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Preface

The 1st International Conference of Finance, Economics, and Business initiate gathering the scholar to share their experience, the things that they’ve found in their research to the entire world regarding the importance of impulsion ethics in every aspect of the business process and influencing the regulator in designing judicial product. An additional goal of the ICOFEB 2018 is to offer an opportunity for young researchers, academicians, and practitioners with multidisciplinary interests to meet and interact with members inside and outside their own particular disciplines.

The topics to be presented in the paper are but not limited to: Financial and Econometric modeling and empirical issues, mathematical finance and applications in finance, behavioral finance, quantitative financial economics, Islamic banking and finance, development and related all topics, emerging Economics, accounting and related topics, business and related topics, marketing and related topics. The papers will be presented in English. Participants are welcome to submit their studies.

Damanhur
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# Contents

Governance, Risk Management Index, and Performance: A Comparative Study of Indonesian Islamic Compliant and Non-Compliant Firms  
*Husaini Husaini, Saiful Saiful*

Cost and Benefit Analysis on Breksi Cliff the Former Limestone Mining in Yogyakarta  
*Noto Pamungkas, Sri Suryaningsum*

The Influence of Service Quality and Intelegence Emotional to Satisfaction of Pilgrims in Lhokseumawe and Characteristic Individual as Moderate Variable  
*Nurmala Nurmala, Sullaida Sullaida, Marbawi Marbawi, Yusniar Yusniar, Azhar Azhar*

The Productive Waqaf Distribution Model in Improving People's Welfare in Bireuen Regency  
*Mukhlish Muhammad Nur, Fuadi Fuadi, Nazli Hasan, Munard Munard, Ihsan Ihsan*

Discretionary Accrual in the Bullish and Bearish Time Period in the Indonesian Capital Market (Study of Indonesian Manufacturing Companies)  
*Muhammad Haykal, Erlina Erlina, Azhar Maksum, Iskandar Muda*

Implementation of Forecasting in Measuring the Quality Level of Community Services in PLN Kota Lhokseumawe  
*Yuli Asbar, Badriana Badriana, Razif Razif, Sapna Biby, Mutammimul Ula, Widyana Verawaty Siregar*

Regional Disparity Model Before and After OTSUS in Aceh Province  
*Devi Andriyani*

Problems Mudharabah Mutlaqah in Muamalat Bank Jambi Branch (Study Between Theory and Practice)  
*Muhammad Qodri*

Syaria Accounting Analysis of Murabahah Financing in Syaria Mandiri Bank Jambi Branch (Study Between Theory and Practice)  
*Mukhzarudfa Mukhzarudfa, Muhammad Qodri*

The Advantages of Aqad Shirkah and its Financial Performance Case Study: non-and Financial Institutions in Aceh, Indonesia  
*Damanhur Abbas, Jumadil Saputra, Falahuddin Falahuddin*

Analysis Strategic of Improvement through economic Fishermens'Coastal Communities in Pahlawan Village, Tanjung Tiram Sub-District, Batu Bara Regency  
*Annisa Ilmi Faried, Diwayana Putri Nasution*

Poverty Alleviation Strategies and New Economic Creative Model in Lhokseumawe-Indonesia  
*Anwar Puteh, Em. Yusuf Iis, Azhar Hasan, Aiyub Yahya, Nurul Mawaddah*

The Effect of Monetary Policy Indicators Analysis by Using Interest Rate and Money Supply Approach to the Inflation in Aceh  
*Leli Putri Ansari*
<table>
<thead>
<tr>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Effectiveness of Management and Administration Sekolah Menengah</td>
<td>99</td>
</tr>
<tr>
<td>Imtiaz Yayasan Terengganu (Smiyt) to Student Academic Excellence</td>
<td></td>
</tr>
<tr>
<td>Mohd Zainudin Bin Harun, Sulaiman Yamin, Y.M Dato’ Tengku Mahmud Bin</td>
<td></td>
</tr>
<tr>
<td>Mansor</td>
<td></td>
</tr>
<tr>
<td>Zakah Accounting for Agriculture According to The Al-Amwal Scripture</td>
<td>105</td>
</tr>
<tr>
<td>Nurul ‘Agidah Moklis, Mohd Rizal Abu Bakar, Zahri Hamat</td>
<td></td>
</tr>
<tr>
<td>Improving the Objective Well Being of Productive Zakat Recipients by</td>
<td>113</td>
</tr>
<tr>
<td>Applying Islamic Micro Finance at Baitul Mal Aceh, Indonesia</td>
<td></td>
</tr>
<tr>
<td>Alamsyah Alwi, Mutiara Dwi Sari</td>
<td></td>
</tr>
<tr>
<td>The Coherence Model of Self-Efficacy as the Intervening Variable of</td>
<td>121</td>
</tr>
<tr>
<td>Work Environment and Leadership Behavior on the Employees Performance</td>
<td></td>
</tr>
<tr>
<td>of Aceh Government Planning Agency</td>
<td></td>
</tr>
<tr>
<td>Em Yusuf Iis, Sulaiman Sulaiman, Ahadi Arifin</td>
<td></td>
</tr>
<tr>
<td>Profitability of Coal Mining Sectors in IDX: Effects of CSR Disclosure,</td>
<td>128</td>
</tr>
<tr>
<td>Leverage and Size</td>
<td></td>
</tr>
<tr>
<td>Ristati Ristati, Marzuki Marzuki, Rasyimah Rasyimah, Desi Safitri,</td>
<td></td>
</tr>
<tr>
<td>Ghazali Syamni</td>
<td></td>
</tr>
<tr>
<td>Analysis of the Influence of Regional Leading Sectors on Economic</td>
<td>135</td>
</tr>
<tr>
<td>Growth in West Aceh District, Aceh Province</td>
<td></td>
</tr>
<tr>
<td>Yayuk Eko Wahyuningsih</td>
<td></td>
</tr>
<tr>
<td>An Analysis of the Effectiveness of the Islamic Economic Movement:</td>
<td>142</td>
</tr>
<tr>
<td>A Case Study of Mart 212 in Medan, Indonesia</td>
<td></td>
</tr>
<tr>
<td>Saparuddin Siregar, M. Yasir Nasution, Chuzaimah Batubara, M. Ridwan,</td>
<td></td>
</tr>
<tr>
<td>Sugianto Sugianto</td>
<td></td>
</tr>
<tr>
<td>The Challenge in Application of Cryptocurrency as Commodity in</td>
<td>148</td>
</tr>
<tr>
<td>Indonesia</td>
<td></td>
</tr>
<tr>
<td>Rico Nur Ilham, Khaira Amalia Fachrudin, Eben Ezer Pakpahan</td>
<td></td>
</tr>
<tr>
<td>Market Reaction Due to Implementation on International Financial</td>
<td>153</td>
</tr>
<tr>
<td>Reporting Standard (IFRS) on Public Listed Companies at LQ45</td>
<td></td>
</tr>
<tr>
<td>Murhaban Murhaban, M. Natsir Mahmud Nur, Indrayani Indrayani, Sri</td>
<td></td>
</tr>
<tr>
<td>Mulyati, Bintang Pratama</td>
<td></td>
</tr>
<tr>
<td>Determinants Profitability of Islamic Banks in Indonesia</td>
<td>159</td>
</tr>
<tr>
<td>Nazir Nazir, Marzuki Marzuki, Suci Ramadhanati, Muammar Khadafi,</td>
<td></td>
</tr>
<tr>
<td>Wahyuddin Albra, Husaini Husaini</td>
<td></td>
</tr>
<tr>
<td>Effect Of Murabahah Volume Accumulation On Profitability Of Banking</td>
<td>166</td>
</tr>
<tr>
<td>Institutions With Non Performing Financing (NPF) As Moderation</td>
<td></td>
</tr>
<tr>
<td>Variables</td>
<td></td>
</tr>
<tr>
<td>Lakharis Inuzula, Razif Razif, Mia Ftriani, Sri Wahyuni, Yuli Asbar,</td>
<td></td>
</tr>
<tr>
<td>Widyawanawati Ferawati Siregar</td>
<td></td>
</tr>
<tr>
<td>E-Commerce Internal Control Of Accounting Information Systems</td>
<td>176</td>
</tr>
<tr>
<td>Iskandar Muda, Azizul Kholis, Sonya Enda Natasha Pandia, Zainal Abidin</td>
<td></td>
</tr>
<tr>
<td>Tarigan</td>
<td></td>
</tr>
<tr>
<td>The Effect Of Issuance Of Sukuk Funds To Sharia Banking Performance</td>
<td>185</td>
</tr>
<tr>
<td>Atika Atika, Dwi Saraswati</td>
<td></td>
</tr>
<tr>
<td>The Profitability Graph Of Financing Companies In Indonesia</td>
<td>195</td>
</tr>
<tr>
<td>Ade Fatma Lubis, Mutia Ismail, Zainal Abidin Tarigan, Tapi Andasari</td>
<td></td>
</tr>
<tr>
<td>Lubis, Iskandar Muda</td>
<td></td>
</tr>
<tr>
<td>Title</td>
<td>Page</td>
</tr>
<tr>
<td>----------------------------------------------------------------------</td>
<td>------</td>
</tr>
<tr>
<td>Variables Affected on Economic Performance</td>
<td>201</td>
</tr>
<tr>
<td><em>Darwin Lie, Arfan Ikhsan, Jubi Jubi, Andy Irawan, Hendra Harmain</em></td>
<td></td>
</tr>
<tr>
<td>The Affect Good Corporate Governance, Debt Default, Auditor Client Tenure, Audit Delay On Audit Going Concernopinion</td>
<td>208</td>
</tr>
<tr>
<td><em>Arfan Ikhsan, Darwin Lie, Hendra Harmain, Andy Irawan, Jubi Jubi</em></td>
<td></td>
</tr>
<tr>
<td>The Effect of Capital Adequacy Ratio, Financing to Deposit Ratio, Non Performing Financing, Operating Expenses, Operating Income and Good Corporate Governance towards the Profitability of Islamic Banking Listed in Bank of Indonesia</td>
<td>215</td>
</tr>
<tr>
<td><em>Arfan Ikhsan, Muamar Khadafi, Muhammad Yamin Noch, Aristia Paramitha, Wahyudin Albra</em></td>
<td></td>
</tr>
<tr>
<td>Exploring Credibility of Indonesian Islamic Bank: An Exploratory Factor Analysis (EFA) Approach</td>
<td>231</td>
</tr>
<tr>
<td><em>Naufal Bachri, M. Shabri Abd Majid, Wahyuddin Albra</em></td>
<td></td>
</tr>
<tr>
<td>The Influence Transformasional Leadership and Transactional Leadership on the Organization Citizenship Behaviour and Employee Performace on Bank Aceh Sharia</td>
<td>238</td>
</tr>
<tr>
<td><em>Marbawi Marbawi, A. Hadi Arifin, Sulaida Sulaida, Nurmala Nurmala, Likdanawati Likdanawati</em></td>
<td></td>
</tr>
<tr>
<td>The Influence of Product and Service Quality Toward Customer Satisfaction at Fast Food Restaurant in Banda Aceh, Aceh Province</td>
<td>244</td>
</tr>
<tr>
<td><em>Ivon Jalil</em></td>
<td></td>
</tr>
<tr>
<td>The Effect of Foreign Direct Investment on Sustainable Development ASEAN 3 and ASEAN 5: A Conceptual Study</td>
<td>251</td>
</tr>
<tr>
<td><em>Irwan Yusof, Azlinah Ambak, Sulaiman Yamin, Norafzan Awang</em></td>
<td></td>
</tr>
<tr>
<td>The Effects of Lifestyles on Sustainable Consumption: A Conceptual Study of Cosmetics and Personal Care Products</td>
<td>259</td>
</tr>
<tr>
<td><em>Azlinah Ambak, Irwan Yusof, Sulaiman Yamin, Suhaimi Mohd Shamsuddin</em></td>
<td></td>
</tr>
<tr>
<td>Non-ethical Behaviour Mediates Relationship of Rules Obedience, Management Morality, and Effectiveness of Internal Monitoring System towards Accounting Fraud Tendency</td>
<td>267</td>
</tr>
<tr>
<td><em>Muhammad Yamin Noch, Victor Pattiasina, Yohanes Cores Seralurin, Fighty Elia Ratag</em></td>
<td></td>
</tr>
<tr>
<td>Social Sustainability Assessment of the Organic Gayo Coffee Industry in Aceh Province, Indonesia</td>
<td>276</td>
</tr>
<tr>
<td><em>Mariyudi Mariyudi, Suryadi Suryadi, M. Sayuti, Hendra Raza</em></td>
<td></td>
</tr>
<tr>
<td>The Revenue and Regional Expenditure in Aceh Province: Vector Error Correction (VEC) Approach</td>
<td>288</td>
</tr>
<tr>
<td><em>Asnawi Asnawi, Naufal Bachri, Rasyidin Rasyidin, Aiyub Aiyub</em></td>
<td></td>
</tr>
<tr>
<td>Quantitative Series: Linking Marketing Mix and Increasing Product Sales of Toyota Type Avanza</td>
<td>294</td>
</tr>
<tr>
<td><em>Aditya Halim Perdana Kusuma Putra</em></td>
<td></td>
</tr>
<tr>
<td>The Influence of Brand Image and Word of Mouth on Interests to Buy of Consumers of Yamaha N-MAX Motorcycle in Lhokseumawe City</td>
<td>302</td>
</tr>
<tr>
<td><em>T. Edyansyah</em></td>
<td></td>
</tr>
<tr>
<td>Getting Prepared: Employee Readiness for Changes</td>
<td>310</td>
</tr>
<tr>
<td><em>Muhammad Faris, Anissa Lestari Kadiyono</em></td>
<td></td>
</tr>
</tbody>
</table>
The Effect of Changes in Funds Budget for Results Against the Changes in Capital Expenditure Budget in District / City in Aceh Province
Sri Mulyati, Nur Afni Yunita, Wahyuddin Wahyuddin, Dy Ilham Satria, Muhammad Yusra

Government Sukuk and Sharia Mutual Funds to The Investment Yield Sharia Insurance in Indonesia
Mohd. Heikal, Iskandar Muda, Muammar Khaddafi, Wahyuddin Wahyuddin, Damanhur Damanhur

Whether of Sharia Stock and Corporate Sukuk Play a Role in The Investment Yield Sharia Insurance in Indonesia
Muammar Khaddafi, Iskandar Muda, Mohd. Heikal, Wahyuddin Wahyuddin, Falahuddin Falahuddin

The Influence of Personality, Organizational Culture and Organizational Commitment Toward Organizational Citizenship Behavior Ant Their Impacts on the Performance of Employees at KPP Pratama Lhokseumawe
Yanita Yanita, Aulia Rahmat, Ihsan Ihsan

Determinant Income of Kerawang Gayo Craftsmen
Nurlela Nurlela, Husaini Husaini, Nazir Nazir, Nurhasanah Nurhasanah, Wardhiah Wardhiah

Mudharabah Financing Determination on Sharia Banking of Indonesia
Ratna Husein, Mutaqien Daoed, Nazir Nazir, Damanhur damanhur, Yusniar Yusniar

Stealth Trading Behaviour in Capital Market: A Literature Review
Ghazali Syamni, Nasir Aziz, Said Musnadi, Faisal Faisal, M. Shabri Abd Madjdi

Knowledge of Aceh Entrepreneurs about Capital Market
Iswadi Iswadi, Marzuki Marzuki, Yunina Yunina, Muhammad Haykal, Mursidah Mursidah

Review of Regional Finance of Government of Regency and City in West Sumatera Province
Halkadri Fitra

Analysis the Effect of E-Government Implementation on Quality of Information Towards Government to Government (G2G)
Ilham Multama, Asniati Asniati, Annisaa Rahman

The Influence of Personal Value, Moral Philosophy, and Organizational Ethical Culture on Auditor Action and Acceptance for Dysfunctional Behavior
Sanda Patrisia Komalasari, Rahmat Febrianto, Yurniawati Yurniawati, Nilam Kemala Odang

The Effect of Political Connection and Earnings Management on Management Compensation
Riky Rizki Junaidi, Sylvia Veronica Siregar

An Investigation of Tourist Satisfaction on Tourism Destination
Agustinawati Agustinawati, Muhammad Yusuf

Review on the Financing Scheme of Indonesia’s Capital City Relocation Plan: Lessons Learned from Brazil, Malaysia, and Tanzania
M Ridho Mubaroq, Akhmad Solikin
<table>
<thead>
<tr>
<th>Title</th>
<th>Authors</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Development Analysis of Sharia Bank in Province of Aceh in Last Decade</td>
<td>Cut Delsie Hasrina, Azlim and Yusri</td>
<td>438</td>
</tr>
<tr>
<td>Financial Performance Assessment of LQ45 Companies using DuPont Analysis during the Period of 2013-2017</td>
<td>Muhammad Fuad, Rini Mastuti, Rita Meutia, Cici Syaila</td>
<td>446</td>
</tr>
<tr>
<td>Study of Factors Inhibiting the Business of Batik and Ulos Craftsmen in North Sumatra</td>
<td>Sari Bulan Tambunan, Linda Lores, Dhian Rosalina</td>
<td>462</td>
</tr>
</tbody>
</table>
Governance, Risk Management Index, and Performance: A Comparative Study of Indonesian Islamic Compliant and Non-Compliant Firms

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Abstract: The aim of this study is to test whether the performance of Islamic compliant companies is better than noncompliant companies. This research also examines whether Board Size, Board independence and Enterprise Risk Management (ERM) influence the Performance of those companies. The sample in this study is non-financial companies listed on the Indonesia Stock Exchange period 2011-2015, with a total of 95 Islamic compliant and 858 non-Islamic compliant companies. This study found that Islamic compliant performance is higher than non-Islamic compliant companies. Further, the findings of this study show that board size has no relation to the performance of those companies. While board independence has a negative relation to the performance of the companies. This study also found ERM positively affects the performance of both Islamic compliant and non-Islamic compliant companies.

Keywords: Board size, Board independence, ERM, performance and Islamic compliant

1. Introduction

The development of sharia business is increasing along with the awareness of Muslims to run business based on the Islam guide. This development also includes their participation in the halal investment in the capital market. This phenomenon can be seen from the existence of spikes of religious aware investors among Muslims. These investors trend to embed only in companies that run businesses in the manner permitted by Islamic rules (Sanusi et al., 2006). In Indonesia, since 2000 the Indonesia Stock Exchange created Jakarta Islamic Index (JII) covering 30 stocks whose business activities comply to Islamic principles that based on the National Sharia Council (DSN) fatwa. The launching of JII makes investors have an alternative in investing, especially halal investment because investors who have awareness of religion tend to invest in companies in accordance with sharia (Omran, 2009).

JII gives Muslim investors a guidance in selecting the stocks which provide high return and low risk among 30 stocks that listed in the index. The purpose of Islamic business not only for profit (Arham, 2010) but also for the healthy business climate, sustainable and good governance (Beekun, 1997). However, in order to give confidential for Muslim investors, the companies that listing in JII (shariah-compliant companies) should provide preferable performance than different companies (non-shariah compliant companies). Some previous studies concluded that firm performance in modern business perspective is influenced by board size, Board independence, and enterprise risk management (ERM). Meanwhile, resource dependence theory that the larger board size will be followed by better firm performance (Anum Mohd Ghazali, 2010) . Moreover, some studies found that the large board size will increase the effectiveness of corporate oversight, which will have an impact on improving firm performance (Pearce and Zahra, 1992; Kumar Adhikary, Huynh Gia Hoang Bishnu Kumar Adhikary and Huynh Gia Hoang, 2014; Haider, Khan and Iqbal, 2015).

Furthermore, according to stakeholder theory that the proportion of highly board independence will improve firm performance (Dahya, Dimitrov and McConnell, 2008; Juras and Hinson, 2008; Black and Kim, 2012; Bukair and Abdul Rahman, 2015; Fuzi, Halim and Julizaerma, 2016). The implementation of ERM as part of corporate governance also has an influence on improving company performance and can lower agency costs (Schroeck, 2002).

Furthermore, ERM uses risk appetite, to determine which risks should be received, and the risks to be mitigated or avoided by the company (Pagach and Warr, 2010).

The objective of this study is to examine whether there is a distinction in company market performance, governance, and risk management implementation in Islamic compliant and non-Islamic compliant companies. This study also tests the relation between governance structure and risk management implementation on the market performance of both Islamic and non-Islamic compliant companies.
2. Literature Review

2.1. Performance of Islamic Compliant and Non-Islamic Compliant Companies

Reference (Farooq and Alahkam, 2016) state that sharia firms have low leverage and accounts receivable are associated with lower bankruptcy risk and lower non-payment risks. It indicates the Islamic economic principle can make the financial system more stable and resistant to shocks. The implementation of risk management is also very important especially if the company is included in Islamic compliant because risk or uncertainty can be considered as 'gharar' and hence, should be avoided in investment. Therefore a Shariah-compliant company must minimize its risk or uncertainty (Sanusi et al., 2006).

2.2. Board of Director, Board Independence and Firm Performance

Corporate governance in Islamic finance becomes a necessity especially when the level of awareness of Muslims in choosing an investment based on sharia is increasing. High public perceptions of sharia firms and expect companies to set best practices in accordance with corporate governance rules and sharia requirements (Safieddine, 2009). Reference (Hermalin and Weisbach, 2001) declare the establishment of a Board of Directors in an important company as an internal control mechanism to oversee manager behavior, and in Islamic financial institutions, the main roles of the board of directors are to regulate and approve policies and strategies as a whole, to monitor the achievement of company goals, ensure management accountability and to protect shareholders (Chapra and Ahmed, 2009).

Reference (Anum Mohd Ghazali, 2010) explains, however, that resource dependence theory suggests that larger board sizes will result in better corporate performance because different skills, knowledge, and skills are elaborated in discussions in the boardroom. In contrast, Reference (JENSEN, 1993) argues that the small board tends to improve the company's performance. Likewise, Reference (Hermalin and Weisbach, 2001) suggest that larger board are less effective, because when the board is too large often act only as a symbol. In line with that view, empirical studies have shown inconsistent results between the relationship between board size and company performance. For example, References (Chin, Vos and Casey, 2004; Anum Mohd Ghazali, 2010) do not show the influence between board size and performance. References (Yermack, 1996) and (Ghosh, 2014) found a negative influence between board size and company performance. While (Pearce and Zahra, 1992; Kumar Adhikary, Huynh Gia Hoang Bishnu Kumar Adhikary and Huynh Gia Hoang, 2014) conclude there is a positive influence between board size and company performance. The results of research on Islamic compliant companies are conducted by (Abdullah, Hamid and Kamis, 1999) on Bursa Malaysia, showing the result that the board size does not effect on the firm's performance. While (Bukair and Abdul Rahman, 2015) prove that the negative relationship between board size on the performance of Islamic banks. Reference (Haider, Khan and Iqbal, 2015) studied Islamic banks in Punjab Pakistan, showing the result that board size had a significant effect on the Bank's performance.

Furthermore, the board independence of Directors can contribute independently and actively participate in discussions at the board level, and represent shareholders on the company board. The company appointed board independence to monitor the performance of directors and top management, so they always concentrate on shareholder interests by maximizing shareholder value (Fuzi, Halim and Julizaerma, 2016). Several studies have found a positive influence between board independence and company performance such as (Dahya, Dimitrov and McConnell, 2008; Juras and Hinson, 2008; Black and Kim, 2012). While (Anum Mohd Ghazali, 2010) and (Hermalin and Weisbach, 2001) found that there is no significant relationship between board independence composition and firm performance. Reference (Bukair and Abdul Rahman, 2015) concluded that Board independence negatively affects the company's performance. These results contradict stakeholder theory.

2.3. Enterprise Risk Management (ERM) and Firm Performance

Implementation of risk management or better known as ERM is part of the implementation of corporate governance as a function of control in achieving corporate strategic goals. The ERM definition often referred to today is the framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), which defines ERM as: "A process, influenced by boards of directors, management and other personnel, applied in strategy setting and across company, designed to identify potential events that may affect the entity, and manage risks in its risk appetite, to provide reasonable assurance about achieving the goals of the entity" (Enterprise Risk Management-Integrated Framework Executive Summary, 2004). Furthermore, Reference
(Schroeck, 2002) explains that the application of risk management can lower agency costs and increase shareholder value.

Some researchers have shown evidence that the implementation of ERM is related to company performance. Research (Gordon, Loeb and Tseng, 2009; Hoyt and Liebenberg, 2011) in US companies shows that there is a positive influence between ERM and company performance. The same results were also concluded by (Ai Ping and Muthuveloo, 2015) at a listed Public Company (PLC) at Bursa Malaysia, and (Florio and Leoni, 2017) in Italy. But the results of different research shown by (Pagach and Warr, 2010) which concluded that ERM has no significant effect on company performance.

3. Research Methodology

The sample was selected using purposive sampling, firstly we selected 209 non-financial companies for 2011-2015 (1045 firms-years observations). Secondly, we excluded outlier to find the final sample of 953 observations, consisting of 95 Islamic compliant and 858 non-Islamic compliant firms.

3.1. Variables and Measurement

This research variables measurement presented in Table 1 below

<table>
<thead>
<tr>
<th>Variable</th>
<th>Measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm Performance (Tobin's Q)</td>
<td>The comparing the market value of equity plus total debt divided by the book value of equity plus total debt ([27] and [29]).</td>
</tr>
<tr>
<td>Board Size (BS)</td>
<td>The total of the company's board of commissioners (Hermalin and Weisbach, 2001; Florio and Leoni, 2017).</td>
</tr>
<tr>
<td>Board independence (BI)</td>
<td>The number of the board independence divided by the total board of commissioners (Hermalin and Weisbach, 2001; Florio and Leoni, 2017).</td>
</tr>
<tr>
<td>Enterprise Risk Management (ERM)</td>
<td>The average score of ERM disclosure by each firm. The scores were obtained based on content analysis of the COSO-ERM Framework consisting of 78 items of ERM disclosure, each item uses a dichotomous approach if disclosed given value 1, and 0 for the reverse (Sanusi et al., 2006; Desender, 2007).</td>
</tr>
<tr>
<td>Islamic Compliant (IC)</td>
<td>Dummy variable where 1 company is included in JII index (Islamic compliant company) and 0 for others.</td>
</tr>
<tr>
<td>Profitability (ROA)</td>
<td>The relation between profit after tax and total assets ((Hermalin and Weisbach, 2001; Florio and Leoni, 2017)</td>
</tr>
<tr>
<td>Leverage (Lev)</td>
<td>The percentage of total debt to total assets (Hermalin and Weisbach, 2001; Desender, 2007; Florio and Leoni, 2017).</td>
</tr>
<tr>
<td>The size of the company (SIZE)</td>
<td>Natural Logarithm of total assets (Hermalin and Weisbach, 2001; Desender, 2007; Florio and Leoni, 2017).</td>
</tr>
</tbody>
</table>

3.2. Data Analysis

Analysis data of this research using univariate and multivariate analysis. Univariate analysis is used to determine the differences in performance, ERM, Board independence, profitability, and corporate debt level between IC and Non-IC. While multivariate analysis is used to test the influence of each independent variables (BS, IB, ERM, and IC,) on firm performance (Tobin's Q). Furthermore, to test whether Islamic Compliance (IC) have an effect on company performance can be known from the result of IC interaction with other independent variables. The research model is as follows:
Tobin’s Q = β₀ + β₁BS + β₂BI + β₃ERM + β₄ROA + β₅Lev + β₆Size + β₇IC + β₈IC*BS + β₉IC*IB + β₁₀IC*ERM + β₁₁IC*ROA + β₁₂IC*Lev + ε ........................... [1]

4. Result And Discussion

4.1. Descriptive Statistics

Table 2 shows that the average firm performance (Tobin's Q) is 1.51. The average implementation of ERM of 0.49%, indicates that implementation of ERM in the sample company tends to be at moderate levels. Profitability (ROA) shows an average of 0.05 that indicates the company's ability to generate profits is still low. Furthermore, the average board size (BS) is 4 person, while the proportion of board independence (IB) is 41%. It indicates that the proportion of IB has complied with Indonesia SEC regulation.

