disagree	2	0	0
Strongly disagree	1	0	0
Total		100	100
Avarage		3,89	
Category		Agree	

Source: data processed, 2016.

According to the table above shows the majority of respondents agreed (52%) and strongly agree (21%) that determine the success of the experience in running the business. The tendency of respondents to the indicator is based on the average score of respondents included in the category scale: agree.

Respondents to the Statement Variable Rate Information Usage Accounting (X4)

Variable use of accounting information (X4) has 5 indicators measuring the results of respondents' votes as follows:

I Got to Accounting (X41)

The result of the respondents' assessment on this indicator in table 20.

Table 20. Respondents Rate Indicator I Got Over with Accounting

Scale	Score	Frquency	Percentage
Strongly Agree	5	0	0
Agree	4	11	11
Neutral	3	29	29
Disagree	2	41	41
Strongly disagree	1	19	19
Total		100	100
Avarage		2,29	
Category		Disagree	

According to the table above shows the majority of respondents disagreed (41%) and strongly disagree (19%) that I am familiar with accounting. The tendency of respondents to the indicator is based on the average score of respondents included in the category scale: disagree.

I Using Accounting Information in Doing Business (X42)

The result of the respondents' assessment on this indicator at 21 the following table.

Table 21. Respondents Rate Up Indicator Do I Use Information Accounting in Doing Business

Scale	Score	Frquency	Percentage
Strongly Agree	5	0	0
Agree	4	0	0
Neutral	3	36	36
Disagree	2	48	48
Strongly disagree	1	16	16
Total		100	100
Avarage		2,17	
Category		Disagree	

Source: data processed, 2016.

According to the table above shows the majority of respondents disagreed (48%) and strongly disagree (16%) that I use accounting information in running the business. The tendency of respondents to the indicator is based on the average score of respondents included in the category scale: disagree.

Accounting Information Very Helpful I in Doing Business (X43)

Results on the respondents' assessment of this indicator in the table below 22.

Table 22. Respondents Rate Indicator On Accounting Information Very Helpful I in Doing Business

Scale	Score	Frquency	Percentage
Strongly Agree	5	0	0
Agree	4	10	10
Neutral	3	36	36
Disagree	2	44	44
Strongly disagree	1	10	10
Total		100	100
Avarage		2,43	
Category		Disagree	

Source: data processed, 2016.

According to the table above shows the majority of respondents disagreed (44%) and strongly disagree (10%) that the accounting information greatly helps me in running the business. The tendency of respondents to the indicator is based on the average score of respondents included in the category scale: disagree.

I Understand The Benefits Uses of Accounting Information in Doing Business (X44)

Results on the respondents' assessment of this indicator in the table below 23.

Table 23. Respondents Rate Indicator I Got Over Benefits Usefulness Doing Business in Accounting Information

Scale	Score	Frquency	Percentage
Strongly Agree	5	0	0
Agree	4	19	19
Neutral	3	28	28
Disagree	2	53	53
Strongly disagree	1	0	0
Total		100	100
Avarage		2,62	
Category		Neutral	

According to the table above shows the majority of respondents disagreed (53%) that I understand the benefits of the use of accounting information in running the business. The tendency of respondents to the indicator is based on the average score of respondents included in the category scale: neutral.

Accounting Information Very Determine Success in Doing Business (X45)

Results on the respondents' assessment of this indicator in the following table 24:

Table 24. Respondents Rate Indicator On Accounting Information Very Determine Success in Doing Business

Scale	Score	Frquency	Percentage
Strongly Agree	5	0	0
Agree	4	0	0
Neutral	3	36	36
Disagree	2	51	51
Strongly disagree	1	13	13
Total		100	100
Avarage		2,20	
Catigiry		Disagree	

Source: data processed, 2016.

According to the table above shows the majority of respondents disagreed (51%) that the accounting information indicates success in running the business. The tendency of respondents to the indicator is based on the average score of respondents included in the category scale: disagree.

Respondents to the Statement Variable Rate Financial Statement Preparation (Y)

Variable making the financial statements (Y) has 5 indicators measuring the results of respondents' votes as follows:

I was able to Create Financial Reports in Doing Business (Y1)

Results on the respondents' assessment of this indicator in the table below 25.

Table 25. Respondents Rate Up Indicators I Able to Create Reports Finance in Doing Business (Y1)

Scale	Score	Frquency	Percentage
Strongly Agree	5	0	0
Agree	4	15	15
Neutral	3	32	32
Disagree	2	39	39
Strongly disagree	1	14	14
Total		100	100
Avarage		2,44	
Catigiry		Disagree	

Source: data processed, 2016.

According to the table above shows the majority of respondents disagreed (39%) and strongly disagree (14%) that I was able to prepare financial statements in running the business. The tendency of respondents to the indicator is based on the average score of respondents included in the category scale: disagree.

Making Financial Statements Mandatory Created By Business Executors (Y2)

Results on the respondents' assessment of this indicator in the table below 26.

Table 26. Respondents Rate Indicator Over Financial Reporting Mandatory Created By Business Executors (Y2)

Scale	Score	Frquency	Percentage
Strongly Agree	5	0	0
Agree	4	42	42
Neutral	3	32	32
Disagree	2	26	26
Strongly disagree	1	0	0
Total		100	100
Avarage		3,12	
Catigiry		Neutral	

Source: data processed, 2016.

According to the table above shows the majority of respondents agreed (42%) and neutral (32%) that the making of the financial statements required to be made by businesses. The tendency of respondents to the indicator is based on the average score of respondents included in the category scale: neutral.

By Making Financial Statements Will Ease in Doing Business (Y3)

Results on the respondents' assessment of this indicator in the following table 27.

Table 27. Respondents Rate Up Indicator to Make Financial Statements will Ease in Doing Business (Y3)

Scale	Score	Frquency	Percentage
Strongly Agree	5	21	21
Agree	4	36	36
Neutral	3	24	24
Disagree	2	19	19
Strongly disagree	1	0	0
Total		100	100
Avarage		3,55	
Catigiry		Agree	

Source: data processed, 2016.

According to the table above shows the majority of respondents agreed (36%) and strongly agree (21%) that the financial statements will make it easier to run a business. The tendency of respondents to the indicator is based on the average score of respondents included in the category scale: agree.

Making Financial Statements Being Specter For Business Performer (Y4)

Results on the respondents' assessment of this indicator in the table below 28.

Table 28. Respondents Rate Indicator Over Financial Reporting Being Spectre For Business Performer (Y4)

Scale	Score	Frquency	Percentage
Strongly Agree	5	18	18
Agree	4	52	52
Neutral	3	30	30
Disagree	2	0	0
Strongly disagree	1	0	0
Total		100	100
Avarage		3,83	
Catigiry		Agree	

Source: data processed, 2016.

According to the table above shows the majority of respondents agreed (52%) that the financial reporting is a scourge for businesses. The tendency of respondents to the indicator is based on the average score of respondents included in the category scale: agree.

Making Financial Statements will Supporting Success in Doing Business (Y5)

Results on the respondents' assessment of this indicator in the following table 29.

Table 29. Respondents Rate Indicator Over Financial Reporting would Supporting Success in Doing Business (Y5)

Scale	Score	Frquency	Percentage
Strongly Agree	5	0	0
Agree	4	18	18
Neutral	3	32	32
Disagree	2	40	40
Strongly disagree	1	10	10
Total		100	100
Avarage		2,54	
Category		Neutral	

Source: data processed, 2016.

According to the table above shows the majority of respondents disagreed (40%) and strongly disagree (10%) that the financial reporting will support the success in running the business. The tendency of respondents to the indicator is based on the average score of respondents included in the category scale: neutral.

Validity Test

Education variables (X1)

Validity test results on those items in the statement of the education variable (X1) can be seen in the table below 30.

Table 30. Validity of Test Results in Education variables (X1)

Indicators	Sig. (2-tailed)	Rhitung	Rtabel		Description
			$\alpha = 5\%$	$\alpha = 1\%$	
X11	0,000	0,773**	0,195	0,256	Valid
X12	0,000	0,771**	0,195	0,256	Valid
X13	0,000	0,787**	0,195	0,256	Valid
X14	0,000	0,747**	0,195	0,256	Valid
X15	0,000	0,832**	0,195	0,256	Valid

** . Correlation is significant at the 0.01 level (2-tailed)

* . Correlation is significant at the 0.05 level (2-tailed)

Source: Data processed, 2016.

Validity test results on those items in the statement of the education variable (X1) in the above table shows valid.

Variable Training (X2)

Validity test results on those items in the statement of training variable (X2) can be seen in the table below 31.

Table 31. Validity of Test Results on Variable Training (X2)

Indicators	Sig. (2-tailed)	r _{hitung}	r _{tabel}		Description
			α = 5%	α = 1%	
X21	0,000	0,741**	0,195	0,256	Valid
X22	0,000	0,763**	0,195	0,256	Valid
X23	0,000	0,556**	0,195	0,256	Valid
X24	0,000	0,731**	0,195	0,256	Valid
X25	0,000	0,722**	0,195	0,256	Valid
X26	0,000	0,794**	0,195	0,256	Valid

** . Correlation is significant at the 0.01 level (2-tailed)

* . Correlation is significant at the 0.05 level (2-tailed)

Source: Data processed, 2016

Validity test results on those items in the statement of training variable (X2) in the above table shows valid.

