

# **PROCEEDING**

## **THE 6<sup>th</sup> INTERNATIONAL CONFERENCE ON BUSINESS AND BANKING (ICBB VI)**

### **RESEARCH & COMMUNITY SERVICE**

**THEME:**  
Business Survival in the Era of Disruption

**July 28<sup>th</sup>, 2021**  
**Virtual Conference**

**hosted by University of Hayam Wuruk Perbanas (dh. STIE Perbanas Surabaya)  
and STIE Adi Unggul Bhirawa (AUB) Surakarta**



## CONFERENCE PROCEEDING

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## PREFACE

It is a great privilege for us to present the proceedings of The 6<sup>th</sup> International Conference on Business and Banking (ICBB) to the authors and delegates of the event. The 6<sup>th</sup> International Conference on Business and Banking is held by virtual conference with the support by University Hayam Wuruk Perbanas (formerly STIE Perbanas Surabaya), Sekolah Tinggi Ilmu Ekonomi (STIE) Adi Unggul Bhirawa (AUB) Surakarta, and Ikatan Sarjana Ekonomi Indonesia (ISEI) Cabang Surabaya Koordinator Jawa Timur with the theme of “Business Survival in the Era of Disruption.” This theme is very relevant at this time in the midst of the Covid-19 pandemic which has caused economic growth in many countries to slump and many companies experience losses or even go bankrupt. This conference is expected to provide applicable and innovative solutions to various problems in today's business world.

One of the meaningful and valuable dimensions of this conference is the way it brings together researchers, scientists, academics, and engineers in the field from different countries, and enables discussions and debate of relevant issues, challenges, opportunities, and research findings. The primary focus of 6<sup>th</sup> ICBB Conference is to provide an excellent platform for the participants to share and exchange brilliant ideas of original research, and to build international links. We deliver our promise on helping create a bright picture and charming landscape for the areas of business management, marketing, accounting, finance, and banking.

The responses to the call-for-papers had been overwhelming – both from Indonesia and from overseas. Unfortunately, many manuscripts from prestigious institutions could not be accepted due to the reviewing outcomes and our capacity constraints. We would like to express our gratitude and appreciation for all of the reviewers who helped us maintain the high quality of manuscripts included in the proceedings published by The ICBB. We would also like to extend our thanks to the members of the organizing team for their hard work.

Let us wish that all the participants of the 6<sup>th</sup> ICBB will have a wonderful and fruitful time at the conference.

Conference Chair,

**Associate Professor Dr. Lutfi, M.Fin.**

On behalf of the 6<sup>th</sup> ICBB Organizing Committees

28 July, 2021



The 6<sup>th</sup> INTERNATIONAL CONFERENCE ON BUSINESS AND BANKING (ICBB)  
Surabaya – East Java, Indonesia 28<sup>th</sup> July 2021

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(JELANTAH) PADA IBU-IBU PKK DI KOTA SURAKARTA (Murni Sulistyowati, Nunuk Herawati)	
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**Welcome to the 6<sup>th</sup> ICBB 2021**

University of Hayam Wuruk Perbanas, the best Business and Banking College in Indonesia for 2018 and 2019, is an honor and privilege to host the 6<sup>th</sup> International Conference on Business and Banking (ICBB) 2021 together with STIE AUB Surakarta on July 28<sup>th</sup>, 2021, with the theme “Business Survival in The Era of Disruption.” The ICBB 2021 Conference is a continuation of the previous conference in 2018 conducted by the University of Hayam Wuruk Perbanas in Bali.

This conference will be an excellent platform for the interaction between faculty members, educators, bankers/ banking experts, students, and professionals from all over the world to present their research results and best practices. We welcome papers on all topics related to Business Management, Marketing, Accounting, Finance, and Banking. The conference will also provide an opportunity for higher education institutions from ASEAN and non-ASEAN countries to seek and strengthen international connectivity and network by exchanging ideas with business practitioners, sharing curriculum and degree and non-degree programs for the benefit of their faculties and students.



The 6<sup>th</sup> International Conference on Business and Banking is held virtually with the support of Yayasan Pendidikan Perhimpunan Bank Umum Nasional Swasta (PBUNS) Jawa Timur, Sekolah Tinggi Ilmu Ekonomi (STIE) Adi Unggul Bhirawa (AUB) Surakarta, Sekolah Tinggi Ilmu Ekonomi (STIE) Semarang, Bank Jawa Timur, Bank Maspion, PDAM Tirta Ampera Kabupaten Boyolali and PT Pegadaian Galeri 24.

On behalf of the organizing committee, I would like to thank all presenters and participants for joining and presenting papers at the 6<sup>th</sup> ICBB 2021. I firmly believe that this event will be the forum to transfer your valuable experience and prove immensely beneficial to all participants.

We are looking forward to seeing you in the next ICBB!

**Dr. Yudi Sutarso, S.E., M.Si.**  
**Rector of University of Hayam Wuruk Perbanas**



UNIVERSITAS HAYAM WURUK  
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**Welcome to the 6<sup>th</sup> ICBB 2021**

First of all let us praise and thank the presence of God Almighty, for the abundant of grace and the joy of all us then we can still gather in this moment without any barrier at all.

The 6<sup>th</sup> International Conference on Business and Banking (ICBB) 2021 with the theme of *Business Survival in the Era of Disruption held today, Wednesday July 28<sup>th</sup>, 2021* is expected to be able to provide input for practitioners, lecturers, and researchers in their efforts to build public literacy in the business and banking fields. For this reason, let us enliven it and fill it with positive and interesting agendas such as making batik as a characteristic of the cultural treasury of the city of Surakarta.



On this occasion, allow me to deliver my respects and thanks to Prof. Dr. Okid Parama Astirin, MS from University of Sebelas Maret Surakarta; Assoc. Prof. Wan Azman Zaini Wan Ngah, Ph.D from Universiti Putra Malaysia and Assoc. Prof. Evan Lau Poh Hock, Ph.D from Universiti Malaysia Sarawak for their willingness to be the Keynote Speakers of our next conferences.

A great deal thank is also presented to all of the Seminar's Committee from STIE Perbanas, Surabaya and STIE "AUB" Surakarta for their hard working to realize these both seminars entitled The 6<sup>th</sup> International Conference on Business and Banking (ICBB) 2021

Furthermore, in the atmosphere of concern with the development of the Corona Virus called COVID19, I appeal to all parties to remain vigilant, maintain cleanliness, health and fitness as an effort to ward off the virus. Finally, let us pray that the 6<sup>th</sup> ICBB will be able to run smoothly and successfully, Ameen.

**Dr. Agus Utomo, MM**  
**Chair person of Surakarta "AUB" School of Economics**



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**THE 6<sup>th</sup> INTERNATIONAL CONFERENCE ON BUSINESS AND BANKING (ICBB)**

**CONFERENCE PROGRAM (JAKARTA  
GMT+7) JULY 28, 2021**



Time	Duration	Activity	Venue/Information		
07.30-08.00 a.m.	30'	Participants join the Zoom	Main Room		
08.00-09.15 a.m.	75'	<b>Opening</b>	Main Room		
	5'	Singing national anthem: Indonesia Raya			
	15'	Welcoming speech: 1. Chairman of conference 2. Hosts of conference			
	10'	Community services videos			
	15'	Campus tour videos (hosts and co-hosts)			
	25'	Introduction of the conference co-hosts			
	5'	Praying			
09.15-09.20 a.m.	5'	Preparation for keynote speech	Main Room		
09.20-10.50 a.m.	90'	<b>Keynote speech</b>	Main Room		
	30'	1. Associate Prof. Dr. Evan Lau Poh Hock <i>(Editor-in-Chief in International Journal of Business and Society - IJBS)</i>			
	30'	2. Associate Prof. Wan Azman Saini Wan Ngah, Ph.D. <i>(Associate Editor of International Journal of Economics &amp; Management - IJEM)</i>			
	30'	3. Prof. Okid Parama Astirin, M.S. <i>(Chairman of Lembaga Penelitian dan Pengabdian Masyarakat Universitas Sebelas Maret, Indonesia)</i>			
10.50-10.55 a.m.	5'	Preparation for parallel session	Moving to Parallel Room		
10.55 a.m. - 12.55 p.m.	120'	<b>Parallel session</b> (each presenter has 15' presentation and 5' discussion)  <i>*50 research papers and 15 community service papers</i>	Room A: 5 research papers	Room B: 5 research papers	Room C: 5 research papers
			Room D: 5 research papers	Room E: 5 research papers	Room F: 5 research papers
			Room G: 5 research papers	Room H: 5 research papers	Room I: 5 research papers
			Room J: 5 research papers		
			Room K: 5 community service papers	Room L: 5 community service papers	Room M: 5 community service papers
12.55-01.55 p.m.	60'	Break	Off Camera		
01.55-02.30 p.m.	35'	<b>Best papers and presenters awards announcement</b>	Main Room		
02.30-03.00 p.m.	30'	<b>Closing</b>	Main Room		
03.00-03.10 p.m.	10'	Participants leave the Zoom	Main Room		

**THE 6TH INTERNATIONAL CONFERENCE OF BUSINESS AND BANKING ROOM  
ASSIGNMENT - RESEARCH PAPERS**

Room Chair: **Frida Widyawati Triasningrum, S.S., M.Pd.**

NO	ROOM	AREA OF TOPICS	CODE	AUTHOR 1	AUTHOR 2	AUTHOR 3	AUTHOR 4	TITLE	INSTITUTION
1	Room A	Marketing	101-002	Suroto	Tri Nurdyastuti			STUDENT SATISFACTION REVIEWED FROM SERVICE QUALITY DIMENSIONS	STIE AUB Surakarta
2	Room A	Marketing	101-006	F Abadi	M Arief	SB Abdinagoro	P Heriyati	Factor analyzing female customers in purchasing counterfeit fashion products	Swiss German University
3	Room A	Marketing	101-008	Hafizah Trisno	Ignatius Heruwasto			The Role Of Marketer Generated Content On Intentions To Visit Museums (A Case Study Of Social Media At The National Museum And The Bank Indonesia Museum)	Universitas Indonesia
4	Room A	Marketing	101-010	Shally Paramita	Rifelly Dewi Astuti			Factors That Affecting Intention to Use Digital Wallets by Micro or Small Enterprises (MSEs) Food and Beverage Providers in Indonesia	Universitas Indonesia
5	Room A	Human Resource Management	201-004	Murni Sulistyowati	Nunuk Herawati			Opportunity-Sustainable Entrepreneurship during the Covid-19 pandemic in Surakarta	STIE ADI UNGGUL BHIRAWA SURAKARTA

Room Chair: **Yosephine Angelina Yulia P, S.E., M.M.**

NO	ROOM	AREA OF TOPICS	CODE	AUTHOR 1	AUTHOR 2	AUTHOR 3	AUTHOR 4	TITLE	INSTITUTION
1	Room B	Marketing	101-003	Sumaryanto	Erni Widajanti			Increasing Marketing Performance With Empowered Interaction Capability Through Marketing Innovation, Marketing Intelligence and Consumer Need Adaptability (MSMEs in Surakarta City)	UNIVERSITAS SLAMET RIYADI SURAKARTA
2	Room B	Marketing	101-005	Siti Kholilah	Sri Rahayu Hijrah Hati			Factors Affecting Halal-Labeled Food Purchase Intention via Online Food Delivery Application among Muslim Consumer in Indonesia	University of Indonesia
3	Room B	Marketing	101-007	Fidyah Yuli Ernawati	Siti Rochmah	Erni Nurhikmah		ANALYSIS OF FACTORS THAT AFFECTING COMMUNITY DECISIONS TO BUY GOLD AT 5 GOLD STORE IN PEKALONGAN	Sekolah Tinggi Ilmu Ekonomi Semarang
4	Room B	Marketing	101-009	Silvia Hendrayanti	Petrus Lili Lera	Wachidah Fauziyanti		Increasing Customer Retention at Boskaf Coffee Roastery in the Era of Disruption	Sekolah Tinggi Ilmu Ekonomi Semarang
3	Room B	Finance and Banking	901-003	Etty Indriani	Sigit I Prasetyo	Yosephine Angelina Y.P		Maneuvering Institutional Ownership in Tax Avoidance: Evidence from Indonesia	STIE Adi Unggul Bhirawa

Room Chair: **Prof. Andreas Budihardjo, Ph.D**

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2	Room C	Human Resource Management	201-003	Joko Nugroho	Moch. Asmawi	I Ketut R. Sudiarditha		The Influence of The Transformational Leadership Style and Organizational Culture to the Motivation in order to Improve Organizational Citizenship Behavior in Central Cooperative of Government Employees of the Republic of Indonesia (IKPRI)	Universitas Negeri Jakarta
3	Room C	Human Resource Management	201-005	Eni Puji Estuti	Wachidah Fauziyanti	Silvia Hendrayanti		Analysis of salt productivity from non-physical factors Human Resource Perspective	Sekolah Tinggi Ilmu Ekonomi Semarang
4	Room C	Organization Management	301-001	Noor Farida Rahmalina	Nani Irma Susanti	Endang Saryanti	Denny Mahendra	EFFORTS TO INCREASE STUDENT COMPETITIVENESS PRIVATE UNIVERSITIES DURING THE COVID-19 PANDEM-IC IN SURAKARTA	STIE ADI UNGGUL BHIRAWA SURAKARTA
5	Room C	Organization Management	301-002	Iffi Fitriah				Social Capital, Knowledge Sharing, and Innovation Capability: A Study in an Online Marketing Team for a Muslim Fashion Product during the COVID-19 Pandemic	Universitas Borneo Tarakan

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1	Room D	Strategic Management	701-003	Hariyanti	Nuryati			Building Performance Through the Competence of the Entrepreneurship and Product Innovation Mediated the Business Strategy	STIE Adi Unggul Bhirawa Surakarta
2	Room D	Strategic Management	701-004	Siti Fatonah	Arief Budhi Dharma	Dian Nurmastuti		The Strategy of the Development Potential of Rural Tourism Based UMKM in Central Java with the approach of OODA Loops	STIE AUB Surakarta
3	Room D	Finance and Banking	901-004	Ignatius Roni Setyawan	Ishak Ramli	Indra Listyarti		The Model Development of Financial Literacy & Inclusions of Women MSMEs in Tangerang through Financial Intention	Fakultas Ekonomi & BIsnis UNTAR
4	Room D	Finance and Banking	901-007	Nina Febriana Dosinta	Fariastuti Djafar	Nella Yantiana		The Role of Regional Development Banks in Loan Distribution	Universitas Tanjungpura

Room Chair: **Dr. I Gusti Putu Diva Awatara, M.Si.**

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2	Room E	Strategic Management	701-005	Airlangga Surya Kusuma	Hardo Firmana Given Grace Manik	Pisi Bethania Titalessy		BRICS' EMNE OWNERSHIP STRATEGY IN SOUTHEAST ASIA: DO GEOGRAPHICAL DISTANCE, MARKET SIZE, & REGULATORY QUALITY MATTER?	UPN "Veteran" Jakarta
3	Room E	Strategic Management	701-006	Desak Nyoman Siskawati	Agus Suman	Asfi Manzilati	Devanto Shasta Pratomo	Strategies for Enhancing Competitiveness of SMEs in East Java-Indonesia	Faculty of Economic and Business, Universitas Brawijaya
4	Room E	Strategic Management	701-007	Endy Alim Abdi Nusa	Agus Suman	Muh. Khusaini	Putu Mahardika Adi Saputra	ECONOMIC DEVELOPMENT ANALYSIS FOR IMPROVING ECONOMIC GROWTH IN MADURA ISLAND	Brawijaya University
5	Room E	Strategic Management	701-002	Hari Sumarsono	Bambang Nugroho	I Gusti Putu Diva Awatara		STAY SAFE, KEEP PERFORMING: SURVIVAL STRATEGY FOR SMES IN PANDEMIC COVID-19	STIE Adi Unggul Bhirawa



Room Chair: **Dr. Nurul Hasanah Uswati Dewi, S.E., Ak., M.Si.**

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3	Room F	Finance and Banking	901-001	Deannes Isyuardhana	Frizky Vega Febryan			The Influence Of Company Age, Company Size, Return On Asset, Financial Leverage, Earning Per Share, Current Ratio On Underpricing Level At Initial Public Offering (IPO) In Indonesia Stock Exchange 2018-2019 Period	Telkom University
3	Room F	Finance and Banking	901-002	Robin				Death Infectious: Impact of the Coronavirus Disease (COVID-19) on Stock Returns	Universitas Internasional Batam
4	Room F	Finance and Banking	901-009	Alhan Izzaturohman	Ana Noveria			Valuation of Share Using Discounted Cash Flow and Relative Valuation in PT Kimia Farma Tbk	Institut Teknologi Bandung
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2	Room G	Accounting	801-004	Dwi Puryati				MANAGEMENT ACCOUNTING PRACTICES IN MICRO, SMALL AND MEDIUM COMPANIES IN BANDUNG CITY, INDONESIA	School of Business Ekuitas
3	Room G	Accounting	801-008	Nena Sunli	Shanti			Environmental, Social, and Governance (ESG) Performance for Business Survival in the Era of Double Disruption	Widya Mandala Catholic University Surabaya
4	Room G	Finance and Banking	901-015	Fedry Nur Armansyah	Fahdina Robby	Siva Aisya	Nugroho Wisnu Murti	Finding Under-Valued Stock Using F-SCORE: evidence from Indonesia in equity investment activity	STIE AUB SURAKARTA
5	Room G	Corporate Social Responsibilities	1001-001	Yuli Martin	Devica Pratiwi			The Influence of Company Size, Company Age, and Public Share Ownership on Corporate Social Responsibility Disclosure (Empirical Study on Sub-Sector Companies of Basic And Chem-ical Industry Registered In Indonesia Stock Exchange 2016-2018)	Bunda Mulia University

Room Chair: **Dr. Luciana Spica Almlia, S.E., M.Si.**

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1	Room H	Business Information Management	601-001	Yosephine Angelina Yulia	Tri Widiyanto	Terensia		The Tourism Management Information Searching During Pandemic Covid-19	STIE AUB SURAKARTA
2	Room H	Accounting	801-005	Atika Jauharia Hatta	Zaki Baridwan	Supriyadi	Goedono	Impact of Role Stress on Auditor Performance: An Experimental Study of the Indonesian Case	STIE YKPN Yogyakarta
3	Room H	Accounting	801-009	Arini Novandalina	Ibnu Khajar	Nunung Ghoniyah	Fidyah Yuli E	RISK ATTITUDES, MENTAL ACCOUNTING AND OVERCONFIDENCE IN INVESTMENT PLACEMENT DECISION DURING AND POST COVID-19	Sekolah Tinggi Ilmu Ekonomi Semarang
4	Room H	Finance and Banking	901-006	Aviscenna Ramadhanny	Nova Novita			INTELLECTUAL CAPITAL EFFECT ON TECHNICAL, ALLOCATIVE, AND COST EFFICIENCIES OF INDONESIAN BANKS	STIE Indonesia Banking School
5	Room H	Finance and Banking	901-008	Robertus Setiadi	Dwi Nastiti Danarsar			Revenue Diversification, Profitability and Bank Stability: Commercial Banks in Indonesia	Universitas Indonesia

Room Chair: **Nugroho Wisnu Murti, S.E., M.Si., M.Ec.,Dev. Akt. CA**

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1	Room I	Finance and Banking	901-005	Dimas Prasetya	Lutfi			The Effect of Attitude, Self-Control, Financial Literacy, Demographics, and Intentions as Intervening Variable on Retirement Planning in Surabaya	UNIVERSITAS HAYAM WURUK PERBANAS SURABAYA
2	Room I	Accounting	801-006	Pepie Diptyana	Nurul Hasanah Uswati Dewi	Nur'aini Rokhmania		Analyzing Good Corporate Governance and Information System Costs Impact to Productivity and Internet Financial Reporting in Financial Sector Companies	Universitas Hayam Wuruk Perbanas Surabaya
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1	Room J	Finance and Banking	901-010	Mudita Gunawan	Achmad Herlanto Anggono			Cryptocurrency Safe Haven Property Against Indonesian Stock Market During COVID-19	Institut Teknologi Bandung
2	Room J	Finance and Banking	901-011	Cahyani Tunggal Sari	Eni Puji Estuti			Does Super Deduction R&D Financial Policy in the Pandemic Covid-19 Give a Super Reaction?	Sekolah Tinggi Ilmu Ekonomi Semarang
3	Room J	Finance and Banking	901-013	Imran Arshad	Irma Tayasri	Loh Chik Im		PERCEIVED RISK AND THEORY OF PLANNED BEHAVIOUR	Salim Habib University
4	Room J	Accounting	801-010	Loh Chik Im	Imran Arshad			FACTORS AFFECT TAX PREPARATION ERRORS IN MALAYSIA: A HUMAN BEHAVIOUR AND PERSONAL PERSPECTIVE OF TAX PROFESSIONALS	Sunway College
5	Room J	Other Related fields	1301-001	Ipung Sri Purwanti Hery				Quality and Benefits of Translation Model of Transfer Text in Foreign Exchange Services Transaction at Bank Negara Indonesia Surakarta	STIE AUB Surakarta

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3	Room K	Pemberdayaan Masyarakat	1401-002	Siti Hayati Efi Friantin	Ika Swasti Putri			Aspirasi Kreatif Pengelolaan Sampah Kardus Melalui Pelatihan Dan Pendampingan Di Desa Gilingan, Kecamatan Banjarsari, Surakarta	STIE Adi Unggul Bhirawa Surakarta
4	Room K	Pemberdayaan Masyarakat	1401-003	I Gusti Putu Diva Awatara	Siti Fatonah	Anwar Hamdani		Pemanfaatan Limbah Blotong Tebu Sebagai Campuran Batako Untuk Menimalisir Risiko Bencana	STIE Adi Unggul Bhirawa Surakarta
5	Room K	Penguatan Kelembagaan UMKM	1901-001	Etty Indriani	Hartawan	Adi Penawan		Membangun Keberlanjutan dan Tata Kelola Dana Amanah Pemberdayaan Masyarakat (DAPM) Kabupaten Sragen	STIE Adi Unggul Bhirawa Surakarta

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2	Room L	Pemberdayaan Masyarakat	1401-006	Murni Sulistyowati	Nunuk Herawati			Pelatihan Teknis Dan Pendampingan Pembuatan Sabun Cuci Dengan Memanfaatkan Minyak Goreng Bekas (Jelantah) Pada Ibu-Ibu Pkk Di Kota Surakarta	STIE Adi Unggul Bhirawa Surakarta
3	Room L	Pemberdayaan Masyarakat	1401-007	Putri Wulanditya	Kartika Marta Budiana			Optimalisasi Keterlibatan Pkk Dalam Program Kewirausahaan Warga Darmorejo Kota Surabaya	Universitas Hayam Wuruk Perbanas
4	Room L	Peningkatan Inovasi dan Teknologi Pembelajaran	1501-001	Muazaroh	Supriyati	Mochamad Nurhadi	Thomas Hanandry & Mochamad Al hafidz	Pembelajaran Digital Guna Mendukung Guru Ekonomi Menjadi Pembelajar Kreatif Di Era Pandemi	Universitas Hayam Wuruk Perbanas
5	Room L	Peningkatan Kualitas Jejaring UMKM	2001-001	Sri Mulyani	Budi Gunawan	Mukhamad Nurkamid		Pendampingan Pengabdian Kepada Masyarakat Bagi Pengrajin Limbah Jagung di Kabupaten Pati	Universitas Muria Kudus

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2	Room M	Other Related Fields	2201-001	Kadek Pranetha Prananjaya	Supriyati			Pendampingan Akuntansi Perkoperasian Dan Aspek Perpajaka Pada Koperasi Pakar Dekabe Jawa Timur Di Surabaya	Universitas Hayam Wuruk Perbanas
3	Room M	Other Related Fields	2201-002	Kadek Pranetha Prananjaya	Putri Wulanditya	Nuraini Rokhmania	Dewi Murdiawati	Edukasi Dan Pendampingan Pelaksanaan Kewajiban Perpajakan Pph Pasal 21 Pada Pt. Duta Karya Bersatu	Universitas Hayam Wuruk Perbanas
4	Room M	Other Related Fields	2201-003	Nur Suci IMM	Djuwari	Dewi M		Peningkatan Produksi Aneka Camilan Dan Pengenalan Pencatatan Akuntansi	Universitas Hayam Wuruk Perbanas



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**Research**



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## STUDENT SATISFACTION REVIEWED FROM SERVICE QUALITY DIMENSIONS

Suroto<sup>1</sup>, Tri Nurdyastuti<sup>2</sup>

<sup>1</sup> STIE Adi Unggul Bhirawa Surakarta, Manajemen Informatika

<sup>2</sup> STIE Adi Unggul Bhirawa Surakarta, Akuntansi

### ABSTRACT

*The purpose of this study was to examine the effect of service quality dimensions on student satisfaction at STIE AUB Surakarta with the variables Tangibles, Reliability, Responsiveness, Assurance, and Empathy. Respondents in this study were students at STIE AUB Surakarta. The analysis tool uses logistic regression. The sampling technique that used is a random sampling technique. The results of the analysis show that tangibles have a significant positive effect on satisfaction. Reliability has a significant negative effect on student satisfaction. Responsiveness has a significant positive effect on student satisfaction. Assurance has a significant positive effect on satisfaction. Empathy has a significant positive effect on satisfaction. The managerial implication of this result is that the management of STIE AUB Surakarta must increase the positive and significant variables that affect student satisfaction, namely the Tangibles, Responsiveness, Assurance, and Empathy variables, and reduce the variables that have a negative and significant effect, namely the Reliability variable so that the credibility of STIE AUB remains awake.*

**Key words:** *Tangibles, reliability, responsiveness, assurance, empathy, satisfaction*



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## STRATEGIES OF MSMEs IN SURAKARTA DURING THE COVID-19 PANDEMIC SPIRIT OF IMPROVING MARKETING PERFORMANCE BY DEVELOPING EMPOWERED INTERACTION CAPABILITIES

Sumaryanto<sup>1</sup>, Erni Widadjanti<sup>2</sup>

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### A B S T R A C T

*Since the Covid-19 pandemic, all business activities have decreased, including the businesses of SMEs in Banjarsari District, Surakarta City. Technological changes that cannot be avoided require business actors to adapt Empowered interaction capabilities must be owned and applied, thus Marketing Intelligence during a pandemic can be obtained by collaborating with customers. Covid-19 has changed the culture of life to be completely online. The need for innovation and interaction with all stakeholders is no exception with producers, stakeholders, and consumers online, currently consumers and customers can be used as partners as sources of information to find out firsthand what the community expects. Considering the number of respondents in this study amounted to 51 respondents, the statistical analysis used in this study was Partial Least Square (PLS) with the help of SmartPLS v.3.1.3 software. The results of the study show that the factors that affect Marketing Performance during the Covid-19 pandemic are: EIC and Marketing Intelligence. EIC, Minov and Mintel cannot moderate effects on MP. The negative and insignificant effect of the EIC variable on MP is moderated by MINOV. The dominant variable that affects Marketing Performance is Marketing Innovation with an R Square of 85.3%.*

### **Key words:**

*Consumer Need Adaptability, Empowered Interaction Capability, Marketing Innovation and Marketing Intelligence, Marketing Performance.*



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## FACTORS AFFECTING HALAL-LABELED FOOD PURCHASE INTENTION VIA ONLINE FOOD DELIVERY APPLICATION AMONG MUSLIM CONSUMERS IN INDONESIA

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### ABSTRACT

*Indonesia is a country with the largest Muslim population in the world. The majority of consumers in Indonesia are Muslims and must consume halal food that is only allowed by the Islamic religion. Nowadays, Muslim consumers can buy halal food via online food delivery applications, GoFood and GrabFood are the most used online food delivery applications in Indonesia. This study aims to determine the effect of halal knowledge, perceived usefulness of halal label, religious self-identity, and consumer trust as factors affecting attitude and intentions of purchasing halal-labeled food via online food delivery application. 209 Muslim respondents were analyzed using Partial Least Square-Structural Equation Modeling (PLS-SEM) method. The results show that the perceived usefulness of halal labels has a positive and significant direct effect on consumer trust, attitude, and halal-labeled food purchase intentions. Religious self-identity and consumer trust can positively shape attitude towards halal food. Therefore, attitude toward halal food has a significant positive effect on purchasing halal-labeled food via online food delivery applications. Consumer behavior changes due to the development of internet technology are a challenge for marketers. Marketers can adopt the findings of this paper for the development of proper halal food marketing strategies.*

### **Keywords:**

*Halal Food, Halal Label, Muslim Consumer Behavior, Online Food Delivery*



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## FACTOR ANALYZING FEMALE CUSTOMERS IN PURCHASING COUNTERFEIT FASHION PRODUCTS

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### A B S T R A C T

*This study aims to examine the factors influence customers to purchase decision towards counterfeit fashion products among female's customers in Jabodetabek and the researcher also interested to find out whether female customers need to have a positive attitude to purchase counterfeit fashion products. There is consist of attitude, novelty-seeking, status consumption, materialism traits on consumers' purchase decision towards counterfeit fashion products. In the collection of data, the researcher used both primary and secondary data. Moreover, this study also used a questionnaire and collected 143 respondents. The data collected was then tested on its reliability and then further analyzed using frequency analysis. Moreover, SEM PLS was used in this study to test the hypothesis. The result of this paper showed that Novelty Seeking, Status Consumption, and Materialism affect their Attitude toward counterfeit fashion products. Whereas only Status Consumption and Attitude directly affect Purchase Decisions, it means that Novelty Seeking and Materialism does not affecting Purchase Decision directly. The researcher suggests some recommendations that can help producers and retailers of original fashion products.*

**Key words:**

*Counterfeit fashion, female customer, Status Consumption, Materialism*



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## ANALYSIS OF FACTORSTHAT AFFECTING COMMUNITY DECISIONS TO BUY GOLD AT 5 GOLD STORE IN PEKALONGAN

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### A B S T R A C T

The factors that influence the decision to buy gold in Pekalongan by using the variables taken are product, price, and promotion in influencing the decision to buy gold. The population in this study were all Pekalongan people who bought gold at 5 shops (Berkah Kajen, Santoso, Cap Kendil, Kendi, and Berkah Kedungwuni) in Pekalongan, with a sample of 50 respondents. The sampling technique of this research is accidental sampling with data collection tools in the form of a questionnaire using a Likert scale. The method of regression analysis in this study is multiple linear regression. The estimation results partially show that product variables have a positive effect on purchasing decisions, price has a positive effect on purchasing decisions, and promotions have a positive effect on purchasing decisions. Meanwhile, simultaneously product, price, and promotion together have a significant effect on purchasing decisions. The value of Adjusted R Square shows the number 0.458 or 45.8%, which means that 45.8% of the independent variables can explain the dependent variable and the remaining 54.2% is explained by other variables not included in this study.

#### Key words:

Products, prices and promotions, purchasing decisions

### 1. INTRODUCTION

Indonesia is one of the largest gold producers in the world with mining volume in 2018 reaching 4.42 million troy ounces, occupying the seventh position in the world according to the official Metals Focus and World Gold Council website. Gold itself is a precious metal of high value, gold has various processed forms that are traded, such as gold bullion (bullion), gold coins (dinar), and pehia-san. Similar to currency, gold was once used as a medium of exchange in a transaction. In line with the world's seventh position, Indonesia's gold production data is increasing every year with data released by BPS in 2019 as follows:



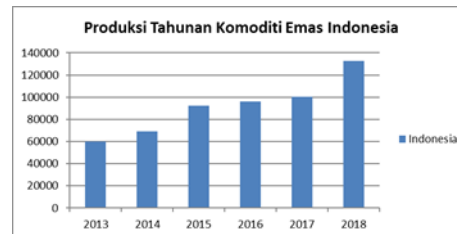


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Sumber: BPS 2019, diolah

Gambar 1.1 Produksi Tahunan Komoditi Emas Indonesia Tahun 2013-2018

Central Java itself is an area with rocks that contain a lot of gold mines. The Banyumas area even has nine sub-districts that contain gold. The increasingly rapid development makes gold can be traded in the form of gold certificates, gold accounts or traded as well as stocks with global coverage. Many people like it as a means of investment and as a means of prestige. Several parties stated that gold was chosen as one of the right purchase product choices for consumers in the context of investment according to Kusnandar's book, (2010). Gold jewelry tends to show an upward trend every year.

This is driven by two economic factors and purchasing power, where consumers are more interested in buying goods to the fullest to beautify their appearance and invest. In the journal RA Nur Amalina, I Made Sukresna, (2019).

The development of gold sales in Central Java, which is increasing in various cities, is in fact not fully felt in various cities and districts. The city of Pekalongan is one of them, the interest of gold buyers in Pekalongan has lost about 40% due to the sluggish economy due to the COVID-19 outbreak. According to him, buyer's interest demands efforts to increase sales of these goods by understanding and developing marketing management. Marketing management itself is the analysis, planning, implementation, and control of programs designed to create, build, and maintain profitable exchanges with buyers for the purpose of achieving organizational goals. Marketing is usually faced with product, price, distribution and promotion problems, namely how much and how the mix is determined. This is so that the desired goals can be achieved properly. In addition, another problem that often arises is about consumer purchasing decisions. According to Kotler's book (2009) the factors that can influence consumer purchasing decisions in purchasing a product or service are quality, price and product. Understanding the decision according to Kotler's book (2009) itself, is an action from consumers to want to buy or not to the product. Consumer purchasing decisions are influenced by consumer behavior. Consumer behavior is an action that is directly involved in obtaining, consuming, and disposing of products and services, including the decision processes that precede and follow these actions, in Engel's book, (2001).



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The instability and uneven increase in gold purchases in each of these cities and districts calls for further efforts to understand the mechanism and the importance of these factors that can influence it. The first factor is the product. According to Kotler and Keller (2009), a product is defined as anything that can be offered to a market to satisfy a want or need, including physical goods, services, experiences, events, people, places, properties, organizations, information and idea. The role of consumers is used as a benchmark for companies, here companies and consumers are interconnected. Companies through marketing activities are defined in the book Kotler and Keller, (2009) the process by which companies create value for customers and build strong relationships with customers with the aim of obtaining value from customers in return. This is also in line with the research journal I Putu Agus Suwastawa, (2014) that considers consumers in purchasing decisions for gold jewelry products in Denpasar City are influenced by products. In the journal Rumaladewi & Taun (2019), Anggriawan & Brahmayanti (2016), and Suci (2016) also show that product variables have an influence on decision making.

Gold is a non-renewable product, so its supply is limited, this affects the value of gold itself. According to the book Istijanto Oei (2009), to calculate the price of gold in Indonesia involves two main factors, namely the price of world gold commodities and the exchange rate of the rupiah against the US dollar. The price of gold which tends to fluctuate will affect the demand for gold in the territory of Indonesia. In economic analysis it is assumed that the demand for an item is strongly influenced by the price of the item itself. According to the book Kotler and Keller (2009) Price itself is one element of the marketing mix that generates revenue, the other elements generate costs. The demand for an item will be followed by a person's purchasing ability. Demand for goods occurs, when consumers have the desire and ability to buy. According to the journals Anggriawan & Brahmayanti (2016), Suci (2016) and Soegoto, Mandey, & Sari (2014) suggest that the price variable has an influence on decision making. In line with previous findings according to the journal Rizkiyati, (2015) the most dominant factor encouraging people to buy gold in Singaraja City is the gold price factor.

The high level of internet use in Indonesia is the basis of the company's marketing strategy in order to reach a wider range of potential consumers among today's millennial society, in the journal Sugesti et al., (2019). The rapid development of technology and the importance of the existence of a company to achieve consumer stimulation in deciding to purchase products are the need for a company to carry out promotions. According to the book Alma (2005) said that promotion is a type of communication that provides explanations that convince potential consumers about goods and services. One of the promotional tools that can be used to distribute this information is advertising media. An advertisement tends to create a good influence so that it can influence the feelings and emotions of consumers to be willing to make a purchase for the product. In line with the empirical study above, according to the journal I Putu Agus Suwastawa, (2014) and Soegoto, Mandey, & Sari, (2014) promotion has an effect on the decision to buy gold. In the journal Rumaladewi & Taun, (2019) it is also stated that the promotion variable in endorsement services has an effect on purchasing decisions for silver jewelry at Sunaka Jewelry Celuk.



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The purposes of this study were: To determine the effect of the product on the public's decision to buy gold in Pekalongan, to find out the effect of price on the public's decision to buy gold in Pekalongan, to find out the effect of promotion on the public's decision to buy gold in Pekalongan.

## **2. THEORETICAL FRAMEWORK AND HYPOTHESES**

### **a. Buying decision**

Companies need to study consumer behavior which is the embodiment of the entire human soul in everyday life in order to increase sales. According to Kotler (2009), consumer behavior is the study of how individuals, groups and organizations choose, buy, use and place goods, services, ideas or experiences to satisfy their wants and needs. According to Kotler, consumer behavior can be influenced by marketing stimuli in the form of a marketing mix which includes (in Kotler's book, 2009): Product, Price, Promotion, Distribution channel. Purchasing Decision is the stage in the buyer's decision-making process where the consumer actually buys. Decision making is an individual activity that is directly involved in obtaining and using goods offered by producers (in Kotler and Armstrong, 2009).

### **b. Product**

Kotler and Keller (2009) in their book state that a product is anything that can be offered to a market to satisfy a want or need, including physical goods, services, experiences, events, people, places, properties, organizations, information and ideas. Based on the above definition, it can be concluded that, the product is everything both goods and services that can be given to someone in order to satisfy a need or desire for customer satisfaction. Meanwhile, according to the book Jerome (1990) "The idea of product as potential customer satisfaction is very important". Which means good ideas of the product as potential customer satisfaction will be very important. People satisfy their needs and wants with products. Usually, the word product denotes an understanding related to tangible objects and physical objects. And we usually use the terms product and service to differentiate between tangible objects and intangible objects. According to Wiyati Raras' thesis, in the study of gifted gold shops in Cepu, Central Java, (2014) several indicators that can influence products include: Attractive and diverse jewelry design, Product Quality, Product durability.

Based on the research journal I Putu Agus Suwastawa, (2014) suggests that consider consumers in purchasing decisions for gold jewelry products in Denpasar City are influenced by products. In the journal Rumaladewi & Taun (2019), Anggriawan & Brahmayanti (2016), and Suci (2016) also show that product variables have a positive influence on decision making.

H.1: Products affect the public's decision to buy gold in Pekalongan.

### **c. Price**

Definition of Price according to Kotler is the amount of money charged for a particular product. According to the book Swastha (2005), "price is the amount of money (plus some goods if possible) needed to get a number of combinations of goods and services". Price is the only element of the marketing mix that generates revenue while the other elements generate costs.



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Price is also one of the most flexible elements of the marketing mix. Traditionally, price has been the main determinant of buyer choice. Meanwhile, according to E. Jerome McCarthy (1990), "Price is what is charged for something". Which means, price is what we pay for something we get. Based on the definitions above, it can be concluded that, price is the main tool to distinguish one product from another which has a value or tariff charged as the main determinant of buyer choice.

Pricing is an important aspect. Pricing is one of the important aspects in marketing activities. The purpose of determining prices in general is as follows: To survive, meaning that under certain conditions, especially in high competition, banks can determine prices as low as possible with the aim of selling products or services in the market, To maximize profits, meaning this goal waiting for sales to increase so that profits can increase. Pricing can usually be done at a low or high price. To increase market share, it means determining this price at a low price so that it is expected that the number of customers will increase and it is also hoped that customers will switch to the products offered. Product quality, meaning that product quality is to give the impression that the products or services offered are of high quality and usually the price is determined as possible and for the interest on deposits offered at low interest rates, because of competitors, meaning in determining prices by looking at competitors' prices. The goal is that the price offered does not exceed the competitor's price, namely deposit interest above competitors and loan interest below competitors.

According to Belinda Rosalina's Thesis, at Bank Sumsel Babel Syariah Palembang branch office (2018) several indicators that can influence prices include: Affordable prices, Price competitiveness, Price suitability

Based on the journals of Anggriawan & Brahmayanti (2016), Suci (2016) and Soegoto, Mandey, & Sari (2014) suggest that the price variable has a positive influence on decision making. In line with previous findings according to the journal Rizkiyati, (2015) the most dominant factor encouraging people to buy gold in Singaraja City is the gold price factor.

H.2: Price affects the People's Decision to Buy Gold in Pekalongan

#### d. Promotion

According to Kotler and Keller (2009) sales promotion is at the core of marketing campaigns where it offers incentives to buy, consisting of a collection of incentive tools, mostly short term, designed to stimulate quicker or greater purchase of a product or service. by consumers or trade.

Promotion is the most powerful means to attract and retain consumers. One of the goals of promotion is all kinds of products offered and trying to attract new potential customers. Then promotions also remind consumers of products, promotions also influence customers to buy and finally promotions also improve the image of producers in the eyes of their consumers. According to the Thesis Wiyati Raras, in the study of gift gold shops in Cepu, Central Java, (2014) several indicators that can influence promotions include: Range of promotions, Discounts, Purchase gifts

Based on the journal I Putu Agus Suwastawa, (2014) and Soegoto, Mandey, & Sari, (2014) suggest that the promotion variable has a positive effect on the decision to buy gold. In the journal





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Rumaladewi & Taun, (2019) it is also stated that the promotion variable in endorsement services has a positive effect on purchasing decisions for silver jewelry at Sunaka Jewelry Celuk.  
H.3: Promotion Effects on Community's Decision to Buy Gold in Pekalon-Gan.

### 3. RESEARCH METHOD

The research method used is qualitative and quantitative methods based on secondary data with the target population used is the population in this study is the people who buy gold in Pekalongan City with an infinite population because it is not known with certainty the number of people who buy gold at 5 shops, the determination technique the sample uses probability sampling or random sampling technique so that the sample taken is 50 respondents using the accidental sampling method. Data collection techniques used questionnaires, literature studies and documentation and this questionnaire was checked with validity and reliability tests. And the analytical method used is the classical assumption (normality, multicollinearity, heteroscedasticity, and autocorrelation), multiple linear regression, t test, f test, coefficient of determination.

### 4. DATA ANALYSIS AND DISCUSSION

- a. The results of the classical assumption test all data are normally distributed.
- b. Multiple Linear Regression Analysis

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.937	1.258		1.540	.130
Produk	.279	.131	.291	2.119	.039
Harga	.302	.136	.311	2.217	.032
Promosi	.248	.089	.309	2.794	.008

a. Dependent Variable: Keputusan\_Pembelian

Sumber : Data primer diolah tahun 2020

Based on the results of the table, the regression equation can be formulated as follows:

$$Y = 1,937 + 0,279X_1 + 0,302X_2 + 0,248X_3$$

Based on these equations, the results can be presented as follows:



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It is known that the incentive variable as the independent variable has a positive influence on the employee satisfaction variable as the dependent variable. If the incentive variable increases by 1 unit, it will result in an increase in the employee satisfaction variable of 0.234 units.

- a. It is known that if the product, price, and promotion are 0 (nol), the value of the purchasing decision variable is 1,937.
- b. It is known that the product variable as the independent variable has a positive influence on the purchasing decision variable as the dependent variable. If the product variable increases by 1 unit, it will result in an increase in the purchasing decision variable of 0.279.
- c. It is known that the price variable as the independent variable has a positive influence on the purchasing decision variable as the dependent variable. If the price variable increases by 1 unit, it will result in an increase in the purchasing decision variable of 0.302.
- d. It is known that the promotion variable as the independent variable has a positive influence on the purchasing decision variable as the dependent variable. If the promotion variable has increased by 1 unit, it will result in an increase in the purchasing decision variable of 0.248.

Based on the results of the multiple linear regression analysis, it can be concluded that the variable that has the greatest influence on income is the price variable.

c. Uji t, Uji f

**t test**

Based on the results of the values of  $t_{table}$  and  $t_{count}$ , the following results can be obtained:

- a) The product variable has a  $t_{count}$  of 2.119 with a sig t of 0.039. This means that  $t_{count}$  is greater than  $t_{table}$  ( $2.119 > 2.013$ ) or sig t for product variable  $<$  from  $\alpha$  0.05 ( $0.039 < 0.05$ ). So from these results it can be concluded that the hypothesis which states that "Products affect purchasing decisions in Pekalongan" is accepted.  
Then  $H_0$  is accepted and  $H_a$  is rejected so that the product variable statistically with a sig of 5% has a positive and significant effect on purchasing decisions.
- b) The price variable has a  $t_{count}$  of 2.217 with a sig t of 0.032. This means that  $t_{count}$  is greater than  $t_{table}$  ( $2.217 > 2.013$ ) or sig t for the price variable  $<$  from 0.05 ( $0.032 < 0.05$ ). So from these results it can be concluded that the hypothesis which states that "Price affects purchasing decisions in Pekalongan" is accepted.  
Then  $H_0$  is accepted and  $H_a$  is rejected so that the product variable statistically with a sig of 5% has a positive and significant effect on purchasing decisions.
- c) The promotion variable has a  $t_{count}$  of 2.794 with a sig t of 0.008. This means that  $t_{count}$  is greater than  $t_{table}$  ( $2.794 > 2.013$ ) or sig t for the promotion variable  $<$  than 0.05 ( $0.008 < 0.05$ ). So from these results it can be concluded that the hypothesis which states that "Promotion affects purchasing decisions in Pekalongan" is accepted.  
Then  $H_0$  is accepted and  $H_a$  is rejected so that the promotion variable statistically with a sig of 5% has a positive and significant effect on purchasing decisions.





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**Test f.**

Based on the data in column F, the Fcount value is 14,783 while in Ftable the Ftable value is obtained from  $df_1 (k-1) \text{ or } 3-1 = 2$   $df_2 (n-k) \text{ or } 50-3 = 47$  resulting in a ftable of 3.20. This value indicates that the value of fcount > ftable (14,783 > 3,20). So it can be concluded that  $H_0$  is rejected and  $H_a$  is accepted, which means that product, price, and promotion have a simultaneous effect on purchasing decisions.

d. Koefisien Determinasi

**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin Watson
1	.701 <sup>a</sup>	.491	.458	1.177	1.794

a. Predictors: (Constant), Promosi, Produk, Harga

b. Dependent Variable: Keputusan\_Pembelian

Sumber : Data primer diolah tahun 2020

Based on the results of the determination test shown in the table above, the magnitude of the coefficient of determination or Adjusted R Square is 0.491 or 49.1%. This shows that the percentage of independent influence (X1 Product, X2 Price and X3 Promotion) on the dependent variable (Y Purchase Decision) is 49.1%. While the remaining 50.9% is explained by other variables not included in this study.

**DISCUSSION**

1. Influence of Products on Gold Purchase Decisions

The results of this study indicate a positive influence on the product on the decision to purchase gold in Pekalongan. This is indicated by the results of the product variable having a tcount value of 2.119 which is greater than ttable (2.119 > 2.013). So from these results it can be concluded that the hypothesis which states that "Products affect purchasing decisions in Pekalongan". The results of the research that have been carried out state that the product has a positive effect on gold purchasing decisions in Pekalongan. This is because the higher the quality of a product, the higher the consumer's desire to buy the product. Based on the results of the respondents, the product indicators in the form of attractive and diverse jewelry designs, the quality of the product itself, and the durability of the product at 5 gold shops in Pekalongan tend to have a good response. So that it can increase buyer interest and cause buyers to decide to buy the gold product.

According to the definition in Kotler and Keller (2009) in the thesis Wiyati Raras (2014) states the product itself is anything that can be offered to the market to satisfy a want or need, including physical goods, services, experiences, events, people, places. , property, organization, information



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and ideas. According to Jerome (1990) in the journal Anggriawan & Brahmayanti (2016) "The idea of product as potential customer satisfaction is very important". Which means good ideas of the product as potential customer satisfaction will be very important. So that the definition of a product in this study is everything both goods and services that can be given to someone in order to satisfy a need or desire for customer satisfaction.

This research is also in line with previous research by Anggriawan & Brahmayanti (2016) which was sourced from a journal entitled "The Influence of Products, Prices and Places on Consumer Purchase Decisions at Pt. Finele (Amala Gold Shop) Pasar Atom Mall Surabaya". The results showed that the product variable had a positive influence on decision making. According to the study, the results show that the more the product is improved in accordance with the consumer's desires in the market, the greater the level of consumer purchasing decisions to buy gold at Amala Gold Shop. This proves that the product has a positive and significant effect on consumer purchasing decisions.

## 2. Influence of Price on Gold Purchase Decision

The results of this study indicate that there is a positive and significant influence on the price of gold purchasing decisions in Pekalongan. This is indicated by the results of the price variable having a tcount value of 2.217 which is greater than ttable (2.217 > 2.013). So from these results it can be concluded that the hypothesis which states that "Price affects purchasing decisions in Pekalongan". The results of the research that have been carried out state that the price has a positive effect on gold purchasing decisions in Pekalongan. In economic analysis it is assumed that the demand for an item is strongly influenced by the price of the item itself, while non-price factors are assumed to be in a state of *ceteris paribus*. Based on this, the price of gold has an important role in purchasing decisions for the gold product. Respondents in this study also showed that the price of gold itself at 5 shops in Pekalongan has variation and is highly competitive.

According to the book Mursid (2003), price itself is the main tool to differentiate a product from competing products. According to Kotler and Keller (2007) in the journal Soegoto, Mandey, & Sari, (2014), price is one of the elements of the marketing mix that generates revenue; other elements generate costs. According to Swastha (2005) in the journal Aguston (2017), price is the amount of money (plus some goods if possible) needed to get a number of combinations of goods and services. So the definition of price in this study is the value or tariff to pay for a product, in this study gold.

This research is also in line with previous research by Soegoto et al., (2014) which was sourced from a journal entitled "Brand Image, Price and Promotion of Its Effect on Gold Jewelry Purchase Decisions at Pt. Pegadaian (Persero) North Manado Branch". The effect of price on purchasing decisions. Based on the results of the tests that have been carried out, the results show that the price has a positive and significant effect on purchasing decisions. This show that consumers in buying gold jewelry at PT. Pegadaian (Persero) North Manado Branch considers price in their decision to buy gold jewelry at PT Pegadian (Persero).



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### 3. Effect of Promotion on Gold Purchase Decision

The results of this study indicate that there is a positive and significant effect of promotion on gold purchasing decisions in Pekalongan. This is indicated by the results of the promotion variable having a tcount value of 2,794 which is greater than ttable (2,794 > 2,013). So from these results it can be concluded that the hypothesis which states that "Promotion affects purchasing decisions in Pekalongan". The results of the research that have been carried out also state that promotion is significant and has a positive effect on gold purchasing decisions in Pekalongan. Good management to market gold jewelry products through internet media such as promotions through social media networks such as Facebook, Instagram, and Twitter or through exhibitions on a domestic or international scale has a positive impact on the marketing of a product. Apart from that, gold jewelry being marketed needs to have high cultural and traditional values, but the marketing carried out must also be more modern and able to keep up with market developments. With a wide range of promotions, discounted prices, purchase gifts have an important role in purchasing decisions for these gold products.

According to Kotler & Armstrong (2014) in the journal Rumaladewi & Taun (2019), promotion is an activity that communicates the advantages of a product and persuades customers to buy the product. Meanwhile, according to Alma (2005) in the journal Soegoto et al. (2014) said that promotion is a type of communication that provides convincing explanations for potential consumers about goods and services. According to Ayu (2011) in the thesis Wiyati Raras (2014) Promotion is an activity carried out by companies to highlight product features and persuade consumers to buy. Promotion is a type of company marketing activity aimed at encouraging demand. The more intensive promotional activities carried out by the company, the more interested and influenced consumers will be so that eventually consumers will buy the products produced and offered by the company.