Table 2. Descriptive Statistics

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mea</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tobin's Q</td>
<td>95</td>
<td>0.13</td>
<td>12.3</td>
<td>1.51</td>
<td>1.13</td>
</tr>
<tr>
<td>BS</td>
<td>95</td>
<td>2.00</td>
<td>11.0</td>
<td>4.17</td>
<td>1.75</td>
</tr>
<tr>
<td>BI</td>
<td>95</td>
<td>0.20</td>
<td>0.80</td>
<td>0.41</td>
<td>0.10</td>
</tr>
<tr>
<td>ERM</td>
<td>95</td>
<td>0.27</td>
<td>0.76</td>
<td>0.49</td>
<td>0.10</td>
</tr>
<tr>
<td>ROA</td>
<td>95</td>
<td>-</td>
<td>9.56</td>
<td>0.05</td>
<td>0.34</td>
</tr>
<tr>
<td>Size</td>
<td>95</td>
<td>22.3</td>
<td>33.1</td>
<td>28.0</td>
<td>1.81</td>
</tr>
<tr>
<td>Lev</td>
<td>95</td>
<td>-</td>
<td>11.8</td>
<td>0.57</td>
<td>0.77</td>
</tr>
</tbody>
</table>

4.2 Correlation Analysis

Table 3 below presents the statistical correlations among variables used in the regression analysis. The overall result shows the correlation coefficient of less than 0.8. These results indicate that there is no multicollinearity problem in the regression analysis (Hair et al., 2014).

Table 3. Correlations Matrix

<table>
<thead>
<tr>
<th>Var</th>
<th>Tobin's Q</th>
<th>BS</th>
<th>BI</th>
<th>ERM</th>
<th>ROA</th>
<th>Size</th>
<th>Lev</th>
</tr>
</thead>
<tbody>
<tr>
<td>BS</td>
<td>.05</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BI</td>
<td>.02</td>
<td>-.03</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ERM</td>
<td>.08**</td>
<td>.39***</td>
<td>-.02</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ROA</td>
<td>.03</td>
<td>.16***</td>
<td>-.05</td>
<td>.02</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Size</td>
<td>-.06*</td>
<td>.56***</td>
<td>.04</td>
<td>.49***</td>
<td>.09***</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lev</td>
<td>.64****</td>
<td>-.10***</td>
<td>.14**</td>
<td>-.06*</td>
<td>-.19***</td>
<td>-.21***</td>
<td></td>
</tr>
<tr>
<td>IC</td>
<td>.17***</td>
<td>.44***</td>
<td>.01</td>
<td>.36***</td>
<td>.06*</td>
<td>.51***</td>
<td>.05*</td>
</tr>
</tbody>
</table>

Notes: *p < 0.10, **p < 0.05, ***p < 0.01

4.2. Differences Performance, Governance Structure and ERM of Islamic Compliant and Non-Islamic Compliant

The univariate results of the analysis are shown in Table 4 below
Table 4. Independent Samples t-Test

<table>
<thead>
<tr>
<th>Variable</th>
<th>Category</th>
<th>N</th>
<th>Mean</th>
<th>Std. Dev</th>
<th>t-stat</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tobin’s Q</td>
<td>IC</td>
<td>95</td>
<td>2.10</td>
<td>0.88</td>
<td>5.45**</td>
<td>&lt;0.01</td>
</tr>
<tr>
<td></td>
<td>Non-IC</td>
<td>858</td>
<td>1.44</td>
<td>1.14</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BS</td>
<td>IC</td>
<td>95</td>
<td>6.48</td>
<td>1.71</td>
<td>15.09*</td>
<td>&lt;0.01</td>
</tr>
<tr>
<td></td>
<td>Non-IC</td>
<td>858</td>
<td>3.91</td>
<td>1.56</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BI</td>
<td>IC</td>
<td>95</td>
<td>0.41</td>
<td>0.11</td>
<td>0.27</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Non-IC</td>
<td>858</td>
<td>0.40</td>
<td>0.10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ERM</td>
<td>IC</td>
<td>95</td>
<td>0.60</td>
<td>0.08</td>
<td>11.87*</td>
<td>&lt;0.01</td>
</tr>
<tr>
<td></td>
<td>Non-IC</td>
<td>858</td>
<td>0.48</td>
<td>0.10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ROA</td>
<td>IC</td>
<td>95</td>
<td>0.11</td>
<td>0.09</td>
<td>1.94*</td>
<td>&lt;0.05</td>
</tr>
<tr>
<td></td>
<td>Non-IC</td>
<td>858</td>
<td>0.04</td>
<td>0.36</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Size</td>
<td>IC</td>
<td>95</td>
<td>30.8</td>
<td>0.95</td>
<td>18.02*</td>
<td>&lt;0.01</td>
</tr>
<tr>
<td></td>
<td>Non-IC</td>
<td>858</td>
<td>27.7</td>
<td>1.62</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lev</td>
<td>IC</td>
<td>95</td>
<td>0.42</td>
<td>0.17</td>
<td>-1.67*</td>
<td>&lt;0.10</td>
</tr>
<tr>
<td></td>
<td>Non-IC</td>
<td>858</td>
<td>0.56</td>
<td>0.81</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes: *p < 0.10; **p < 0.05; ***p < 0.01

Table 4 above is the result of independent test samples t-test, Islamic compliant and non-Islamic compliant differences. These results indicate Islamic compliant provide better performance (Tobin's Q), higher board size (BS), and higher implementation of ERM than non-Islamic compliant companies.

4.3. Relationship of Governance Structure, implementation of ERM, and firm Performance

Table 5 is the results of analysis using multiple linear regression, show that the value of F-statistic is 81.633 and p <0.01, with adj R-square of 0.504 or 50.4%. Furthermore, the test results show that the variable board size (BS) has no effect on the firm performance (Tobin's Q) for Islamic compliant and non-Islamic compliant, IC and BS interaction also showed no significant relationship.

Table 5. Results of Multiple Regression Analysis

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>1.696</td>
<td>0.508</td>
<td>3.338** *</td>
</tr>
<tr>
<td>BS</td>
<td>0.009</td>
<td>0.020</td>
<td>0.435</td>
</tr>
<tr>
<td>BI</td>
<td>-0.797</td>
<td>0.276</td>
<td>-2.886** *</td>
</tr>
<tr>
<td>ERM</td>
<td>0.717</td>
<td>0.316</td>
<td>2.271** *</td>
</tr>
<tr>
<td>ROA</td>
<td>0.228</td>
<td>0.079</td>
<td>2.890** *</td>
</tr>
<tr>
<td>LEV</td>
<td>1.003</td>
<td>0.036</td>
<td>28.179*** **</td>
</tr>
<tr>
<td>Size</td>
<td>-0.032</td>
<td>0.020</td>
<td>-1.591</td>
</tr>
<tr>
<td>IC</td>
<td>2.569</td>
<td>0.800</td>
<td>3.211** *</td>
</tr>
<tr>
<td>IC*BS</td>
<td>-0.040</td>
<td>0.055</td>
<td>-0.732</td>
</tr>
<tr>
<td>IC*BI</td>
<td>0.020</td>
<td>0.810</td>
<td>0.025</td>
</tr>
<tr>
<td>IC*ERM</td>
<td>-0.908</td>
<td>1.034</td>
<td>-0.877</td>
</tr>
<tr>
<td>IC*ROA</td>
<td>3.754</td>
<td>0.933</td>
<td>4.023** *</td>
</tr>
<tr>
<td>IC*LEV</td>
<td>-3.287</td>
<td>0.521</td>
<td>-</td>
</tr>
</tbody>
</table>

**p < 0.01, *p < 0.05, **p < 0.10
<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>6.304**</td>
</tr>
<tr>
<td></td>
<td></td>
<td>*</td>
<td></td>
</tr>
</tbody>
</table>

Adj R-square 0.504; F-Stat 81.633***

Notes: *p < 0.10; **p < 0.05; ***p < 0.01

The independence board (IB) is negatively related to the firm performance (Tobin's Q), but IC and IB interactions do not show significant relationship. Furthermore, ERM has a significant positive effect on performance (Tobin's Q). However, IC and ERM interaction results did not show significant relationship.

The test results for the ROA control variable indicate there is a positive influence between ROA and Tobin's Q, as well as IC and ROA interaction results, show a significant relationship with Tobin's Q. These results are consistent specifically for Islamic compliant companies. Different results are indicated by leverage (Lev) variables in the overall Islamic compliant and non-Islamic compliant, indicating a positive relationship with performance (Tobin's Q). In contrast, the results of IC and Lev interactions show a negative relation with firm's performance (Tobin's Q). Furthermore, firm size (Size) has no effect on a company's market performance. The Islamic compliant (IC) is positively influence to firm's performance (Tobin's Q).

5. Conclusions

This study found that firm performance, board size, implementation of ERM in Islamic compliant is higher than non-Islamic compliant. Meanwhile, the board independence has the same proportion of both Islamic compliant and non-Islamic compliant. The also found that board size has no relation to the firm's performance for both Islamic compliant and non-Islamic compliant. Moreover, this study provides an empirical evidence that board independence negatively influences firm performance both Islamic compliant and non-Islamic compliant. However, for Islamic compliant subsample, this study found board independence is no relation to firm performance. Instead, implementation of ERM has a significant positive effect on firm performance. However, for Islamic compliant companies, this study did not find the relationship between the implementation of ERM and firm performance.

References


Cost and Benefit Analysis on Breksi Cliff the Former Limestone Mining in Yogyakarta

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Abstract: This study aims to analyze the costs and benefits of the Breksi Cliff which is the former limestone mine in Yogyakarta. The type of data used in this study is primary data. The research is conducted by observation, library research, and in-depth interviews. The object of the research is the Breksi Cliff. The limestone mining activities have been started since the 1980s and now the quality of the limestone is also not suitable for mining and has no economic value. So that local residents creatively create the former limestone mining into a tourist attraction. The Breksi Cliff is a form of creative reclamation in the form of a natural museum that has historical value. The Breksi Cliff offers limestone relief which can also be used as an educational tour. Based on the estimated calculation of income per day if a normal day is IDR10,000,000, then at the weekend of IDR20,500,000, and in the holiday season reaches IDR51,250,000. However, there is no related regulation on retribution. Sleman District Government explained that until now there are no rules that regulate the attractions managed by citizens. It is expected that the Sleman Regency Government will immediately make regulations related to tourist attractions managed by citizens. Then infrastructure improvements should be considered more for the safety and comfort of tourists.

Keywords: Tourism, Reclamation, Mining, Cost and Benefit Analysis

1. Introduction

Indonesia is not only famous for its diverse cultures and tribes but also its natural wealth. It is no longer a secret that Indonesia's natural wealth is so numerous and varied. One of them is having a large enough mining potential. There are already enough areas to serve as a place for mining activities. Therefore, in Law no. 4 of 2009 which regulates the mining of minerals and coal there are several stages of mining activities that end with post-mining activities.

Related to mining activities, Daerah Istimewa Yogyakarta (DIY) is included in areas that have mining potential. In Sleman, DIY, there is a limestone mining. Limestone mining activities in Sambirejo, Prambanan, Sambirejo, Sleman, DIY have been running since the 1980s. Counting more than 20 years of limestone mining activities are running. After mining activities stopped, post-mining activities undertaken by local residents is to make the reclamation of tourism. The reclamation can be said to be quite unique and has economic value that is not less competitive with mining activities.
2. Literature Review

2.1. Mining

According to Law no. 4 of 2009 on mineral and coal mining explains that mining is part or all of the phases of activities in the research, management and exploitation of minerals or coal covering general investigation, exploration, feasibility study, construction, mining, processing and refining, transportation and sales, and post-mining activities.

2.2. Environmental Management Activities

In the Government Regulation of the Republic of Indonesia Number 78 Year 2010 on reclamation and post-mining principle of protection and environmental management of mining include: (1) Technology Approach that contains all planned physical and biological environmental management techniques (2) Social Economic and Cultural Approach that specifies the assistance and cooperation of the relevant government apparatus required by the proponent (3) Institutional Approach that specifies the activities of each agency/other institution involved in the implementation of development and impact mitigation activities of the general mining activity plan.

2.3. Environmental Issues Due to Mining Activities

Due to the complex social impacts, the environmental impact analysis (AMDAL) of a mining activity should be able to answer two main objectives (World Bank, 1998) in (Mills, 2014): (1) Ensure that environmental, social and health costs are taken into consideration in determining economic feasibility and determining alternative activities to be selected. (2) Ensure that control, management, monitoring and protection measures are integrated within the project design and implementation and closure plans.

2.4. Tourism

Based on Law no. 10 of 2009 on tourism states that the strategic area of tourism is the area that has the main function of tourism or has the potential for tourism development that has an important influence in one or more aspects, such as economic growth, social and cultural, natural resource empowerment, environmental carrying capacity, as well as defense and security.

2.5. Cost and Benefit Analysis (CBA)

According to Schniederjans et al. (2004), Cost and Benefit Analysis (CBA) is a technique for analyzing costs and benefits that involve estimating and evaluating the benefits associated with alternative actions. This technique compares the value of current benefits with the investment of the same investment cost as a tool in decision making. The purpose of Cost and Benefit Analysis (CBA) is to determine or measure whether the usefulness of a project, program or activity is a good investment (cost) or not. The CBA also aims to provide a basis for comparing a project. Includes comparing the total expected cost of each option to the total expected profit, to see if the profit goes beyond cost and how much.
3. Methodology

3.1. Data Type

According to Yasin et al. (2016) in Suryaningsum (2017), the source of the data is divided into two types. First, primary data means the data retrieval directly from the source as the object of research and secondary data which means data obtained indirectly from the data previously obtained.

3.2. Data Collecting Method

The study was conducted by case study method, observations, literature research and in-depth interviews at Breksi Cliff were conducted for approximately, February 2018 to July 2018. This study aims to answer research questions: How do local residents manage tourist objects BreksiCliff? What is the government's action in regulating the retribution? How is governance or improvement of BreksiCliff in the future? What kind of beauty is presented in the BreksiCliff? How the application of CBA on BreksiCliff?

4. Result And Discussion

One tourist destination in Sambirejo that quite interesting is Breksi Cliff. Breksi Cliff presents a cliff with a classic carving, not inferior to the tourist attraction. Breksi Cliff is still fully managed by the local community.

To enter this tourist attraction is charged voluntary, while for motorcycle parking will be charged tariff of IDR2.000, - and car parking charged IDR5.000, -. Limestone mine that exist in that place is volcanic ash deposits from volcano Purba Nglanggeran in Gunung Kidul. This means the area is included in the cultural heritage that must be preserved.

![Fig. 1. Breksi Cliff](image)

4.1. The Strategy for the Development of Breksi Cliff Tourism

In business development, the strategy is very important to be planned properly so as to be able to achieve the desired target. The strategies that have been carried out by the managers of Breksi cliff park attractions are (1) always maintaining the cleanliness of the tourist environment (2) endeavored to renovate tourist attractions once every 6 months or once a year (3) add facilities and infrastructure of tourism objects, (4) increase promotion by planning art events once a week or once a month, (5) required to managers tourist attraction to show friendly attitude to tourists.
4.2. Impact Analysis of Breksi Cliff Tourism in the Economy

The development of Breksi Cliff tourism certainly has a good impact on the economy of the local community. Communities around the tourist area of Breksi Cliff are currently not only relying on the results of agricultural products as a livelihood, but also participating in these tourism objects, such as selling, opening lodging, and also parking guards. In other words, the development of Breksi Cliff tourism objects can create jobs for people who want to participate. For the negative impact itself, so far the community has not felt it, because people feel more positive impact on the economy.

4.3. Cost and Benefit Analysis (CBA) Breksi Cliff

CBA for limestone mining is considered not to provide maximum benefit when measured from costs incurred. The price of limestone is also not so expensive. Unlike the CBA Breksi Cliff as a tourist attraction. The cost incurred for the reclamation of the tourist attraction is considered capable of providing high benefits because this one tourist attraction has a lot of visitors.

From the analysis amount of visitors is large enough. It is estimated 2,500 visitors for normal day and 5,000 visitors for weekend. Suprisingly, its increase 5 times in the holiday season to 12,500 visitors. From the withdrawal for parking fees, it is able to generate quite a lot of income as can be said to increase the Regional Original Income (PAD) which can later be allocated to the interests of the community. Estimated income of Breksi cliffs per day based on the results of observations conducted by researchers (February 2018 - July 2018).

**Table 1.** Estimated income of Breksi cliffs per day (February 2018 - July 2018).

<table>
<thead>
<tr>
<th></th>
<th>NORMAL DAY</th>
<th>WEEKEND</th>
<th>HOLIDAY SEASON</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Quantity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Motorcycle</td>
<td>750</td>
<td>1500</td>
<td>3750</td>
</tr>
<tr>
<td>Car</td>
<td>250</td>
<td>500</td>
<td>1250</td>
</tr>
<tr>
<td>Entrance Ticket</td>
<td>2500</td>
<td>5000</td>
<td>12500</td>
</tr>
<tr>
<td><strong>Fee</strong></td>
<td>IDR2,000</td>
<td>IDR2,000</td>
<td>IDR2,000</td>
</tr>
<tr>
<td><strong>Amount</strong></td>
<td>IDR1,500,000</td>
<td>IDR3,000,000</td>
<td>IDR7,500,000</td>
</tr>
<tr>
<td><strong>Total income per day</strong></td>
<td><strong>IDR10,000,000</strong></td>
<td><strong>IDR20,500,000</strong></td>
<td><strong>IDR51,250,000</strong></td>
</tr>
</tbody>
</table>
4.4. Impact Analysis of Breksi Cliff Tourism in the Social Field

The development of Breksi cliff tourism has a positive and negative impact in the social field. The positive impact is mutual respect and tolerance between local people and migrants. While the negative impact that can be felt is the existence of social irregularities, that some tourist still can not respect the the norm of the surround society, like bringing liquor, making noise to pay attention, etc.

4.5. Impact Analysis of Breksi Cliff Tourism in the Field of Culture

The development of Breksi cliff tourism has a positive and negative impact on the cultural field. The positive impact is that The Breksi Cliff is being a stage to promote other culture in Yogyakarta by introducing it as event package like Yogyakarta art festival. But then, it will also negatively affect on how the local community influenced, especially at their cultural habit, by other culture and life style.

4.6. Feasibility Analysis of Breksi Cliff Tourism

Based on the explanation about the strategy and also the impact of tourism development on the economic, social and cultural fields. In the field of social economy, Breksiclliff tourism can be declared feasible on the grounds that the presence of tourism can improve the economy and standard of living for local communities. Feasibility in terms of tourism promotion can be said to be feasible, the proof is that these tourism objects are very popular among the public, many visitors come to enjoy the beauty of Breksi cliff tourism. Even though the tourism infrastructure still has to be improved, the Breksi Cliff is already worthy of being recommended as a must-visit in Yogyakarta. On the other hand, there are things that are stated to be still not feasible for the author is the access road to tourist sites. For tourism management, there should be interference from the government.

Fig. 2. the explanation about the strategy and also the impact of tourism development on the economic

4.7. Infrastructure Under Construction

Currently the construction of lodging in Breksiclliff is currently being carried out. The construction of the inn is expected to continue to pay attention to the surrounding environment, so that the construction of inns to increase the attractiveness of tourists will actually damage the surrounding environment which should be maintained. In this case the role of the government is also very much needed in connection with permission to establish a
business. It is expected that the establishment of an inn has secured a permit with a selective system, so that it is expected to minimize environmental damage and other conflicts that might occur.

4.8. There is No Regulation for Retribution of Tourist Objects Managed by The Community

Although Breksi Cliff tourism object has long been opened, but until now there has been no regulation governing the retribution of tourist objects managed by the community. This potential should be even better if managed in an organized manner through Badan Usaha Milik Desa (BUMDes). BUMDes in the tourism management village in this case Sleman, should have to be equipped with a clear legal umbrella, namely having a Village Regulation that manages the tour.

The formation of BUMDes will be an instrument for the formation and improvement of the revenue or Pendapatan Asli Desa (PADesa). The formation and improvement of PADesa will be the capital for the establishment of development activities through local (village) initiatives, so that it will gradually reduce dependence on the government. Based on Capital of BUMDes Article 39 paragraph 2 Government Regulation No. 72 of 2005, explains that the capital for the establishment and development of BUMDes can obtain capital from the government through APBDes. This is what is meant by empowerment that is oriented towards self-sufficiency and independence with the availability of management funds and development financing for the village. If rural development works well, it is expected to have an impact on improving the quality of life of rural communities.

5. Conclusion

Breksi Cliff is not naturally formed, its unique shape is like a masterpiece carving was formed due to eroded mining activities of building materials for many years since the 80s and became a source of livelihood by local residents. Based on CBA, Breksi Cliff provide more benefits when used as a tourist attraction than mining if judged from the cost incurred. The management of Breksi Cliff tourism is entirely managed by local residents and there are still some improvements to be made such as road repairs and other infrastructures. Improvement of infrastructure such as highways to Tebingbreksi for tourists to feel safe in their journey. Breksi Cliff management can make tourism packages around Sambirejo Hamlet. We recommend that the formulation of regulation related to the retribution of the tourism object which is managed by the residents should be immediately established, since the retribution can increase the local revenue.

References


The Influence of Service Quality and Intelligence Emotional to Satisfaction of Pilgrims in Lhokseumawe and Characteristic Individual as Moderate Variable

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¹Lecturer at Universitas Malikussaleh, Indonesia

Abstract: The purpose of this study is to analyze the effect of service quality and emotional intelligence on the satisfaction of pilgrims in Lhokseumawe, with individual characteristics as moderating variable. Sampling of population used probability sampling. The samples of research are 200 people and data analyzed by using Structural Equation Model. Based on the research conclude that service quality and emotional intelligence are influences to satisfaction of pilgrims in Lhokseumawe. While, individual characteristics do not affect to satisfaction of pilgrims in Lhokseumawe. But individual characteristics moderate of emotional intelligence on the satisfaction of pilgrims in Lhokseumawe.

Keyword: Quality of Service, Emotional Intelligence, Individual Characteristics, and Satisfaction

1. Introduction

The implementation of the Hajj held by the government is carried out based on the principles of justice, professionalism, and accountability with the principle of non-profit. Hajj administration by the government aims to provide guidance, service, and protection as well as possible for pilgrims, so that pilgrims can perform their worship in accordance with the provisions of the teachings of Islam. The Government is obliged to carry out coaching, service and protection by providing administrative services, guidance on Hajj worship, accommodation, transportation, health services, security, and other matters needed by pilgrims.

Several types of Hajj services provided by the Office of the Ministry of Religion of Lhokseumawe such as the registration of Hajj by filling out the Request for Hajj Application (SPPH), online through the Integrated Hajj Computerization System (Siskohat) guided by officers, notification of departure schedules, carrying out the guidance of worship and rituals of Hajj, arrangement Hajj passport, etc.

2. Literature Review

2.1. Service

Service is defined as a way or subject to help prepares or takes care of what is needed by someone. In the implementation of Hajj services is a way to help or take care of prospective pilgrims to be able to carry out the pilgrimage both when it is still in the land and in the holy land (Nurhasyim, 2004) These characteristics can be the basis for providing the best service. A
broader understanding is conveyed by (Sutopo and Suryanto, 2003) that service is any business that enhances customer satisfaction.

2.2. Service quality

Service quality can be interpreted as an effort to meet consumer needs and desires as well as the accuracy of delivery in keeping up with consumer expectations (Tjiptono and Chandra, 2007). Quality of service (service quality) can be known by comparing the perceptions of consumers about the services they clearly receive / get with the services they actually expect / want for the service attributes of a company. If the service is perceived or perceived as expected, the quality of service is perceived to be good and satisfying, if the service received exceeds consumer expectations, the quality of service is perceived to be very good and quality.

2.3. Emotional Intelligence

(Goleman, 2003) states that emotional intelligence is more ability that a person has in self-motivation, resistance to failure, controlling emotions and delaying satisfaction, and regulating the soul. With emotional intelligence, a person can put his emotions on the right portion, have satisfaction and set his mood well

2.4. Satisfaction

Customer satisfaction is the level of feeling happy or disappointed by someone who appears after comparing the performance or results and what is expected, (Tjiptono and Chandra, 2007; Kotler and Kevin, 2009). So, the level of satisfaction is a function of the difference between perceived performance and expectations

2.5. Individual Characteristics

The most important resources in the organization are human resources, people who give their organization's energy, talent, creativity, and effort so that an organization can maintain its existence. Every human being has individual characteristics that differ from one another, (Robbins, 2007).

2.6. Conceptual framework
3. **Methodology**

This research was conducted at the Office of the Ministry of Religion of Lhokseumawe City which is located at Jl. Nyak Adam Kamil No.1 Kota Lhokseumawe. The object of this research is Lhokseumawe pilgrims who depart for the 2015 M / 1434 H. Hajj. In this study the types and sources of data used are Primary and Secondary Data. The populations in this study all the pilgrims of Lhokseumawe City who departed in 2012 M / 1433 H totaling 241 worshipers from 4 sub-districts in the Lhokseumawe City region. Sampling in this study used probability sampling.

4. **Result And Discussion**

4.1. **Analysis of Structural Equation Modeling**

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Cut Off</th>
<th>Results</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-Square</td>
<td>-</td>
<td>257.19 8</td>
<td>Good</td>
</tr>
<tr>
<td>The Degree of Freedom</td>
<td>-</td>
<td>129</td>
<td>Good</td>
</tr>
<tr>
<td>The Goodness of Fit Index (GFI)</td>
<td>≥ 0.90</td>
<td>0.877</td>
<td>Marginal</td>
</tr>
<tr>
<td>Adjusted Goodness of Fit Index (AGFI)</td>
<td>≥ 0.90</td>
<td>0.837</td>
<td>Marginal</td>
</tr>
<tr>
<td>Tucker Lewis Index (TLI)</td>
<td>≥ 0.95</td>
<td>0.951</td>
<td>Good</td>
</tr>
<tr>
<td>Comparative Fit Index (CFI)</td>
<td>≥ 0.95</td>
<td>0.959</td>
<td>Good</td>
</tr>
<tr>
<td>Root Mean Square Error of Approximation (RMSEA)</td>
<td>≤ 0.08</td>
<td>0.071</td>
<td>Good</td>
</tr>
<tr>
<td>CMIN</td>
<td>≤ 2.00</td>
<td>1.994</td>
<td>Good</td>
</tr>
<tr>
<td>P-Value</td>
<td>≥ 0.05</td>
<td>0.420</td>
<td>Good</td>
</tr>
</tbody>
</table>
Based on the table above, it can be seen that the suitability of the model test - goodness of fit test can be seen in the figure shows that in general all constructs used to form this research model, in the confirmatory factor analysis process have met the goodness of fit index criteria that have been set such as Chi value -Square, TLI and CFI, while the probability value, RMSEA, except for the GFI and AGFI values, is still smaller than required in the model, so it can be concluded that it is not fit to explain the phenomena of the research that is formed. For the next research has to modivided of model by suggested the SEM model application in the indification modification section.