Experience variable (X3)

Validity test results on those items in the statement of the experience variable (X3) can be seen in the table below 32.

Table 32. Validity of Test Results on experience variable (X3)

Indicators	Sig. (2-tailed)	r _{hitung}	r _{tabel}		Description
			α = 5%	α = 1%	
X31	0,000	0,756**	0,195	0,256	valid
X32	0,000	0,791**	0,195	0,256	valid
X33	0,000	0,832**	0,195	0,256	valid
X34	0,000	0,819**	0,195	0,256	valid
X35	0,000	0,707**	0,195	0,256	valid

** . Correlation is significant at the 0.01 level (2-tailed)

* . Correlation is significant at the 0.05 level (2-tailed)

Source : Data processed , 2016.

Validity test results on those items in the statement of the experience variable (X3) in the above table shows valid.

Variable Using Accounting Information (X4)

Validity test results on those items in the statement of variable usage accounting information (X4) can be seen in the table below 33.

Table 33. Validity of Test Results on Variables Using Accounting Information (X4)

Indicators	Sig. (2-tailed)	r _{hitung}	r _{tabel}		Description
			α = 5%	α = 1%	
X21	0,000	0,715**	0,195	0,256	valid
X22	0,000	0,769**	0,195	0,256	valid
X23	0,000	0,763**	0,195	0,256	valid
X24	0,000	0,707**	0,195	0,256	valid
X25	0,000	0,792**	0,195	0,256	valid
X26	0,000	0,794**	0,195	0,256	valid

** . Correlation is significant at the 0.01 level (2-tailed)

* . Correlation is significant at the 0.05 level (2-tailed)

Source : Data processed, 2016.

Validity test results on those items in the statement of variable usage accounting information (X4) in the above table shows valid.

Preparation of Financial Statements variable (Y)

Validity test results on those items in the statement of financial report making variable (Y) can be seen in the table below 34.

Table 34. Validity of Test Results on Variables Preparation of Financial Statements (Y)

Indicators	Sig. (2-tailed)	r _{hitung}	r _{tabel}		Description
			$\alpha = 5\%$	$\alpha = 1\%$	
Y1	0,000	0,753**	0,195	0,256	Valid
Y2	0,000	0,830**	0,195	0,256	Valid
Y3	0,000	0,828**	0,195	0,256	Valid
Y4	0,000	0,780**	0,195	0,256	Valid
Y5	0,000	0,836**	0,195	0,256	Valid

** . Correlation is significant at the 0.01 level (2-tailed)

* . Correlation is significant at the 0.05 level (2-tailed)

Source: data processed, 2016

Validity test results on those items in the statement of financial report making variable (Y) in the above table shows valid.

Reliability Test

Reliability test results on those items in the statement of the education variable (X1), training (X2), experience (X3), the use of accounting information (X4), and financial reporting (Y) in table 35 below.

Table 35. Reliability Test Results in Education variables (X1), Training (X2), Experiences (X3), Use of Accounting Information (X4), and Preparation of Financial Statements (Y)

Variables	Cronbach Alpha Value	Description
Education (X1)	0,834	reliable
Training (X2)	0,812	reliable
Experience (X3)	0,836	reliable
The use of accounting information (X4)	0,795	reliable
Making financial reporting (Y)	0,859	reliable

Source: Data processed, 2016.

Reliability test results on those items in the statement of the education variable (X1), training (X2), experience (X3), the use of accounting information (X4), and making financial reporting (Y) in the above table indicates reliable.

Normality test

Results of normality test using test one sample Kolmogorov-Smirnov test with significance level of 5% on education variable (X1), training (X2), experience (X3), the use of accounting information (X4), and making financial reporting (Y) can be seen in table 36 below.

Table 36. Normality Test Results in Education variables (X1), Training (X2), Experiences (X3), Use of Accounting Information (X4), and Preparation of Financial Statements (Y)

			One-Sample Kolmogorov-Smirnov Test				
			X1	X2	X3	X4	Y
N			100	100	100	100	100
Normal Parameters ^a	Mean		19.8600	20.4600	15.6900	11.8700	15.6900
	Std. Deviation		3.20044	3.91428	3.21516	2.88029	3.50092
Most Extreme Differences	Absolute		.117	.112	.130	.092	.095
	Positive		.086	.103	.130	.092	.095
	Negative		-.117	-.112	-.104	-.081	-.075
Kolmogorov-Smirnov Z			1.174	1.118	1.304	.919	.947
Asymp. Sig. (2-tailed)			.127	.164	.067	.367	.331

a. Test distribution is Normal.

Normality test results on the education variable (X1), training (X2), experience (X3), the use of accounting information (X4), and financial reporting (Y) in the above table shows that all normal variables.

Multicollinearity Test

Multikolinieritas test results on the education variable (X1), training (X2), experience (X3), and the use of accounting information (X4) can be seen in the table below 37.

Table 37. Multicollinearity Test On Education Variables (X1), Training (X2), Experiences (X3), and Use of Accounting Information (X4)

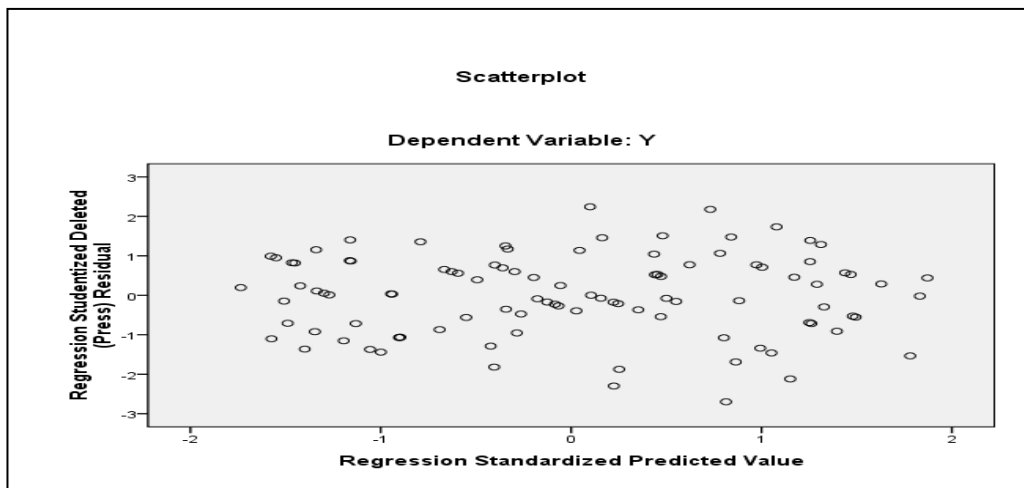
Variables	Collinearity Statistics Value		Description
	Tolerance	VIF	
Education (X1)	0,441	2,269	No Multicollinearity
Training (X2)	0,367	2,728	No Multicollinearity
Experience (X3)	0,494	2,023	No Multicollinearity
The use of accounting information (X4)	0,548	1,824	No Multicollinearity

Source: Data processed 2016.

Multikolinieritas test results on the education variable (X1), training (X2), experience (X3), and the use of accounting information (X4) in the above table shows all the variables are non-multikolinieritas.

Heterokedastisitas Test

Heteroskedastisitas test results of multiple linear regression model in Figure 2 below.



Source : Data processed, 2016

Figure 2 Results of Heterokedastisitas Test

Heteroskedastisitas test results in the above figure shows that the dots in the picture are scattered irregularly both above and below the number 0 on the Y axis This means the value of the variance of the residuals of the observations to other observation is constant and does not form certain patterns. Based on these two things, multiple linear regression model that forms free from heteroscedasticity.

Multiple Linear Regression Analysis

The results of multiple linear regression analysis of this study in the table below 38.

Table 38. Results of Multiple Linear Regression Analysis

Coefficients^a

<i>Model</i>	<i>Unstandardized Coefficients</i>		<i>Standardized Coefficients</i>
	<i>B</i>	<i>Std. Error</i>	<i>Beta</i>
1 (Constant)	-2,217	1,278	
X1	0,344	0,093	0,315
X2	0,167	0,084	0,187
X3	0,300	0,088	0,275
X4	0,248	0,093	0,204

a. *Dependent Variable: Y*

Source: Data processed, 2016.

Hypothesis testing

F- test

F-test multiple linear regression model of this study in Table 39 below ..

Table 39. F Test Linear Regression Model

ANOVA^b

<i>Model</i>	<i>Sum of Squares</i>	<i>df</i>	<i>Mean Square</i>	<i>F</i>	<i>Sig.</i>
1 <i>Regression</i>	844,294	4	211,073	54,327	0,000 ^a
<i>Residual</i>	369,096	95	3,885		
<i>Total</i>	1.213,390	99			

a. Predictors: (Constant), X4, X1, X3, X2

b. *Dependent Variable: Y*

Source: Data processed 2016.

From the table above indicate that the research model is fit.

Coefficient of Determination

The result of the calculation of the coefficient of determination in multiple linear regression model in the table below 40

Table 40. Value Calculation Coefficient of Determination

Model Summary^b

<i>Model</i>	<i>R</i>	<i>R Square</i>	<i>Adjusted R Square</i>	<i>Std. Error of the Estimate</i>
1	0,834 ^a	0,696	0,683	1,97110

a. *Predictors: (Constant), X4, X1, X3, X2*

b. *Dependent Variable: Y*

Source: Data processed 2016.