This study is also in line with previous research by Soegoto et al. (2014), which is sourced from a journal entitled "Brand Image, Price and Promotion Its Effect on Gold Jewellery Purchase Decisions at Pt. Pegadaian (Persero) North Manado Branch". Based on the results of the tests that have been carried out, the results obtained that promotions have a positive and significant effect on purchasing decisions. This shows that consumers in buying gold jewelry at PT. Pegadaian (Persero) North Mando Branch is influenced by promotions from PT Pegadian (Persero), thus consumers' purchasing decisions are also influenced by promotions.



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## 5. CONCLUSION AND SUGGESTION

### Conclusion

Based on the results of the research and discussion that has been carried out, the following conclusions can be drawn: Based on the results of research tests using multiple linear regression analysis techniques, it can be seen that the product variable ( $X_1$ ) has a  $t$ count value of 2,119 which is greater than  $t$ table ( $2.119 > 2.013$ ) with a positive regression coefficient of 0.279. So,  $H_0$  is accepted and  $H_a$  is rejected so that the product variable statistically with sig 5% has a positive and significant effect on purchasing decisions, the price variable ( $X_2$ ) has a  $t$ count value of 2.217 greater than  $t$ table ( $2.217 > 2.013$ ) with a positive regression coefficient of 0.302. So  $H_0$  is accepted and  $H_a$  is rejected so that the product variable statistically with a sig of 5% has a positive and significant effect on purchasing decisions. Based on the regression equation, it shows that the variable that has the highest beta, namely the price of 0.302, means that the  $Y$  variable (Purchase Decision) is more influenced by the  $X_2$  variable (Price) compared to other variables. The coefficient owned by the  $X_2$  variable has the greatest value, this shows that the higher the affordable and competitive price of gold for the products produced, the higher the level of decision to purchase. The length of business variable has a  $t$ count value of 2.794 which is greater than  $t$ table ( $2.794 > 2.013$ ) with a positive regression coefficient of 0.248. Then  $H_0$  is accepted and  $H_a$  is rejected so that the promotion variable statistically with a sig of 5% has a positive and significant effect on purchasing decisions. This is evidenced by the  $F$ count value is 14,783 while the  $F$ table is 3,20. This value indicates that the value of  $f$ count  $>$   $f$ table ( $14,783 > 3,20$ ). So it can be concluded that  $H_0$  is rejected and  $H_a$  is accepted, which means that the product, price, and promotion have a simultaneous effect on purchasing decisions. The results of the  $R^2$  test in this study obtained the Adjusted  $R$  Square value of 0.458 or 45.8%. This shows that the percentage of independent influence ( $X_1$  Product,  $X_2$  Price and  $X_3$  Promotion) on the dependent variable ( $Y$  Purchase Decision) is 45.8%. While the remaining 54.2% is explained by other variables not included in this study.

### Suggestion

Based on the results of the discussion and research results regarding the factors that influence gold purchasing decisions in Pekalongan, the following suggestions can be obtained: In relation to product variables, it is necessary to increase the supply of quality gold products and increase innovation in gold product design. This is expected to trigger an increase in public decisions to purchase gold in Pekalongan. In relation to the price variable, it is necessary to optimize the setting of affordable and varied gold prices so that they can compete in the market. It aims to attract consumers in making public decisions to buy or use the gold product. In relation to the promotion variable, the need to increase the promotion of gold products so that consumers are more aware of the gold products that will be offered must be intensively carried out. Promotion can be increased not only through social media but also through advertising on radio, newspapers, television and in the community. By increasing promotional activities, it is hoped that it will increase the level of public decision on buying gold in Pekalongan.





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## THE ROLE OF MARKETER GENERATED CONTENT ON INTENTIONS TO VISIT MUSEUMS (A CASE STUDY OF SOCIAL MEDIA AT THE NATIONAL MUSEUM AND THE BANK INDONESIA MUSEUM)

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### ABSTRACT

*The tourism industry is one that supports the economy of a country. In establishing sustainable synergies in the tourism industry, museums are one of the attractions that can support the tourism industry. To maintain the existence of the museum, marketer generated content is one way to achieve the success of the museum in attracting visitors. The use of the internet that is increasingly accessible, this affects changes in the intensity pattern of visiting a place. This study describes the role of marketer generated content in perceived information quality and perceived customer services from the National Museum and Bank Indonesia Museum. Using Structural Equation Modeling (SEM) with a total of 168 respondents resulted in marketer generated-content capable of influencing the perceived information quality and perceived customer service. The perceived information quality is also able to affect the wishes of visitors. However, perceived customer services does not affect to visit intention. The findings of this study are able to contribute to the museum management so that they pay attention to the content that is created in order to influence the intention to visit.*

### **Key words:**

*Marketer Generated Content, Visit Intention, Perceived Information Quality, Perceived Customer Service, Museum*

### 1. INTRODUCTION

The use of social media grows along with the vast use of internet. In general, the growing trend among marketers is the use of social media to drive customer engagement (Goh, Heng, and Lin, 2013; Hanson, Jiang, and Dahl 2019; Harmeling, Moffett, Arnold, and Carlsonet, 2017). The easy use of internet that can be accessed via mobile phones, eases businesses. This is increasingly felt among business actors who use the internet to market their products. One way of marketing in utilizing social media as a driving force of changes in this digital era is the use of marketer-generated content (MGC) concept which has proven to be influential in customer's trust emotionally (Choi and Lee, 2016). The use of MGC is inseparable from changes in people's consumption patterns that require involvement and value from the goods or services they use. MGC development certainly requires quality information that can attract tourists to visit. In a previous reaserch, Lopez, Virto, Manzano and Delgado (2019) explained that the use of MGC resulted a positive effect on perceived information quality (PIQ). PIQ is a cognitive judgment made by users about the value of information, including the intrinsic characteristics of the information



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content, and also the satisfaction of information needs or user expectations (Zhang and Yuan, 2020). The continuity between MGC and PIQ is certainly a positive signal to assess the public's intention to visit.

MGC is an important element in making marketing decisions (Hofacker and Belanche, 2016; Martínez-Navarro and Bigné, 2017). In the context of museums, information about museum collections must be supported by quality information in order to attract domestic and foreign tourists to visit the museum. Social media such as Facebook is considered successful as a means of disseminating information because it can reach consumers quickly and easily. For this reason, previous researchers Camerero et al (2018), there is a need for museum related studies that focus on the effectiveness of social media. Because, one of the services provided by the museum is in the form of educating tourists about the history of the country as displayed at the National Museum and Bank Indonesia Museum in Jakarta. The service received by tourists visiting museums is undoubtedly different; this is also influenced by technological advancements; whereas museums used to be used as educational facilities, museums in Indonesia now combine education, entertainment, and information for their visitors. Museums can use social media to spread information about their collections, exhibitions, and activities.

By using this framework, this research tries to apply the research conducted by Lopez, Virto, Manzano and Delgado (2019) in Indonesia with several differences. First, the social media studied were websites, Twitter, Facebook, Youtube, and Instagram from two museums (the National Museum and the Bank Indonesia Museum) in Jakarta. The selection of these two museums was based on a review on tripadvisor website which was accessed in August 2020, these two museums are the two best places to visit in Jakarta for the museum category.

In addition, this research also considers the fact that the number of people who appreciate the National Museum in 2019 was 407,783 while the target is 538,650. This shows that the proposed target is not in accordance with the realization. The target visitor can certainly be achieved with promotional content and content marketing planning that integrates the use of social media that is on target. By looking at these causes of visitors decline in 2019, which were less than target, clear steps are needed to increase people's visiting intentions. Based on the background description of previous research, the formulation of problems in this research are as follows: (1) how can marketer-generated content affect perceived information quality in the context of the museum's social media? (2) How can marketer-generated content affect perceived customer service in the context of the museum's social media? (3) How does perceived information quality affect visit intention in the context of the museum's social media? (4) How does customer service influence visit intention in the context of the museum's social media?

## 2. THEORETICAL FRAMEWORK

### Marketer Generated Content

Meire, Hewett, Ballings, Kumar, and Poel (2019) define marketer generated content (MGC) as corporate or brand communications created and shared through online social networking assets. In the MGC concept, Chandrasekaran, Annamalai and De (2019) describe that the characteristics of MGC consists of content type, media type and recursive effect on user sentiment.

#### a. Content Type

Chandrasekaran, Annamalai and De (2019) distinguish the types of content into information, entertainment, remuneration, and social content. Information content is an upload that conveys information about a brand or product (Muntinga, Moorman, and Smit, 2011). Social content is



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posts that encourage users to reply to posts on social media, for example sharing views (Cvijikj and Michaelles, 2013). Entertainment content is posts that publish information that is not related to a brand or product, but promotes hedonic fun among social media users, such as comedy, movies, and sports-related information. Remuneration content, namely posts that disseminate information about special offers, discounts, and contests (Wood, Guerry, Silver, and Lacayo, 2013).

b. Media Types

Marketers share content on different media such as videos, photos, links, and statuses (Chandrasekaran, Annamalai and De, 2019). Previous research on social media looked at the type of media content as content clarity. Clarity refers to the level of sensory arousal evoked by content (Steuer, 1992) and elicits effective responses from multiple senses (Coyle and Thorson, 2001).

c. Recursive Effects on User Sentiment User

Comments indicate a user's opinion about a post which can be positive, negative, or neutral (Chandrasekaran, Annamalai and De, 2019). This can be explained by the social valuation theory introduced by Sherif, Sherif and Nebergall (1965). Research has shown that the exchange of positive opinions among customers increases brand value (Gruen, Osmonbekov and Czaplewski, 2006). When users discuss positive experiences and opinions about a product, it will trigger similar replies by other users.

**Perceived Information Quality.**

Perceived information quality (PIQ) itself refers to attitudes or reactions as well as an overall assessment of the superiority of the information sought (Ben and Zaiem, 2015). PIQ is broken down into four dimensions; (1) credibility, which refers to the extent to which information is perceived by the recipient of the information as a reliable reflection of a truth. (2) Understanding, which is defined as the perceived clarity of the information received. Therefore, this dimension focuses on the interpretation of information. (3) Relevance, refers to how large the level of appropriate information between users or applications. (4) Timeliness, this dimension refers to whether information is transmitted quickly enough when it is used. Timeliness is formally defined as the extent to which information is considered current and actionable.

**Perceived Customer Service**

Perceived customer service (PCS) is defined as a consumer's evaluation of the company's service performance and how consumers compare their expectations to the performance of the service (Jiang and Wang, 2006). With dynamic consumer behavior, customer service will add pressure to improve service quality. Customer service can be tangible / intangible and directly / indirectly in meeting customer expectations which have an impact on customer satisfaction and behavioral intentions (Kursunluoglu, 2014). Previous research has found that the way customer service act has an effect on customers (Pugh, 2001) and customer service evaluations (Groth, Hennig-Thurau, and Walsh, 2009). In the online context, the indicators of PCS itself consist of answering customer needs, speed in answering customer questions, and interest in answering customer questions Lopez, Virto, Manzano and Delgado (2019).



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### Visit Intention

According to Mele (1992) intention is the cause of intentional action. Schiffman and Kanuk (2010) argue that visiting intentions are the probability that a person will perform a certain action or engage in a behavior. Intention is an indication of a person's readiness to perform a certain behavior and is considered a direct antecedent of behavior which is based on attitudes towards behavior, subjective norms, and behavioral control with each predictor weighted, depending on how important it is in relation to behavior and the population of desires (Pardyanto, 2013).

### 3. RESEARCH METHOD

This research is classified as a descriptive study with a single cross sectional type which is characterized by certain research questions and hypotheses. The data collection method used an online questionnaire distributed through Whatsapp, Instagram and Facebook applications which consisted of 16 main indicators. This type of research data is primary data that uses online survey results as a database. The sample collection technique in this research uses purposive sampling with a screening test, which are, first, people who have seen the contents from websites, Twitter, Facebook, Youtube, and Instagram of the two museums, the National Museum and/or Bank Indonesia Museum. Second, at least 15 years old and an Indonesian citizen. This study used 15 respondents in the wording test questionnaire and 60 respondents in the pretest. Pretest data is analyzed using SPSS 26 software to test the validity and reliability and using AMOS 26 to main test. The variables and their measurements are presented in Table 1.

**Table 1. Variable measurement**

Variable	Indicators
Marketer Generated Content (Lopez, Virto, Manzano and Delgado, 2019)	<ol style="list-style-type: none"> <li>1. The postings that appear on the FFP describe the museum's objectives</li> <li>2. The postings describe values of the museum</li> <li>3. The postings describe benefits of visiting the museum</li> <li>4. The postings create a positive atmosphere about the museum</li> <li>5. The postings create positive emotions about the museum</li> <li>6. The postings create positive feelings about the museum</li> </ol>
Perceived information quality (Lopez, Virto, Manzano and Delgado, 2019)	<ol style="list-style-type: none"> <li>1. The information contained in the postings is up-to-date</li> <li>2. The information contained in the postings provides me with all the information I need</li> <li>3. The information contained in the posting is accurate.</li> <li>4. The information contained in the posting is high quality</li> </ol>
Perceived customer service (Lopez, Virto, Manzano and Delgado, 2019)	<ol style="list-style-type: none"> <li>1. The information contained in the postings contains answers to visitor needs</li> <li>2. The information contained in the postings shows that inquiries are answered promptly</li> <li>3. The information contained in the postings demonstrates that when a visitor has a problem, the museum shows a sincere interest in solving it</li> </ol>
Visit intention	<ol style="list-style-type: none"> <li>1. Consideration</li> <li>2. Probability</li> <li>3. Willingness</li> </ol>





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### **Hypotheses Development**

This research was inspired by Lopez, Virto, Manzano and Delgado (2019), Chang, Chen, Hsu and Kuo (2010) and Ha and Im (2011). Based on previous research, a research model is now developed as shown in Figure 1.

#### **Marketer Generated Content and Perceived Information Quality**

MGC has a significant and positive effect on PIQ (Lopez, Virto, Manzano and Delgado, 2019). Regarding the content of the 2 Museums' social media, in their website, Instagram, Facebook, Twitter and Youtube, the content distributed requires relevant and reliable information so that users can understand the meaning of the content. Thus, the content created by marketers directly affects the quality of information perceived by users. With this explanation, it is formulated that:

H1: Marketer generated content has a positive effect on perceived information quality.

#### **Marketer Generated Content and Perceived Customer Service**

Findings in the reasearch conducted by Lopez, Virto, Manzano and Delgado (2019) describe that perceived customer service has a positive and significant influence on visit intentions in the case of the Anahuacalli Museum. Internet users surf the online world to read, watch, and buy products and services. And more and more consumers are using platforms – such as content sharing sites, blogs, social networks, and wikis – to create, modify, share, and discuss contents (Kietzmann, Hermkens, McCarthy and Silvestre, 2011). With this, organizations must respond quickly to customer needs and desires. Thus, the following hypothesis is formed:

H2: Marketer generated content has a positive effect on perceived customer service.

#### **Perceived Information Quality and Visit Intention**

In recent years, culturally based institutions have used digital technology and social media to communicate in bulk for the purpose of saving costs, and in particular, expanding their relationship with museum visitors and enhancing their experience (Waller and Waller, 2019). Findings in previous research have proven the influence of perceived information quality on behavioral intentions (Lee and Shin, 2014; Kim and Niehm, 2009) and a positive effect of information quality on Facebook fan pages in relation to visit intentions (Lopez, Virto, Manzano and Delgado, 2019). With these ideas the following hypothesis is formed:

H4: Perceived information quality on social media has a positive effect on visit intention.

#### **Perceived Customer Service and Visit Intention**

In relation to online activity, social media should be seen as a two-way, not just a one-way form of communication, and staff should continually review feedback to track potential problem areas (Waller and Waller 2019). Perceived customer service has a significant and positive effect on the company's ability to satisfy the needs of its customers. Therefore, the following hypothesis is formed:

H4 : Perceived customer service activities on social media has a positive effect on visit intention.



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Figure 1. Model Research



#### 4. RESULT AND DISCUSSION

This research had 168 respondents with data collection done from December 2020-June 2021. The results showed that the majority of respondents were female (122 people), aged 26-35 years (78 people), domiciled on the island of Java (101 people), the latest education was S1 and S2 (148 people) and following the National Museum and Bank Indonesia Museum's social media (116 people). The respondents' characteristics presented in table 2 :

Table 2 The respondents' characteristics

Characteristics	Frequency	Percentage
<b>Gender</b>		
Male	46	27,380%
Female	122	72,619%
<b>Age</b>		
15- 25	75	44,642 %
26-35	78	46,428 %
36-45	10	5,952 %
46-55	2	1,190 %
56-65	3	1,785 %
<b>Residance</b>		
Sumatera	45	26,785 %
Jawa	101	60,119 %
Bali or Nusa Tenggara	2	1,190 %
Kalimantan	7	4,167 %
Sulawesi	7	4,167 %
Maluku or Papua	1	0,595 %
Other	6	3,571 %
<b>Education</b>		
Junior High School	1	0,595 %
Senior High School	18	10,714 %
Bachelor degree	74	44,047 %
Master Degree	74	44,047 %
Doctoral degree	1	0,595 %
<b>Follow Museum Social Media</b>		
Yes	116	69,047 %
No	28	16,667 %
Maybe	24	14,285 %





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### Structural Equation Modeling Analysis

SEM analysis in this research begins with the model fit test, validity and reliability test and hypothesis test. The analysis of the overall model relates to the parameters that show a causal relationship or influence between variables.

### Model Fit Analysis

Before the hypothesis analysis, a model fit analysis was conducted to evaluate in general whether the variables and hypotheses formed were in accordance with the matrix and covariance (Wijanto, 2008). This research uses AMOS 26 software to analyze. Based on the results of table 3, it can be seen that from 14 measurements, 4 are marginal fit and 11 are good fit. Therefore, it can be said that the model from this research is suitable and good for analysis. The model fit analysis show in table 3.

**Table 3. The model fit analysis**

Goodness of Fit Parameters	Estimated Parameters	Result
<b>Absolute Fit</b>		
Chi-Square ( $X^2$ ) / Degree of Freedom	186,149 : 96 = 1,939	Good Fit
Root Mean Square Error of Approximation (RMSEA)	0,075	Good Fit
Goodness of fit Index (GFI)	0,833	Marginal Fit
Standardized Root Mean Square Residue (SRMS)	0,036	Good Fit
Expected Cross Validation Index (ECVI)	1,594	Good Fit
<b>Incremental Fit</b>		
Comparative Fit Index (CFI)	0,944	Good Fit
Normed Fit Index (NFI)	0,892	Marginal Fit
Tucker Lewis Index (TLI)	0,930	Good Fit
Incremental Fit Index (IFI)	0,945	Good Fit
Relative Fit Index (RFI)	0,865	Marginal Fit
Adjusted Goodness of Fit Index (AGFI)	0,833	Marginal Fit
<b>Parsimonious Fit</b>		
Parsimony Goodness of Fit Index (PGFI)	0,623	Good Fit
Akaike Information Criterion (AIC)	266,149	Good Fit
Consistent Akaike Information Criterion (CAIC)	431,107	Good Fit



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### Validity Test

In the validity test which is divided into construct validity by looking at the probability value ( $P < 0.05$ ), the indicator is declared valid and the validity is convergent by looking at the loading factor or standardized loading factor (SLF). Hair, Money, Page and Samouel (2007) and Igbaria, Zinatelli, Cragg and Cavaye (1997) stated that  $SLF \geq 0.50$ . The results of the validity test are as follows:

Table 4. Validity test

Indicator	Marketer Generated Content		Perceived information quality		Perceived customer service		Visit intention		Result
	P	SLF	P	SLF	P	SLF	P	SLF	
MGC1	0,000	0,732							Valid
MGC2	0,000	0,799							Valid
MGC3	0,000	0,651							Valid
MGC4	0,000	0,662							Valid
MGC5	0,000	0,539							Valid
MGC6	0,000	0,577							Valid
PIQ1			0,000	0,764					Valid
PIQ2			0,000	0,729					Valid
PIQ3			0,000	0,707					Valid
PIQ4			0,000	0,775					Valid
PCS1					0,000	0,818			Valid
PCS2					0,000	0,879			Valid
PCS3					0,000	0,818			Valid
VI1							0,000	0,736	Valid
VI2							0,000	0,888	Valid
VI3							0,000	0,813	Valid

### Reliability Construct Test

According to Ghozali (2011) in Adam (2018), the reliability test is used to test how reliable or consistent the data is. Determination of a variable is considered reliable with the provisions of construct reliability of  $(CR) \geq 0.7$ . Table 5 shows that all variables have a CR value above 0.7. It can be concluded that all variables from this research are reliable.

Table 5. Reliability Test

Variabel	CR $\geq 0,7$	Result
MGC	0,824	Reliable
PIQ	0,832	Reliable
PCS	0,877	Reliable
VI	0,855	Reliable

### Hypothesis Test

In AMOS software, the determination of the hypothesis test is using the P value with a significant level ( $\alpha$ )  $< 0.05$  or t value  $\geq 1.96$ . Overall, the results of the hypothesis test in this research can be seen in table 6. The conclusion from table 6 is that there are only 1 rejected



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hypothesis, perceived customer service activities on social media do not positively affect visit intention.

**Figure 6. Hypothesis Test**

Hypothesis	T. Value	P. Value	Conclusion
H1: Marketer generated content on social media has a positive effect on perceived information quality	6,594	0,000	Hypothesis accepted
H2: Marketer generated content on social media has a positive effect on perceived customer service.	6,854	0,000	Hypothesis accepted
H3 : Perceived information quality on social media has a positive effect on visit intention.	2,095	0,028	Hypothesis accepted
H4 : Perceived customer service activities on social media has a positive effect on visit intention.	1,559	0,085	Hypothesis rejected

## DISCUSSION

With a t value of 6,594 and a P value of 0.000, **hypothesis 1 is accepted**. MGC positively influences PIQ in the context of museum. In line with the research conducted by Lopez, Virto, Manzano and Delgado (2019) regarding the effect of MGC on PIQ and like many researches that have been carried out in relation to information perceived by users is strongly influenced by the content displayed by marketers. MGC at the National Museum and the Bank Indonesia Museum has the strength of conveying useful information to its users. Users of information here can find out the purpose, value and benefits of the posts displayed on the social media of the two museums. The atmosphere and emotion of the post are the determining factors of the quality of the information. The content distributed by the museum is believed to be credible information and can be disseminated to a wide audience. Interaction or comments from followers the museum's social media who trust the contents of the two museums. Content such as an explanation of the museum's opening schedule, what is available in the museum and information about the history of the objects in the museum are the hallmarks of the museum's social media content. The technology built by social media and the features provided by social media accelerate the delivery of information provided by the museum. Users can easily find out the location, opening and closing hours with content distributed by the museum management.

In the second hypothesis, with a t value of 6,854 and a P value of 0.000, **hypothesis 2 is accepted**. The evaluation received by the museum's social media users in the form of performance on the answers from the museum's social media staff affects the service perceived by its users. The content created and distributed by the museum can influence its user. Content users of the museums was from people who want to visit the museum or people who want to increase their knowledge about the information displayed on the museum's social media. Such as, questions regarding on what types of collections are in the National Museum or the Bank Indonesia Museum. In addition, the service provided by the museum is the current competitive strength of the museum (Komarac, Ozretic-Lecturer and Skare, 2017).

With the rapid advancement of technology, the community's need for service facilities is getting higher. Therefore, museums must be based on "people-oriented" to build a more comfortable environment (Chen, 2019). In today's multimedia environment, museums not only let their social media users see only the content they share but also consider how users view the



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content, and in what ways make it easier for viewers to understand the content. In terms of targeting visitors who are not very tech-savvy, Traboulsi, Frau and Cabiddu (2018) suggest organizing events that actively involve these visitors, such as involving them in watching artists in action at a museum. To ensure the functional value of the content, the content should consist of several entertaining videos that highlight the latest information as well as discard less important details. This will make for an interactive and simple experience, but still vibrant and entertaining. It is also recommended that the feature be provided in multiple languages. As for tech-savvy visitors, apps and shared content should highlight details while providing the option to skip, swipe, or select topics of interest.

In line with the research conducted by Lopez, Virto, Manzano and Delgado (2019) which supports PIQ to have a significant and positive effect on the desire to visit museums. With a t value of 2,095 and a P-value of 0.028, therefore **hypothesis 3 is accepted**. People can easily search for information and receive integrated services from businesses at minimum cost, which leads to increased customer intentions. The update, clarity, accuracy and quality of postings are the benchmarks for visitors to visit the museum. On the social media of the National Museum and Bank Indonesia Museum, the four indicators regarding the quality of information from posts are clear and can attract visitors' interest. Posts that follow market tastes are also one of the attractions of the two museums' social media. The diversity of information that is educative and entertaining for social media users is one of the initial stages of people's desire to visit museums. From the results of this study, the museum must always know the prevailing trends in the community so that the public's desire to visit the museum increases. The strength of social media lies in the speed in accessing information in real time, of course, making it easier for people to understand the places they will visit later.

Finally, this study found that the services provided by the museum did not significantly affect the intention to visit the museum. With a P-Value of 1,559 and a t value of 0,085, **hypothesis 4 is rejected**. Services such as the answering speed to questions of the museum on social media has no effect on the public's desire to visit the museum. The preparation of the museum management in serving offline and online visitors is not yet able to influence the public's desire to visit the museum. And the services provided have not touched the public's curiosity to increase the intention to visit the museum. This is supported by Kotler, Kotler, and Kotler (2008) who explained that latent demand is one of the reasons why museum management services do not affect the desire to visit museums. Services such as the speed with which the museum answers questions on social media do not affect the public's desire to visit the museum

## CONCLUSION AND IMPLICATION

This research shows that marketer generated content on social media has a positive effect on perceived information quality and perceived customer service. This finding is in line with the research by Lopez, Virto, Manzano and Delgado (2019). Furthermore, perceived information quality on social media has a positive effect on visit intention which is in line with the research conducted by Lopez, Virto, Manzano and Delgado (2019). However, the perceived customer activity has no positive effect on visit intention.

Theoretically the marketer generated content is important in influencing perceived customer service and perceived information quality in the museum. Broadly speaking, based on case studies of museums which are non-profit organizations, the museum management must be able to provide quality content, as well as content that builds the creation of optimal services in the



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eyes of the community in the form of convenience services both online and offline. Findings regarding the positive influence of created content by marketers on the quality of information and customer service are based on increasingly advanced technology and can adapt to the needs of its users. The museum's social media must adapt to changes in consumer behavior. Plus the interpretation of the analysis results from social media insights can help the museum to make the right decisions regarding public's response.

There are some limitations to this research. First, marketer-generated content has different types. This research has not been able to distinguish which types of content affect the quality of information and customer service. Second, in the context of research, this research focuses on museums managed by the government which are non-profit organizations. Fourth, this research has not been able to explain the characteristics of consumers in viewing the content created by marketers such as the length of the customer relationships with the company, how well consumers understand technology and the tendency of consumers to use social media.

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## INCREASING CUSTOMER RETENTION AT BOSKAF COFFEE ROASTERY IN THE ERA OF DISRUPTION

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### ABSTRACT

The tight competition in the current era of disruption makes every company must improve the quality of service and product quality which will later affect customer satisfaction for the realization of customer retention. Boskaf Coffee Roastery experienced a fluctuating decline in sales in 2020 and was unable to retain its customers. The purpose of this study was to determine the effect of product quality and service quality on customer retention either directly or through job satisfaction as an intervening variable. The study was conducted in the city of Semarang with a consumer population of Boskaf Coffee Roastery. The sampling technique used the slovin formula with a total of 96 samples and the data analysis technique used path analysis. The results showed that product quality and service quality had a positive and significant effect on customer satisfaction, then product quality, service quality, and customer satisfaction had a positive and significant effect on customer retention. Regarding the indirect effect of using the Sobel test, the job satisfaction variable is able to mediate the effect of product quality and service quality on customer retention. The company is expected to increase customer retention through service attributes and customer loyalty. In addition to increasing customer retention, the company is also expected to improve the quality of the products offered. Especially in aspects of packaging, product damage, and expiration date.

### *Key words:*

Customer Retention, Customer Satisfaction, Product Quality, Service Quality

### 1. INTRODUCTION

Currently, business conditions are changing very quickly due to the pace of technological development and human creation that can create a new entity every day. Disruption requires business people to always compose a business strategy, not just on their products. But how to market it to touch the basic aspects, namely needs, speed, emotionality to be able to solve problems. Disruption can be said to be a new opponent for business people than competitors in the same segment.

In the city of Semarang, there are many coffee shops popping up. This is due to the high demand for coffee beans, so there are many coffee bean roasteries/sangria. One of the pioneers of coffee roastery in Semarang is Boskaf Coffee Roaster, this company has been around for about 8 years. The increasing of coffee roasters in the city of Semarang encourages Boskaf to



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innovate and promote to increase competitiveness. In this era of disruption, Boskaf Coffee Roaster also takes advantage of technological developments so that it can serve quality coffee.

Competition in Era of Disruption requires every company to improve the quality of service and product quality which will later affect customer satisfaction for the realization of customer retention (customer retention). Based on the survey that has been done, Boskaf Coffee Roastery has experienced a decline in sales, although not too significantly. Customers who do not repeat purchases cause sales and company profitability to decline and will affect the company's overall performance. The ultimate goal of the company is to get customers to stay with their products. The rate at which companies retain their customers depends to a large extent on the level of satisfaction that comes from the company's products. The importance of top customer satisfaction in today's dynamic companies is clear because it greatly affects customer re-transaction intentions, while dissatisfaction can make customers switch to competitors' products.

Oliver (1997) argues that satisfaction is a response to consumer fulfillment, this is an assessment that the features of a product or service, or the product or service itself is able to meet consumption in accordance with expectations (Darmawan, Arifin, & Purwanto, 2020). Customer satisfaction is formed based on the experience felt by customers, dissatisfied customers tend to tell people around them about their unpleasant experiences which will have a negative impact on company performance (Sweeney & Soutar, 2001).

Based on research that has been conducted by (Fatmawati & Handayani, 2015), (Lay, Listiana, & Heriyadi, 2018), (Setiawan & Usman, Effect of Commitment, Trust, and Satisfaction on Customer Retention Honda Matic, 2018), (Wahyuni, Arifin, & Slamet, 2020), (Darmawan, Arifin, & Purwanto, 2020), and (Anggraini, Suharno, & Kulsum, 2020) stated that job satisfaction has a positive and significant effect on customer retention.

Customer satisfaction and customer retention will increase if the products produced are of high quality. A product is considered superior if the product is considered to have more value compared to other products circulating in the community (Melyani, 2016). Based on research that has been conducted by (Fatmawati & Handayani, 2015), (Melyani, 2016), and (Dewa & Sudiartha, 2018) resulted in research that product quality has a positive and significant effect on customer satisfaction. While the research that has been done by (Anggraini, Suharno, & Kulsum, 2020) resulted in research that product quality has a positive and significant effect on customer retention.

In addition to product quality, service quality also has an impact on customer retention. Service quality is an important thing to consider in every company because it is a determining factor for the company's success. One strategy that can be applied by companies in an effort to improve service quality is to implement customer retention through service activities, communication with customers, and complaint handling as a focus on building good relationships with customers (Lay, Listiana, & Heriyadi, 2018). Based on research that has been conducted by (Fatmawati & Handayani, 2015), (Melyani,



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2016), (Lay, Listiana, & Heriyadi, 2018), and (Dewa & Sudiarta, 2018) resulted in research that service quality has a positive and significant effect on customer satisfaction. Meanwhile, research conducted by (Wahyuni, Arifin, & Slamet, 2020) and (Anggraini, Suharno, & Kulsum, 2020) results that service quality has a positive and significant effect on customer retention.

Based on the explanation above. so the author conducts further research with the title "Increasing Customer Retention at Boskaf Coffee Roastery in the Era of Disruption"

*Rumusan Problems that can be used in this research are:*

1. Does product quality affect the customer satisfaction of Boskaf Coffee Roastery Semarang?
2. Does the quality of service affect customer satisfaction Boskaf Coffee Roastery Semarang?
3. Does customer satisfaction affect customer retention of Boskaf Coffee Roastery Semarang?
4. Does product quality affect customer retention of Boskaf Coffee Roastery Semarang?
5. Does service quality affect customer retention of Boskaf Coffee Roastery Semarang?
6. Can customer satisfaction mediate the effect of product quality and service quality on customer retention of Boskaf Coffee Roastery Semarang?

## 2. THEORETICAL FRAMEWORK AND HYPOTHESES

### A. Customer Retention

Hesket et al explain that customer retention is considered as customer loyalty. According to Dutka in Winarta and Kinto (2013), customer retention is a process to retain existing customers by improving good relationships with fellow parties who use the product. This variable has 4 indicators: product attributes, service attributes, purchase decision attributes, and customer loyalty

### B. Customer satisfaction

Lovelock & Lauren (2007) explain the customer satisfaction is: "Satisfaction is a consumer's post-purchase evaluation of the overall service experience (processes and outcome), it is an affective (emotion) state or a feeling reaction in which the consumer's needs, desires and expectations during the course of the service experience have been met or exceeded." This variable has 4 indicators used (Irawan, 2004): Feeling satisfied, Always buying the product, Will recommend to others, and Fulfillment of customer expectations.



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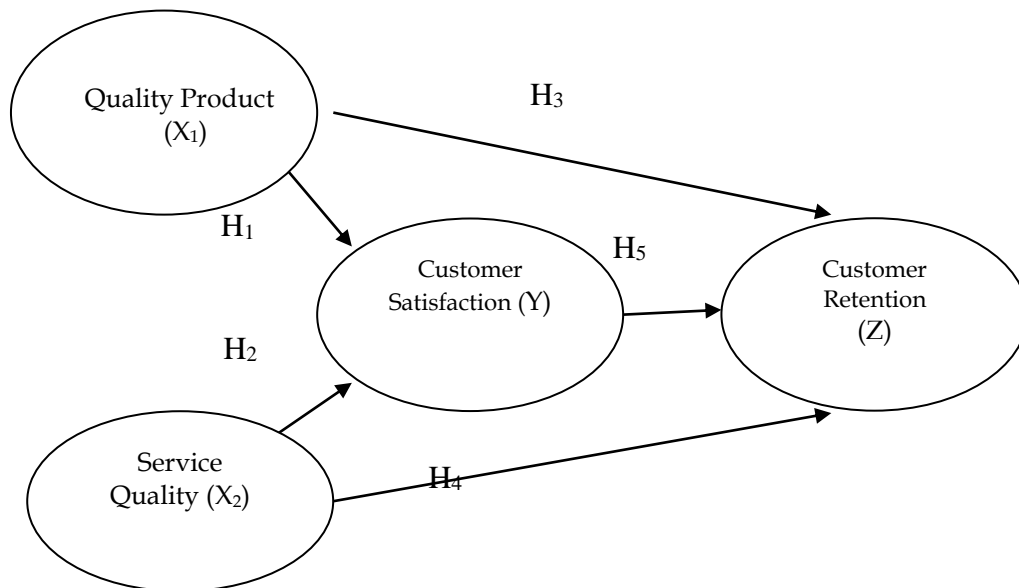
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C. Product Quality

Product quality is the ability of a product to perform its functions which include durability, reliability, accuracy, convenience, operation and repair as well as other attributes (Kotler & Armstrong, Marketing Principles, 2013). This variable has 8 indicators (David Garvin, 2015): *Features, Reliability, Conformance to Specifications, Durability, Serviceability, Esthetics, and Perceived Quality.*

D. Services Quality

Service quality is a conscious and planned effort by an organization or business entity in competition through providing services to customers, so that optimal satisfaction is achieved for customers (Pandipa, 2020). This variable has 5 indicators (Zeithml and Bitner, 2015): *Tangibles, Liability, Responsiveness, Assurance, and Empathy*



Picture 1  
Framework



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## *HYPOTHESES*

### **Product Quality on Consumer Satisfaction**

According to (Saladin, 2007) the product is everything that can be offered to satisfy a consumer's needs and desires. A product is anything that is offered to a market or consumer for attention, purchase, use, or consumption that can satisfy a want or need. Products that have good conditions will satisfy consumers, and vice versa if the products are in bad condition will cause dissatisfaction to consumers. The higher the level of product quality in satisfying customers, it will lead to high customer satisfaction as well (Kotler & Armstrong, Marketing Principles, 2013).

H<sub>1</sub>: Product quality has a positive and significant effect on consumer satisfaction

### **Product Quality on Consumer Satisfaction**

Service is a process, there must be inputs and outputs that are processed in a service, namely the consumers themselves, materials and information. Most of the services include consumers as input, which is called people processing, if the services are provided directly to consumers. The better the services offered to consumers, the consumers or customers will be more satisfied. If the quality of service received by consumers is in line with their expectations, then they are of the view that the service has good quality.

Service quality leads to increased customer satisfaction, service quality has a positive relationship with customer satisfaction, high service quality results in high customer satisfaction as well. On the other hand, dissatisfaction with service quality can be used as a reason for consumers to switch or make discontinuous purchases.

H<sub>2</sub>: Service Quality has a positive and significant effect on customer satisfaction

### ***Product Quality on Customer Retention***

Many studies have examined the impact of product quality on customer retention. Their findings reveal that perceived good quality will result in good intentions (e.g. repurchase) and if perceived quality is low it will lead to bad intentions (e.g. complaining, switching and not making transactions at all).

Research on factors that can increase customer retention has also been conducted by (Ennew & Binks, 1996), they examine the factors that affect customer retention and the extent to which retention is influenced by product quality. The research shows that product quality is an important factor that contributes to an organization's ability to retain loyal customers.

H<sub>3</sub>: Product quality has a positive and significant effect on customer retention

### **Service Quality on Customer Retention**

Customer satisfaction is the key in maintaining consumption so as not to switch to other products. A customer who is satisfied with the services contained in a product will not change to another product. Therefore, the company will try to increase customer satisfaction with the company's performance and product quality so that the company





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will increase customer retention. According to Oliver and Yi in (Setiawan & Usman, The Effect of Commitment, Trust, and Satisfaction on Customer Retention Honda Matic, 2018), customer satisfaction has been considered an important factor for companies in their efforts to retain their customers.

H<sub>4</sub>: Service Quality has a positive and significant effect on customer retention

### **Consumer Satisfaction on Customer Retention**

Building long-term relationships with customers is considered an important condition for the economic survival and success of the company. Day in (Ibojo, 2015) says that customer identification and satisfaction leads to improved customer retention. Clark explained that customer retention has the potential to be one of the marketing tools that companies can use to get a survival strategy in an increasingly competitive environment.

It is very important to understand these factors that have an impact on customer retention and the role that customer satisfaction can be used to formulate marketing strategies and plans.

H<sub>5</sub>: Consumer Satisfaction has a positive and significant effect on customer retention

## **3. RESEARCH METHOD**

### **A. Population and sample**

In this study, the research population refers to Boskaf Coffee Roaster customers in June-December 2020 total is 1950 customers. Then in determining the number of samples using the Slovin formula and sample is 96 respondents from customers of Boskaf Coffee Roastery Semarang. The sampling technique in this research is purposive sampling. Purposive sampling is a sampling technique with certain considerations (Sugiyono, 2017). The steps for taking the subject that became the sample were carried out by:

- a. Determining the subjects who will be respondents in this study are consumers who have made transactions at Boskaf Coffee Roaster Semarang.
- b. Customers who have tried to do brand switching but returned to using Boskaf Coffee Roaster Semarang products.

### **B. Method of collecting data**

The method used to obtain information from respondents is in the form of a questionnaire. The type of questionnaire that the author uses is a closed questionnaire, which is a questionnaire that has been provided with answers. The reasons why the author uses a closed questionnaire are:

1. Closed questionnaires provide convenience to respondents in providing answers.
2. Closed is more practical.
3. Limited research time.





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C. Analysis Method

*Path Analysis*

Path analysis aims to identify the path that causes a certain variable to other variables that it influences (Sarwono, 2012). In the model of the relationship between these variables, there are independent variables which in this case are called exogenous variables and dependent variables are called endogenous variables. According to Ghozali (2016), to test the effect of intervening variables, a path analysis method is used. Path analysis is the use of regression analysis to estimate the causality relationship between variables (casual model) that has been previously determined based on the theory.

In this research path analysis, two types of regression were used. The two types of regression are described below:

$$Y = \alpha + b_1X_1 + b_2X_2$$

$$Z = \alpha + b_1X_1 + b_2X_2 + b_3Y$$

Information :

$\alpha$ : Constant

$b_1, b_2, b_3$  : regression coefficient

$X_1$ : Product Quality

$X_2$ : Service Quality

Y: customer satisfaction

Z: Customer Retention

#### 4. ANALYSIS DATA AND DISCUSSION

##### 4.1 Path Analysis

For path analysis, it will be shown by dividing the test into 2 path coefficients, path model 1 and model 2

##### Path model 1

The effect of product quality and service quality on customer satisfaction is shown in the table below:

Tabel 1.  
*Path Analysis Model 1*  
Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	4,240	1,916		2,213	,029
Kualitas Produk	,147	,066	,203	2,223	,029
Kualitas Pelayanan	,505	,096	,479	5,257	,000



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From the results of path analysis model 1, it can be seen that the product quality variable has a coefficient of 0.147 and customer quality has a coefficient of 0.505. For the value of e1 generated 0.807 ( $\sqrt{1-0.348}$ ). So that it can be drawn modeling path analysis model 1 can be seen below:

$$\text{Customer satisfaction: } 4,240 + 0,147 X_1 + 0,505 X_2 + 0,807$$

### Path Model 2

The effect of product quality, service quality, and customer satisfaction on Customer Retention is shown in the table below:

Tabel 2.  
Path Analysis Model 2  
Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	-1,296	1,749		-,741	,460
Kualitas Produk	,133	,060	,176	2,207	,030
Kualitas Pelayanan	,368	,097	,335	3,778	,000
Kepuasan Pelanggan	,396	,092	,380	4,297	,000

From the results of path analysis model 2, it can be seen that the product quality variable has a coefficient of 0.133, while service quality has a coefficient of 0.368, and customer satisfaction has a coefficient of 0.396. For the value of e2 generated 0.685 ( $\sqrt{1-0.530}$ ). So that it can be drawn modeling path analysis model 2 can be seen below:

$$\text{Customer Retention : } -1,296+ 0,133 X_1+ 0,368 X_1+ 0,396 Y+ 0,685$$

### 4.2 Direct Effect

1. The effect of product quality (X1) on customer satisfaction (Y) is 0.147 with a significance of  $0.029 < 0.05$ . So it can be concluded that the first hypothesis is accepted.
2. The effect of service quality (X2) on customer satisfaction (Y) is 0.505 with a significance of  $0.000 < 0.05$ . So it can be concluded that the second hypothesis is accepted.

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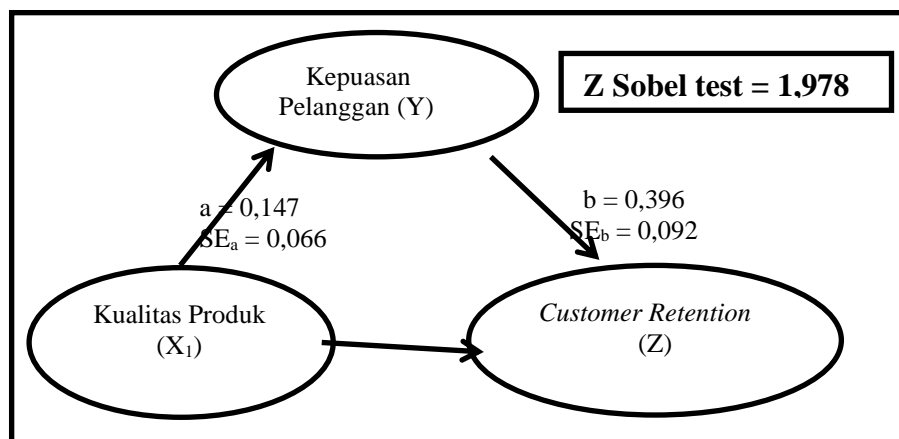
3. The effect of product quality (X1) on customer retention (Z) is 0.133 with a significance of 0.030 < 0.05. So it can be concluded that the third hypothesis is accepted.
4. The effect of service quality (X2) on customer retention (Z) is 0.368 with a significance of 0.000 < 0.05. So it can be concluded that the fourth hypothesis is accepted.
5. The effect of customer satisfaction (Y) on customer retention (Z) is 0.396 with a significance of 0.000 < 0.05. So it can be concluded that the fifth hypothesis is accepted.

#### 4.3 Indirect Effect (Sobel test)

1. Indirect effect of product quality (X1) on customer retention (Z) through customer satisfaction (Y).

Picture 2

Sobel Test The Effect of Product Quality on Customer Retention With Customer Satisfaction-As Moderating Variable

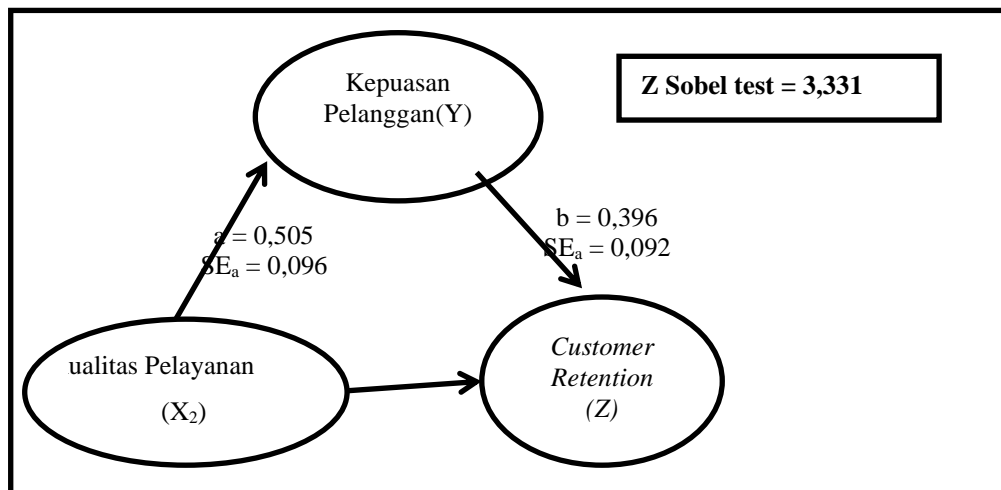


Based on the results of the Sobel test, the resulting z value of the Sobel test is 1.978. This shows that the sobel z value > z score (1.96). So it can be concluded that customer satisfaction is able to mediate the effect of product quality on customer retention.

2. The indirect effect of service quality (X2) on customer retention (Z) through customer satisfaction (Y).

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Picture 3  
Sobel Test The Effect of Service Quality  
Against Customer Retention With  
Customer Satisfaction As Moderating Variable



Based on the results of the Sobel test, the resulting sobel test z value of 2.01. This shows that the sobel z value > z score (1.96). So it can be concluded that job satisfaction is able to mediate the effect of service quality on customer retention

#### 4.4 Goodness Of Fit test

The correlation coefficient of determination (R<sup>2</sup>) in the two equations can be used to measure the degree of accuracy of the hypothetical model from the research data. The results of the accuracy of the model are as follows:

$$\begin{aligned}
 R^2 &: 1 - (1 - R^2_1) (1 - R^2_2) \\
 &: 1 - (1 - 0,807) (1 - 0,685) \\
 &: 1 - 0,040 \\
 &: 0,960 \text{ atau } 96 \%
 \end{aligned}$$

Based on the results of the calculations above, it can be explained that the contribution of all the variables studied is 96%. The remaining 4% is explained by other factors not included in this model.

#### 4.5 Discussion

##### 4.5.1 The Effect of Product Quality on Customer Satisfaction

The product quality regression coefficient is 0.147. The coefficient is positive, meaning that every one unit increase in the product quality variable and another variable is worth 0, it will be followed by customer satisfaction of 0.147. The product quality variable produces a significance probability of  $0.029 < 0.05$ , based on these results it can be concluded that product quality positive and significant effect on customer satisfaction.



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A product is anything that is offered to a market or consumer for attention, purchase, use, or consumption that can satisfy a want or need. Products that have good conditions will satisfy consumers, and vice versa if the products are in bad condition will cause dissatisfaction to consumers. The higher the level of product quality in satisfying customers, it will lead to high customer satisfaction as well (Kotler and Armstrong, 2013).

#### **4.5.2 The Effect of Service Quality on Customer Satisfaction**

The service quality regression coefficient is 0.505. The coefficient is positive, meaning that every increase in one unit of service quality variable and other variables is worth 0, it will be followed by customer satisfaction of 0.505. Service quality variable produces a significance probability of  $0.00 < 0.05$ , based on these results it can be concluded that service quality has a positive and significant effect on customer satisfaction.

Most of the services include consumers as input, which is called people processing, if the services are provided directly to consumers. The better the services offered to consumers, the consumers or customers will be more satisfied. If the quality of service received by consumers is in line with their expectations, then they are of the view that the service has good quality.

If consumers get good quality, then this will be an experience for them and share that experience with products, word of mouth, company external communications and publications. According to (Tjiptono, Marketing Strategy, Edition 4, 2015), service quality leads to increased consumer satisfaction, service quality has a positive relationship with consumer satisfaction, high service quality produces high customer satisfaction as well. On the other hand, dissatisfaction with service quality can be used as an excuse.

#### **4.5.3 Effect of Product Quality on Customer Retention**

The product quality regression coefficient is 0.133. The coefficient is positive, meaning that every one unit increase in product quality variable and another variable is 0, it will be followed by customer retention of 0.133. The product quality variable produces a significance probability of  $0.030 < 0.05$ , based on these results, it can be concluded that product quality has a positive and significant effect on customer retention.

Many studies have conducted research on the impact of product quality on customer retention. Their findings reveal that perceived good quality will lead to good intentions (e.g. repurchase) and that low perceived quality will lead to bad intentions (e.g. complaining, switching and not making transactions at all).

Then (Zeithaml, Berry, & Parasuraman, 1996) developed a conceptual model that describes the consequent behavior of service quality. They included some of the broader items of behavioral intention to measure the variance of intentions being favorable or unfavorable and examined the impact of service quality on different types of behavioral intentions. The results of this research indicate that the consumer's behavioral intention to consume is strongly influenced by service quality.

Research on factors that can increase customer retention has also been conducted by (Ennew & Binks, 1996), they examine the factors that affect customer retention and





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defection and the extent to which retention is influenced by service quality. The research shows that service quality is an important factor that contributes to an organization's ability to retain loyal customers.

Kangis and Zhang in (Blery, Batistatos, Papastratou, Perifanos, Remoundaki, & Retsina, 2009) explored the relationship between service quality and customer retention in banking companies, their findings show that good service quality affects customer retention.

#### **4.5.4 The Effect of Service Quality on Customer Retention**

The service quality regression coefficient is 0.368. The coefficient is positive, meaning that every one unit increase in product quality variable and another variable is 0, it will be followed by customer retention of 0.368. The service quality variable produces a significance probability of  $0.00 < 0.05$ , based on these results, it can be concluded that service quality has a positive and significant effect on customer retention.

Customer satisfaction is the key in maintaining consumption so as not to switch to other products. A customer who is satisfied with the services contained in a product will not change to another product. Therefore, the company will try to increase customer satisfaction with the company's performance and product quality so that the company will increase customer retention. According to Oliver and Yi in (Setiawan & Usman, Influence of Commitment, Trust, and Satisfaction on Customer Retention Honda Matic, 2018), customer satisfaction has been considered an important factor for companies in an effort to retain their customers.