4.2. Full Model Modification

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Cut Off</th>
<th>Results</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-Square</td>
<td>-</td>
<td>188.89</td>
<td>Good</td>
</tr>
<tr>
<td>The Degree of Freedom</td>
<td>-</td>
<td>126</td>
<td>Good</td>
</tr>
<tr>
<td>The Goodness of Fit Index (GFI)</td>
<td>≥ 0.90</td>
<td>0.904</td>
<td>Good</td>
</tr>
<tr>
<td>Adjusted Goodness of Fit Index (AGFI)</td>
<td>≥ 0.90</td>
<td>0.870</td>
<td>Marginal</td>
</tr>
<tr>
<td>Tucker Lewis Index (TLI)</td>
<td>≥ 0.95</td>
<td>0.975</td>
<td>Good</td>
</tr>
<tr>
<td>Comparative Fit Index (CFI)</td>
<td>≥ 0.95</td>
<td>0.980</td>
<td>Good</td>
</tr>
<tr>
<td>Root Mean Square Error of Approximation (RMSEA)</td>
<td>≤ 0.08</td>
<td>0.050</td>
<td>Good</td>
</tr>
<tr>
<td>CMIN</td>
<td>≤ 2.00</td>
<td>1.499</td>
<td>Good</td>
</tr>
<tr>
<td>P-Value</td>
<td>≥ 0.05</td>
<td>0.430</td>
<td>Good</td>
</tr>
</tbody>
</table>

Based on the table seen the suitability test of the goodness of fit test model can be seen in the figure shows that in general all constructs used to form this research model, in the process of confirmatory factor analysis has fulfilled the goodness of fit index criteria that have been set such as the Chi-Square value, probability, TLI, GFI, CFI and RMSEA while the
AGMI value is still marginal, but it is close to the required value, this means that the model is fit based on the sample data.

Thus, all variables can be measured in the proposed model. The results can be viewed in Picture 2:

![Conceptual Framework](image)

**Fig. 2. Conceptual Framework**

<table>
<thead>
<tr>
<th>H1</th>
<th>H2</th>
<th>H3</th>
<th>H4</th>
</tr>
</thead>
<tbody>
<tr>
<td>19.044</td>
<td>-4.514</td>
<td>26.140</td>
<td>19.558</td>
</tr>
<tr>
<td>(P=0.000)</td>
<td>(P=0.071)</td>
<td>(P=0.000)</td>
<td></td>
</tr>
</tbody>
</table>

Source: Data analysed (2017)

**Fig. 3. Regression Weights**

Based on the results of data analysis as shown in the table above can be explained as follows: 1. The coefficient value of the Emotional Intelligence variable on Individual Characteristics with a C.R value of 26.140 with a significance value of 0.000 indicates that the Emotional Intelligence variable has a significant effect on the Individual Characteristics of Lhokseumawe Hajj Pilgrims. 2. The coefficient value of Service Quality on Congregation Satisfaction with a C.R value of 19.044 and a significance value of 0.000 indicates that the Service Quality variable has a significant effect on the satisfaction of Lhokseumawe Hajj pilgrims.

The coefficient value of the Individual Characteristics variable moderates the quality of service to Congregational Satisfaction with an interaction value of 19.558 and an error value of 5,872 with these results indicating that the Individual Characteristics variable moderates the Service Quality on the Satisfaction of Lhokseumawe Hajj Pilgrims.
5. Conclusion

This research finds that service quality and emotional intelligence influences on satisfaction of Lhokseumawe pilgrims. While, Individual characteristics does not affect on satisfaction of Lhokseumawe pilgrims. Individual characteristics moderate emotional intelligence on the satisfaction of Lhokseumawe. And suggestion to leaders of the Ministry of Religion of Lhokseumawe City in order to increase the satisfaction of pilgrims towards the services of Hajj officers, need to pay attention to and increase the attention of officers to pilgrims who need special attention, responsiveness and reliability. It is suggested to service personnel that in providing services they need to pay attention to the characteristics of the pilgrims who will be served by adjusting to the geographical conditions such as age, sex of marital status and also the personality, perception and attitude of the pilgrims to be served by placing people which is right in the direct position related to the service of pilgrims.

References

The Productive Waqaf Distribution Model in Improving People's Welfare in Bireuen Regency

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Abstract: Waqaf is an instrument of Islamic economic system to realize economic prosperity in the community. Current poverty data shows that there are still many people in Bireuen Regency who are below the poverty line. While the waqaf potential as one of the instruments to realize welfare is very large. This research is to see the influence of waqaf in improving the welfare of society. Research location in Bireuen Regency. This study uses qualitative and quantitative descriptive analysis methods. From the analysis it was found that 74.4% of endowments with the method of ijarah and mukhabarah can improve the welfare of waqaf recipients in the Regency and the remaining 25.6% are influenced by other factors.

Keywords: Waqaf and welfare

1. Introduction

Waqaf with various terms attached to it is one of the important instruments in the history of human civilization. According to (Qahf, 2000). Waqaf instrument has been known by all civilizations of society in this world since time immemorial. Every community has public-owned facilities that are needed by the majority or a handful of people. In the previous community, there were facilities for houses and places of worship. In addition there are also water source facilities, roads and public places, so there are also venues for performances and others in the form of land and buildings intended to provide various service facilities to the general public. All these facilities are not owned by one person, but the facility is left to people to be guarded and maintained by pastors or cinema management.

The description above strengthens the argument that waqf has existed since time immemorial and has an important role in improving the welfare of the community in the form of providing public facilities for the benefit of all people, especially relating to religious affairs. Where the management of the waqaf institution is handed over to the pastors and performance management.

In the Koran (2008) it is stated that the Kaaba is the first house built for the benefit of the general public (3:96). This opinion is in the opinion of the scholars who say that the Ka’bah was built by the Prophet Adam As, while the Prophet Ibrahim and the Prophet Ismail only perfected its development, the Ka’bah was the first religious waqaf in the history of human civilization. Whereas other opinions which say that Prophet Ibrahim built the Ka’bah, the Ka’bah is the first religious waqaf in the history of Islamic civilization, namely the hanif religion of Prophet Ibrahim, or he is the first religious waqaf that aims to legitimize Allah Almighty (Qahf, 2000).

In the study of jurisprudence, the Schoolars of fiqah have different views about the meaning of waqaf in terms. Abu Hanifah said that waqaf is holding an object which
according to law remains the property of the waqf (giving the waqf) in using its benefits for virtue. Maliki School says that the waqf does not release the property that is represented by the wakaf (wakif) ownership, but the waqf prevents the wakif from taking actions that can release its ownership of the property to others and the waqf is obliged to give up the benefits and may not withdraw the waqf. Imam Shafi’i and Imam Ahmad bin Hanbal said that the waqf is releasing the property represented from the leadership of the waqf after the perfect procedure of the representative body (Direktorat wakaf, 2006).

Based on the above definition, it can be concluded that waqaf has a worship dimension and socio-economic. On the one hand, endowments aim to get closer to God Almighty and on the other hand aim to establish a harmonious relationship between the rich and people who are economically weak.

While the meaning of waqf according to Qahf is a change in the pattern of treatment of waqaf assets that are only consumptive in the direction of infesting these assets into productive assets. Investment activities on waqaf assets will not only be able to provide benefits but also income to be consumed by future generations, both collectively and individually.

The meaning of waqf as expressed by Qahf raises a new paradigm in treating waqaf assets. Waqaf assets are no longer seen as dead assets that are not empowered otherwise the waqaf assets must be invested in productive sectors. By investing in the productive sector will have an impact on the value of benefits enjoyed by present and future generations. In addition, with the investment will have an impact on the accumulation of waqaf assets from time to time with the additional income from the proceeds of the waqaf asset investment.

According to the official website of the waqf information system (siwak) of the Ministry of Religion of Bireuen (2018) the number of waqf in Bireuen Regency up to 2018 was 6,744 with an area of 4,010.48 ha. The data shows that the potential of waqf in the Regency is very potential. With this potential, if it is empowered optimally it will have a significant impact on the welfare of the people in Bireuen Regency. meanwhile, the Bireuen population in the poverty line according to the Central Bureau of Statistics of Bireuen Regency (2018), the number of poor people in Bireuen Regency in 2017 was 71,540 people (15.87%). These data indicate that the population of Bireuen who are at the poverty line is still relatively large.

The enormous potential of waqf in Bireuen Regency requires the attention of all stakeholders. Based on interviews with the Head of the Islamic Guidance Section of the Ministry of Religion, Bireuen, that so far there has been empowerment of waqf land in Bireuen Regency. He explained, that the waqf land that was represented for the benefit of the mosque was not all buildings built on it, but the land was partly handed over to the peasants with a profit sharing scheme. When harvesting, the results are divided between Nazhir and the cultivator (Yusuf, 2017). According to the Head of the Ministry of Religion of the Bireuen Regency, he explained that the practice of productive waqf had not been so dominant in Bireuen Regency. Among the causes are the lack of socialization about productive waqf and lack of support from the parties to succeed productive waqf (Idris, 2017).

Based on the description of the above problems, this article wants to raise the issue of productive waqf distribution in improving the welfare of the people in Bireuen Regency.
2. Methodology

This study examines the model of productive waqaf distribution that can improve the welfare of waqaf recipients in Bireuen Regency. Population and sample in this study are waqaf recipients who receive waqaf in productive form from the waqaf institution owned by the village in Bireuen Regency. The method of preparation in this study is non-probability sampling (Sarwono, 2006). The data used in this study are primary data and secondary data. Primary data is obtained directly from the recipients of productive waqaf through interview procedures (Raco, 2010). While secondary data was obtained through books, journals, websites of the Ministry of Religion of the Republic of Indonesia. To analyze the data obtained through the distribution of questionnaires to the recipients of productive waqaf, the tools that are used for analysis tools with the help of SPSS and Microsoft Excel software are used for data tabulation. While the data analysis method used is simple regression and descriptive analysis.

3. Result And Discussion

3.1. Waqaf Management

Based on the search for waqf data inputted into the Ministry of Religion Waqf Information System (Siwak) in Bireuen Regency, each sub-Regency has a different amount and land area. The number and extent of waqaf land can be seen in the following table:

<table>
<thead>
<tr>
<th>No.</th>
<th>District</th>
<th>Total Area (Ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Samalanga</td>
<td>520</td>
</tr>
<tr>
<td>2</td>
<td>Jeunieb</td>
<td>142</td>
</tr>
<tr>
<td>3</td>
<td>Jeumpa</td>
<td>280</td>
</tr>
<tr>
<td>4</td>
<td>Peusangan</td>
<td>982</td>
</tr>
<tr>
<td>5</td>
<td>Gandapura</td>
<td>808</td>
</tr>
<tr>
<td>6</td>
<td>Makmur</td>
<td>84</td>
</tr>
<tr>
<td>7</td>
<td>Peudada</td>
<td>496</td>
</tr>
<tr>
<td>8</td>
<td>July</td>
<td>417</td>
</tr>
<tr>
<td>9</td>
<td>Term</td>
<td>436</td>
</tr>
<tr>
<td>10</td>
<td>Pandarah</td>
<td>70</td>
</tr>
<tr>
<td>11</td>
<td>Kota Juang</td>
<td>122</td>
</tr>
<tr>
<td>12</td>
<td>Kuala</td>
<td>355</td>
</tr>
<tr>
<td>13</td>
<td>Peusangan Selatan</td>
<td>525</td>
</tr>
<tr>
<td>14</td>
<td>Peulimbang</td>
<td>160</td>
</tr>
<tr>
<td>15</td>
<td>Kuta Blang</td>
<td>666</td>
</tr>
<tr>
<td>16</td>
<td>Simpang Mamplam</td>
<td>421</td>
</tr>
<tr>
<td>17</td>
<td>Peusangan Siblah Krueng</td>
<td>280</td>
</tr>
</tbody>
</table>

Source: www.siwak.kemenag.go.id (accessed 28 August 2018)

Based on the table above it can be concluded that the activities of waqaf in Bireuen Regency spread throughout the sub-Regencies in Bireuen Regency. This also
shows that the community’s interest in endorsing their wealth for the benefit of religion is still relatively high. Although the interest in representation spreads throughout the sub-Regencies in Bireuen Regency, the number and extent of the land represented is very varied. There are five sub-Regencies that have the most and broadest number and area of waqf land, namely the sub-Regency as in the following table:

### Table 2. Number of Waqf Land in Bireuen Regency 2018

<table>
<thead>
<tr>
<th>No</th>
<th>Sub-Regency</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Peusangan</td>
<td>982</td>
</tr>
<tr>
<td>2</td>
<td>Gandapura</td>
<td>808</td>
</tr>
<tr>
<td>3</td>
<td>Kuta Blang</td>
<td>666</td>
</tr>
<tr>
<td>4</td>
<td>Peusangan Selatan</td>
<td>525</td>
</tr>
<tr>
<td>5</td>
<td>Samalanga</td>
<td>520</td>
</tr>
<tr>
<td>6</td>
<td>Peudada</td>
<td>496</td>
</tr>
<tr>
<td>7</td>
<td>Term</td>
<td>436</td>
</tr>
<tr>
<td>8</td>
<td>Simpang Mamplam</td>
<td>421</td>
</tr>
<tr>
<td>9</td>
<td>July</td>
<td>417</td>
</tr>
<tr>
<td>10</td>
<td>Kuala</td>
<td>355</td>
</tr>
<tr>
<td>11</td>
<td>Peusangan Siblah Krueng</td>
<td>280</td>
</tr>
<tr>
<td>12</td>
<td>Jeumpa</td>
<td>260</td>
</tr>
<tr>
<td>13</td>
<td>Peulimbang</td>
<td>160</td>
</tr>
<tr>
<td>14</td>
<td>Jeunieb</td>
<td>142</td>
</tr>
<tr>
<td>15</td>
<td>Kota Juang</td>
<td>122</td>
</tr>
<tr>
<td>16</td>
<td>Makmur</td>
<td>84</td>
</tr>
<tr>
<td>17</td>
<td>Pandarah</td>
<td>70</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>6744</td>
</tr>
</tbody>
</table>

*Source: [www.siwak.kemenag.go.id](http://www.siwak.kemenag.go.id) (data processed, 2018)*

Based on the table above shows that Peusangan sub-Regency occupies the first position in terms of the number of waqf land, then followed in the second position of Gandapura sub-Regency, and the third position in Kuta Blang sub-Regency and in the last position occupied by Pandrah sub-Regency. However, if viewed from the aspect of land area, the position changes. This is as shown in the following table:

### Table 3. Total Land Size of Waqf in Bireuen Regency 2018

<table>
<thead>
<tr>
<th>No</th>
<th>Kecamatan</th>
<th>Area (Ha)</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Gandapura</td>
<td>3,012.86</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>Peusangan Siblah Krueng</td>
<td>186.74</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>Kuala</td>
<td>154.36</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>Peusangan</td>
<td>94.39</td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td>Term</td>
<td>91.75</td>
<td>5</td>
</tr>
<tr>
<td>6</td>
<td>Samalanga</td>
<td>83.72</td>
<td>6</td>
</tr>
<tr>
<td>7</td>
<td>Peusangan Selatan</td>
<td>75.91</td>
<td>7</td>
</tr>
<tr>
<td>8</td>
<td>Kuta Blang</td>
<td>75.43</td>
<td>8</td>
</tr>
<tr>
<td>9</td>
<td>Simpang Mamplam</td>
<td>74.53</td>
<td>9</td>
</tr>
<tr>
<td>10</td>
<td>July</td>
<td>52</td>
<td>10</td>
</tr>
<tr>
<td>11</td>
<td>Peulimbang</td>
<td>28.81</td>
<td>11</td>
</tr>
</tbody>
</table>

*Source: [www.siwak.kemenag.go.id](http://www.siwak.kemenag.go.id) (data processed, 2018)*
Based on the table above, when compared with table 2 it can be explained that the area of waqf land in Gandapura sub-Regency is greater than the area of waqf land in Peusangan sub-Regency. Even so, when compared in terms of numbers, waqf land in Peusangan sub-Regency is more compared to waqf land in Gandapura sub-Regency.

Furthermore, it can be explained that the largest area of waqf land is in Gandapuran sub-Regency, followed by Peusangan Siblah Krueng sub-Regency, the third is in Kuala sub-Regency and the last is in Pandrah sub-Regency.

3.2. Simple Linear Regression

Data collected through interviews with recipients of waqf are then regressed with the SPSS program. Regression result can be seen in the following table:

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>(Consta t)</td>
<td>201,913.314</td>
<td>173.9</td>
</tr>
<tr>
<td>t)</td>
<td>13.31</td>
<td>4</td>
</tr>
<tr>
<td>X</td>
<td>1.525</td>
<td>175,863</td>
</tr>
</tbody>
</table>

Source: primary data processed, 2018

According to the table above, it can set up an equation as follows:

\[ Y = 201,913.314 + 1.525 X \]  
(1)

From the formula above, constant as much as 201913 states that if the independent variable is considered constant, the average income of earning waqaf recipients in Bireuen Regency is Rp. 201,913,314.

The productive waqaf regression coefficient of 1.525 states that each additional productive waqaf capital of 1 rupiah will increase the income of the productive waqaf recipient in Bireuen Regency by Rp. 1,525.

To see the relationship and the influence between productive waqaf and income of productive waqaf recipients can be seen in the following table:
Table 5. Correlation and Determination Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.863</td>
<td>0.744</td>
<td>0.735</td>
<td>454157,041</td>
</tr>
</tbody>
</table>

Source: primary data processed, 2018

Correlation coefficient value is 0.863 or 86.3%, this means that the relationship between productive waqaf variables and productive waqaf recipient income is very strong because the value is between 0.75-0.99.

The coefficient of determination is 0.744 or 74.4% means that 74.4% of the income of recipients of productive waqaf is influenced by productive waqaf and the remaining 25.6% is influenced by other variables outside this study. This indicates that the recipients of productive waqaf in Bireuen Regency in addition to earning their income from the management of waqaf given to them.

3.3. Discussion

Based on the regression results above, it shows that productive waqaf can improve the welfare of the people in Bireuen Regency. The regression results are reinforced by interviews with a number of Productive waqaf recipients. Based on the results of the interview it was found that there were two models of waqaf in Bireuen Regency, namely the Ijarah and Mukhabarah models. The application of Ijarah in the management of productive waqaf objects, nadhir is the first party as the party that rents out, while the tenant is the second party who takes advantage of the goods rented with the obligation to reward the amount of the amount agreed to the first party.

Ijarah in the management of productive waqaf objects, can occur for example in waqaf objects in the form of land, buildings, vehicles and so on. For example waqaf land in the form of agricultural land can be leased as housing, offices, shops and so on; vehicles such as cars can be used as objects for rental or transport business and others.

The second model is productive waqaf with the Mukhabarah scheme. Mukhabarah is a form of cooperation between agricultural landowners and smallholders to cultivate them with profit sharing methods where landowners contribute to giving land to farmers, while smallholders contribute to cultivating waqaf land by bearing all the productivity. Application in the management of waqaf in the form of agricultural land, then one of the ways to manage it can be done with al-Mukabarah. Nadhir acts as the owner of agricultural land and the other party is the peasant farmer. The division of results according to the agreement, however, it must be based on the value of justice and consideration that is good in society.

4. Conclusion

That in fact waqaf is an instrument of the Islamic economic system. In the midst of slowing economic growth, the productive waqaf is an alternative for increasing economic growth. From the results of the study, there are two models of productive waqaf applications in the District namely the ijarah and mukhabarah models. After going through the analysis, the two models have a positive and significant influence on improving the welfare of the people in Bireuen Regency.
Acknowledgment

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References

Discretionary Accrual in the Bullish and Bearish Time Period in the Indonesian Capital Market (Study of Indonesian Manufacturing Companies)

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Abstract: Financial reporting is one of the obligations of issuers in the capital market who have sold shares to the public. This information is a signal conveyed by the company to investors about the company's financial condition. In accordance with the regulations and accounting standards in the financial reporting manager using the accrual accounting system, various manager motivations are known to be the background in delivering financial reports to the public. This research was conducted on Indonesian manufacturing companies, using the Modified Jones Model, we measured accrual discretion in financial statements. The results of the study show that accrual discretion in Indonesian manufacturing companies is carried out with a variety of motivations, especially to inform the signal of good performance to shareholders. Using the GLS panel data (cross section weights), we found evidence that the bullish time period on the Indonesian capital market was found to have a significant negative effect on discretionary accruals. This statement proves that in periods of bullish time, managers tend to convey information that meets the principles of efficient capital markets.

Keywords: Discretionary Accrual, Bullish, Bearish, Investors

1. Introduction

Financial reports are a means for companies to deliver relevant and useful financial information to stakeholders and shareholders. Information on financial statements is a signal delivered by the company to investors about the company's financial condition. Many company owners cannot fully believe in the financial statements submitted by the manager (Moustafa, 2015).

Good managers, for example, will pay high dividends, and tend to avoid using these funds in investments that provide low returns (Fairchild, 2010). Capital market motivation is one of the motivations of managers in conveying accounting information that is very important to investors and market analysis in making business decisions (Goel, 2015).

Accrual accounting provides information related to return stock, and determination of stock market prices. The manager uses accrual discretion in conveying the company's financial information to the capital market, and the market reacts positively to the delivery of information on contemporary corporate profits (Koeniadi and Tourani-Rad, 2011), forecasting future profits (Bernard and Skinner, 1996), reduction in product prices, opening new factories, and new marketing areas (Herbig and Milewicz, 1996), and IPO announcements to be made by the company.
The choice of accrual method is very important for researchers to study, for users of financial statements, the compilers of accounting standards (Bernard and Skinner, 1996). Managers tend to manage the company's income so as not to report a decrease in profit value or avoid a decrease in the reported profit level. They are involved in earnings management when company profits increase or when companies are financially healthy (Ghazali, Shafie and Sanusi, 2015).

Discretionary accrual transactions give management freedom to determine the number of accrual transactions flexibly according to their motivation. Whereas non-creative accruals are accrual components that occur along with changes in company activities. Non-discretionary accrual estimates of firms from the firm's past accrual level before the period when there is no systematic earnings management. Managers prefer to use abnormal accruals and in real earnings management, this is mostly done in developing countries that do not yet have strong regulations and weak law enforcement (Zgarni, Hlioui and Zehri, 2012).

The accounting profession aims to serve the public interest, accountants must be able to understand the expectations of information users, so they must be more responsible in the future, especially in financial statements that are free from falsification of information in financial statements (Reiter, 1997).

The financial scandals of the 2000s cost investors millions to billions of US dollars, a special concern of the United States government, which caused the relevant authorities to issue the Sarbanes-Oxley law in 2002 to protect the interests of investors (Yarahmadi and Bohlioli, 2015). The purpose of this law is to restore public confidence and growing trust in financial reporting by businesses, especially public companies.

The development of the Indonesian capital market during 2005 to 2016 was seen from the development of the composite stock price index (CSPI) experiencing bullish and bearish conditions. Following are developments in the Composite Stock Price Index (IHSN) and market capitalization for 11 years.

<table>
<thead>
<tr>
<th>Year</th>
<th>IHSN</th>
<th>Market Capitalization</th>
<th>Remark</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>1,162.63</td>
<td>801,252,702,092.4</td>
<td>Bullish</td>
</tr>
<tr>
<td>2006</td>
<td>1,813.00</td>
<td>1,249,074,451,469.050</td>
<td>Bullish</td>
</tr>
<tr>
<td>2007</td>
<td>2,745.00</td>
<td>1,998,901,739,979</td>
<td>Bullish</td>
</tr>
<tr>
<td>2008</td>
<td>1,355.00</td>
<td>1,076,490,533,101.380</td>
<td>Bullish</td>
</tr>
<tr>
<td>2009</td>
<td>2,534.00</td>
<td>2,007,000,000,000.000</td>
<td>Bullish</td>
</tr>
<tr>
<td>2010</td>
<td>3,703.00</td>
<td>3,257,491,064,059.210</td>
<td>Bullish</td>
</tr>
<tr>
<td>2011</td>
<td>3,821.00</td>
<td>3,537,781,724,361.680</td>
<td>Bullish</td>
</tr>
<tr>
<td>2012</td>
<td>4,316.09</td>
<td>4,128,206,686,586.550</td>
<td>Bullish</td>
</tr>
<tr>
<td>2013</td>
<td>4,274.18</td>
<td>4,219,020,240,968.150</td>
<td>Bearish</td>
</tr>
</tbody>
</table>
In the case of companies in Indonesia we want to test, how the delivery of public company financial statements is made in accordance with the interests of the company alone or also consider the users of other financial statement information. This study not only looks at the level of importance of managers in the delivery of financial reports to the public, but also wants to find out how far the accrual discretion in the delivery of these financial statements affects the users of financial statement information in making decisions.

2. Literature Review

Over the past few decades agency theory has emerged as one of the dominant theories in the paradigm of financial or capital market research. Rooted in financial economics, the starting point of agency theory is in the phenomenon that in shareholding in modern companies the number of outstanding shares is scattered and separate from management control over the corporation (Grundei, 2008).

This literature, agency theory in particular has become an agency relationship agent as a contract whereby one or more people acting as principals (ie shareholders / shareholders) appoint another person as an agent (ie manager) to do services for the interests of principals, including delegating power in decision making to agents. In the agency theory accounting information is used for two purposes, first is used by the owner and agent for decision making and second is to evaluate the profit sharing in accordance with the work contract that has been made and agreed together.

Investors want to ensure that they get their money back and the return on investment that has been made, the investment is not wasted in projects that are not attractive and profitable. Therefore contracts made by managers and owners tend to be difficult to predict. Managers tend to discretion accruals to safeguard their personal interests (Grundei, 2008). Manager behavior is often influenced by education and training, certain institutions that continue to provide direction on how managers manage conflict over various interests (Bendickson et al., 2016). Conflicts between owners, governments, and workers show an increase in agency problems because most ethics and scholarship books seem to argue that managers must be more tied to stakeholders than shareholders.

3. Methodology

This research was conducted with descriptive quantitative methods and qualitative methods, using secondary data, namely the financial statements of manufacturing companies that have gone public on the Indonesian capital market (BEI). Data analysis was performed using Eviews, EGLS panel data.

The data used in this study are secondary data, namely financial statements that have been published by the Indonesia Stock Exchange through the ICDM starting from 2006-2016 with observations of 1879 manufacturing companies. Accrual analysis is carried out using the

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (IDR)</th>
<th>Profit (IDR)</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>5,178,00</td>
<td>5,228,043</td>
<td>Bullis</td>
</tr>
<tr>
<td>2015</td>
<td>4,593,01</td>
<td>4,872,701</td>
<td>Bearis</td>
</tr>
<tr>
<td>2016</td>
<td>5,296,71</td>
<td>5,753,612</td>
<td>Bullis</td>
</tr>
</tbody>
</table>

Source: data processed
Jones Modified Model (Dechow, Sloan and Sweeney, 1995), while managerial behavior is seen with a proxy bonus scheme (Healy, 1985), ownership structure (Abukosim et al., 2014) and audit quality (Piawiboon, 2015). Signaling motives are tested with efficient market theory using profitability analysis return on assets and earnings per share (Richardson et al., 2005). The models in this study are as follows:

**Calculate Discretionary Accruals by using modified Jones models:**

\[ TA_{it}/A_{it-1} = \alpha_1 (1/A_{it-1}) + \beta_1 \left( \Delta \text{REV}_{it}/A_{it-1} \right) - \left( \Delta \text{REC}_{it}/A_{it-1} \right) + \beta_2 \left( \text{PPE}_{it}/A_{it-1} \right) + \varepsilon_{it} \]

(1)

Where: TA: Total accrual in the period t; TA_{t-1}: Total Asset in the period t-1, ΔREV: Changes net income in the period t; ΔREC: Change Net Receivables in the period t; PPE: Property, Plan and equipment; a1,a2 dan a3: Regression coefficient of equation; â1, â2 dan â3: fitted coefficient obtained from the regression equation.