Calculation of the coefficient of determination of multiple linear regression model in the table above shows that the coefficient of determination (R2) of 0.696. That is education (X1), training (X2), experience (X3), and the use of accounting information (X4) of the small business in the city of Bengkulu positive and significant effect simultaneously to financial reporting (Y) on the business activities of SMEs in the city of Bengkulu amounted to 69.6%. The remaining 30.4% making the financial statements (Y) on

the business activities of small business in the city of Bengkulu affected by other factors that are beyond the multiple linear regression model of this study.

Partial test (t test)

The result of partial test (t test) multiple linear regression model of this study in the table below 41.

Table 41. Partial test (t test) Multiple Linear Regression Model

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-2,217	1,278		-1,734	0,086
X1	0,344	0,093	0,315	3,694	0,000
X2	0,167	0,084	0,187	1,999	0,048
X3	0,300	0,088	0,275	3,419	0,001
X4	0,248	0,093	0,204	2,674	0,009

a. Dependent Variable: Y

Source: data processed 2016.

Results table above shows that all the proposed hypothesis is accepted. This means that the capacity of individuals consisting of education, experience, training and use of accounting information berpengaruh to financial reporting on small business in the city of Bengkulu. So is the use of accounting information affect the financial reporting on small business in the city of Bengkulu.

CLOSING

Conclusion

The conclusion of this study are: capacity influential individuals in the financial reporting on small business in the city of Bengkulu and the use of accounting information in the financial reporting impact on small business in the city of Bengkulu.

Research implications

The implications of this study are: first, the perpetrators of businesses, particularly small business need to be mastered on accounting, especially relating to their businesses because with this understanding, they can use accounting information generated from the financial statements they make will thus assist them in making decisions later. Second, the ability of businesses in preparing the financial statements should also be supported by competent government agencies such as the Department of Cooperatives and SMEs, the Department of Commerce and other soft even lending capital to SMEs, especially in the city of Bengkulu

Limitation

In conducting this study, the research team also experienced difficulties made the team as a limitation in this study include: there is still confusion in the SME business people to answer questionnaires so that researchers must explain items per statement. Thus the time of data collection becomes old that had been targeted four weeks to 2.5 months. Limitations time owned by small business lead to hard to make a deal so quite time-consuming as well.

Suggestion

From the above limitations, the research team provides suggestions for future researchers: Look for the right time in distributing questionnaires and should be done prior arrangement with the small business. Use words that are easily understood by the respondents in compiling statement items in the questionnaire so that respondents were not confused in answering.

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ROLE OF THE INTERNAL AUDITOR GOVERNMENT TO REALIZE THE LOCAL GOVERNMENT NET

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Abstract. The purpose of this article describes the role of internal auditor in the realization of local governance were clean. Indonesia was ranked 107 on 2015 corruption perception index published by the Transparency International. Although it has increased two points from the previous year, but the score is still below the average index of perception of the world. NGO Transparency International Indonesia perception index also surveying local governments in eleven regions. The results showed an average of corruption perception index eleven local governments in Indonesia in 2015 was 54.45. Perception of corruption in the region is closely related to the ease of doing business in the area. Ease of doing business is very high in areas with high corruption perception index, and vice versa. Many parties in local government corruption occurs systemically, so it is necessary to use a systemic approach also in the eradication measures. Government's internal auditor has a strategic role for the realization of clean government. The role of the government auditor is no longer a watch dog. Government's internal auditor role as a supervisor, consultant and catalyst for local government financial management. Some constraints to maximize the role, among others, the commitment of regional heads, auditors' competence, independence of the auditor and auditee consciousness.

Keywords: *Watchdogs, Good Corporate Governance, Catalyst, Consultant, Corruption,*

BACKGROUND

Good Corporate governance needs arising in connection with the principal agency theory, namely to avoid a conflict between the principal and agentnya. Conflicts arise because of differences such interest shall be managed so as not to cause harm to the parties.

Good governance can be divided into two groups, namely good corporate governance (GCG) and Good Government overnance (GGG). Good corporate governance is good governance in the private sector, while the government good governance is the application of good governance in the state bureaucracy. The second group of good governance are two sides of a coin that can not be separated. GGG can only diterapkah environment where the government or the state bureaucracy has implemented GCG, and vice versa, GGG not have been possible without the support of GCG. (Susilawati and Soetjipta 2013)

The concept of good governance in Indonesia is generally defined as a government that is clean (clean government) and authoritative. Good governance is considered as a new paradigm of management or administration building. This puts the role of government as an agent of change from the development of society, especially in developing countries. The Government also referred to as an agent of development because these changes are desired process (Ministry of Internal Affairs, 2016). (In Rustiarini, 2016) Corporate governance is badly pointed out as one of the causes of the economic crisis Indonesian politics started in 1997 whose effects are still felt to this day. (www.bpkp.go.id).

Good internal audit in Corporate governance will be able to improve management processes and controls that assist management to maximize the economic performance of companies for profit companies and stakeholders with the company (stakeholders). Without good internal examination, the board or the management unit does not have adequate internal information regarding the performance of the organization. (Nugroho).

The level of corruption in Indonesia is still very high, as seen from hasiPerpectioan Corruption Index (CPI). CPI is a composite index derived from 12 sources of data, which reflect the perceptions of experts or businessmen against corruption stance of abuse of authority for personal interests, the public sector, either by the employees, public officials and politicians. CPI testing is done globally to 168 countries, with a score range 0-100 (very corrupt, very clean). CPI in Indonesia to include the following: (1) In 2012 obtained a score of 32 to rank 118; (2) In 2012 obtained a score of 32 to rank 114; (3) In 2014 obtained a score of 34 to rank 107; (4) In 2015 obtained a score of 36 to rank 88.

CPI results showed an increase in scores and rankings in 2015 to Indonesia. However, this figure is still quite far when compared with the total of the countries surveyed, which is 168. This means that Indonesia is still included in corrupt countries in the world. To overcome this, the role of internal auditors will be needed to realize the GCG.

BPKP defines GCG asterms that are easily digested soft definition, even a layman, namely: "Commitment, Codes of Conduct, as well as the Business Operation Practice Healthy and Ethical". (www.bpkp.go.id)

In APIPAuditing standards, both set in the Minister PAN No. PER / 05 / M.PAN / 03/2008, as well as the Indonesian Government Internal Audit Standards (AAIPI, 2013), stated that the APIP as internal watchdog of government is one of the important elements of the government management in order to realize good governance and clean government. The expectations will be achieved if APIP is able to be agents of change to create added value to the products or services of government agencies

Internal auditors have a role as a watchdog, Consultat, and catalyst. In this role, is expected auditor can be the guardian of the realization of good governance to the Clean Government. To achieve this, the auditor must improve their competence and personal independence, because of regulatory developments and the business world, affecting the practice of business management, including the management of government agencies. The commitment of regional head and auditees awareness is also important in the achievement of GCG.

DISCUSSION

CleanGovernment

Good governance is good governance. In the version of the World Bank, Good Governance is a peyelegaraan development management of solid and responsible in line with democratic principles and an efficient market, the avoidance of misallocation of investment funds and the prevention of corruption both politically and administratively run budget discipline and the creation of legal and politicanframework for the growth of business activities. It is for the government and private sector in Indonesia is a cutting-edge breakthroughs in creating public credibility and to give birth to forms of managerial reliable. (Muryanto 2014)

Cleangovernmentis a government that is clean and respectable. Good corporate governance is the company's good and clean. Governance with out government means that governments are not always in the paint with the institution, but included in the meaning of th eprocess of government (Prasetijo, 2009). Governance is different from the government, which means the government. Because the government is just one part of governance. When governance is an infrastructure, governance is also talk of the superstructure. Numerous definitions of good governance. (Muryanto, 2014)

Indonesia began to apply the principles of good corporate governance since signed a letter of intent (LOI) with the IMF, which is one of the important part is the inclusion of the schedule to improve management of the companies in Indonesia (YPPMI & SC, 2002). The basic principles that must be observed in corporate governance, as follows: (Sutedi, 2011) (1) Transparency; (2) Accountability (accountability); (3) Honesty (fairness); (4) Sustainability

Internal Auditor

Definition of internal audit according to the Institute of Internal Auditors (IIA) in 1999 as follows: (Anto, Sutaryo, and Payamta 2016)

“Internal auditing is an independent, objective Assurances and consulting activity designed to add value and improve an organisation’soperations. It Phelps an organization accomplish its objectives by Bring in a systematic, disciplined approach to evaluate and improve e the effectiveness of risk Management, control, and, governance processes”

Internal oversight of government is an important management functions in the delivery of government to achieve good governance, efficient, effective, clean and responsible needed Government Internal Supervisory Apparatus (APIP) qualified and professional auditors. (APIP Auditing Standards, 2008)

APIP is a government agency that was formed with the task of carrying out internal supervision within the central government and / or local government, comprising Finance Comptroller (BPKP), the Inspector General / Inspectorate / Internal Audit Unit in the Ministry / Ministry of State, Main Inspectorate / Non-Government Organization Inspectorate, Inspectorate / Internal Audit Unit at the Secretariat of State Agency and the State Agency, the Inspectorate of Provincial / District / City, and the Internal Audit Unit in the Legal Entity other Government in accordance with the legislation. (Anto, Sutaryo, and Payamta 2016)

The internal auditor willbe a friend for government agencies, rather than the opponent. Because internal auditors help government agencies to provide solutions to the problems faced, conduct surveillance, and seeks to provide policy alternatives that can help leaders achieve economic activities, efficient, and effective.