#### **4.5.5 The Effect of Customer Satisfaction on Customer Retention**

The customer satisfaction regression coefficient is 0.396. The coefficient is positive, meaning that each increase in one unit of the customer satisfaction variable and another variable is worth 0, it will be followed by customer retention of 0.396. The customer satisfaction variable produces a significance probability of  $0.00 < 0.05$ , based on these results it can be concluded that satisfaction customers have a positive and significant effect on customer retention.

Customer satisfaction is the key in maintaining consumption so as not to switch to other products. A customer who is satisfied with the services contained in a product will not change to another product. Therefore, the company will try to increase customer satisfaction with the company's performance and product quality so that the company will increase customer retention. According to Oliver and Yi in (Setiawan & Usman, Influence of Commitment, Trust, and Satisfaction on Customer Retention Honda Matic, 2018), customer satisfaction has been considered an important factor for companies in an effort to retain their customers.



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## 5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

Based on the results of the analysis and discussion described in the previous chapter, the conclusions that can be drawn from this research are:

1. Product quality has a positive and significant effect on Consumer Satisfaction of Boskaf Coffee Rastery Semarang.
2. Service Quality has a positive and significant effect on Consumer Satisfaction of Boskaf Coffee Rastery Semarang.
3. Product quality has a positive and significant effect on customer retention of Boskaf Coffee Rastery Semarang.
4. Service quality has a positive and significant effect on customer retention of Boskaf Coffee Rastery Semarang.
5. Customer Satisfaction has a positive and significant effect on customer retention at Boskaf Coffee Rastery Semarang.

Based on the results of the study as described in the conclusions above, the next researcher will submit several suggestions as follows:

1. Boskaf Coffee Roastery Semarang is expected to improve service attributes and customer loyalty, this is because there are 5 respondents who do not agree that product quality and reliability guarantees encourage consumers to consume products, besides that some consumers have indications of brand switching
2. In addition to increasing customer retention, the company is also expected to improve the quality of the products offered. Especially in aspects of packaging, product damage, and expiration date. This is based on the number of customer complaints on these three aspects, complaints on these aspects exceed a quarter of the consumers who are the sample.
3. Further research is expected to use other variables, including digital word of mouth and online marketing. The use of digital word of mouth both on social media and positive reviews will encourage new consumers to make transactions or increase customer loyalty

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## FACTORS THAT AFFECTING INTENTION TO USE DIGITAL WALLETS BY MICRO OR SMALL ENTERPRISES (MSES) FOOD AND BEVERAGE PROVIDERS IN INDONESIA

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### ABSTRACT

*The increasing adoption of digital wallet technology in business activities in recent years is the reason why researchers discuss perceptions in the use of digital wallets by Micro or Small Enterprises (MSEs), especially food and drink providers in Indonesia. Several important factors related to the perception of business actors in the use of new technology used in research as well as additional factors in the form of perception of risk as a threat that can influence the behavior of MSEs to be more careful when using digital wallet technology. The data used in this study are 100 respondents who are owners or managers of MSEs food and drink providers, analysis by the Partial Least Squares Structural Equation Modeling (PLS-SEM) method. The result showed that the perceived trust mediates the effect of perceived usefulness on intention to use mobile wallet by MSEs, so trust in a technology system needs to be increased in its use.*

#### **Key words:**

*Merchants; Intention to Use, Merchant's Percep*

### **1. INTRODUCTION**

The use of digital technology such as electronic wallet is not only useful for customers but also for merchants in their business activities. Some of the benefits of using electronic wallet is as an online payment for customers via smartphone or better known as mobile payment. Furthermore, the process of transcribing sales transactions by merchants becomes easier and more systematic. In addition, merchant's income is going directly to their accounts. Then, the existence of promotional programs such as discounts or cashbacks given from electronic wallet companies in mobile payments attract more consumers and merchants also receive benefits by increasing their sales. The use of electronic wallets through online media such as e-commerce, marketplaces or online transportation services also makes the reach of merchants to customers bigger than before (Widiarini, 2019; Mokapos.com, 2020).

However, electronic wallets also have challenges in its use, such as the learning process that is not easy for employees who are not familiar with digital technology. Employees who are not used to use manual transactions so that electronic wallet companies must provide how to use electronic wallet for merchants and their employees continuously. Then, the reach of merchants to customers is limited only in certain area especially big cities. While for remote areas still have difficulty accessing the internet technology. Therefore, the use of electronic wallets still cannot be implemented (Mokapos.com, 2020).

The use of mobile wallet technology systems has recently been widely used by MSEs merchants. Not only selling at the stores they owned, but also they started selling online through e-commerce, marketplaces or online transportation services. This doing by merchants to meet



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customer needs and lifestyles (Singh & Sinha, 2020). Previous research confirmed that the trend of using mobile wallet technology are mostly used by merchants in the food and beverage industry such as restaurants and fast food restaurant (Singh & Sinha, 2020). In addition, based on data from Sensus Ekonomi 2016, the business sector of the largest MSMEs is the Non-Agricultural Micro Small Business (MSEs) group which amounts approximately 26 thousand units with the number of merchants providing Accommodation and the food and beverage providers approximately 17 percent of the Non-Agricultural MSEs group (Ukmindonesia.id, 2019). In this research, focus on the owner or manager Micro or Small Enterprises (MSEs) the food and beverage providers or merchants in Indonesia.

The increasing number of electronic wallet technology users in Micro or Small Enterprises (MSEs) business activities as online payment media in buying and selling transactions can be influenced by various factors related to the perception of merchants and affect the intention to use the technology. The existence of perceived risk can reduce the desire in adoption for technology users because of the greater threat (Apanasevic et al., 2016; Singh, et al., 2020). The biggest threat to the use of mobile wallet technology systems in terms of security can be in the form of risks related to privacy, un-authorized use, technical problems or human errors such as an error from someone when using the technology system (Mallat, 2007; Mukherjee, 2015). Perceived risk is important for MSEs merchants to be more careful in using new technology in the form of a mobile wallet in their business activities. Therefore, in this research, the researcher will discuss the effect of perceived risk on intention to use mobile wallet technology system, especially for MSEs merchants (Singh & Sinha, 2020).

In recent years, there are researchs that summarize the behavior or intentions of merchants in the use of new technology that can become literate and provide insights regarding behavior to adopt technology (Grewal et al; 2009; Singh & Sinha, 2020). The trend in to use of mobile wallet technology systems in online payments is widely used by merchants that selling food or beverage, especially restaurants and other similar business industries (Mallat & Tuunainen, 2008; Singh & Sinha, 2020), but there are differences in user interest and expectations, appropriate systems and equipment as well as other factors need to be considered so that the use of these technologies continues to increase, is more widespread in other sectors and can be well received (Singh & Sinha, 2020).

Various conceptual frameworks and models in technology that include many factors to measure behavior towards the use of technology systems, especially mobile wallets related to the Theory Acceptance Model (TAM) and Unified Theory of Acceptance and Use of Technology (UTAUT) where a person's behavior will accept a technology system that used, both in the context of merchants and customers (Singh & Sinha, 2020). This research is based on previous studies on the use of technology systems, especially mobile wallets in the context of merchants with several factors, Perceived Compatibility, Awareness, Perceived Usefulness, Perceived Trust, Perceived Customer Value Addition, Perceived Cost and Perceived Risk that can affect user Intention to Use mobile wallet technology systems (Singh & Sinha, 2020).



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## 2. THEORETICAL FRAMEWORK AND HYPOTHESES

### 2.1 Research Model

This research aims to identify important factors in the intention of Micro or Small Enterprises (MSEs) of food and beverage providers to use technology, especially mobile wallets. Based on the relationship between variables from previous research, both direct and indirect significant effects of Perceived Compatibility, Awareness, Perceived Usefulness, Perceived Trust, Perceived Cost and Perceived Customer Value Addition on Intention to Use (Singh & Sinha, 2020) and the negative influence of Perceived Risk on Behavioral Intention to Use (Mukherjee, 2015). Figure 1 is an illustration of the model of the research conducted.

### 2.2 Perceived Compatibility

Compatibility refers to the extent to which the technology is consistent with the values, needs and experiences of technology users (Agarwal & Prasad, 1998; Schmidhuber et al., 2018). Perceived Compatibility is defined as a determinant of attitudes towards the use of new technology systems where it can reduce uncertainty about technology (Chan et al., 2020). Perceived Compatibility is a supporting variable of Perceived Usefulness (Kuo & Yen, 2009; Singh & Sinha, 2020). Merchants think that technology systems are important and they hope that the technology is suitable and easy to use in their business activities. The increasing number of mobile wallet technology systems users, Previous researchers proposed to evaluate the effect of Perceived Compatibility on Perceived Usefulness of mobile wallet technology systems (Benitez et al., 2018; Singh & Sinha, 2020). Therefore, the researcher proposes the following hypothesis:

H1: Perceived Compatibility has a significant and positive effect on perceived usefulness of mobile wallet for Micro and Small Enterprises (MSEs) merchants.

### 2.3 Awareness

Awareness defined as a communication strategy that makes the users aware of the benefits and use of a technology and motivate them to buy and use a new technology system (Koukova et al., 2008; Hayashi, 2009; Singh & Sinha, 2020). Stepic & Kabanda (2016), have found a strong relationship between user's awareness and usefulness of a technology by assessing user awareness, changes in attitude and risk that may arise from using a system so that merchants can make preparation for a new technology. Previous research has also been carried out regarding awareness of merchants and customers about mobile wallet technology systems (Madan & Yadav, 2018; Singh & Sinha, 2020). Furthermore, previous researchers proposed to measure the impact of awareness on perceived usefulness of mobile wallet technology systems. Therefore, the researcher proposes the following hypothesis:

H2: Awareness has a significant and positive effect on perceived usefulness of mobile wallet for Micro and Small Enterprises (MSEs) merchants.

### 2.4 Perceived Usefulness

Perceived Usefulness is the use of technology that is useful for its users in performing certain tasks (Madan & Yadav, 2016; Natarajan et al., 2017; Singh & Sinha, 2020). This refers to the extent to which the technology system can achieve the goals of merchants and customers (Chan et al., 2020). According to Kim et al (2010b) perceived usefulness affects the Intention to use of mobile wallet technology systems from merchants. In other studies related to technology acceptance and adoption of mobile payments, perceived usefulness has been significantly shown when a technology system has high usefulness, it will affect a greater intention of merchants to use



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it (Kim et al., 2010a, 2010b; Shin, 2009; Abhishek & Hemchand, 2016; Liébana-Cabanillas et al., 2018; Madan & Yadav, 2018; Singh & Sinha, 2020). Therefore, the researcher proposes the following hypothesis:

H3: perceived usefulness has a significant and positive effect on intention to use mobile wallet for Micro and Small Enterprises (MSEs) merchants.

### 2.5 Perceived Risk

Risks associated with technology system should not be ignored when individuals intend to use a new technology because the risk is perceived to reduce their intention (Schmidhuber et al., 2018). Perceived risk is defined as a perceived negative outcome that may occur when using a technology system (Tobbin, 2011; Mukherjee, 2015). Risk is also one of the barriers that can prevent potential users from adopting new technology (Pham & Ho, 2015). The existence of information exchange related to financial transactions makes potential users afraid that other parties, who are not authorized, will use the information. So the perception of risk can reduce the intention to use mobile payment (Luarn & Lin, 2005; Slade et al., 2014; Yang et al., 2015; Schmidhuber et al., 2018). Therefore, the researcher proposes the following hypothesis:

H4: Perceived risk has a significant and negative effect on intention to use mobile wallet in Micro and Small Enterprises (MSEs) merchants.

### 2.6 Perceived Trust

Trust defined as a willingness to be loyal to a service provider based on positive expectations of the service provider's future behavior (Zhou, 2013; Kumar et al., 2017). Perceived trust is a belief that the technology is a solution that is safe and reliable (Dahlberg et al., 2008; Chan et al., 2020). The technological system used in online buying and selling transactions, trust remains a concern that can affect the intention of using the system (Shaw, 2014). Merchants must understand the various technological system innovations may be able to provide benefits and increase trust or vice versa in a technology system and ultimately influence the intention to use technology (Morgan & Hunt, 1994; Ehrenhard et al., 2017; Singh & Sinha, 2020). Therefore, the researcher proposes the following hypothesis:

H5: Perceived trust has a significant and positive effect on intention to use mobile wallet for Micro and Small Enterprises (MSEs) merchants.

### 2.7 Perceived Customer Value Addition

Perceived Customer Value Addition related to the value received, considered commensurate to what was paid and based on the performance and usability of the technology system used (Varki & Mark, 2001; Singh & Sinha, 2020). From the service side, the process of adopting technology that has no barriers and the feasibility of information are some other important factors that influence perceived customer value addition and the adoption of new technologies including mobile wallets (Liébana-Cabanillas et al., 2018; Xu & Du, 2018; Sumeet et al., 2017; Singh & Sinha, 2020). Therefore, the researcher proposes the following hypothesis:

H6: Perceived customer value addition has a significant and positive effect on intention to use mobile wallet for Micro and Small Enterprises (MSEs) merchants.

### 2.8 Perceived Cost

Cost can be charged during the payment process, investment costs for adopting a technology system, operational costs and other security-related costs (Singh & Sinha, 2020). Perceived cost





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can reduce the users desire to adopt technology (Schmidhuber et al., 2018). Mallat (2007) explains that the costs incurred by merchants have a significant influence on intention to use technology. Hayashi & Bradford (2014) explain from the perspective of traders regarding perceived cost, they argue that perceived cost is an important factor in the adoption of mobile payments. The previous studies results found that the perceived cost of a technology affects the intention to use of mobile wallet from merchants or customers because cash payments do not require fees. The merchants expect the cost of using mobile wallet is minimal to zero value (Karnouskos & Focus, 2004; Singh & Sinha, 2020). Therefore, the researcher proposes the following hypothesis:

H7: Perceived cost has a significant and negative effect on intentions to use mobile wallet for Micro and Small Enterprises (MSEs) merchants.

### 2.9 The Role of Perceived Trust as a Mediator

Schierz et al (2010) confirmed the significant positive effect of perceived usefulness along with perceived trust on the behavioral intention of users. However, users who have low trust in mobile wallet may perceive that the technology system is less useful and are less likely to use the technology system (Shaw, 2014; Singh & Sinha, 2020). Previous researchers followed the methodology suggested by Baron & Kenny (1986) to examine the mediating effect of perceived trust. Therefore, the researcher proposes the following hypothesis:

H8: Perceived trust mediates the effect of perceived usefulness on intention to use mobile wallet for Micro and Small Enterprises (MSEs) merchants.

## 3. RESEARCH METHOD

### 3.1 Measurement Development

Based on research by Singh & Sinha (2020), this study uses a Close-ended Survey Questionnaire with a Likert scale of 1 (“strongly disagree”) to 5 (“strongly agree”). The questionnaire used in this study is divided into several stages, namely, information related to researchers, questions related to business profiles, respondent profiles and core questions related to variables as determining factors in the research model. The core questions related to the indicator items of each variable were adopted from the research of Singh & Sinha (2020). It explains the variables Perceived Compatibility, Awareness, Perceived Usefulness, Perceived Trust, Perceived Cost, Perceived Customer Value Addition and Intention to Use and adopted from the research of Mukherjee (2015) to explain the Perceived Risk.

### 3.2 Data Analysis Procedure

The research model is a simultaneous relationship or influence where the analytical method used is Partial Least Squares-Structural Equation Modeling (PLS-SEM) by looking at models based on measurement model and structural models (Hair et al., 2017).

### 3.3 Data Collection

During the data collection process, researchers will use survey methods, questionnaires are distributed online through social media or given directly to prospective respondents. Respondents from this study are Micro or Small Enterprises (MSEs), especially food and beverage providers in Indonesia who are using mobile wallet technology systems such as OVO, Gopay, Dana, Linkaja and other types of mobile wallets with several criteria that have been previously determined by the researcher. The number of respondents needed to conduct this research is as many as 80 respondents. According to Hair et al (2017) for the PLS-SEM statistical analysis method, the minimum number of samples used in data processing is the result of multiplication of  $n \times 10$ , where the number of lines or arrows connecting all variables in the research model is  $8 \times 10 = 80$ . After



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the questionnaires are distributed, 100 respondents are participated in this study to see the effect of various factors contained in the research model.

#### **4. DATA ANALYSIS AND DISCUSSION**

The making of the path diagram in SmartPLS3 is adjusted to the hypotheses and research model proposed previously, 8 (eight) latent variables are contained in the model. Latent variables consist of exogenous or independent variables, whose are not influenced by other variables and endogenous variables are influenced by other variables. In Figure 2, the endogenous variables in this study are Perceived Usefulness (PUSE), Perceived Trust (PTRU) and Intention to Use (ITU) while the exogenous variables in this study are Perceived Compatibility (PCOM), Awareness (AWARE), Perceived Risk (PRISK), Perceived Customer Value Addition (PCVA) and Perceived Cost (PCOST).

##### **4.1 Measurement Model**

###### **4.1.1 Reliability Test**

After all indicator items have a loading factor of more than 0.7, an evaluation of the reliability of the latent variable will be carried out with a Cronbach's Alpha value greater than 0.6 or Composite Reliability more than 0.7. These values are an evaluation of the reliability test. Based on the table 1, all latent variables in this study already have a Cronbach Alpha value of more than 0.7 and a Composite Reliability value of more than 0.7 where the highest value of both is Intention to Use (ITU) with a value of 0.945 and 0.960.

###### **4.1.2 Convergent Validity**

The next evaluation is the convergent validity of the Average Variance Extracted (AVE) value in each latent variable where the recommended AVE value is more than 0.5. Based on the table 2, all latent variables in this study already have an AVE value of more than 0.5 with the highest AVE value being Intention to Use (ITU) with a value of 0.857 and the lowest AVE value being Perceived Cost (PCOST) with a value of 0.641.

###### **4.1.3 Discriminant Validity Test**

Each indicator must represent the latent variable where the value of the Cross Loading of the indicator items must be greater than the latent variable described. Based on the table 3, the cross-loading value of each indicator is greater than each of the latent variables, so that this research model can be said to have met the measurement model and there are no indicators that need to be removed again. Then, based on the table 4, it can be seen from the relationship between latent variables where the value of the variable must be greater than the entire correlation value with other latent variables.

##### **4.2 Structural Model**

###### **4.2.1 Coefficient of Determination ( $R^2$ )**

Based on the table 5, the coefficient of determination ( $R^2$ ) for each endogenous variable shows that the  $R^2$  value is in the range of 0.243 to 0.581 and each of these values is considered weak or moderate. In this study, the Intention to Use (ITU) variable has an  $R^2$  value of 0.486, which means that the Intention to Use variable can be explained by other variables of 48.6 percent. Then, the Perceived Trust (PTRU) variable has an  $R^2$  value of 0.243 which means that the Perceived Trust variable can be explained by other variables by 24.3 percent. Finally, the Perceived Usefulness (PUSE) variable has an  $R^2$  value of 0.581, which means that the Perceived Usefulness variable can be explained by other variables of 58.1 percent.

###### **4.2.2 Hypothesis Testing Based on Path Coefficient**



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At this stage, testing will be conducted to evaluate whether the hypothesis proposed in the research model is accepted or rejected. A hypothesis is accepted if the t-value or t-statistics is more than equal to 1.645 or less than equal to -1.645 for the one-way hypothesis (positive or negative), the path coefficient value is above 0.1 and the p-value is less than 0, 05. Based on the figure 3, the results of calculating the Path Coefficient with Bootstrapping can be concluded that there are 3 (three) hypotheses that are not proven in this study, namely, H3, H4 and H7.

#### 4.2.3 Mediation Effect Based on Specific Indirect Effect

At this stage, testing will be conducted to evaluate whether the hypothesis proposed in the research model is accepted or rejected. A hypothesis is accepted if the t-value or t-statistics is more than equal to 1.645 or less than equal to -1.645 for the one-way hypothesis (positive or negative), the path coefficient value is above 0.1 and the p-value is less than 0, 05. Based on the figure 3, the calculation results of Specific Indirect Effects with Bootstrapping can be concluded that the role of mediation is proven in this study, namely, H8.

#### 4.2.4 Model Fit Test

Based on the table 6, the results of the Model Fit calculation for Goodness of Fit or GoF seen from the SRMR value less than 0.10 and the NFI value in the range 0 to 1 (close to 1) in the Estimated Model, the model in this study shows the Good Fit value.

## 5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

### 5.1 Conclusions

Based on the results, the effect of Perceived Compatibility and Awareness of Micro or Small Enterprises (MSEs) of food and beverage providers on the Perceived Usefulness of mobile wallet is proven to have a significant positive effect. Perceived compatibility has the greatest influence on perceived usefulness than awareness of MSEs merchants. It can be explained that using a mobile wallet is accordance with the business activities of merchants who sell food and beverages both offline and online. Furthermore, there is a high awareness of technology from service providers, merchants and their customers for the using of mobile wallet.

In addition, perceived usefulness from Micro or Small Enterprises (MSEs) of food and beverage providers has an insignificant positive effect on intention to use mobile wallet, because there are other factors, namely perceived trust. Indeed, the mobile wallet is very useful and beneficial for the merchant's business activities. But they must trust so intention to use mobile wallet increases. Then, the perceived risk of Micro or Small Enterprises (MSEs) of food and beverages providers has an insignificant negative effect on intention to Use of mobile wallet.

Then, the effect of perceived trust and perceived customer value addition from Micro or Small Enterprises (MSEs) of food and beverages providers on intention to use mobile wallet is proven have a significant positive effect. Merchant's perceived trust influence the intention to use mobile wallet and in terms perceived customer value addition who also support merchants to use mobile wallet. Furthermore, the perceived cost of Micro or Small Enterprises (MSEs) of food and beverages providers has a significant positive effect on intention to use mobile wallet.

Finally, perceived trust fully mediates the effect of perceived usefulness from Micro or Small Enterprises (MSEs) of food and beverages on intention to use mobile wallet. In the business activities of MSE merchants, mobile wallet provides benefits and useful for them. But trust in the technology system used needs to be owned by merchants and the perceived trust arises because of the security, convenience and reliability of mobile wallet can affect intention to use the technology system.

### 5.2 Implications

Based on the results, several implications can be described as follows, although the perceived usefulness has a direct positive relationship to the intention to use of mobile wallet in the context of merchants. The results of the hypothesis testing that have been carried out in this study indicate



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perceived usefulness has not a direct influence but mediated by perceived trust. It is because the usage of mobile wallets has not reached maximum level for Micro or Small Enterprises (MSEs) of food and beverage providers. Trust has important role in mediation, because merchants must trust in the technology system first compared to the benefits itself. Generally, when merchants using a technology system, it will provide benefits for their business, so that the trust must come first above all.

Although the perceived risk variable has a direct negative relationship to the merchant's intention to use the mobile wallet, the results of the hypothesis testing that have been carried out in this study show that perceived risk has a negative but not strong influence. This is because Micro or Small (MSEs) of food and beverage providers consider that the risks of mobile wallet do not affect the intention to use the system. Indeed, the risk will arise when we use a technology system, but can occur in a very small possibility.

Perceived cost has a direct negative relationship to the merchant's intention to use mobile wallet system, the results of the hypothesis testing that have been carried out show the opposite results. This is because Micro and Small Enterprises (MSEs) of food and beverage providers consider that the use of mobile wallet will incur large costs. But in fact, the costs incurred by merchants are reduced when compared to other payment technology systems.

### 5.3 Suggestions

Based on the results, some inputs can be explained as follows; for companies providing mobile wallet technology services need to design strategies of usability so that it can be used optimally by Micro and Small Enterprises (MSEs), especially the food and beverage providers. In the research conducted, MSEs used one to three types of mobile wallet technology services. This is because many customers know and use various types of mobile wallets, thus making MSEs merchants have to adapt with their customers. For the company, it is possible to conduct a survey to MSEs merchants to improve the quality of systems and services from mobile wallet technology which can increase user satisfaction and intention to reuse them in the future.

For services companies, it is necessary to develop strategies related to loyalty programs for Micro or Small Enterprises (MSEs) of food and beverage providers as an effort to increase trust in the mobile wallet technology system used. The loyalty program is one of the efforts to encourage MSEs merchants to use and interact with service provider companies continuously. Furthermore, the loyalty program for MSEs merchants can be a promotions for their buying and selling transactions as well as benefits that can be offered to their customers; such as discounted prices, cashback and others. If MSEs merchants do online selling at the marketplace or are incorporated in online transportation services, service provider companies will advertise their business activities to customers who use marketplace applications or online transportation, so that they know what promotions are being carried out by MSEs merchants.

For companies that provide mobile wallet technology services, they also need to provide information regarding the use of mobile wallet for Micro or Small Enterprises (MSEs) of food and beverage providers and their customers. As an effort to reduce the risk of using the system, the company must provide the latest information so that they can still maximize the use of the technology system if there is an update to it. In addition, companies must also continue to carry out marketing activities for customers related to the use of mobile wallet that can reduce additional costs in their payment process and promotions can induce intention of MSEs merchants and their customers to continue using the mobile wallet technology system in the future.





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#### 5.4 Limitations

This study has several limitations and suggestions for further research which can be explained as follows:

This study only focuses on several factors that can affect the Micro and Small Enterprises (MSEs) of food and beverage providers in Indonesia intention to use of mobile wallet which are, Perceived Compatibility, Awareness, Perceived Usefulness, Perceived Risk, Perceived Trust, Perceived Cost and Perceived Customer Value Addition. Those factors are proven in hypothesis testing. For further researchers, it is necessary to add other factors that can influence the usage of mobile wallet.

For further researchers, it is necessary to discuss behavior related to post-adoption or the intention to reuse or recommend a mobile wallet in the context of Micro or Small Enterprises (MSEs) of food and beverage providers in Indonesia.

For further researchers, it is possible to seek a number of research samples that can represent population of Micro or Small Enterprises (MSEs) of food and beverage providers in Indonesia who use a mobile wallet. The use of several demographic characteristics such as gender, age or educational background can be used in testing the results to understand the direct and moderating effect on intention to use the mobile wallet by merchants.

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## EMPLOYEE PERFORMANCE APPRAISAL USING INDIVIDUAL PERFORMANCE MANAGEMENT (MUKI) AT PERUMDAM TIRTA KERTA RAHARJA

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### A B S T R A C T

*The performance appraisal system or process has a very important function for the human resource management division to measure the human resource management governance system in order to achieve the company goals, vision and mission. The Regional Drinking Water Company Tirta Kerta Raharja is a company that has a good performance in terms of finance, service and human resources with the title of first national PDAM with the best performance in 2019 and 2020, using individual performance management (MUKI) as a guide in conducting employee performance appraisal. This study aimed to provide the overview of individual performance management that is expected to provide benefits for those interested in assessing individual employee performance. Collecting data using observation techniques, interviews and documentation studies and looking for reference studies. In conclusion, individual performance management is considered important in a company for achieving the goals. Company performance is inseparable from individual's role in carrying out their job duties as the driving force for running of the company, a leader can judge his employees when he knows that is done and produced by these employees in carrying out a job.*

#### **Key words:**

*Performance Appraisal, Employee, Individual Performance Management*



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**THE INFLUENCE OF THE TRANSFORMATIONAL LEADERSHIP STYLE  
AND ORGANIZATIONAL CULTURE TO THE MOTIVATION IN ORDER TO  
IMPROVE ORGANIZATIONAL CITIZENSHIP BEHAVIOR IN CENTRAL  
COOPERATIVE OF GOVERNMENT EMPLOYEES OF THE REPUBLIC OF  
INDONESIA (IKPRI)**

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**ABSTRACT**

*The purpose of this study is to receive empirical data, facts, and reliable information about the influence of the transformational leadership style and organizational culture to the motivation in order to improve organizational citizenship behavior in the central cooperative institution of government employees of the republic of Indonesia (IKPRI). The population used in this study is IKPRI's 210 employees by using methods of sample census techniques. The analysis technique used is the path analysis technique. The analysis result shows that transformational leadership styles have a positive and immediate effect on work motivation. Organizational culture affects immediate and positive effects on work motivation. Transformational leadership styles affect immediate and positive motivations and then work motivation affects OCB directly.*

*Key words: the transformational leadership style, organization culture, motivation*





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## OPPORTUNITY-SUSTAINABLE ENTREPRENEURSHIP DURING THE COVID-19 PANDEMIC IN SURAKARTA

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### A B S T R A C T

*This research is a further development of what we have studied regarding the variable role Model which is a factor that influences in explaining entrepreneurial decisions. The added variable is the variable of courage to take risks, because during the COVID-19 pandemic, the economy, and job opportunities are difficult, the opportunity is only entrepreneurship but the business established must be sustainable. This study is an empirical study aimed at looking at the influence of the role of the model in influencing the entrepreneurial decisions of young entrepreneurs who are just starting their businesses. is explanatory research, describing a causal relationship. Sample 70 people. Data processing and analysis to test the model quantitatively with the analysis tool WarpPLS.70. The results showed that 1) the Goodness of fit model was 93.4% (R-Square was 0.934), the factors studied influenced entrepreneurial decisions. 2) The influence of role models on entrepreneurial decisions through learning with support is the most dominant. From the results of data analysis, the findings of the model state that the role model has a significant effect on entrepreneurial decisions by mediated learning with support, meaning that entrepreneurship decisions are strongly influenced by role models that must be supported by potential business networks, as well as social support from elements of the business world both locally and nationally. application of full technical support and willingness to take risks. Role models, learning by example, and self-efficacy have no significant negative effect on entrepreneurial decision.*

**Key words:**

*Role Model, Entrepreneurial Decision, learning with support, technology, Willingness to take risks*



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## ANALYSIS OF SALT PRODUCTIVITY FROM NON-PHYSICAL FACTORS - HUMAN RESOURCE PERSPECTIVE

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### A B S T R A C T

*Indonesia is a maritime country where most of its territory is ocean. Supposedly with the potential of these natural resources can be capital so that Indonesia can produce salt that can meet the needs of the country even salt should be able to become an export commodity. The productivity of salt production is interesting to study to find the causes of decreased productivity. Productivity can be influenced by physical and non-physical factors. Technical factors include soil, climate, technology used, while non-technical factors include production facilities, farmer skills. This research will examine non-physical effects from the point of view of individuals or human resources. The purpose of this study was to examine the extent to which salt farming communities maximize salt productivity in terms of their internal human resources, namely age, experience and skills. The method used in this research is quantitative method, data analysis using multiple regression analysis. The results of this study concluded that all independent variables, namely age, experience, and skills had a significant effect on salt productivity. Salt productivity must be increased from the aspect of physical and non-physical improvements, so that the increase will have an impact on improving the community's economy.*

**Key Words:** salt productivity, human resources factors, communitys economy



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## EFFORTS TO INCREASE THE COMPETITIVENESS OF PRIVATE UNIVERSITY STUDENTS IN SURAKARTA DURING THE COVID-19 PANDEMI

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### A B S T R A C T

*Private PT students are a very large asset compared to the number of PTN students, valuable potential to carry on the baton for the goals of the Indonesian nation which is very rich in diversity. Naturally, the government through each PTS has a different strategy in dealing with its students. During the Covid-19 pandemic, teaching and learning activities experienced a decline in learning productivity. The learning productivity of private private universities in Surakarta is quite low, this indicates that student learning productivity is not optimal. This study aims to analyze the effect of student learning productivity in private private universities in Surakarta and efforts to increase it. Learning Productivity during the COVID-19 pandemic of private private sector students in Surakarta was influenced by several variables, namely: competence, motivation, learning climate, learning methods, learning equipment, and learning satisfaction. The research method uses multiple linear regression approach. The results showed that the variables that had a positive and significant effect on learning satisfaction were the variables of motivation, learning climate and the non-significant variables were learning methods, competencies and learning equipment. While the variables that have a positive and significant effect on Learning Productivity are Competence, Motivation and Learning Satisfaction, the variables that are not significant are Learning Climate, and Learning Equipment. Learning Methods have a negative and insignificant effect on Learning Productivity. Learning Satisfaction is able to mediate the independent variables Competence, learning motivation, learning climate, learning methods, learning tools on learning productivity.*

#### **Key words:**

*Learning Productivity, Satisfaction Study, Private College Student*



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## SOCIAL CAPITAL, KNOWLEDGE SHARING, AND INNOVATION CAPABILITY: A STUDY IN AN ONLINE MARKETING TEAM FOR A MUSLIM FASHION PRODUCT DURING THE COVID-19 PANDEMIC

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### A B S T R A C T

*Forming an online marketing team from multiple cities has become a common practice for SMEs that produce Muslim apparel in Indonesia. The relationship among team members that mostly done online especially during the COVID-19 pandemic is posited the formation of social capital which can further encourage knowledge sharing and innovation capability. The purposes of this study were to examine the interaction connections that form social capital (structural, cognitive and relational), as well as their impacts on knowledge sharing and innovation capability in an online marketing team. Based on the identified constructs, seven hypotheses were developed and validated. A structured questionnaire was designed to conduct an online survey, which yielded 161 valid responses from the members of online marketing team, consist of agents and marketers. The survey responses were then examined using structural equation modeling and conclusions were drawn. The findings from the structural equation model indicated positive influence of structural social capital on cognitive social capital, and cognitive social capital on relational social capital. However, the influence of structural social capital on relational social capital was not significant. It was also observed that, while structural and cognitive social capital influenced knowledge sharing favorably, relational social capital had no effect. Furthermore, knowledge sharing was found to be positively and significantly influenced innovation capability. To enhance social capital and boost their innovation capability, online marketing members should focus on maintaining a friendly climate and increasing trust between members.*

#### **Key words:**

*Innovation capability, Social capital, Knowledge sharing, online marketing team.*

### 1. INTRODUCTION

COVID-19 pandemic does not only kills humans, it also kills products, businesses and industries as well as human habits (Yuswohady, 2020). A major disruption such as a pandemic may have a greater impact in small firms than for larger firms. Small and medium enterprises (SMEs) are the sector that has experienced the fastest decline due to the COVID-19 crisis. However, SMEs are also believed to be the fastest growing sector. Still, such disruptive situation has a detrimental influence on the organization's performance.

Innovation capability is one of the main organizational tools for surviving external uncertainties (Ganguly, Talukdar, & Chatterjee, 2019; Hussein, Singh, & Farouk, 2016). The innovation capability is very much needed, especially to deal with the uncertainty during and after the COVID-19 pandemic. The innovation capability of an organization can be expressed as the knowledge and competencies needed to create new products and/or technologies, as well as



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improve existing ones (Ganguly, Talukdar and Chatterjee, 2019). Nevertheless, SMEs may differ from major corporations in terms of their features. SMEs typically have managerial weaknesses, limited labor and financial resources, rely on a small number of clients, and operate in constrained marketplaces. On the other hand, they may have flat and flexible structures, a great capacity for invention, a reactive mindset, and informal, dynamic strategies. (Saunila, 2014). Therefore, innovation capability in SMEs needs to be examined more deeply, especially if the level of uncertainty is very high, such as when a pandemic occurred

In the management and business literature, innovation and innovation capability in SMEs are closely related to knowledge management and sharing (Ganguly et al., 2019; Kim & Shim, 2018; Liao & Barnes, 2015; Rahab, Sulistyandari, & Sudjono, 2011). One of the key avenues that an organization can follow to achieve innovativeness is effective knowledge management and sharing. Firms' ability to transform and exploit knowledge can determine its level of organizational innovation. Organizations need to manage knowledge resources effectively because the knowledge possessed by employees is personal and requires a willingness to work together to contribute knowledge to the company (Rahab, Sulistyandari and Sudjono, 2011). The ability to solve problems and react to new information will be faster which in turn can increase the ability to innovate.

A survey conducted by the Indonesian Central Bureau of Statistics in July 2020 showed that 53.51% of the 34.559 businesses that became respondents use the internet and information technology for marketing during the pandemic (Sub direktorat Indikator Statistik BPS RI, 2020). With the increasingly intensive use of the internet during a pandemic, activities in cyberspace by business actors, which were initially only for marketing purposes, can develop into the development of relationships and social networks (Kang and Na, 2018). Intensive social networks can also promote collaboration to enhance knowledge sharing, information transfer, and the ability to innovate sustainable products and processes (Tsai, 2016; Najafi-Tavani et al., 2018; Tsai & Hsu, 2019).

Based on social capital theory, this study argues that the networks and resources available to firms through their connections with others are an important feature of knowledge sharing and innovation capability (Kim & Shim, 2018; Najafi-Tavani et al., 2018; Chang & Chuang, 2011) However, with various social restrictions and physical distancing during the COVID-19 Pandemic, there have been changes in lifestyle, consumer behavior and of course new ways of doing business. Therefore, the social capital referred to in this study is social capital built through a online marketing team.

At SMEs that produce Muslim apparel, it is a common practice to form marketing teams consisting of agents and marketers in various locations throughout Indonesia. These agents and marketers are micro retail enterprises that usually do not only sell one product brand, some even sell various goods other than fashion. Many of these micro retail entrepreneurs do not have offline stores, they only sell in online stores and deal with suppliers and producers virtually. The online marketing team in the study were formed by a business owner for their agents and marketers. The online marketing team studied is quite unique since it has been formed for about 6 years, since the business is started. They are exclusively female members and active in their own social media account. The relationship among team members that mostly done online especially during the COVID-19 pandemic is posited the formation of social capital which can further encourage knowledge sharing and innovation capability.

Accordingly, the purposes of this study were to examine the interaction connections that form social capital (structural, cognitive and relational), as well as their impacts on knowledge sharing and innovation capability in an online marketing team. The study contributes to knowledge





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management literature in three main ways. First, to our knowledge there has been no empirical study that addresses the relationship among social capital-knowledge sharing and innovation capability of SMEs during the COVID-19 pandemic. Second, social capital and knowledge sharing and innovation capability are examined in an online marketing team. The online marketing team has different characteristics from traditional marketing team. Third, the social capital is measured in micro-level. At the micro-level, social capital is defined as a set of active connections between individuals, such as trust, common ground, and shared beliefs and values, those bind people, members of human networks, and community's altogether to enable cooperative action. (Alqithami and Hexmoor, 2012).

## 2. THEORETICAL FRAMEWORK AND HYPOTHESES

### Social capital and knowledge sharing

Alqithami & Hexmoor (2012) state that social capital can be seen from a micro and macro perspective. At macro level, social capital refers to the institutions, relationships, and norms that affect the quality and quantity of social interactions. In this context, social capital is defined as a collection of institutions that not only sustain but also unify society. Social capital is described at the micro level as a collection of active connections between individuals, such as trust, common ground, and shared ideas and values, which bind people, members of human networks, and communities together to promote cooperative action.

Social capital in an online community is conceptualized as sum of assets or resources that embedded in the relationship between individuals and their relationship with their community (Chang and Chuang, 2011). Social capital means as collective value of all social networks, that form in a team either collocation or virtual, that can result in task success, outcome value and social success, as well as relationship value (Alqithami and Hexmoor, 2012). Both opinions explain that social capital can be formed in an online community.

Nahapiet & Ghoshal (1998) emphasize three dimensions of social capital: structural, cognitive, and relational. The structural dimension of social capital relates to the relationships between individuals, i.e., who they exchange information with and how often. The bonds of social contact are also included in the structural dimension of social capital. (Tsai & Ghoshal, 1998; Amayah, 2013). The relational dimension of social capital refers to the different forms of personal connections that have evolved among members as well as their interaction history. This dimension's essential qualities are trust, reciprocity, and identification (Chang & Chuang, 2011; Shan, Xin, Wang, Li, & Li, 2013). The cognitive dimension is reflected in shared codes or shared paradigms, which allow common comprehension of collective objectives and appropriate actions in social systems (Chang & Chuang, 2011; Akhavan & Hosseini, 2016).

The connection among three aspects of social capital is mentioned by Tsai and Ghoshal (1998). The relational dimensions of social capital, which manifest in ties of social contact, can be stimulated by the structural dimensions of social capital, which manifest in bonds of social interaction. The connection between the structural and cognitive dimensions of social capital is based on the assumption that social contacts are crucial in both developing and sharing a similar set of objectives and values among organizational members. Cognitive dimensions of social capital that arise from shared values and shared visions in the firm are also thought to promote the establishment of trustworthy relationships. In the context of a global electronic firm, Tsai and Ghoshal (1998) discovered a strong connection between structural and relational aspects, as well as cognitive and relational dimensions. Chowdhury, Prayag, Orchiston, and Spector (2018) discovered strong connections in the tourist sector across all dimensions. Furthermore, Chowdhury et al.



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(2018) proposed examining all dimensions to have a better understanding of how social capital functions in an organization.

Since the social capital in this study is formed online, the connections between factors are definitely intriguing to investigate. The following hypotheses are proposed based on the prior arguments:

H<sub>1</sub>: Structural capital positively influences Relational capital in the online marketing team

H<sub>2</sub>: Structural capital positively influences Cognitive capital in the online marketing team

H<sub>3</sub>: Cognitive capital positively influences Relational capital in the online marketing team

The existence of information technology allows an organization to work virtually. Online teams have four main characteristics, namely being formed for specific tasks and times, having different cultural backgrounds of team members, being geographically located and communicating using information technology (Bhat, Pande and Ahuja, 2017). A commitment to a team is one of the primary contrasts between an online team and a traditional team. Members of an online team are dedicated to working for themselves, and not for team members (Alqithami and Hexmoor, 2012).

Due to the pervasiveness of internet use during the COVID-19 pandemic, the online team will have more opportunities to interact, form relationships, and share knowledge, especially to overcome the negative effect of the pandemic. Tacit knowledge is gained via the integration of information, experience, and theory (Chang & Chuang, 2011; Alqithami & Hexmoor, 2012). Tacit information can only be transmitted interpersonally, whereas explicit information may be communicated via organized or technology-driven methods. Furthermore, sharing information necessitates the efforts of persons who share and participate in the relationship-building process (Chang and Chuang, 2011).

Despite the fact that several studies have shown that social capital influences knowledge sharing (Chang & Chuang, 2011; Shan et al., 2013; Akhavan & Hosseini, 2016; Kim & Shim, 2018), Hao, Yang, and Shi (2019) argue that a better understanding of the factors leading to effective and successful knowledge sharing in online teams is an important task in knowledge management research.

Therefore, this study means to address this issue. Based on the above considerations, the following hypotheses are proposed:

H<sub>4</sub>: Structural capital positively influences knowledge sharing in the online marketing team.

H<sub>5</sub>: Relational capital positively influences knowledge sharing in the online marketing team.

H<sub>6</sub>: Cognitive capital positively influences knowledge sharing in the online marketing team.

### **Innovation capability and knowledge sharing**

The capacity of an organization to create innovative outputs and measures that may be done to improve the success of innovation efforts is referred to as its innovation capability (Saunila, 2014). Following Saunila (2016) innovation capability in this study is defined as an internal capability describe the factors influencing a company's ability to constantly innovate and generate value for the organization and its stakeholders, is adopted. Thus, innovation capability may refer to new products, processes, or services, as well as management, marketing, or work organization systems.

Saunila (2014, 2016) also noted that the factors that influence an organization's ability to manage innovation might vary. When it comes to building innovation skills, various forms of innovation may necessitate different approaches, or different types of companies may utilize different drivers (Saunila and Ukko, 2014).

According to Nahapiet & Ghoshal (1998), innovation is the outcome of constructive discussion among people who exchange knowledge and experiences. Knowledge sharing provides



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opportunities to maximizing an organization's ability to create ideas and initiatives that provide a company the opportunity to innovate and gain a competitive advantage (Akhavan and Hosseini, 2016). Knowledge sharing may be regarded as a form interaction culture in which members of an organization share their knowledge, experience, and abilities (Rahab, Sulistyandari and Sudjono, 2011).

Considering that this study focuses on knowledge sharing within the online marketing team, the effect of knowledge sharing on innovation capability is worth investigating. Thus, the final hypotheses in this study is offered:

H<sub>7</sub>: Knowledge sharing in the online team positively influences innovation capability.

Figure 1 depicts the study conceptual framework. The connection among social capital dimensions were investigated in order to understand how they behave in the online marketing team. The structural, social, and cognitive elements are all thought to have a positive impact on knowledge sharing in the online marketing team. The framework then examined the effect of knowledge sharing in an online marketing team on innovation capability.

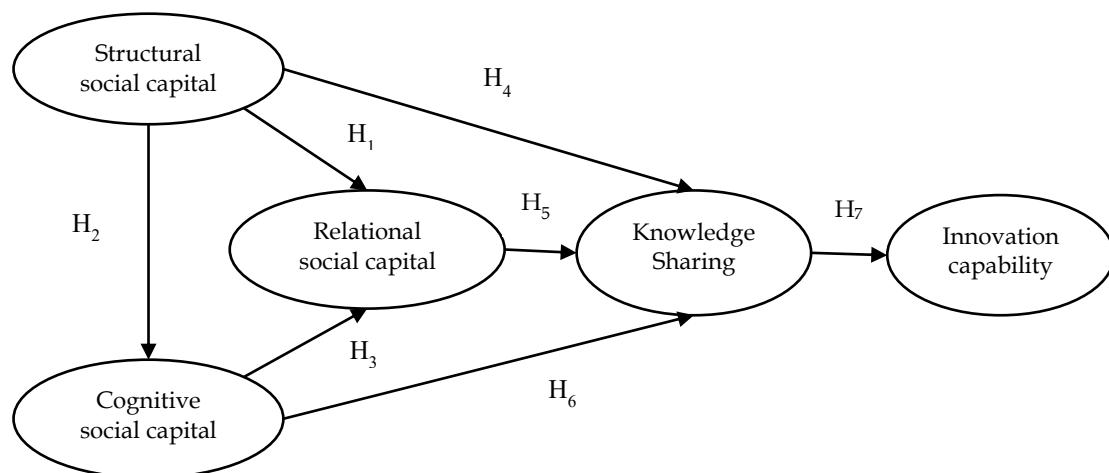


Figure 1. Conceptual Framework and hypotheses of the study

### 3. RESEARCH METHODS

#### Sampling and Data Collection

Respondents of this study are the members of an online marketing team for a Muslim fashion product. Since the establishment of the brand in 2014, all marketing activities have been done online by the owners, agents and marketers. The marketing is mostly done in Facebook, Instagram and WhatsApp group. After the COVID-19 pandemic, the owners have also started enabling sales on the web for specialty products not marketed through agents, defective products or products returned from agents. There are 52 agents all over Indonesia and hundreds of marketers. The number of marketers is unidentified since they work part time and can affiliate with one or more agents. Snowball sampling was used to gather data. The structured questionnaire was documented on a google form. The link to this form then posted to one of the owners via WhatsApp number and she posted it to the agents' WhatsApp group. The agents then posted the link to their marketers also through their WhatsApp groups. The questionnaire was completed by 162 agents and marketers. All online marketing team members were considered valid if they answered the questionnaire.



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However, since the current study looked for the member activities before and after the COVID-19 pandemic, one response was deleted since she only joined the marketing team after the pandemic happened. Then only 161 valid responses used for further analysis.

### Construct definitions and measurement development

After conducting a literature search on related research, a questionnaire was designed to test the stated hypotheses. For utilization in the context of the online marketing team, measurement items from earlier study were modified. Table 1 summarizes the definitions of these constructs and items. A five-point Likert scale was used for all measuring questions, with anchors ranging from strongly disagree (1) to strongly agree (5). Respondents were also asked to answer several questions in the questionnaire concerning the condition of sales before and after the Covid-19 pandemic, as well as different activities undertaken if sales declined.

### Data analysis

The research hypotheses indicated in Figure 1 were investigated using structural equation modeling (SEM). SPSS 18.0 and AMOS 22.0 were used to analyze the data. The demographics of respondents were examined using descriptive-frequency analysis. The following data analysis techniques were employed in two stages. The initial stage was Pooled Confirmatory Factor Analysis (CFA). The pooled CFA was carried out to evaluate and validate the measurement model of more than one latent component at the same time (Awang, 2015). In the second stage, the structural relationships in the model's latent constructs were examined and tested.

Table 1  
Construct definitions and number of items measured.

Construct	Definition in this study	No of items	Source
<b>Structural capital</b>	assets in organization that shows intensive interaction and the members' position in an online marketing team	5	Nahapiet & Goshal, (1998)
<b>Cognitive capital</b>	assets in organization that provide a common representation, interpretation, vision, and goals for an online marketing team	3	Chang & Chuang, (2011)
<b>Relational capital</b>	Assets in the organization that developed via personal encounters, including trust, integrity, norms, ethics, and expectations of an online marketing team.	3	Kim & Shim, (2018)
<b>Knowledge sharing</b>	The amount of knowledge shared and viewed in the online community	4	
<b>Innovation capability</b>	an internal capability describe the factors influencing a company's ability to constantly innovate and generate value for the organization and its stakeholders,	5	Akhavan & Hosseini, (2016) Saunila (2016)

## 4. RESULTS OF DATA ANALYSIS AND DISCUSSION

### Demographic characteristics of respondents

All the respondents were female, and the majority of them (60.3%) were between the ages of 31 and 40. The majority of respondents (67.7%) were marketers. The majority of responders (55.9%) have only joined marketing team for 1 to 2 years. It indicates that they have been with the



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marketing team since the beginning of the business. Before and after the COVID -19 epidemic, the marketing team has performed online marketing. From before to after the pandemic, there is a 5% increase in online marketing. Despite this, one respondent is still doing direct marketing after the pandemic. The majority of respondents (90%) also stated that sales had declined since the outbreak.

Table 2  
Demographics of respondents (n=161)

Measure	Items	Frequency	Percentage
Age	21-30	48	29.8
	31-40	97	60.3
	41-50	16	9.9
Positions	Agent	52	32.3
	Marketer	109	67.7
Years joined in marketing team	1-2	90	55.9
	3-4	35	21.7
	5-6	36	22.4
Sell more than 1 brand of Muslim fashion product	Yes	135	83.9
	No	26	16.1
Marketing before pandemic Covid-19	Online	149	92.5
	Direct	12	7.5
Marketing after pandemic Covid-19	Online	157	97.5
	Direct	4	2.5
Sales during pandemic COVID-19 (March-Oct)	Decrease	135	83.9
	Stable	21	13
	Increase	5	3.1

### Measurement model

Table 3 shows the measurement model generated using pooled CFA. All of the goodness of fit indices point to a satisfactory level of fit. The findings show that the suggested model is a good fit for the data:  $\chi^2$  (df=103, n=161)=180,263; normed  $\chi^2=1.750$ ; normed fit index (NFI)=0.909; Tucker–Lewis index (TLI)=0.945; comparative fit index (CFI)=0.958; root mean square error of approximation (RMSEA)= 0.068. All Cronbach's alpha values exceeded the cut-off value of 0.7, indicating that multi-item scales are reliable. The Cronbach's Alpha for structural social capital, relational social capital, and cognitive social capital were 0.873, 0.851 and 0.882 respectively, while for knowledge sharing and innovation capability were 0.860 and 0.771. The findings of convergent validity tests are shown in Table 3. For all social capital dimensions along with knowledge sharing, the average variance extracted (AVE) and composite reliability (CR) values for multi-item scales were larger than the minimal criteria of 0.5 and 0.7 (Hair, J.F., Black, W.C., Babin, B.J., Anderson, R.E., and Tatham, 2006). The AVE for innovation capability, on the other hand, was less than 0.5, but the CR still indicated a minimal criterion of 0.7. If AVE is less than 0.5 but CR is greater than 0.6, the construct's convergent validity is still sufficient, according to Fornell & Larcker (1981).