Then, in measuring the effect on the conditions of the bullish and bearish time period using the dummy model of the following variables:

\[ DA_{it} = \beta_{10} + \beta_{11} * \text{SB}_{it} + \beta_{12} * \text{Nosh}_{it} + \beta_{13} * \text{KA}_{it} + \beta_{14} * \text{ROA}_{it} + \beta_{15} * \text{PBV}_{it} + \beta_{16} * \text{EPS}_{it} + \beta_{17} * \text{PER}_{it} + \beta_{18} * \text{FSIZE}_{it} \]

(2)

where: DA is discretionary accrual, Nosh; number of share, ROA: return on assets, PBV: price book value, EPS; Earning per share, PER; Price Earnings ratio; FSize; Firm size.

### 4. Results And Discussion

Discretionary accrual analysis using modified Jones model in 1879 observations of manufacturing companies, found that as many as 29.6% of public companies listing on the Stock Exchange conducted discretionary accruals in their financial reporting. Meanwhile, the remaining 70.4% of manufacturing companies do not carry out accrual discretion in the submission of financial reports to the public. This finding proves that Indonesian manufacturing companies in the observation period in percentage tend not to do discretionary accruals. This finding supports the research which states that poorly performing public companies in Indonesia tend to do real earnings management rather than accrual arrangements.

Based on the results of descriptive statistical testing, correlation test and Multiple Regression Analysis, the estimation of accrual discretion model can be seen in the following table:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>-0.13074</td>
<td>0.00665</td>
<td>-19.6415</td>
<td>0</td>
</tr>
<tr>
<td>DSB</td>
<td>7.24E-06</td>
<td>1.19E-05</td>
<td>6.06060</td>
<td>0.5446</td>
</tr>
<tr>
<td>DNOSH</td>
<td>6.21E-10</td>
<td>8.02E-10</td>
<td>0.77469</td>
<td>0.4386</td>
</tr>
<tr>
<td>DKA</td>
<td>-0.00468</td>
<td>0.01019</td>
<td>-0.45911</td>
<td>0.6462</td>
</tr>
</tbody>
</table>
Based on Table 2 above, we have tested the existence of accrual discretion in the bullish and bearish time period in the Indonesian capital market. This finding shows that there are three independent variables of ROA, EPS and Size that are positively and significantly related to the accrual discretion in the bullish period. In addition, the average research variable is not significant.

The bonus scheme has a positive and insignificant effect on the accrual discretion in the bullish period of time in manufacturing companies. This can be seen in the coefficient value of 0.00000000724 and P Value of 0.5446. The number of outstanding shares also has a positive and significant effect on the accrual discretion in the period of bullish time in manufacturing companies. This can be seen in the coefficient value of 0.000000000621 and P Value of 0.4386.

This research does not support the results found by (Pujiningsih, 2011; Pujiati and Arfan, 2013; Elfira, 2014), who find bonus schemes in Indonesian public companies have a positive effect on discretionary accruals.

Audit quality has a negative and insignificant effect on accrual discretion in the period of bullish time in manufacturing companies. This can be seen in the coefficient value of -0.00468 and P Value of 0.6462. ROA has a positive and significant effect on the accrual discretion in the bullish period of time in manufacturing companies. This can be seen in the coefficient value of 0.00513 and P Value of 0.000. PBV has a positive and insignificant effect on the accrual discretion in the period of bullish time in manufacturing companies. This can be seen in the coefficient value of 0.00084 and P Value of 0.55.

EPS variables have a positive and significant effect on the accrual discretion in the period of bullish time in manufacturing companies. This can be seen in the coefficient value of 0.000178 and P Value of 0.000. PER variable has a positive and insignificant effect on the accrual discretion in the period of bullish time in the manufacturing company. This can be seen in the coefficient value of 0.0000000090 and P Value of 0.92. Otherwise, the firm size (F-SIZE) has a negative and significant effect on the accrual discretion in the bullish period of time.
time in manufacturing of companies. This can be seen in the coefficient value of -0.00305 and P Value of 0.000.

5. Conclusion

Based on the results of research data that has been found, the main purpose of this paper is to see how managers behave in delivering financial reports to the public. The bullish and bearish conditions on the capital market are very decisive for the company's performance and stock prices. When bullish, stock prices move in line with market developments, there is a considerable demand for stocks because investors have favorable expectations about the company's performance (Mehmood and Hanif, 2014).

In good macroeconomic conditions and increasing corporate performance stock prices tend to increase in positive trends (Usman, 2016). This bullish period investors will try to find the right momentum to be able to have stocks that have a fixed and definite return in the future. They assume, when the current performance is in good or bad condition, it will also affect future performance.

This research found evidence, when the capital market conditions were good, Indonesian manufacturing companies generally did not carry out discretionary accruals. In testing all research variables show a negative influence and significant independent variables on accrual discretion in the delivery of financial statements.

This study uses a dummy proxy to measure the bullish and bearish time period by taking IHSG data. At last for the future research use more measurable research instruments hopefully.

References


Implementation of Forecasting in Measuring the Quality Level of Community Services in PLN Kota Lhokseumawe

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Abstract: The level of forecasting measurement is very important in seeing the forecasting level of public service satisfaction, the concept of forecasting can capture the pattern of service data provided by PLN Kota Lhokseumawe to the community. Then the impact on public services that will come, so that PLN can provide the best service for the community. The pattern of least squares models capture the pattern of past data is then used to project the data come. Quality variables of services such as responsiveness include patience and attention to customers, speed of response regarding customer complaints, resolution of complaints faced by customers can be resolved. The results of the questionnaire on each of its variables of each month will be entered into the model Least Square. The value of questionnaires from 100 customers taken on average includes Reliability, 66.8 Emphaty, 57.2, Responsiveness, 65.5, Tangible, 65.5, Assurance 63.5 and a questionnaire for service satisfaction 58.8. Distribution of the questionnaire from the various areas of the city Lhokseumawe. Tests taken from the value of each month covering the month of January the data Actual (Y) = 66, Actual Data February 57, Actual Data March 65, Actual Data April 65 May 63 Data Actual, Actual Data June 58, Total Data Actual is 374. Value a 62.33 and b value is -0.3142 for forecasting in the following month Y1 = 63.90, Y2 = 63.276 and Y3 = 62.647. The results of this study are expected to make a reference to the PLN in making decisions on issues of public services. Then this study can measure the level of satisfaction with quality of services konsumsen granted PLN from each region.

Keywords: Quality of Service, Community Satisfaction, forecasting, least square

1. Introduction

Improving service satisfaction to the community is a positive impact to support creativity and trust given by customers PT. PLN Kota Lhokseumawe. but in practice PT PLN Lhokseumawe likely to have complaints against the services provided by these companies. The number of complaints such as a schedule of power outages that have no certainty of life time, employees who serve do not act quickly in paying attention to consumer complaints, cable disruption from house to house, too late in normalizing the electric current. so that these conditions inhibit the activity of customers in the event of a power outage problems.

Supposedly services provided to consumers must be optimized in accordance with the best pelayanana for each customer. Therefore, a model is needed to be able to predict in
measuring the level of quality of public service in the city of Lhokseumawe PLN. Service needs to be given to the consumer must be optimized in accordance with the needs of society and the major industries located in the region. Then the importance of completing the services rendered were the main focus in the community along with the increasing socio-economic growth of the community itself.

Therefore, strategies and models for forecasting are needed in the adjustment between the fulfillment of community satisfaction services. The forecasting model must be able to predict the pattern of the old service data which is then used to project future service data in accordance with the quality variable of the service. Such responsiveness includes patience and attention to customers, speed of response regarding customer complaints, resolution of complaints faced by customers can be resolved.

So as to provide the best service for the community. Then variable Reliability, Empathy, Tangible, Assurance, service satisfaction questionnaires, each of which has a sub-model questions that will be filled by the customer. The models in this study using least square forecasting models. Service measurement is a measurement of the number of grievances that have occurred within a few months and then analyze the current situation and earlier as a source of information to predict the state of the service in the future.

Further research is expected to result in the value of satisfaction of each customer with the least squares forecasting model right so that it can be used as a reference for the PLN in making decisions on issues of service to the community. Then this study can measure the level of consumer satisfaction on the quality of services konsumen have been given and to measure customer satisfaction levels of each area in the city of Lhokseumawe.

2. Literature Review

2.1. Forecasting

According to (Prasetya and Lukiastuti, 2009) Forecasting is an attempt to predict the future state through keadan testing in the past. The essence forecasting is forecast events in the future on the basis of patterns in the past, and the use of policy towards the projections with patterns in the past. The concept of forecasting is the initial part of a decision making process. Before forecasting it must be known in advance what the problem is in the decision making (Ginting, 2007). (Pardee, 2005) Forecasting is an objective calculation and using past data, to determine something in the future.

(Heizer and Render, 2015), Forecasting demand is forecasted demand for the products or services of the company. Projected demand for products or services of a company, this forecast can also be called sales forecasting which controls production, capacity and scheduling systems and becomes input for financial planning, marketing, and human resources. The decisions taken will affect a manager's success or failure of a company in the future. by knowing how many requests the next period and how much production must be done by the company, a manager must be able to predict the demand for products produced for the next period (Heizer and Render, 2015). (Heizer and Render, 2009) on the type of forecasting can be divided into several types. Judging from future operations planning, forecasting is divided into 3 types, namely:

- Forecasting economic (economic forecast) explains the business cycle by predicting inflation, the availability of money and other planning indicators.
- Technological forecast (technological forecast) takes into account the level of technological progress that can launch exciting new products, which require new plants and equipment.
- Forecasting demand (demand forecast) are projected demand for the products or services of the company.

Statistics provides data analysis tools for various fields of science. Its uses vary: studying diversity due to measurement, controlling processes, formulating information from data, and helping decision-making based on data. Statistics, because of their objective nature, is often the only reliable tool for needs.

2.2. Service Quality

Quality should start from the needs of customers and end on customer perception ((Kotler and Kevin, 2009); in Sulistyö, 1999). This means that a good quality image unfounded perceptions of service providers, but based on customer perception. Customer perception of service quality is a thorough assessment of the benefits of a service. Service quality is described as a statement about attitude, a relationship that results from a comparison between expectations and performance.

Customer expectations are the customer's confidence before trying or buying a product, which is used as a standard in assessing the performance of the product. Customer expectations are shaped and based on several factors, including past shopping experiences, friends 'or relatives' opinions, company information and promises (Armstrong and Kotler, 1999).

While the concept of quality, according to the American Association for Quality Control is the overall characteristics and characteristics of a product / service in terms of its ability to meet the needs that have been determined or are latent. The concept of quality itself is basically relative, which depends on the perspective used to determine the characteristics and specifications. Basically there are three quality orientation should be consistent with each other: (1) the perception of the consumer, (2) the product / service, and (3) process. Factors that influence consumer satisfaction, companies need to take measurements of customer satisfaction in marketing activities. The measurement of customer satisfaction aims to make the company evaluate the extent to which the company's performance in satisfying consumers. Customer satisfaction measurement can be done in various ways as disclosed (Kotler, 2010) Kotler (2000) are as follows: 1. System Complaints and suggestions; 2. The customer satisfaction survey system; 3. Ghost Shopping; 4. Analysis of Consumer Loss. Service quality according to (Stemvelt, 2004) is a perception of the overall quality revolution which is thought and becomes an idea that must be formulated (formulation) so that its implementation (implementation) can be re-tested (evaluation). to be a dynamic process, ongoing, continuous in meeting customer satisfaction. service quality application forms by applying the concept of "RATER" proposed by (Parasuraman, 2001) revealed that there are five main indicators that affect the quality of service, namely in the form of tangibles, reliability, responsiveness, assurance, ), and empathy (empathy).

2.3. Method Least Square

Forecasting is an activity or efforts to find out (event) will happen in the future regarding the specific object by using the experience or historical data, to meremalkan pengjuian circumstances in the future through the past (Subagyo, 1999). Time series data is data which is
a set of time series data at a specific time period. Forecasting time series forecasting based on
the past behavior of the data to be projected into the future by using mathematical equations
and statistics. (Prasetya and Lukiastuti, 2009) The Least Square method is the most widely
used method for determining data trend equations. The least squares method is divided into
two cases, namely even data cases and odd data cases. The Least Square method (least
squares) is most often used to predict Y. (Ginting, 2007) the least square method uses certain
statistical and mathematical calculations methods to determine straight line functions instead
of broken lines formed by historical company data.

The least squares method, which is better known as the Least - Squares Method, is one
method of 'approach' the most important in the world of engineering to: (a) regression or the
establishment of equality of points - of data points diskretnya (modeling), and (b )
measurement analysis (in model validation). In general, the linear equation of the least squares
method (Supranoto, 2000) are as follows:

\[ Y_n : \text{Forecasting future (Forecasting)} \]
\[ A : \text{a constant number} \]
\[ B : \text{slope or trend line biased coefficient} \]
\[ x : \text{time period or year difference (x = 0, 1, 2, 3, ..., n)} \]

As for calculating the value of a and b is used the following formula:

\[ Y_n = a + (b \cdot X) \]  \hspace{1cm} (1)

\[ \text{Ket:} \]
\[ Y_n : \text{Forecasting future (Forecasting)} \]
\[ a : \text{constant number} \]
\[ b : \text{slope atau keoeisien kecondongan garis trend} \]
\[ X : \text{time period or year difference (x = 0, 1, 2, 3, ..., n)} \]

As for calculating the value of a and b is used the following formula:

\[ b = \frac{\Sigma XY}{\Sigma X^2} \]  \hspace{1cm} (2)
\[ a = \frac{\Sigma Y}{n} \]  \hspace{1cm} (3)

\[ \text{Ket :} \]
\[ \Sigma XY : \text{Cumulative amount of time multiplied by historical data} \]
\[ \Sigma X^2 : \text{the average number of time periods squared} \]
\[ \Sigma Y : \text{Average amount of water distribution} \]
\[ n : \text{number of time periods ( years)} \]

3. **Methodology**

Research Stages in composing this object the researchers used the Stages of Research as
follows:

3.1. **Data retrieval**

At this stage the researchers selected data on the number of service quality in
communities restricted to the data services provided at the time of distribution of the
questionnaire.
3.2. Observation Method

Observation method is direct observation on the problem object in the field, the researcher observes and records directly about the services that have been given and looks at the level of community satisfaction to support forecasting data in the problem under study.

3.3. Interview Method

Distributing questionnaires to the public regarding customer satisfaction with service. This sees the performance of service quality to customers of PT PLN Kota Lhokseumawe.

3.4. Application design phase

At this stage researchers design and design database applications in the form of relationship data that can produce accurate data using the least square method.

3.5. Report

At this stage the researcher designs a report consisting of forecasting reports on the number of service satisfaction to the community in the form of reports and graphs.

3.6. Implementation

Data processing rate of the number of services to the community satisfaction then the researchers combined the least squares method with the application system, which is linked to adopt the previous year.

4. Results And Discussion

The object used as the research is the type of service provided by PT PLN Persero Lhokseumawe City which is viewed per service for each forecast, the number of forecasts for the next few years. Forecasting method of least squares In Kota Lhokseumawe is a system that processes the data and make the process of forecasting by the forecasting system for a year and a forecast for the following year.

With this system the findings of which are targeted is the least squares method to look at the quality of service within a few years of each area of the city Lhokseumawe consisting of each variable that can measure the level of people's satisfaction with quality of services provided by the PLN using forecasting models. Finally, it can be a reference in policy making in terms of providing quality services to the community.

The questioner variable in the forecasting model of information system in the measurement of people's satisfaction levels on service quality PT PLN city of Lhokseumawe is as follows:

<table>
<thead>
<tr>
<th>Questionnaire</th>
<th>S</th>
<th>B</th>
<th>T</th>
<th>ST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Quality</td>
<td>B</td>
<td>B</td>
<td>B</td>
<td>B</td>
</tr>
<tr>
<td>Reliability</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
</tr>
</tbody>
</table>

Table 1. Quality Questionnaire for Reliability Services

Information about the electricity outage
schedule is always notified to customers

Always give announcements to notify customers for electricity outages and life

Provide appropriate service information for blackout schedules

Providing information services in accordance with the promised time

Strive for a blackout schedule a week before the schedule

<table>
<thead>
<tr>
<th>Tabel 2. Quality Service Questionnaire Empathy</th>
<th>SB</th>
<th>B</th>
<th>TB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality Service Questionnaire Empathy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Provide individual attention to customers for disruptions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Ease of communicating with customers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Always prioritize the interests of the customers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Always understand customer needs</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>
in explaining cable interference problems

<table>
<thead>
<tr>
<th>Tabel 3. Quality Service Questionnaire Responsiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality Service Questionnaire SB B TB STB TT</td>
</tr>
<tr>
<td>Responsiveness</td>
</tr>
<tr>
<td>Patience and attention to customers in providing information about disruption, blackouts</td>
</tr>
<tr>
<td>Response speed regarding customer complaints about service during outages, cable disruptions and waiting periods</td>
</tr>
<tr>
<td>Completion of complaints faced by customers can be resolved quickly</td>
</tr>
<tr>
<td>Processing speed of customer complaints during the waiting period for</td>
</tr>
</tbody>
</table>
### Responsiveness

<table>
<thead>
<tr>
<th>Power failure and interference</th>
</tr>
</thead>
<tbody>
<tr>
<td>SB</td>
</tr>
</tbody>
</table>

### Tabel 4. Quality Service Questionnaire Tangible

<table>
<thead>
<tr>
<th>Quality Service Questionnaire tangible</th>
</tr>
</thead>
<tbody>
<tr>
<td>SB</td>
</tr>
</tbody>
</table>

#### Tangible

1. Availability of operational vehicles
2. Waiting room facilities, complaint rooms are given to customers
3. Neat-looking employee
4. Employees communicate well with customers

### Tabel 5. Quality Service Questionnaire Assurance

<table>
<thead>
<tr>
<th>Quality Service Questionnaire Assurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>SB</td>
</tr>
</tbody>
</table>

#### Assurance

1. Guarantees to customers for repairs and waiting periods
2. Customers feel safe in...
### Quality Service Questionnaire

<table>
<thead>
<tr>
<th>Assurance</th>
<th>SB</th>
<th>B</th>
<th>TB</th>
<th>STB</th>
<th>TT</th>
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</thead>
<tbody>
<tr>
<td>reporting disturbances</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees are consistently polite towards customers in providing services</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees have sufficient knowledge to answer customer questions with problems that are often faced</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5. **Conclusions**

- With the forecasting information system using the least square method forecasting model can predict the service quality of each region which is seen from tangibles, reliability, responsiveness, assurance of each sector.
- Forecasting implementation can facilitate the PLN in analyzing the quality of service to the community in each region and knowing the highest priority so that in the future it can improve the performance of all PLN employees in Lhokseumawe City.

### References


Regional Disparity Model Before and After OTSUS in Aceh Province

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Abstract: The allocation of OtonomiKhusus (OTSUS) funds for the Province of Aceh becomes a source of revenue that is able to increase the regional fiscal level. This study aims to identify regional disparities in Aceh and the implication of OTSUS fund allocation against inequality. The analysis model uses the Williamson index and Theil Index, which is then performed multiple linear regression analysis of time series analysis. The results show that the regional disparities in Aceh Province during the OTSUS period have decreased. The allocation of Otsus funds has a significant impact on regional disparities. The gap in the OTSUS period has tended to decline, with a decrease of 65 percent. Human Development Index and economic growth are determinants that can reduce regional disparities in Aceh.

Keywords: Regional, Disparity, OTSUS

1. Introduction

A new era in Indonesia’s economic development is marked by the birth of the regional autonomy law through Law Number 22 of 1999 concerning Regional Government and Law Number 25 of 1999 concerning financial balance which was subsequently revised into Law Number 23 and Law 32 in 2004. The legislation provided space for each region to regulate economic activities and develop region independently. One important point in the regional autonomy policy regulates the financial relations between the Central and Regional in order to support the implementation of development, which is referred to as the balancing fund. In accordance with Law No. 32 of 2004 concerning Regional Government, the Balancing Fund is divided into three groups, namely the General Allocation Fund (DAU), Special Allocation Fund (DAK) and Revenue Sharing Fund (DBH). In its development, the balancing funds of the Regional Centers also stipulated the Special Autonomy (Otsus) areas that received additional Otsus funding allocations. The Province of Aceh is constructed as one of the recipient provinces of the Special Autonomy Fund allocation. The management of the Special Autonomy Fund for Aceh is based on government regulations (in Aceh called Qanun) in Qanun No. 11 of 2006, Qanun No. 2 of 2008 and Governor’s Decree No. 48 of 2009.

Historically, the determination of Aceh as the recipient of the Special Autonomy Fund was inseparable from the conflict between Aceh and the Central Government. The Aceh conflict and the Government of the Republic of Indonesia (RI) took place from 1953-1961 led by TeukuDaudBeureueh and continued from 1976-2005 through the Free Aceh Movement (GAM). After the peace agreement of the Helsinki MOU, Law No. 11 of 2006 concerning the Government of Aceh was born. One of the consequences of the law is the establishment of Aceh as an area that receives Special Autonomy funds which amounts 2 percent of the...
national DAU allocation for 15 years starting from 2008. The obtaining Special Autonomy Funds has increased fiscal financial resources for Aceh, where since 2008 the Special Autonomy Fund has become the largest fiscal source for Aceh Government revenues in proportion to 62 percent of the provincial budget in 2010, or around 25 percent of the total budget of all District / City regions in Aceh (Special Autonomy Study, 2011). Although Aceh has a budget that is abundant, the performance of Aceh's economic growth is slow, following the performance of Aceh's economic growth during 2000-2015.

![Fig. 1. Performance of Economic Growth and GRDP per Capita in Aceh Year 2000-2015](source: BPS Aceh Province (processed))

Aceh's economic performance in the long-term period shows a fluctuating situation, with a cycle of decreasing economic rates that often occur, especially in the period before 2008. This was due to the deteriorating economic situation during the conflict and the 2004 Tsunami disaster. The average economic rate in 2000-2008 shows a negative trend of -2.63% (economic growth) and -3.23% (GRDP per capita growth). The stability of the economic rate occurred in the era of rehabilitation and reconstruction of post-tsunami in Aceh (2005-2009), although it still experienced a slowdown. The allocation of special autonomy funds that began in 2008 has not driven the economy to a positive trend, recorded in 2015 the rate of economy and per capita GRDP decreased by -0.75% and -2.66%.

One of the main reasons why the role of transfer funds from the center is so important is to ensure the achievement of minimum standards of public Service throughout the country and reduce disparities between regions (Simanjuntak, 2002).

The implementation of development programs as outlined in the provincial and district / city development programs in Aceh must pay attention to the balance of development progress between regencies / cities which to be used as the basis for the use of special autonomy funds whose managing the Aceh Provincial Government (Yani, 2009). Given the strategic role of the Special Autonomy Fund, the management and utilization of the special autonomy fund are not only to increase the rate of economic growth, but also to be able to achieve the target of regional development equality. Ideally, the special autonomy fund provided by the central government can overcome development gaps between regions and reduce disparity space.

Based on the background and problems that arise, then the formulates two problems i.e.(1) Is the income disparity occur in the District / City of Aceh Province before and after the implementation of the Otsus? (2) Does the allocation of the OTSUS funds have an impact on reducing regional disparity in Aceh Province?
2. Literature Review

The phenomenon of the relationship between economic growth and income disparity was introduced by Simon (Kuznets, 1955) which illustrates the relationship between per capita income and evenness of income distribution in reverse U-shaped letters (Todaro and Smith, 2015). The relationship between per capita income and income distribution illustrates at the beginning of the development phase, the distribution of income between households will tend to be uneven, but after reaching a certain level of development, distribution of income will be more evenly distributed (Nemati and Raisi, 2015).

(Dartanto and Brojonegoro, 2013) in their research on "The Impact of the Fiscal Decentralization on Economic Growth and Disparity between Regions" construes a simultaneous econometric macro model dividing into macroeconomic blocks and regional financial blocks. Balancing fund policies which is deriving from profit sharing funds (Land and Building Taxes, Land and Building Rights Acquisition Fees (BPHTB), Profit Sharing Taxes (PPH), and General Allocation Funds (DAU) exacerbate disparities between regions. The research concludes that the impact of fiscal decentralization policy has not been able to reduce disparities between regions.

(Liang, 2008) describes that the pattern of relations in the development of the financial sector and economic growth which have implications for disparities between regions in China, especially the gap between coastal and land areas. This study seeks to explore that how the state of the macro economy in China after the enactment of China's economic system dualism (capitalist nature for the coastal and socialist regions for the mainland). The conclusion of this study shows that the development of the financial sector significantly increases the economic growth of coastal areas, but does not affect the land area.

Studies related to fiscal decentralization in overcoming development inequality were carried out by (Bonet, 2005) who looked at the link between decentralization and the shift in regional structure and inequality in Colombia. The results show that fiscal decentralization has an impact on increasing income inequality between regions, but economic openness and economic agglomeration have a negative impact on inequality. therefore, changes in economic structure are needed.

3. Methodology

The research uses disparity analysis and multiple linear regression data models. The analysis period is used in the span of the period before Otsus (2000-2007) and after Otsus (2008-2016).

3.1. Inter-regional Income Disparity Formulation Williamson Index

\[
I_w = \frac{\sum_{i=1}^{n} (\bar{y}_i - \bar{y})^2 \frac{A_i}{A_{tot}}} {\bar{y}}
\]

(Kuncoro, 2013)

IW: Williamson Index (income disparity between districts / cities in Aceh province), where 0 < Vw < 1

Y_i: GRDP per capita from the District / City of Aceh Province

\bar{y}: Aceh Province per capita GRDP

A_i: Population of Aceh Province

A_{tot}: Total population of the entire province of Aceh
3.2. **Indeks Entropy Theil**

\[ I(y) = \sum_{r=1}^{R} \log \frac{Y_r}{N_r} + \sum_{r=1}^{R} Y_r \left[ \sum_{i \in r} \frac{y_i}{Y_r} \log \frac{y_i}{Y_r} \right] \]  

(Kuncoro, 2013)

- \( Y_r \): Share of GDP in all districts / cities in the region \( r \)
- \( y_i \): Share of GRDP in the regency / city to the total GRDP of Aceh Province
- \( N_r \): Number of districts / cities in the region \( r \)
- \( N \): The total number of districts / cities in Aceh Province
- \( R \): Total area of Aceh Province
- \( r \): consists of the south west, southeast, and north east regions

3.3. **Multiple Linear Regression Model**

Multiple linear regression model uses time series data to see the effect of economic growth, HDI, inflation, unemployment, and the Special Autonomy period on the gap index.

\[ VW_t = a_0 + \beta_1 PE_t + \beta_2 IPM_t + \beta_3 INF_t + \beta_4 UN_t + \beta_5 DUMMYOTSUS + \epsilon_t \]  

**Keterangan**

- \( VW_t \): Williamson index in year \( t \)
- \( a_0 \): Intercept coefficient (constant)
- \( \beta_1, \beta_2, \beta_3, \beta_4, \beta_5 \): Regression coefficient
- \( PE_t \): The rate of economic growth in the year \( t \)
- \( IPM_t \): Human Development Index in the year \( t \)
- \( INF_t \): Inflation in the year \( t \)
- \( UN_t \): Unemployment in the year \( t \)
- \( DUMMYOTSUS \): Dummy variable to see Otsus, (2000-2007) and a value of 1 for the after Otsus (2008-2016)
- \( \epsilon_t \): Error term

4. **Result And Discussions**

4.1. **Disability Conditions of Aceh Province**

To see the disparity the study uses 2 measurement indexes; namely the Williamson index and Theil Entropy Index. These two submissions were carried out with the aim of strengthening regional gap analysis in the province of Aceh. Based on the measurements made, the gap index tends to decline in the period 2000-2016. But this decline still puts Aceh in a position with a moderate gap index. The following is a graph of measurements from the Gap Index with Williamson and their measurement methods.
The gap in the Province of Aceh shows that there is a trend of decreasing the disparity index from the period before OTSUS and after OTSUS. High disparities occurred in the 2002-2004 period, which was indicated by the effects of the Tsunami disaster and the Aceh conflict period. The gap has decreased as a result of the development of Aceh Rehabilitation and Reconstruction after the Earthquake and Tsunami. It is possible, the decline in the gap occurs because of economic growth in the majority of regions experiencing slowdown.