The shift / changetherole of the internal auditor: Watch dog becomes Supervisors, Consultants, and Catalyst

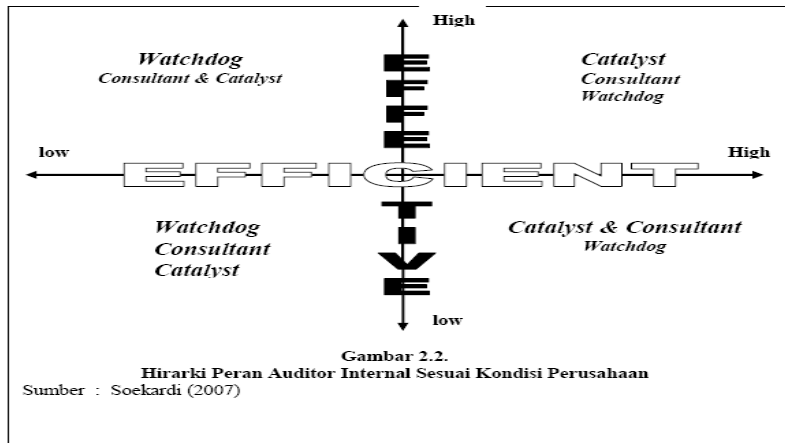
The role of internal auditors as a watchdog has lasted a long time around the 1940s, while the role as a consultant to emerging around 1970. As for the internal auditor's role as a new catalyst to develop around the 1990s (Hidayat, 2011).

The third principal difference is the role of the internal auditor (Hidayat, 2011)

Description	WATCHDOG	CONSULTANT	CATALIST
Process	Compliance Audit	Operational Audit	Quality Assurance
focus	Variation (deviations, errors or fraud, etc.)	The use of resources (Resources)	Values
Impact	Short-term	Medium-term	Long-term

Source : <http://muariefendi.wordpress.com>

Hierarchy internal auditor's role can be seen in the figure below: (Hoesodo, in Astuty-2007)



The picture above describes the differences of emphasis as well as the hierarchy of the three internal auditor's role depends on the conditions that exist in an organization. If the conditions of effectiveness and high efficiency of the organization, the role of the main (dominant) conducted by the internal auditor is a catalyst for operational activities take place effectively and efficiently, while the second role is carried out as consultant, and the last role performed as watchdog , Obviously this condition is considered as an ideal condition for any organization.

If the condition of an organization indicates a low level of effectiveness and efficiency of its operation, the internal auditor should perform as interns and third role with optimal care in all three roles. This is particularly important given the organization's operational activities at the level of effectiveness and low efficiency.

Shifting internal auditing philosophy characterized by changing orientation and the role of internal auditor profession. In this 21st century internal auditor is more oriented to give satisfaction to the management board as a customer (customer satisfaction). Internal auditors can no longer simply act as a watchdog, but should be able to act as a business partner. Differences in the old paradigm (the traditional approach) to the new paradigm (new approach) is described by Arief (2008) in (Hidayat, 2011):

DESCRIPTION	OldParadigm	NewParadigm
Role	Watchdog	Consultants & Catalysts
Approach	Detektive	Preventive
Attitude	As police	As a business partner / customer
Adherence / compliance	All policy / policies	Only relevant policy
focus	Weaknesses / deviation	Constructive solutions
Communication with management	Limited	Reguler
Audit	Financial/compliance audit	Financial, compliance, operasional audit
Career path	Narrow (only auditor)	Widespread (it can be a career in parts / other functions)

Constraints Increasing Role of Auditor

The role of internal auditor in achieving good corporate governance will be hampered them is if the auditor does not have **the competence and independence**, and lack of **commitment of regional heads**, as well as **awareness of the auditee**.

Competence

Competence is an auditor's professional expertise acquired through formal education, professional examinations and participation in training, seminars, symposia and others (Zu'amah, 2009). To produce quality audit, an auditor must have specific competencies required, because the auditor's work is a professional job.

Competence of internal auditors set out in the Code of Ethics of Internal Auditors (Code 2014) mentions that the competence of the auditor include: (1) Carry out supervisory tasks in accordance with Auditing Standards; (2) continuously improve professional skills, effectiveness and quality of work; (3) Refusal to carry out the task if it is not in accordance with the knowledge, expertise and skills possessed.

Competence of a person affected by three things, namely knowledge, skills, and behavior, namely: (Warta Pengawasan, 2012)

1. Knowledge

Each profession should have a Common Body of Knowledge (CBOK), or minimal knowledge that must be possessed by any person who holds a profession. CBOK internal watchdog at the current era include: (1) The system of internal control; (2) The internal watchdog Professionalism; (3) The management of the internal audit function; (4) Mechanical internal audit field work (5) Perspective governance (governance) internal control; (6) The management of risk; (7) The impact of information technology on internal control functions; (8) Knowledge supporting internal oversight.

2. Skills

Robert Moeller in his book "Brink's Modern Internal Auditor" (200) (revealing some skills (skills) required a supervisor intern modern, namely: (1) Interview skills; (2) Analytical skills; (3) Testing and analysis skills; (4) Documentation skills; (5) Recommending results and corrective Action; (6) Communication skills; (7) Negotiation skills; (8) Facilitator skills.

3. Behavior

The behavior of a profession governed by a code of ethics. This code of conduct governing what behavior is allowed and what not to do. In the profession internal watchdog has also awakened a code of conduct that should be the reference for all persons with profession. The code of ethics applicable internal watchdog in Indonesia which is governed by Rule MenPAN and RB together with the prevailing international in general, namely: (1) Integrity; (2) Objectivity; (3) Competenc; (4) Confidentiality.

The Institute of Internal Auditors (IIA) has developed a framework that identifies the fundamental aspects needed for effective internal control in the public sector which is called Internal Audit Capability Model (IA-CM). APIP capability based IACM assessment criteria grouped into five levels, aitu Level 1 (Initial), Level 2 (Infrastructure), Level 3 (Integrated), Level 4 (Managed), and Level 5 (Optimizing). Each level consists of six elements, namely the role of Internal and Oversight Services, Human Resources Management, Professional Practice, Management and Accountability Performance, Relationships and Cultural Organization and Governance Structure.

Until the year 2014 within the last 5 years (2010-2014), a total of 474 of 628 APIP APIP (consisting of 86 Centres and 542 APIP APIP District) has capability assessment conducted by BPKP APIP. The results are shown in the following table:

LEVEL	Descriptions	Amount	Percentage
LEVEL 5 OPTIMIZING	APIP become agents of change	-	-
LEVEL 4 MANAGED	APIP Assurances able to provide overall governance, risk management and internal control	-	-
LEVEL 3 INTEGRATED	APIP able to assess the efficiency, effectiveness, economic activity and is able to contribute to the governance, risk management and internal control	1	0,21%
LEVEL 2 INFRASTRUCTURE	APIP able to provide reasonable assurance process in accordance with the regulations, and is capable of detecting corruption	69	14,56%
LEVEL 1 INITIAL	APIP can not give assurance on the governance rules and appropriate to prevent corruption	404	85,23%

The above table shows that the capability of APIP in Indonesia is still very low, which is still at level 1, namely that the APIP has not been able to provide security for the process according to the rules and governance can prevent corruption. With this level, of course, great expectations for internal auditors to be able to realize the GCG will be very difficult. This will actually hamper the realization of good corporate governance in the public sector

Independence

Independence is the most important keywords to assess the role of internal audit. Many people interpret independence into the second sense, namely: (1) take a neutral stance, impartial, and free from the influence; (2) The presumption in favor of the interests that are more large / value. (Kumaat, 2011).

The independence by the second general standard statement is: "In all matters relating to the inspection work, the organization of inspectors and inspectors, should be free in the mental attitude and appearance of interference personal, external, and organizations that can affect its independence". (SPKN, 2007).