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Table 3.

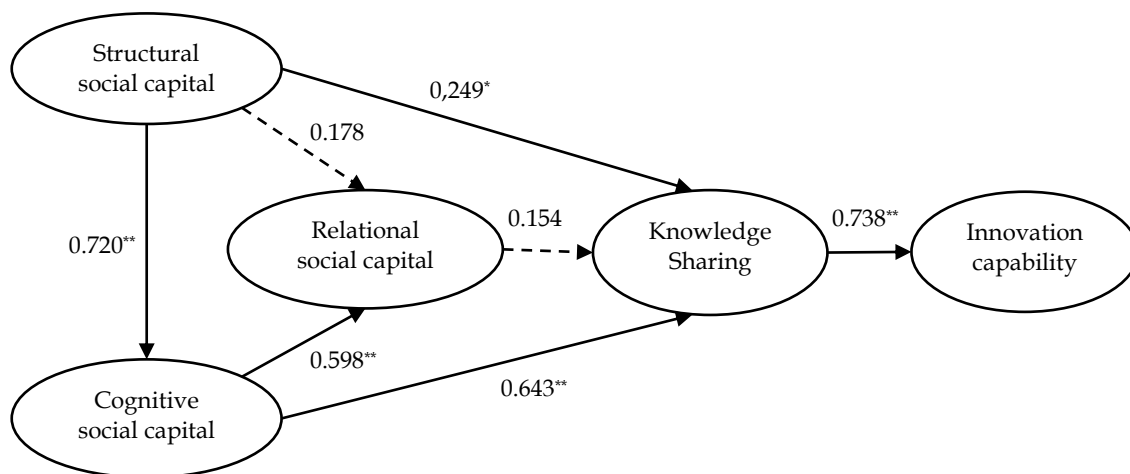
Results of CFA and goodness-of-fit indices for measurement model

Construct	Items	Factor loading	AVE	CR	Cronbach's $\alpha$
Structural social capital (SSC)	I have extensive relationships with all marketing teams throughout Indonesia.	0,918	0,578	0,800	0,873
	I play an important role in this organization	0,682			
	I am an important member of this organization	0,652			
Cognitive social capital (CSC)	Other members of the marketing team and I share the same goals and vision.	0,893	0,722	0,885	0,882
	I have the same thoughts as other members of the marketing team	0,845			
	I am excited in pursuing the organization's objectives and mission.	0,810			
Relational social capital (RSC)	I believe that if I request help, other members of the marketing team will be ready to help me.	0,975	0,893	0,889	0,851
	If I have a problem, I personally believe that other members of the marketing team will try to advise me.	0,915			
	Other members of the marketing team can always be counted on.	0,640			
Knowledge sharing (KS)	I communicate with other members of the marketing team on a regular basis about important information (such as market trends).	0,768	0,55	0,784	0,860
	I often get valuable information from other members of the marketing team.	0,757			
	I share my business experiences with other members of the marketing team on a regular basis.	0,739			
	I learned a lot from other members of the marketing team.	0,707			
Innovation capability (IC)	Marketing team members are encouraged to provide product development ideas.	0,832	0,420	0,739	0,771
	Our products are known for providing new products and services before other manufacturers do	0,629			
	I'm always looking for new ways to increase sales.	0,564			
	Owners are open to product or marketing ideas provided by members of the marketing team	0,521			



## Hypotheses Testing

The suggested model's result can be seen in Figure 2. The proposed structural model was well-fitting to the data, with  $\chi^2$  (df=106, n= 161)=208,686; normed  $\chi^2$  =1.969; normed fit index (NFI)=0.895; Tucker–Lewis index (TLI)=0.929; comparative fit index (CFI)=0.944; root mean square error of approximation (RMSEA)=0.078. The endogenous constructs explained 51.8 percent of the variance in cognitive social capital, 54.2 percent of the variance in relational social capital, 92.0 percent of the variance in knowledge sharing, and 54.5 percent of the variance in innovation capability. The results revealed structural social capital did not positively influence relational social capital ( $b=0.178$ ,  $p=0.087$ ), failing to support H<sub>1</sub>. Structural social capital, on the other hand, had a meaningful positive influence on cognitive social capital ( $b=0.720$ ,  $p<0.001$ ), and cognitive social capital positively influenced relational social capital ( $b=0.598$ ,  $p<0.001$ ). Thus, H<sub>2</sub> and H<sub>3</sub> were supported. Structural social capital ( $b=0.249$ ,  $p=0.013$ ) and cognitive social capital ( $b=0.643$ ,  $p<0.001$ ) both had statistically significant positive effects on knowledge sharing. H<sub>4</sub> and H<sub>6</sub> were then supported. However, the influence of relational social capital on knowledge sharing ( $b=0.154$ ,  $p=0.080$ ) was not confirmed, and H<sub>5</sub> was not supported. The model suggests that knowledge sharing enhances the online marketing team's innovation capability ( $b=0.738$ ,  $p<0.001$ ), which was supported H<sub>7</sub>.



Notes: \*\*  $p<0.001$ , \*  $p<0.05$ , dashed arrow shows insignificant path.

Figure 2. Results of hypotheses testing of proposed model

## Discussion

The results of the SEM analysis revealed that in the interactive relationship that form social capital, structural social capital did not show any association with relational social capital. This result showed different results from several previous studies (e.g. Tsai and Ghoshal (1998), Akhavan and Hosseini (2016)). This demonstrates that in the online marketing team, prolonged and close interaction does not lead to trust, trustworthiness, integrity, or expectation fulfillment. The relational dimension hasn't been developed by the structural dimension in team meetings since



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interaction mostly held through virtual connections and because more than half of the members have only joined in the previous two years. The regulations in this team, which enable marketers to join and leave at any moment, may be argued to be a significant reason why the structural dimension is unrelated to the relational dimension. Alqithami and Hexmoor (2012) has suggested that for creating trust among actors in virtual teams, relationships, norms, profound cultural change, and acquisitions in virtual organization, the development of new strategic plans is very important. Furthermore, in this study, the structural dimension was connected to the cognitive dimension, and the cognitive dimension was related to the relational dimension. As a conclusion of the study, social capital can be developed in an online marketing team through lengthy and close interactions so that they can also share the same values and aims then finally establish trust, trustworthiness, honesty, and fulfillment of expectations. Therefore, extensive engagement and suitable team member responsibilities are not enough to build trust and integrity in an internet marketing team unless they are supported by shared goals, ambitions, and values. Among the three dimensions of social capital, the structural and cognitive dimensions appeared to affect knowledge sharing. This means that if an individual develops relationships with other team members and feels comfortable, she also shares the same vision and goal, then they will comfortably share her ideas, thoughts, or narrative to other team members. This conclusion backs up prior research suggesting that social contact, connections and shared values influence people's willingness to share their information (e.g. Chang and Chuang (2011), Kim and Shim (2018)). When dealing with the COVID-19 epidemic, since more than 80% of respondents reported a decrease in sales, the respondents admitted that they did a lot of information sharing of tips and ideas on how to cope with the problem.

The team's capability to innovate has been shown to be influenced by this knowledge-sharing activity. Despite a decline in sales, the team's capacity to innovate allowed this product to thrive.

## **5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS**

### **Conclusion**

This study focuses on two issues: first the interactive relationships within an online marketing team that form social capital and second how social capital dimensions' effect on knowledge sharing and innovation capability. Innovation capability is considered as one of the important factor to survive during COVID-19 pandemic. This study examined these issues focusing on an online marketing team for a Muslim fashion product and investigating the structural relationship among social capital, knowledge sharing and innovation.

The findings revealed that structural social capital had significant positive influence to cognitive social capital and knowledge sharing. Cognitive social capital has significant positive influence on relational social capital and knowledge sharing. Knowledge sharing has also significant positive effect on innovation capability. Therefore, the main contribution of this study is to identify the development of social capital as facilitating knowledge sharing and innovation capability in an online marketing team. Creating social capital increases knowledge sharing and transfer among online marketing team member overcoming the SME's sales decline experienced by the organization during the pandemic through marketing and product innovation. Strong social networks, shared vision and common goals among team members are key elements of social capital that enable knowledge sharing and innovation capability.



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### Implication

This study extends to the conceptual understanding of role of social capital that have been discovered to lead to knowledge sharing and, eventually, innovation capabilities in an online team. Because the focus was on a virtual team working to market a product, the issue of trust, trustworthiness, integrity, and meeting expectations must be addressed further so that social capital can have a bigger impact on team members' willingness to share ideas.

The findings of this study showed that team interactions, shared values, goals, and objectives boost knowledge sharing, allowing product owners or agents to improve the intensity and quality of knowledge in this virtual team. A better interaction mechanism can be built in order to develop social capital. For instance, the SME's owner could organize regular virtual meetings to get to know the agents and marketers better so that they can improve engagement and trust amongst them. Each agent can do the same thing with their separate marketing teams. Themes and guest speakers can be created for this virtual gathering to push the team to learn more and innovate. The owner/agent can also target persons with more influence and experience in selling their items to achieve outstanding information sharing.

### Suggestion

Since the current literature on virtual organizations and SMEs has a relatively restricted general emphasis and is rarely used in the context of knowledge sharing and innovation capabilities, further study on social capital construction in virtual teams such as online marketing teams especially in SMEs is still needed. By adding suitable variables to the conceptual model, the impact of the ongoing pandemic on sales can also be evaluated.

### Limitation

The sample group used in this study is a limitation. As this data originates from a marketing team that sells a single Muslim specific brand and is entirely composed of females, the findings of this study may not be applicable to online marketing teams that promote different products and are comprised of both genders.

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## THE TOURISM MANAGEMENT INFORMATION SEARCHING DURING PANDEMIC COVID-19

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### ABSTRACT

*Tourism is one of the sectors hardest hit by the COVID-19 pandemic. Based on BPS data (2021), there was a significant decrease in the number of tourists. This study aims to find out how consumers face the fear of the Covid-19 pandemic when they are going to travel through online applications. The Research Indicators are measures of health, personal, financial stressors, Use of Travel Research and Applications and Intentions, Social Media, Travel Avoidance. The population of this study is potential tourists during the COVID-19 pandemic. The research sample was 105 respondents with a minimum sample size of 5 times the estimated parameters. This research uses convenience sampling method. The measurement scale used is a Likert scale of 1 -5. The data analysis technique used multiple linear regression. The hypothesis is carried out using the F test and t test. The results of research on health stressors have a significant effect on the use of research and travel applications. Personal stressor variables and financial stress have no effect on consumers in the use of research and travel applications. The effect of health and personal stress on social media searches is not proven. Use of research and travel applications had no effect on Intentions for future book research. While the search for tourist information on social media affects the intention to book the next search. The use of travel research and applications has a significant effect on travel avoidance. This study provides insight into the role of stressors and their influence on tourist information seeking during the pandemic.*

### **Key words:**

*Stressor, social media, Intention to book travel, Travel avoidance*



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## FRAMEWORK FOR FURNITURE AND WOOD PROCESSING INDUSTRY POLYTECHNIC IN ERA DISRUPTION OF COVID-19

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### ABSTRACT

*On April 9, 2020, all universities and colleges in Indonesia were closed due to the COVID-19 pandemic. Furthermore, on April 13, 2020, all universities and colleges announced to continue their learning via online including the Furniture and Wood Processing Industry Polytechnic. In the era of the COVID-19 pandemic, all activities are forced to adapt to the Disruption Era, one of which is the education sector. The era of Disruption COVID-19 changed the learning system from face to face to online and did not change the quality of the learning process. Therefore, the Furniture and Wood Processing Industry Polytechnic must create a new framework in order to survive. This study aims to create a new framework that has the perspectives of various stakeholders such as government, industry, academic institutions, certification institutions, students and technological developments. The making of this framework is based on PEST analysis and a drives competitive for universities according to (Panday, 2014). The result of the framework for the Wood Furniture and Processing Industry Polytechnic are implementation health protocol for Covid-19, improvement of facilities dan infrastructure, creating income from teaching factory, SDM adaptation for improvement facilities and infrastructure, and quality assurance of graduates. The next step is to carry out monitoring and evaluation (MONEV) so that the implementation of framework runs according to the references and targets.*

### **Key words:**

*Pandemic COVID-19, Era Disruption, Framework, PEST, Drive for Competitiveness, and Teaching Factory.*



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## STAY SAFE, KEEP PERFORMING: SURVIVAL STRATEGY FOR SMES IN PANDEMIC COVID-19

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### ABSTRACT

*The Corona Virus Deceases or the COVID-19 pandemic that hit every world up to this present time has brought impact not only on health issues but this pandemic situation has also spread out in large scale on human aspects of life. The economy is one of affected aspects that are focused to be discussed in this paper and is specially issues on UMKM (SMEs). The Covid-19 pandemic hit almost all sectors of the economy in Indonesia, including small and medium enterprises (SMEs) in Surakarta. The objective of this paper is to propose four thoughtful strategic actions for SMEs business players in order to keep in short-term their business safe or survive and develop in the long-term goal. This paper is a qualitative-descriptive analysis in which the writers use data collection method obtained from secondary data published by the Ministry of KUKM, BPS, and various literature to reinforce the survival strategic actions concepts. In short, many SMEs are forced to close their business, but many are trying to survive and grow by digital marketing innovations that are termed in this paper as survival strategies. However, the intensive role of the government is very important to support MSMEs business keeping performing are able to encourage eco-nomic growth in Surakarta.*

#### **Key words:**

*Business Performing, Survival Strategy, SMEs, Pandemic Covid-19*

### 1. INTRODUCTION

Indonesia is currently being hit by a global disaster in the health sector, namely the Corona Virus (COVID-19) pandemic. Since the first case emerged in Indonesia which was in March 2, 2020, the COVID-19 has made a very rapid spread until now and has affected all aspects of life. Based on data published by the Ministry of Health of the Republic of Indonesia as of May 18, 2021, the COVID-19 cases in Indonesia have increased by 4,295 cases (KPC PEN, 2021). It is predicted that COVID-19 cases in Indonesia will continue to increase if the government and its society do not the same commitment to work together in preventing this pandemic outbreak.

The COVID-19 pandemic in Indonesia has brought extraordinary changes to all fields, including industry, offices, schools, businesses, SMEs, and even household life. SMEs in



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Indonesia have a significant role in increasing the national economic stability. Besides, MSMEs provide job opportunities so as to increase labors income, especially in facing the era of the industrial revolution 4.0 (Rosita, 2020). Customer relationship-oriented sale requires the sellers to collect information about customers, to conduct segmentation, to create value with differentiation, and to create value toward profitability (Reijonen & Laukkanen, 2010).

The impact emerged from the COVID-19 outbreak was very extensive which is marked by the decrease in purchases, orders, difficulty in raw materials, and a lack of technological knowledge. These situations, thus, result in a low pace of business activities in global changes, as especially all transactions in today's time are being completely digital.

Studies have shown that SMEs are confronted with various difficulties and challenges due to the COVID-19 pandemic. The period of closure and movement prevention policies adopted by governments in many countries have greatly affected SMEs, paralyzing their operations, weakening their financial positions, and exposing them to financial risk (Omar *et al.*, 2020). Crises weaken SMEs growth and threaten their projects because their negative impact extends to all elements of the external enterprise environment (Dhochak & Sharma, 2015). Previous studies also indicated the positive correlation between the innovation capabilities and SMEs performance (O' Cass & Sok, 2014; Oura *et al.*, 2016).

Based on data from the cooperative ministry, it was explained that there were 1,785 cooperatives and 163,713 Micro, Small and Medium Enterprises (SMEs) entrepreneurs affected by the COVID-19 pandemic (Rosita, 2020). The food and beverage business enterprises are the most affected sector. This is due to the expensive and difficult sought-after raw materials, relatively short shelf life of raw materials, and decreased purchases. In addition, the creative and agricultural industries are also affected, so that they are forced to stop their operations either temporarily or even permanently due to a drastic decrease in income.

Based on these problems, it is necessary for SMEs players to refocus their business strategy through structuring and revitalizing after the COVID-19 pandemic ends. The objectives are to maintain SMEs assets and provide trust and commitment to SMEs players. As for reducing the negative impact of SMEs entrepreneurs, the right innovation is needed by making use of technology such as social media, e-commerce or on-line stores. SMEs entrepreneurs need a strategy to raise their business spirit so that they can reinforce the economy of the society in regional Surakarta municipality. However, the role of authority government is fully needed to ensure the business life of SMEs safe and keep performing positively.

The purpose of this study is to find out the survival strategies that must be developed by SMEs players in effort to survive against rapid changes in the business world, especially during the COVID-19 pandemic and





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## 2. THEORETICAL FRAMEWORK AND HYPOTHESES

### A. The Effect of the COVID-19 Pandemic on the Indonesian Economy

The COVID-19 pandemic that occurred globally had a significant impact on all sectors, especially in the economic sector. The pandemic situation in Indonesia has brought unfavorable impact significantly on tourism, trade and industry, including Micro, Small and Medium Enterprises (SMEs). Based on the latest data dated May 18, 2021, there have been 4,295 cases of COVID-19 in Indonesia (covid19.go.id). The impact of COVID-19 can be seen directly by the massive layoffs of employees, closing of companies, and periodic work from home to avoid and prevent the spread of this outbreak. According to the Organization for Economic Co-operation and Development (OECD), the COVID-19 outbreak has affected the economy from both the supply and demand side. From the supply side, many companies reduce their need of raw materials supplies and under-performing workers so that the supply chain is experiencing bottlenecks. As for the demand side, there was a significant decline between demand and trust in an SMEs products. This factor was caused by the vulnerability of SME products and service as they lack of hygienic care in some sectors like in tourism, transportation and culinary industry, so it requires suppliers or business partners who implement high hygiene standards consistently. (OECD, 2020).

Referring to the COVID-19 pandemic, our government has issued Government Regulation no. 21 of 2020 regarding Large-Scale Social Restrictions (PSBB), which unfavorably resulted in limited SMEs time of operations and fewer traffic of consumers shopping at off-line stores compared to normal days. This situation encourages MSMEs players to transform their business strategy from conventional way of doing business to digital information technology like social media as well as opening on-line store or e-commerce platform.

### B. E-Commerce

During this COVID-19 pandemic, product sales volume has decreased significantly due to Indonesia government regulation that stipulates people to stay at home. In addition, this government regulation on Large-Scale Social Restrictions (PSBB) has forced many SMEs entrepreneurs to temporarily close their shops. One of ways to keep their business survive and to reach wider number of consumers, SME players can utilize e-commerce to carry out buying and selling business activities.

E-Commerce is a digital method of trading (buying and selling) products or services by utilizing internet networks and consumers databases which computers or internet networks function as intermediaries for business transactions. According to (Laudon and Traver, 2016), e-commerce is a new digital market with various benefits, such as price transparency, ease of product access, and as global market platform which is highly efficient. E-commerce is able to provide optimal access between suppliers with business owners, customers, competitors, and is effective digital platform to market





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products. SMEs players in Indonesia can market their products and services through e-commerce such as Shopee, Tokopedia, Grab, Gojek, TaniHub, Lazada, Bukalapak etc. (Hardilawati, 2020).

### **C. Digital Marketing**

In the midst of the COVID-19 pandemic in Indonesia, many SMEs have experienced a drastic decline in sales turnover. The drop in sales performance requires MSMEs players to be creative and innovative in marketing their products optimally. The use of the internet network cannot be avoided during the implementation of Large-Scale Social Restrictions (PSBB). This is an effort to market SMEs products digitally (digital marketing). According to Purwana et al., (2017), SMEs players must be able to maximize the existing development digital facilities to keep their business survive.

Digital Marketing is an online promotion activity and market search for business in digital media-based by making use of the internet and social media networks (Purwana et al., 2017).

Generally, the method of digital marketing is to market products on social media (Tiktok, Instagram, Facebook, etc.). In addition, digital marketing can also be done through e-commerce and other digital media platforms.

### **D. Product and Service Quality Improvement**

During the COVID-19 pandemic, people of Indonesia are more careful and more selective buying goods and services. They choose to buy goods and services offered by trustable companies. The government strictly implement restrictions on direct purchases, therefore the sales volume reduces significantly. In this situation, SMEs must improve their product quality to increase trustfulness in order to attract buying interest from their prospective consumers.

According to Lestari, (2019), Tripayana and Pramono (2020) improving the quality of products and services has a significant influence in creating consumer satisfaction and consumer loyalty for SMEs players. This is important points for business players during pandemic situation to sincerely pay attention on the dimensions of their product and service quality. They need to evaluate their product quality regularly to increase consumer trust building. Product quality is the ability of a product to meet consumer needs and wants (Kotler *et al.*, 2012). Thus, it is important for MSME players to periodically evaluate and improve products by aligning the market needs.

### **E. Customer Relationship Marketing (CRM)**

During the pandemic situation, MSME players should not only focus on attracting new customers, but also must maintain products, retain existing customers, build customer satisfaction, and customer loyalty. Loyal customers will not turn to other customers because they already believe in products of enterprises. One way for SMEs to survive from business downturn is to do customer relationship marketing. Customer relationship marketing is a marketing strategy concept that aims at establishing long-term



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relationships with customers, and is performed by maintaining strong and mutually beneficial relationships between service providers and customers, so it can establish repeat business transactions and customer loyalty. (Hardilawati, 2020).

On the redcomm.co.id site, Point of Sale (POS) is an example of CRM implementation. Companies can simultaneously collect important customer information, such as shopping frequency, favorite products, credit card types, birthdays, ages, and so on.

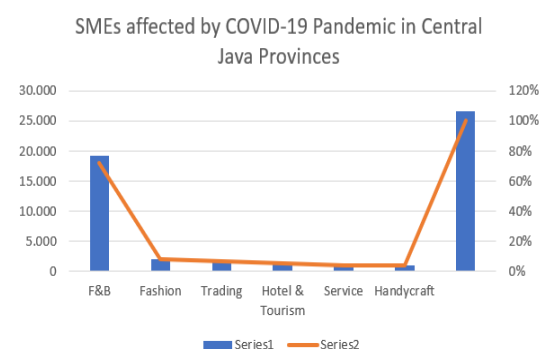
### 3. RESEARCH METHOD

The method used in this study is descriptive quantitative. Sugiyono (2019) stated that descriptive research is type of research conducted to determine the independent variable's value for one or more variables without making a comparison or relationship with other variables. Furthermore, Sugiyono (2019) wrote that qualitative data is data in words, sentences, narratives, gestures, facial expressions, charts, pictures, and photos. In this study, literature study is applied to obtain data by reading, studying, and citing literature related to the topic of problem. The data used in this study, however, is secondary data from previous studies which are Central Statistics Agency (BPS), the Ministry of Cooperatives, and SMEs (Kemenkop and UMKM). The obtained data is analysed, digested and then presented descriptively in the form of statistical data in pictures, diagrams, and graphs. Additional explanations are made to strengthen the description of data as needed.

### 4. RESULT AND DISCUSSION

#### A. SMEs in Surakarta in Covid-19 Pandemic

Since the beginning of Covid-19 March to July 2020, out of around 4 million there have been 26,586 SMEs in Central Java affected by Covid-19 (Central Java Province SMEs Cooperative Service, 2020).



The graph above shows that Food & Beverage is the most affected sector (72%), then is followed by Fashion (8%), Trading (7%), and Travel & Tourism (5%).



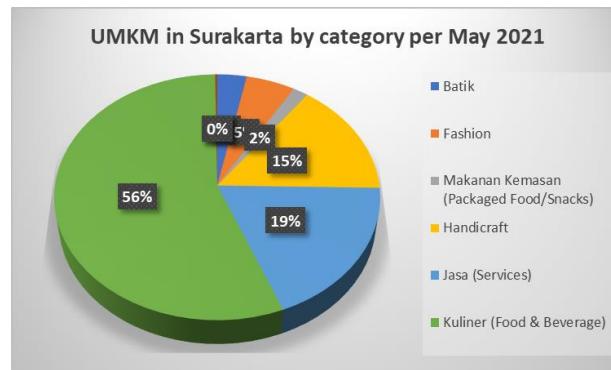
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In Surakarta Regional Municipality, around 70 % or 2000 to 3000 SMEs are affected during pandemic time.



Source: Surakarta Department of Cooperative Service, 21 July 2020

The above pie chart graph indicates the number of SMEs in Surakarta Municipality by product and service categories. Food and Beverages is 56 % dominates SMEs products in Surakarta and is also the most affected sector, then is followed by services 19%, and handicraft 15 % and others are the remaining. The Municipality of Surakarta has embraced banking sector to bridge the financial support for SMEs players, as the government has limited budget and is used for conducting business training and workshop for SME's players.

## B. E-Commerce

The Ministry of Cooperatives and SMEs noted that the number of micro, small and medium enterprises (SMEs) that have used digital technology has reached 12 million. This number has exceeded the government's target of 10 million at the end of 2020. This data indicates that many SMEs players have make business transformation for conventional way of doing transaction to e-commerce digital platforms in order to keep their business survive and develop.



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**SIASAT UMKM LEWATI PANDEMI**

Di masa pandemi Covid-19, rata-rata usaha mikro, kecil, dan menengah (UMKM) hanya mendapat 10-15 persen dari omzet harian pada kondisi normal.

**NEW NORMAL BAGI UMKM**

- 59% beralih fokus ke e-commerce
- 69% lonjakan transaksi daring.
- 41% kenaikan konsultasi kesehatan dan pembelian obat daring.
- 65% makin banyak pakai pembayaran digital.

**TEKNOLOGI UBAH TANTANGAN JADI KESEMPATAN**

Perilaku konsumen berubah, UMKM harus memanfaatkan teknologi.

- Keputusan pembelian berdasar pengalaman dan rasionalitas.
- Belanja produk esensial dan kebutuhan harian dari rumah.
- Manfaatkan e-commerce.
- Silaturahmi dan traktir teman lewat aplikasi daring.

**SOLUSI BANKING FROM HOME DENGAN NYALA BISNIS BAGI PELAKU UMKM**

Agar bisnis tetap lancar, pilih layanan perbankan yang praktis untuk kemudahan pengelolaan keuangan pribadi dan usaha kamu dalam satu aplikasi ONe Mobile.

- Bebas biaya transfer dan tarik tunai
- 2 rekening terpisah (Personal & Giro)
- Bebas biaya admin
- Deposito online dengan tenor 2 minggu
- Bebas perlindungan asuransi jiwa termasuk Covid-19

\*Survei:  
109 perusahaan responden survei SurveySensum Covid-19 Industry Sentiment Tracker.  
484 responden dari hasil Survei Aktivitas selama Pandemi & Ramadhan, Katadata Insight Center (KIC).  
SUMBER: KATADATA INSIGHT CENTER, REDSEER, HIPPIINDO, AKUMINDO, DAN OCBC NISP. NASKAH: TIM PUBLIKASI KATADATA



Although the pandemic has brought a negative impact on e-commerce traders, in the year of 2020 Indonesia Economic Report, Bank Indonesia stated that the overall value of e-commerce transactions grew by 29.6% (year on year). It means e-commerce can be one of alternatives for small and medium enterprises to live and to grow sustainably.

The Surakarta Municipality Government on May 13, 2020 made business collaboration with Shopee to support SMEs business life and the first events from this collaboration resulted 2000 enterprises listed in Shopee market place. The latest data obtained informed that there were 5000 enterprises in Surakarta were active in export market.

The above info graphic implies the creative strategy transformation of SMEs by applying e-commerce to market their business.

E-Commerce is a new digital market whose sales system is transacted through on-line retail sales as digital global market with more transparent prices and easier access. However, in the study on small business enterprises conducted by Hardilawati, (2019) revealed that e-commerce has a positive effect but does not significantly improve marketing performance. It is suggested for SMEs players to trade in e-commerce assisted by government, practitioners and educators to ensure they have adequate knowledge in applying e-commerce media. E-Commerce benefits SMEs in reducing transaction costs,





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transportation and business coordination activities between sellers and buyers, thus it supports the achievement of enterprises business goals.

Good e-commerce according to Hoffirman and Fodor in (Pradana, 2016) formed by the principles of 4C, namely **connection, creation, consumption, and control**. These four principles can be a catalyst for the company's return on investment (ROI) that can be measured in the form of feedback or consumer reviews, recommendation shared to other customers.

E-commerce grows significantly in the COVID-19 pandemic situation as people's life style changes in selling and buying goods and they feel more secure, easier and more practical.





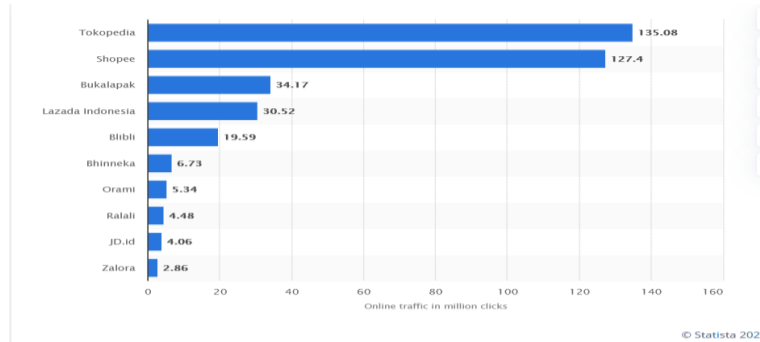


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Top 10 e-commerce sites in Indonesia as of first quarter 2021, by monthly traffic (in million clicks). In short, the main purpose of applying e-commerce for SMEs is to maximize profits as it can reach a wider market share as fast as pushing the enter gadget button. The respective government body in Surakarta can campaign, educate, and train SMEs players on how to make use of e-commerce digital platform to market their products and services optimally. In addition, SME players can start building relationships and getting new market ideas by making e-commerce a learning medium. Besides, they can also observe and analyze market and sales made by competitors.

### B. Digital Marketing

The digital transformation in the pandemic era, in essence, is not just moving off-line to on-line or paper based to computer based. However, it is more importantly to speed up the economy condition recovery in our country and or to support the effected SMEs to survive, thus they have opportunity to grow after the pandemic ends in the future.





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Many training institutions and consultants on digital marketing have sprung up in the pandemic era of COVID-19. These facts explicitly inform us that people and business owners in presently have used social media as their digital marketing strategy.

The above is integrated strategy of digital marketing that can be a choice to apply for business players in order to boost their products market.

Research carried out by Hendawan et al., (2019), explains that digital marketing has a positive and significant impact on increasing SMEs sales performance. Creative entrepreneurs also said that digital marketing will become the main communication platform in on-line marketing, and off-line stores will be complementary. This factor is due to the convenience and ability of digital marketing to reach more consumers. In addition, Purwana et al., (2017) stated that business players can start by creating social media and regularly providing promotions in order to achieve ideal marketing.

The SMEs players can publish videos and photos of attractive products on their social media accounts intensively to match with their product segments. There are a lot of various social media nowadays that can be used as a digital marketing platforms for business such as Facebook ads, Instagram ads, Twitter ads, Google display network and others. Those platforms can be set with predetermined criteria to reach wider consumers. SMEs players can also carry out live promotions or do live broadcasts on IG or Tiktok.



Source: Jurnal EKA CIDA Vol.1 No. 1 Maret 2016

The above data shows that social media provide various benefits for business activities as they can grab data base of customers dan market needs. Personal communication and advertising (100%) are on the top rank followed by consumer needs (86%) and the remaining.

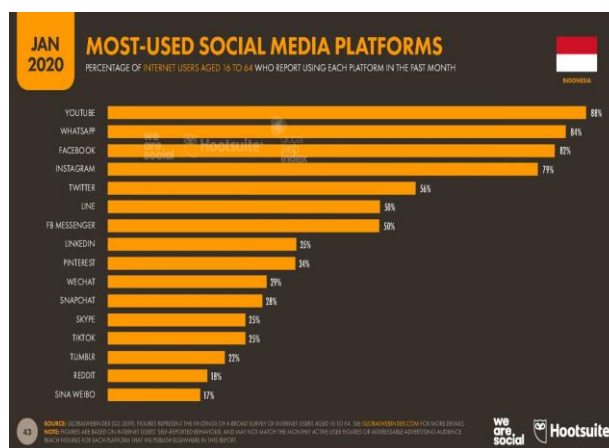


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The data illustrated above indicates that Youtube, Whatsapp, Facebook, and instagram are the most used social media platforms.

The right use of digital marketing can have a positive influence on business. This tool is also effective to involve consumers in product selection, education and introduction of new products, and products' specification. Also, creative word search and the use of hashtags (#) will attract consumers or visitors to find the promoted products easily. Therefore, if digital marketing has been implemented properly, it will affect the personal branding of the SME products.

For example, Guo et al. (2020) found that the use of digital technology helps SMEs to survive and cope with the consequences of the pandemic. Their findings call attention to the importance of information technology in helping SMEs cope with the challenges created by the COVID-19 crisis. Similarly, Gerald *et al* (2020) argued that practicing strategic agility mitigates the negative effects of the COVID-19 crisis on SMEs' performance.

### C. Product and Service Quality Improvement

The quality of product improvement can be done by applying high and strict standard production process to ensure hygiene and safety of product comply with standard, especial in the business category of food and beverages.

Transaction of purchase in pandemic situation is mostly predominantly done on-line, so that the lifetime durability must be well taken care off by providing good packaging. The durability and product safety must be increased to get maximum quality. In food and beverages business, the improvement process of product quality need the respective government assistance to give training on food safety management system.

The improvement of SMEs product quality must be followed by service quality improvement, too. Such types of services are delivery orders and on- line purchasing services. SME players can use their products delivery service directly through available



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application platforms like Gojek, Grab and the like. In carrying out delivery services during this pandemic, they can increase the stringency of service standards to ensure that products are maintained, safe, not contaminated, and hygienic. Good service will be able to form consumer trust so as to create customer satisfaction and consumer loyalty. During this pandemic, trust building of consumers is an important factor in business continuity. Remember “consumer is the king”.

To protect this vital sector from collapse due to the COVID-19 crisis, many governmental and nongovernmental organizations (NGOs) have provided various forms of support to SMEs. Governments have adopted several policies that will mitigate the negative effects of this crisis (Ahmad *et al.*, 2020). SMEs have received some financial support from local and international NGOs and financial institutions during the COVID-19 crisis (Song *et al.*, 2020). Additionally, SME owners have adopted a number of practices and strategies to confront the ramifications of the crisis. During the early outbreak of the pandemic, authors expected that SMEs’ responses and practices would focus on financial spending reductions (Thorgren & Williams, 2020), digital technology exploitation (Guo *et al.*, 2020).

#### **D. Customer Relationship Marketing (CRM)**

According to research conducted (Farida *et al.*, 2017), customer relationship marketing has a positive and significant effect in improving the SMEs marketing performance by which improving the quality of long-term relationships and entrepreneurial orientation. The better the quality of the relationship between SMEs players and consumers, suppliers and others, the better the marketing performance. In addition, business players can expand their network and foster trust from consumers so that consumers will survive.

The customer relationship marketing can become a business strategy that combines processes, people and technology. This strategy helps attract sales prospects, convert them into customers, and retain existing, satisfied and loyal customers. Some practical examples of CRM are giving quick response on customer queries about products, giving notification on the product purchased, solving the customer problems, providing expedition tracking system to control the delivery, providing business process chart, providing feedback or review post product acceptance, professional handling complaints, birthday greetings, and soon.

In this pandemic situation, building marketing relationships with customers who are experiencing hardship during COVID-19 show empathy to them. SMEs players build empathy in outbreak by providing promotions, free product delivery services, etc. In addition, SMEs players can also establish communication with customers through various promotional media and e-commerce intensively such responding to complaints, providing customer feedback in effort to reinforce positive customer engagement.





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## 5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

The COVID-19 pandemic that occurred in Indonesia had an impact on economic instability, especially in the SMEs sector. The direct impacts experienced by SMEs players are the decrease in income attainment, slow sales turnover, low customer traffic in retail due to the government policy on implementing large scale of social restriction (PSBB) which urges people to stay at home. This policy causes SMEs in Indonesia have to stop operating for a while. Therefore, SMEs players need to refocus and make strategic innovation to survive their business during and after pandemic to adapt with the conditions that occur currently.

The survival strategies recommended for SMEs are selling via e-commerce, because many Indonesians are now switching to on-line shopping, marketing products by utilizing existing technology, which is digital information technology or digital marketing platforms. This digital innovation will be able to reach wider global market, and will encourage the SMEs players at improving the quality of products and services, and building customer relationship marketing to create integrity, consumer satisfaction and customer loyalty.

The suggestions recommended to strengthen the survival strategies in SMEs are as follows:

1. SMEs players can apply existing survival strategies to match with global rapid changes in business environment during a pandemic time. It is intended that business players can be more responsive and adaptive to the changes business ecosystem and are inspired to improve their product quality and marketing transformation strategy with the use of digital technology.

2. The authorized government is obliged to provide education, training and clear guidance to SMEs players in doing e-commerce and digital marketing. These skills development activities can be done through workshop or webinars to enhance their business competencies. Besides, creating digital business platforms, holding business events facilitating communication networks, bridging business cooperation with reputable e-commerce, assisting to get soft interest scheme from government banks, the government must prevent deadly predatory pricing which can be destructive for SMEs players generally in Indonesia, and specifically in Surakarta.

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**BUILDING BUSINESS STRATEGIES THROUGH ENTREPRENEURSHIP  
COMPETENCE AND PRODUCT INNOVATION TO IMPROVE  
PERFORMANCE**

**(Study on PKK women from Banjarsari Surakarta, Central Java, Indonesia)**

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**A B S T R A C T**

*This study aims to determine the relationship between entrepreneurial competence and product innovation on performance through business strategies for PKK women, Banjarsari District, Surakarta City, Central Java, Indonesia. The sample in this study were PKK women who have a business or side business in Banjarsari, Surakarta, Central Java, Indonesia as many as 100 respondents, using purposive random sampling technique. Analysis of the data used: instrument validity and reliability test, linearity test, t-test, F-test, coefficient of determination test (R<sup>2</sup>), path analysis test and correlation analysis test. The results of data analysis partially variable product innovation and entrepreneurial competence and business strategy have a positive and significant effect on performance. Entrepreneurial competence and product innovation have a positive and significant effect on business strategy partially. Product competence, product innovation and business strategy variables are able to contribute to improve performance by 78.22%, the rest is explained by other variables outside the model in the study such as entrepreneurial orientation, environment, competitive advantage and others. The results of the research using path analysis test show that business strategies are able and better to mediate the effect of entrepreneurial competence and product innovation on performance. To improve performance through more effective business strategies by increasing product innovation, after that then entrepreneurial competence.*

**Key words:**

*Entrepreneurial competence, product innovation, business strategy.*



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## THE STRATEGY OF THE DEVELOPMENT POTENTIAL OF RURAL TOURISM BASED UMKM IN CENTRAL JAVA WITH THE APPROACH OF OODA LOOPS

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### ABSTRACT

*The Indonesian economy leads to recession economy as the economy in the third quarter and two-2020 is -3,49 % and -5,32 %. One of the main driving pace of the economy is the contribution of the UMKM sector which amounted to 60%, where the contributor of food and beverage, fashion, trade, services and handicraft. Central java is one of the provinces that do not impose PSBB also affected significantly economically due to the Corona Virus Disease-19 (Covid-19) threat. UMKM in Central Java experience inequality maintain its products in order to remain a part of the tastes of the community needs to be consumed. However, due to the existence of Social Distancing is very influential on the sale value of the product which automatically reduces the turnover on the sale and at the same time increase the level of unemployment and poverty. The declining value of the sell because consumption patterns are no longer due on the value but rather on the level of need. Around 56% of 4.17 Million UMKM in Central Java that is affected by the impact of the pandemic, due to many obstacles better marketing, financing and licensing as well as other things. Need a strategy for UMKM back better by UMKM. Based on the above, the authors try to study scientifically how UMKM can survive and could bounce back in the pandemic due to the Corona Virus Disease-19 (Covid-19), in accordance with the theory BSM (Business Sustainability Management) with the approach of strategy theory OODA (Observe, Orient, Decide, and Act) Loop.*

**Key words:**

*UMKM, Tourism Village, OODA Loops*



**BRICS' EMNE OWNERSHIP STRATEGY IN SOUTHEAST ASIA: DO  
GEOGRAPHICAL DISTANCE, MARKET SIZE, & REGULATORY QUALITY  
MATTER?**

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**A B S T R A C T**

*This study investigates the cross-border mergers and acquisitions (M&As) performed by EMNEs from BRICS countries in 5 Southeast Asia countries from 2002 – 2019. Using econometrics approach, this study provides an empirical analysis of the role of geographical distance, host market size, and host government quality on the cross-border M&As performed by EMNEs. We find that geographical distance does not significantly affect the degree of ownership of EMNEs in cross-border M&As. We also find that host country market size and host country regulatory quality significantly influence the degree of ownership of EMNEs in cross-border M&As. Specifically, a larger host country market size and a worse regulatory quality of the host country leads to higher degree of EMNEs ownership in their cross-border M&As. These findings contribute to cross – border M&As literature, especially in the context of EMNEs ownership in developing countries. Our study also offers several practical implications with regard to the subject matter, namely EMNEs from BRICS can invest or establish their ownership to other Southeast Asian countries to further expand the market and Southeast Asian countries still need to improve the quality of regulations.*

**Keywords:** Cross – border M&As; Geographic distance; Market size; Regulatory quality





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**STRATEGIES FOR ENHANCING COMPETITIVENESS OF SMES  
IN EAST JAVA-INDONESIA**

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**ABSTRACT**

*Incapacitated competitiveness of SMEs in East Java Province is caused by the presence of complex problems. These problems are caused by export services for SMEs or incapacitated business actors, inefficient trade regulations, low human resources. The purpose of this study is to formulate strategies to increase the competitiveness of SMEs in East Java. The method used in this research is an interactive model of analysis which consists of three components of data analysis, namely data reduction, data presentation, and drawing conclusions. The results obtained in this study are SMEs have good potential.*

**Keywords:** SMEs, Competitiveness, Quality research



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## ECONOMIC DEVELOPMENT ANALYSIS FOR IMPROVING ECONOMIC GROWTH IN MADURA ISLAND

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### ABSTRACT

*This study aims to identify the factors that can support the improvement of economic development performance in Madura Island. This type of research is quantitative research using panel data from regional data covering the City of Surabaya, Bangkalan Regency, Sampang Regency, Pamekasan Regency, and Sumenep Regency with a time series from 1999 - 2018. Furthermore, this study uses structural analysis with a Partial Least Square approach (PLS). PLS is a component or variance-based structural equation modelling (SEM). The results of this study conclude that the only factor that can significantly affect economic development on Madura Island is the population which has an impact on the level of investment and economic development on Madura Island. On the other hand, the rate of investment which tends to be slow is still contributing to the existing economic development. This must continue to be pursued to improve the quality of education for the high population as well as the condition of infrastructure in every district on Madura Island, which is evenly distributed, especially related to potential access on Madura Island.*

**Keywords:** *Economic Development, Economic Growth, Performance*



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## PRODUCTIVITY, INCOME: A CASE OF INDONESIAN HEALTH CARE CENTERS

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### *Abstract*

*Indonesian health centers (puskesmas) have both inpatient and outpatient care unit and are allowed to treat 144 illness types. However, the Indonesian health centers mostly failed to generate sufficient income to cover their operations. This study aims to examine the influence of productivity on the income of health centers in Indonesia. The samples of this research are 102 health care centers located in 14 regencies within Aceh Province, Indonesia. Data was collected through questionnaires and the respondents are 375 managers of the health centers. Using regression analysis, this study found a positive and significant influence of productivity on income. Thus, it can be concluded that productivity is effective enough to improve income of the health care centers.*

**Keywords:** *productivity, income, health care center, Indonesia.*



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## INTEGRALISM AS A COMPETITIVE STRATEGY FOR ISLAMIC BANKS IN DISRUPTIVE ERA: A CRITIQUE TO CSR

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### *Abstract*

*CSR practiced by Sharia banks in Indonesia are now interpreted as a tool to maintain their sustainability. This phenomenon is certainly contrary to the ideology of "Sharia" which emphasizes more on the welfare of the people. Critical exploration of Sharia bank CSR practices in Indonesia will be an evaluation material for researchers to formulate competing strategies for Sharia banks. Hyperpost-phenomenology, a methodology that emphasizes the analysis of embodiment technology to support certain interests, is used by researchers to uncover the hidden interests behind CSR practices. The results of the study show that bankers interpret CSR as a formality activity to fulfill their social responsibilities and as a "tool" for Islamic banks to maintain their sustainability. The shift in the orientation of Islamic CSR from social goals to legitimate and political goals is an implication of a dichotomous way of thinking that separates social, economic, and even spiritual dimensions. Contrary to this concept, Islam emphasizes the integralistic concept that makes spirituality as its center. Hamka (1984) emphasized that by relying on the value of monotheism, social justice would be realized. Integralism is a competitive strategy that Islamic banks should dare to apply to deal with digitalization attacks in the disruptive era.*

*Keywords: CSR, Islamic banking, Strategy, Integralism*



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## MANAGEMENT ACCOUNTING PRACTICES IN MICRO, SMALL AND MEDIUM ENTERPRISE IN BANDUNG CITY, INDONESIA

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### **ABSTRACT**

*The existence of Micro, Small and Medium Enterprises (MSMEs) in Indonesia plays a very important role in economic growth and therefore MSMEs need to be managed properly through management accounting practices so it will have a good performance and can still exist as well as compete in the industrial revolution 4.0 era. This study aims to determine the practice of management accounting on MSMEs in Bandung city and its effect on the performance of MSMEs. The approach used in this research are descriptive and verification. The data are primary data obtained by distributing questionnaires to MSMEs in Bandung, Indonesia. Samples were determined by using random sampling of 167 MSMEs in Bandung. The methods for data analysis are regression and hypothesis testing. The results of the study concluded that MSMEs in Bandung had implemented management accounting practices was done by planning, controlling and decision making. The form of planning and control in the sufficient category. Decision-making in the good category and performance in the sufficient category. This study also concludes that planning, controlling and decision-making have a significant effect on the performance of MSMEs with management accounting knowledge as a moderating variable.*

*Keywords: Planning, Controlling, Decision Making, Performance, MSME*





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## IMPACT OF ROLE STRESS ON AUDITOR PERFORMANCE: AN EXPERIMENTAL STUDY OF THE INDONESIAN CASE

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### ABSTRACT

*This study aim to examine the effect of work stress (role stress) on the auditor job performance. Three forms of stress in the work that was tested in this study is the role ambiguity, role conflict, and role overload. Using the internet-based experiments and junior auditors as a subject, the dependent variable in this study is the auditor's judgment, while the independent variable is the role conflict, role ambiguity, and role overload. Results of hypothesis testing using Repeated Measures ANOVA showed support the role theory proposed by Kahn et al (Kahn, Wolfe, Quin, Snoeck, & Rosenthal, 1964), when the form of role stress is role overload (RO), role ambiguity (RA), role conflict coupled with role overload (RO + RC), and role conflict coupled with role ambiguity (RC+RA). The result also consistent with Arnold et al.(Arnold, Sutton, Hayne, & Smith, 2000), Guess et al.(Guess, Louwers, & Strawser, 2000), Rebele and Michael (Rebele & Michaels, 1990), Fisher (Fisher, 2001), and Burney and Widener (Burney & Widener, 2007).*

**Keywords:** *work stress, auditor job performance, experimental study*



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**ANALYZING GOOD CORPORATE GOVERNANCE AND INFORMATION  
SYSTEM COSTS IMPACT TO PRODUCTIVITY AND INTERNET FINANCIAL  
REPORTING IN FINANCIAL SECTOR COMPANIES**

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**ABSTRACT**

*This research aims to measure good corporate governance (GCG) and information systems costs contribution to productivity and internet financial reporting (IFR). Population of this study is listed financial sectors in Indonesian Stock Exchange in 2020. Data collected from 46 banks and 6 non-banks financial institutions. Using WarpPLS, we found significant effect of GCG toward banks and financial institutions productivity, negatively significant. GCG has no significant contribution to IFR. Otherwise, information systems cost has significant contribution to IFR, but not significant to productivity. These findings explained in discussion section of this paper.*

Keywords: *Good Corporate Governance; Information Systems Costs; Productivity; Internet Financial Reporting*

**1. INTRODUCTION**

The trend of the digital revolution 4.0 has changed business ecosystem. There are three main things in digital revolution 4.0, they are: technological innovation and business models, data, and network effects. In these circumstances, stakeholders in business are connected borderless. Economic decision can be made anytime. Therefore, the presentation of financial statements needs to adapt to technology, so the financial information will be more accessible, timely, and useful to all stakeholders.

Google-Temasek-Bain&Company (2019) reports that Indonesia is the highest internet market in Southeast Asia. In 2018, Indonesian internet market size was US\$ 28 billion, and it is projected that by 2025 it could increase to US\$ 100 billion. In 2020, the internet market in Indonesia is still high, at US\$44 Billion (Google-Temasek-Bain&Company, 2020). Perry Warjiyo, the Governor of Bank Indonesia, explains that Bank Indonesia estimates that in 2021 e-commerce can grow by 39.1 percent in 2021, electronic money is estimated to grow by 32.2 percent, and digital banking by 21.8 percent. in 2021(Saputra, 2021). As of September 2019, there are 272 fintech players and 200 e-commerce players present in Indonesia. Integration between banks, fintech and e-commerce has emerged. In December 2018, Gojek platform has employed around 1.7 million residents as online motorcycle taxi driver partners and connected to more than 400 thousand merchants/business actors who automatically opened accounts at banks. Bukalapak platform is also connected to more than 700 thousand independent entrepreneurs and more than 500 thousand stalls throughout Indonesia in 2019. Meanwhile, Tokopedia network has established 5 million partnerships, including distributing capital assistance to MSMEs.



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This development of the digital economy and the condition of the internet market in Indonesia can attract investors to invest in Indonesia. Presentation of financial statements can help investors and potential investors to evaluate investment potential. Based on agency theory, the presentation of financial statements can reduce potential conflicts of interest. In the digital era, the pattern of presenting financial information must also adapt. Reporting and transparency are important components in financial sector businesses (Bank Indonesia, 2019)

In 2019, Bank Indonesia issued the Indonesia Payment System Blueprint (BSPI) 2025. The 2025 Indonesian Payment System Blueprint includes 5 (five) working groups, namely Open banking, Retail Payment System, Large Value Payment System and Financial Market Infrastructure, Data and Digitization, and Regulatory, Licensing, and Oversight Reform. BSPI 2025 will be realized and implemented in stages in the period 2019 to 2025. In End State Integration Framework of Regulating, Licensing and Surveillance of Payment Systems (Integrasi Kerangka Pengaturan, Perizinan dan Pengawasan Sistem Pembayaran), financial information and reporting infrastructure are part of foundation which support sound business practices (such as transparency, reporting, risk management).

Internet financial reporting (IFR) is form of transparency technology. The level of application of IFR can be varies depending on the absorption of technology in the industry. With the digital revolution 4.0, financial reporting should be accessed and utilized directly by users, in real time to reduce conflicts of interest and maintain public trust.

IFR practices in Indonesia have been changing dynamically. In 2010-2011, LQ-45 companies and banking industries prefer use their website as product promotion rather than financial reporting media (Budisusetyo & Almilialia, 2011). In governmental sectors, the governments prefer use their official websites to promote news about government activities. (Diptyana & Rokhmania, 2018). In 2016, there were increasing in financial information contents in governments official websites, especially information about budget realization, although there were only 25% of local government samples which present financial reporting completely, not only budget realization report. Meanwhile, in 2016-2017, the IFR index in banking sectors in Indonesia was increasing. The IFR Index banking sectors in Indonesia was higher than IFR index Malaysia and Singapore banks (Pernamasari, 2019).