As for the concerns that arise from the results of the description of the Aceh gap, it appears to have increased in the 2014-2016 period. Although OTSUS funds have been allocated since 2008, the level of inequality is still high with a value of 0.36 (theil index) and 0.41 (Williamson index). It is probable that the gap index will be absorbed by properly regions that have not been able to manage the budget prudently and the high level of routine spending. Another justification of the gap due to the large number of oil and gas industries that was experiencing a decline and continued to be smaller.

4.2. Analysis of the Williamson index regression model

The Williamson index actually explains the gap with the district / city GRDP per capita database on the province's GDP per capita. Then the value or index of the gap is aggregated in the entire province of Aceh without dividing and grouping into specific regions.

In the Williamson index gap model, a series of elaborations were carried out by adding independent variables in the form of Human Development Index (HDI), Economic Growth, Inflation, Unemployment, and Dummy OTSUS period. The results of the estimation of the equation model obtained the following results.

<table>
<thead>
<tr>
<th>Variabel</th>
<th>Dependent Variabel Indeks Williamson</th>
<th>Koefisien</th>
<th>Std.Error</th>
<th>T-Stat</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td></td>
<td>7.05</td>
<td>1.78</td>
<td>3.96(***)</td>
</tr>
<tr>
<td>IPM</td>
<td></td>
<td>-0.09</td>
<td>0.03</td>
<td>3.25(***)</td>
</tr>
<tr>
<td>Growth</td>
<td></td>
<td>-0.03</td>
<td>0.01</td>
<td>3.23(***)</td>
</tr>
</tbody>
</table>
The results show a high R-Squared value which is 86 percent. It means that the estimated model has a close relationship between independent and dependent variables. The determinant of the influence of HDI, economic growth, inflation, unemployment, and the OTSUS dummy on the regional gap can be explained by 87 percent, while the remaining 13 percent is explained by the other variables outside the equation model.

All of the independent variables simultaneously at 99 percent confidence level. Partially, the estimation results prove that there is a HDI variable, economic growth and dummy autonomy have a significant effect on regional disparity at 99 percent confidence level. The variables that have no partial effect are inflation and unemployment. Specifically, this equation model defines several things, including:

- The HDI has a significant and negative influence on the regional gap with a coefficient of -0.09. This means that if the Aceh Province HDI increases 1 percent, the regional gap will decrease by 9 percent assuming other variables.
- Economic growth has a significant and negative influence on the regional gap of -0.03. The interpretation is, an increase in economic growth of 1 percent will have an impact on a regional gap of 3 percent assuming other.
- Inflation does not have a significant effect on regional disparities, although the result of the coefficient is negative. This is indicated that the elasticity of price increasing occurs within a short period of time, so that price is fluctuates. It is not directly affect the disparity between regions. Another argument is that the source of disparity in Aceh Province is not derived from the symptoms of inflation due to regional differences in the high level of inequality but occurred from due to the price of goods is more stable because it is supported by the smooth distribution of goods and government intervention.
- Even though the coefficient value is negative, Unemployment does not have a significant effect on regional disparities. The level of regional disparity is not affected by the high open unemployment rate. It shown that the Aceh Province workforce is mostly working in the informal sector. The source of unemployment does not become a determinant to reduce regional disparities. This means that the workforce of the Aceh Province is faced with a low absorption of labor in the formal sector, and the majority of the workforce is in the agricultural sector.
- The impact of the Aceh OTSUS period significantly affected the regional gap with a coefficient of -0.35. The interpretation of this Otsus shows dummy that the gap that occurred after Aceh's OTSUS was smaller than before OTSUS with a difference of 35

<table>
<thead>
<tr>
<th></th>
<th>Coefficient</th>
<th>Standard Error</th>
<th>T-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inflation</td>
<td>-0.01</td>
<td>0.01</td>
<td>-1.39</td>
</tr>
<tr>
<td>Unemployment</td>
<td>-0.02</td>
<td>0.02</td>
<td>-0.79</td>
</tr>
<tr>
<td>Dummy OTSUS</td>
<td>-0.35</td>
<td>0.08</td>
<td>4.19(***)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>R²</td>
<td>0.87</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F-Stat</td>
<td>14.72(***</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dw-Stat</td>
<td>1.7</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Processed by the author with e-views ver 8.0
Information: *** significant α 1% (p<0.01); ** significant α 5% (p<0.05); * significant α10% (p<0.1)
percent. Policy in other words, the gap in the OTSUS period decreased by 65 percent smaller than before OTSUS

4.3 Discussion

Based on the results of the estimates above, the discussion will focus more on an in-depth study of OTSUS Aceh and its relation to the development gap in Aceh Province. The scope of the first discussion, is that the OTSUS Aceh regulation and the changes that has been occurred. Secondly the impact of the development gap in the Province of Aceh before and after the allocation of Otsus funds. Third, the impact of the allocation of Aceh's OTSUS funds on inequality in Aceh Province, where there were changing ups and downs in the allocation of qanun regulations.

4.3.1 Regulation of OTSUS Aceh Fund Management

In accordance with Law No. 32 in 2004 concerning Regional Government, the Balancing Fund is divided into three groups, namely the General Allocation Fund (DAU), Special Allocation Fund (DAK) and Revenue Sharing Fund (DBH). In its development, the balancing funds of the RegionCenters also stipulated the Special Autonomy (Otsus) areas that received additional Otsus funding allocations.

Aceh Province is designated as one of the provinces (together with Papua) which is receiving the Special Autonomy Fund allocation. Aceh has two attributes of special autonomy. First, is through on Law Number 18 in 2001 concerning Special Autonomy for the Province of NAD, and the second is through Law No. 11 in 2006 concerning the Government of Aceh. In its development the Aceh OTSUS Qanun continued to experience changes and improved governance before the issuance of the Aceh Qanun No. 1 which is the Special Autonomy Fund in 2008 and Governor's Decree No. 48 in 2009.

In the period of 2013 there was a change in the governance of OTSUS Aceh with the issuance of Qanun No. 2 in 2013 concerning Procedures for Allocating Additional Funds for Oil and Gas Products and the Use of Special Autonomy Funds. The last change occurred in 2016 marked by the ratification of Qanun No. 10 in 2016 concerning the Second Amendment to the Aceh Qanun Number 2 in 2008 concerning Procedures for Allocating Additional Funds for Oil and Gas Products and the Use of Special Autonomy Funds.

4.3.2 Dummy period gap before Otsus and After Otsus

The OTSUS Aceh period began in 2008, which providing district / city authorities with the authority to manage OTSUS budgets. The changes that occur in the management of Aceh's OTSUS funds are considered to affect the level of development gap. Based on the estimation results, the gap in the OTSUS period decreased, with a difference of 35 percent. Inother words, during OTSUS since 2008 the gap in Aceh decreased by 65 percent.

When looking at the data on the graph of the regional gap index with the Willamson Index and Theil Index, the gap has increased in 2015-2016. During this period there was a fundamental change in the policy of allocating funds for OTSUS Aceh with the existence of Qanun No. 2 in 2013 and the Qanun No. 10 in 2016, by cutting the authority of the district / city in managing OTSUS funds which amount of 40 percent. There is a strong assumption that the development program proposed by the district / city has been hampered by a proposal mechanism that is centered on the Aceh Provincial Government.

The results of a study conducted by the Aceh Province Bappeda and PPKD found that the absorption of OTSUS budgets by the province was slightly better than that of the city
districts. In 2014 the absorption rate in districts / cities accounted for 89 percent, slightly higher than the province which accounted for 93 percent. One of the obstacles to the relatively low absorption of districts / cities is the absence of clear criteria during planning in the early stages, so that there are several programs / activities which have not been approved by the province, while the time for changes to program proposals is also relatively limited. The development gap caused by OTSUS Aceh has been relatively declining, despite changes in the governance of fund allocation between the Province and District / City.

The HDI variable in the gap analysis shows a significant influence in reducing the regional gap rate. The HDI is one of the indicators for measuring the allocation of OTSUS funds. Districts / cities with a low HDI receive larger OTSUS funds. An increase in the HDI of 1 percent will be able to reduce the regional gap by 9 percent. The HDI refers to 3 main indicators, namely education, health, and purchasing power.

Variable Economic Growth also becomes a significant variable in reducing regional disparity in Aceh Province. If Economic Growth increases 1 percent, the gap can be reduced by 3 percent. Qiaou, et All (2002) explained that fiscal decentralization has a significant effect on economic growth, where there are increasing fiscal budgets, economic growth is increasing even though the relationship is not linear.

5. Conclusion

Based on the research that has been done, it can be concluded that the regional disparity that occurred in Aceh Province has decreased during the allocation of OTSUS funds since 2008. However, in some conditions such as 2014-2016 has increased.

The estimation results in the regional gap model with inter-time data through the Williamson index prove that the gap has decreased along with the allocation of OTSUS funds in Aceh Province since 2008, with a difference of 35 percent. IPM variables and economic growth are determinants that can significantly reduce Williamson's gap index.

References


Problems Mudharabah Mutlaqah in Muamalat Bank Jambi Branch (Study Between Theory and Practice)

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Abstract: The more advanced a country is, the greater the role of banks in controlling the country. This means that the existence of the banking world is increasingly needed by the government and society. Financial institutions are really needed by the government and society, because banks help a lot of business smoothly, especially in meeting the needs of life. So important is the world of banking, so that there is an assumption that banks are the lives to drive the economy of a country. Mudharabah mutlaqah is a contract of cooperation between two parties or more to finance a halal type of business, where the specifications of business type, time, and business area are not limited by shohibul maal. If the business experiences profit, it will be divided according to the agreed agreement and if the business experiences a loss, the loss will be borne by both parties. but it is different from the aspect of mudharabah mutlaqah practice applied by the Bank Muamalat Indonesia Jambi Branch, if the type of business managed by mudarib suffers a loss, then the mudharib must pay regularly every month.

Keywords: Mudharabah Mutlaqah Product, Bank, and Community

1. Introduction

In today's modern world, banking has a very important role in every country's economic activities. Banks can be said to be the blood of a country's economy. Therefore the progress of a bank in a country can also be used as a measure of the progress of the country concerned. The more advanced a country is, the greater the role of banks in controlling the country. This means that the existence of the banking world is increasingly needed by the government and society. Financial institutions are really needed by the government and society, because banks help a lot of business smoothly, especially in meeting the needs of life. So important is the world of banking, so that there is an assumption that banks are the lives to drive the economy of a country.

This assumption is certainly not wrong, because the function of banks as financial institutions is very vital, for example in terms of money creation, circulating money, menstruating money, providing financing to support business activities, places to secure money, investment places and other financial services.

The bank is a financial intermediary institution or the so-called financial intermediary, meaning that the bank is an institution whose activities are related to financial problems which are also a means of facilitating the occurrence of major trade.

According to (Antonio, 2010) and (Atmaja, 2008) Officers "Syari'ah Bank is a bank that operates in accordance with the principles of Islamic Shari'ah and the procedure for its operation refers to the provisions of the Qur'an and Hadith.

The rapid development of Syari'ah banking certainly determines adequate human resources and has competence in the Shariah banking sector. In order for this development to
be carried out effectively and optimally, the human resources, especially marketing officers who are the foremost actors in the operations of Bank Syari'ah, need to understand correctly the concept of Shariah banking.

Among the products offered by Bank Syari'ah are mudharabah products. Mudharabah or qiradh is one form of syirkah contract or partnership. The term mudharabah is used by Iraqis, while Hijaz people call it the term qiradh. Thus, mudaraba and qiradh are two terms for the same purpose. Mudharabah is a financing transaction involving two or more parties where the first party owns and has capital (shohibul maal) to finance a type of business that is lawful, and the second party runs a type of business to be managed by mudarib. Mudharabah is usually applied to collecting and financing products.

a. On collection products

- Time savings, which are savings intended for special purposes, such as Hajj savings, and sacrificial savings.
- Special deposits, where funds deposited by customers are specific to certain businesses, such as murabahah or ijarah

b. On financing products

- Working capital financing, such as trade and service working capital.
- Special investment is also called mudharabah muqayyadah, where special funding sources with special distribution with the conditions set by Shohibul Maal.

When viewed from its type, mudaraba can be divided into two, namely mudharabah mutlaqah and mudharabah muqayyadah. In Shariah banking practices in Indonesia, the principle fund collection products used are mudharabah mutlaqah while mudharabah muqayyadah is more often used in service products whose application to Syari'ah Bank is a special investment product that is a project directly financed by the customer.

Mudharabah muqayyadah or also referred to as restricted mudaraba or specified mudaraba is mudarib restricted by the limitation of type of business, time, or place of business. This limitation often reflects the general tendency of the shohibul maal to enter the business world.

At Muamalat bank Jambi Branch, mudharabah muqayyadah is a contract of cooperation between two or more parties to finance a halal business, where the specifications of business type, time, and business area are limited by shohibul maal. With the agreement the profit is divided between the two parties in accordance with the agreement, while the loss is borne by Shohibul Maal, unless the loss is as a result of the manager's fault (mudharib).

Mudharabah mutlaqah can be interpreted as a contract of cooperation between two parties or more to finance a halal type of business, if the business experiences a profit it will be divided according to the agreed agreement and if the business experiences a loss, then the loss will be borne by both parties party.

This is in line with Profit Sharing, or the principle of profit sharing which is a general characteristic and basic foundation for the operation of Islamic banks as a whole. In Syrri'ah, the principle is based on the mudharabah rule. While the risk that will arise is simply not getting the profit sharing or borne by both parties.

Profit or loss recognition in practice can be known based on the profit sharing report from the fund manager received by the bank. In this case the loss incurred is recognized in the period of the loss and can reduce the mudharabah financing balance.

But it is different from what I see in terms of mudharabah mutlaqah practices that are applied by the Mandiri Syariah Bank Branch Jambi, if the type of business managed by mudarib suffers a loss, then the mudharib must pay regularly every month. From here I see a
difference between the theory and practice applied by the Muamalat Indonesia Bank Jambi Branch to its customers.

The strengths and weaknesses of the mudharabah system are:

a) Strength (strength) of the mudharabah system, namely:
   - There is support from Muslims who constitute the majority of the population, because mudaraba is one of the products that has long been the desire of Muslims in Indonesia. This shows the amount of hope and support of Muslims towards the mudaraba system itself.
   - Support from Islamic financial institutions around the world. Because with the existence of a mudaraba system that is in accordance with the principles of Islamic shari'ah, it is very important to avoid the Muslims from the possibility of falling prey to the illegitimate. Therefore at the second conference of foreign ministers of Muslim countries around the world in December 1970 in Karachi, Pakistan agreed to the first stage of establishing the Islamic Development Bank (IDB) whose operations are in accordance with Islamic sharia principles. IDB was then formally established in August 1974 where Indonesia became one of the founding member countries. Several international Islamic banks have come to Indonesia to open sharia financial institutions jointly. This shows the amount of hope and support of international financial institutions for the existence of Islamic financial institutions in Indonesia.
   - The provision of mudharabah loans with a profit sharing system is very suitable to the needs of the community because:
     - Provision of mudharabah loans encourages the establishment of togetherness between shohibul maal and mudharib in dealing with business risks and dividing profits / losses fairly.
     - In mudharabah loans, the customer is only required to share the results of his business in accordance with the agreement agreed upon at the beginning of the contract.
     - In mudharabah loans does not depend on the high and low interest rates because there is no interest expense on loans that must be taken into account.

b) Weaknesses of the mudharabah system, namely:
   - Prejudice to its customers and assume that all people involved in the production sharing agreement are honest and can backfire, because mudaraba loans with a profit sharing system will depend on honesty and goodwill from its customers as mudarib.
   - Because it carries a profit sharing mission, the Shariah bank needs more reliable professionals in their fields.
   - Requires complicated calculations, especially in calculating costs and profits from both parties.

c) Risks contained in mudharabah, especially in its application in financing are relatively high, including:
   - Side streaming, the customer uses the funds not as stated in the contract
   - Negligent and deliberate mistakes
   - Concealment of profits by customers if the customer is dishonest.
   
   Profit or loss recognition in practice can be known based on the profit sharing report from the fund manager received by the bank. In this case the loss incurred is recognized in the period of the loss and can reduce the mudharabah financing balance.
2. Results

2.1 Mudharabah Mutlaqah Between Theory and Practice

In shari'ah banking practices in Indonesia, the principle fund collection products used are Mudharabah mutlaqah while Mudharabah muqayyadah is more often used in service products whose application to the Shari'ah Bank is a special investment product that is a project directly financed by the customer, the bank only acts as the representative who arranged the project.

Pass to the subject matter, which in this study the author discusses the mudharobah mutlaqah product between theory and practice at the Muamalat Bank Jambi Branch. that is:

a. In terms of theory

If in terms of theory, mudharabah mutlaqah (general investment), is a form of cooperation between shahibul mal and mudarib whose scope is very broad and not limited by the specifications of business type, time and business area. In the discussion of fiqh ulama, it is often exemplified by the expression if'al ma syi'ta (do as you please) from shahibul maal to mudharib which gives immense power.

Mudharabah mutlaqah can be defined as a cooperative agreement whereby shohibul maal gives full flexibility to mudharib to use the funds in a business that is considered good and lawful and profitable, but the manager is still responsible for managing according to practice. If the business experiences profits, it will be divided according to the agreed agreement and if the business experiences a loss, the loss will be borne by both parties.

This is in line with Profit Sharing, or the principle of profit sharing which is a general characteristic and basic foundation for the operation of Islamic banks as a whole. Syri'ah, the principle is based on the mudharbah rule.

b. In terms of practice

If in terms of practice, mudharabah mutlaqah is not synchronized with the theory, it can be seen from several complaints from customers who feel disadvantaged, namely:

- Syaiful Yahya

In this case, Mr. Syaiful Yahya used Mudharabah Mutlaqah product with member number 06.01.00714. Contract Number of Agreement 16 / MDA / VII / BMI / 2016. On 14-03-2016. For HP counter business, Rp. 18,000,000. Pemiayian Installment Account Card.

No. Member (NDA): 06.01.00714
Member Name: Syaiful Yahya
Tanggal: 14-03-2016
Types of Financing: Mudharabah Mutlaqah
Installment Method: Monthly
Disbursement Date: 03/14/2016
Duration: 10 months
Maturity: 01/14/2018
Guarantee: Land certificate
Amount of Financing: Rp. 18,000,000
Margin / Profit Sharing: IDR 540,000 +
Total Financing: Rp. 18,540,000
Main Installment: Rp. 9,270,000
Margin / Profit Sharing: IDR 54,000
Risk Reserves: IDR 434,000
Mandatory Deposits: IDR 434,000
Takaful Insurance: -
Infaq / Sadaqah: IDR 5,000
Total Installments: Rp 927,000

Amount of Financing: Rp. 18,000,000
- Amount of Margin / Profit Sharing: The amount of financing multiplied by 3%
  Rp. 18,000,000 x = Rp. 540,000
- Principal Installments: Total financing divided by 2
  Rp. 18,540,000: 2 = Rp. 9,270,000
- Margin / Profit Sharing: The amount of margin / profit sharing divided by the length of the loan = Rp. 540,000: 10 = Rp. 54,000
- Infaq / Shadaqah: IDR 5,000
- Risk reserve: The principal installment for the length of the loan is reduced margin / profit sharing per month minus infaq / sadaqah divided by 2 =
  Rp 9,270,000: 10 - 54,000 - 5,000: 2 = IDR 434,000
- Mandatory Deposits: The principal installment for the duration of the loan is reduced margin / profit sharing per month minus infaq / sadaqah divided by 2 =
  Rp 9,270,000: 10 - 54,000 - 5,000: 2 = Rp. 434,000
- Installment Total: Risk reserve plus mandatory savings plus margin / profit sharing per month plus infaq or sadaqah = Rp. 434,000 + 434,000 + 54,000 + 5,000 = Rp. 927,000

From the details of the financing of the mudharabah mutlaqah above, Mr. Syaiful Yahya must distribute the profits of his HP counter business to Bank Muamalat in the amount of Rp. 927,000 per month.

If Mr. Syaiful Yahya does not give profit to the bank, therefore, you have to pay Rp.1,854,000 for the late fees.

After confirmation in the field, the late payment of the profit sharing was because Mr. Syaiful suffered a loss in his contingent business, it was because the income did not reach the expected target, not to mention the payment of other expenses which also had to be repaid.

- Siti Fatimah
In this case, Ibu Siti Fatimah, who lives in Thehok Beringin VII, South Jambi Subdistrict, also used Mudharabah Mutlaqah products with member number 06.01.00465. Contract Agreement Number 71 / MDA / XI / BMI / 2015. For the business of opening a Play Station rental (PS) of Rp. 14,750,000.

Installment Account Card

No. Member (NDA): 06.01.00465
Member Name: Siti Fathimah
No. Agreement Agreement: 71 / MDA / XI / BMI / 2015
Date: 12-04-2015
Types of Financing: Mudharabah Mutlaqah
Installment Method: Monthly
Disbursement Date: 12-04-2015
Duration: 10 months
Maturity: 12-02-2016
Guarantee: Land certificate
Amount of Financing: Rp. 14,750,00
Margin / Profit Sharing: IDR 442,500
Total Financing: Rp. 15,192,500
Main Installments: Rp. 7,596,250
Margin / Profit Sharing: IDR 442,500
Risk Reserves: Rp. 355,187.5
Mandatory Deposits: Rp. 355,187.5
Takaful Insurance: -
Infaq / Sadaqah: IDR 5,000
Total Installments: Rp. 759,625

Amount of Financing: Rp. 14,750,000
- Amount of Margin / Profit Sharing: The amount of financing multiplied by 3%
  Rp. 14,750,000 x = Rp. 442,500
- Principal Installments: Total financing divided by 2 = Rp. 15,192,500: 2 = Rp. 7,596,250
- Margin / Profit Sharing: Amount of Margin / Profit Sharing divided by length of loan =
  Rp. 442,500: 10 = Rp. 44,250
- Infaq / Shadaqah: IDR 5,000
- Risk reserve: The principal installment for the length of the loan is reduced margin / profit sharing per month minus infaq / sadaqah divided by 2 =
  Rp 7,596,250: 10 - 44,250 - 5,000: 2 = Rp. 355,187.5
- Mandatory Deposits: The principal installment for the length of the loan is reduced margin / profit sharing per month minus infaq / sadaqah divided by 2 =
  Rp 7,596,250: 10 - 44,250 - 5,000: 2 =
  Rp. 355,187.5
- Total Installments: Risk Reserves plus mandatory savings plus margin / profit sharing per month plus infaq or sadaqah = Rp. 355187.5 + 355187.5 + 44,250 + 5,000 = Rp. 759,625

From the details of the financing of mudharabah mutlaqah above, Mrs. Siti Fatimah must share the benefits of the Play Station (PS) rental business to Bank Muamalat in the amount of Rp. 759,625 per month.

If Siti Fathimah's mother does not give a profit to the bank with a 3% profit agreement, Ibu Siti Fathimah must pay Rp 1,519,250 for the cost of the delay.

After confirming to the play station rental place, Mrs. Siti Fatima, it turned out that I found out that the late payment of the profit sharing was because Fathimah had suffered a loss in the play station business, this was because this month the person playing play station was reduced, not as usual. Usually students who go home from school go directly to the play station and teenagers around Siti Fathimah's mother's neighborhood.

- Robbiyatul Adawiyah
  In this case Mrs. Robbiyatul Adawiyah also used the Mudharabah Mutlaqah product with a member number 08.02.00889. Agreement Number 03 / MDA / XI / BMI / 2010. On 14-02-2010. For businesses opening a mobile counter rental of Rp. 15,000,000
  Pembiayan Installment Account Card

No. Member (NDA): 08.02.00889
Member Name: Robbiyatul Adawiyah
No. Agreement Agreement: 03 / MDA / XI / BMI / 2008
Date: 14-02-2008
Types of Financing: Mudharabah Mutlaqah
Installment Method: Monthly
Disbursement Date: 14-02-2010
Duration: 10 months
Maturity: 14-12-2010
Guarantee: Land Certificate
Amount of Financing: Rp. 15,000,000
Margin / Profit Sharing: IDR 450,000
Total Financing: Rp. 15,450,000
Principal Installments: IDR 7,725,000
Margin / Profit Sharing: IDR 45,000
Risk Reserves: Rp. 361,250
Mandatory Deposit: IDR 361,250
Takaful Insurance: -
Infaq / Sadaqah: IDR 5,000
Total Installments: Rp. 772,500

Amount of Financing: Rp. 15,000,000
- Amount of Margin / Profit Sharing: The amount of financing multiplied by 3%
  IDR 15,000,000 x = IDR 450,000
- Principal Installments: Total financing divided by 2 =
  IDR 15,450,000: 2 = IDR 7,725,000
- Margin / Profit Sharing: Amount of Margin / Profit Sharing divided by length of loan =
  IDR 450,000: 10 = IDR 45,000
- Infaq / Shadaqah: IDR 5,000
- Risk reserve: The principal installment for the length of the loan is reduced margin / profit sharing per month minus infaq / sadaqah divided by 2 =
  Rp 7,725,000: 10 - 45,000 - 5,000: 2 =
  Rp. 361,250
- Mandatory Deposits: The principal installment for the length of the loan is reduced margin / profit sharing per month minus infaq / sadaqah divided by 2 =
  Rp 7,725,000: 10 - 45,000 - 5,000: 2 =
  Rp. 361,250
- Total Installments: Risk Reserves plus mandatory savings plus margin / profit sharing per month plus infaq or sadaqah = Rp. 361,250 + 361,250 + 45,000 + 5,000 = Rp. 772,500

Mrs. Robbiyatul Adawiyah did not provide benefits to the bank with a 3% profit agreement, therefore on July 14, 2010, Mrs. Robbiyatul Adawiyah had to pay Rp 1,545,000 for the late fees.

After confirming to Robbiyatul Adawiyah's cellphone counter, I found out that the late payment of the profit sharing was due to a loss in running the business on June 14, 2010. The loss was due to competition between other cellphone counters. Mrs. Robbiyatul Adawiyah pays more than in previous months, therefore mother Robbiyatul Adawiyah borrows money from her siblings to pay off the payment every month if she experiences a loss or failure to reach the monthly income level after deducting expenses or other expenses.
3. Conclusions

- If viewed from the aspect of the mudharabah mutlaqah theory, it can be defined as a cooperative contract whereby shohibul maal gives full flexibility to mudarib to use the fund in a business that is considered good and lawful and profitable, but the manager is still responsible for managing according to practice. If the business experiences profits, it will be divided according to the agreed agreement and if the business experiences a loss, the loss will be borne by both parties.