Some things are considered to be a hindrance independence of the internal auditor, are: (Santosa; 2016)

1. There are no regulations that specifically and comprehensively regulate APIP in Indonesia. Regulations on the structure and governance of the Organization dealt with separately between BPKP, Inspectorate General in the Ministries / Agencies and Local Government Inspectorate. Although there are some laws that regulate overall APIP, but it is special or specific nature, including PP 60 of 2008 on SPIP, Candy PAN No. PER / 04 / M.PAN / 03/2008 on the Code of Conduct APIP, Candy PAN No. PER / 04 / M.PAN / 03/2008 on Auditing Standards APIP, or anyway Candy PAN No. 28 Year 2012 on Guidelines for peer research paper audit results APIP. That condition has implications for the obscurity of the concept of development of internal audit functions of government (APIP), as well as creating a variety of interpretations of thought in understanding and implementing the independence of the APIP. Formulation of regulatory policies that govern the APIP comprehensively become an urgent necessity.
2. Reality suggests that the independence of the APIP is more precisely termed "Independent vague". In the design of institutions, APIP is responsible directly to the supreme leader at each level of government, conceptually it meets the principles required to maintain the independence of the internal audit function, if there is no audit committee or the board of trustees, Internal audit must be at least have a relationship and responsibilities directly to the top leaders of the organization (IIA, 2012; INTOSAI, 2010).
3. The leadership dominance creates a tendency, APIP will be independent in the performance of its duties are not dealing with the realm or region into 'policy' Leader. The fact that a minister or a Regional Head of political office, implications to the ongoing political direction and have a strong influence for the Minister or Head of the Region. (Santosa; 2016)

Commitment of Regional Head

"Innovation and leadership styles David Bobbie Akieb, has taken him elected as regent in 2008 Best TEMPO magazine. In addition, the regent with the tradition of this achievement, has received an invitation from the Ministry of Interior to follow the activities of Executive Education Training Program at the Kennedy School, Harvard Universtas, USA, September-October 2012. Several achievements that were achieved in Gorontalo regency is inseparable from the 3 things namely the leader's commitment to the attainment of organizational goals such as by building intelligent human resources both competence and integrity, to build the system and run a system that has been built "(News Supervision, 2012).

The quote above is one interview that did to David Bobbie Akieb, Regent of Gorontalo who has demonstrated a commitment as head of the region to be able to provide the best service to the community and improve accountability and Transparency state finances so as to realize a clean government.

Financial management of the State is the over all activities of the state's financial management officer in accordance with the position and authority, including planning, implementation, monitoring, and accountability. State financial audit includes examining on the State's financial management and audit of state financial responsibility. BPK carry out checks on the management and financial responsibility of the state. Recommendations are suggestions based on the results of the examination of the examiner, addressed to people and / or entities which are authorized to act and / or repair.

Commitment head of the region to follow up the recommendations and findings of the investigation based on law number 15 of 2004, article 20, paragraph 1-3 states:

1. Officials are required to follow the recommendations in the report of examination results.
2. Officials are required to provide an answer or explanation to the CPC on the follow up on the recommendations in the report of examination results.
3. Answer or explanations follow-up on the recommendations in the examination report submitted to the Audit Board no later than 60 days after the report is received examination results.

Regulations and the importance of commitment shows that without a commitment to the organizational goals will not be achieved. The commitment of regional heads also determine achievement of good corporate governance. In the government sector, the commitment of regional head still needs to be improved, this is because there are still many findings are repeated in each year.

Auditee Awareness

The local government is for the auditee's internal auditor. Awareness auditee to help auditors is sometimes not achieved optimally. Since not many of auditees felt that the auditor will help solve the problem, even sometimes auditee feel that the auditor will give a new problem for the agency. This is partly due to the resistance of the user, ie auditee, in developing new things, and resistant melalau work in improving the performance improvements provided by the auditor. In other words, do not want to blame her job. The role of the auditor as a party to provide suggestions for improvement are sometimes regarded as an opponent and not a friend, because the auditor is considered to be damaging the system they have built, and they do not want to make changes on the advice and recommendation of auditors.

User resistance is defined as a reaction against the proposed changes. Resistance users also didefisikan as an opposite reaction to the changes experienced by users on the implementation of new information systems (Markus, 1993). (Suhendro, Veronica, and Nauli)

The resistance change is a natural reaction to something that causes disturbance and loss of equilibrium. Individuals will only be changed if it has the capacity to do so. Major factors that may cause the occurrence of resistance are: (Suhendro, Veronica, and Nauli): (a) The attitude of conservatism; (B) The lack of value / perceived needs (perceived value); (C) Support the organization less; (D) The technical quality of the weak; (E) Switching costs; (F) Confidence to deal with change; (G) Opinion colleague

The commitment of regional head and auditees awareness is still weak in the public sector, it can be seen from some of the findings of the CPC, which showed no change in the number of findings, opinions, and even follow-up on the findings. CPC is not a government internal auditors, external auditors government CPC is conducting an audit of financial statements, internal control system, and the performance of the government. Internal Auditor government has a role to improve the internal control system both in pemerintahan so that the financial statements produced will show the actual conditions, so regardless of material misstatement.

Overall since 2010-the first half of 2016, the CPC has delivered 283 294 recommendations to the audited entity worth Rp 247,87 trillion. Results of follow-up monitoring of the recommendations as follows:

1. Have as many as 172 909 in accordance with the recommendations of recommendations (61.0%) worth Rp55,63 trillion.
2. Not appropriate / in the follow-up process as many as 75 123 recommendations (26.5%) worth Rp56,61 trillion.
3. Recommendations recommendation has not been followed as much as 34 507 (12.2%) worth Rp131,69 trillion.
4. No recommendation can be followed up with 755 (0.3%) worth Rp3,94 trillion.

Internal Auditor Regional Government: Key to Achieving a clean government

The achievement of good governance are important objectives expected by a government. With a clean government will be easier for the government to run its operations that provide services to the public. This goal will be achieved if the internal auditor to be part of the process. Competence and independence of the internal auditor will be the basis of the management of the government. To achieve this, the auditor should be able to continue to develop its role, improve the competence, and maintain independence, and able to increase government awareness and commitment of local leaders in menwujudkannya.

The study results Financial and Development Supervisory Agency (BPKP, 2015), explains that there is an oversight role that has not been implemented optimally, namely:

1. The role of the Government Regulation No. 60 of 2008, cross-sectoral supervision still walk on their own (sectoral), there has been no coordination between the deputies and representatives of technical and there are no guidelines for the supervision of cross-sectoral.
2. Role in Presidential Decree No. 192 of 2014, the formulation of national policy as well as organizing joint monitoring APIP and other synergies.
3. Role in Presidential Instruction No. 9 of 2014, the audit /evaluation of development financing.

High demands require that internal auditors have the right strategy in the face of changes that occur so that the role of auditors can be real. According Spencen Picket (2003) in (News Supervision, 2012), the internal auditor should be able to add the focus of his work:

1. From Hard to Soft Control Control

During this time the internal watchdog has trained other work units in the building 'hard control' good, such as the preparation of performance planning, preparation systems, financial reporting, performance evaluation, or other assignments that support the establishment of 'hard control' good. In the future, the internal watchdog began touching assignments that support the implementation of the values and ethics of the organization and integrity of personnel, establishment of employee competencies, or realization of an effective internal control.

2. From the Control Evaluation into Self Assessment

Lately, internal regulatory authorities have observed the adequacy of the internal control system of the organization in anticipation of risk. In general, these activities are done through an evaluation of the quality of the internal control system carried out by a team of internal watchdog, both desk evaluation, and observations, as well as interviews with the officials concerned. Currently, developing the approach is through the Control and Risk Self Assessment. This approach is employed by a different method, in which the internal supervisory role as a facilitator to the development process independently of the control system and risk management through a discussion group or other techniques. With this approach the expected risk identification, risk analysis, risk assessment, risk response, and the activities that must be built pengendalian compiled by the unit itself, which is seen most appreciate and understand it.

3. From the Control into Risk

If an organization would concentrate on managing risks but never perfected the system of control, what happens is a futility. If at any time the risk arises, the organization will not be able to anticipate well. Conversely, if the organization would concentrate on building control systems, without associating with the risks involved, then the system is awakened will become too big and cumbersome and unfocused. It is a waste. With this view, the internal watchdog organizations realize the importance of managing risk. The risk of becoming a new focus for future internal watchdog. Without optimal risk management, the operation can not be made more efficient and effective organization.

4. From Detective become Preventive

During this assignment identical to internal watchdog inspection or audit. Assignment internal watchdog was dominated by activities that are detected irregularities. Change the current paradigm brings internal watchdog role that broader and more strategic to the organization. Internal watchdog is not just a 'watch dog', but as a consultant and quality assurance. With this role and function, then the assignment is done more preventive or prophylactic.

5. From the Audit Knowledge becomes Business Knowledge

The dimensional changes have consequences on the internal watchdog themselves. The main consequence is a change that should its competence, including knowledge. If during the supervisory auditor should be equipped with knowledge on control (audit knowledge), in the future the knowledge of the organization's core business is not less important. Thus the internal watchdog dimensional change has brought a change of focus from knowledge into business knowledge audit.

6. From the Operational Audit becomes Audit Strategy

The focus of the internal supervisory work in the past was dominated by examinations at lower levels' organizations, namely through compliance auditing and operational audits. The internal watchdog dimensional change has added a focus by evaluating products on organizational level. Internal watchdog in the future will be more involved in evaluating the strategy of the organization in achieving its objectives. Types of assignments such as policy evaluation or audit strategy will be a new focus in the future.

7. From Independence into Value

The independence often become the focus in the implementation of internal supervisory duties over the years. On a new dimension, it's not too became the focus of attention again. It is associated with changes in the regulatory purpose of existence of internal develop into driving the creation of value for the organization. The focus of the discussion turned on the issue of independence becomes how to keep internal watchdog can create value or value to the organization.

Their internal audit showed a positive and significant influence in achieving good corporate governance at the company. The better and the adequacy of internal audits carried out, it will provide a good implication of the implementation of good corporate governance. Conversely, if the internal audit was not conducted properly and adequately, it will have implications also to the inadequate implementation of good corporate governance (Nugroho).