Investor have taken advantage of IFR when making investment decisions (Yassin & Al-Khatib, 2019). Financial reporting remains relevant for investment decisions (Davern et al., 2019). Users also use non-financial information in IFR. Non-financial information is utilized by investors in making investment decisions both as a 'screen' and for valuation purposes. So, financial information and non-financial information are still useful to investors.

XBRL is one of the technology indicators on the IFR index. Since Indonesia Stock Exchange (IDX) compiled the XBRL taxonomy and required financial reporting to use XBRL in 2015, listed companies have submitted financial reports to the IDX in XBRL as well as pdf format. Zamroni & Aryani, (2018) concluded that there is an increase in abnormal trading volume on the IDX after the implementation of the policy of submitting financial reports in the form of XBRL.

Some research shows that there are various factors have influence to the IFR practice. In local government, assets growth of local government has significant effect to IFR (Diptyana, 2019). In profit sector companies, (Mokhtar, 2017) concluded that ROA and ROE have significant effect on IFR. Total assets assets and market capitalization) is also significant to IFR. These results indicate companies with high performance have a high IFR index as well.

IFR practice requires proper information systems and technology resources. However, information systems (IS) or technology investment is not cheap. It needs strategy. The main objectives of IS investment are not only for reporting. Nowadays, technology risk is the biggest



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risk for banking industry in Indonesia (PriceWaterhouseCoopers, 2018). The strategy for developing information systems in banking has become the focus of attention to maintain customer trust. Shifting conventional service systems to digital can also bring implication to banking accounting information and reporting systems.

Fatmala et al., (2019) stated that banks need to consider their intermediary function by lend expansion, and banks also need to increase their efficiency by technology innovation. Some research reveals that IT investment has impact to firm value (Kim et al., 2017; Wiyani, 2008). IT investment is commitment to improve information systems quality. Information systems quality helps management to make better decisions and then company can be more productive (Baker et al., 2017; Moya Musa et al., 2012; Wang et al., 2018) and efficiently (Hidayat & Achjari, 2017).

OtoritasJasaKeuangan (2018) stated that corporate governance is a structure and process that directs and controls the company, the aim is to reduce agency conflicts. Financial Services Authority (Otoritas Jasa Keuangan) has published regulation No. 4/POJK.03/2016 as a standard to assess soundness level of financial institutions. This regulation enforced financial institutions to implement GCG. Based on the agency perspective, corporate governance can encourage companies to be more transparent about the condition of the company (Al-Attar, 2016) and have good performance (Dewi, 2009; Nartey, 2017)

This research makes two main contributions to the literature. First, it extends the scope of IFR research by examining information systems (IS) cost. Second, there is a lack of research on GCG impact to financial institutions performance. In this research, we use productivity to describe financial institutions performance as intermediary function. We tested GCG level implication to productivity and also put productivity into IFR model as well.

## 2. THEORETICAL FRAMEWORK AND HYPOTHESES

Good corporate governance defined as a structure and process which direct and control the entity to reduce agency conflict (Otoritas Jasa Keuangan & International Finance Corporation, 2018). Refer to agency theory, agents and principals conflicts arise due to interest differences. The agency conflict can be resolved by minimizing information asymmetry. IFR practice is expected to reduce information gap between agencies and principal. Company which implement good corporate governance has higher score of voluntary disclosure (Al-Attar, 2016). Sayidah et al., (2016) stated that companies with high Corporate Governance Perception Index (CGPI) have a high IFR index. Indonesia Financial Services Authority (Otoritas Jasa Keuangan) stated the composite rating (CR) to assessed soundness level financial institutions in Indonesia which also covered GCG assessment. Highest score of CR is 1, and lowest is 5. CR 1 represent that the financial institutions extremely capable to implement corporate governance. Regarding to these statements, we proposed hypothesis:

H1: CR is negatively associated with IFR index.

IS investment relates to financial reporting. Johnston & Zhang (2018) concluded that IS investment reduces reporting lag significantly due to automation in closing process and simplifying reporting process. Dandago & Rufai (2014) reveal that voluntary accounting disclosure is significantly influenced by IT feasibility. Based on their study, Nigerian banks investment on IS and technology use to gain competitive advantage, and to present timely, accurately and communicable financial reports to its users. To provide good voluntary reporting, especially in the IFR, companies need to spend their budget for IT. So, regarding to these statements we proposed hypothesis:

H2: IS Costs is positively associated with IFR index





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Resource dependency theory implies companies have responsible to contribute some benefit to both internally and externally of the institutions. Previous research shows that GCG has significant influence to encourage financial institutions to be productive (Nartey, 2017; Rashid et al., 2020). In a GCG environment, corporate governance controls management decision to comply with regulations, rules, and institution's goals. Regarding these statements, we proposed that:

H3 : CR is negatively associated with Productivity

The relationship between IS Cost and performance seems like a chicken and an egg: whether a company must be productive and efficient first and then be able to finance its IS, or vice versa: the company finances its IS then its productivity increases. However, some research concluded that IS development could produce better performance, not the other way around (Aral et al., 2006; Baker et al., 2017; Wang et al., 2018)

In the financial industry, Moya Musa et al., (2012) proves that ICT costs increase the Malmquist Index of microfinance sector companies. Hadad et al., (2011) stated that the driver of bank productivity is the adoption of information technology. So that (Moya Musa et al., 2012) and (Hadad et al., 2011) found IS Cost positively associated with productivity. Nevertheless, IS Cost can be negatively related to productivity (Weill et al., 2002). The infrastructure has already installed, and there are operational repair and adjustment costs due to the new system. Therefore, when productivity was measured, IS costs are high but productivity is low. This can be happened due to fact that the decision to invest in IT means building infrastructure which integrates to organization's strategy, IT building process takes time, so that the benefits derived from IS cost to increasing productivity in the company only be obtained in the long term (Weill et al., 2002). Regarding these statements, we proposed hypothesis:

H4: IS Costs is associated with Productivity

Productivity is also a measurement for performance. Efficiency and productivity come from the same ratio component: output and input. Productivity reflected by output to input ratio. As a performance measure, Lajili (2004) proved that productivity has an effect on voluntary disclosure. Octrina et al., (2020) conclude that banking productivity in Indonesia is quite high, but not efficient yet. The technology change index in the TFP illustrates that banks have implemented information systems, ATM networks, to facilitate IT-based transactions (Octrina, et al, 2020). A high IFR index occurs in companies that have good performance (Mokhtar, 2017). Based on Mokhtar (2017) metadata analysis, performance has a positive effect on IFR. Otherwise, (Abdillah, 2015) and (Puspitaningrum & Atmini, 2012) did not find significant association of performance to IFR. Regarding to these statements, we proposed:

H5: Productivity is associated with IFR

According to OJK regulation, the highest level of composite rating (CR) is 1, and the lowest is 5. So that an institution which has CR 1, shown an extremely good capability in corporate governance implementation, better than institution which has CR 2 or 3. Previous studies show that corporate governance (CG) has a significant effect on bank performance, both in terms of financial performance (Dewi, 2009) and productivity (Nartey, 2017). Companies with good performance have capability to provide better information, so they are able to provide voluntary disclosures (Mokhtar, 2017). CG significantly encourages information transparency (Al-Attar, 2016; Sayidah et al., 2016) through productivity (Nartey, 2017). Regarding to these statements, we proposed our hypothesis:





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H6a: CR is negatively associated with IFR through Productivity

IS Cost has also been shown to significantly affect the presentation of financial statements by reducing reporting lag (Dandago & Rufai, 2014; Johnston & Zhang, 2018). Based on the Malmquist Productivity Index, Octrina et al., (2020) concluded that the banking sample in Indonesia has been able to implement information systems, ATM networks and technological devices and supported institution's productivity. Meanwhile, productivity allows the institutions to manage websites as a media for information dissemination and transparency in the form of IFR. IFR is a product of technology, so companies that are willing to fund the development of their information systems are able to be more productive and have the potential to implement IFR. Regarding to these statements, we proposed:

H6b: IS Costs is positively associated with IFR through Productivity

### 3. RESEARCH METHOD

This study employs explanatory method to explain causal relationship among variables. Data gathered from corporate official websites using saturated sampling method. Population of this study is 105 listed financial institutions in IDX on 2020. We obtained complete data from 52 firms as samples. It consists of 46 banks and 6 non-banks financial institutions. There are 59 financial institutions non-banks which did not disclose their corporate governance level (composite rating), so we cannot use them as samples.

This research tested four variables, they are: GCG, Information Systems (IS) Costs, Productivity and IFR. GCG were measured by GCG composite rating (Iramani et al., 2018; Sayidah et al., 2016) on 2020. IS Cost is summarized of any cost which related to information systems expenditure, including cost of software, computers, and internet infrastructures (Kim et al., 2017; Moya Musa et al., 2012). To measure productivity, we adopt intermediary institution productivity which adopted from (Depren & Depren, 2016; Yonnedi & Panjaitan, 2019) . IFR measurement was using IFR instrument. IFR instrument adopted from Budisusetyo & Almilia (2011) .



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Table 1. Variables Indicator

Variable	Min.	Max.	Mean	SD
IS Cost (Rp)	254,574,091	3,595,375,000,000	436,866,73,253	840,444,859,794
GCG	1	3	2.04	0.44
Productivity	0.46	6.48	1.11	0.81
IFR Index	15.8	38	23.27	4.67

The IFR observation was held during December 2020 – February 2021. In this research, Productivity defined as input and output ratio to assign intermediary activity level of financial institutions. Input consists of third-parties funds, internet expenses, and non-interest operating expenses; and output consists of loans-provided for third-parties, interest income and non-interest income. We use WarpPLS to test research model.

Table 2. Descriptive Statistics

Variable	Indicators
Information Systems Cost	Information systems expenditure, include cost of software, computers, and internet infrastructure.(Kim et al., 2017; Moya Musa et al., 2012)
Productivity	output-oriented valuation which measured by output and input ratio. Output consists of loans-provided for third-parties, interest income, and non-interest income. The inputs consist of thir-parties funds, internet expenses and non-interest operating expenses. (Depren & Depren, 2016; Yonnedi & Panjaitan, 2019)
Good Corporate Governance	GCG composite rating (Iramani et al., 2018; Otoritas Jasa Keuangan & International Finance Corporation, 2018)
Internet Financial Reporting	IFR Index, which measured by 40% of content score, 20% of update or timeliness score, 20% of technology score and 20% of user-support score.(Budisusetyo & Almilialia, 2011)

#### 4. DATA ANALYSIS AND DISCUSSION

ri (Persero), Tbk). Data for IFR index also tends to homogenous (means = 1.11 and SD = 0.81). Shows descriptive statistics of each variables. It explains that IS Cost vary from Rp 254,574,091 to Rp3, 595,375,000,000. The minimum IS Cost is Rp 254.574.091 (PT Minna Padi Investama Sekuritas) and maximum is Rp 3,595,475,000,000 (PT Bank Mandiri (Persero), Tbk). Result of descriptive statistics shows that IS Cost means value (Rp 436,866,732,253) is less than standard deviations (Rp 840,444,859,794). It signifies that IS Cost samples variation is high, or it tends to heterogenous.

GCG composite rating varies from 1 to 3. Smaller rating represents better governance implementation. Most of samples (82.7% or 43 institutions) has GCG composite rating 2. Composite rating 2 means that the institutions' condition that is in general sound and as such is assessed of being capable of facing significant negative influence from changes in business condition and other external factors. There are 4 institutions which reported composite rating 1, which means that the institutions' condition that is in general extremely sound and as such is



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assessed of being extremely capable of facing significant negative influence from changes in business condition and other external factor. Only 5 institutions reported their GCG in composite rating 3. The CG sample variation is tend to homogenous (means = 2.04 and SD = 0.45).

Productivity also varies from 0.46 (PT Bank Jago, Tbk) to 6.48 (PT Minna Padi Investama Sekuritas). Productivity ratio more than 1 indicates that third-parties receivables and securities, interest income and non-interest income are greater than third-parties funds, interest expenses and non-interest expenses. Data for Productivity is tend to homogenous (means = 1.11 and SD = 0.81).

IFR measured by IFR index, varies from 15.8 (PT Bank Jago) to 38 (PT Bank Mandiri (Persero), Tbk). Data for IFR index also tends to homogenous (means = 1.11 and SD = 0.81). The homogeneity of samples can be explained by components of IFR. Table 3 shows the details of IFR Index component. IFR Index is a weighted result of IFR score. Weighted IFR index based on 40% of content score, 20% of timeliness or updated score, 20% of technology and 20% of user-support score. Minimum score for content is 24,5 (PT Bank Jago, Tbk), and maximum score is 76 (PT Bank Mandiri). Minimum score for updated website is PT China Construction Bank International, Tbk, and maximum score for updated website is PT Bank Rakyat Indonesia and PT Bank Central Asia. In technology score, the minimum score is 4 (PT Bank Ina Perdana, Tbk) and there are 21 firms which have maximum score for technology. This result implies that most of financial firm's websites provide download plug-in on spot features, online feedback, and multimedia-presentation, analysis tools especially for credit or investment simulations. The minimum score for user support component is 4 belongs to PT BPD Jatim, and the minimum score is 13 belongs to PT Bank Oke. All of IFR component scores show that its standard deviation is less than mean value.

Table 3. IFR Component Score

Component	Min.	Max.	Mean	Std. Dev.
Content	24,5	76	43,413	10,846
Update	5	16	10,192	2,6938
Technology	4	13	10,6	2,24
User Support	4	13	8,75	2,1039

We use WarpPLS to test the hypothesis. Figure 1 shows Model Fit and Quality Indices results.

Figure 1. Model Fit & Quality Indices

Average path coefficient (APC)=0.337, P=0.002  
 Average R-squared (ARS)=0.456, P<0.001  
 Average adjusted R-squared (AARS)=0.430, P<0.001  
 Average block VIF (AVIF)=1.063, acceptable if <= 5, ideally <= 3.3  
 Average full collinearity VIF (AFVIF)=1.542, acceptable if <= 5, ideally <= 3.3  
 Tenenhaus GoF (GoF)=0.675, small >= 0.1, medium >= 0.25, large >= 0.36  
 Sympon's paradox ratio (SPR)=1.000, acceptable if >= 0.7, ideally = 1  
 R-squared contribution ratio (RSCR)=1.000, acceptable if >= 0.9, ideally = 1  
 Statistical suppression ratio (SSR)=1.000, acceptable if >= 0.7  
 Nonlinear bivariate causality direction ratio (NLBCDR)=0,8000, acceptable if >= 0.7

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In WarpPLS, model fit is determined by APC, ARS, AARS p-value which less than 0,05 (Kock, 2020). As shown in Figure 1, APC p-value is 0,002, ARS p-value is <0,001 and AARS p-value also <0,001. APC, ARS, and AARS p-values are less than significant level (0,05). Hence, the model is fit. AVIF value of 1,063 indicates that there is no multicollinearity problem among exogenous variables. Tenenhaus GoF (GoF) result 0,675 (GoF ≥ 0,36) shows that the model has large explanatory power and acceptable. Furthermore, to analyze whether there is a Simpson's Paradox error in model, or is there any inverse causality error in model, we use SPR, RSCR, SSR and NLBCDR indexes. SPR value result (SPR=1) shows this model is ideally fit. The model does not contain SPR error. RSCR value results also indicate that no negative R-Square contribution to the model. In addition, SSR and NLBCDR values are 1 and 0,8, it respectively means that the model is acceptable and fit.

Figure 2. Path Diagram

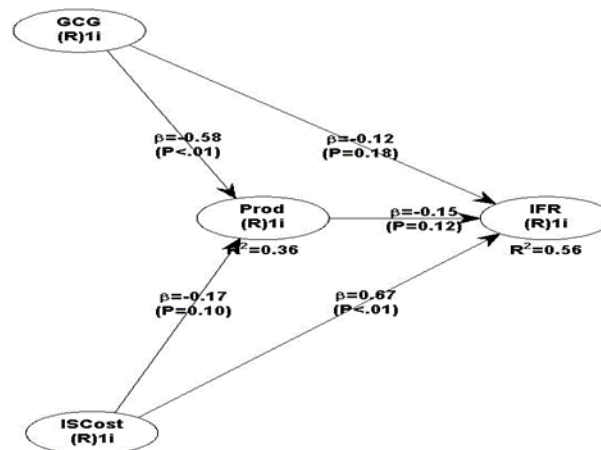


Figure 1 shows WarpPLS output of our model. At significant level 5%, H2 and H3 supported.

The GCG is significant to Productivity (p-value < 0,001,  $\beta = -0,576$ ), and IS Cost significant to IFR Index (p-value < 0,001,  $\beta = 0,674$ ). R-Square of model is 0,56, which means that 56% of IFR can be explained by Productivity, GCG and IS Cost.

IS Cost contribute to IFR significantly (p-value < 0,001,  $\beta = 0,674$ ). H2 is supported. The p-value is less than significance level, so we able to reject the null hypothesis. This finding supports Dandago & Rufai, (2014) and Johnston & Zhang (2018). Our data shows that Bank Mandiri spent the highest IS Cost (IS Cost = Rp 3,595,375,000,000,-) and it has the highest IFR Index (IFR Index = 38). Besides that, PT Minna Padi which spend lowest IS Cost (Rp 254.574.091) show the low IFR Index (18.4). PT Minna Padi IFR Index is less than means value of sample. IS expenditures will encourage the firms to produce information and reports more quickly. IFR requires firms' commitment to provide infrastructure, equipment and human resources. Adequate infrastructure, equipments and human resources enables firms to eliminate reporting lag, so that reports can be presented in time. Firms which complete their financial reports on time so that the next process, such as audit and presentation on the websites, can also be done properly.



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GCG has important role to financial firms' productivity ( $p < 0.01$ ;  $\beta = -0.58$ ). GCG ensures the existence of internal control, supervision and stakeholders' involvement and it also assure that firms' activities do not violate the laws. In this study, productivity focuses on the financial firms ability as intermediary function: to distribute public funds. The supervisory function of the board of commissioners, audit committee and independent commissioners should be support the firms to raise third-parties funds and distribute them back to public as public loans, such as business loans, leases, housing loans, investment fund, and so on. Moreover, GCG can also encourage the firms to survive, by being more innovative and adaptive so that they are able to remains productive as intermediation function. Hypothesis test result shows that H3 supported. GCG contributes to productivity negatively significant. Based on our data, highest productivity value is PT Minna Padi (productivity ratio = 6.48). PT Minna Padi stated the composite rating 2. Otherwise, the lowest productivity ratio is PT Bank Jago (0.48) which has reported composite rating 1. Composite rating 1 shows as the institutions' assessed to be extremely sound and extremely capable to facing significant negative influence from changes in business condition and other external factor. This result supports (Nartey, 2017). The higher composite rating shows that firms more careful to provide loans, or prefer to keep the fund in the firms. Since productivity ratio is ratio of the loans provided and third-parties funds, and our data is on 2019-2020 when Covid-19 pandemic was started, this distribution as public loans has some risks. (Yasui, 2016) argues that there is a unique relationship between GCG to risk management among financial institutions. In highly regulated environment, GCG practice in financial institutions with complex structure and has many branches that deal with inherent issues, such as dilemma of subsidiary boards' loyalty to the interests of subsidiary versus the broader interests of the group, and the risks which associated with related party transactions. Financial regulation requires governance responsibility of financial institution subsidiaries as part of a greater group as one institution. So this circumstances can cause subsidiary institutions less flexible to handling their third-parties fund risks. Banks need to maintain their non-performing loans risks. This results implies that GCG has role to involved in controlling the firm's decision productivity as one group of financial institutions.

This research cannot provide sufficient evidence to support H1, H4 dan H5. IS Cost is not significant associated with productivity, GCG and Productivity also are not significant to IFR. So that, H6 is not supported. Productivity is not mediating variable in GCG and IS Cost influence toward IFR.

GCG is positive and not significantly influenced IFR ( $p\text{-value} = 0.18$ ,  $\beta = 0.12$ ). We have no sufficient evidence to support H1. This result is not correspond to (Al-Attar, 2016; Sayidah et al., 2016). Our data shows that institutions which have high IFR index (greater than IFR Index means=23.26) is mixed. For example, PT Bank Harda. In 2019, PT Bank Harda reported its composite rating is 3, but it has high IFR index (IFR Index = 23.8). PT Bank OCBC NISP which has composite rating 1, also have higher IFR Index (25.8), and it a little bit higher than PT Bank Harda.

Productivity is not significantly influence IFR index ( $p\text{-value} = 0.12$ ;  $\beta = -0.15$ ). H4 is not supported. Based on our sample, there are only 12 (23.08%) institutions which has productivity ratio higher than productivity ratio mean (=1.11). There are 40 (77.02%) institutions which has productivity ratio less than its mean. In 40 institutions with low productivity ratio, there are some institutions has high IFR index (IFR index over than 30), such as PT Bank Mandiri, PT Bank BNI, Bank Danamon. Nevertheless, Bank BTN which has high productivity ratio (1.2) and it also has high IFR index (33.6). We has no sufficient evidence to support the hypothesis. This result is corresponds to (Abdillah, 2015) and (Puspitaningrum & Atmini, 2012).





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Based on result of H4, as in our previous explanation, the H5a and H5b hypothesis cannot be supported. We have no sufficient evidence to prove that GCG and IS Cost are associated to IFR through Productivity. According to **Figure 2**, GCG only associated to Productivity ( $p\text{-value} < 0,001$ ,  $\beta = -0,576$ ), and IS Cost is significant to IFR Index ( $p\text{-value} < 0,001$ ,  $\beta = 0,674$ ). Productivity describes financial institution function as intermediary. When productivity ratio is more than 1, it means the institution has provided third parties loan, gain interest income and non-interest income which higher than the input (third-parties fund collected, spend interest expense and non-interest expense). Our data shows that there is mix value in productivity ratio and IFR index. For example is PT Bank Mandiri. PT Bank Mandiri has highest IFR index, and also highest composite rating (1), but the productivity ratio (0.988) is less than productivity ratio mean (1.11).

We explore IFR index of our sample . Refer to Table 3, IFR Content value is high, all samples have presented financial reports completely, including supporting information such as audit report, quarterly reports, financial highlights, CSR and GCG reports as well. Nevertheless, those reports mostly on pdf formats. Based on our data, there are only 16 firms (30,76%) of 52 samples which provide financial highlights on html, so website user can directly view the financial information without downloading. There are 21 sample firms which have highest score of technology for their website. High score in technology indicates that the firms provides analysis tools which support the user to simulate their credit plan, product informations, FAQ, hotlines and online contacts. This implies that firms' productivity enhances technology development more focus to technology for direct services, such as ATM, information systems, databases, online-banking, but not to financial reporting technology.

## 5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

This study aims to identify contribution of GCG and IS Cost to productivity and IFR. Our findings show that GCG has significant contribution to productivity, but IS Cost does not. However, IS Cost has increased IFR significantly. This finding emphasized that financial sectors is empowering technology to provide their services, and also to increase their website utilization in financial reporting. This research shows the importance of accelerating the financial sector to face the challenges of the growth of the digital ecosystem. Financial reporting in the digital era can no longer be just in pdf or html form, but integrated information.

This research finding implies that financial sector industry, and government as policy maker, should concern to information systems development and good governance implementation. Information systems development strategy is embodiment of management's commitment to improve their performance and accountability. However, information systems development is costly and time consume. It is difficult to identify whether the IS costs has generate income or productivity in a short-time period. This performance and accountability problem could raise potential conflict between stakeholders and management. So that, good corporate governance is needed to strengthening control structure of business, transparency and then reduce agency conflict. As pronounced in agency theory, it is noteworthy that financial sectors increase their reporting systems quality and good governance for maintaining public trust through internet financial reporting.

There are two limitations of this study. First, due to r-square model is 56%, there are 44% variables outside the model that can impact IFR. Second, our data is limited especially on non-banks financial institutions (NBFIs). There are only six of 59 NBFIs which disclosed composite value on GCG. Due to these limitations, further research should expand the samples, test GCG and productivity of fintech, and involve risk variables.



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APPENDIX 1: IFR INDEX INSTRUMENT

CONTENT			Explanation	Score	Multiplier	Max
No	Item					
C1	Komponen Financial Information					
C1.1.	Statement of Financial Position	pdf	yes=1; no=0	1	1	1
		HTML	yes=1; no=0	2	2	2
C1.2.	Statement of Financial Performance	pdf	yes=1; no=0	1	1	1
		HTML	yes=1; no=0	2	2	2
C1.3.	Statement of Cash Flow	pdf	yes=1; no=0	1	1	1
		HTML	yes=1; no=0	2	2	2
C1.4.	Statement of Movement in Equity	pdf	yes=1; no=0	1	1	1
		HTML	yes=1; no=0	2	2	2
C1.5.	Notes to the Financial Statement	pdf	yes=1; no=0	1	1	1
		HTML	yes=1; no=0	2	2	2
C1.6.	Disclosures of Quarterly Results	pdf	yes=1; no=0	1	1	1
		HTML	yes=1; no=0	2	2	2
C1.7.	Financial Highlight/Year-in-Review	pdf	yes=1; no=0	1	1	1
		HTML	yes=1; no=0	2	2	2
		growthrate, ratios, charts	yes=1; no=0	2	2	2
C1.8.	Chairman's Report	pdf	yes=1; no=0	1	1	1
		HTML	yes=1; no=0	2	2	2
C1.9.	Auditor's Report	pdf	yes=1; no=0	1	1	1
		HTML	yes=1; no=0	2	2	2
C1.10.	Stakeholders Information	pdf	yes=1; no=0	1	1	1
		HTML	yes=1; no=0	2	2	2
C1.11.	Corporate Information	pdf	yes=1; no=0	1	1	1
		HTML	yes=1; no=0	2	2	2
C1.12.	Social Responsibility	pdf	yes=1; no=0	1	1	1
		HTML	yes=1; no=0	2	2	2
C1.13.	Corporate Governance Report	pdf	yes=1; no=0	1	1	1
		HTML	yes=1; no=0	2	2	2
C2	Number of years/quarters information shown					
	Annual Report	number of years		1	0,5	2
	Quarterly Report	number of quarters		1	0,5	2
C3	Pas Information (HTML only)					
	Annual Report		yes=1; no=0	1	1	1
	Quarterly Report		yes=1; no=0	1	1	1
	Graph of Share Price		yes=1; no=0	1	2	2
C4	Language					
	English		yes=1; no=0	1	2	2
	Other than English or Indonesia		yes=1; no=0	1	1	1
C5	Address (HTML only)					
	Company address		yes=1; no=0	1	1	1
TIMELINESS			Explanation	Score	Multiplier	Max
No	Item					
Time1	Press Releases					
	Existence		yes=1; no=0	1	2	2
	Number of days since last updated news	(3= updated on the date of investigation)	if exist	1	1	3
Time2	Unaudited Latest Quarterly Results					
	Existence	2=1 week or less before date of investigation	yes=1; no=0	1	2	2
	With proper disclaimer	1=2 weeks or less before the date of investigation	yes=1; no=0	1	1	1
Time3	Stock Quote	(if news is updated more than 2 weeks ago = 0)				
	Existence		yes=1; no=0	1	2	2
	Updated in how many hours		if exist	1	1	3
Time4	Vision Statement/Forward Looking Statement	(if updated every hour or less=3)				
	Existence	2=update everyday or less	yes=1; no=0	1	2	2
	Proper disclaimer	1=updated every week or less	yes=1; no=0	1	1	1
	Chart of future profit forecasts/trends	0=updated every week or less	yes=1; no=0	1	1	1





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**TECHNOLOGY**

No	Item	Explanation	Score	Multiplier	Max
Tech1	Download plug-in on spot	yes=1; no=0	1	2	2
Tech2	Online feedback	yes=1; no=0	1	2	2
Tech3	Use of presentation slides	yes=1; no=0	1	2	2
Tech4	Use of multimedia technology	yes=1; no=0	1	3	3
Tech5	Analysis tools	yes=1; no=0	1	4	4
Tech6	Advance features (XBRL)	yes=1; no=0	1	5	5

**USER SUPPORT**

No	Item	Explanation	Score	Multiplier	Max
US1	Help and Frequently Asked Questions (FAQ)	yes=1; no=0	1	2	2
US2	Link to Home Page	yes=1; no=0	1	1	1
US3	Link to Top	yes=1; no=0	1	1	1
US4	Site Map	yes=1; no=0	1	2	2
US5	Site Search	yes=1; no=0	1	2	2
US6	Number of clicks to get to Financial Information	3=1clicks; 2=2clicks	1	1	3
US7	Consistency of Web Design	0=poor; 1=fair; 2=good	1	2	4



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## VALUE INVESTING BASED ON ACCOUNTING INFORMATION: EVIDENCE FROM ASIAN EMERGING MARKET COUNTRY

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### *Abstract*

*This study has two objectives 1) examine the effectiveness of f-score measurement as value investing model or as fundamental firm value; 2) predict f-score at several investors' conservatism was measured by market-to-book value. Our article started with a literature review to explain research gap in value investing. The literature was conducted using bibliometric analysis. This was followed by quantitative analyses on nine emerging market countries in Asia. From this analyses, we found that f-score was more effective for value investing model than fundamental firm value. This conclusion is robust with several analytical designs, including path analysis and regression models. Second, we found that using f-score as value investing model, potentially effective not only in the lowest market-to-book value, but also in the second lowest quintile of f-score. This second finding indicated investors' conservatism in emerging market countries is higher than developed market country. Theoretically, we suggest value relevance of accounting information for future research need to distinguish between value investing model or fundamental firm value model. Practically, we suggest that some investment website that provide f-score need to emphasize that this measurement can be modified by some level of market-to-book value. This study has not simulated identification in each country or in different sectors. There are some potential difference conclusions by country based on conservatism in adopting international financial reporting standards.*

**Keywords:** Value investing, f-score, mispricing, market-to-book value



**ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) PERFORMANCE  
FOR  
BUSINESS SURVIVAL IN THE ERA OF DOUBLE DISRUPTION**

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**ABSTRACT**

*In the current era of double disruption, companies certainly want to have a good performance in order to maintain its business survival. In order to strive for business survival, companies need to pay attention to several aspects, one of which is the performance of ESG (Environmental, Social, and Governance) which is included in one of the pillars of the Sustainable Development Goals (SDGs). This ESG performance means that the company pays attention to the environmental, social, and governance pillars, so that the company's reputation can improve and be good in the eyes of stakeholders and the community. This reputation can guarantee a sustainable company. This study aims to examine the effect of ESG performance on company performance. The sample of this research is all companies listed on the Indonesia Stock Exchange and Thomson Reuters in 2014-2019 based on the purposive sampling method. This study conducted multiple linear regression testing to see whether ESG performance had an effect on company performance. The results of this study indicate that ESG performance has no effect on company performance. This creates a new mindset that the era of double disruption requires companies to do more than sustaining innovation. Companies are required to carry out what is called disruptive innovation which requires company executives who are able to carry out self-disruption. The limitation of this study is the lack of data on ESG scores from Indonesian companies at Thomson Reuters. Suggestions for further research are to use other ESG performance measurements and add samples from other countries.*

**Keywords:** *ESG performance, company performance, business survival, era of double disruption.*

**1. INTRODUCTION**

One of Charles Darwin's concepts that became very famous was survival of the fittest. Living things that survive are not the strongest or the fastest, but the ones that are most adaptable to the environment. The development of science and technology has changed human behavior and the environment. The dynamics of change are getting faster, especially when information technology penetrates the joints of human life and makes humans enter the era of disruption. The word "disruption" has actually gone viral and has become a trending topic since the industrial revolution 4.0 was announced. Disruption is basically change. A change that occurs as a result of the presence of the future into the present (Kasali, 2017). Such changes make everything that was originally running normally suddenly have to change and stop suddenly due to the presence of



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something new, such as new technology, new business processes, new players, new applications, new business models, or a combination of these factors. Companies that do not change and still use the old and conventional business patterns will leave the ecosystem and lose the competition with companies that use new business patterns that are certainly more effective and efficient. New ideas need to be raised in order to help companies survive in this era of disruption.

Disruption can be seen as something positive because it is a dynamic innovation that is efficient, effective, and sophisticated. Characters from the 21st century, also known as the industrial revolution era 4.0, are fast, surprising and moving. The industrial revolution 4.0 can be a hope and a challenge for Indonesia, especially for the environmental sustainability sector. All elements should improve and side with the carrying capacity of the environment. All energy used in Indonesia should already use renewable energy, because this is an increase in the carrying capacity of the environment by no longer polluting. However, industry players are not necessarily able to do this. Increasing industrial demands and increasingly advanced technology have caused a lot of environmental damage as a result of overexploitation of natural resources.

The environmental damage that is happening lately is caused by the lack of human care for the environment. Companies that act as economic actors may become perpetrators of environmental damage due to their lack of care for the surrounding environment (Aniktia & Khafid 2015). These environmental problems make the company demanded by many parties ranging from stakeholders to the community to be more open in disclosing all the performance of the company. Measurement of company performance can be measured through financial aspects, contributions to the environment, and the welfare of the surrounding community (Putra & Adrianto 2019). A sustainable company has the concept of being able to survive in the long term both financially and non-financially (Giovannoni & Fabietti 2013).

United Nations Principles for Responsible Investment (UN-PRI) invites investors to consider ESG performance when evaluating company performance, especially now that corporations' contribution to sustainable development is the main concern of investors, creditors, governments, and other environmental institutions (Atan, Alam, Said & Zamri 2018).

For companies financially, it is certainly important to have good financial performance considering the purpose of establishing a company is to seek profit so that later it can maintain its business survival. In order to strive for business survival, companies need to pay attention to several aspects, one of which is the performance of ESG (Environmental, Social, and Governance) which is included in one of the pillars of the Sustainable Development Goals (SDGs). The pillars of SDGs are the pillars of social, economic, environmental development, as well as law and governance. The concept of sustainability, previously known as 3P with 8 major goals, has changed to 5P (People, Planet, Prosperity, Peace, Partnership) with 17 major goals (United Nations 2015).

Indonesia itself has issued Presidential Regulation Number 59 of 2017 concerning the Implementation of Achieving Sustainable Development Goals as the basis for implementing sustainable development goals (ICCTF, 2019). The 5P concept exists with the hope that humans can use resources more effectively so that nature is maintained, and peace, security, and preservation of living things can be created for a better earth. In companies, these pillars are in accordance with ESG performance itself which usually refers to non-financial performance and is related to investor decisions in the capital market (Atan et al. 2018).

As time goes by, more companies are concerned about their environment, not just about profit. This ESG performance means that the company pays attention to the ESG pillars so that the company's reputation can improve and be good in the eyes of stakeholders and the community. ESG performance itself is used by investors in order to make decisions about investing in the best companies, seen from the company's ability to manage ESG risks (Aberdeen Standard Investments





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2020). A good corporate image makes investors want to continue investing, people will feel safe and happy to buy the company's products. This image can guarantee a sustainable company because if investors and the public do this continuously, the company will have a long-lasting business survival.

After paying attention to ESG performance in order to support a high level of business survival, companies certainly must not forget to pay attention to their company's performance. Company performance is an assessment of the company's achievements resulting from a complex and difficult management decision-making process, because it relates to the effectiveness of the use of capital, efficiency and profitability of the company's activities (Meriewaty & Setyani 2005). According to Gunawan & Sukartha (2013), companies can take advantage of ESG performance to improve their company performance that has 2 categories, namely financial performance and market performance.

The world today is not only being disrupted, but is being double disrupted. While some of the companies are still trying to adapt to changes caused by the pressures of digitalization and smartphones, companies are again faced with the challenge of major changes triggered by the Covid-19 pandemic. The Covid-19 pandemic is challenging business, society and the economy in unexpected ways. Companies that are facing double disruption are challenged to be able to continue to improve their company's performance through new ideas that can become a competitive advantage for the company. Environmental, social, and governance performance can be one of the new ideas for company competitive advantage.

Several studies related to the performance of ESG have also begun to be carried out, however the results that appear are inconsistent. Yawita & Handayani (2019) showed that environmental performance had a negative impact on market performance. On the other hand, governance performance has a positive effect on financial performance, but has a negative effect on market performance. In this study, financial performance was measured using the profitability ratio Return on Assets (ROA) and EBITDA margin, and firm value was measured using Market Book Value (MBV). This measurement is different from this study which uses Return on Equity (ROE) and Tobin's Q as a measurement of financial performance and market performance. This difference is expected to give different results. Another difference occurred in the study of Taliento et al. (2019) where the value of each ESG performance component has no effect. From some of the results above, it can be seen that the two studies show inconsistent results. The limitations of previous research, such as the lack of research samples because not many companies have ESG scores, suggest extending the research period (Syafurullah and Muharam 2017, Atan et al. 2018, Taliento et al. 2019, Yawita & Handayani 2019). Researchers found that these things are interesting things, so this study was made to be able to contribute to ESG performance research based on previous research suggestions.

Furthermore, this study was carried out based on the suggestions data from previous ESG performance' studies, namely by using the ESG score from Thomson Reuters, in contrast to previous studies using the ESG score from Bloomberg. Also using a sample of all Indonesian companies listed on the IDX and Thomson Reuters respectively during the 2014-2019 period. This is a longer period because of the research gap in previous studies, as well as adding control variables, namely firm size and leverage. The results of research based on the use of different data with a longer period is expected to be a novelty for current research. This study aims to examine the effect of environmental, social, and governance (ESG) performance on company performance, particularly financial performance and market performance, with new data structures and settings. This research was conducted with the hope of contributing scientifically in becoming a reference and comparison for further research on environmental, social, and governance (ESG) performance.





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## 2. THEORETICAL FRAMEWORK AND HYPOTHESES

### Stakeholder Theory

Stakeholder is a theory that explains that the company as an entity does not only operate for its own sake but must be able to contribute to its stakeholders (Ghozali & Chariri 2014). What is meant by stakeholders here are stakeholders, namely shareholders, creditors, consumers, suppliers, governments, communities, analysts and other parties.

According to Ghozali & Chariri (2014), sustainability in a company depends on stakeholders as support providers and companies must get as much support as possible through company activities, to be able to adapt and survive. Stakeholders here are also able to control the use of the company's economic resources, usually the strength of a stakeholder is seen from the size of the ability to control resources.

According to Dahlberg & Wiklund (2018), by maximizing the welfare of stakeholders through ESG performance, the financial welfare between the company and its shareholders will also be maximized. Stakeholder theory can increase environmental awareness and open opportunities for companies to expand their company goals to be able to adapt to social demands (Elijido-Ten 2007).

### Impression Management Theory

According to Aerts (1994), this theory states that individuals/organizations provide explanations for their activities in order to be seen as successful, competent, and responsible by those around them. The explanation of these activities will later be used to guide the interpretation of users of financial statements. According to Schlenker (1980), management impressions are real or socially imagined images controlled by individual/organizational efforts both consciously and unconsciously for the desired goal.

According to Cho, Michelon & Patten (2012), companies also use impression management in their sustainability reports to project a better image in their ESG performance. According to Jones (2011), the use and presentation of information in impression management is consistent with efforts to portray a more favorable view of the company's performance.

### Stewardship Theory

Stewardship is a theory that explains that the behavior of the company's management is based on the interests of the entity, not on its own (Donaldson & Davis 1991). This theory is based on service and is rooted in psychological and sociological aspects to ascertain how stewards act for the principal. This theory is based on servants who have the behavior to be able to work together in an organization well and are willing to serve higher than their individualism (Davis et al. 1997).

The behavior of the stewards themselves is motivated by the wishes of the principal and as much as possible the steward will try to achieve the goals of his organization. This means that the company's executives do not act according to their own desires, but all they do is as a form of service to stakeholders. According to Jefri (2018), company managers are stewards of the company's assets who are good and loyal to the company. Executives in the company will feel the desire to have high company performance which will be effective for the good of the stakeholders. Including ESG performance, by increasing ESG performance, the company's performance will be affected in accordance with the objectives of the entity. If the objectives have been met, the stakeholders will be satisfied, as well as the executives, because the service is successful.



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Environmental, Social, and Governance (ESG) Performance

Investors have long recognized that environmental, social and governance (ESG) factors are important measures for corporate valuation, risk management, and even regulatory compliance (Thomson Reuters 2017). According to Ferrero-Ferrero (2016), ESG is the main dimension in a sustainable company development strategy that theoretically provides benefits in terms of reputation, customer trust and loyalty, cost savings, access to capital, human resource management, innovation capacity, and risk management. According to Taliento et al. (2019), ESG performance refers to 3 different areas related to social awareness, namely environmental, social, and governance.

According to Taliento et al. (2019), the environmental field includes climate change, greenhouse gas emissions, resource exploitation, waste, pollution, and deforestation. The second area is social which relates to gender equality, diversity, working conditions, health and safety, employee relations, and human rights. The third and final area is governance which involves the practice of corporate governance, including managerial compensation, composition of the board of directors, audit procedures and the behavior of seniors and company executives in terms of compliance with the law as well as ethical principles and codes of conduct.

ESG Score

Thomson Reuters (2017) sees that more managers are now incorporating ESG into their asset allocation processes, taking advantage of a holistic approach, and more attractive thematic investment tools are emerging for investors with specific investment goals. The ESG score also appears as a representation of the ESG framework which is designed to transparently and objectively measure a company's relative ESG performance across ten main ESG themes, namely resource use, carbon emissions, product innovation, workforce, human rights, society, product responsibility, management, stakeholders, and corporate social responsibility. According to Melinda & Wardhani (2020), the ESG score is the average of all the assessment scores of each ESG pillar and is the company's sustainability performance. This ESG score is between 0-100 (Taliento et al. 2019). It is hoped that the ESG score can be used as a standard for comparison between companies and become a benchmark for better performance.

Company Performance

Company performance shows the results of the company's achievements in order to achieve company goals without violating applicable ethics, morals, and laws (Rivai & Basri 2004:16). Company performance is a company's ability to generate profit at a certain level of sales, assets and share capital. According to Putra & Adrianto (2019), the company's performance can be described from the company's ability in the financial sector, the company's many contributions to environmental sustainability, and the welfare of the surrounding community. The decisions taken in running a company can be reflected in the company's performance, the company's performance has 2 categories, namely financial performance and market performance (Gunawan & Sukartha 2013).

Company performance can be measured based on financial and non-financial information (Ghozali & Chariri 2014). Company performance can also be measured based on accounting and based on the market (Malarvizhi & Matta 2016). According to Li et al. (2018), market-based performance measurement prioritizes forward looking and focuses on market performance (Tobin's Q is used to calculate market value ratios), while accounting-based ones focus on historical aspects of the company's financial performance. So, what is meant here is that the company's financial performance describes the company's performance in the past, while the company's market performance describes the company's performance in the future.



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### Financial Performance

Financial performance is a description of the quality of company management based on financial reports that have been issued in a certain period which can be measured from aspects of capital adequacy, liquidity, and profitability (Jumingan 2006:239). According to Fahmi (2012:2), financial performance describes the results of the company's achievement of its activities, by analyzing financial performance it can be seen how far the implementation of financial rules that have been carried out by the company. Financial performance can be measured using financial ratios (Syamsuddin 2009:37). There are various financial ratios, namely profitability ratios, liquidity ratios, activity ratios, solvency ratios, and investment ratios. According to Yawika & Handayani (2019), financial performance refers to sales, profitability, inventory turnover, and equity earnings. The results of these ratios are historical, which means they only describe activities from the past until the time the financial statements were made.

### Market Performance

The company's internal and external parties use market performance as an index to measure how advanced and developing a company is (Muallifin & Priyadi 2016). Market performance shows how valuable the company is in the capital market (Sudana 2015:26). According to Gunawan & Sukartha (2013), market performance describes how good the company's opportunities or opportunities are in the eyes of investors, this is closely related to the value of the company in the capital market. According to Wibowo (2016), Tobin's Q is one of the market performance measurements that can best inform the other existing measurements, this is because with Tobin's Q not only fundamental aspects are described, but also the extent to which the market assessment of the company according to various aspects based on the views of outsiders including investors. According to Sudana (2015) market performance can also be measured by Price Earning Ratio and Price Book Value.

### Company Size

According to Rudangga & Sudiarta (2016), the number of assets in a company can describe the size of the company, so that a company can be considered large when it has a high number of assets. This illustrates the condition of a company that is developing well and has good performance so that it will increase the value of the company in the market (Pratama & Wiksuana 2016). The bigger the company, the more confident investors will be with the company's performance, so it will be easier for the company to get funding sources.

### Leverage

Companies that have healthy financial reports because of their ability to manage debt well, the company's survival rate in the long term is believed to be high (Putra & Adrianto 2019). Good debt management indicates good financial performance as well, this is because with debt, there is also a risk of non-payment of debt, so the use of debt needs to pay attention to the company's ability to generate profits (Prasetyorini 2013). According to Rahmadani & Rahayu (2017), if a company's leverage is low, investors will be more interested in investing. More company profits are used as dividends, so the company's value will increase.



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### Hypothesis Development

#### The Effect of Environmental, Social, and Governance (ESG) Performance on Financial Performance

According to Faisal (2018), the power of stakeholders in influencing company management is considered a function of control over the resources needed by the company. According to Dahlberg & Wiklund (2018), by maximizing the welfare of stakeholders through ESG performance, the financial welfare between the company and its shareholders will also be maximized. According to Cho, Michelon & Patten (2012), companies also use impression management in their sustainability reports to project a better image in their ESG performance. Environmental, social, and governance (ESG) performance is important for companies as a form of service to stakeholders because by having high ESG performance, the company will look good in the eyes of information users, and that image will later make the company sustainable.

Another study was conducted by Karyawati, Yuniarta & Sujana (2017), who said that the company's ESG performance can prove if the company's production process by paying attention to social and environmental issues can increase stakeholder trust so that it will have an impact on increasing investment and increasing company profits. According to Friede, Busch & Bassen (2015), a meta-analysis combining findings from approximately 2200 studies shows that most studies report a positive relationship between ESG performance and financial performance. Based on this explanation, the following hypothesis is made:

**H1a:** Environmental, social, and governance (ESG) performance has a positive effect on the company's financial performance.

#### Effect of Environmental, Social, and Governance (ESG) Performance on Market Performance

The behavior of the stewards (companies) is motivated by the wishes of the principal (stakeholders) and as much as possible the steward will try to achieve the goals of the organization. This means that the company's executives do not act according to their own desires, but all they do is as a form of service to stakeholders. Including ESG performance, by improving ESG performance, the company will have a good image so that it will become a sustainable company. According to Jones (2011), the use and presentation of information in impression management is consistent with efforts to portray a more favorable view of the company's performance. If the company has a long survival, the stakeholders will be satisfied, as well as the executives, because the service is successful.

According to Tarmuji et al. (2016) the company will strive to grow and provide a high return on investment through efficient resource management to increase revenue. Tarmuji et al. (2016) also state that stronger environmental performance can increase firm value and attract stakeholders. Another study was conducted by Belkaoui & Karpik (1989), who found that market performance is positively influenced by ESG performance. This is in line with El Ghouli et al. (2016) and Li et al. (2018), which states that ESG performance and market performance have a positive relationship. Based on this explanation, the following hypothesis is made:

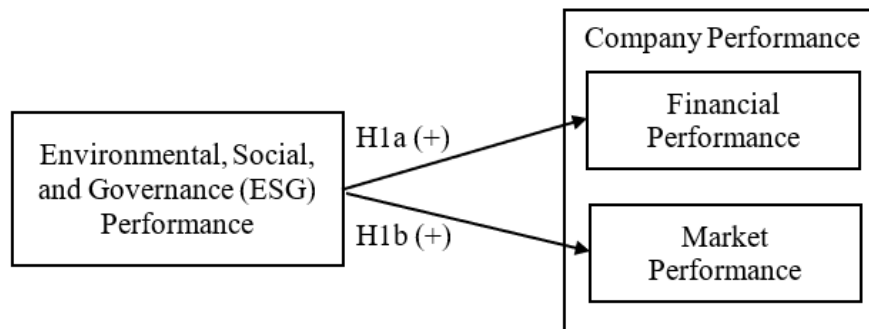
**H1b:** Environmental, social, and governance (ESG) performance has a positive effect on the company's market performance.





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Research Model



**3. RESEARCH METHOD**

Research Design

This study has a quantitative research design with hypothesis testing in order to test the environmental, social, and governance (ESG) performance that affects the company's performance, namely financial performance and market performance.

Research Sample and Data

The population in this study are all companies listed on the Indonesia Stock Exchange and Thomson Reuters in 2014-2019, respectively. Sourced from the population, several were drawn to be used as samples by using purposive sampling technique, which is based on a number of criteria as follows:

1. Companies listed on the Indonesia Stock Exchange (IDX) in a row in 2014-2019.
2. Indonesian companies that have ESG scores on Thomson Reuters in a row in 2014-2019.
3. Companies that release annual reports in a row in 2014-2019 in rupiah currency.

This study uses secondary data, namely quantitative data in the form of annual reports and ESG scores of all companies listed on the IDX (Indonesian Stock Exchange) and Thomson Reuters in 2014-2019, respectively. The company's annual report data is obtained through the website [www.idx.co.id](http://www.idx.co.id) which is the official website of the IDX and the websites of each company, while the ESG score data is obtained through the website [www.refinitiv.com](http://www.refinitiv.com) which is the site where Thomson Reuters publishes its ESG score.

Operational Definitions of Variables

The independent variables used in this study are environmental, social, and governance (ESG) performance.

ESG Performance

According to Ferrero-Ferrero (2016), ESG is the main dimension in a company's sustainability development strategy which theoretically provides benefits in terms of reputation, customer trust and loyalty, cost savings, access to capital, human resource management, innovation capacity, and risk management. According to Taliento et al. (2019), this ESG performance refers to 3 different areas related to social awareness, the first is environmental, the second is social, and the last is governance. ESG performance has a broader scope than just non-financial performance on





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environmental, social and corporate governance, but can be used to evaluate the company's management capabilities and to support risk management (Galbreath 2013). Environmental, social, and governance (ESG) performance in this study was measured by the ESG score index which contains a value between 0-100 from Thomson Reuters, this is in accordance with the research of Melinda & Wardhani (2020).

The dependent variable used in this study is company performance as measured by financial performance and market performance.

#### Company Performance

According to Putra & Adrianto (2019), the company's performance can be described from the company's ability in the financial sector, the company's many contributions to environmental sustainability, and the welfare of the surrounding community. The company's performance has 2 categories, namely financial performance and market performance (Gunawan & Sukartha 2013).

#### Financial Performance

Financial performance is a description of the quality of company management based on financial reports that have been issued in a certain period which can be measured from aspects of capital adequacy, liquidity, and profitability (Jumingan 2006:239). The results of these ratios are historical which means they only describe activities from the past until the time of the preparation of the financial statements. In this study, financial performance was measured using a profitability ratio, namely Return On Equity (Gunawan & Sukartha 2013). According to Melinda & Wardhani (2020), by using ROE, the effectiveness of management in generating returns from shareholder investment can be seen. The ROE value is an important consideration for investors in investing. Investors will be more interested in companies that have a higher ROE ratio because it is assumed that the company's management has a very good ability to generate profits. The interest of investors in companies that have a high value ratio can result in an increase in the value of the company in the market. ROE is measured by comparing net profit after tax with own capital.