- In terms of practice, mudharabah mutlaqah is not synchronized with the theory, it can be seen from several complaints from the customer, if the mudarib business experiences profits will be divided according to the agreed agreement but if the business experiences a loss, then the loss will borne by mudharib as manager.

- From the problem of mudaraba mutlaqah the study between theory and practice, that the occurrence of these problems is due to the communication between Shohibul Maal and the Mudharib party. As well as a lack of understanding of mudharib in mudharabah mutlaqah products.

- The challenge of Bank Muamalat in addressing these problems, that the risks in mudharabah mutlaqah products, especially in the implementation of its financing are relatively high, have good prejudice for all its customers and assume that all people involved in this agreement are honest can be a boomerang for the bank, and require skilled professionals in their fields.

- Constraints faced by Bank Muamalat in developing its products in the event of an incompatibility between sharia rules and the reality that occurs in the field, namely between theory and practice. And the mudharabah mutlaqah products offered by the bank include high risk products. In this product the bank not only imposes risk on the customer, and in practice the bank cannot take the risk too high, therefore this mudharabah mutlaqah financing product is only given to customers who have 5C (Character, Career, Capital, Credibility, Capability) to suppress the risk is too high.

- The policy adopted by Muamalat bank in addressing the problem of mudharabah mutlaqah, namely offering this product to customers who have 5C, and the bank must have the principle of prudence and be more selective in developing its products.

References

Syaria Accounting Analysis of Murabahah Financing in Syaria Mandiri Bank Jambi Branch (Study Between Theory and Practice)

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Abstract: This study analyzing murabahah financing products at the Jambi Syariah Mandiri Bank. When viewed from the needs of the community in meeting their needs, murabahah financing products are very important and more targeted than other financing products, because murabahah financing products are felt to be able to help the community's economy. Accounting is basically the recording medium as well as the calculation of economic activities including the variety of transactions. Thus, between record and count can be considered to be related to the meaning of account, measure, assess, evaluate, and even compute. Humans exist in the world, from its birth, essentially indirectly related to consumption and production activities. The history of science, including economics, was originally discovered and developed during the heyday of Islam with the ultimate goal being Falah (the happiness of the world-the hereafter materially-spiritually) and its main base being the Tawhid sourced from the laws of the Qur'an and As Sunnah.

Keywords: Murabahah Product, Bank, and Community

1. Introduction

Islam is a universal religion that regulates all aspects of human life, in outline Islam regulates two main parts, namely worship and muamalah. Worship is a vertical relationship, which governs man in relating to Allah Swt as his god. While muamalah is a horizontal relationship, namely activities that concern the relationship between humans and human beings covering aspects of economic, political, social and so forth. For muamalah activities concerning economic aspects such as buying and selling, savings and loans, accounts payable, joint ventures and so forth. Economic problems can not be separated from human life. It deals with a variety of needs, such as food, clothing and shelter, and other necessities. To fulfill the necessities of life, human beings should work by cultivating everything that has been provided in this universe, and from the results of these needs human needs can be met, both primary, secondary, and tertiary needs (Antonio, 2010). In fulfilling the necessities of life, human beings also have the same rights and obligations with each other, one does not harass the rights and duties of others with lust, greed, and greed. These forms of harassment include, among other things, the usury, the hoarding of property, not providing the proper wage of labor, manipulating the price, and monopoly. Sharia accounting based on the value of the Qur'an and Al-Hadith helps people to organize economic practices related to the recognition, measurement and recording of transactions and the disclosure of rights and duties fairly. Rights and obligations arise because humans are assigned by Allah SWT to manage the earth
safely. So that accounting is actually a tool of accountability to the Creator and fellow creatures, used by humans to achieve their nature as khalifah (Muhnammad, 2009).

One syariah-based financing is murabahah financing, murabahah financing is one of the financing products in sharia banking that dominates and is much in demand by Indonesian society. This is evident from the May 2006 Indonesian Sharia Banking Statistics published by the Financial Services Authority. Murabahah transaction value was ranked first with 203.72 trillion rupiahs, followed by musyarakah with 64.52 trillion rupiah and mudharabah amounting to 14.86 trillion rupiah (Financial services authority, 2016). This statistic shows that Indonesian people are very interested in murabahah products offered by Bank Syariah in Indonesia. In murabahah financing required the accounting treatment, accounting treatment is an accounting system to see how the process of recording of financing products that use the system of sale and purchase of the parties involved into accounting systems used Islamic financial institutions. While the benefits of accounting treatment will have an impact on the sharia financial statements presented in accordance with SFAS No. 101 used to measure the performance of the presentation and disclosure of financial statements and useful for decision making. However, in reality, the accounting treatment of murabahah financing has not been balanced with good accounting treatment, the fact that there are still many entities or sharia banks that still violate the existing provisions in PSAK No. 102. Because providing financing to customers to obtain murabahah inventory and measure murabahah profit using annuity method is two accounting treatments regulated by PSAK 55. While in terms of recording in murabahah accounting treatment not yet in accordance with PSAK No. 102 and journal recording at the time of delinquency calculation based on PSAK No. 102. The development of Sharia Accounting in Indonesia dilator by the development of sharia financial institutions. In Indonesia there are many emerging Islamic financial institutions considering the number of people who are Muslims.

2. Literature Review

The pragmatic shariah accounting flow considers some conventional accounting concepts and theories to be used with some modifications. Modifications are made to pragmatic interests such as the use of accounting in Islamic companies that require the legitimacy of reporting based on Islamic values and sharia objectives. Such conventional accounting accommodation is patterned in accounting policies such as Accounting and Auditing Standards for Islamic Financial Institutions issued internationally by AAOIFI and PSAK No. 17, 59 or the most recent PSAK 101-106 in Indonesia.

2.1 Theory of Sharia Accounting

There has been a tremendous change in the field of accounting for the last few decades. Prior to the 1970s there was an assumption about accounting as a science and practice free of value (value free) has begun to shake its existence. In the era of information and globalization in the field of accounting there is a harmonization of accounting practices. Accounting practices in each country is considered difficult in interpreting the financial statements, or accounting practices that are unrarable uncomparable. This case invites the reaction of many people, views that are both pro and contra. Those who are counter-views criticize that actions to harmonize constitute harassment of local values.

Based on the above case, attempts to look for humanist, emancipatory, transcendental, and theological forms of accounting are a necessary undertaking. According to Iwan Triyuwono and Gaffikin it is said that Sharia Accounting is one of the attempts to modernize
accounting into a humanist and full of values. The purpose of creating sharia accounting is the creation of business civilization with humanist, emancipatory, transcendental and theological insights. In this way, alternative reality is expected to generate full self-awareness of one's submission and submission to the power of God. With regard to the problem of theoretical changes, accounting will change to a new paradigm that has so far been unclear.

Murabahah is a sale and purchase agreement with the selling price of the acquisition cost plus the agreed profit and the seller must disclose the cost of the item to the buyer (SFAS 102 paragraph 5). This definition indicates that murabahah transactions do not have to be in the form of tough payments (credit), but can also be in cash after receiving the goods, suspended in installments after receiving the goods, or suspended by paying all at once in the future. Murabahah is the sale of goods at the cost of goods acquisition with additional benefits agreed between the seller and the purchaser of the goods. The apparent difference in the sale and purchase of murabahah is that the seller must disclose the price of the goods and then there is a negotiation of the profit which is agreed upon by both parties. In the murabaha agreement, the seller finances the purchase of goods required by the buyer. For example, murabahah transactions conducted in Bank Syariah, the Bank will buy the goods needed by customers from suppliers (suppliers) and then sell them to customers at a price plus a profit or mark-up.

The mechanisms performed in murabahah transactions conducted in the Sharia Banking sector are as follows:

- The Bank acts as a temporary seller of the customer as a buyer. The selling price is the purchase price of the bank from the manufacturer (factory / shop) plus the profit. Selling price and terms of payment must be agreed upon by both parties.
- The sale price is included in the trading agreement and if it has been agreed upon, it cannot be changed during the term of the contract. In banking, murabaha is usually done by installment payment (bitsaman ajil).
- When there is goods, then immediately will be delivered to the customer, while the payment is done in a formidable.

Broadly speaking, buying and selling can be interpreted as the exchange of property on the basis of mutual. According to (Sabiq, 2008) buying and selling is to move the property with a replace (iwad) that can be justified (according to sharia). The exchange can be made between money with goods, goods with goods we used to know with barter and money with money such as exchange rate of rupiah currency with yen. Then there is the debate regarding the cost of acquisition, whether it is only the purchase price or at other costs. In general, the four madhhab scholars allow the direct charge to be paid to a third party. They do not allow the burden of direct costs associated with the work that the seller is supposed to do, as well as the cost of not adding value to the goods (Karim, 2001). The purchase price is the cost of the purchase price minus the purchase discount. If a discount is given after the contract, then the discount earned shall be the buyer's or seller's right in accordance with their agreement at the beginning of the contract. The amount of profit must be clear. The price of the agreed goods can not be changed. For example from the example above the agreed price Rp240 million and can be paid by installments of Rp10 million per month within 2 years. Then the amount of fixed installments of Rp10 million per month for 24 months even though the goods price has increased or the interest rate of the market increases.

The seller can be made in cash or credit (tough payments). In the murabaha agreement, different rates are permitted for different payment methods. For example, cash price, price tough with a period of 1 year or 2 years is different. But the seller and the buyer must choose which price is agreed in the contract and once agreed upon then there is only one price (the price in the contract) is used and this price can not be changed. Whether the buyer repays
faster than the specified credit period or the buyer is delaying his payment, the price should not change.

If the contract of sale is tough and the buyer can pay it off in a timely manner or even he make a repayment faster than the period that has been set, then the seller gives a discount. However, the magnitude of this discount should not be promised at the beginning of the contract (to avoid any element of usury). If the buyer can not repay the debt according to the exact time set, the seller does not permit to impose a penalty on the buyer due to the overpayment of a debt equal to usury (see Chapter 4). Exceptions apply, if the buyer does not pay not because of financial difficulties but because of negligence. In such a case, the imposition of a fine is permitted. However, these penalties should not be recognized as sales revenue but should be used for a charitable / social fund (qard fund) to be distributed to people in need. The purpose of imposing a fine is as punishment / sanction for the negligent person to be more disciplined in fulfilling his debt obligation. If the repayment of the receivables is delayed because the buyer is experiencing financial difficulties, the seller should be relief. Waivers can include deleting the remaining bills, helping to sell murabaha objects on the other side to restructure the accounts. Debt restructuring is performed against debtors who experience a decrease in the ability of payment of receivables that are permanent. Debt restructuring can be done in the form (PSAK ED 108):

- Members cut the rest of the bill, so the number of installments to be small.
- Rescheduling, where the remaining bills remain (not allowed to be added) and extend the payment period in accordance with the agreement of both parties so that the amount of the installment becomes smaller.
- Convert a murabahah contract, by selling murabahah objects to the seller according to market price, then from the existing money used to pay off the remaining bill. The excess (if any) is used as an advance payment akad ijarah or as part of the capital of murabahah musyarakah or musharaka akad in the acquisition of a good. This can be done to debtors who experience a decrease in payment ability but the debtor is still prospective. Conversely, if there is a shortage remains a debt buyer whose payment method is mutually agreed.

2.2 Type of Murabahah Covenant

Murabahah with order (murabahah to the purchase order), In this type murabahah, the seller makes a purchase of goods after an order from the buyer. Murabaha with the order can be binding or not binding buyers to buy goods ordered. If it is binding, it means that the buyer must purchase the goods he ordered and can not cancel his order. If the murabahah asset purchased by the seller, in the murabahah of the order is binding, impaired before it is delivered to the buyer, the impairment becomes the seller's expense and will reduce the contract value.

3. Result And Discussions

Rukun and murabaha provisions, as follows:

a. Perpetrators
   - The perpetrator is lawful and baligh (intelligent and distinguishable), so buying and selling with a madman is illegitimate whereas a small child is considered legitimate, if his guardian seizes.

b. Buy and Sell Object, must meet the following requirements
   - Goods traded are halal goods
Then all goods that are forbidden by Allah, cannot be used as objects of sale and purchase, because these goods can cause people to behave / violate the prohibition of Allah. This is in accordance with the following hadith.

"Allah forbid the sale of wickedness, carcasses, pigs, statues." (Bukhari Muslim)

"Allah, when forbidden anything, also forbids the price." (HR Ahmad and Abu Dawud)

- Goods traded must be profitable or of value, and not goods prohibited from sale, for example: the sale of goods that are expired
- The item is owned by the seller
  The sale and purchase of goods not owned by the seller is invalid because how could he possibly hand over ownership of the goods to others for goods that are not his. Buying and selling by non-owner of this kind of goods, will only be valid if it gets permission from the owner of the goods.
- Such goods may be delivered irrespective of certain future events of unclear goods when the delivery is invalid, as it may generate uncertainty (gharar), which in turn may harm one of the transacting parties and may cause disputes.
- The goods must be known specifically and can be identified by the buyer so there is no gharar (uncertainty).
- The goods can know the quantity and quality clearly, so there is no gharar.

c. Ijab Qabul
Expressions and expressions of mutual acceptance among actors committed verbally, in writing, by correspondence or using modern means of communication
d. Treatment of accounting
Murabahah Accounting (PSAK 102 Revision 2013)
The scope of this SFAS is for shariah financial institutions and sharia cooperatives that melakuakn murabahah transactions both as a seller or pembeli and other parties who conduct murabahah transactions with these entities.

3.1 Accounting For Buyers
a. Assets earned through murabahah transactions are recognized at cost of acquisition of cash.
  Debt arising from a tough murabahah transaction is recognized as murabahah debt at the agreed purchase price (the amount required to be paid). The difference between the agreed purchase price and the cash cost as a deferred murabahah burden.
  Journal (if there is no down payment)
  Dr. Asset xxx
  Dr. Death Murabahah Loan xxx
  Cr. Murabahah Debt xxx

b. Deferred murabaha burden is amortized proportionally with the portion of murabaha debt repaid. Journal
  Dr. Murabahah Debt xxx
  Cr. Cash xxx
  Dr. Burabah Burden xxx
  Cr. Deferred Murabahah Loans xxx

3.2 Accounting For Seller
a. At the time of acquisition of murabahah asset is recognized as inventory at cost
For murabahah binding orders, the measurement of murabahah assets after acquisition is assessed at cost and in the case of impairment due to obsolete, worse or other conditions before being delivered to the customer, the impairment is recognized as an expense and reduces the asset value. If there is any impairment in value for the murabaha of the binding order

c. Fines resulting from negligence in performing obligations as the contract is recognized as a loss Journal:
   Dr. The xxx fines
   Cr. Cash / Debt xxx

d. Advances
   Buyer pays advance, journal:
      Dr. The xxx fines
      Cr. Cash / debt xxx
   If you have made an advance, then when the goods are delivered, the journal:
      Dr. Asset xxx
      Dr. Death murabahah charges xxx
      Cr. Down payment xxx
      Cr. Murabahah debt xxx
   If the buyer cancels the transaction and is charged, it is recognized as a loss. If the fee charged is less than the down payment, then the journal:
      Dr. Cash xxx
      Dr. Loss of fine xxx
      Cr. Down payment xxx

e. Presentation
   Deferred murabahah burden is presented as a pcurang (contra account) murabahah money.

f. Disclosure
   The buyer discloses matters relating to murabahah transactions, but is not limited to:
   - The cash value of the asset obtained from the murabahah transaction
   - Murabahah time period is tough
   - Disclosures required in accordance with SFAS No. 101 on the presentation of sharia financial statements.

References

The Advantages of Aqad Shirkah and it’s Financial Performance Case Study: non-and Financial Institutions in Aceh, Indonesia

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Abstract: Shariah prohibits taking of the interest in the financing and investment activities includes providing fund for business activities. Nowadays, many businesspersons recognized that there is an opportunity to generate the profit from the intermediation between savers and investors or lenders and borrowers, and this led to the growth of varieties of financial system, one of them is Islamic non and institutions. In practices, the Islamic non-institutions as provider funds for business activities must be complying with the Shariah. This study is written to investigate the practice of aqad Shirkah and its advantages to the financial performance. A quantitative data analysis is used to calculate the Return on Asset (ROA), Return on Equity (ROE) and comparing the profits earned by both i.e. Non-o Financial institutions. The secondary data were collected from two sources i.e. non-institutional (Jroh Production Company) and the institutional including BCA (Islamic) and BCA (Commercial) for one year (in 2016). The result of this study shows that the financial performance measured by ROA of non-institutional (e.g. Jroh Production Companies) and BCA (Islamic Bank) is categorized as very healthy. In contrast, the BCA (Commercial Bank) categorized as unhealthy. Meanwhile, by applying the value of ROE, their financial performance is still categorized as unhealthy. Further, the result of real profit earned from investment activities by non-institutional (e.g. Jroh Production Companies) is 4.29% (lower bound), 37% (upper bound) and in average, is 14.46%. It indicates the advantages of aqad Shirkah proved that the Islamic financial system more profitable and beneficial compared to other financial system utilized by Islamic and commercial bank in this case.

Keyword: Sharia, Shirkah, Return on Asset (ROA), Commercial Bank

1. Introduction

As Muslim, Islam is a complete way of life “a mercy to all creation” and regulates the relationship between God (Khaliq) and human beings (Insaanun) in the form of worships (Horrie and Chippindale, 2007) In addition, Islam also comes with regulating the relationships among human beings, includes the business activities namely Muamalah (An-Na’im, 2008). In the Holy Quran surah Al Baqarah verse 275, revealed “...Allah has permitted trade and has forbidden interest.” It means that Allah prohibited riba or usury from business transactions (Seniawski, 2000; Hanif, 2011; Jumadil Saputra, Kusairi and Sanusi, 2017). Syllabus Along with the globalization era, many of business institutions are created to generate and maximize profit that produced from investment activities through various financial system, either Islamic or commercial systems (Zamir, 1997; J Saputra, Kusairi and Sanusi, 2017). Nowadays, in a
Muslim countries which practices Islamic Law or Shariah, the western financial system was leaving by the Muslim because does not comply the Shariah. Thus, taking its opportunity, numerous businesspersons were developed and created the non-and financial institutions to offer financial product that comply the Shariah such as Islamic banking, Islamic insurance (Takaful), Islamic investment (Sukuk) and others (Saputra et al., 2016). Stated the issue in financial model today, it comes from the modern financial systems that have a lack of regulations, deficiencies and risk management. Interestingly, the financial crises happen almost in rest of the world, except Islamic countries (Ahmed, 2010). Therefore, the Islamic scholars attempted to investigate regarding the financial system that applied by Islamic countries which had did not experiencing the economy crises in 2008 (Hasan and Dridi, 2010). Through the advantages of Islamic financial system, this study tries to investigate deeply the practice of aqad Shirkah and its financial performance. It is driven by the study regarding the application of aqad Shirkah still limited studied by researchers and there are lack of knowledge about the concept concerning Shirkah (joint venture).

2. Literature Review

Shirkah or Musharakah or sharikah can be defined as a form of partnership between two or more individuals whereas they combined a portion of their capital or labor in order to share the profits and bearing of losses from business activities, enjoying similar rights and liabilities (Lewis, 2001). In Islamic law, Hanafis and Hanbalis school of thought were dividing the Shirkah into two types namely Shirkah al-milk (joint ownership on a non-contractual basis) and Shirkah al-uqud (contractual partnership). Further, the school of thought of Hanafis and Hanbalis also have divided the Shirkah al-milk into two types; first, Shirkah al-milk iktiyari (voluntary co-ownership) and seconds, Shirkah al-milk mirath (without partner willingness). However, al-Kasani, (2000) revealed that Malikis have classified the Shirkah al-milk into three categories which are Shirkah irth (partnership because of inheritance), Shirkah al-ghaniah (partnership among soldiers in assets left) and Shirkah al-Mubah’in (partnership among purchasers). A study was focuses on concept of Shirkah was conducted by (Hasanuzzaman, 1971; Lewis, 2001; Farooq, 2007). Further, (An-Na’im, 2008) discuss the issue of musharakah mutanaqisah home financing as practiced by Islamic banks in Malaysia. This study found that the shirkat al-milk is a form of home financing but it is cannot be considered permanently because it does not comply all the features of shirkat al-milk. Further, this study also found that the scholars were dispute to allow a pre-determined price of the bank’s portion or share in the house and to stipulate a second promise in the event of default.

Besides that, a study was conducted by (Farooq, 2007) found that a partnership is the least common form of business organization for practical reasons to cover equity-financing. Islamic Financial Institution (IFIs) are organized as banks, but rather than being financial intermediaries, they are primarily merchant banks. Further, while paying lip service to Profit and Loss Sharing (PLS) modes to define themselves as interest-free aka Islamic entities, IFIs continue to marginalize PLS, packaging conventional banking products under Islamic labels. Further, (Dar and Presley, 2001) studied the lack of profit loss sharing (PLS) in Islamic banking. They found that without the types of management and control, Islamic banks will persist in taking the easy and risk averse route and avoid profit and loss sharing (PLS) contracts. As in earlier discussion above, we found that previous studies only focused on financial institution such as bank or both conventional and Islamic bank and they concern on the practice of profit sharing and loss bearing (PLS) either assessment, management and concept. A study about practice of Shirkah in non-financial institution still none of being focus.
of researchers. Thus, in the present paper, we investigate the concept of Shirkah practiced by non- and financial institutions. Further, we also compare the financial performance of non- and financial institutions which applying aqad Shirkah through return on asset (ROA) and return on equity (ROE).

3. Methodology

One of the challenges in the development of Islamic financial system is lack of measurement tools to assess the financial performance, either by non-financial or financial institutions that comprehensively comply with the Shariah. As the result, many researchers have adopted a general measurement tool that used by the commercial bank through financial ratios to assess their financial performance and it’s applied also to assess the Islamic financial performance using the value of Return on Assets and Return on Equity. Therefore, the ratio of net income to assets and indicates the firm’s net profit generated from capital (money) invested in total assets can be formulated as below:

\[
ROA = \frac{NIC}{ATA} \times 100\% \quad \text{..................................... (1)}
\]

Where, return on asset denotes by ROA, NIC is earning after tax (net income) and ATA is average total asset. Furthermore, to determine the fitness ratios of the company which measured by Return on Asset (ROA) can be categorized as follows:

<table>
<thead>
<tr>
<th>Ratio Interval</th>
<th>Rank</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROA &gt; 1.5%</td>
<td>1</td>
<td>Very Healthy</td>
</tr>
<tr>
<td>1.25% &lt; ROA ≤ 1.5%</td>
<td>2</td>
<td>Healthy</td>
</tr>
<tr>
<td>0.5% &lt; ROA ≤ 1.25%</td>
<td>3</td>
<td>Fair</td>
</tr>
<tr>
<td>0 ≤ ROA ≤ 0.5%</td>
<td>4</td>
<td>Unhealthy</td>
</tr>
<tr>
<td>ROA &lt; 0%</td>
<td>5</td>
<td>Very Unhealthy</td>
</tr>
</tbody>
</table>

Source: Bank Indonesia (2007)

Further, the ratio of net income to shareholders’ equity and represents the profit generated from capital (money) of shareholder’s investment (shareholder’s equity) can be determined the following formula as seen as below:

\[
ROE = \frac{NIC}{EIC} \times 100\% \quad \text{.......................................... (2)}
\]

Where, return on equity denotes by ROE, NIC is earning after tax (net income) and EIC is equity income. Further, utilizing the measurement tool was developed by Bank of Indonesia, the level of business health - ROE criteria can be presented as below:

<table>
<thead>
<tr>
<th>Ratio Interval</th>
<th>Rank</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROE &gt; 15%</td>
<td>1</td>
<td>Very Healthy</td>
</tr>
<tr>
<td>12,5% &lt; ROE ≤ 15%</td>
<td>2</td>
<td>Healthy</td>
</tr>
<tr>
<td>5% &lt; ROE ≤ 12,5%</td>
<td>3</td>
<td>Fair</td>
</tr>
<tr>
<td>0 &lt; ROE ≤ 5%</td>
<td>4</td>
<td>Unhealthy</td>
</tr>
</tbody>
</table>
ROE $\leq 0\%$ 5 Very Unhealthy

Source: Bank Indonesia (2007)

Having that, in further section, this study presents the result of data analysis and discussion.

4. Result And Discussion

To achieve the research objective, we use financial report of Jroh Production in the period of 2016. Using Table 3 below, we found that the ratio of profit of Jroh Production in 2016 is 16.38%. A current earnings for 1 year is IDR 197,066,556.11 and total income is IDR 1,202,856,917.78.

<table>
<thead>
<tr>
<th>Balance Sheet and Loss/ Profit</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total income (1 year)</td>
<td>1,202,856,917.78</td>
</tr>
<tr>
<td>Initial capital</td>
<td>1,049,312,527.84</td>
</tr>
<tr>
<td>Total capital (1 year)</td>
<td>10,580,041,311.53</td>
</tr>
<tr>
<td>Capital in the end of the year plus initial capital</td>
<td>11,629,353,839.37</td>
</tr>
<tr>
<td>Ratio profit (profit/income x 100%)</td>
<td>16.38%</td>
</tr>
<tr>
<td>Retained earnings for 1 year</td>
<td>178,240,466.43</td>
</tr>
<tr>
<td>Current earnings for 1 year</td>
<td>197,066,556.11</td>
</tr>
<tr>
<td>Current earnings at the end of the year plus earning from initial capital</td>
<td>222,246,200.80</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Table 4. Result of Financial Ratio (ROA and ROE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Ratios</td>
</tr>
<tr>
<td>Return On Assets (ROA)</td>
</tr>
<tr>
<td>Return On Equity (ROE)</td>
</tr>
</tbody>
</table>

Utilizing the financial report in Table 3 above, we calculate the financial ratios including return on assets (ROA) and return on equity (ROE). After calculating both of financial ratios, we found that the ROA and ROE of Jroh Production are 1.91 percent. Further, it can be interpreted that ROA of Jroh Production as big as 1.91 percent shows the level of business health is categorized as very healthy. Meanwhile, ROE indicates the level of business health is categorized as unhealthy. In addition, as mentioned in previous discussion, we also use financial report of Islamic bank i.e. Bank Central Asia in the period of 2016 to investigate the advantages of aqad Shirkah and its financial performance through the value of ROA and ROA between non- and financial institutions.

<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance Sheet (in billion - IDR)</td>
</tr>
<tr>
<td>Total assets</td>
</tr>
<tr>
<td>Total Earning Assets</td>
</tr>
<tr>
<td>Current accounts with Bank</td>
</tr>
<tr>
<td>Indonesia</td>
</tr>
<tr>
<td>FASBIS</td>
</tr>
<tr>
<td>Conventional Credit - Gross</td>
</tr>
<tr>
<td>Shariah Financing - Gross</td>
</tr>
</tbody>
</table>
**Balance Sheet (in billion - IDR)**

- Securities: 206.9
- Third-party funds: 1.261.8
- Giro: 143.2
- Savings: 133.0
- Deposit: 985.5
- Loans received: 0.1
- Equity: 304.4

**Profit and Loss (in billion - IDR)**

- Net profit sharing revenue: 64.7
- Net interest income: -
- Revenue-sharing and net interest: 64.7
- Other operating income: 7.5
- Other operating expenses: 59.6
- Allowance for write-off of other assets: 1.5
- Operational profit: 11.0
- Earnings before income tax: 11.0
- Net profit: 8.4

**Financial Ratios (Percentage)**

- ROA: 0.8%
- ROE: 2.8%
- Net Core Operating Margin (NCOM): 9.6%
- Capital Adequacy Ratio (CAR): 31.5%
- Credit / Financing Ratio to Deposits (LDR / FDR): 79.9%
- Ratio of NPL / NPF to total credit / Financing - Gross: 0.1%

Source: Bank Indonesia (2017)

Table 5 shows the financial report of BCA - Islamic bank in the year of 2016 that comprises of balance sheets, profit - loss and financial ratios. We found that the value of ROA is 0.8% and ROE is 2.8%. It indicates that the level of business health of BCA - Islamic bank is categorized as unhealthy.