The internal environment of the organization is an organizational resource that will determine the strength and weaknesses of the organization. In order to maintain competitive advantage, organizations must be able to optimize the use of resources, both human resources, organizational resources, and physical resources. Internal Audit, as an independent function that is expected to optimally perform its role as a watchdog, consultant, and a catalyst in the organization.(Astuty, 2007).

The role of the auditor is also directed to a role as a strategic Business Partner. This is described in penelitanHidayat (2011), which states that the internal auditor has the overall ability of the internal audit, internal auditors as a solution to the problems of the auditee. Internal auditor builder be constructive and conducive atmosphere in the examination, and the auditor as a deterrent for error or fraud.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

1. The application of the principles of corporate governance which will preclude the possibility of consistent performance engineering (earning Management). Changes towards good corporate needs more attention from various parties, both from the government and from the company itself.
2. Internal auditors have a role as a watchdog, a consultant, and a catalyst. All three of these roles can not walk alone. a paradigm shift from the watchdog as a consultant and catalyst does not diminish the watchdog role of the auditor.
3. Embodiments of clean government one of them can by improving the competence and independent internal auditor. In addition, no less important is their commitment to regional heads awareness auditee to jointly realizing the clean government.
4. Internal auditors be one key to the success of achieving a clean government. Therefore, the internal auditor should have the right strategy to achieve it, such as by adding a new focus in its work, namely:
(1) From the hard control becomes soft control; (2) From the Control Self Assessment Evaluation be;
(3) From the Control into risk; (4) From Detective become Preventive; (5) From the Audit Knowledge becomes Bussiness Knowledge; (6) From the Operational Audit into Audit Strategy; (7) From Independence into Value

Recommendations

1. This study is conceptual. Therefore, it is expected to do more research to find the right steps to do auditor in performing its role to achieve good corporate Governance.
2. The commitment of the leadership and awareness auditee become important factors beyond the internal auditor to realize GCG. Therefore, it is expected to do more to improve the review of contributions auditee management commitment and awareness to achieve GCG.

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THE PERCEPTION OF NEW ACCOUNTANTS ABOUT SUSTAINABILITY REPORTING (Study at University of Bengkulu)

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Abstract. This research aims to give empirical evidences about students perception of sustainability reporting. The informants are students from 7th semesters in Accountant Department (First Degree) Bengkulu University. The study using qualitative method that all data came from informants. There are some step that we do to gather data, first, we gathered the information from questionnaire to all students, second, we sort of completed questionnaires, and then we do the verification using the technique -depth interviews with several informants, third, we do some experiment class that we explain about sustainability reporting, CSR, ISO, environment, and role of accountant. After that, we gave ending questionnaires to make sure how far student understand about sustainability reporting. Furthermore, the datas are reduced, displayed, verifcated and then affirmed in conclusion. The result of this research indicates that the students do fully and clearly understand about sustainability reporting after the experiment.

Key words: students perception, new accountant, corporate social responsibility sustainability reporting, qualitative research

INTRODUCTION

Today, development of business required company to report company's result that is not only at economically aspect, such as condition of finance, but also must pay attention to social aspect area. Company is not anymore simply economic activity to create profit for the shake of continuity of its business, but also responsible to social aspect area. The Company who focus only in financial aspect, doesn't guarantee that company can grow on an ongoing basis (sustainable). Continuing would be well guaranteed if company pay attention to other related aspect, such as social aspect and its area (Rudito, Budiman, Prasetijo, 2004).

The company's responsibility in social poured in the form of a social caring is called as Corporate Social Responsibility (CSR). Where in practicing it business organizations to see as pressure because the implementation CSR admission in a new business challenge grown in year 2000-an. In Indonesian standard, PSAK NO. 1 the year

2013 expressing about presentation of financial statement expressed that company should presents addition report, especially for industry where environment plays as important part. For the purpose it is on the right track, company should reports all aspects influencing continuity of operation of company to public. The Government releases regulation about company social responsibility, which is important aspect must be done. The regulation are Undang-undang No. 22 year 2001, No.40 section 74 year 2007 that oversee and control the operation of mining company that gives negative impact to invironment (Rudito, Budiman, Prasetijo, 2004).

According to Indonesian Institute of Accountants (IAI) that say many cases CSR happened in Indonesia hence its important to going concern financial statement (sustainability financial reporting). Based on IFRS standart which is manage companies to disclose financial reporting. Then the sustainability of financial reporting is must. The accountants in Indonesia has realize that the importance of compilation of sustainability reporting because disclosure standard capable to express level of across the board corporate activity and of course differs from laid open in financial statement. With applying the sustainability reporting its means company expected can grow on an ongoing basis (sustainable growth) what based to business ethics (<http://:iaiglobal.or.id>).

Based on reasoning of the importance of Sustainability Reporting company pushed to make financial statement which sustainable. In compilation of sustainability reporting is required by interference from an accountant who is part of company management which will compile good financial statement and having continuation. Accountant has big role to increases transparency and quality of monetary information for the shake of realized by it healthy national economy and efficiency. An accountant is claimed to compile going concern financial statement.

A new accountant is an accountant candidate will pass step or learning process, so that they require good teaching process in becoming an accountant. The education should be formal that given in university and also informall which be able get in seminar, workshop and courses. University

which is instituting main education in forming student readily works especially accountancy majors, that is expected to be able to make sustainable financial statement. This research is replication from research of Manuel Fernandez Chulian is entitling Constructing New Accountants : The Role Of Sustainability Education, which of its (the purpose is to assess readiness of accountant candidate to compete forwards his (its and readiness of accountancy majors in drawing up the new accountant. Hence research title is " Perception of New Accountant Candidate About Sustainability Reporting (Study At University Bengkulu). Based on background which has been specified, the research question is: "How perception of new accountant candidate about Sustainability Reporting?" and the objective of the research is to aim how accountant candidate understand about sustainability Reporting.

THEORETICAL FRAMEWORK

a. The Perception theory

Big Dictionary of Indonesia Language (1995) defines perception as comments (acceptance or receiving) directly from something or someone process knows some things through five sense. In broader scope of perception is a process entangling past knowledge in obtaining and implementing by their five senses. Perception gives meaning at stimuli (sensor stimuli). Perception also is experience of about object or relationship obtained by concluding information and interprets message.

b. Factors influencing perception

Factors influencing perception according to Robins (2003) consisted of three factors that are perception, situation, target. Perceptions factor consist of position, motif, importance, experience, and hope. Situation factor consisted of time, place, job(activity, and situation of social).and the last factor is target that consist of new thing, movement, sound, measure, background, and contiguity.

c. Accountancy Area

Accountancy area of can be defined as identification process, measurement and allocation of environment costs and integration of costs into decision making of effort for and communicates result of his (its to the stockholders company (Sri Hastuti and Ikhsan :

2000). Today, all business must have triple P that is profit, people and planet. Those are indicates that business should built not only for profit but also take care for people and the environment. Easy way implementation of measurement to analysis and of sustainability development namely by using Sustainability Reporting. Where Sustainability Reporting can inform all kind of company activity of through company defrayal posts in disclosure of financial statement

d. Sustainability Reporting

Institute of Indonesian Accountant (IAI) year 2008, the definition of sustainability reporting is reporting done by company to measure, lays open (disclose), and company effort to be accountable for all stakeholders for purpose of company performance towards going concern development. The company which is listed has obligation to make continuing report (sustainability Reporting) as according to commendation Section 66 Article 2 [Code/Law] No. 40 The year 2007 about Limited liability.

Based On Statement of Financial accounting Standard (PSAK) No. 1, the year 2013 hence continuing report positioned as addition report to financial statement. Company must transparently started from vision, mission, policy, strategy and work plan and its social environment performance and economics. The disclosure submitted in "continuing report" what can be accessed by public or the stakeholder. Basically obligation or awareness to make main continuing report is to increase level accountability and transparency of a real required by the stakeholder for the agenda of building and strengthens communications with various related party (stakeholders), and for minimalization of corporate risk, protects good image of company, and as a means of investment analysis for investor and creditor (<http://iaiglobal.or.id>)

e. Cases CSR or Accountancy Area of in Indonesia

There are a lot of environmental collision case and social which caused by the big company in Indonesia. First case is mud case by Lapindo brantas (news Seputar Indonesia online) where the event of spurting it hot mud in location of drilling of Lapindo Brantas in Dusun Balongnongo Desa Renokenongo, District Porong, Kabupaten Sidoarjo, East Java, Indonesia, commencing from the date of 29 Mays 2006. This temperature mud blast causes suffusing of settlement area, agriculture, and industry in three districts in vicinity, and influences economics activity in East Java.

Second case of CSR is financial statement case of PT Chemistry Farma Tbk (daily of tempo online) that happened in the year 2001, be monetary engineering case and generates misleads public. Chemistry Farma anticipated to be strong does mark up net profit in financial statement the year 2001. In the report, Chemistry Farma calls succeeding get profit equal to Rp 132 billions. Latter, stripe

Kimia Farma is opened wide. The pharmacy company in the year 2001 actually only fish-net benefited equal to Rp 99 billions (<http://tempo.co.id>).