#### Market Performance

According to Gunawan & Sukartha (2013), market performance describes how good the company's opportunities or opportunities are in the eyes of investors, this is closely related to the value of the company in the capital market. Market performance in this study is measured using Tobin's Q. According to Wibowo (2016), Tobin's Q is one of the market performance measurements that can best inform of several existing measurements, because not only fundamental aspects are described, but also the extent to which market assessment of the company according to various aspects based on the views of outsiders including investors.

#### Company Size

According to Rudangga & Sudiarta (2016), the number of assets in a company can describe the size of the company, so that a company can be considered large when it has a high number of assets. This illustrates the condition of a company that is developing well and has good performance so that it will increase the value of the company in the market (Pratama & Wiksuana 2016). The size of the company is also considered to be able to affect the company's financial performance, because if the company is large, then the company's opportunity to obtain funding sources will be even greater, both internally and externally (Dewi & Candradewi 2018). According to Dewi & Candradewi (2018), the size of the company can be known by the formula from Ln (total assets).



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Leverage

Leverage is a reflection of the use of debt by a company to finance its operational activities (Rudangga & Sudiarta 2016). Good debt management indicates good financial performance as well, this is because with debt, there is also a risk of non-payment of debt, so the use of debt needs to pay attention to the company's ability to generate profits (Prasetyorini 2013). According to Dewi & Candradewi (2018), leverage can be determined by the formula from percentage of total debt divided by total equity.

Technical Data Analysis

Research on the effect of environmental, social, and governance (ESG) performance on company performance uses multiple linear regression analysis techniques. The data processing of this research uses the 23rd version of IBM Statistical Package for the Social Sciences (SPSS) and 9th version of EViews. In this analysis technique, the tested hypothesis has fulfilled the classical assumption test and the model's feasibility test.

**4. DATA ANALYSIS AND DISCUSSION**

Research on the effect of environmental, social, and governance (ESG) performance on company performance uses multiple linear regression analysis techniques. In this analysis, the hypothesis can be tested if it meets the classical assumption test and the model's feasibility test. This study uses the equation, namely:

$$KK = \alpha + \beta_1 ESG_t + UK + LV + e \dots (1a)$$

$$KP = \alpha + \beta_1 ESG_t + UK + LV + e \dots (1b)$$

Information:

KK = Company's Financial Performance.

KP = Company's Market Performance.

ESG = Environmental, Social, and Governance Performance.

UK = Company Size.

LV = Leverage.

e = Error.

Table 1: Statistic Descriptive

	N	Min	Max	Mean	Std. Deviation
KK	168	0,002	7,991	0,270	0,663
KP	168	0,601	23,286	2,943	3,795
ESG	168	7,650	81,720	45,084	19,173
UK	168	28,857	34,887	31,676	1,449
LV	168	0,153	18,192	2,183	2,749

Table 1 presents the minimum, maximum, mean, and standard deviation values of the variables used.



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Table 2: Normality Test

	sig.	Result
KK, n = 154	0,065	Normal distribution
KP, n = 159	0,069	Normal distribution

Table 2 shows sig 0,05, meaning that the data has been normally distributed because the significance level of 0,0092 has met the requirements of a significance level of 0,05.

Table 3: Coefficient of Determination Test Results

Variable	R	R <sup>2</sup>	Adjusted R <sup>2</sup>
KK	0,346	0,120	0,102
KP	0,558	0,312	0,298

Table 3 shows that the dependent variable financial performance produces an adjusted R square value of 0,102. This value means that the independent variable, namely ESG performance can affect the dependent variable by 0,102 or 10,2%. Meanwhile, the dependent variable of market performance produces an adjusted R square value of 0,298. This value means that the independent variable, namely ESG performance can affect the dependent variable by 0,298 or 29,8%.

Tabel 4: F Test Result

Variable	F	Sig.
KK	6,819	0,000
KP	23,396	0,000

Table 4 shows that the significant value of the financial performance variable is 0,000. The value is less than 0,05, then the regression model is feasible to use. Likewise with market performance variables, it can be seen that the significance value is 0,000. The value is less than 0,05, then the regression model is also feasible to use.

Table 5: t Test Result for Financial Performance

Variable	B	t	Sig.
Constant	1,278	5,001	0,000
ESG	0,000	-0,213	0,832
UK	-0,036	-4,372	0,000
LV	0,023	3,687	0,000

Table 5 shows the regression equation as follows:  
 $KK = 1,278 + 0,000 \text{ ESG} - 0,036 \text{ UK} + 0,023 \text{ LV} + e$



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Tabel 6: t Test Result for Market Performance

Variable	B	t	Sig.
Constant	31,682	8,293	0,000
ESG	0,011	1,338	0,183
UK	-0,949	-7,544	0,000
LV	0,133	1,571	0,118

Table 6 shows the regression equation as follows:

$$KP = 31,682 + 0,011 \text{ ESG} - 0,949 \text{ UK} + 0,133 \text{ LV} + e$$

Findings 1: The Effect of Environmental, Social, and Governance (ESG) Performance on Financial Performance

The results showed that environmental, social and governance (ESG) performance had no effect on financial performance (KK). ESG performance has no effect on financial performance which in this study is measured by ROE, because investors are not familiar with the ESG score from Thomson Reuters. ROE is used to measure the company's ability to generate profits based on the capital of investors. Investors who are not familiar with ESG performance based on Thomson Reuters finally become unaffected by the published score. Financial performance based on ROE is not influenced by investors' decisions to invest based on the ESG score from Thomson Reuters.

Findings 2: Effect of Environmental, Social, and Governance (ESG) Performance on Market Performance

The results of this study indicate that environmental, social and governance (ESG) performance has no effect on market performance (KP). ESG performance has no effect on market performance because investors are not familiar with ESG performance as seen based on scores from Thomson Reuters. Thomson Reuters is not very popular in Indonesia because access is difficult and limited, only people who can access Thomson Reuters Eikon can get the ESG score (Thomson Reuters 2017). Eikon itself can be accessed if you have registered first. This limited access makes the ESG score from Thomson Reuters unable to reach investors in making investment decisions.

Discussion: Effect of Environmental, Social, and Governance (ESG) Performance on Company Performance

The results showed that environmental, social and governance (ESG) performance had no effect on company performance, both financial performance (KK) and market performance (KP). The results of this study are in line with the results of research from Atan et al. (2018) which states that there is no significant effect between individual and combined factors of ESG performance with company profitability (ROE) and company value. The results of testing the control variables are also in line, Atan et al. (2018) show that firms with higher leverage will record higher profitability, and firms with smaller sizes are expected to be more profitable.

The results of this study are also in line with research from Faisal (2018) which shows that there is no effect between ESG performance and financial performance (LnROE). ESG performance has no effect on financial performance which in this study is measured by ROE, because investors are not familiar with the ESG score from Thomson Reuters. ROE is used to measure the company's ability to generate profits based on the capital of investors. Investors who are not familiar with ESG performance based on Thomson Reuters eventually become unaffected by the published score. Financial performance based on ROE is not influenced by investors'



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decisions to invest based on the ESG score from Thomson Reuters. This ineffective result does not imply that the company does not need to have good ESG performance, ESG performance is still needed as a form of management's impression. Activities in ESG performance can produce a positive image of the company, so that investors have a good view of the company and want to keep investing.

Faisal (2018) also states that there is no effect between ESG performance and market performance (Tobin's Q). The results of previous studies that are also in line with this research are research from Taliento et al. (2019) which shows that each ESG pillar has no effect on market performance. ESG performance has no effect on market performance because investors are not familiar with ESG performance as seen based on scores from Thomson Reuters. Thomson Reuters is not very popular in Indonesia because access is difficult and limited, only people who can access Thomson Reuters Eikon can get the ESG score (Thomson Reuters 2017). Eikon itself can be accessed if you have registered first. This limited access makes the ESG score from Thomson Reuters unable to reach investors in making investment decisions. ESG performance is still needed even though it has no effect, because then the company will be judged to be successful, competent, and responsible for its surroundings. An explanation of the performance will produce a good impression on the company.

Although the issue of making the earth a better place is still a work that needs to be done, the results of this study indicate that the company's concern for the environment, social and governance alone is not enough to improve the company's performance in this era of double disruption. The development which originally only covered the economic dimension, in the 21st century aims to improve human well-being as social beings in the economic, social, and environmental order that was disrupted by the Covid-19 pandemic. Double disruption changes many things in such a way that the old ways of business become obsolete. Adaptive and exploratory abilities are becoming increasingly urgent to be possessed by anyone, including companies. Companies need to explore new value creation because of the emergence of a digital paradigm that is no longer limited by space and time. Double disruption puts businesses in a digital ecosystem. If the company does not innovate, then the company will be threatened with extinction. Companies need to change the mindset to a disruptive mindset in this era of double disruption, because it is no longer the owner of capital who is in charge but the most innovative company that will dominate the business in all areas of life.

Companies must boldly begin to decide how businesses can operate sustainably on a planet that is at the limit of its ecological capacity. Companies need to challenge themselves and everything they know, namely their goals, values, business models, and ways of operating in society to adapt in the face of double disruption. Companies need to innovate as an important part of their business strategy by having a different way of thinking or out of the box, so that they are able to make new breakthroughs or adjustments to the business to be more in line with the era of double disruption. Companies need to adopt digital technologies such as Big Data, Autonomous Robots, Cybersecurity, Cloud, and Augmented Reality. This is the embodiment of three smart solutions in the face of the industrial revolution 4.0, smart foundation, smart process, and smart connectivity. All employees in the company must quickly adapt to changes, and must dare to disrupt themselves first.

According to Kasali (2021), the era of double disruption requires every company to do more than sustaining innovation. This is because there are many companies that have been carrying out sustainable innovation, but are still experiencing failures. This condition is experienced by large companies that are well established and supported by continuous innovation. The era of double disruption requires companies to do what is called disruptive innovation. So it takes executives who are also capable of self-disruption. Unfortunately, many companies are satisfied with their sustainable innovation. They turn a blind eye or even do not know at all to the changes that are happening and





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threaten their business. It should be remembered, in this era of double disruption, the opponents we face are no longer from the same industry, but very possibly from outside a completely different industry. Threats can come from invisible opponents who were never considered rivals at first. Companies need to come to terms with changes that present the future and the present, or accept this disruption. Companies need to face and adapt to changes that are happening so fast because only in this way can companies survive far into the future.

### 5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

This study aims to examine the effect of environmental, social, and governance (ESG) performance on company performance, which is divided into financial performance and market performance. After doing the research, it can be concluded that the environmental, social and governance (ESG) performance has no effect on the company's performance, both financial performance and market performance. This result means that the high or low ESG performance does not affect the high and low company performance and market performance. This insignificant result does not mean that the company does not need to have good ESG performance, but that ESG performance still has to be done as a form of management's impression. Activities in ESG performance can produce a positive image in the company, so that investors want to keep investing and be able to satisfy stakeholders.

The limitations of this study are that the ESG score data from Indonesian companies at Thomson Reuters is still small, so the company data is less diverse, and this research is only focused on companies in Indonesia, which are still unfamiliar with ESG performance based on scores from Thomson Reuters. Academic suggestion given by researchers for further research is to use other measurements for environmental, social, and governance (ESG) performance, so that it does not depend on the number of ESG scores in Thomson Reuters and allows for different research results, and adding samples from other countries that have more company score data on Thomson Reuters. The practical suggestion is companies need to carry out change management by changing the mindset and awareness of human resource elements in business organizations so that they can work together to make changes. Because the effect of disruption can change everything, including the culture of the organization in carrying out its business processes.

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**RISK ATTITUDES, MENTAL ACCOUNTING AND OVER CONFIDENCE IN  
INVESTMENT PLACEMENT DECISION DURING AND POST COVID-19**

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**ABSTRACT**

*The Small and Medium Enterprises sector is the main pillar of supporting the people's economy. SME investment decisions related to how SME entrepreneurs place their funds is a very determining factor in company performance. The purpose of this study is to analyze and explain: 1) The influence of risk attitudes on company performance through decisions on the placement of working capital funds for small and medium enterprises (SMEs), 2) The effect of risk attitudes on company performance in SMEs 3) the effect of working capital fund placement decisions on the performance of SMEs. The study population was all garment, weaving, carving and batik SMEs in Jepara. The sampling technique is non-probability sampling, using assessment sampling. This study found that overconfidence behavior and risk attitude have a significant influence on investment decision making. Mental accounting doesn't have a significant influence on investment decision making. The more investors are willing to face risks and the higher the overconfidence will increase investment decisions. Overconfidence behavior appears in the capital market because the majority of investors in the capital market are risk seekers. The number of investors who are risk seekers in the capital market is a natural thing because stock investment is included in the high-risk investment category. Mental accounting can not influence the investment decision making. This is supported by the fact that the majority of SME managers of MSME businesses in Jepara are businesses that have been passed down from generation to generation and have strong experience in the industry.*

**Key words:** *risk attitudes, mental accounting, over confidence, investment decision*





**FACTORS AFFECT TAX PREPARATION ERRORS IN MALAYSIA: A HUMAN  
BEHAVIOUR AND PERSONAL PERSPECTIVE OF TAX PROFESSIONALS**

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**ABSTRACT**

*Tax collection plays an important role in providing resources required to manage the development expenditure of a country. In the process of tax collection, tax professionals have a vital role in the tax system by providing advocacy to clients and intermediary between client and tax authorities. Statistics on tax audit shows a tax gap of more than RM 5 billion in the tax returns prepared by tax professionals. The tax gap serves a severe issue for the tax collection in Malaysia and review of the literature does not provide any study that has been conducted to address this issue. The current research serves as a leading study in the field of tax preparation that aims to assess the factors that affect tax return preparation errors made by tax professionals in Malaysia. Moreover, after reviewing extensive literature, the current research proposed the impact of human behaviour factors (co-workers support, self-recognition and work engagement) on tax return preparation error which makes the current research unique from the earlier conducted study by Simon (2012). The current research collected data from 156 tax professional from all over Malaysia using convenient sampling technique. The collected data was analysed using structural equation modelling technique (SEM) with the help of SmartPLS 3.2.7. The results of the analysis showed that co-worker support and self-recognition significantly influence tax returns prepared by tax professionals. On the other hand, work engagement does not significantly influence tax return preparation errors made by tax professionals. The results of the current research provide useful insights into tax preparation errors and identify the factors that affect tax returns preparation. Inland Revenue Board of Malaysia (IRBM) can use the results to devise strategies that can be helpful in reducing tax return preparation errors.*

**Keywords:** *Tax preparation errors, Tax professional, Co-worker support, Self-recognition, work engagement*



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**THE INFLUENCE OF COMPANY SIZE, COMPANY AGE, AND PUBLIC SHARE OWNERSHIP ON CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE (EMPIRICAL STUDY ON SUB-SECTOR COMPANIES OF BASIC AND CHEMICAL INDUSTRY REGISTERED IN INDONESIA STOCK EXCHANGE 2016-2018)**

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**ABSTRACT**

*Corporate Social Responsibility Disclosure (CSR/D) is a factor that influences the development and survival of a company. The purpose of this study was to examine and determine the effect of company size, company age and public ownership on Corporate Social Responsibility Disclosure. This study used 34 basic industrial and chemical sub-sector manufacturing companies listed on the Indonesia Stock Exchange for the period 2016-2018. The results showed that company size, company age had a positive effect on Corporate Social Responsibility Disclosure. Meanwhile, public share ownership does not affect on the Corporate Social Responsibility Disclosure. Companies can now understand and know the importance of implementing Corporate Social Responsibility Disclosure (CSR/D) and also contributing to company management, especially considerations in making policies regarding the implementation of Corporate Social Responsibility (CSR) and disclosure in annual reports for the company's business continuity.*

**Keywords:** *Corporate Social Responsibility Disclosure, CSR/D, Firm Size, Firm Age, Public Share Ownership.*



**FACTORS AFFECTING UNDERPRICING LEVEL DURING IPO IN INDONESIA  
STOCK EXCHANGE 2018- 2019**

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**ABSTRACT**

*This underpricing is an event that occurs when stock price in a primary market is smaller than the price on secondary market. Indonesia has an increase companies that experience underpricing every year, although there was a decline in 2019 but the decline was not significant. The purpose of the study was to determine the simultaneous or partial effect of factors such as company age, company size, and return on assets, financial leverage, earnings per share and current ratio on level of underpricing at the time of Initial Public Offering (IPO) on the Indonesia Stock Exchange for the period 2018-2018. This research was conducted on companies that IPOs on the IDX for the period 2018-2019 using method purposive sampling, there were 82 companies used and the method used was multiple linear regression analysis using SPSS software. The results showed the age of the company, company size, return on assets, financial leverage, earnings per share and current ratio simultaneously affect the level of underpricing. While partially company size and earnings per share have a negative effect on the level of underpricing. Company age, return on assets, financial leverage and current ratio have no effect on the level of underpricing in this study. This research expected to provide benefits to related parties, including for investors. Investor's can consider the value of earnings per share and the size of the company when making investment. for issuers companies need to pay attention to value of Earning Per Share and the size of the company so it avoid underpricing and get expected profit for the company.*

**Keywords:** *Underpricing, return on asset, financial leverage, earning per share, current ratio.*



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**DEATH INFECTIOUS: IMPACT OF THE CORONAVIRUS DISEASE (COVID-19)  
ON STOCK RETURNS**

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**ABSTRACT**

*This study examines the Coronavirus disease (COVID-19) on stock returns. The independent variables are daily new deaths and daily new cases. The sample that uses in this study is financial sector. The financial sector is one of the most crucial sectors and the collapse of the financial sector can lead to a crisis. Total sample is 22,930 observations during the period from March to December in 2020. In this study, uses unbalanced panel data and multiple regression to prove those hypotheses. The result shows that the Coronavirus disease (COVID-19) hurt on stock returns. Further, during the pandemic period, Friday has reduced negative stock returns compared other day. This study implies increasing the number of death cases and the number of new cases decreases the stock returns. Furthermore, the Coronavirus disease (COVID-19) repeats the pattern of the 2003 and 2008 pandemic diseases. This study implies that the stock market is responding to pandemic disease. In 2003, the SARS pandemic disease decreases the stock return market. Later in 2008, the Ebola outbreaks also decrease the stock return market. Furthermore, the Coronavirus disease (COVID-19) continues to crash the stock return market. Increasing the number of death cases and the number of new cases decreases the stock returns.*

**Keywords:** *Coronavirus disease, stock returns, daily new death, daily new cases*



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## MANEUVERING INSTITUTIONAL OWNERSHIP IN TAX AVOIDANCE: EVIDENCE FROM INDONESIA

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### ABSTRACT

*Tax avoidance is a paradox between the government and corporation policies. Tax avoidance practice is a company operational activity that is a concern in corporate governance. Good corporate governance will be able to mitigate tax avoidance. The research objective to examine and provide empirical evidence on role of corporate governance structures on tax avoidance in Indonesia. Observation of data using companies that are members of Consumer Goods Industries Index on the Indonesia Stock Exchange in 2016-2019 with 140 observations. The results showed that among the fundamental firm characteristics that affect tax avoidance are firm profitability and leverage. Companies that have higher profits tend to increase tax avoidance. The executive character in risk taking affects tax avoidance in a negative direction. However, when institutional ownership interacts with executive characters, it will increase tax avoidance. The research finding is that the higher the proportion of institutional ownership, the higher the pressure on risk-taking executives to increase tax avoidances.*

**Keywords:** *Executive character; tax avoidance, institutional ownership; corporate governance*





## THE MODEL DEVELOPMENT OF FINANCIAL LITERACY & INCLUSIONS OF WOMEN MSMEs IN TANGERANG THROUGH FINANCIAL INTENTION

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### ABSTRACT

*Based on the results of early research in 2019, we found a typical profile of women in Micro, Small and Medium Enterprises (MSMEs) in Tangerang. Women MSMEs in Tangerang already understand the initial parameters of financial inclusion and financial literacy. By increasing their understanding of financial literacy and inclusion, it is hoped that they will be better at making financial decisions. This will have a positive impact on their business development. This study succeeded in mapping the demographic profile, literacy, inclusion, and financial capacity of 150 women MSMEs in Tangerang. Data obtained through snowball sampling. They have been able to take appropriate action when experiencing a financial surplus and deficit, so that they are proven to have high and dominant Financial Intentions to make appropriate and effective financial decisions. Using GLM (Generalized Linear Model) as a technique is the first step to develop a financial decision-making model for MSME women in Tangerang. The results of this study are the identification of the development of a model of financial literacy and inclusion by focusing on the financial intention variable which is the motivator for every MSME woman in Tangerang. Thus, financial intention should be of particular concern to academics and policy makers when financial penetration and inclusion activities are carried out in order to achieve maximum results.*

**Keywords:** Literacy, Inclusion, Intention, and Financial Attitude, women MSMEs in Tangerang, GLM

### 1. INTRODUCTION

The global pandemic of covid-19, has spread throughout the world, including Indonesia. The transmission risks cause the public concern, thereby affecting their social life. Global pandemic has a negative effect on the microeconomics and macroeconomics. The problems are about the distribution of commodity, import export, production or operational activities, sales of product, and the switching of life style. The PSBB was regulated by Minister of Health that is a guideline to Large-scale Social Restrictions in Accelerating COVID-19 mitigation. This regulation was restricting the community interactions, including economic activities.

When the Covid-19 pandemic occurred like this time, it turned out to have a significant impact on the development of MSMEs in Tangerang. This can be seen from the decline in their sales turnover, along with the closure of tourist attractions for a while and the closure of several areas in Tangerang. This creates a separate obstacle to the pulse of the economy, especially for MSME players. Their lack of understanding of the use of technological advances



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in promotion, sales transactions, is a major factor to impact their sales turnover. This is also one of the obstacles experienced by MSME actors, especially women.

Tangerang is one of the district in Banten Province that has a unique characteristic compared to another districts in Indonesia. This region is near the capital city of Indonesia, Jakarta. This region is bordered by many several cities. In the north, it is bordered by the Java Sea, in the east with South Tangerang City, and DKI Jakarta. In the south it borders by Bogor region, and to the west by Serang Region and Lebak Region.

There are many alternatives public transportation to connect this region to another region, trains, buses, taxies, and another public cab, that can be found everywhere. There is a big and long high way that connected this region to another island, Sumatra. So this region is very strategic in economic and business life.

It has a lot of manufactures that run in this region. Most of the people work in manufacture industries, education and business. Before the pandemic, many people from another region come to Tangerang for their life. They run their business, or work in big manufactures industries in this region. Many people run their own business too. But, when the pandemics happened, there are many manufacturers lay off their employees. Micro, Small, and Medium Enterprises (MSME) is a key to the creation of new economic sources in Indonesia. The potentials of MSME can support employment in Indonesia, especially female employees, increase cultural and tourism potentials in Indonesia and preserve regional cultural image.

The existence of women as MSME actors in Tangerang can founded in many industries. They are mostly engaged in home industry, as well as the food and beverage industry, shoes industries, cloth and fashion industries. But the potential of these women is still not seen, when they take the role of decision makers in their business. This is especially true in matters relating to their knowledge and understanding of the management of funding sources and the allocation of funds they have. This can be seen from the results of preliminary research that the research team has conducted since the end of 2019. The data that the research team obtained shows that the ability to understand literacy and financial inclusion of female MSME actors still shows low competence.

The results of earlier research show that 75% do not understand financial institution products and their benefits, and 65% do not understand literacy or basic knowledge of finance. There are still many MSME actors, especially women, who still do not understand the facilities and products offered by bank and non-bank financial services. They only use banks, only for depositing and withdrawing funds. When they are faced with banking technology or banking products other than savings, they are still afraid and hesitant to use them. Even, they should be able to use all kinds of facilities and products offered by financial institutions in this country to accelerate their business financial transactions. Thus, it is very unfortunate if they do not take advantage of all the facilities and advancements offered by many banking institutions.

Likewise with their understanding of financial literacy, there are still many who hesitate when answering the questions the research team poses. Especially, the problem is lack of literacy of the insurance and investment sector. They only understand insurance as much as BPJS health insurance, but do not yet understand other insurance. There are still fears and worries about insurance products. They also still not understand about another investment product, such as mutual funds. All MSME actors that the research team made as respondents, all did not understand what is meant by mutual funds. So far, they have only invested in



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three things, namely savings, land and gold. They understand that these three media are trusted and profitable as a means of investment.

Based on the results of the preliminary research from OJK (2018), it is clear that the financial understanding of women who do MSMEs in Tangerang is still very low. The value that the research team obtained was only around 30%, far from the standard imposed by OJK, which is around 80%. This is what ultimately makes them experience obstacles to develop their products or to expand the market share of their products. The dominant thing that becomes their obstacle is about financial management competency and their understanding of financial products and services. Limited information relating to financial products and financial institutions will prevent them from applying for loans & managing assets investments. The low financial inclusion and literacy of women MSME in Tangerang according to survey of OJK (2018) should be re-verified due to many MSME in Tangerang has produced much more export class product. It is arguable that high productive MSME did not have high financial literacy or vice versa.

Therefore, the aim of this research is to find out and analyze the understanding of women towards financial inclusion in financial decision making. Continuing the study of Lusardi (2019), this research will conduct a demographically mapping of the understanding of inclusion, financial literacy and financial capabilities of women who are MSME actors in Tangerang. The final result is a model of financial decision making and a suitable concept for the financial attitudes of women who do MSMEs in Tangerang as a manifestation of understanding financial inclusion and financial literacy, namely whether financial intentions will also have an important role.

## 2. LITERATURE REVIEW

This study will detect financial inclusion and financial literacy as well as the development of behavioral models for women who are small and medium enterprises (MSMEs) in their financial decision making in Tangerang. The definition of financial inclusion according to Grohman, et.al. (2018) and Lusardi (2019) relate to three main things, namely: Access, Usage, and Quality. Access (access) relates to the ability to use the services and products offered by financial institutions. Access is the infrastructure provided by financial service institutions so that people can reach formal financial institutions, products and services. For examples are include adding office networks, increasing the number of agents, number of ATMs, adding points of access through digital and non-digital services.

Usage is related to the use of financial products and services by the public, which is the ultimate goal of financial inclusion, so it is hoped that the public will enjoy it more. In addition, the availability of financial products and services needs to be adjusted to the character and needs of the community that can be reached both in terms of price and access. Quality is related to the relationship between financial services and products in meeting the needs and lifestyle required by individuals. Quality is a condition in which financial products and services can provide great benefits to people who use these financial products and services. Quality in this case can also be defined as the active use of financial products and services by the community, which means that financial products and services are in accordance with what is needed by the community so that the frequency of their use will be relatively high.

Financial inclusion is a new thing and is still not widely understood by all levels of society in Indonesia. Based on the definition issued by the Ministry of Finance, it is stated that



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financial inclusion is a form of national financial inclusion strategy, namely the right of everyone to have full access and services from financial institutions in a timely, comfortable, informative and affordable manner, with full respect for dignity and value of related communities.

In increasing financial inclusion in this country, the government has carried out a lot of development of financial products and services, which includes four elements of financial inclusion, namely expanding access to finance, availability of financial products and services, use of financial products and services and improving quality, both qualities. use of financial products and services, the quality of financial products and services itself. Allen, et.al. (2016), define financial inclusion as a process that ensures easy access, availability, and use of the formal financial system by people as members of the economy.

Financial literacy according to Lusardi & Mitchell (2014) is related to three main things, namely Financial Behavior, Financial Knowledge and Financial Attitude. Financial Behavior uses indicators of individual understanding in budgeting, individual spending and spending patterns, and the use of financial products. Financial Knowledge deals with individual understanding of inflation, calculating interest, diversifying risk and calculating risk and return in an investment. Financial Attitude is concerned with financial planning in the short and long term, the attitude of individuals in spending the money they have. So financial literacy is a combination of individual awareness, knowledge, skills, attitudes and behavior in making financial decisions with the aim of obtaining a welfare of life. To see the financial literacy skills possessed by an individual, it can be obtained by distributing questionnaires to respondents and seeing their responses.

Based on the 2017 SNLKI in OJK (2018), a person can be said to be well literate if he has knowledge and confidence about financial institutions, products and services as well as skills in knowing the features, benefits, risks, rights and obligations of these financial products and services. The Organization for Economic Cooperation and Development or OECD (2016) in Listyarti (2017) defines financial literacy as knowledge and understanding of financial concepts and risks, along with skills, motivation, and confidence to apply this knowledge and understanding in order to make financial decisions. Effective, improve the financial wellbeing of individuals and society and be able to participate in the economy.

Remund (2010) states that financial literacy is a measurement of a person's understanding of financial concepts and having the ability and confidence to manage personal finances through making appropriate short-term financial decisions, long-term financial planning and paying attention to economic events and conditions. This person's financial knowledge will then develop into financial skills. Financial skills are defined by the ability to apply their financial knowledge in making daily financial decisions (see (Mouna & Anis (2017)). Many studies have shown that financial literacy has a strategic role in improving individual financial management capabilities. Lusardi & Mitchell (2014) explain that consumers are positioned to manage savings and expenses optimally in order to provide benefits throughout their lifetime. Lusardi & Mitchell (2014) indicate that households with low financial literacy tend not to plan their retirement and have low assets.





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### 3. RESEARCH METHOD

#### Population, Sample and Sampling Technique

The population is women MSMEs domicile in Tangerang. Snack makers, traders, craftsmen, and others. Referring to Grohman, et.al. (2018) and Lusardi (2019), and according to the multivariate technique we collected samples 150 respondents.

#### Types and Sources of Data

Using primary data, we collected data by conducting in-depth interviews and distributing questionnaires to the women MSMEs in Tangerang as respondents. Secondary data is obtained from the literature reviews and data issued by authorized institutions. Samples selected by using the snowball sampling method. We look for one respondent, and then ask him to provide recommendations for other respondents. The use of the snowball sampling method is very helpful if the population is unknown. Given the high mobility of the local female population.

#### Research Stages and Expected Output

The stages of the research include several steps referring to the research of David L. Remund (2010), Irine Herdjiono and Lady A. Damanik (2016), Tatik Suryani, et.al. (2015) and Grohmann, et.al. (2018): a) Identify people's understanding of financial inclusion. b) Identify the understanding of women entrepreneurs using interview and questionnaire methods. c) Identify the financial inclusions they use d) Regional observations on the availability of financial access.

It is expected that outcomes are based on the above stages: 1) Obtain financial service products that are suitable for women MSMEs. 2) Management expertise of women MSMEs, as well as understanding about financial inclusion. 3) Knowing women's attitudes and behavior in making financial decisions.( Based on Allen, F,2015), Abel, et.al., 2018, Lusardi, 2019, Listyarti, 2013, and Lusardi, 2012).

#### Analysis Model

Using four latent variables, since it is based on the questionnaire items, we analyze the model. The four variables are Financial Literacy (LK) which has 5 indicators. Financial Inclusion (IK) has 4 indicators, Financial Intention (NK) which is derived from 4 indicators, and Financial Attitude (SK) explored 3 indicators.

Procedure to ensure that all indicators are included in the analysis model used, we used GLM (Generalized Linear Model) by employed STATA 9.0 (Manurung, et.al., 2014) and the stages of GLM estimation using all indicators must pass the reliability assumption with a minimum Cronbach alpha value of 0.4. (Usman and Sobari, 2013).

### 4. DATA ANALYSIS AND DISCUSSION DEMOGRAPHICS PROFILE OF WOMEN MSME IN TANGERANG

#### Domicile

The domicile in this study explains the address of the respondent. Meanwhile, for respondents in Tangerang Regency, it was carried out directly and indirectly. Indirectly or indirectly face to face, by sending a questionnaire sheet, and conducting some interviews by telephone. Meanwhile, the direct data collection process was carried out by conducting face-to-face visits and visiting the respondent's location. Tangerang Regency which only received a response rate of 90.9%. This can be explained, respondents in Tangerang Regency are somewhat closed, when researchers ask questions related to their financial management.





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### **Age**

The age referred to in this study is the age of the woman who became the research respondent at the time of the survey and interview. For the age distribution of respondents in Tangerang Regency, the following results are obtained: the majority of respondents in Tangerang Regency are around >40 years-55 years. Then in the second position in the age category > 55 years and the third position in the age category > 25 years-40 years. So it can be seen that the largest proportion are respondents aged > 40 years-55 years, which is 66%, and the lowest is respondents aged > 25 years-40 years, by 10%.

### **Education**

The education referred to in this study is the last education of the women who were respondents in this study. Meanwhile, respondents in Tangerang Regency obtained different results in terms of the distribution of the proportion of their education level. The last education that dominates respondents in Tangerang Regency is Bachelor's degree at 55%, the second position is SMA/SMK graduates at 37% and the least is SMP graduates at 8%. As for elementary school graduates, there were no respondents in this study.

### **Length of Work**

The length of work referred to in this study is the length of time they have started a business/work until the time this research is carried out. The length of time the respondents worked in Tangerang in this study was almost directly proportional to their current age. The older the respondent, the longer he will work.

### **Income/month**

The monthly income referred to in this study is the monthly net income received by the respondents from the business they do. Income is a very private thing for someone, so sometimes respondents will not answer for sure, only in the form of the average they earn every month. This is what finally the researcher must convince the respondents that the data obtained is confidential, will not be distributed to the public.

Meanwhile, respondents in Tangerang Regency obtained the following data. The majority of respondents' monthly income is >10 million to 25 million rupiah, the proportion is 92%. Then followed by respondents who have income <10 million rupiah per month with a proportion of 5%. In addition, the smallest proportion is 3% for respondents who have a monthly income of > 25 million rupiah to 100 million rupiah. Below is the distribution of monthly income for respondents in Tangerang.

Tangerang Regency, research respondents are business actors who have businesses engaged in services, trade and industry. Tangerang Regency is a buffer zone for DKI Jakarta, so it has easy transportation access. This will make it easier for business actors in Tangerang Regency to develop their businesses and market their products.

### **Utilization of financial institutions as a source of financing**

Utilization of financial institutions as a source of financing in this study is a financial institution that is used by research respondents as a source of financing for their business. Based on the results of research on the respondents, it is obtained that all respondents use bank financial institutions as a source of financing for their businesses. In addition, they also use pawnshop financial institutions as an alternative source of business financing other than banks



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Respondents in Tangerang Regency view pawnshops as one of the financial institutions that can help them to find additional capital for business development. Respondents in Tangerang Regency consider that it is easier for respondents to get fresh funds for their additional capital, by mortgaging their assets while at the pawnshop. The process is fast and the payment method is easy, making some respondents in Tangerang Regency comfortable using this financial institution.

#### **Financial Institutions to save funds**

Financial institutions to store funds referred to in this study are several financial institutions, namely cooperatives, baitul malls, rural banks, banks and others that are used by respondents to store excess funds they have. All respondents in Tangerang use the bank's financial institution as a financial institution they trust to store their excess funds. Almost all respondents stated that they consider the Bank as a trusted, safe and easy financial institution to help them carry out financial transactions.

#### **Banking products and services used**

The banking products and services referred to in this study are savings products, credit products and service products used by research respondents. Savings products include savings, current accounts, and time deposits. Meanwhile, credit products include working capital loans, consumer loans, and investment loans. Services include safe deposit boxes, credit cards, transfers, mobile banking, internet banking, payments and bank guarantees.

Some respondents in Tangerang Regency save their excess funds in the form of demand deposits and deposits. Many respondents in Tangerang Regency use bank services for the distribution of consumer credit. Respondents residing in Tangerang Regency, where they still use investment credit to increase their assets. Such as loans for investment in land, shop houses, houses. The use of credit cards is still widely used by respondents in their business. The ease of transactions using a credit card is an option for them to develop their business and make their work easier. Respondents who are in Tangerang Regency, there are many respondents who use mobile banking services. Almost all respondents use this facility to pay their monthly bills, such as payments for PLN, installments, water and so on. Payment services provided by banks are mostly enjoyed by respondents in Tangerang Regency.

#### **Credit repayment period**

The credit repayment period in this study is related to the length of time respondents pay off their loans to the bank. Based on the results of the study, almost all respondents did a maximum credit repayment period of 3 years. This is related to the size of the loan they made and the respondent's ability to repay the loan.

#### **Credit ceiling accepted**

The credit ceiling received in this study is related to the maximum loan size they make. Based on the results of the study, it can be seen that the credit ceiling received by the respondents is adjusted to the respondents' ability to pay, adjusted to the income they earn each month. Almost all respondents have a loan repayment period of 24 months. Only a small part of it is over 24 months for credit repayment. Especially when the respondent has consumptive credit.

#### **Profile of financial inclusion of Women MSME in Tangerang**

Based on the results of interviews and filling out questionnaires conducted by respondents in these two districts, it can be seen that almost all respondents still do not know about financial inclusion. This term is still considered a new thing for them. Although basically they have been in touch for a long time and use financial inclusion in their daily lives. This



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shows that the understanding and use of financial products is still not understood by the public, especially people in rural areas. There is a big gap in this regard, because it turns out that even though respondents already have and use financial products, this is only limited to having them, without further understanding about the benefits and risks of the products they use.

Respondents who are in Tangerang Regency, they are used to doing transactions at the bank, so there are no obstacles. The next obstacle faced by respondents to access banking services is that they are not accustomed to using mobile phones in conducting banking transactions. This is especially true for respondents over the age of 55. They still find it difficult to understand the use of applications on mobile phones to make it easier for them to make financial transactions. There are still doubts and fears when using the application incorrectly. So that many of the respondents prefer to come directly to the bank and be accompanied by a bank officer.

#### **Profile of Financial Literacy of Women MSMEs in Tangerang**

Most of them has a financial surplus, though they did not invest in financial instruments. Instead they buy gold. All respondents used saving, since it is the easiest and fastest to use and withdraw funds at any time they need. They can withdraw and deposit funds by using an ATM card. Investing in gold is an easy way than other financial instruments. Gold is an attractive and easy investment; besides they can use it as jewelry. It is a liquid asset. They prefer to invest their surplus in liquid and easy transacted assets, since the surplus is still working capital that might be easily sold or withdraw when respondents have a financial deficit. They have various strategy in investing surplus and overcoming financial deficit.

Respondents in Tangerang Regency, because it is an urban area, the price of land is very expensive. So that most respondents in Tangerang Regency prefer to invest in gold and shop houses. Gold is a lucrative investment, because besides being easy to convert into liquid funds, the price of gold is also very good every time it moves. The shophouse investment is also of interest to respondents in Tangerang Regency, because they can be rented out or also used for their business activities. Shophouse rental prices are increasingly soaring, becoming one of the main attractions for respondents to make shop houses as an investment alternative.

#### **Profile of the Financial Capability of Women MSMEs in Tangerang**

Savings is an effective alternative for them to store the excess funds they receive, safe and can be withdrawn at any time if they need it. When their savings are sufficient, they will use it to invest in land. Gold is still used as an attractive investment tool, because in addition to the price that continues to rise, gold is also easy to exchange in cash funds. Namely by reselling or pawning.

The proportion they do is for the excess funds they get, it turns out that most respondents in Tangerang Regency prefer to use it as capital for their business development. The next proportion regarding the allocation of the use of excess funds is a difference between respondents in Tangerang Regency. The behavior of respondents in Tangerang Regency, which is more concerned with the allocation of funds for personal interests compared to the purchase of assets. This can be understood by the condition of the people in Tangerang Regency, which is an urban city, with a typical urban lifestyle that tends to be more consumptive. This consumptive behavior makes them tend to act excessively in buying something or getting goods for their own satisfaction. The role of culture in it is also influential in shaping their behavior.



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**Research Model Analysis with GLM**

Before conducting a GLM analysis, the reliability analysis of 16 indicators is determined. In order to select the reliable indicators, Table 1 shows that out of the 16 indicators, there were only 11 selected. Four indicators for Financial Literacy (LK), two indicators for Financial Inclusion (IK), two indicators for Financial Intention (NK), and two indicators for Attitude Finance (SK). Table 1 shows the reliability results coefficient 0.463, which means that it meets the minimum requirements above 0.4 [according to Usman and Sobari (2013)].

**Table 1.**  
**Reliability Analysis Results of 10 Indicators with Cronbach Alpha**

No.	Reliability Parameters Measurement	Number
1.	. alpha lk2 lk3 lk4 ik2 ik3 ik4 nk1 nk3 nk4 sk1 sk3	
2.	Test scale = mean (unstandardized items)	
3.	Average interitem covariance:	.017998
4.	Number of items in the scale:	11
5.	Scale reliability coefficient	0.46

Source: Results of Data Processing (2021)

GLM testing is carried out without and involving Financial Intention (NK). Table 1 shows that all explanatory variables: LK, IK, and NK have a significant influence on SK (Financial Attitude). This means that women who do MSMEs in the Tangerang can identify models for understanding literacy and financial inclusion. These support Irmawati, et.al. (2013) and Suryani, .et.al. (2015).

**Table 2.**  
**Descriptive Statistics of Main Variable, namely LK, IK, NK and SK**

Variable	Mean	Std. Dev	Max.	Min
LK	4.4	0.2	5.0	4.0
IK	4.3	0.2	4.8	3.8
NK	4.1	0.2	4.7	3.3
SK	4.2	0.2	4.9	3.6

Source: Results of Data Processing (2021)

The result from table 2 indicates that 150 women MSME in Tangerang has owned high financial literacy (LK), inclusion (IK) and intention (NK) since mean is larger than 4 respectively. Therefore it will be expected that they could take the good financial attitude in their daily activities.



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**Table 3.**  
**Results of GLM Analysis on Financial Attitudes without & with Financial Intention**

Explanatory Variables	GLM without Financial Intention		GLM with Financial Intention	
	Coefficient	Z-test	Coefficient	Z-test
Financial Literacy	-0.2295	-2.01***	-0.0514	-1.93***
Financial Inclusion	0.1532	1,36	0.0143	2.25***
Financial Intention	-	-	-0.1157	-1.84**
Constant	4.6285	6.96*****	1.5665	10.08*****
Note:	***** Significant at level 1% *** Significant at level 5% ** Significant at level 10%			

Source: Results of Data Processing (2021)

The GLM model with Financial Intention has an added value. The LK, IK and NK indicators are significant at the 5% significant level (Table 3). These reinforce the Lusardi (2019) findings, regarding the need to involve Financial Intention (NK) in building models of financial decision-making based on financial literacy and inclusion in developing countries. This is reasonable given the conditions in Indonesia where socio-cultural factors are still so strong, that this intention factor is so important. The results of the GLM data processing above prove that the best analytical model for financial attitudes is still with financial intentions. This result is in line with previous research from Muna & Anis (2017) which stated that financial intention has stronger psychological aspect compared to financial literacy and inclusion which tend to rise and fall along with changing demographic conditions of a region.

Particularly compared to Abel, et. al. (2018) and Allen, et.al. (2016) and etc. the result of this study has reconfirmed high financial inclusion will address high financial attitude as mentioned at table 3. While comparing to study of Grohman, et.a. (2018), Lusardi (2019) and etc. we support the fact that high financial literacy will positively impact to high financial attitude. The interest finding of our study is that financial intention does not have positive impact to financial attitude. It may be caused by the high financial literacy and inclusion from every women MSME in Tangerang which have explained at demographic profile. Moreover Tangerang is much closed to the Jakarta as the center of financial activities in Indonesia. Then it will influence the high financial literacy and inclusion for women MSME in Tangerang.

## 5. CONCLUSION & SUGGESTION

### Conclusion

The study succeeded in mapping the demographic profile, literacy, inclusion, and financial capabilities of 150 women MSMEs in Tangerang. Based on demographic analysis, we find that women MSMEs in Tangerang have been able to take appropriate action when experiencing





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financial sur- pluses and deficits. They are proven to have high and dominant Financial Intention to make appropriate and effective financial decisions.

#### **Implication & Limitation**

In general, the limitation of our study results is only use GLM. Using GLM is just the first step to prove the ideal financial decision-making model for women MSMEs in Tangerang. GLM can be used as a recommendation to explore a more complex advanced model; SEM (Structural Equation Modeling), which will require assumptions of indicator validity in addition to the reliability as- sumptions that have been proven in the study.

#### **Suggestion**

In order to realize the use of SEM, it is necessary to review and remap precisely the indicator construct, especially from the variables of financial literacy and inclusion which have been widely adopted by the OECD and must be adapted to the sociocultural & demographic conditions of Indonesia.

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**THE EFFECT OF ATTITUDE, SELF-CONTROL, FINANCIAL LITERACY,  
DEMOGRAPHICS, AND INTENTIONS AS INTERVENING VARIABLE ON  
RETIREMENT PLANNING IN SURABAYA**

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**ABSTRACT**

*Most people are still not seriously preparing for retirement. In fact, it is very important to create a financially adequate life in retirement. Based on this, attitudes, self-control, financial literacy, and demographic factors on retirement intentions and planning. Another objective is to analyze the effect of intention on retirement planning and the mediating role of intention on the effect of attitude and self-control on retirement planning. The type of this research is causal research. The population in this study are employee's whowork in Surabaya with a total sample of 120 employees. Research data were collected using a questionnaire and analyzed using SEM PLS. The results of the study stated that Self-control has a significant positive effect on retirement planning; Investment intention has a significant influence on retirement planning; and Investment intention is not able to mediate the effect of attitude and self-control on retirement planning. The implication of this research shown that if an employee believes that what will happen in the future will depend on what he has been working on at this time as self-control, then the employee will be more concerned in preparing for his retirement*

**Keywords:** Retirement planning, Attitude, Self-Control, Financial Literacy, Demographics, and Intentions

**1. INTRODUCTION**

Working continuously in old age is generally not desired by everyone. Apart from being caused by age factors that reduce the ability and strength to work optimally, there is also desires to be able to retire and enjoy old age after years of hard work. However, it turns out that there are still not many people who are seriously preparing for retirement, especially related to the problem of adequacy of the financial aspect at that time.

There are several common reasons that underlie the lack of seriousness in preparing retirement funds early on, namely because the retirement has been prepared by the company and the state in the form of social security, thinking that their children will help the economy, thinking that they can still earn money, or thinking that assets that have been owned will be able to support the economy in the future. In fact, the funds prepared by the state or private are only able to finance for a few years after entering retirement, and not everyone can return to work or have children who are able to support the family economy after retirement (Astri and Naomi, 2018). Taking into account the relatively low level of retirement planning in Indonesian society and the importance of this for people's welfare in old age, it is necessary to study the determinants of community retirement planning. Several factors that influence



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retirement planning are attitudes towards retirement planning, self-control, financial literacy, and demographic factors (age, gender, income).

The first factor, namely attitude, is a general evaluation that humans make of themselves, others, objects or issues (Petty, Cocopio, in Azwar, 2000). Attitude towards pension funds is a person's perspective on pension funds. The better the attitude towards the pension fund that a person has, the better the way to manage his retirement fund planning, this shows that someone considers the pension fund an important part of his old life (Durvasula and Lysonski, 2007).

The second factor, namely self-control, is an individual skill in reading sensitivity to one's own situation and environment (Ghufron, 2014: 21). Good self-control will help a person in better retirement planning. The next factor is financial literacy, namely financial knowledge and skills to apply that financial knowledge (Lusardi and Mitchel 2007). In general, someone who has a good understanding of the level of economic literacy will have better financial behavior in making investment decisions. This financial literacy can affect one's retirement planning (Roiij et.al. 2011; Martinez, 2013).

The fourth factor is demographics which includes factors of age, gender and income. The closer a person's age to retirement age will have a positive impact on their financial activities, the more they realize the importance of preparing for retirement, so they are more active in planning their retirement finances (Landerretche & Martinez, 2013). Landerretche and Martinez (2013) state that men are more active in preparing their retirement funds than women. Furthermore, those with a higher income level and being the head of the household increase the likelihood of having savings, but on the other hand, those with a lower income level and not the head of the household are less likely to have a pension plan.

Besides being influenced by the factors above, retirement planning can also be influenced by intentions. Intention is a person's desire to behave in a certain way. A person's behavior is generally based on an intention to behave. Someone who has an attitude towards pension funds tends to have the intention to behave or plan for retirement in old age (Azjen, 2006).

There are several novelties of this research compared to previous research. First, this study integrates various factors that influence retirement fund planning, which include financial literacy (Roiij et al., 2011), demographics (Landerretche & Martinez, 2013), and attitudes (Astuti & Hartoyo, 2013). Second, this study examines the role of intention in mediating the influence of attitudes and self-control on retirement planning. Astuti & Hartoyo (2013) only examined the role of intention in mediating retirement planning attitudes.

Based on the description above, this research was carried out to achieve several objectives, namely to partially analyze the influence of attitudes, self-control, financial literacy, and demographic factors on retirement intentions and planning. Another objective is to analyze the effect of intention on retirement planning and the mediating role of intention on the effect of attitude and self-control on retirement planning.

The results obtained from this study are expected to provide theoretical and practical benefits. Theoretically, this research can be used as a reference for further research that wants to examine the same topic, namely retirement planning. Practically, the results of this study are expected to be useful for pension fund management companies, government agencies that regulate pension planning regulations, as well as for employees in preparing for retirement planning properly.



## 2. THEORETICAL FRAMEWORK AND HYPOTHESES

### 2.1. Theory of Planned Behaviour

Ajzen (1991) developed a theory of planned behavior (TPB) by adding a construct that does not yet exist in TRA (Theory of Reasoned Action). The construct is perceived behavioral control which is added to the TPB (Theory of Planned Behavior) to control individual behavior which is limited by lack of resources to carry out their behavior. With the increase in PBC (Perceived Behavioral Control), the model of TPB (Theory of Planned Behavior) is shown in the following figure:

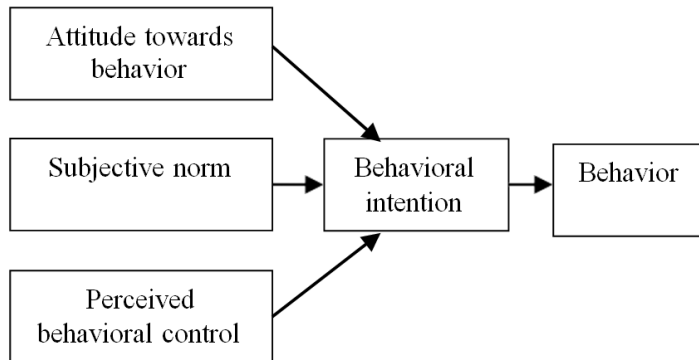


Figure 1. Theory of Planned Behavior

### 2.2. Retirement Planning

Retirement planning is planning related to estimating future consumption and other needs and determining how to achieve these needs when no longer working (Winger and Frasca, 1986). Retirement planning is a form of protection for income received when someone is at an age that is no longer productive. Retirement planning is important to minimize financial difficulties in old age.

Retirement planning can be measured through several indicators referring to research by Moorthy, et al (2012) and Petkoska and Earl (2009), namely: Financial readiness for pension funds; Standard of living for pension funds; Expenditure at retirement; Media information about pensions; and Discussion with retirees.

### 2.3. Intention

According to Peter and Olson (2014), behavioral intention is a proposition that relates itself to future actions. The action in question is the action of whether consumers will buy a product or service or behave not to buy a product or service. Based on this understanding, investment intention means a strong desire, tendency, interest or urge to carry out investment activities accompanied by feelings of pleasure by investing in one or more assets owned in the present with the hope of getting profits in the future (Sulistiyowati, 2015).

Investment intention is measured through several indicators referring to the research of Petkoska and Earl (2009), namely: Setting aside monthly income to join the pension fund program; Make investments (stocks/bonds/mutual funds/unit links/gold) to prepare for retirement; and Set aside my income for old age savings.

### 2.4. Attitude

Attitude is a person's positive or negative feelings towards a certain behavior (Fishbein and Ajzen, 1991). The attitude dimension measures the extent to which participants have good or bad experiences in making ethical decisions. Attitude indicators based on research





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conducted by Moorthy et al (2012) consist of: Retirement allows me to pursue dreams that have not been realized; I miss retirement; I don't worry about my life after retirement; and Retirement makes me feel useful.