**Table 6. Financial Report of BCA Commerce in the year of 2016**

<table>
<thead>
<tr>
<th>Balance Sheet</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Current Assets (in millions - IDR)</td>
<td>381,092,371.00</td>
</tr>
<tr>
<td>Cash</td>
<td>11,054,208.00</td>
</tr>
<tr>
<td>Net Assets Net</td>
<td>370,038,163.00</td>
</tr>
<tr>
<td>Fixed assets book value</td>
<td>6,406,625.00</td>
</tr>
<tr>
<td>Business assets</td>
<td>376,444,788.00</td>
</tr>
<tr>
<td>Total miscellaneous activity</td>
<td>6,265,653.00</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>5,839,495.00</td>
</tr>
<tr>
<td>Long-term obligation</td>
<td>128,018.00</td>
</tr>
</tbody>
</table>
Total Liability 5,967,513.00
Account payable 5,839,495.00
Accounts receivable 4,487,552.00
Stock 48,474.00
Forex position -
Total Equity 51,897,942.00
Number of shares 4,396,429.00

Profit / Loss (in millions - IDR)
Net sales 27,613,956.00
Operating profit 14,255,568.00
Interest Cost 7,647,167.00
Exchange rate / loss 21,134.00
Cost (result) others 2,729.00
Profit before Income 14,686,046.00
Net income after income tax 11,718,460.00
Deposits from customers 368,789,454.00

Financial Ratios (Percentage)
ROA 0.23%
ROE 0.04%
Dividend 857.07

Source: Bank Indonesia (2017)

Table 6 displays the BCA - commercial bank financial report in the year of 2016 that consist of balance sheets, profit - loss and financial ratios. Similar to the Islamic bank, we also found that the value of ROA is 0.23% and ROE is 0.04%. It indicates that the level of business health of BCA - commercial bank is categorized as unhealthy. In addition, as aforementioned in previous section, this study also presents a real investment returns received by investor (Sahibul mal) under aqad Shirkah or joint venture (Al Musharakah).

Table 7. The value of Profit Sharing (PS) received by Sahibul mal

<table>
<thead>
<tr>
<th>Initial value of Investment</th>
<th>Panel 1</th>
<th>Panel 2</th>
<th>Panel 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>50,000,000.-</td>
<td>1,396,190.28</td>
<td>1,745,237.85</td>
<td></td>
</tr>
<tr>
<td>80,000,000.-</td>
<td>693,906.01</td>
<td>867,382.51</td>
<td></td>
</tr>
<tr>
<td>100,000,000.-</td>
<td>1,002,939.70</td>
<td>1,253,674.63</td>
<td></td>
</tr>
<tr>
<td>Lower Bound (π %)</td>
<td>4.29</td>
<td>4.29</td>
<td>4.29</td>
</tr>
<tr>
<td>Upper Bound (π %)</td>
<td>37</td>
<td>37</td>
<td>37</td>
</tr>
<tr>
<td>Month</td>
<td>Value of profit sharing (in IDR)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>872,618.93</td>
<td>1,396,190.28</td>
<td>1,745,237.85</td>
</tr>
<tr>
<td>2</td>
<td>433,691.26</td>
<td>693,906.01</td>
<td>867,382.51</td>
</tr>
<tr>
<td>3</td>
<td>626,873.32</td>
<td>1,002,939.70</td>
<td>1,253,674.63</td>
</tr>
<tr>
<td>4</td>
<td>414,089.55</td>
<td>662,543.27</td>
<td>828,179.09</td>
</tr>
<tr>
<td>5</td>
<td>719,544.76</td>
<td>1,151,271.61</td>
<td>1,439,089.51</td>
</tr>
<tr>
<td>8</td>
<td>310,458.14</td>
<td>496,733.03</td>
<td>620,916.28</td>
</tr>
<tr>
<td>10</td>
<td>451,944.14</td>
<td>723,110.62</td>
<td>903,888.28</td>
</tr>
<tr>
<td>11</td>
<td>725,390.09</td>
<td>1,160,624.14</td>
<td>1,450,780.18</td>
</tr>
<tr>
<td>12</td>
<td>2,676,300.12</td>
<td>4,282,080.18</td>
<td>5,352,600.23</td>
</tr>
<tr>
<td>Total</td>
<td>7,230,874.28</td>
<td>11,569,398.85</td>
<td>14,461,748.57</td>
</tr>
</tbody>
</table>
Table 7 shows the value of Profit Sharing (PS) received by Sahibul mal based on their investment values. We use three panels (e.g. Panel 1, Panel 2 and Panel 3) and each of them (Sahibul mal) is assumed investing their money (e.g. IDR 50,000,000.-, IDR 80,000,000.-, and IDR 100,000,000.-). Using three panels, the ratio of profit for lower bound is 4.29%, upper bound is 37%, and in average, is 14.46%. There are two months are not obtain the profit, it caused by fasting month or the business activities were stopped. Thus, we can conclude that when increase the initial value of investment, it would give effects on the increasing the value of investment return received by Sahibul mal.

5. Conclusion
Among three institutions being focused in this study, we found the level of business health of Jroh Production Company have assessed by return on assets (ROA) can be categorized as very healthy. Further, followed by BCA Islamic is healthy meanwhile, BCA commerce categorized as Unhealthy. Further, utilizing the ratio of return on equity (ROE), all of the business either by non- and financial institutions obtained the value of ROA is less than 0.5% or can be categorized as unhealthy. In others word, through the aqad Shirkah (al musharakah), the Jroh Production earned the higher profit compared to BCA (Islamic and Commerce). It means that, the Islamic financial system through aqad Shirkah more effective and efficient used to achieve the level of business health and proved its advantages compared to other financial system utilized by Islamic and commercial bank in this case.

Reference


Analysis Strategic of Improvement through economic Fishermen'Coastal Communities in Pahlawan Village, Tanjung Tiram Sub-District, Batu Bara Regency

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Abstract: The Government has an essential role in every program created to improve the welfare of coastal communities. The effort to improve coastal development has slightly overcome the government's strategy in tackling the well-being of coastal communities. The government's current plan of Hierarchy Process Analysis (AHP) includes government policies, service quality, capital access development, school facilities development, access to fishery resources, skills development, and technological mastery. CFA Test: From the KMO and Bartlett's Test table, we get the value of Kaiser Mayer Olkin (KMO) of 0.547 where the cost is higher than 0.5. This value indicates that the data is valid for further analysis with Factor analysis. Bartlet test value of 53.965 with a significant amount of 0.002 far below 5%, then the correlation matrix formed is the identity matrix. The method in this research is using CFA (Confirmatory Factor Analysis) to choose which variable affect the dependent variable and multiple regression analysis methods which aim to analyze the influence of independent variable to dependent variable separately or together.

Keyword: Welfare of fishermen, economic empowerment, CFA, AHP

1. Introduction

One of the new trends in the paradigm of development throughout the region in Indonesia today is associated with improving the welfare of coastal communities. To be able to advance the well-being and independence of a part in a sustainable development process that can improve human resources, quality, and social systems or social institutions.

The condition of the population in the coastal area found in the Pahlawan Village of Batu Bara type of livelihood is dominated by the fishery sector which is closely related to the availability of the primary natural resources utilized, i.e., coastal and marine resources.

The Government has a vital role in every program created to improve the welfare of coastal communities. The government's strategy in tackling the health of coastal communities becomes a bit overcome to increase coastal development. The government's current plan is Hierarchical Process Analysis (AHP) that includes government policy, service quality, capital access development, school facility development, infrastructure and facilities development, fishery resource access, skills development, and technical mastery. With the development strategy of coastal development is expected to be a solution where the completion needs to be done through a comprehensive plan by placing socio-economic and cultural values that have been embedded within the community as a factor driving change.
Table 1. Plenty of Family by Level of Welfare Each District in Batu Bara Regency

<table>
<thead>
<tr>
<th>Districts</th>
<th>Prosperity Level</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pra-S</td>
<td>KS-I</td>
</tr>
<tr>
<td>Sei Balai</td>
<td>315</td>
<td>1.558</td>
</tr>
<tr>
<td>Tanjung Tiram</td>
<td>3.566</td>
<td>4.221</td>
</tr>
<tr>
<td>Talawi</td>
<td>373</td>
<td>3.136</td>
</tr>
<tr>
<td>Lima Puluh</td>
<td>2.913</td>
<td>3.357</td>
</tr>
<tr>
<td>Air Putih</td>
<td>1.536</td>
<td>2.545</td>
</tr>
<tr>
<td>Sei Suka</td>
<td>251</td>
<td>402</td>
</tr>
<tr>
<td>Medang Deras</td>
<td>1.363</td>
<td>4.877</td>
</tr>
<tr>
<td>Batu Bara</td>
<td>10.317</td>
<td>17.311</td>
</tr>
</tbody>
</table>

Source: Women and Family Planning Board of Batu Bara Regency, the Year 2017

From the above data, it is known that the highest number of pre prosperous families are in Tanjung Tiram sub-district, where Tanjung Tiram sub-district is the closest to the sea compared to other areas in Batubara District. Pahlawan village located in the District of Tanjung Tiram is the village closest to the sea or commonly called coastal regions. The low level of the welfare of the hero community is one of the reasons for the lack of development of the coastal areas where the government policy that has not yet touched the coastal city of Pahlawan Village as in the case of public service, capital, facilities and infrastructure issues and so forth.

Strategic Analysis of Fishermen's Welfare Improvement through Economic Empowerment of Coastal Communities In Pahlawan Village, Tanjung Tiram Sub-district, Batu Bara Regency is critical to do, where the government is currently promoting coastal development, so this research can be a benchmark of government's success in carrying out various development strategies the coastal region. Besides coastal development that aims to improve the welfare of coastal communities or the health of fishers is a thing that is highly anticipated by coastal communities considering the welfare level of coastal anglers are generally low and especially in the village of Hero is very low.

The results of this study is expected to be an input for the government in assessing the success of strategies to improve the welfare of the coastal community that is being done, for the fishermen are expected to open the mind and add insight to become more qualified human and able to explore the potentials of human resources and natural resources the village and make it an economic value that must be supported from the government.

This study described a government policy, community empowerment, development of access to capital, construction of school facilities, the building of facilities and infrastructure, access to fish resources, skills, and use of coastal community technology.

2. Literature Review

Coastal communities can be illustrated as groups of people living in coastal areas and have a source of economic life that depends directly on the utilization of marine and coastal resources. They consist of fisherman owners, fishermen laborers, fish farmers and other marine organisms, fish traders, fish processors, as well as suppliers of input production facilities. Coastal area is a landing place of fish as well as various marine resources and other resource flows to then flowed to the mainland. Measurement of family or household welfare becomes more complex, because the family consists of individuals who live together and interact to achieve the same goals of family welfare. Various indicators or measurements of
family welfare have been used, however, there is no appropriate or ideal measure to measure family welfare. Muflikhati 2010 stated that the results of the analysis conducted by Martinez el al (2003) show in general that family welfare is described with regard to health aspects, economic factors, healthy family life, education, community life and community support and diversity and culture. According to BPS, in 2015, public welfare indicators are published, consisting of various aspects, namely education, health and nutrition, population, employment, level and consumption and other social aspects. In this publication only presented various conditions related to the six aspects but there is no specific number to measure welfare in general. In these people's welfare indicators can be distinguished between the region or province but not in the household.

3. Methodology

The material that will be used in this research is related to fisherman's improvement strategy covering government policy (X1), community empowerment (X2), development of capital access (X3), construction of school facilities (X4), development of facilities and infrastructure (X5) access to fish resources (X6), skills development (X7), use of technology (X8) and community economic empowerment (Y) in Pahlawan Village, Tanjung Tiram District, Batu Bara Regency. Quantitative analysis in this study is to predict and control a symptom on the strategy to improve the welfare of fishers through economic empowerment of coastal communities in the Village District Pahlawan Tanjung Tiram Batu Bara. Confirmatory Factor Analysis (CFA), Confirmatory Factor Analysis aims to find a way to summarize the information in the original variable into a set of new dimensions or variate with the formula:

\[ X_i = B_{i1} F_1 + B_{i2} F_2 + B_{i3} F_3 + \ldots + V_i \mu_i \]  

where:
- \( X_i \) = The standard i-th variable
- \( B_{ij} \) = Partial regression coefficient which for variable i in the common factor j
- \( F_j \) = Common factor i-th
- \( V_i \) = The standardized regression coefficient for the i-th variable on the i-th unique factor
- \( \mu_i \) = The unique factor of the i-th variable

Testing criteria: factor is expressed as a dominant factor if have a coefficient of matrix component > 0.5. Specifically for Factor Analysis, the following assumptions must be met: (Santoso, 2006).

- Correlation between Independent variables. The association or correlation between independent variables should be strong enough, e.g., above 0.5.
- Partial Correlation. Partial correlation of incomplete, the relationship between two variables by assuming fixed other variable, it must be small. In SPSS detection of partial correlation is given via Anti-Image Correlation option.
- Testing all correlation matrix (the relationship between variables), as measured by the Bartlett Test of Sphericity or Measure Sampling Adequacy (MSA). This test requires a significant correlation between at least a few variables.
- In some cases, the assumption of Normality of the variables or factors that occur should be met.

4. Results And Discussion

To analyze the data of research, the researcher performs and applies descriptive analysis technique that is by examining and grouping, then interpreted so that will get the real picture
about the problem under study. Furthermore, factor analysis was conducted to find a way to summarize the information in the original variable into a set of new dimensions or variables (factors). Data processing using the SPSS program, with the following results:

**Tables 2. KMO and Bartlett’s Test**

| Kaiser-Meyer-Olkin Measure of Sampling Adequacy | .547 |
| Bartlett’s Test of Sphericity | Approx. Chi-Square | 53.965 |
| DF | 28 |
| Sig. | .002 |

Furthermore, to see which variables have the value of communalities correlation above or below 0.5 or above 50% can be seen in the following table communalities:

**Table 3. Communalities**

<table>
<thead>
<tr>
<th>Initial</th>
<th>Extraction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Policy</td>
<td>1.000</td>
</tr>
<tr>
<td>Service Quality</td>
<td>1.000</td>
</tr>
<tr>
<td>Development of Capital Access</td>
<td>1.000</td>
</tr>
<tr>
<td>Construction of School Facilities</td>
<td>1.000</td>
</tr>
<tr>
<td>Development of Facilities and Infrastructure</td>
<td>1.000</td>
</tr>
<tr>
<td>Access of Fish Resources</td>
<td>1.000</td>
</tr>
<tr>
<td>Skills Development</td>
<td>1.000</td>
</tr>
<tr>
<td>Use of Technology</td>
<td>1.000</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis

**Table 4. Total Variance Explained**

<table>
<thead>
<tr>
<th>Initial Eigenvalues</th>
<th>Extraction Sums of Squared Loadings</th>
<th>Rotation Sums of Squared Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total % of Variance</td>
<td>Cumulative %</td>
<td>Total % of Variance</td>
</tr>
<tr>
<td>2</td>
<td>1.52</td>
<td>18.998</td>
</tr>
<tr>
<td>3</td>
<td>1.20</td>
<td>57.615</td>
</tr>
<tr>
<td>4</td>
<td>.976</td>
<td>12.202</td>
</tr>
<tr>
<td>5</td>
<td>.766</td>
<td>9.579</td>
</tr>
<tr>
<td>6</td>
<td>.653</td>
<td>8.164</td>
</tr>
<tr>
<td>7</td>
<td>.533</td>
<td>6.657</td>
</tr>
<tr>
<td>8</td>
<td>.463</td>
<td>5.783</td>
</tr>
</tbody>
</table>

Based on a result of the total variance explained in the initial Eigenvalues table, it known that there are only three components of the variable that become the factors influencing the economic empowerment of society. Eigenvalues showed the relative importance of each
element in calculating the eight variances of the variables analyzed. From the table above shows that there are only three factors that formed. Since the three factors have a total value of eigenvalues above 1, that is, 1.881 for factor 1, 1.520 for factor 2 and 1.208 for consideration three so that the factoring process stops at the three elements that will follow in the next analysis.

The screen plot graph shows that from one to two factors (the line from the Component Number axis = 1 to 2), the direction of the chart decreases. Then from number 2 to 3, the line still decreases. While the number 3 to number, four is below the number 1 of the Y-axis (Eigenvalues). This suggests that three factors are best for summarizing the eight variables.

![Fig. 1. Scree plot Component Number](image)

The component matrix table shows a correlation above 0.5. in factor 1 is the development of capital access and construction of school facilities. In element 2 is skill development variable. While on component 3 there is no correlation above 0.5. Next to the process of Rotation factor or rotation of the factors formed. The purpose of rotation to clarify the variables that go into individual elements.

### Tables 5. Component Matrix

<table>
<thead>
<tr>
<th>Component Matrix</th>
<th>Component 1</th>
<th>Component 2</th>
<th>Component 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Policy</td>
<td>.350</td>
<td>.304</td>
<td>.478</td>
</tr>
<tr>
<td>Service Quality</td>
<td>-.522</td>
<td>.448</td>
<td>-.461</td>
</tr>
<tr>
<td>Development of Capital Access</td>
<td>.574</td>
<td>.448</td>
<td>.080</td>
</tr>
<tr>
<td>Construction of School Facilities</td>
<td>.669</td>
<td>-.187</td>
<td>-.308</td>
</tr>
<tr>
<td>Development of Facilities and Infrastructure</td>
<td>-.593</td>
<td>-.057</td>
<td>.454</td>
</tr>
<tr>
<td>Access of Fish Resources</td>
<td>-.387</td>
<td>.411</td>
<td>.419</td>
</tr>
<tr>
<td>Skills Development</td>
<td>.348</td>
<td>.770</td>
<td>.088</td>
</tr>
<tr>
<td>Use of Technology</td>
<td>-.291</td>
<td>.435</td>
<td>-.526</td>
</tr>
</tbody>
</table>

*a. 3 components extracted*

Having known that the three factors are the most optimal number, it can be seen in the Component Matrix table shows the distribution of the eight variables on three elements formed. While the figures in the table are factor loadings, which shows the correlation between a variable with factor 1, component 2, and factor 3. The process of determining which variables will go into which consideration, done by making an extensive comparison of correlation on each line.

The component matrix table shows a correlation above 0.5. in factor 1 is the development of capital access and construction of school facilities. In element 2 is skill development variable. While on component 3 there is no correlation above 0.5. Next to the process of Rotation factor or rotation of the factors formed. The purpose of rotation to clarify the variables that go into individual elements.
<table>
<thead>
<tr>
<th>Component</th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Policy</td>
<td>.575</td>
<td>.129</td>
<td>-.311</td>
</tr>
<tr>
<td>Service Quality</td>
<td>-.044</td>
<td>.207</td>
<td>.823</td>
</tr>
<tr>
<td>Development of Capital Access</td>
<td>.687</td>
<td>-.252</td>
<td>-.044</td>
</tr>
<tr>
<td>Construction of School Facilities</td>
<td>.123</td>
<td>-.730</td>
<td>-.173</td>
</tr>
<tr>
<td>Development of Facilities and Infrastructure</td>
<td>-.227</td>
<td>.707</td>
<td>-.101</td>
</tr>
<tr>
<td>Access of Fish Resources</td>
<td>.239</td>
<td>.653</td>
<td>.103</td>
</tr>
<tr>
<td>Skills Development</td>
<td>.818</td>
<td>-.002</td>
<td>.230</td>
</tr>
<tr>
<td>Use of Technology</td>
<td>-.020</td>
<td>-.016</td>
<td>.741</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis
Rotation Method: Varimax with Kaiser Normalization
a. Rotation converged in 5 iterations

Rotated Component Matrix (Rotated Component Matrix) shows a more precise and more public distribution of a variable. It appears that the small loading factor is getting smaller and the significant loading factor is getting bigger.

Based on the results of the matrix component values it is known that of the eight factors, then it is reasonable to affect the family income are three factors that come from:
- The 1st largest component: Skills Development
- The 2nd largest segment: Construction of Facilities and Infrastructure
- The 3rd largest segment: Quality of Service

Based on the results of the matrix component values it is known that of the eight factors, then it is reasonable to affect the family income are three factors that come from:
- The 1st largest component: Skills Development
- The 2nd largest segment: Construction of Facilities and Infrastructure
- The 3rd most significant part: Quality of Service

![Histogram Regression Standardized Residual](image)

Fig. 2. Histogram Regression Standardized Residual
Fig. 2. observed cum prob

### Multikolinieritas

#### Tables 7. Coefficients

<table>
<thead>
<tr>
<th>Modal</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
<th>Correlations</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td>Zer-Ord</td>
<td>Part Partial</td>
<td>Order</td>
</tr>
<tr>
<td>1(constant)</td>
<td>-</td>
<td>741.12</td>
<td>-</td>
<td>.15</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1062.6</td>
<td>1</td>
<td>1.4</td>
<td>7</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1062.6</td>
<td>1</td>
<td>1.4</td>
<td>7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Penge,bangan</td>
<td>1165.5</td>
<td>229.11</td>
<td>.513</td>
<td>5.0</td>
<td>.00 .559</td>
<td>.543</td>
</tr>
<tr>
<td>Keterampilan</td>
<td>30</td>
<td>8</td>
<td>87</td>
<td>0</td>
<td>.559</td>
<td>.543</td>
</tr>
<tr>
<td>Pembangunan</td>
<td>769.39</td>
<td>262.28</td>
<td>.293</td>
<td>2.9</td>
<td>.00 .380</td>
<td>.349</td>
</tr>
<tr>
<td>Sarana &amp; Prasarana</td>
<td>8</td>
<td>5</td>
<td>33</td>
<td>5</td>
<td>.380</td>
<td>.349</td>
</tr>
<tr>
<td>Kualitas</td>
<td>-</td>
<td>283.45</td>
<td>-.023</td>
<td>.81</td>
<td>.043</td>
<td>.986</td>
</tr>
<tr>
<td>Pelayanan</td>
<td>65.162</td>
<td>5</td>
<td>230</td>
<td>9</td>
<td>.029</td>
<td>.029</td>
</tr>
</tbody>
</table>

Fig. 4. Scatterplot economic
5. Conclusions

Based on the results of the research above that fishermen community characteristics can merely be described as fishing communities have distinctive features that are different from other cities, such as:

- Fishermen community has a homogeneous character regarding livelihood, values, and culture and in attitude and behavior,
- Society has a high tolerance to fellow family members and others,
- Have a hard personality,
- In speaking, the voice tends to increase,
- Having a very high sexual arousal, this can be seen from the number of children in one (1) family who have less than six children and is still considered little when compared with the number of children born by a couple who have children over 12 (two twelve) persons or more. Because for them many children a lot of sustenance,
- Education of coastal communities, in general, is still relatively low; this can be proven by the number of children who dropped out of school only to grade 3 elementary school or elementary school.

The CFA result analysis shows that from KMO and Bartlett's Test table, we get the value of Kaiser Mayer Olkin (KMO) of 0.547 where the cost is higher than 0.5. This value indicates that the data is valid for further analysis with Factor analysis. Bartlet test value of 53.965 with a significant amount of 0.002 below 5%, then the correlation matrix formed is the identity matrix, or in other words, the factor model used is excellent. Furthermore, to see which variables have the value of communalities correlation correlation above or below 0.5 or above 50% can be seen in the table communalities show the results of individual extraction there are six variables that have a contribution that exceeds 0.5 or 50% of service quality, development of capital access, school facilitation, facility and infrastructure development, skill development, and technology usage while government policy variables and access of fish resources have extraction value below 0.5 or 50%. However, the next election should be tested with Explained variance. The result of the total variation explained in the initial Eigenvalues table; it is known that there are only three components of the variable that become the factors influencing the economic empowerment of society. Eigenvalues showed the relative importance of each element in calculating the eight variances of the variables analyzed. From the table above shows that there are only three factors that are formed. Since the three components have a total value of eigenvalues above 1, that is, 1.881 for factor 1, 1,520 for factor 2 and 1,208 for consideration three so that the factoring process stops at the three elements that will follow in the next analysis.

References


Poverty Alleviation Strategies and New Economic Creative Model in Lhokseumawe-Indonesia

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²Politeknik Negeri Lhokseumawe -Aceh-Indonesia, Indonesia

Abstract: Poverty is a crucial problem faced by many countries including Indonesia. Various efforts were made by the government to alleviate poverty, and various programs were launched to address them, both micro and macro. Some programs are successful and effective, but others are unsuccessful and ineffective. One strategy has been designed as an alternative to alleviating poverty in the city of Lhokseumawe-Indonesia. This strategy is built on four main pillars: (1) creating employment opportunities, (2) community empowerment, (3) capacity building, and (4) social protection. This strategy in its implementation can be integrated with creative economic models built to increase people's income and reduce poverty. The creative economy model that is designed basically consists of 4 stages: (1) Determination of vision and mission of creative economy, (2) Problem identification, (3) Application of The Triple Helix concept, and (4) Identification of performance indicators. This model is expected to be a mainstay for the city of Lhokseumawe in order to improve the welfare of the community through efforts to reduce poverty and the development of creative economy.

Keywords: Poverty, Creative Economy and The Triple Hel

1. Introduction

Statistically poverty in Indonesia shows a slow and consistent decline. In 2007 (16.6%), in 2011 (12.5%) and in 2016 (10.9%). This is because the Indonesian government uses uncertain terms about the definition of the poverty line, so that appears to be a more positive picture of reality. In 2016 the Indonesian government defines the poverty line with monthly income (per capita) of Rp. 354,386 (or about USD $ 25), thus means a very low standard of living. While the definition of the World Bank poverty line classifies the percentage of Indonesians living on less than USD $ 1.25 per day as those living below the poverty line (in other words poor), the percentage reduction in poverty rates above will look inaccurate because the value is as raised A few percent (Reinhart and Rogoff, 2004).

In recent years the poverty rate in Indonesia has shown a significant decline. Nevertheless, it is expected that this decline will slow down in the future (Cohen, 2006). Those who in recent years are able to get out of poverty are those living on the edge of the poverty line. It does not require strong support to get them out of poverty. But as the group diminishes, the group at the bottom of the poverty line should now be helped to rise and get out of poverty (Prahalad and Hammond, 2002). This is more complicated and will result in a slower rate of poverty reduction than ever before.

Poverty is a problem always faced by every country. The impact of poverty is very wide in various aspects of community life and greatly disrupt the economic growth of a country. Subsidy becomes an important slogan in a country that embraces a welfare state system in which it serves
as a clear proof of government responsibility in order to prosper the community. Without realizing the provision of subsidies such as the provision of direct cash assistance to the community has an impact on the emergence of a lazy attitude in trying, weak motivation to move and the emergence of a sense of indulgence in some communities. The community given unconditional relief of return has had an impact on the spoiled attitude and the attitude of waiting for similar help at the next opportunity (Samovar *et al.,* 2015). They easily get help so that the desire to try and work hard becomes decreased.

Starting in 2015 the Indonesian government has provided village funding and each village earns Rp. 1 Billion per year (Cameron and Shah, 2015). If the village does not have a pattern and attitude of independence in the management of these funds will have an impact on the increasing number of people dependent on government assistance. Therefore, in order to anticipate the impact, there needs to be a design of creative economy model as the basis and guidance for the community to manage village aid fund. Thus the aids can add value and make the community creatively produce products that can be traded widely. Finally, this activity can increase business opportunities that will increase the income and welfare of the community.