The newest case dragging PT. Pertamina (TEMPOCO, Jakarta - Criminal Detective Body of Mabes Polri) has specified one names indication is strong as accused in case suspect corruption of fund corporate social responsibility Pertamina Foundation.

f. Definition of Accountant

According To Indonesian Institute of Accountants (IAI) accountant is someone who is having big role to increase transparency and quality of monetary information for the shake of realized the efficiency and healthy national economy. In public sector, accountant can push management of the state to increase transparency and accountability of financial statement. For private sector, accountant has a role to prepares trustworthy financial statement and ensure the reliability of financial statement. The existence of the accountants is the profession who give the financial guarantee to nation and state

g. The Role Of Accountant in Sustainability Reporting

Annisa and Wiwin (2009) states relating to Sustainability Reporting and performance of the company, showed that companies that disclose sustainability reporting has an influence on the company's performance in terms of profitability. Aspects used are economic performance, environmental and social. Based on the research that has been done is stated that only social performance are impacting on the performance of the company. The other study was conducted by Sitepu (2009) relating to sustainability Reporting and performance of the company with economic, environmental, and social, shows that the economic performance and the environment has an influence on the company's performance, while social performance has no influence. Based on the phenomenon that has been stated above, in further research whether the company is currently implementing Sustainability Reporting will affect the company's financial performance.

The report presented by the company are linked with the intervention of an accountant, the report can access by public to shows the level of corporate accountability. Media used instead of the financial statements or annual reports, but in a separate report, known as the "sustainability Reporting". Based on the Statement of Financial Accounting Standards (SFAS) No. 1 In 2013, the sustainability report is positioned as an additional report on the financial statements. The party who play an important role in the company is an accountant. Sustainability Reporting planned to be part of the process of calculating income, operating costs, as well as company profit. Accountants are expected to make sustainability Reporting as a form of accountability to the stakeholders. This report is expected as a medium of communication that is able to bridge the various interests. Thus, it is clear that accounting and environmental relationships intertwined.

h. Role of Education for Students or candidate Accountant in Preparation Understanding Sustainability Reporting

Implementation of education aimed at the improvement of skills and knowledge. Through a learning process that is applied, is expected to be a change for a student. So with these changes can increase the effectiveness in finding a job. Accounting education process running on the undergraduate level, in all state and private universities Based on the evaluation, Swarjuwono (2012) states that the accounting department needs to develop its curriculum so that graduates accountants can meet the needs of users of accounting graduates. Which is currently accounting transformation towards Sustainability Accounting and Reporting (Lako: 2011), which is expected to prospective accountants not only provide financial information but also presents social and environmental information in the accounting process. Thus, in an effort to improve the competence of graduates of accounting and reporting demands of responding to the trend of global corporations, departments / study programs need to enter your accounting Sustainability Reporting in curriculum design and accounting subjects.

RESEARCH METHOD

a. Research Types

This type of research is qualitative research methods class experiment. Qualitative research aims to understand the phenomena that have been experienced by research subjects eg behaviors, perceptions, motivations, and actions by way of description in the form of words. Phenomenology is an approach that examines a particular phenomenon from the viewpoint of participants

b. Research sites

The location of a study is a place where researchers conducted a study of the object under study. The location of this research is Bengkulu University Faculty of Economics and Business Department of Accounting.

c. Research Focus

This study focus on seven semesters of accounting students who have taken courses introductory to advanced accounting, financial management, audit one and two.

d. Research Instruments

The research instrument used in this study include researchers themselves, Guidelines for the interview (Interview Guide), field notes (Field Note), tape recorder, camera, and questionnaires.

e. Types and Data Sources

The data used is qualitative data. The data used in this study is a type of primary data. Primary data is data obtained directly from the object of study without having to go through the informant. The object of the present study is the seventh semester accounting student Accounting Department, Faculty of Economics and Business, University of Bengkulu.

f. Informant Research

According to Sugiyono (2014) in a qualitative study, the samples is informants. Informants in this study were 10 students of the seventh semester Bengkulu University majoring in accounting. The sampling technique was by purposive sampling. Intake of 10 students felt quite by researchers to become informants in the study.

g. Data collection techniques

Data collection techniques in this study using primary data obtained from interviews with a list of interview questions and questionnaires. The interview is a conversation with a specific purpose and performed by the parties, the interviewer asked a question, and interviewed informants that will provide answers to these questions. Primary data were obtained from: (1) Spreading the initial questionnaire in the form of a question about the seventh semester student knowledge on sustainability Reporting. (2) watching a documentary about CSR, further commenting on the CSR who have watched the film in groups, to determine the students' understanding of CSR. (3) explanation about sustainability Reporting. (4) the legislation regarding the environment in Indonesia, (5) discussion about practice of Sustainability Reporting in Indonesia (6) discussion about ISO 26000 V topics related to CSR. (7) explanation and discussion about the importance of the role of accountants in making sustainable financial reporting (8) Discussions and giving final questionnaire to see the extent to which students understand sustainability Reporting.

g. Data Analysis Techniques

The analysis of data in this research is the analysis of qualitative data with the following steps:

1. Data Collection. Data collection in this study is the observation, interviews and documentation study. Data collection begins from discussion with student about their profile, granting initial questionnaire until the final questionnaire.
2. Reduction of Data. Data reduction, is defined as the selecting process, focusing on simplification and transformation of raw data that emerged from the written records on the field. Reduction began since collecting data by summarizing, encoding, searching themes, make a groups of data, write memos and ignoring irrelevant data. Reduction of data in this study were taking a relevant data or appropriate to the question. If the informant does not answer the questions the data can not be used in research.
3. Display Data. The presentation may also form matrices, charts, and tables. In this study does not use charts or tables so that the shape of the display of this research is the narrative of the interview and discussion.
4. Verification and Conclusion Assertions. Is the final activity of the data analysis. Conclusion made by interpretation activities, that is finding the meaning of the data that has been presented. Verification of this research is done after all the important stages in the study already performing well, after it had verified the data has been obtained.

RESULT AND DISCUSSION

There are ten informants that is student in seventh level at University of Bengkulu. Description Questionnaire Results of Initial Pre Experiment

a). Perception of Students about Accounting

Based on in-depth interviews conducted by researchers of the informants regarding the definition of accounting to the students obtained the answers vary almost identical. the questions and answers are: How do you define the accounting? (Questions no.1), List five key words to describe the characteristics of a prospective accountant accounting? (Questions no.2), and the last question is do you think an accountant is? described in five words! (Questions no.3)

Answer from most respondent about definition of accounting is the art of recording and a process of identifying, measuring, and recording, and will be communicated to users of financial statements. Then the questions relating the characteristics of the accounting itself, which they describe in five short words from the standpoint if the informant was placed into a prospective accountant. The description of the characteristics is transparency, accountability, objectivity, complete and flexible and in accordance with the standards. Then the researchers asked how to describe the characteristics of an accountant accountants in five words? They have a same description that is must accountable, faithfulness, elegance, ready to compete, and smart.

b). Perception of Student About Cognition of Company

The next question is from the initial questionnaire about the company and its environment, where there are four questions, namely: Do you think the main purpose of the company? (Question no.4), If you are an aspiring manager, mentioned the five-step strategic achieve a successful company? (Question no.5), how do you think your company can contribute in the development environment? (Question no.8), and do you think that this time the company has been concern for the environment? Example? (Question no.9)

From ten informants, the response of the main objectives of the company is make a profit. Then the next questions is about five strategic steps they answered: internal control, achievement must be clear, company should pay attention to the surrounding environment such as CSR, giving bonuses to employees to keep them motivated, and companies must know the shortcomings and weaknesses of the company.

Questions about the company has been answered well by informants, they have understood the purpose of the company and step strategic by the company to achieve a successful company, the answer to them is different but the answer they give is in conformity with what is asked, whereas the question on whether the company has been contributing to the development of the environment and whether the company has done terhadap concern for the environment? The whole informant replied that the company has been contributing to the development of the environment by participating attention to the environment and the community around the company, but according to some informants nonetheless there are still companies who ignore responsibility to the environment.

c). Student Perceptions Regarding Accounting for Environmental and Sustainability Reporting

Based on the initial questionnaire of this research, the student perception of potential new accountant regarding sustainability reporting, and the association between environmental accounting and sustainability reporting, the result are: Accounting for the environment is how much the assets we use to care about the environment and how much they spent on protecting the environment. the Sustainability Reporting is ongoing reports that reported by a company.

Then the researchers asked whether they think about relevancy of environmental accounting in sustainability reporting? environmental accounting are reported in sustainable Reporting and sometimes it becomes an important record that will foster its own value for the company. Accounting for the environment is a part of accounting, companies have to pay attention to accountability or legitimacy to the neighborhood where it stands. Next is, the relevancy of environmental accounting in sustainability reporting? They say accounting for the environment is how company pay attention to outside the company as the surrounding environment, and they agree that environment accounting is relevant to sustainability reporting. There is an informant who does not agree to put environmental accounting in sustainability reporting. she is Tica who has an opinion, that environmental accounting is separate from the sustainability reporting. Lioni the only informant who does not understand and does not know well about sustainability reporting.

b. Description of Research Results After Experiment Class

1. Playback Video Documentary About CSR

The experiment was conducted on January 19, 2016. the first experiment class is watching video documenter about CSR cases in Indonesia. The end of this experiment that researchers gave questions to the informant. Video that was played was one of the cases that occurred in Indonesia CSR namely Lumpur Lapindo case and the case of forest fires, which occur because of the negligence or intentional undertaken by the company.