### 2.5. Self-Control

The behavior that is formed is not always in harmony with the attitude towards something. A positive attitude to support an investment will not always form a positive behavior as well. This happens because there are intermediate variables that inhibit or facilitate the formation of behavior. Intermediate variables that facilitate, encourage or complicate behavior are known as behavioral control (Ajzen, 2006).

To measure self-control problems, the indicators used are as follows (Perry and Morris, 2005), namely: Ability to solve financial problems; Ability to change things in life; The ability to carry out what is thought; Ability to cope with life's problems; and the ability to control what happens in life.

### 2.6. Demography

Younger age groups have a more abstract view of retirement, show higher levels of uncertainty and are more concerned with financial matters. Meanwhile, the older age group pays more attention to the work concerned due to the heavy workload and the possibility to continue working and the possibility to continue working after they reach retirement age (Apostolakis, et al. 2015). According to Landerrectche & Martinez (2013), men are seen to be more active in preparing for retirement compared to women. Furthermore, it was also found that higher income levels and being the head of the household increased the likelihood of having voluntary savings, but on the other hand, lower income levels and non-head of household did not have a pension plan.

Income is one of the important variables in economic studies. In the analysis of investing or saving behavior, income is a very important fundamental factor that has an influence. Availability and adequacy are important requirements in saving or investing which are determined by composition, management and distribution. Economists view income more as individual or aggregate income nationally. Sociological review of income is not solely related to per capita income or nationally, but refers to the income of a spouse/family or household. The size and frequency of household income will affect the pattern of allocation and distribution. In addition, income sources and value systems adopted by households have an impact on differences indistribution or allocation.

### 2.7. Financial Literacy

Financial literacy is a description of the ability to use and manage finances (Vitt, et al. 2000). Broadly speaking, financial literacy measures a person's ability to relate to an understanding of exchange rates, features of financial services, financial records, attitudes in spending money, awareness of risks and returns, and the ability to make financial decisions. (ASIC, 2013; Gregor, 2006).

Illiteracy has spread to various generations, community groups in various layers (FSA, 2003; Mandell, 2008). Financial literacy indicators based on research conducted by Van Rooij, et al (2011), and Chen and Volpe (1998), namely: Basic knowledge of finance; Deposits and loans; Investation; and Insurance and pension.

## 2.8. Research Framework

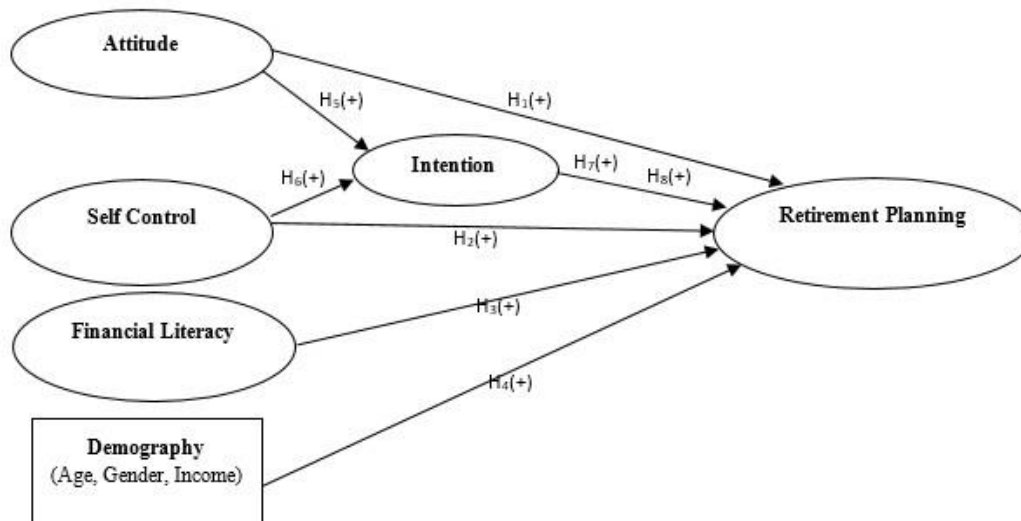


Figure 2. Research framework

## 2.9. Hypothesis

- H 1 : Attitude has a positive effect on retirement planning
- H 2 : Self-control has a positive effect on retirement planning
- H 3 : Financial literacy has a positive effect on retirement planning
- H 4 : Demographics factor (Age, Gender and Income) has a positive effect on retirement planning
- H 5 : Attitude has a positive effect on intentions
- H 6 : Self-control has a positive effect on intentions
- H 7 : Intention has a positive effect on retirement planning
- H 8 : Intention mediates the influence of attitude on retirement planning
- H 9 : Intention mediates the influence of self-control on retirement planning

## 3. RESEARCH METHOD

This research is a causal research, namely research to investigate possible causal relationships between certain factors that may be the cause of the investigated symptoms, namely between two variables (Sugiyono, 2016).

The variables studied in this study consisted of four independent variables, namely Attitude, Self- Control, Financial Literacy, and Demographics, and one dependent variable, namely Retirement Planning. The operational definitions of these variables can be seen in the table below:



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Table 1. Variable Operational Definition

NO	VARIABLES	INDICATORS	ITEM CODE	SOURCE
1	Attitude	1. Retirement allows me to pursue my pending dreams 2. I long to retire 3. I don't worry about my life when I retire 4. Retirement makes me feel useful 5. Retirement makes me happy	S1 S2 S3 S4 S5	Moorthy et al, (2012)
2	Self-control	1. Ability to solve financial problems 2. Ability to change things in life 3. The ability to carry out what is in the mind 4. Ability to deal with life's problems 5. The ability to control what happens in life	KD1 KD2 KD3 KD4 KD5	Perry and Morris (2005)
3	Financial Literacy	1. Basic knowledge of finance 2. Deposits and loans 3. Investment 4. Insurance and protection	LK1, LK2 LK3, LK4 LK5, LK6 LK7, LK8	Van Rooij, et al (2011), and Chen and Volpe (1998)
4	Demographics	1. Age 2. Gender 3. Income	U G P	
5	Niat Investasi	1. Set aside income every month to join the pension fund program 2. Invest in financial assets (stocks/ bonds/ mutual funds/ unit links) to prepare for retirement 3. Invest in real assets (gold, houses, land) to prepare for retirement 4. Set aside income for old age savings	NI1 NI2 NI3 NI4, NI5	Petkoska and Earl (2009)

The population in this study are employees who work in Surabaya with a total sample of 120 employees. The sampling technique used is a purposive sampling technique with considerations or criteria used consisting of: Having a pension fund product other than BPJS Ketenagakerjaan; Domiciled in the city of Surabaya; be at least 18 years old; Minimum working period of 1 year; and Income per month (salary, bonus, allowance) equal or more than IDR 5 million.

The research data was collected using a questionnaire which was distributed to the respondents directly. The data was then analyzed using statistical procedures with the help of the SEM-PLS 3.0 program.

#### 4. DATA ANALYSIS AND DISCUSSION

The results of the descriptive analysis of the age of the respondents stated that the majority of respondents had an age of around 27-34 years with a total of 67 people (56%), no respondents aged 43- 50 years and the rest were 1 person (1%) aged > 50 years.



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**Table 2.** Description of Respondent's Age

Age	N	%
18-26 years old	35	29%
27-34 years old	67	56%
35-42 years old	17	14%
43-50 years old	0	0
> 50 years old	1	1%
<b>Total</b>	<b>120</b>	<b>100%</b>

The results of the descriptive analysis of the respondents' gender stated that the majority of respondents were male with a total of 68 people (57%), while the rest were women with a total of 52 people (43%). This can be interpreted that the majority of respondents are male.

**Table 3.** Description of Respondent's Gender

Gender	N	%
Male	68	57%
Female	52	43%
<b>Total</b>	<b>120</b>	<b>100%</b>

The results of the descriptive analysis of the income of respondents stated that the majority of respondents had an income of around Rp. 7,000,000 – < Rp 9,000,000 with a total of 55 people (45.83%), while respondents who have an income of around Rp. 5,000,000 – < Rp. 7,000,000 as many as 49 people (40.83%), and respondents who have an income of Rp. 11,000,000 – < Rp. 13,000,000 as many as 3 people (2.52%).

**Table 4.** Description of Respondent's Income

Pendapatan	N	%
Rp. 5.000.000 – < Rp. 7.000.000	49	40,83%
Rp. 7.000.000 – < Rp. 9.000.000	55	45,83%
Rp. 9.000.000 – < Rp 11.000.000	8	6,66%
Rp. 11.000.000 – < Rp 13.000.000	3	2,52%
≥ Rp. 13.000.000	5	4,16%
<b>Total</b>	<b>120</b>	<b>100%</b>

The results of the validity test stated that not all item indicator variables were valid, so that invalid items had to be eliminated. In the attitude variable, the items that were eliminated were S.1 and S.2; the item that was eliminated in the self-control variable was KD. 5; on the investment intention variable, the eliminated items were NI.3 and NI.4; as for the items from the retirement planning variable, none of them were eliminated.

After elimination, the Cronbach alpha reliability test was then carried out. The results of the reliability test show that all instruments are reliable because they have a Cronbach alpha value greater than 0.6. The following table contains the results of the validity and reliability tests:



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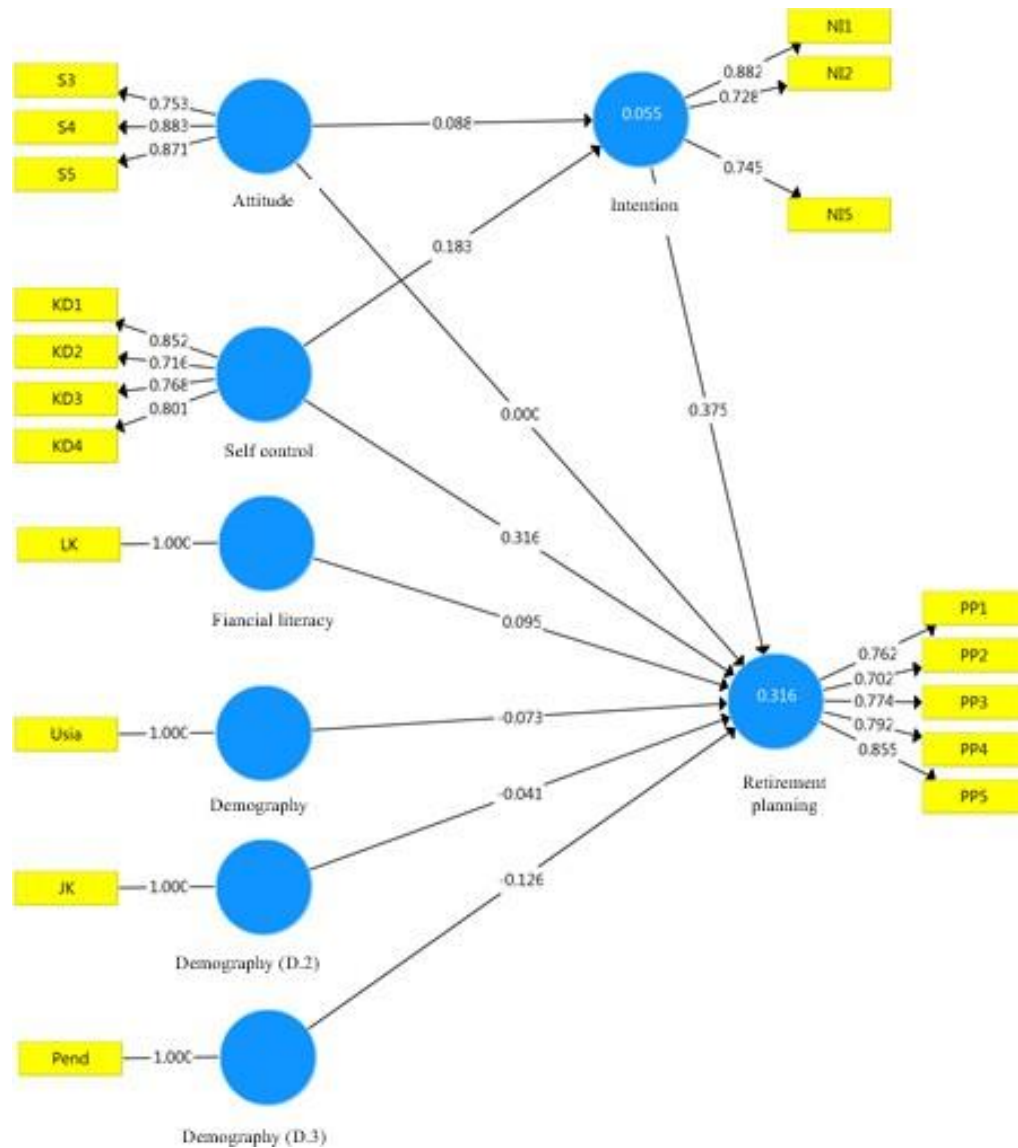


Table 5. Results of Validity and Reliability Tests

Variables	Items	Loading Factor	Cronbach Alpha
Attitude	S.3	0,753	0,786
	S.4	0,883	
	S.5	0,871	
Self-Control	KD.1	0,852	0,796
	KD.2	0,716	
	KD.3	0,768	
	KD.4	0,801	





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Variables	Items	Loading Factor	Cronbach Alpha
Intention	NI.1	0,882	0,696
	NI.2	0,728	
	NI.5	0,745	
Retirement Planning	PP.1	0,762	0,840
	PP.2	0,702	
	PP.3	0,774	
	PP.4	0,792	
	PP.5	0,855	

Furthermore, the inner model test consists of structural equation testing, hypothesis testing and structural model testing were carried out.

Figure 2. PLS Model

The results of the inner weight value The picture above shows that the investment intention variable is influenced by Attitude and Self-Control, while Retirement Planning is influenced by Attitude, Self-Control, Financial Literacy, Demographics (Age, Gender, and Income) and Investment Intention which are described in the structural equation as follows:

$$NI = 0,088 S + 0,183 KD$$

$$PP = 0,000 S + 0,316 KD + 0,095 LK - 0,073 D (\text{Age}) - 0,041 D (\text{Gender}) - 0,126 D (\text{Income}) + 0,375 NI$$

The results of the research hypothesis test can be seen in the table below:

Table 6. Results of Hypothesis Testing

Hypothesis	Coeff.	St. Deviation	T Statistics
Hypothesis 1	0,000	0,180	0,000
Hypothesis 2	0,316	0,133	2,385
Hypothesis 3	0,095	0,127	0,753
Hypothesis 4a	-0,073	0,089	0,820
Hypothesis 4b	-0,041	0,076	0,542
Hypothesis 4c	-0,126	0,132	0,953
Hypothesis 7	0,088	0,247	0,357
Hypothesis 8	0,183	0,179	1,019
Hypothesis 9	0,375	0,179	2,099
Hypothesis 10	0,033	0,092	0,358
Hypothesis 11	0,069	0,090	0,763
R-Square Intention	0,055		
R-Square Retirement planning	0,316		



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Based on the results of hypothesis testing shown in the table above, it can be interpreted that:

- a. Attitude has no significant effect on Retirement Planning, because the T statistic value is 0.000 which is smaller than 1.96.
- b. Self-control has a significant positive effect on Retirement Planning, because the T statistic value is 2.385 which is greater than 1.96.
- c. Financial Literacy has no significant positive effect on Retirement Planning, because the T statistic value is 0.753 which is smaller than 1.96.
- d. Demographics (Age, Gender, and Income) do not have a significant effect on Retirement Planning, because the T-statistical values are 0.820, 0.542, and 0.953, respectively, which are smaller than 1.96.
- e. Attitude has no significant positive effect on intention because the T statistic value is 0.357 which is smaller than 1.96.
- f. Self-control has an insignificant positive effect on Intention because the T statistic value is 1.019 which is smaller than 1.96.
- g. Intention has a significant positive effect on Retirement Planning, because the T statistic value is 2.099 which is greater than 1.96.
- h. Intention does not mediate the effect of Attitude on Retirement Planning, because the T statistic value is 0.358 which is smaller than 1.96.
- i. Intention does not mediate the effect of Self Control on Retirement Planning, because the T statistic value is 0.763 which is smaller than 1.96.

The table above also explains the magnitude of the R-Square value. In assessing the model with PLS, it begins by looking at the R-square for each dependent latent variable. For endogenous latent variables in structural models that have R<sup>2</sup> results of 0.75 indicating that the model is "strong", R<sup>2</sup> of 0.50 indicates that the model is "moderate", R<sup>2</sup> of 0.25 indicates that the model is "weak" (Ghozali, 2016).

Based on the results of the R-square value test above, it can be interpreted that the Attitude and Self-Control Variables that affect the Investment Intention variable have an R<sup>2</sup> value of 0.055 which indicates that the model is "weak". Likewise, Attitude, Self-Control, Financial Literacy, Demographics and Investment Intentions that affect the Retirement Planning variable have an R<sup>2</sup> value of 0.316 which indicates that the model is "weak".

### **The Effect of Attitude on Retirement Planning**

This study proves that attitude has no effect on retirement planning. It is known from the t-Statistics value of 0.000 which means it is smaller than 1.96 which means that attitude does not affect retirement planning. This shows that the hypothesis "Attitude has a positive effect on retirement planning", is not accepted and is not proven true.

The insignificant effect of the attitude variable on retirement planning shows that retirement planning may not necessarily be formed through the attitude variable. A good attitude without good intentions for retirement planning and good self-control cannot make someone do retirement planning well.

This result is not in line with the opinion of Moorthy, et al. (2012) which states that attitudes will affect a person's behavior in making decisions on retirement planning. In addition, a person's way of thinking can affect their group because of the process of social interaction. The findings in this study do not support the results of research



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conducted by Astuti and Hartoyo (2013) which proves that attitude is significantly positively related to the intention to plan for retirement.

#### **The Effect of Self-Control on Retirement Planning**

This study proves that self-control has a significant effect on retirement planning. It is known from the t-Statistics value of 2.385 which is greater than 1.96, which means that self-control is able to influence retirement planning. This shows that the hypothesis "Self-control has a positive effect on retirement planning", is accepted and proven true.

The significant effect of self-control variables on retirement planning shows that retirement planning can be formed through good self-control. The results of this study prove how important the role of control is. An employee who believes that what happens to him depends on what he has worked for, including his future and life in retirement, will strive to better prepare for his retirement. This is done because the employee does not want his old life to be miserable and depend on others. In addition, an employee will be able to plan his retirement well if the employee is able to solve his financial problems properly, such as managing income, managing expenses and managing loans.

These results are in line with the results of research conducted by Pritazahara and Sriwidodo (2015) which proves that there is a significant positive effect of self-control on investment planning behavior in employees. These results also support the findings of Kim et al (2013) who found that self-control problems have an important role in retirement preparation.

#### **The Effect of Financial Literacy on Retirement Planning**

This study proves that financial literacy has no effect on retirement planning. It is known from the t-Statistics value of 0.753 which means it is smaller than 1.96 which means that financial literacy is not capable of influencing retirement planning. This shows that the hypothesis "Financial literacy has a positive effect on retirement planning", is declared not accepted and not proven true.

The insignificant effect between financial literacy variables on retirement planning shows that financial knowledge is not able to distinguish an employee's level of retirement planning. The test results show that the score of financial knowledge of employees who are respondents in the study is good, with a score of 73.75. In addition, the test results also show that the respondents' knowledge of investment, insurance, and pensions is very good, which has a score above 80. This evidence indicates that in general the research respondents have good knowledge and encourage respondents to plan well for retirement. It is known that the average retirement planning score is 3.98. In addition, the data also indicates that there is not much variation in the level of knowledge between respondents. This low level of variation can cause knowledge to be not significantly able to explain variations in employee retirement planning.

This result is not in line with the opinion of Roiij et al (2011) which states that financial literacy has a significant effect on one's retirement planning. The findings in this study do not support the results of research conducted by Aryteey (2004) which proves that financial literacy has a significant effect on decision making in financial planning in the future.

#### **The Effect of Demographics on Retirement Planning**

This study proves that demographics consisting of Age, Gender, and Income have no



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influence on retirement planning. This is known from the t- statistics values of 0.820, 0.542, and 0.953, respectively, which are smaller than 1.96, which means that demographics are not able to influence retirement planning. This shows that the hypothesis "Demography has a positive effect on retirement planning", was declared not accepted and not proven true.

Demographic factors of age, gender, and income do not affect the retirement planning of employees who are the sample of this study. The majority of respondents in this study were in the age range of 18 – 34 years (85 percent) and the income range was Rp. 7 million – Rp. 9 million (96 percent). This concentration on age and income can cause the weak influence of these two variables on employee retirement planning.

These results do not support another opinion that reinforces the claim of the influence of demographic factors on pension planning by Moorthy et al. (2012) which proves that demographic factors including age, education level and income level have a positive effect on retirement planning dana.

#### **The effect of Attitude on Investment Intention**

This study proves that attitude has no effect on investment intentions. It is known from the t-Statistics value of 0.357 which is smaller than 1.96, which means that the attitude is not capable of influencing investment intentions. This shows that the hypothesis "Attitude has a positive effect on intention", is declared not accepted and not proven true.

The insignificant effect of the attitude variable on investment intentions shows that investment intentions may not necessarily be formed through attitudes. This means that a good perspective on retirement will not make the employee have a strong intention to invest for the benefit of retirement. This is contrary to the theory described by Azjen (2006) which explains that attitudes towards pension funds are a person's perspective on pension funds. Someone who has an attitude towards pension funds will tend to have the intention to behave or plan for retirement.

#### **The Effect of Self Control on Investment Intention**

This study proves that self-control does not have a significant effect on investment intentions. It is known from the t-Statistics value of 1.019 which is smaller than 1.96, which means that self-control is not able to influence investment intentions. This shows that the hypothesis "Self-control has a positive effect on intention", is declared not accepted and not proven true.

In the Theory of Planned Behavior, the stronger a person's behavioral control, the more likely that person has a strong intention to behave (Ajzen, 2006). The insignificant effect of self-control variables on investment intentions indicates that investment intentions may not necessarily be formed through self-control. This can be interpreted that good self-control by someone will not necessarily be able to affect how someone has the intention to invest. The results of this study are not in line with Fahreza and Surip (2018) which states that self-control encourages investors' interest to invest their capital in an investment product.

#### **The Effect of Investment Intention on Retirement Planning**

This study proves that investment intention has a significant influence on retirement planning. It is known from the t-Statistics value of 2.099 which is greater than 1.96, which means that investment intentions are able to influence retirement planning. This shows that the



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hypothesis "Intention has a positive effect on retirement planning", is accepted and proven true.

The significant effect of investment intention variables on retirement planning shows that a person's behavior in planning retirement can be formed through the presence of investment intentions. According to the Theory of Planned Behavior, a strong intention to behave will encourage someone to realize this intention in actual behavior. In the context of this research, a strong intention to invest for the future will make an employee to actually realize it in the form of an allowance for savings and retirement investments. This result is in line with the research findings of Astuti and Hartoyo (2013) which states that a high intention to plan a pension fund will encourage a high realization of action to plan for retirement.

#### **The Effect of Attitude on Retirement Planning through Investment Intention**

When testing the effect of intention on retirement planning, the result is that intention has a significant effect on retirement planning, but based on the results of the indirect effect analysis proves that the effect of attitude on retirement planning through investment intentions is not significant. It is known from the t-statistics value of 0.358 which is smaller than 1.96 which means that investment intentions cannot mediate the effect of attitude on retirement planning. This shows that the hypothesis "Intention to mediate the influence of attitude and self-control on retirement planning", is declared not accepted or not proven true. The results also show that attitude has no significant positive effect on intention, but intention has a significant positive effect on retirement planning. This means that intention is not a mediating variable, but rather functions as an independent variable.

To improve retirement planning, what one has to do is improve the intention to prepare for retirement without having a good attitude.

The results of this study are not in line with the research of Astuti and Hartoyo (2013) which explains that attitude has a significant positive effect on the intention to do financial planning in old age and the research of Moorthy, et al. (2012) which states that attitudes will affect a person's behavior in making decisions on retirement planning.

#### **The Effect of Self-Control on Retirement Planning Through Investment Intention**

The results of the analysis of the indirect effect of self-control on retirement planning mediated by investment intentions prove that the effect is not significant. It is known from the t-statistics value of 0.763 which is smaller than 1.96 which means that investment intentions are not able to mediate the effect of self-control on retirement planning. This shows that the hypothesis "Intention to mediate the influence of attitude and self-control on retirement planning", is declared not accepted or not proven true. The results of this study show that self-control has an insignificant positive effect on investment intentions, but self-control has a significant positive effect on retirement planning. This means that good self-control, such as the ability to solve life and financial problems, can lead to better retirement planning without necessarily leading to higher investment intentions.

This research is in line with the results of research by Pritazahara and Sriwidodo (2015) which prove that there is a significant positive effect between self-control on investment planning behavior in employees.





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**5. CONCLUSION, SUGGESTION IMPLICATIONS AND LIMITATIONS**

Conclusions that can be drawn based on the results of the tests and discussions that have been carried out include:

- a. Attitude has no significant effect on retirement planning. This means that if an employee has a good attitude but there is no good intention and self-control, then the employee will not be able to plan his retirement properly.
- b. Self-control has a significant positive effect on retirement planning. An employee believes that what will happen in the future will depend on what has been done in the present. Thus, self-control has an important role in preparing for the employee's retirement.
- c. Financial literacy has no significant effect on retirement planning. This means that financial knowledge is not able to distinguish the level of retirement planning of an employee.
- d. Demographics (Age, Gender, and Income) do not have a significant effect on retirement planning. This means that demographic factors are not able to influence retirement planning.
- e. Attitude has no significant effect on investment intentions. This proves that investment intentions cannot necessarily be formed through the attitude of an employee in planning retirement.
- f. Self-control has no significant effect on intention. These results prove that investment intentions cannot necessarily be formed through self-control.
- g. Investment intention has a significant influence on retirement planning. This means that the behavior of an employee in planning for retirement can be formed through investment intentions.
- h. Investment intention is not able to mediate the effect of attitude on retirement planning. Which means that if an employee has good intentions in planning for retirement, it cannot be determined by the attitude of the employee in planning retirement.
- i. Investment intentions cannot mediate the effect of self-control on retirement planning. Which means that if an employee has good self-control it cannot be influenced by investment intentions in planning for retirement

In accordance with the conclusions of the study, the suggestions that researchers can put forward include:

- a. Subsequent research needs to expand the area for distributing questionnaires not only to employees who are domiciled in Surabaya. In addition, it is also necessary to study other variables that can affect retirement planning, such as demographic factors, marital status, and psychological health factors.
- b. Employees need to improve their self-control skills and intention to invest in order to be able to prepare for retirement well
- c. Financial advisors, the Financial Services Authority, and the Government need to educate the public to increase their knowledge about the benefits of retirement planning

The implication of this research shown that if an employee believes that what will happen in the future will depend on what he has been working on at this time as self-control, then the employee will be more concerned in preparing for his retirement. In addition, the existence of investment intentions established the behavior of an employee to



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plan retirement. For this, the Government can provide support in the form of retirement preparation education to the workforce to influence employee investment intentions so that the level of community welfare at retirement age can increase.

The implementation of this research has several limitations that cannot be achieved include:

1. This study was only conducted limited to 120 employees in Surabaya so the results cannot be generalized
2. The research model has an R<sup>2</sup> value of 0.316 which indicates that the model is "weak".

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## HOW INTELLECTUAL CAPITAL AFFECT BANKS' TECHNICAL, ALLOCATIVE, AND COST EFFICIENCIES

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### ABSTRACT

*This research examines the impact of Intellectual Capital on Technical, Allocative and Cost Efficiencies of Indonesian public banks over 2015-2019. The analysis technique used in this research is multiple regression linear analysis. The findings in this research provide evidence that Intellectual Capital has positive effects on Bank Technical Efficiency and negatively affects Bank Allocative and Cost Efficiencies. It can be seen that banks in Indonesia need a strategy that prioritizes aspects of efficiency and full utilization of technology in their operations. In addition, it is recommended that bank management harmonize human resources with the digitalization that banks are currently implementing.*

**Keywords:** *Intellectual Capital, bank, technical efficiency, allocative efficiency, cost efficiency.*



## THE ROLE OF REGIONAL DEVELOPMENT BANKS IN LOAN DISTRIBUTION

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### ABSTRACT

*The distribution of Regional Development Banks (RDBs) loan to the non-productive sector has not fully supported regional economic development. It is also reflecting in the relatively small share of productive loan, indicating that the contribution of loan distribution to regional development is still low. The RDB Transformation Program, launched on May 25<sup>th</sup> 2015, is one of the policies to fix this problem. Other than that, RDBs required to innovate and anticipate changes in digitalization in the digital era of industry 4.0. Therefore, using Sen's capability approach, the purpose of this study to investigate the role of RDBs in loan distribution. This study uses a discourse analysis based on typology result of productive loan and consumptive loan using 26 RDBs annual reports in Indonesia for 2014-2020. The findings, RDBs in Indonesia prioritize technological innovation in activity transactions, including in loan distribution. It was placing technology as the main element and development of digital products' shows that the RDB Transformation Program can increase capabilities to support regional economic development and contribute to regional development. Micro-economic empowerment as part of productive loan, supports the improvement of customer capabilities as part of a consumptive loan for community welfare. The role of RDBs in loan distribution had a role in realizing community welfare to achieve Sustainable Development Goals (SDGs).*

**Keywords:** Annual Report, Loan, Regional Development Banks, Sen's Capability Approach, Community Welfare

### 1. INTRODUCTION

Banks have an essential role in the economy of a country. As with systems in other countries, the national banking system is a vital part of the Indonesian economy. Simultaneously, economic and banking activities support each other to continue to grow. On the one hand, the accelerated economy can attract (backward linkage) the banking sector. Meanwhile, on the other hand, the banking sector also has a role in encouraging (forward linkage) various economic activities (Ginevičius *et al.*, 2019).

Under the bank's function, as a third party fund collector, it has a role to provide loans in the form of credit for companies (Karlán, Ratan, & Zinman, 2014; Suryaputra, Bandi, & Setiawan, 2017) and the community to help improve welfare (Karlán, Ratan & Zinman, 2014). Loan distributed by banks can be productive and consumptive (Adnan, Ridwan & Fildzah, 2016). Productive loan such as working capital credit for business needs shows its impact on business sustainability as research by (Giang *et al.*, 2019). On the contrary, (Nuraina & Dewi, 2013) show that it does not affect business continuity, while consumptive loan such as housing





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loans, as the results of research by Zinman, (2014) show their impact on the people welfare. The loan from banks influences welfare because the loan can generate 'good debt' and 'bad debt,' whereas to get a loan from banks, it is related to the borrower's capability (Proctor & Anand, 2017). Meanwhile, the results of research by (Santoso *et al.*, 2020) show that loan from banks in the microfinance sector influenced household welfare.

Regional Development Banks (RDBs), as part of the national banking sector, have main activities that prioritize the provision of medium and long-term loan for development purposes. RDBs are also allowed to make non-permanent equity participation in companies and provide short-term loan by following the regulations and conditions set by Bank Indonesia. Since 2014, banks in Indonesia have been subject to OJK regarding microprudential and BI in macroprudential (Financial Services Authority, 2014). The distribution of RDB loan to the non-productive sector in terms of quality and quantity has been criticized by the Financial Services Authority because it has not fully supported regional economic development (Saragih, 2017). In addition to this, according to the Financial Services Authority, (2015), the contribution of RDBs is still low, which reflects in the relatively small share of the productive loan, which only reached 26%.

The RDB Transformation Program launched on May 25<sup>th</sup> 2015, is not only one of the policies to fix this problem, but RDB is also required to innovate and anticipate changes in digitalization in the digital era of industry 4.0. There are three stages in the RDB Transformation delivered from the Association of Regional Developments Banks, (2019). The first stage in 2015-2017 is more directed at building the foundations of regional banks, the second stage for the 2018-2020 period is the stage of accelerating growth, then in the 2021-2024 period is expected to be more competitive and contribute optimally to the regional economy and meet stakeholder expectations.

Based on previous research on the 25 RDB 2012-2017 period, Lutfi & Suyatno, (2019) recommended RDBs to optimize their use of depositors' funds for loan distribution with prudential principles to avoid problematic loans. Besides that, based on the 24 RDB 2009-2016 period researched by (Karamoy & Tasik, 2020), RDB performs better when they provide infrastructure loan than without such loan. However, what happens if this research investigates the role of 26 RDB in loan distribution focused on productive loan and consumptive loan. With Sen's capability approach, it is essential to conduct this research regarding of RDBs loan distribution before the Transformation Program until 2020 to allows comprehensive coverage of loans given and the demands of RDB in the digital era of industry. This research offers conceptual and empirical contributions. Conceptually, this study provides a typology of productive loan and consumptive loan in line with the category of Banks based on core capital. Empirically, it is possible for policymakers and related banks can broaden their horizons regarding the loan distribution, such as the RDBs rating.

## 2. THEORETICAL FRAMEWORK

Banks have a role as intermediaries between parties with excess funds with those who need funds. Party the excess funds will save the funds held in the bank in deposits, while those who need funds will obtain funds from banks in the form of credit. Among various bank operational activities, financing or lending services have quite an important role. Loan distribution by banks can help the community carry out activities, be it consumptive activities or productive activities (Adnan, Ridwan, & Fildzah 2016). Through loan distribution, banks have motivated the public to carry out entrepreneurial activities so that can increase people's income and reduce the unemployment rate to improve its economy (Tambunan, 2019).



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An individual or company to get a loan from the bank, is related to the borrower's capability (Proctor and Anand, 2017). Capabilities are things that can be done to achieve something valuable in life as a combination of functions (Sen, 2005). In the view of Sen (Sen, 1992), life is something that includes a collection of functions or 'functioning', which consists of 'being' and 'doing something'.

About concerning, 'functioning', (Sen, 1992) states that the condition of a person's well-being is directly related to a person's ability to function in his ability to achieve his life goals. Furthermore, (Sen, 1992) suggests a condition of well-being that is received by a person can be seen in relation to the condition of quality of life, so that the claim of function is something that is attached to the condition of a person or member of the community and the individual form of assessment of the welfare condition. Welfare includes increasing the ability and equitable distribution of basic needs such as housing, increasing the standard of living, and expanding economies of scale and the availability of social choices for individuals and nations (Todaro and Smith, 2015).

### 3. RESEARCH METHOD

Considering the purpose of this study is to investigate the role of RDBs in loan distribution, this study used discourse analysis and interpretive paradigm. Discourse analysis uses to investigate communication patterns between companies through the media of annual reports from time to time; a comprehensive longitudinal understanding of these communication patterns can be obtained (Smith, 2015). Then, the interpretive paradigm has several advantages, including descriptions presented in detail and depth (Darmayasa & Aneswari, 2015).

This research-based on typology result of productive loan and consumptive loan using 26 RDBs annual reports in Indonesia for the period 2014-2020 published on the website of each RDB. The data used in this study include loan data presented in the statement of financial position and disclosures in the notes to the financial statements and traces the disclosures contained in the annual reports.

The initial stage of the research is to rank the net credit data deducted by the allowance for impairment losses presented in the assets section of the statement of financial position. In 2014-2018, from the net loan data, obtained rating of 1-26. The authors intended to ensure that BPDs included in the calculating the proportions in 2018 are BPDs have been consistent in 5 consecutive years in loan distribution 2014-2018. Then, the authors calculated the proportion of productive loan and consumer loan in 2018. The authors chose 2018 because it is the beginning of the second stage of the RDB Transformation Program.

Then, with discourse analysis and interpretive paradigm, traces the disclosures contained in the RDB's annual reports 2014-2020 to investigate further the discourse developed regarding loan distribution and technology within the framework of Sen's capability approach. With Sen's capability approach (Sen, 1985), there are three concepts of human well-being, consisting of (i) the beings and actions that a person actually achieves, known as functions, and (ii) the opportunities that a person have to achieve various existences and actions, which are understood as capabilities, whereas (iii) a person's functions, and perhaps even unconscious capabilities sometimes, are reflected can be done in capabilities based on individual rights and freedoms.

The last stage mapped the typology of productive loan and consumptive loan with categories based on core capital. The three researchers investigated at the same time (Onwuegbuzie & Leech 2007) as referred to by (Anney, 2014). Firstly, to reach a ranking



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based on the number of loan distribution. Next, trace the number of productive loan and consumptive loan. And then, through disclosures contained in the annual reports, the authors decide conclusions, known as investigator triangulation (Smith, 2015). Conclusions are not only based on ratings but also relate to the role of RDBs in distributing productive loan, consumptive loan, technology and capability. The three of them repeat and discuss the suitability of the findings if no founding conformity.

#### 4. DATA ANALYSIS AND DISCUSSION

Table 1. Proportion of Productive Loan and Consumptive Loan in 2018

Rating	RDB	Net Loans	Productive Loan		Consumptive Loan	
		billion IDR	billion IDR	%	billion IDR	%
1	BJB	74.703	14.309	25	57.255	76
2	JATENG	45.332	17.446	38	27.886	62
3	JATIM	32.695	7.379	23	23.483	72
4	DKI	34.000	16.125	47	13.419	39
5	SUMUT	18.867	6.427	34	8.998	48

Based on the ranking results of the number of net loans in the assets section of the statement of financial position for 2014-2018, Bank BJB is in the top rank, followed by Bank JATENG, Bank JATIM, Bank DKI, and Bank SUMUT. Table 1 shows that Bank DKI is the top rank in the distribution of productive loan, while Bank BJB is the top rank in the distribution of consumptive loan. In the context of productive loan, Bank DKI has distributed a productive loan of 47% of the total loan of Bank DKI. The 2018 Bank DKI annual report and 2020 Bank DKI annual report revealed that Bank DKI is required to stimulate regional development by providing the more productive a loan.

*"As a banking institution, Bank DKI is required by the regulator to always implement compliance and obey the regulation. Bank DKI is also mandated to stimulate local development by providing more productive loans"* (Bank DKI, 2018: 360).

*"As a banking institution, Bank DKI is required by the regulator to always implement compliance and obey the regulation. Bank DKI is also mandated to stimulate local development by providing more productive loans"* (Bank DKI, 2020: 502).

The 2019 Bank DKI annual report revealed that loan distribution aimed at the Micro, Small, and Medium Enterprises (MSMEs) segment in providing working capital for productive businesses impacts community welfare directly. MSMEs give a valuable contribution to the development of economic growth in every country worldwide (Iramani *et al.*, 2018).

*"In order to improve the intermediary function to the real sector, Bank DKI participates in distributing couples of lending facilities to the Micro, Small and Medium Enterprises (SME) segment including the distribution of KUMK Monas and Micro Laons (KUR) Credit in the form of working capital and*



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*Investments supported by guarantee facilities for productive enterprises. Bank DKI believes real will has become an important component in the national economic system, therefore, in addition to build resilience against the crisis, the sector has a direct contribution on the welfare of the society” (Bank DKI, 2019: 223).*

Based on the results of the mapping of loan distributed in Table 1, the proportion of consumptive loan distribution is 76% greater than productive credit 47%. Then, presented in Table 1, it showed that Bank BJB had distributed consumptive loan of 76% of the total loans of Bank JABAR. Bank BJB's 2018 annual report revealed that the products of consumptive loan strategy with developing and optimizing digital marketing, allowing to be marketed quickly and massive with a broader range. Besides that, Bank BJB's 2019 annual report, revealed that consumptive loan is the first pillar of Bank BJB and the largest profit contributor and has a low-risk profile but gets a high level of profitability. The bank should to distribute loans as much as possible to benefit from a high spread income (Shonhadji, 2016).

*“In terms of credit, the strategy implemented is to develop and optimize digital marketing. This method will enable faster and more massive marketing of consumer loan products with more expanded coverage” (Bank BJB, 2018: 66).*

*“...The Consumer Loans Business is now the “mainstay” of many banks, including the bjb bank, this is because consumer credit has a low risk profile but has a high level of profitability. Until now, consumer credit is the first pillar of the bjb bank as well as the largest profit contributor for bjb banks” (Bank BJB, 2019: 242).*

Zinman, (2014) research showed that consumer loan is often used to finance business activities, while commercial or microenterprise loan are for finance household activities. However, permaisuri loan disbursed by Bank SUMUT supports the improvement of customers' capabilities to develop in the future. Granting credit to women in a group with a certain number of members who come from a low-income pre-prosperous family and have micro-enterprises in the industrial, trade, and economic sectors other productive supporting sectors. It is showed that Bank SUMUT's efforts to develop the forerunner of small businesses, with the basic strength of groups. Banks should to improve the effectiveness of financial inclusion programs as a form of “humanist” banking practices that unbankable customers become bankable (Shonhadji, 2016).

*“Permaisuri loan is a loan distribution to women in a group by specific number of members who come from a low-income family, have micro business in economic sectors of industry, trading, and other supporting sectors which are still productive and have prospect to grow in the future” (Bank SUMUT 2018: 81).*

Meyer, (1998) states that the source of small business capital will depend on lending from banks. Lending is the main activity of banks that can affect the banks' health and business continuity (Rahayu & Shonhadji, 2015). Therefore, it is essential to develop innovative technology in the products and services in RDBs (Lutfi & Suyatno, 2019) for the continuity of banks. In the context of RDB's annual reports 2014-2020 regarding technology, RDBs are ready to face the era of digitalization of banking services. 2014 was the year before launched the BPD transformation. The annual report reveals that Bank JATIM is increasingly aware of the importance of the role of information technology. Then, the banking management of Bank





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JATIM is fully committed to supporting the growth of information technology to welcome the era of digitalization of banking services to support the growth of the bank's business services.

*“Bank Jatim increasingly aware of the importance of the role information technology in supporting the growth of the Bank’s business service. Full commitment by management of banks in supporting the growth of information technology to meet the digitalization era of banking services” (Bank JATIM, 2014: 124).*

The 2018 Bank Lampung annual report revealed that Bank Lampung facilitates transaction services and banking services by placing technology as the central element in the process of a product, service, and service innovation. Then, the 2018 Bank NTT annual report reveals that with technology-based banking services, Bank NTT continues to grow sustainably, provides optimal services to customers, and contributes to realizing community welfare through the empowerment of the micro sector.

*“PT Bank Pembangunan Daerah Lampung continuous to strive to improve the quality of information Technology owned in order to provide the best service to the entire general public and customers in particular. To that end, we continuously innovate and develop and expand the network of the Lampung Regional Development Bank, with the aim of facilitating banking services and transactions by placing technology as a key element in the process of product, service and service innovation” (Bank Lampung, 2018: 232).*

*“Years 2018 is a new chapter innovation bank NTT with the banking services based technologies like mobile banking, internet banking and cash management system...Innovation will be an enabler for business bank NTT to can continue to grow sustainably. With innovation bank NTT was determined to be able to provide a service that better and better equipped to all customers. To achieve that objective, bank NTT align and synergize the rest of its power to help make prosperous through economic empowerment for small and micro” (Bank NTT, 2018: 1).*

In the 2018 annual report, Bank JATIM continues to innovated banking products and services more diversified banking and technology-based. So the product is easy to access and can meet people's expectations, especially in the East Java region, with stay focused on maintaining existing and capabilities in the MSME sector that can provide expected value for stakeholders and shareholders.

*“In an effort to support increased business existence, both credit / financing and third party funds and meet the market needs, Bank continues to innovate banking products and services that are more diverse and technology-based, so that their products are easily accessible and can meet community expectations especially in the East Java Province. Product development innovation continues to be focused on being the existence and capability in the UMKM field. Increase the optimal yield so that it can provide the expected value for stakeholders and shareholders” ((Bank JATIM, 2018: 141).*

In the 2018 annual report, Bank JATENG disclosed strengthen its capabilities in supporting regional development by realizing RDB Transformation by sustainably targeting balanced and healthy growth. Besides that, Bank JATENG contribution to the regional and national economy through increasing diversification of banking products and services, lending, and utilizing a more comprehensive business support function.





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*“In 2018, Bank JATENG reinforces its capabilities in supporting regional development through the realization of BPD Transformation by targeting balanced and healthy growth in a sustainable manner. Bank JATENG's contribution to the regional and national economy is realized through increasing diversification of banking products and services, improving DPK and lending performance, strengthening networks and synergy with business partners, improving governance quality, and utilizing more comprehensive business support functions” ((Bank JATENG, 2018: 3).*

Then, placing technology as the main element and productive loan and consumptive loan distributed play a role in realizing community welfare to achieve Sustainable Development Goals (SDGs). The 2020 Bank BJB annual report, disclosed that the company is committed to implementing the principle of sustainability and continuing to contribute to the achievement of sustainable goals to ensure the integrity of the environment, safety, capability, and community welfare in the present and future.

*“The Company is committed to implementing sustainable principles that are able to create economic, social and ecological value in the process and at the level of policy making and decision making that can drive the Company's success by continuing to contribute to the achievement of sustainable development goals. The goals of sustainable development are to ensure the integrity of the environment and the safety, capability, welfare and quality of life of present and future generations” ((Bank BJB, 2020: 1180).*

The use of technological innovation as a priority shows the capabilities of each individual in the functioning of respective capabilities. In accessing finance, the public needs capabilities to understand the terms and conditions regarding the products and services of financial institutions (Cahyaningsih & Trinugroho, 2017). In the company's context, they are moving from individual capabilities to support the company's operational performance, which impacts the progress of RDBs as an institution.

RDBs in Indonesia prioritize technological innovation in activity transactions, including in loan distribution. It was placing technology as the main element and development of digital products' shows that the RDB Transformation Program can increase capabilities to support regional economic development and contribute to regional development. Based on the research of (Dosinta, 2020), in 2015-2019, RDBs reporting shows that the Transformation Program makes BPD have high and strong competitiveness and contribute to regional economic growth and equity in Indonesia.

Micro-economic empowerment as part of productive loan and supports the improvement of customer capabilities as part of a consumptive loan for community welfare. The role of RDBs in loan distribution had a role in realizing community welfare to achieve Sustainable Development Goals (SDGs).

In the context of RDBs core capital, based on Bank DKI and Bank BJB, which are more than 5 trillion IDR to 30 trillion IDR, the two banks are included in the Book III category. Based on this core capital, loan distribution is at the top of the productive loan and consumptive loan accompanying by core capital. Likewise, Bank JATIM and Bank JATENG are including in the category of Book III. While Bank SUMUT, although included in the category of Book II Banks, was ranked fifth in 2018 in loan distribution.

Table 2 presented in loan distribution typology in 2018. The distribution of productive loan and consumptive loan in the top 1-5 ranks can see in RDB in the BUKU II and III categories. Meanwhile, the distribution of productive loan and consumptive loan at the rating of 6-26 can see in RDBs in the BUKU I and BUKU II categories. The availability of large amounts of capital will enable banks to increase lending without worrying too much about



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losses (Lutfi and Suyatno, 2019). The policy of Bank Indonesia is to be continuing to oversee the banking sector in Indonesia to implement the precautionary principle in providing credit (Shonhadji, 2020), including RDBs.

Table 2. Loan Distribution Typology in 2018

Rating	Productive Loan	%	Consumptive Loan	%
1-5	BUKU III	16	BUKU III	16
	BUKU II	4	BUKU III	4
6-20	BUKU II	60	BUKU II	60
21-26	BUKU II	4	BUKU I	4
	BUKU I	16	BUKU II	16
		100		100

## 5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

With Sen's capability approach, the purpose of this study to investigate the role of RDBs in loan distribution. The findings, RDBs in Indonesia prioritize technological innovation in activity transactions, including in loan distribution. The product is easy to access and can meet people's expectations, staying focused on maintaining existing and capabilities in the MSME sector that to provide expected value for stakeholders and shareholders.

It was placing technology as the main element and development of digital products' shows that the RDB Transformation program can increase capabilities to support regional economic development and contribute to regional development. The use of technological innovation as a priority shows the capabilities of each individual in the functioning of respective capabilities.

Micro-economic empowerment as part of productive loan and supports the improvement of customer capabilities as part of a consumptive loan for community welfare. The role of RDBs in loan distribution had a role in realizing community welfare to achieve Sustainable Development Goals (SDGs).

This research is limited to a typology based on the categorization of productive loan and consumptive loan through discourse analysis with an annual reporting period until 2020. It is recommended that future research not only use a typology based on the categorization of productive loan and consumptive loan, but use other categorization and can be carried out in the third stage of RDB Transformation for the period 2021-2024.

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**REVENUE DIVERSIFICATION, PROFITABILITY AND BANK STABILITY:  
EVIDENCE FROM COMMERCIAL BANKS IN INDONESIA**

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**ABSTRACT**

*Traditional business activities of commercial banks in Indonesia experienced a shift as indicated by the percentage of non-interest income per interest income from 26.1% in 2014 to 51.3% in 2020. The study aims to determine revenue diversification, internal determinants, and macroeconomic determinants in affecting profitability, stability, while also observing the role of bank capitalization. This study analyze sample of Conventional Commercial Banks in Indonesia from the period 2013 to 2020, using dynamic panel data generalized method of moments (GMM) to overcome endogeneity, heteroscedasticity and autocorrelation problems. Research proves that direct effect of non-interest income on revenue diversification has a significant positive effect on return on asset (ROA) and risk adjusted return on asset (RAROA), as well as a negative effect on non-performing loan (NPL). Furthermore, the indirect effect of non-interest income on diversification has a significant effect on RAROA. However, there are contradictions in the results of research using the interaction variable of revenue diversification with bank capitalization. The empirical test results also prove the role of the control variables cost income ratio, deposit to total asset, bank capital, loan to total asset, bank size, inflation rate, and GDP growth in affecting bank performance and stability. This study proves the specific benefit of revenue diversification for commercial banks in Indonesia as a whole, although it does not apply to BUKU 1 banks.*

**Keywords:** Revenue diversification; profitability; stability; bank capitalization



## VALUATION OF SHARE USING DISCOUNTED CASH FLOW AND RELATIVE VALUATION IN PT KIMIA FARMA TBK

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### ABSTRACT

*PT. Kimia Farma, Tbk (KAEF) is one of the largest and oldest pharmaceutical company in Indonesia. The companies in the pharmaceutical industry could run the business as usual and gain advantages during the pandemic of Covid-19. Since the people needs more medicine needs and equipment such as vitamin, mask, and herbal. It shows by the revenue of KAEF growth 6,44% during 2020 compared to previous year. The share price of KAEF has fluctuated during 2020 until early 2021 along with the increasing number of transaction volume. The share price reached the highest point Rp6.975 on January 12, 2021 while the volume of transaction was 244 million on December 08, 2020. Based on current phenomena, the author interested to analyze and assess the intrinsic value of KAEF. This research aims to analyzed the intrinsic value of KAEF and compare with the market price and industry. Then, the author provides estimations to investors based on valuation results. The research methods use are discounted cash flow and relative valuation. Based on valuation resulted, the share price of KAEF is overvalued. The intrinsic value of KAEF is Rp1.910, less than with the current market price on June 17, 2021 is Rp2.430.*

**Keywords:** valuation, pharmaceutical company, stock value, intrinsic value

### 1. INTRODUCTION

Nowadays, as financial literacy and the use of financial products grow, people become more familiar with investment. Investment related to an activity that allocate funding in the form of the product. The objective is the product invested can generate future income (Hayes, 2021). Investment can not be separated from risk. Risk is a measure of the uncertainty surrounding the return that an investment will earn (Gitman and Zutter, 2015). The higher the risk, the higher the return. One of the forms of investment products is stock investment. Based on the data from KSEI in June, 2021, total investors in capital market until May 2021 is 5.372.094. It increased by 38,43% from 2020 which is around 3.880.753. In the stock investment, the investor can earn capital gains from stock appreciation and get a dividend. The investor can get a dividend when the company distributes dividends from the company's profit for the investor after meeting its financial obligations.