From the video that has seen a lot of an environmental damage caused by the company, researchers asked "what is the importance of environment regulation to company?". the first informant is Retno that expressed " the cases of CSR occurred in Indonesia it is very detrimental to the people that need regulation to be done, and government need to take action to tighten environmental regulations and accounting as a science that can measure how much money should be spent Companies in addressing the environmental damage. So it is very important. "

2. Explanation Regarding Sustainability Reporting

In this stage the researchers provided the exposure of the concepts and theories of sustainability reporting that researchers take from several sources. The research was conducted on January 19, 2016, researchers used Infocus as a media to assist researchers in providing an explanation regarding sustainability reporting. In this exposure the researchers explain the about sustainability reporting.

3. Explanation Regarding Environmental Law in Indonesia

Researchers gave an explanation of environment and sanctions about procedures for the preservation of environment, standard of environment damage in environment law No. 32 of 2009. The questions has been arise from the topic that is " how the law can guarantee there is no environment damage in the future?" The informant, Lioni say "there is guarantee the law can protect environment from damage,because until now, almost environmental in Indonesia still cannot be save from damage although the law have been implemented" other Informants, Eka believes " the rule of law is already set up, but no matter how well the rules that have been apply back to his company. Rules in Indonesia is already there but is not running, then the law enforcement agencies do not have a strong level of independence so that environmental damage is still going on. "

It can be concluded from the responses were almost as shown by all the informants, they assess sanctions that have been implemented is sufficient, but a lack of awareness is still a major cause of environmental damage. Besides law enforcement is still weak cause perusahaan not get decisiveness in running the business.

4. Sustainability Reporting Practices in Indonesia

On the same date in January 19, 2016, researchers gave a presentation on the Sustainability Reporting practices that exist in Indonesia, and comparing the Sustainability Reporting practices that exist in other countries. Where Sustainability Reporting practice in Indonesia cannot be compared to other countries because still stalled. There is some informant say that sustainability reporting in Indonesia have been done implemented in Indonesia but still voluntary not mandatory. Others informant say, sustainability reporting in Indonesia never been implemented. The regulation and support from the government is must.

5. Explanation Regarding ISO 26000

Explanation of ISO 26000 is the part that deals with the regulation of CSR in Indonesia. Explanation of ISO 26000 is taken from IAI, the explanation is made on the same date. After conducting an explanation researchers gave a random questions to the informant "Is ISO 26000 is suitable to be applied in Indonesia?" most informant answered ISO 26000 is suitable to be applied in Indonesia. then researchers asked "Why is ISO 26000 it is suitable to be applied in Indonesia? They answer is content of ISO 26000 was very much in tune with the practice of CSR in Indonesia. Then companies such as what is suitable using ISO 26000, specially for mining company and manufacturing companies.

So the conclusion of an explanation of ISO 26000 according to the informants suitable for use in Indonesia as regulations and guidelines for implementing CSR is good and right according to the rules of ISO 26000, ISO 26000 besides it is also suitable for all areas of the company in Indonesia.

6. The Role of Accountants On Sustainability Reporting

Explanation of topics to six is the role of accountants in sustainability reporting which was held on January 19, 2016. The role of an accountant to prepare a Sustainability Reporting is an important role in the company. Because Sustainability Reporting planned to be part of the process of calculating income, operating costs, as well as company profit. So that the accountant is expected to make the Sustainability Reporting as a form of accountability to the stakeholders. because the informant is a student of accounting will be a prospective accountant should know his role in making sustainability reporting.

Based on the results of the experiment this class researchers get the result that many mixed response from the informant when the investigators asked "How is the readiness of students who will be a candidate accountants understand the sustainability Reporting" many informants say "I do not know how to make it" "I do not know where do this is shown Sustainability Reporting "Researchers asked," Is it the beginning of college until now a lecturer who had mentioned about the sustainability Reporting? "average informants said that yet there are professors who explain in detail about the sustainability Reporting.

According to the informants accountant's role is very important in making sustainability reporting, and they did just mengetahui little about sustainability reporting itself, so they expect their learning more about the Sustainability Reporting.

7. Description of final Questionnaire Results After Experiment

The answer of all informants about definition of accounting is accounting is the study of how financial reporting beginning of the recording, classification, measurement, analysis and reporting." The next question that's five key words to describe the characteristics of a prospective accountant

accounting?some of informant replied " an accountant must transparent, credible, accountable, faithfull, and carefull."

The informants describe the definition of company and their main objective are to earn highest possible profit and to achieve a successful company there must be some measures, such as the first in the recruitment of workers, the requirements should be competent. Second, the a manager should organize strengths, threats, weaknesses of the company. Third, manager must prepare internal control, and fourth, manager must have good communication, so that they can communicate with business partners and keep the responsibility well, the next should be able to have ideas that are creative.last, manager must pay attention to company accountability.

Questions continued to informants on how companies can contribute in the development environment? The average responden answered the company's contribution in development environment by: providing assistance, the recruitment of workers from around the corporate environment, care for the environment. Furthermore, researchers asked whether this time the company has been concern for the environment, the informant said the company has done caring for the environment, but still there are companies who are negligent. Examples of the company's concern for the environment given the informants expressed a concern such as: scholarships, creation of public facilities such as roads, schools, hospitals, and take care for the environment around.

The question about how informant describe about environmental accounting definitions as measurement of cost and benefits arising out of the company as one part of the environment to pay attention to the surrounding environment , such as the cost of CSR. and the definition of sustainability reporting is ongoing reports about the activity of CSR and also reports of corporate responsibility for the environment.

The average informant answered definition of environmental accounting is a field of accounting measure, assess, and report on environmental accounting, and definitions for sustainability reporting is reporting that not only contains information on financial performance, but also includes the performance of non-financial form of social responsibility and environmental responsibility to help the company remain a sustainable company.

8. Perception of student about the importance of sustainability reporting to include in accounting curriculums

All informant have been answered and agree to put the sustainability reporting as apart of financial accounting in accounting curriculums. Because the understanding about what is Sustainability Reporting and how to prepare and present this reporting become important and mandatory today.

CONCLUSIONS

a. Conclusion

Based on interview result which researcher has done to the informans, we conclude that are:

Perception of students about sustainability reporting before experiment class, they do not understand about what is importance of sustainability reporting, while after performed an experiment of class, they are more knowingly the role of accountant in yielding reporting is having continuation and the importance of reporting is having continuation to financial statements, so that the informans have a notion the importance of an accounting student which will become an accountant to get teaching about Sustainability Reporting in lecturing.

b. Implications Result Of Research

Based on solution and conclusion is upper, hence implication which can be made is:

1. Theoretical Implication

For accounting student in University of Bengkulu assumes the importance of getting study of Sustainability Reporting in accounting to enhance their knowledge, and get a better work.

2. Practical Implication

For student reading this research especially accounting student can add knowledge about sustainability reporting and the importance of Sustainability Reporting for an accountant candidate because a real tight work world claim and requires an accountant who professional.

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THE EFFECT OF SHAREHOLDING, PROFITABILITY, LEVERAGE, FIRM SIZE AND INDEPENDENT COMMISSIONER ON TAX AVOIDANCE: TESTING IN GROUP AND NON GROUP FIRM

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Abstract. The purpose of this study to prove shareholding, profitability, leverage, company size and independent director variables on tax avoidance, tested on a group and non-group firms. The sample in this study is a non-financial firms which includes group and non-group firms listed in Indonesia Stock Exchange 2010-2014. The data used in this research is secondary data obtained from financial data in www.idx.com. The number of samples in this study were as many as 52 firms. Data was analyzed using multiple linear analysis and moderation regression using SPSS version 16.0. The results of this study prove that for shareholding (CTR) and leverage (LEV) variables can increase tax avoidance in non-group firms. While profitability (ROA) and firm size (SIZE) variables results can increase tax avoidance in group firms. And for independent director (KI) variable in group firms is less effective in reducing tax avoidance on group firms.

Keywords: Shareholding, ROA, leverage, firm size, independent commissioner, tax avoidance

EFFECT VOLATILITY OF COMPREHENSIVE INCOME AND FAIR VALUE APPLICATIONS TO RETURN AND VOLATILITY OF SHARE PRICE (STUDIES IN THE BANKING COMPANY LISTED ON THE INDONESIAN STOCK EXCHANGE)

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Abstract. The objective of this study is to examine the risk relevance of comprehensive income on banks in Indonesia for 2012-2014. This study also aims to examine the effect of the fair value of financial instruments. Risk relevance and the effect of fair value are measured by the relationship between the volatility of comprehensive income, available for sale, liability derivative to return and volatility of comprehensive income to volatility of stock price. This variable controlled by book value equity and abnormal earnings. Using SPSS analysis data, the results show that information's content of volatility of comprehensive income, liability derivative are not significant to return, but available for sale is positive and significant for available for sale. Therefore, volatility of comprehensive income and volatility of stock price are not significant too. It is implied that the fair value disclosure of financial assets and liabilities is used by investors in their business analysis.

Keywords: Volatility of comprehensive income, gain/loss available for sale, liability derivative, return, volatility of stock price



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