PT. Kimia Farma Tbk. still run the business as usual during the Pandemic with several adjustments following the government rules. PT. Kimia Farma includes the company which got advantages during the pandemic because the increase in medicine sales and equipment. Based on the financial report on 2020, the company can increase the sales revenue from Rp 9,4 trillion in 2019 becomes Rp 10 trillion in 2020. However, the net profit increases from loss Rp 12,72 billion in 2019 becomes Rp 17,63 Billion in 2020. Obviously this information



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becomes encouraging news for investors since there are few companies that still generate profit during pandemic. The vaccine distribution influences the market sentiment. It shown by the volume of KAEF stock transaction which increases significantly compared to previous years. The volume of stock transaction reaches the highest volume of transaction which reach 1 billion transactions during one month in January 2021. However, the transaction of KAEF before the pandemic only below 300 million transactions each month. Moreover, the transaction volume also influenced by the market sentiment from influencer. One of the influencers is Yusuf Mansur (YM). YM influenced the market sentiment on Desember 7, 2020 by ask the investors to buy the BUMN stock companies (Agustinus, 2020). It influenced 178 million and 244 million transaction volume on Desember 7, 2020 and Desember 8, 2020.

Along with the transaction volume, the KAEF price also increases significantly compared to previous pandemic. Even KAEF reaches the highest price of the share of company. The vaccination program started on 13 January which represented by President which increased the share price of KAEF on that day to 6.500 rupiah. The investors were interested in buying the company's shares during the vaccine program initiation, which increases the share price from Rp 580 in 28 February 2020, until reach the highest point in January 12, 2021 in 6.975 rupiah. However, after the beginning of vaccination program in Indonesia, the share price of KAEF decreases significantly. The share price in June 1, 2021 was 2.420 rupiah. The share price of the PT. Kimia Farma Tbk that increased and decreased significantly during one year signed bad news for the investor. It means that the share price of the company was volatile and fluctuate. Hence, the investors should understand the real value of the company in order to earn the maximum profit.

This research aims to analyze the intrinsic value of PT Kimia Farma Tbk using discounted cash flow and relative valuation and compared it with the market price and industry so that it will provide an estimation for investors. The scope of the research is assessing the stock's value of KAEF using financial report data from 2014-2020. The valuation is performed using the discounted cash flow (DCF) and relative valuation methods.

## 2. THEORETICAL FOUNDATIONS

Valuation is the process that links risk and return to determine the worth of an asset (Gitman and Zutter, 2015). The stock valuation purposes to determine the value of the company in order to supported the investor and company in taking the decision. There are many approaches of valuation. Damodaran (Damodaran, 2020a) classified approaches of valuation becomes 3 approaches. There are discounted cash flow (DCF) valuation, relative valuation, and contingent claim valuation. This research used the DCF valuation and relative valuation to determine the intrinsic value since these 2 approaches becomes popular. The contingent claim valuation would not be discussed because it needed specific event on the stock market.

### DCF Valuation

DCF valuation is a method in determining the intrinsic value of a stocks based on the expected future cash flows generated by the firm (Damodaran, 2015). The advantage of DCF valuation is the approach using the fundamental performance of the company. So, it will less be exposed by the market perceptions (Damodaran, 2012). Meanwhile the disadvantage is this approach uses many assumptions in the growth rates that can be manipulated (Damodaran, 2012) which would be sensitive to the final results of the calculation. Based on the (Ivanovska, Ivanovski and Narasanov, 2014), there are 2 models base for DCF to determine the intrinsic value of the stocks. There are Discounted Cash Flow Model and Dividend Discount Model. There are Equity Valuation with Free Cash Flow to Equity or Dividend and



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Firm Valuation with Free Cash Flow to Firm. This research used Firm Valuation with FCFF model to measure the value of the firm, since the FCFF not only measure the value of the equity but also the debtholders. However, the firm valuation would be separated again into equity and debt value after found the results of firm value. Hence, the investors understood the equity value of the company. The basic valuation formula based on Damodaran (2005) for FCFF is:

$$\text{Value of Firm} = \sum_{t=1}^{t=n} \frac{CF \text{ to Firm}_t}{(1 + WACC)^t}$$

Where:

CF to Firm<sub>t</sub> : Expected Cash Flow in period t

WACC : Weighted Average Cost of Capital

Free Cash Flow to the firm (FCFF) is the residual cash flow generating by company after the company meet all of the operations and taxes (Damodaran, 2012). FCFF reflect the amount of cash flow available for the investors, both debtholders or shareholders (Gitman and Zutter, 2015).

Growth rates measure the growth rate of the company. The growth rates pattern used is 2-stage growth model, since KAEF is a large company, with moderate growth (Damodaran, 2020b). The first stage growth used the historical growth of the company which calculated using the compound annual growth rate (CAGR). CAGR is the annual rate of change in values of a series of cash flows (Gitman and Zutter, 2015). Meanwhile the second stage growth could be adjusted whether it is less or equal with the economic condition of the country (Baresa, Bogdan and Ivanovic, 2013).

The discount rates of the valuation calculated by Weighting Average Cost Capital since this re-research used FCFF. Cost of capital is the firm's cost of financing which is the minimum return that project must earn (Gitman and Zutter, 2015). The WACC calculated by weighting the cost of each specific type of capital by it is proportion in the firm's capital structure (Gitman and Zutter, 2015). The cost of capital consisted from equity and debt which calculated by the market value of debt and equity (Damodaran, 2020b).

$$WACC = K_e \times \frac{MV \text{ of equity}}{MV \text{ of equity and debt}} + K_d \times \frac{MV \text{ of debt}}{MV \text{ of debt and equity}}$$

Where :

K<sub>e</sub> : Cost of Equity

K<sub>d</sub> : Cost of Debt

t : Tax rate

MV : Market Value

### Relative Valuation

Relative valuation is methods in valuing the assets based on the similar assets on the markets (Damodaran, 2002a; Sharma and Prashar, 2013). It was similar with benchmarking of the company with the other company in similar industry assets. Relative valuation useful in second stage of valuation, after the valuation using another method (Fernández, 2005). The advantages of using the relative valuation are easy to use since the calculation didn't need



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many information. Relative valuation also considers the market sentiment (Sharma and Prashar, 2013) which it was not considered by DCF valuation. While the disadvantage of using the relative valuation the stocks that undervalued may still be overvalued. Moreover, the relative valuation also assumed that the market is correct in aggregate (Sharma and Prashar, 2013). Based on Fernandez (2005), the most commonly multiples valuation in healthcare industry is PER and EV/EBITDA. This research would use both of the valuation, then compared them to the average of the company benchmark. Based on Gitman and Zutter (2015), the basic formula of Price to Earning Ratio (PER) is:

$$PER = \frac{\text{Price}}{\text{Earning per Share (EPS)}}$$

However, the formula of Enterprise Value/EBITDA (EV/EBITDA) based on Damodaran (2020) is:

$$\frac{EV}{EBITDA} = \frac{MV \text{ of Equity} + MV \text{ of Debt} - \text{Cash}}{EBITDA}$$

Where :

EV : Enterprise value

MV : Market Value

EBITDA : Earnings before interest, taxes, depreciation and amortization

### 3. RESEARCH METHOD

#### Data Collection

The data of the research is based on the secondary data that publicly available since the company is public company that listed on the Indonesia Stock Exchange (IDX). The data needed is the data that required for calculations based on the theoretical foundation such as financial statements, WACC, growth rate of the firm, and other data that are relevant with the procedure in generating the intrinsic value of the company. The data of the companies obtained from annual report and financial report of the company. Moreover, the additional supporting data obtained from Yahoo Finance!, Pefindo beta, country risk premium by Damodaran, Indonesia sovereign bond rate from Bank Indonesia official website and so on.

#### Methods of Analysis

The data processing divided into 2 parts, the DCF valuation and relative valuation. DCF valuation conducted after the assumption for forecasted projection have fulfilled. The result of DCF calculated by discounted the final results using the present value. The value of the firm later would be decreased by the value of debt and divided by the shares outstanding to find the value per share. For the second part, the relative valuation calculated by the author based on the PER and EV/EBITDA of the company and compared with the industry or benchmark of the company and historical data of the company. The results from DCF would be the main valuation which would be supported by the calculation from relative valuation. Then, the results of valuation discussed and analyzed based on the current situation of the market. The results of the analysis later would be summarized in the conclusion chapter which addressed the objective of the research.





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#### 4. DATA ANALYSIS AND DISCUSSION

Discounted cash flow method used in this re-research is DCF valuation using free cash flow to firm (FCFF) method. FCFF method used because the author wants to know both value of the equity and debt. Since the company has a lot of debt with debt to asset ratio around 55%. In processing the FCFF methods, the author used several assumptions based on the historical data of the previous financial and annual report of KAEF from 2014-2020. The assumption would be used in calculating the forecast projection related with the growth rates, and discount rates. The growth rates assumption is based on the historical data of revenue and economy growth in 2019 is 14,16% in high-growth and 5% in stable growth for terminal value. The discount rates assumption of the FCFF is 8.87% based on the author calculation for the cost of capital of company. Later, the FCFF forecast projection for 10 years used to estimate the intrinsic value of the company, after divided by the discount rates and decreased by value of debt.

The relative valuation used to support the data from the valuation of DCF. Relative valuation used by the author is price to earnings ratio (PER) and EV/EBITDA since those valuation becomes popular in calculation of relative valuation in the pharmaceutical industry (Fernández, 2005). Relative valuation calculated by comparing the earning performance, price and asset of KAEF with the average industry. Currently, there are 11 listing companies on the pharmaceutical industry.

In PER calculation, the author does not include KAEF and PT. Indofarma, Tbk (INAF) in the calculation of the industry average. Moreover, INAF does not include on the EV/EBITDA average industry calculation. The reason behind not including companies on PER or EV/EBITDA it was because those company relative valuation is highly overvalued and drastically changing the calculation of average industry which make the calculations does not proper.

#### Valuation Results

The valuation results shows the author calculation for the DCF and relative valuation. The intrinsic value of the company calculated by forecasted projection of free cash flow of KAEF and discounted it to present value using the cost of capital of the company. Next, the total present value of the firm reduced by the value of debt and divided by the shares outstanding of the company.

Furthermore, the relative valuation calculation used to support the data for the main valuation of the company.

Table 1. Valuation Results

\*Calculated by Author

Intrinsic Value	Rp1.910/Shares
Market Price (17 June 2021)	Rp2.430/Shares
Downside	-21,39%
PER in 2020	1154,89x
EV/EBITDA in 2020	37,18x

Intrinsic value is the real value of the company based on the present value of expected future cash flow generated by the company. The intrinsic value of KAEF based on DCF valuation using FCFF is Rp1.910 with PER in 2020 1154,89 times and EV/EBITDA in 2020 is 37,18 times. The intrinsic value of KAEF is overvalued compared with the current market price in June 17, 2021 which downside - 21,39%. Moreover, the relative valuation of KAEF



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also shows overvalued value compared with the average of pharmaceutical industry which listed on the Indonesia Stock Exchange (IDX). Based on the DCF and relative valuation, the valuation of company is overvalued.

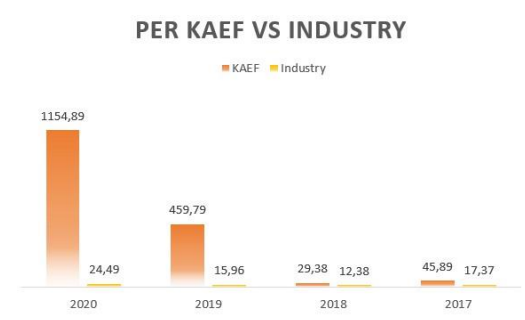


Figure 1 PER KAEF vs Industry  
\*Calculated by Author

Using PER valuation, KAEF stock was overpriced during 2017-2020 compared to its competitors in the same industry. In year 2020, PER of KAEF was the highest. Even the author must not include KAEF on the industry average in this valuation since it would drastically change the industry average. KAEF always been in 3 highest PER of companies during 2017-2020. During 2019- 2020, PER of KAEF drastically increase since the amount of earnings provided to shareholders is small which also means that the company is expensive. Since the investors must pay 1154 for 1 earnings of the company.

Based on the financial report of the company, the small earnings provided to shareholder affected by the high interest rates of the company. The interest rates of the company reduced around 80%- 90% portion of the company's EBIT. The high interest rates affected by the additional cash borrowed by the company in order to acquired PT Phapros Tbk (PEHA) in 2019. Because of that, the earning per share (EPS) of the company become small although the company could generate EBIT hundreds billion rupiah. In 2019 and 2020, earnings generate by the company is loss 12 billion rupiah and profit 17 billion rupiah. In 2017 and 2018, the company haven't a large amount of interest yet. Because of that, the PER of the company in those years are small compared with the PER in 2019 and 2020. Moreover, earnings generate to shareholder in 2017 and 2018 around 300-400 billion rupiah. It could become concern for the company, since the portion of earnings for shareholders become small because the reduction on the company's earnings by interest rates.

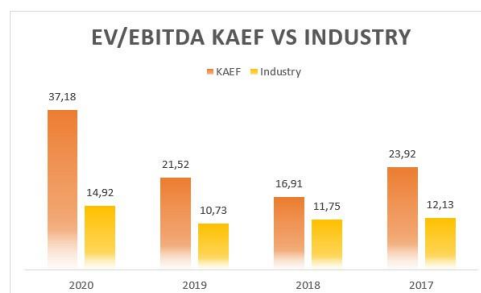


Figure 2 EV/EBITDA KAEF vs Industry  
\*Calculated by Author



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The EV/EBITDA of the KAEF company during 2017-2020 was overvalued. Even KAEF has always been included in 3 companies with the highest EV/EBITDA. The overvalued influenced by the market value which was increase and the small amount of earnings generated by the company. EV/EBITDA value in 2020 is 37,18 times which means that the investors have to pay 37,18 times for 1 EBITDA of the company.

The higher price of company's stock compared with the intrinsic value because investors are inter-ested investing in KAEF which showed by the higher the price and the higher the transaction vol-ume of the company. The volume transaction of company increased significantly after the pandemic since the company related with the vaccination pro-gram issue which makes the investors attracted to invest in KAEF.

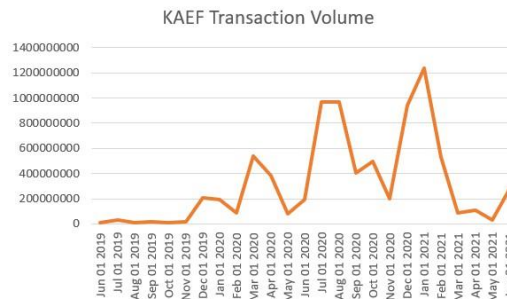


Figure 3 KAEF transaction volume  
\*Yahoo!Finance

The overvalued of the company stock could be seen as the higher market expectations toward the growth opportunity of the company's earnings. Since KAEF is a pharmaceutical company, it can run as usual during pandemic. Based on the current condition, it means that company could earn more revenue in the short-term and long-term since people need more medication supplies and equipment. Additionally, the company already acquired PT Phapros Tbk (PEHA) and the progress of building factory in Banjarnegara have finished, the earnings shared for investors in the future might be higher than the previous years. Therefore, the company should maintain and improve the current performance since there is the higher opportunity to generate more revenue for company.

## 5. CONCLUSION AND RECOMMENDATIONS

The intrinsic value from DCF valuation compared with the market prices on June 17, 2020. The intrinsic or real value of KAEF is Rp1.910 per share which is lower compared with the market price on June 17, 2021 in Rp2.430 per share. Moreover, based on the relative valuation KAEF has higher valuation compared with the industry. Even KAEF include top 3 highest PER and EV/EBITDA value in the industry. PER value of company is 1154,89 times which higher than PER of industry, which is only 24,49 times. The high PER value of KAEF influenced by the small amount of earnings. Moreover, EV/EBITDA value of company is 37,18 times which also higher than EV/EBITDA of industry, which is 14,92 times. The higher EV/EBITDA affected by the large enterprise value and the small amount of earnings generated by the companies. Therefore, based on the DCF valuation and relative valuation, the author concludes that KAEF current stock is overvalued.



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Based on the results, the authors suggested for investors who still interested to buy the stock, maybe they should observe carefully whether the share price would tend to decrease or increase.

However, if the share price keeps decreasing, the investors should wait until the share price stable again. The intrinsic value from DCF valuation reflected the real current value of company so that investors should observe carefully if the share price of KAEF would tend to decrease either in the short-term or long-term. Even though the share price already overvalued, the share price still potential to increase since KAEF included in pharmaceutical industry who get more opportunities to grow in current pandemic compared to others industry and associated with market sentiment from vaccination programs. The stocks in pharmaceutical industry are potential partly due to the current pandemic and people's awareness regarding health and their health seeking behavior. Since the company share prices already overvalued, the investors can also find alternatives companies in this industry which still undervalued. Furthermore, the author suggested investors to buy the others stock which has negative correlation with the pharmaceutical industry to diversify the portfolio. So that the risk of the investors' portfolio could be shared on the several industries.

However, KAEF could not take the corporate actions to buy back the company shares. Because of the share price of KAEF have overvalued. As a follows up, the company's management should maintain and improve the performance of company since there is higher opportunity in current condition to generate more revenue and profit in order to maximize the shareholder wealth.

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## CRYPTOCURRENCY SAFE HAVEN PROPERTY AGAINST INDONESIAN STOCK MARKET DURING COVID-19

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### ABSTRACT

*Safe haven assets conserve its value or grow against another asset or portfolio during market turmoil. Indonesian stock market, represented by the Jakarta composite index (JKSE) plunged in price because of COVID-19, pushing investors to look for safe havens. Cryptocurrency began to be perceived as store of value as indicated by the transaction volume increase, hence it was expected to be a safe haven. However, cryptocurrency's high price volatility cast doubts on its store of value effectiveness, prompting inspection for its safe haven property as well. This research aimed to predict the assets' risk and return as well as investigate whether cryptocurrency is safe haven against the Indonesian stock market during COVID-19. Daily closing prices of JKSE, Bitcoin (BTC), Ethereum (ETH), Litecoin (LTC), and Ripple (XRP) were used, then GARCH model was implemented in the forecasting. DCC-GARCH model, followed by dummy variable regression, will be applied on the return data to evaluate the safe haven property. The prediction indicated that BTC was the most profitable asset while XRP was the riskiest. Both full and subperiod analyses suggested that none of these cryptocurrencies was safe haven before, after the pandemic declaration, and for the whole observation.*

**Keywords:** *cryptocurrency, safe haven, COVID-19, Jakarta composite index, DCC-GARCH model*



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## DOES SUPER DEDUCTION R&D FINANCIAL POLICY IN THE PANDEMIC COVID-19 GIVE A SUPER REACTION?

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### ABSTRACT

*This research is motivated by the announcement of the Super Deduction R&D Financial Policy (PMK 153/2020) issued by the Indonesian government during the Covid-19 pandemic in 2020. The purpose of this study is to test and empirically prove the presence or absence of abnormal returns on the day around the announcement, before and after the announcement, and also optimal portfolio of pharmaceutical and health sector stocks during the observation time around the announcement of the R&D Super Deduction R&D Financial Policy. This research is a quantitative research with event study that uses hypothesis testing from one sample t-test and paired sample t-test. The results showed that there was 1 day of observation which indicated an abnormal return around the announcement day. Overall, before and before being announced based on the results of the paired sample t-test, it did not show any abnormal returns. The highest optimal portfolio analysis is on stock of Darya Varia Laboratoria Company which have a weighting of 40.86% and there are two stocks that are not optimal, Kalbe Farma and Tempo Scan Pacific. Thus, this study shows that there is a reaction of market participants to pharmaceutical and health stocks on the announcement even though the reaction is very small. Based on the result, there is a need for information related to research and development activities of pharmaceutical and health companies for investors if they want to improve their stock performance.*

**Keywords:** *abnormal return, portfolio, super deduction policy*



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## OPERATING FLEXIBILITY, OWNERSHIP STRUCTURE, AND STOCK MARKET REACTION DURING COVID-19 PANDEMIC

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### ABSTRACT

*The primary objective of this study is to investigate the stock market reaction in Indonesia during the COVID-19 pandemic, by classifying events into two panels, namely the panel during the spread of COVID-19 (Arrival) and the panel when stopping the spread of COVID-19 (Containment). This study constitutes the event study test, to examine the Cumulative Abnormal Return (CAR) around the announcement date of each event analyzed in this study. This study finds that the stock market in Indonesia reacts differently to each event analyzed on this research. Furthermore, this study finds that the family ownership structure has a positive effect on stock market reaction in Indonesia during COVID-19 pandemic. This study also finds that companies that are more flexible in their operations provide more positive returns than companies with low operating flexibility during COVID-19 pandemic. Therefore, this study contributes to analyze the effect of family ownership structure and company's operating flexibility on stock market reaction in Indonesia during the COVID-19 pandemic.*

**Keywords:** COVID-19, stock market reaction, event study, ownership structure, flexibility



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## PERCEIVED RISK AND THEORY OF PLANNED BEHAVIOUR

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### ABSTRACT

*The purpose of this paper is to determine the investment intentions of individual investors using social psychological perspective. This research incorporates perceived risk as an additional variable (attitude) in the existing theory of planned behaviour (TPB) framework. Given the nature of this study, a quantitative approach with cross-sectional survey has been used in order to furnish some empirical evidence on investment intentions of individual investors. Where data from 548 potential investors was collected using a simple random technique and respondents were asked on their perceived risk, subjective norms and perceived behavioural control aspects with the help of well-established scales. The collected data was analysed using structural equation modelling technique with the help of SmartPLS 3.2.7. Perceived risk has a negative influence on the investment intentions of individual investors. On the other hand, subjective norm and perceived behavioural control have a positive influence on the investment intentions of individual investors. The current research is first of its kind which includes perceived risk is used as an attitudinal factor to test in the theory of planned behaviour. This study further confirmed that not only perceived risk but the subjective norm and perceived behavioural control influence the investment intentions of individual investors.*

**Keywords:** *Investment intentions, perceived risk, theory of planned behavior, individual investors, stock investment*



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**THE IMPACT OF POLITICAL CONNECTIONS ON COST OF FUNDING AND BANK PERFORMANCE OF FOREIGN EXCHANGE NATIONAL BANK**

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**ABSTRACT**

*Political connection is an expensive resource that can be a source of competitive advantage for a bank. Banks that have political connections will be able to get funding at a lower cost because depositors feel that their funds are safe. The existence of low funding costs will have an impact on better bank performance. This study aims to examine the effect of political connections on bank funding costs and bank performance. The research sample uses 28 foreign exchange banks in Indonesia in the 2014-2017 period which are divided into politically connected and politically unconnected banks. The results show that politically connected banks have cheaper funding costs and better performance than banks that are not politically connected. The implication of this research for banking institutions is that political connections are an advantage that can be used to obtain funds from the public at a lower cost and will be able to improve bank performance.*

**Keywords:** *Political connections, Cost of Funding, Bank Performance*





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**SOCIOECONOMIC INDICATORS AS A DETERMINANT OF COMMUNITY MOBILITY  
DURING THE COVID-19 OUTBREAK: A DATA MINING  
FOR INDONESIA AND MALAYSIA**

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**ABSTRACT**

*Human mobility is believed as the critical factor for COVID-19 transmission. The timing of government-imposed movement control could explain the mobility fluctuation in a country. However, the fluctuation between regions within a country is less understood. This study aims to characterize community mobility fluctuation for Indonesian provinces and Malaysian states and identify the association between socioeconomic indicators and mobility fluctuation across regions. The study object is all 34 Indonesian provinces and 14 Malaysian states. A data mining approach with CRISP-DM framework and Knime Analytics Platform were applied. The result indicates that Indonesia and Malaysia show the strength of mobility fluctuation in the descending order are transit-station, workplace, and residential area. Malaysia shows higher mobility fluctuation than Indonesia that might indicate the level of community response to the Covid-19 pandemic. As socioeconomic indicators, Human Development Index (HDI), poverty rate, and labor force participation associate with mobility fluctuation. Regions with high mobility fluctuation are likely to have high HDI and high labor force participation rates. Furthermore, regions with high mobility fluctuation are likely to have low poverty rates. High mobility regions cover the capital city and other cities with high-density populations.*

**Keywords:** Covid-19, pandemic, mobility, socioeconomic, data mining



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**QUALITY AND BENEFITS OF TRANSLATION MODEL OF TRANSFER TEXT IN  
FOREIGN EXCHANGE SERVICES TRANSACTION AT BANK NEGARA INDONESIA  
SURAKARTA**

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**ABSTRACT**

*This is a qualitative descriptive study analyzes the social process in translation model of foreign exchange service texts at Bank Negara Indonesia Surakarta. The analysis is based on Functional Systemic Linguistics, translation principles and banking policies. The objectives are to: (1) examine the translation quality models (2) explore the benefits of translation models, (3) verify the foreign exchange service text in English and Indonesia (4) know the employees' ability toward foreign exchange services (5) reveal the customer's ability in understanding the transfer transactions. Data are lexicogrammatically system, cohesion and text structure. Samples were taken at Bank Negara Indonesia Surakarta, as it provides overseas services using transaction tools in English and Indonesian texts. The quality of translation is analyzed based on group, lexis, clause, mood structure, theme/rheme and transitivity system; while the benefits of translation is based on tenor enlightening the affect, contact and status; whereas mode focused on channels and media. The findings show that quality of translation model of foreign exchange text is stated very good and useful. It is easily understood by customers who applied foreign exchange transactions at Bank Negara Indonesia Surakarta*

**Keywords:** *Quality, Benefits, Translation Model, Transfer, Foreign Exchange*

# **Community Service**



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**PENDAMPINGAN PENINGKATAN EKONOMI KREATIF UNTUK  
MENGANGKAT PRODUK TOGA MELALUI DIGITAL MARKETING DAN  
PENGEMASAN DI DESA SUMBER BULU KARANGANYAR**

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**ABSTRAK**

Tanaman obat keluarga (disingkat Toga) adalah tanaman hasil budidaya rumahan yang berkhasiat sebagai obat. Taman obat keluarga pada hakekatnya adalah sebidang tanah, baik di halaman rumah, kebun ataupun ladang yang digunakan untuk membudidayakan tanaman yang berkhasiat sebagai obat dalam rangka memenuhi keperluan keluarga akan obat-obatan. Kebun tanaman obat atau bahan obat dan selanjutnya dapat disalurkan kepada masyarakat, khususnya obat yang berasal dari tumbuh-tumbuhan. Budidaya tanaman obat untuk keluarga (TOGA) dapat memacu usaha kecil dan menengah di bidang obat-obatan herbal sekalipun dilakukan secara individual. Setiap keluarga dapat membudidayakan tanaman obat secara mandiri dan memanfaatkannya, sehingga akan terwujud prinsip kemandirian dalam pengobatan keluarga. Tujuan dari Pengabdian masyarakat ini adalah Mendampingi kelompok warga desa wisata Sumberbulu untuk pengelolaan pemasaran khususnya digital marketing. Mendampingi pengemasan pada produk toga agar mempunyai nilai jual yang maksimal. Pengabdian dilaksanakan pada tahun 2021. Metode pelaksanaan yaitu dengan cara ceramah dan presentasi serta diskusi. Target luaran yang akan dihasilkan dalam pengabdian ini adalah: Adanya peningkatan dalam pemasaran melalui digitalisasi marketing pada produk toga, Mampu mengembangkan pengemasan pada produk toga sehingga mempunyai nilai jual lebih, Adanya peningkatan pemahaman masyarakat akan arti pentingnya digitalisasi marketing pada masa digital saat ini.

Kata kunci: Digitalisasi Marketing, Pengolahan Tanaman Obat, Pengemasan Produk



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**ASPIRASI KREATIF PENGELOLAAN SAMPAH KARDUS MELALUI PELATIHAN  
DAN PENDAMPINGAN DI DESA GILINGAN,  
KECAMATAN BANJARSARI, SURAKARTA**

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**ABSTRAK**

Selama pandemi COVID-19, banyak karyawan yang dipulangkan atau dipecat (pemutusan hubungan kerja), serta kemerosotan ekonomi. Dunia bisnis semakin sulit untuk didaki, banyak industri yang bangkrut. Orang harus bertahan hidup di tengah kendala ekonomi. Kelangsungan hidup dapat tercapai bila anda menjalani pola hidup sehat serta selalu berinovasi guna mendorong perekonomian keluarga. Sampah seakan berserakan di lingkungan kita, dari sampah kain, kertas, plastik, sampah industri dan sampah rumah.. Potensi sampah untuk merusak bumi semakin meningkat, sehingga harus dikurangi dan jika memungkinkan dihilangkan. Langkah terbaik untuk mengatasi dampak buruk sampah adalah dengan mengolahnya menjadi produk kreatif. Dalam kegiatan bermanfaat secara sosial, yang kali ini dihimpun dalam pelatihan dan pendampingan perempuan PKK untuk mengolah sampah karton (kotak susu bekas) menjadi produk inovasi yang memiliki nilai jual besar. Pendampingan dilakukan secara berkelompok. Pendampingan bermaksud untuk memantau keberlanjutan dan guna mendorong pemberdayaan ekonomi masyarakat. Pengabdian yang manfaat secara sosial ini bermitra dengan FASKHO (Kampus Pemberdayaan Perempuan) di kawasan Cinderejo, Desa Gilingan, Kecamatan Banjarsari, Surakarta. pengabdian ini dilakukan dengan interval 6 bulan. dengan luaran media cetak dan online. Kerja sama sudah berlangsung hampir 5 tahun. Kegiatan bermanfaat sosial ini dilaksanakan secara rutin dan merupakan bagian dari Tri Dharma Perguruan Tinggi: Pengajaran, Penelitian, dan Kegiatan Sosial.

Kata kunci: pengolahan sampah karton, pelatihan dan pendampingan, dan produk kreatif.





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## PEMANFAATAN LIMBAH BLOTONG TEBU SEBAGAI CAMPURAN BATAKO UNTUK MENIMALISIR RISIKO BENCANA

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### ABSTRAK

Salah satu bahan tambahan yang dapat dimanfaatkan dalam proses pembuatan batako yaitu salah satu limbah dari pabrik gula. Proses pengolahan tebu menjadi gula menghasilkan limbah yang berupa limbah padat, limbah cair, dan limbah gas. Limbah padat berupa abu, blotong dan ampas, limbah cair terdiri dari limbah cair berat dan limbah cair ringan, limbah gas berasal dari ruang pembakaran dan dari genset listrik. Program Pengabdian ini bertujuan untuk memanfaatkan limbah perusahaan agroindustri tebu berupa blotong sebagai bahan campuran membuat batako rumah agar dapat memberikan nilai tambah kepada masyarakat atau pelaku UMKM yang ada di sekitar perusahaan agroindustri dilakukan dengan cara pembinaan, pelatihan, pendampingan dan pemberdayaan kepada masyarakat atau UMKM. Tahapan kegiatan yang dilakukan adalah melakukan pembinaan dan pelatihan pada anggota kelompok masyarakat atau UMKM yang ada di Desa Jeruksawit Kecamatan Gondangrejo tentang pembuatan batako dari campuran limbah tebu atau blotong, selanjutnya melakukan pendampingan dalam pemasaran dan penataan manajemen usaha serta pembukuan serta pelaporannya. Keseluruhan kegiatan dilaksanakan oleh Tim. Hasil pelaksanaan kegiatan pengabdian ini dapat memberikan hasil peningkatan pendapatan masyarakat dan menunjang perbaikan manajemen usaha serta pengelolaan keuangannya. Dengan demikian dapat meningkatkan produktivitas usaha dan kesejahteraan masyarakat khususnya di lokasi pengabdian.

Kata kunci: limbah blotong, manajemen usaha, pengelolaan keuangan, UMKM



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**PENGEMBANGAN DESA WISATA NGROMBO GUNA MENINGKATKAN  
KEMANDIRIAN EKONOMI MASYARAKAT DI SUKOHARJO**

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**ABSTRAK**

Kemandirian ekonomi masyarakat Desa Ngrombo dapat ditingkatkan dengan memanfaatkan potensi yang dimiliki sebagai Desa Wisata. Potensi yang dimiliki Desa Ngrombo adalah sebagai sentra kerajinan gitar yang sudah dikenal oleh masyarakat Surakarta dan sekitarnya. Namun, permasalahan yang dihadapi mitra adalah belum mengetahui bagaimana konsep pengembangan Desa Wisata sesuai dengan aturan undang-undang serta belum mengetahui bagaimana tata cara menyusun rencana dan pelaksanaan mulai dari survei sampai dengan strategi pengembangan Desa Wisata. Untuk itu, kegiatan ini memiliki tujuan membantu mitra dengan memberikan pelatihan dan pendampingan menggunakan konsep pengembangan Desa Wisata sesuai dengan aturan undang-undang serta pelatihan dan pendampingan mengenai tata cara menyusun rencana dan pelaksanaan mulai dari survei sampai dengan mengembangkan strategi Desa Wisata. Metode yang digunakan yaitu ceramah, diskusi, pendampingan dan pemecahan masalah. Hasil kegiatan ini berupa terpenuhinya kategori indikator Desa Wisata sesuai dengan undang-undang dan dapat terpenuhinya survei lokasi sampai dengan klaster atraksi, aksesibilitas dan amenities oleh mitra sebagai Desa Wisata dengan demikian harapan peningkatan kemandirian ekonomi masyarakat dapat terwujud.

Kata kunci: Pengembangan, Desa wisata, Kemandirian ekonomi



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**PENDAMPINGAN PENGEMBANGAN EKONOMI KREATIF PADA KOMUNITAS  
INKLUSI MENGGUNAKAN METODE “MADEBYDISABLE” PRODUK WISATA DI  
DAYA TARIK OBYEK WISATA GITAR,  
BAKI SUKOHARJO.**

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**ABSTRAK**

Sukoharjo sebagai satu-satunya kabupaten yang mengimplementasikan undang-undang mengenai penyandang disabilitas, salahsatu buktinya adalah sudah mengembangkan 7 sasaran strategis kerangka kerja disabilitas. Dari 7 sasaran tersebut, 4 yang sinergi dengan pengembangan ekonomi kreatif khususnya yang bergerak dalam sub elemen sektor kreatif adalah kriya. Tahun 2021 sesuai penancangan pembangkitan sektor pariwisata berbasis pengembangan desa wisata dan pergerakan pemberdayaan disabilitas guna kemandirian ekonomi, maka PKM kami menyelaraskan program pemerintah tersebut pendampingan dan pelatihan kami di Desa Wisata Kampung Gitar Ngrombo, Baki Sukoharjo. Kampung Gitar dikenal dengan produk wisata yaitu gitar, dengan total 212 pengrajin gitar di Kampung Ngrombo tersebut dengan jumlah Disabilitass yang menjadi bagian pelatihan serta pendampingan di sanggar inklusi Ngrombo berjumlah 39 penyandang disabilitas. Dalam pendampingan pengembangan sub ekonomi kreatif khususnya kriya yaitu souvenir berbentuk gitar, dan untuk pemberdayaan komunitas disabilitas maka kami menggunakan metode “madebydisable” guna kemandirian ekonomi para penyandang disabilitas. Metode “madebysiable” hasil dari analisis prinsip Plan, Do, Check yang sudah kami lakukan pendampingan sebelumnya. Hasil dari pematangan model tersebut, mampu meningkatkan kemandirian diri penyandang disabilitas, sehingga kemampuan dan potensi diri terimplikasi pada produk-produk yang inovatif dan produktif.

Kata kunci : Disabilitas, Ekonomi Kreatif, Produk Wisata dan *Madebydisable*.



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**PELATIHAN TEKNIS DAN PENDAMPINGAN PEMBUATAN SABUN CUCI  
DENGAN MEMANFAATKAN MINYAK GORENG BEKAS (JELANTAH) PADA  
IBU-IBU PKK DI KOTA SURAKARTA**

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**ABSTRAK**

Tim Pengabdian Kepada Masyarakat pada kesempatan ini mengangkat topik Pelatihan Teknis dan Pendampingan Pembuatan Sabun Cuci Dengan Memanfaatkan Minyak Goreng Bekas (Jelantah) pada Ibu-ibu PKK di Kota Surakarta, melalui topik ini Tim kami bertujuan memberikan penyuluhan dan pelatihan teknis serta pendampingan pada ibu-ibu PKK di Surakarta mengenai bagaimana meningkatkan nilai guna dan nilai ekonomis melalui pemanfaatan limbah minyak goreng (jelantah) yang melimpah di dapur menjadi sabun cuci yang ramah lingkungan. Metode yang digunakan dalam kegiatan Pengabdian ini adalah metode ceramah /penyuluhan mengenai bahaya lemak jenuh yang berisiko pada gangguan kesehatan serta pelatihan teknis bagaimana mengubah nilai guna dan nilai ekonomis limbah minyak goreng (jelantah) melalui pembuatan / pengolahan sederhana menjadi sabun cuci dan pendampingan dalam pengemasan dan pemasarannya..Luaran yang diharapkan dari kegiatan ini adalah Ibu-ibu bisa membuat sabun cuci dari limbah minyak goreng (jelantah) dan mampu memasarkan produk olahan rumah tangga ini menjadi komoditi yang layak jual dan meningkatkan kemandirian ekonomi keluarga. Target setelah dilaksanakan pelatihan cukup menggembirakan 70% tujuan pelatihan tercapai dan sisanya perlu ditindak lanjuti dengan pendampingan untuk Pengabdian Kepada Masyarakat berikutnya.

Kata kunci : Jelantah, proses pengolahan, sabun cuci



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## OPTIMALISASI KETERLIBATAN PKK DALAM PROGRAM KEWIRAUSAHAAN WARGA DARMOREJO KOTA SURABAYA

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### ABSTRAK

Warga Darmorejo Kota Surabaya mayoritas masuk dalam kategori ekonomi menengah ke bawah. Rata-rata wanita paruh baya hanya memiliki kesibukan sebagai ibu rumah tangga. Beberapa mempunyai produk industri rumahan yang sederhana dan skala usahanya untuk penduduk sekitar saja. Program pengabdian masyarakat ini bertujuan untuk membantu meningkatkan taraf hidup masyarakat Darmorejo Surabaya dengan memberikan wawasan tentang kewirausahaan. Metode yang digunakan dalam pengabdian ini yaitu memberikan pelatihan kewirausahaan, pendampingan produksi, pelatihan administrasi pembukuan, sampai dengan pendesainan logo produk. Hasil program pengabdian masyarakat antara lain, peningkatan minat berwirausaha, menghasilkan beberapa produk baru, terdapat pencatatan administrasi pembukuan, dan hasil akhir produk berupa bermacam-macam produk unggulan warga Darmorejo.

Kata kunci: Kewirausahaan, Pemberdayaan PKK, Produk Unggulan





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**PEMBELAJARAN DIGITAL GUNA Mendukung GURU EKONOMI MENJADI  
PEMBELAJAR KREATIF DI ERA PANDEMI**

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**ABSTRACT**

*Due to the COVID-19 pandemic, learning in schools cannot be carried out face-to-face and must be done online. Many teachers are not ready when it comes to teaching online. Some teachers do not yet have the ability to use learning applications such as Google Classroom, I Spring, create learning animations and others. This community service program is designed to equip teachers in economic training MGMPs to be able to do better and more interesting learning. Teachers are given training on the use of google class rooms, making interesting PPT and interesting learning videos. With the training on the use of these learning applications, the competence of teachers in digital learning increases as indicated by the work of google forms, PPT and learning videos. The output of this activity is activity videos, publications in various mass media and community service journals*

*Keywords: Kompetensi, Pembelajaran digital, MGMP ekonomi, kreatif, pandemi*



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## PENDAMPINGAN *E-FINANCE BUSINESS* PADA PRODUSEN KAMPUNG KUE RUNGKUT SURABAYA

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### ABSTRAK

Kampung kue Rungkut Surabaya merupakan salah satu icon kota Surabaya dan sebagai sentra kuliner yang telah dikembangkan setelah krisis moneter tahun 1998. Pengelolaan usaha kurang baik, pengelolaan keuangan dan sumberdaya manusia kurang direncanakan, dan dukungan administrasi pembukuan juga tidak ada sehingga mereka tidak mampu menilai kinerja bisnisnya secara riil serta tidak mampu memprediksi kondisi usaha di masa datang. Kegiatan pengabdian masyarakat yang dilakukan menggunakan dua metode yaitu pelatihan dan pendampingan usaha. Pelatihan pengelolaan usaha berbasis e-business ditujukan pada produsen kue dan generasi muda yang diikuti 24 anggota paguyuban kampung kue aktif. Pelatihan ini berhasil memberikan wawasan khususnya generasi muda bahwa bisnis tidak hanya terfokus pada produksi saja, tetapi dibutuhkan strategi dan adaptasi teknologi dalam bisnis yang dikenal dengan istilah business digital (e-business). Selanjutnya adalah kegiatan pendampingan yang tidak sekedar pengamatan, namun tim pelaksana mencoba membantu menciptakan pengembangan usaha kearah e-business. Hasil pelatihan dan pendampingan berupa meningkatnya peran generasi muda, meningkatnya pemahaman anggota paguyuban kampung kue, pembenahan administrasi paguyuban, pengembangan sistem informasi business, penyusunan pelaporan sederhana. Kegiatan pengabdian masyarakat juga memperoleh dukungan dari Dinas Koperasi dan UMKM Kota Surabaya dan BPR Artha Unggul Surabaya. Potensi dan kondisi kampung kue Rungkut Surabaya masih memiliki harapan untuk dikembangkan. Karena itu, kemungkinan pengembangan yang dilakukan tim pelaksana bersama mitra adalah melakukan uji coba sampai implementasi e-business agar mampu meningkatkan perekonomian warga seperti kondisi sebelum pandemi COVID-19 dulu dan menjadikan kampung kue sebagai kampung wisata kuliner dan edukasi di kota Surabaya.

Kata kunci: Pelatihan, Pendampingan, E-Business, Produsen Kue



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**MEMBANGUN KEBERLANJUTAN DAN TATA KELOLA DANA AMANAH  
PEMBERDAYAAN MASYARAKAT (DAPM) KABUPATEN SRAGEN**

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**ABSTRAK**

Keberadaan Dana Amanah Pemberdayaan Masyarakat (DAPM) memberikan inklusi keuangan masyarakat miskin perdesaan yang tidak terjangkau layanan bank dan berbasis pemberdayaan. Dalam pengelolaan DAPM menghadapi masalah keberlanjutan dan tata kelola. Permasalahan dasar DAPM berkaitan dengan ekonomi kelembagaan yaitu tentang hak kepemilikan, modal social, kelembagaan dan payung hukum organisasi. Pengabdian ini bertujuan untuk memberikan pendampingan DAPM agar tetap berlanjut dengan tata kelola yang baik. Metode pengabdian yang digunakan adalah pendampingan, forum group discussion, workshop untuk penyelesaian masalah dalam pengembangan dan keberlanjutan DAPM. Hasil yang diperoleh dengan pendampingan antara lain DAPM mampu mengidentifikasi masalah dan solusi dengan metoda Analytic Network Process; melakukan analisis SWOT untuk menentukan strategi pengembangan dan keberlanjutan yang tepat, membangun tata kelola dan pendampingan penentuan badan hukum kelembagaan DAPM dan Unit Pengelola Kegiatan (UPK) DAPM.

Kata kunci: Tata kelola, Dana Amanah Pemberdayaan Masyarakat.



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## PENDAMPINGAN PENGABDIAN KEPADA MASYARAKAT BAGI PENGRAJIN LIMBAH JAGUNG DI KABUPATEN PATI

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### ABSTRAK

Banyak jenis kerajinan dari Kabupaten Pati, salah satunya adalah kerajinan bonggol jagung yang bahan bakunya berasal dari limbah jagung yang sudah tidak terpakai. Bonggol jagung tersebut diolah menjadi beraneka ragam bentuk kerajinan diantaranya lampu tidur, jam tangan, tempat tisu, stoples, tempat bunga, hiasan dinding dan masih banyak lagi. Peserta dalam kegiatan pengabdian kepada masyarakat yaitu UKM “**Tyara Craft**” yang berlokasi di daerah Sarirejo Kabupaten Pati. Serangkaian kegiatan pengabdian ini dilaksanakan pada tanggal 16 Maret sampai dengan tanggal 8 Juni tahun 2021. Kondisi pandemi covid 19 mengakibatkan UKM mengalami penurunan penjualan. Dalam rangka membantu peningkatan penjualan, maka pihak tim pengabdian melakukan beberapa kegiatan pendampingan. Beberapa kegiatan pendampingan yang dilakukan adalah memberikan pelatihan dan pendampingan e-marketing, penentuan harga jual, dan pencatatan keuangan melalui aplikasi android. Metode yang diambil dalam kegiatan pengabdian ini diantaranya adalah wawancara, observasi, ceramah, tutorial, diskusi, pendampingan, dan evaluasi. Setelah dilakukan pendampingan selama tiga bulan, mitra akhirnya memiliki lapak penjualan secara online, dapat menentukan harga jual secara tepat dan melakukan pencatatan keuangan melalui aplikasi android Lamikro.

Kata kunci: kerajinan, e-marketing, akuntansi



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**PENDAMPINGAN AKUNTANSI PERKOPERASIAN DAN ASPEK PERPAJAKAN  
PADA KOPERASI PAKAR DEKABE JAWA TIMUR DI SURABAYA**

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**ABSTRAK**

Koperasi Paguyuban Karyawan (Pakar) DEKABE yang berkedudukan di Surabaya memiliki keterbatasan kemampuan pengurus dalam penyusunan laporan keuangan sehingga tidak terdapatnya laporan pertanggungjawaban koperasi dan tidak menyelenggarakan Rapat Anggota Tahunan (RAT) sehingga koperasi ini tidak pernah membagikan Sisa Hasil Usaha (SHU). Permasalahan tersebut terjadi karena keterbatasan kemampuan pengurus dan pegawai dalam pengelolaan usaha koperasi dan pelaporan keuangan. Kegiatan pengabdian masyarakat yang dilakukan berupa pelatihan dan pendampingan penyusunan laporan keuangan koperasi dan aspek perpajakannya. Kegiatan pelatihan ini dihadiri 20 orang pengurus koperasi di Surabaya. Kegiatan pelatihan ini dilaksanakan selama 4 jam dengan materi yang disampaikan berkaitan dengan (1) konsep dan kegunaan laporan keuangan bagi koperasi; (2) mekanisme penyusunan laporan keuangan koperasi; (3) aspek pajak koperasi. Kegiatan Pendampingan yang dilakukan tim pelaksana dilakukan mulai dari identifikasi transaksi masing-masing unit usaha, mekanisme pencatatan transaksi secara manual maupun berbasis excel, penyusunan laporan keuangan tahunan untuk kepentingan persiapan RAT, pelaporan ke Dinas Koperasi dan UMKM Jatim maupun untuk pelaporan pajak. Luaran dari kegiatan ini adalah meningkatnya kemampuan pengurus dalam akuntansi koperasi, tersedianya catatan akuntansi berbasis excel, tersusunnya laporan keuangan koperasi dan tersampaikan laporan keuangan koperasi kepada anggota dan Dinas Koperasi sebagai bagian Laporan pertanggungjawaban Pengurus.

Kata kunci: Pelatihan, Pendampingan, Laporan Keuangan Koperasi





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## EDUKASI DAN PENDAMPINGAN PELAKSANAAN KEWAJIBAN PERPAJAKAN PPH PASAL 21 PADA PT. DUTA KARYA BERSATU

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### ABSTRAK

PT. Duta Karya Bersatu Surabaya merupakan perusahaan pengelola tenaga kerja outsourcing di Surabaya. PT Duta Karya Bersatu yang merupakan mitra dalam program pengabdian masyarakat ini sudah memenuhi syarat sebagai wajib pajak badan dan sudah mendaftar menjadi wajib pajak badan. Salah satu dari kewajiban wajib pajak badan di Indonesia adalah melakukan pemotongan pajak penghasilan pasal 21 terhadap para pegawainya. Untuk itu mitra telah memperkerjakan tiga pegawai untuk mengurus aspek perpajakan pajak penghasilan pasal 21 (PPH 21), tetapi masih terkendala dengan minimnya pengetahuan dari pegawai yang memproses PPh pasal 21 tersebut. Ditambah lagi dengan beragam jenis penghasilan yang diperoleh oleh para pegawai, dimana ada yang bersifat harian, kontrak, maupun bulanan sehingga menambah kerumitan buat mitra untuk melakukan perhitungan, pemotongan dan pelaporan pajak penghasilan pasal 21 ini. Pada Kegiatan Pengabdian masyarakat yang dilakukan dalam mengatasi permasalahan tersebut tim pelaksana melakukan kegiatan berupa edukasi aspek perpajakan dan pendampingan perhitungan PPh Pasal 21. Dalam kegiatan pengabdian masyarakat kali ini, dari tim akan membantu tentang pengetahuan tentang pajak penghasilan pasal 21 dari masing-masing karyawan yang mengurus tentang pemotongan pajak penghasilan pasal 21 dan pembuatan suatu pencatatan yang terkomputerisasi terkait pencatatan dan perhitungan pajak penghasilan pasal 21. Diharapkan dengan adanya sistem yang terkomputerisasi menggunakan excel ini kesalahan-kesalahan dalam perhitungan PPh Pasal 21 dapat dihindari dan membantu pemotongan pajak penghasilan pasal 21 dari para pegawai di PT Duta Karya Bersatu dengan nilai yang benar.

Kata kunci: Edukasi, Pendampingan, Pajak, PPh Pasal 21



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**PENINGKATAN PRODUKSI ANEKA CAMILAN DAN PENGENALAN  
PENCATATAN AKUNTANSI  
(Program Pengabdian Masyarakat Pada UMKM “Dua Bersaudara”-Pembuatan  
Produk dan Pencatatan Akuntansi)**

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**ABSTRAK**

Sebuah desa yang bernama Tambak Oso berada di Kecamatan Sedati, Kabupaten Sidoarjo merupakan daerah tambak. Namun, desa ini padat penduduknya, dekat toll Juanda dan wisata mangrove. Di sebelah utaranya, daerah ini merupakan perbatasan dengan Kota Surabaya. Bagi masyarakat sekitar—baik di daerah perbatasan, Surabaya maupun Sidoarjo—desa ini lebih dikenal sebagai desa dekat dengan Surabaya, meskipun desa itu termasuk kabupaten Sidoarjo. Di desa ini, terdapat banyak potensi yang belum diekplotasi secara maksimal yaitu potensi dagang terutama kuliner dan produksi camilan misalnya camilan kering. Di desa ini pula, juga terdapat sebuah UMKM yang cukup besar yaitu UMKM “Dua Bersaudara” yang merupakan UMKM pindahan dari daerah Mojokerto. Tujuan dari pengabdian masyarakat ini adalah memberikan pelatihan pembuatan snack stick krispi aneka rasa dengan bahan baku dasar berupa tepung, pelatihan pencatatan, dan penyusunan laporan keuangan secara sederhana berbasis Pernyataan Standard Akuntansi Keuangan Entitas Mikro Kecil Menengah (PSAK EMKM).

Kata Kunci: EMKM, Pencatatan akuntansi, snack stick krispi, PSAK EMKM