2. Literature Review

2.1. Indonesia's definition of poverty

To measure poverty, the Indonesian Central Bureau of Statistics uses the concept of basic needs approach. With this approach, poverty is seen as an economic inability to meet the basic needs of food and not food as measured by the expenditure side (Sen, 1982). So poor people are people who have average per capita expenditure per month below the poverty line. In 2016 the Indonesian government defines the poverty line with monthly income (per capita) of Rp. 354,386 (or about USD $ 25) which thus means very low standard of living, also for the understanding of the Indonesian people themselves. When the World Bank classifies the percentage of Indonesians living on less than USD $ 1.25 per day as those living below the poverty line.


Government performance in order to reduce poverty is very encouraging, where seen since 2007 until 2016 there has been a significant decrease in relative poverty. This situation is shown in Table 1.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>16.0</td>
<td>37</td>
</tr>
<tr>
<td>2008</td>
<td>15.4</td>
<td>33</td>
</tr>
<tr>
<td>2009</td>
<td>14.2</td>
<td>31</td>
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<tr>
<td>2010</td>
<td>13.3</td>
<td>31</td>
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<tr>
<td>2011</td>
<td>12.5</td>
<td>30</td>
</tr>
<tr>
<td>2012</td>
<td>11.7</td>
<td>29</td>
</tr>
<tr>
<td>2013</td>
<td>11.5</td>
<td>28</td>
</tr>
<tr>
<td>2014</td>
<td>11.0</td>
<td>28</td>
</tr>
<tr>
<td>2015</td>
<td>11.3</td>
<td>28</td>
</tr>
<tr>
<td>2016</td>
<td>10.3</td>
<td>28</td>
</tr>
</tbody>
</table>

2.3. Current Macro Efforts at Alleviation Poverty

Although the poverty rate statistically shows a significant decline, but in fact the pockets of poverty are still very large in Indonesia. Activities to increase people's incomes should continue to be done, one of which is through efforts to alleviate poverty. President Jokowi made a change...
through the second point of the Nawacita, which is to build Indonesia from the periphery and villages. Development orientation is also no longer Java Sentris. Other efforts undertaken in order to alleviate poverty is to maintain the stability of prices of food and non-food commodities that have a major impact on the value of urban and rural poverty lines. In addition, the government also encourages community participation to contribute to poverty alleviation, one way is to change the consumptive pattern to be productive and to love and buy domestic products. Excerpts from web presidentri.go.id (2016).

In addition, the Government is currently implementing programs to reduce the burden of the poor through conditional cash transfers or Family Hope Program (PKH), provision of Prosperous Family Cards (KKS). Improving rice distribution policies for the poor, providing health services for poor citizens through Kartu Sejahtera (KIS), providing scholarships for 21 million underprivileged students through Smart Indonesian Card (KIP), effective SJSN Effective Employment programs as of 1 July 2015. Another strategy is the development of rural communities in 499 sub-districts, scholarships to 75 thousand students, 221 thousand scholarships in Bidik Misi program, 25 thousand Bidik Misi ongoing Private Higher Education and housing development with target of 550 thousand units of flats. Improving poverty reduction regulation, improvement of social assistance distribution policy and community empowerment including some other regulation of national social security. Maintaining the purchasing power of the poor so as not to fall further below the poverty line, where 5,300 sub-districts will be facilitated by trust funds, giving home stimuli to poor families, empowering fishermen with target of 200 fishing and peasant villages.

Next is the policy of developing and strengthening the basic service delivery system, increasing the effectiveness of the Bidik Misi program, the arrangement of social assistance (Kartu Indonesia Sehat / KIS, Smart Card Indonesia / KIP and Kartu Keluarga Sejahtera / KKS), and the extension program of social security coverage, Integration of population data and social security membership. Other programs to be continued such as, transformation of rice for welfare families (Rastra) into food aid, as well as the sustainability of energy and fertilizer subsidies, social assistance outside the family system, and other social security.

To strengthen these poverty alleviation programs, the Government also encourages poverty policies related to mental revolution among others through:

- Redesign of programs that enable changes in the poor people's mindset to be productive, independent, and dignified,
- Linking social programs that encourage the poor to care about health, education, and family planning, as well as,
- Promote social solidarity in the community.

### 3. Results And Discussions

#### 3.1. The New Poverty Alleviation Strategies

An alternative poverty alleviation strategy has been developed in this research, in order to improve the welfare of the community, the four main pillars should be able to support efforts to reduce poverty, namely (1) creating employment opportunities, (2) community empowerment, (3) capacity building, and (4) Social protection.
These four main activities should be shaded by (1) synchronizing macro and micro policy strategies, and (2) synchronizing operational policies in order to increase revenue and reduce expenditures for basic needs.

3.2. The Creative Economic Model (CEM)

The Creative Economy Model of Lhokseumawe City basically consists of four stages: the stages of determining the vision of creative economy, (2) Problem Identification, (3) Application of Triple Helix Concept (4) Identification of performance indicators. This model is shown in Figure 2.

Figure 2 explains that in order to build the creative economy in Lhokseumawe City it is passed by several stages:
- Determination of Vision and Mission of Creative Economy
  This stage is very important that is to define the vision, mission, goals, goals and strategies of achieving the target
- Problem and identity analysis
Problem analysis is a step to identify the problems that are faced related to the development of creative economy, such as the quality and quantity of human resources, conducive climate, financing institutions. In addition, it is also necessary to identify the availability of facilities and infrastructure, urban or rural identity, creative capital policy, creative community, creative workers, creative entrepreneurs and creative education.

- Application of Triple Helix Concept
The successful development of creative industry according to The Triple Helix concept is to be supported by (1) People as the main foundation of creative individuals or human resources. It should be supported by (2) The five main pillars are (1) industry (collection of companies engaged in creative economy), (2) technology (Enabler to realize individual creativity in the form of real work), (3) resources (Inputs other than creativity and individual knowledge needed in the creative process, e.g. natural resources and land), (4) institutions (Social arrangements such as norms, values, and laws, including industry associations, professional associations and other creative communities, and (5) intermediary financial institutions (3) The three main umbrellas (actors) are (1) the intellectuals (Creative and Entrepreneurship-oriented curricula, press and academic freedom, multidisciplinary innovative research, educational and training institutions, research and development institutions ), (2) business elements (Entrepreneurship, Business Coaching & Mentoring, Financing Scheme, Marketing and Business Matching, Creative Community) and (3) (Incentives, creative and conservation awards, a conducive business climate, educative direction).

- Identification of Outcome Indicators
Identification of performance indicators is an activity to see the impact of the implementation of the creative economy. Performance indicators can be; (4) The development of a national-scale industry, (2) the development of a provincial-scale industry, (3) the development of the district-scale industry, (4) the development of creative digital, (5) the development of creative communities, (6) the publication of the creative industry in the media.

3.3. Current Micro Strategies at Poverty Eradication
Some of the efforts being made to reduce poverty are:
- Provide capital assistance or financing on a micro scale.
  This program group is the development of a more independent community empowerment program group, in the sense that the government provides convenience to micro and small entrepreneurs to obtain additional capital through the financial institutions / banks that are guaranteed by the Government.
- Strengthen the independence of business and access to markets
  Provides broad access to business and penetration and market expansion, both domestically and internationally, to products produced by micro and small enterprises. The access in this feature is not only the availability of support and channels to try, but also the ease of trying.
- Improving business skills and management
  Providing training and mentoring to improve skills and business management to small and micro business actors.
- Promote creative economy
  The scope of program programs based on empowerment of micro and small enterprises can be divided into 3 (three), namely: (1) financing or capital assistance; (2) opening of
access to capital or product marketing; And (3) mentoring and upgrading of skills and business management. Beneficiaries of micro and small enterprise empowerment program groups are near-poor communities whose business activities are on a micro and small scale. Beneficiaries in this program group can also be targeted at the poor who have not yet engaged in or engaged in economic activities.

3.4. Integration of Poverty Reduction Strategies and the Model of creative economy

In order to achieve the success of achieving the welfare of the community, it is necessary to integrate the poverty alleviation program with the program of creative economic development. The pattern of integration of poverty alleviation strategies and the model of creative economy is shown in Figure 3.

![Fig. 3. Creative Economy Model and Poverty Alleviation Strategies](image)

Figure 3 explains that in order to improve the people's welfare in Kota Lhokseumawe, it can be pursued by integrating two strategies or models, namely poverty alleviation strategy and creative economy development model. Creative economic development. Poverty reduction strategies are built on four main pillars: (1) creating jobs, (2) community empowerment, (3) capacity building, and (4) social protection. While the creative economy model is built with 4 stages: (1) the stage of determining the creative economic vision, (2) Problem identification, (3) Application of Triple Helix concept, and (4) Identification of performance indicators. Both models are shaded by The Triple Helix model.

4. Conclusions

The city of Lhokseumawe still has villages that are vulnerable to poverty. The city of Lhokseumawe also has a potent creativity talent in the development of creative economy. This strategy is built on four main pillars: (1) creating employment opportunities, (2) community empowerment, (3) capacity building, and (4) social protection. This strategy in its implementation can be integrated with the creative economy model that has been built to increase people's income and reduce poverty. The creative economy model that is designed basically consists of 4 stages: the stages of determining the vision of creative economy, (2) Problem identification, (3) Application of The Triple Helix concept, and (4) Identification of performance indicators.

References


The Effect of Monetary Policy Indicators Analysis by Using Interest Rate and Money Supply Approach to the Inflation in Aceh

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Abstract: Since 2005, Bank Indonesia as the Monetary Authority has implemented a monetary policy framework whose main objective is to maintain inflation rate in line with the stipulated by the government. The monetary policy indicators used to achieve these objectives are the interest rate and money supply approaches, in which Bank Indonesia can choose one of the indicators of the monetary policy. The purpose of this study is to analyze how the influence of monetary policy with the approach of interest rates and money supply to the inflation in Aceh. This analysis uses interest rates and money supply as an independent variable, while inflation as a dependent variable. The research method used is quantitative in the form of secondary data. The data analysis model uses multiple linear regression. The results obtained that the monetary policy with the interest rate approach has a significant effect and the relationship is positive to inflation. This means that if interest rates rise then inflation is high, and vice versa if interest rates fall then inflation is low. It should be the relationship between interest rates with inflation is negative. Furthermore, monetary policy with money supply approach has a significant effect and negative relation to inflation. This means that if the money supply is high, then the inflation is low, and vice versa if money supply is little then the inflation is high. Therefore, it is better for Bank Indonesia to choose monetary policy indicator with money supply approach in order to achieve the target to keep inflation rate as determined by the government.

Keywords: Interest rates, money supply, and inflation

1. Introduction

Inflation is a general increase in the price level of goods and services in a certain period. Inflation can be considered a monetary phenomenon because of a decrease in the value of monetary calculation unit toward an item and service and the level of purchasing power of people, especially permanent income workers.

Inflation rates that occur in Indonesia often fluctuate from year to year due to the over-indulgence of the Indonesian economy towards influences originating within the country and from abroad. Therefore, in 2005 Bank Indonesia as a Monetary Authority implemented a monetary policy framework with inflation as its main target in order to achieve the inflation target as set by the government, by implementing monetary policy indicators on the interest rate and money supply approach.

In 2016, inflation in Aceh was 3.73 percent, the biggest contributor to this inflation was the food group and inflation in Indonesia was at 3.02 percent. Thus, the purpose of this study is to analyze how the influence of monetary policy indicators with the interest rate approach and money supply toward inflation in Aceh.
2. Literature Review

2.1. Inflation Theory

The inflation theory provides an illustration of why inflation occurs. The quantity theory explains that inflation occurs because of the addition of the money supply volume (the addition of currency and demand deposits) as well as the public's expectation of rising prices in the future (expectations). The addition of the money supply in the community will affect the value of money and the price of goods and services in the economy. The Keynesian theory explains that inflation occurs because a group of people such as the government, private companies and laborers want to live outside the limits of their economic capacity, resulting in an inflationary gap that is a condition in which public demand for goods exceeds the amount of available goods. The government is trying to get a greater share of the people's output by running a surplus in its spending budget financed by printing new money. Private companies make new investments and obtain funding from bank loans. Trade unions that are trying to get salary increases for their members exceed the increase in labor productivity. If the number of requests are effective from all groups of people, there will be an inflationary gap. Furthermore, according to the structuralism theory, inflation occurs because first, if the money supply continues to increase and passively follows and accommodates the price of goods; second, inflation is caused by the price or monetary policy of the government itself, such as the inability of domestic food production to grow due to the suppression of food prices in the country, so that the production of farmers is reduced; third, inflation occurs because the inability to produce exported goods to grow, it is because the foreign exchange rate is pressed too low with the aim of reducing inflation and the existence of illegal payments so that the prices of export goods are really received by the low producers, thereby reducing production enthusiasm. (Silalahi, 2013, pp. 214–224).

2.2. Types of Inflation

According to Robert J Barro in (Adiwarman, A., 2015, pp. 137–139) types of inflation can be seen from their causes and severity. When viewed from the cause, inflation is mild (moderate inflation) characterized by an inflation rate of less than 10 percent per year and generally at this inflation rate, people still want to hold money and save their wealth in the form of money rather than in the form of real assets and this inflation has not disturbed the economy. Then inflation is (galloping inflation) marked a significant price increase with the inflation rate ranging from 20 percent to 200 percent per year and people only want to hold money as needed while wealth is stored in real assets and people will tend to want their funds to invest abroad rather than invest domestically, this inflation usually results in major disruptions to the economy. High inflation (hyper inflation) occurs at a very high level of millions to trillions of percent per year. This condition arises when the government experiences a budget deficit. Furthermore, inflation is seen from the first cause of natural inflation, which is inflation that occurs due to natural causes that humans do not have the power to prevent. Both demand pull inflations are inflation caused by changes in the aggregate demand side of goods and services in an economy. The third cost push inflation is inflation that occurs due to changes in the aggregative supply side (US) of goods and services in an economy. The fourth spiraling inflation is inflation caused by inflation that occurred before which the previous inflation occurred as a result of previous inflation again and so on. These five imported inflation are inflation that occurs due to inflation in other countries that are experienced by a country because they must be price leaders in the international trade market.
The seven domestic inflation are inflation that only occurs in a country and does not affect other countries.

2.3. How to Control Inflation

According to (Nopirin, 2000, p. 34) that the way to control inflation can be done through the first monetary policy, namely policies relating to the regulation of the money supply carried out by Bank Indonesia and the form of implementation of monetary policy instruments including open market operations affecting the amount of money circulating, discount rate affects the cost of money, the minimum reserve requirement affects the amount of minimum third party funds that must be kept because it cannot be channeled as credit by the bank, then moral suasion that influences the actions of bankers and senior managers of financial institutions in their daily business operations so that they are in line with government interests. Both fiscal policies relate to how the government finances its expenditure as an effort to control inflation such as the government can withdraw taxes or sell bonds in the country, so that the effect of inflation is small. The three policies related to output, namely an increase of output can reduce the rate of inflation. The increase in the amount of output can be achieved through a policy of reducing import duties and smooth administration of imports so that imported goods tend to increase at low cost. Increasing domestic goods tends to reduce prices. Fourth is the pricing policy, namely the government directly engages in market operations to control prices and the government also provides information on the price of basic necessities so that it can reduce speculation on the market. The five general policies are the policy to slowly improve the structure of the economy which is less flexible in dealing with existing economic developments. The examples of this form of general policy investment are policies for infrastructure improvements, improvements in licensing, taxation, capital markets, efficiency of bureaucracy, banking, and agriculture so those policies can reduce inflation.

2.4. Interest Rate Theory

McKinnon in (Sugiyanto, 1993, p. 114) describes the interest rate in developing countries with the assumption that financial institutions in developing countries can carry out their functions properly as intermediaries between savers and investors. Investors save first and then can make investments to buy capital goods. To stimulate savings mobilization, real interest must be positive. In order to create a positive real interest rate, the nominal interest rate must be higher than the rate of inflation. Whereas according to the loanable funds theory that the interest rate is determined by the amount of requests and offers for loanable funds. The loanable funds demand component consists of public demand for investment purposes as well as to hold cash, and the loanable funds offer component consists of government and community national savings, foreign balance of payments surplus (net exports and net capital traffic), as well as domestic credit monetary authority. The greater the additional domestic credit of monetary authorities and the foreign balance of payments surplus, the greater the additional loanable funds so that interest rates can be reduced. Furthermore, according to Keynes's theory that interest rates are determined by the interaction between the real sector and the monetary sector. Keynes assumed that the economy had not reached the level of full employment. Therefore production can still be increased without changing wage rates or price levels, by reducing interest rates, investment can be stimulated to increase national production. To sum up, monetary policy plays a role in increasing national production. However, after the economy is in full employment, monetary policy cannot play a role to increase national production anymore.
2.5. **Money Supply**

The money supply consists of M1, M2, M3. M1 includes currency held by the public and demand deposits in the form of rupiah-denominated demand deposits. M2 includes M1, time deposits, the balance of savings owned by the public in banks in rupiah. M3 includes M1, M2 and all time deposits, the balance of savings in rupiah or dollar owned by the community at banks or non-bank financial institutions.

2.6. **Monetary Policy Indicator**

The monetary policy indicator is an intermediate target (intermediate target) to measure the extent to which the achievement of monetary policy objectives is achieved. There are two indicators of monetary policy used, namely interest rates and money supply. If monetary policy indicators use interest rates as intermediate targets, Bank Indonesia will set an ideal interest rate to encourage investment activities. If the interest rate shows an increase exceeding the predetermined number, then Bank Indonesia conducts monetary expansion so that the interest rate falls to the specified level, otherwise if the interest rate falls below the predetermined rate then Bank Indonesia will conduct a monetary contraction. Furthermore, if the monetary policy indicators used in the money supply as intermediate targets will have a positive impact, namely a stable price level. If there is a turmoil in the money supply which exceeds or is less than the money supply that has been determined, Bank Indonesia will contract or expand monetary so that the money supply will remain at a fixed amount (Pohan, 2008, p. 41). Based on the description that has been explained, the formulation of the hypothesis is assumed that the monetary policy indicator with the interest rate and money supply approach influences of inflation in Aceh.

3. **Methodology**

This study uses secondary data from 2005 to 2016 sourced from the Central Statistics Agency (BPS) downloaded via the website https://aceh.bps.go.id and Bank Indonesia (BI) downloaded via the website https://www.bi.go.id, then processed using the program E-views software. The data analysis model in the form of multiple linear regression (OLS) is transformed in the form of semi logarithm (semi log) can be written as follows:

\[
\text{Inf} = \beta_0 + \beta_1 R + \beta_2 \text{LogUB} + \text{Ui} \quad \text{.................. (1)}
\]

Where :
Inf is inflation, $\beta_0$ is a constant, $\beta_1$, $\beta_2$ is the regression coefficient, R is the interest rate, UB is the money supply.

4. **Result And Discussion**

Actual inflation in Aceh 2005 to 2008 exceed inflation target. The highest actual inflation in Aceh occurred in 2005 and in 2008 exceeding the inflation target set by the government. This was due to 2005 the economic condition of the Aceh experienced a recession after the tsunami and rising fuel prices, where inflation target is 6 percent and actual inflation is 29.93 percent. In 2008, world crude oil prices rose so fuel prices also rose and were followed by economic turmoil, namely the rupiah depression, where inflation target is 5
percent and actual inflation is 11.94 percent. But in 2009 to 2016 actual inflation was below the inflation target. This is because demand for goods is lower than the supply, and inflation expectations from the public are low. This can be seen in Table 1.

Table 1. Ratio Inflation Target and Actual Inflation In Aceh Year 2005 -2016

<table>
<thead>
<tr>
<th>Year</th>
<th>Inflation target (%)</th>
<th>Actual inflation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>6</td>
<td>29.93</td>
</tr>
<tr>
<td>2006</td>
<td>8</td>
<td>10.46</td>
</tr>
<tr>
<td>2007</td>
<td>6</td>
<td>7.76</td>
</tr>
<tr>
<td>2008</td>
<td>5</td>
<td>11.94</td>
</tr>
<tr>
<td>2009</td>
<td>4.5</td>
<td>3.72</td>
</tr>
<tr>
<td>2010</td>
<td>5</td>
<td>5.85</td>
</tr>
<tr>
<td>2011</td>
<td>5</td>
<td>3.43</td>
</tr>
<tr>
<td>2012</td>
<td>4.5</td>
<td>2.26</td>
</tr>
<tr>
<td>2013</td>
<td>4.5</td>
<td>7.31</td>
</tr>
<tr>
<td>2014</td>
<td>4.5</td>
<td>7.73</td>
</tr>
<tr>
<td>2015</td>
<td>4</td>
<td>3.87</td>
</tr>
<tr>
<td>2016</td>
<td>4</td>
<td>3.73</td>
</tr>
</tbody>
</table>

Source: BPS. https://aceh.bi.go.id

The focus of this study is base money consisting of currency and current account balances with Bank Indonesia in Aceh because Bank Indonesia usually controls money supply through the regulation of base money. While the interest rate used in this study is the interest rate set by Bank Indonesia. The development of circulating money in 2005 to 2016, this can be seen in the following figure 1:

Fig. 1. The Development Money Supply (Base Money), Interest Rate and Inflation in Aceh
(Source: Bank Indonesia. https://www.bi.go.id)

The development of circulating money in 2005 to 2016 continued to increase due to the need for people to make money in the larger transactions offset by an increase in per capita income, but interest rates and inflation fluctuated. The highest interest rate occurred in 2005 at 12.75 percent. This high interest rate was set by Bank Indonesia to control inflation. In 2005 the money supply was less than IDR 204,539.75 compared to 2006 amounting to IDR 250,779.75 billion. But higher inflation occurred in 2005 of 29.93 percent compared to inflation in 2006 of 10.46 percent. This was due to the fact that in 2005 the economic condition of Aceh Province was still not stable after the tsunami due to the high demand for basic necessities and an increase in the price of fuel oil. However, in 2006, the economy of
Aceh began to improve, and land transportation became smoothly so that the total demand for staple goods was fulfilled.

**Table 2. Estimation Output**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std.Error</th>
<th>t-Statistic</th>
<th>Prob</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>7.949701</td>
<td>36.17052</td>
<td>0.219784</td>
<td>0.8309</td>
</tr>
<tr>
<td>INTEREST</td>
<td>3.284902</td>
<td>0.618719</td>
<td>5.309201</td>
<td>0.0005</td>
</tr>
<tr>
<td>BI RATE</td>
<td>-1.962517</td>
<td>2.492259</td>
<td>-0.787445</td>
<td>0.4513</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.879671</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted R-squared</td>
<td>0.852931</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S.E of regression</td>
<td>2.925107</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sum squared resid</td>
<td>77.00626</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Log likelihood</td>
<td>-28.18114</td>
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<td></td>
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<tr>
<td>F-statistic</td>
<td>32.89744</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prob (F-statistic)</td>
<td>0.000073</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Durbin-Watson stat</td>
<td>2.042561</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hannan-Quinn criter</td>
<td>5.151975</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Schwarz criterion</td>
<td>5.318084</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Akaike info criterion</td>
<td>5.196857</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S.D dependent var</td>
<td>7.627484</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mean dependent var</td>
<td>7.970833</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Authors' Estimation

Based on Table 2, the multiple linear regression equation can be written as follows:

\[
\text{Inf} = 7.94970 + 3.284902 \times \text{INTEREST} - 1.962517 \times \text{BI RATE} \quad (2)
\]

The equation (2) can be concluded that a constant of 7.94970 means that if the monetary policy indicator with the interest rate and money supply approach equals zero then there will be an inflation of 7.94970. Furthermore, the coefficient of the monetary policy indicator with an interest rate approach of 3.284902 has a significant influence on the real level of 5 percent and a positive relationship to inflation, it means that if inflation is high then Bank Indonesia will raise interest rates, thus it encourages people to save money in the bank expecting profits, and vice versa if inflation is low, Bank Indonesia will reduce interest rates, thus it encourages investors to borrow money from banks to invest. This result is consistent with the research conducted by (Langi, Masinambow and Siwu, 2014) that interest rates have a positive effect on inflation. While the coefficient of monetary policy indicators with the money supply approach is -1.962517 and has no significant effect on the 1 percent, 5 percent and 10 percent real level and a negative relationship to inflation, meaning that if inflation is high then Bank Indonesia will reduce the money supply and on the contrary if inflation is low then Bank Indonesia will increase the money supply. Monetary policy indicators with the money supply approach do not have a significant effect on inflation because the state of Aceh's economy is more sensitive to the turmoil in the money market than the goods market such as a lot of funds settling in Aceh-owned banks and communities so that the economic turnover in Acehnese society and the funds by the bank placed in the form of Bank Indonesia Certificates (SBI). The results of this study are also in line with the research conducted by (Luwihadi and Arka, 2014) which the result of their study was money supply has no significant effect on inflation.
Adjusted R square value obtained at 0.852931 shows that the magnitude of the influence of monetary policy indicators with the interest rate and money supply approach to inflation is 85.92 percent and the remaining 14.08 percent is influenced by other variables outside the model.

5. Conclusion

Based on the research that has been done, it can be concluded that monetary policy indicators with an interest rate approach have a significant effect and positive relationship to inflation. While the monetary policy indicator with the money supply approach does not have a significant effect and negative relationship to inflation. This is due to the economic conditions in Aceh Province that are more sensitive to the turmoil in the money market rather than the goods market. If the economic situation is more sensitive to money market turmoil, monetary policy indicators with an interest rate approach are more effective in controlling inflation. If the economic situation is more sensitive to commodity market turmoil, then the monetary policy indicator with the money supply approach is more effective in controlling inflation.

Suggestion

In controlling inflation and achieving the inflation target or goal as determined by the government, Bank Indonesia should continue to improve banking supervision in terms of lending, and establish good coordination with the government. The government should continue to supervise the distribution of goods, especially basic needs to avoid the black market and set a maximum price.

References

The Effectiveness of Management and Administration Sekolah Menengah Imtiaz Yayasan Terengganu (Smiyt) to Student Academic Excellence

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¹,²,³ University College Bestari, Terengganu, Malaysia

Abstract: In this era the development of a country is largely depend on the progress of thinking and the ability of human capital to be generated by its educational system. Malaysia wants to drive a knowledge-based economy, will definitely require first-class human capital. The Ulul-Albab curriculum is a big contributor to the paradigm shift in the Malaysians educational system. The Sekolah Menengah IMTIAZ Yayasan Terengganu is using the Ulul-Albab curriculum. It operates in eight districts which include Besut, Dungun, Kuala Berang, Kuala Terengganu, Kemaman, Kuala Nerus, Setiu dan Marang. The Ulul-Albab curriculum is an integrated educational curriculum which comprise pure science programs with religious programs including the Tahfiz al-Quran. The Ulul-Albab curriculum aims to produce professional and entrepreneurs who are not only knowledgeable but have proficiency in the field of religion based on the Quran and Sunnah as Ulul-Albab generation. The main objective of the Ulul-Albab Curriculum is to produce the Ulul-Albab generation which features three components namely Quranic, Encyclopedic and Ijtihadik. The Ulul-Albab learning method is Super Learning, compacting syllabus with wide Enrichment Model Methods and personality development to the students. The program include parental involvement, Community programs and supplementary diet with sunnah food. In an era of an increasingly advanced and challenging education world, the government aims to produce 125,000 professional memorizes in various fields by 2050. In high school Imtiaz Besut it was found that the Quranic memorization has a positive impact on student academic excellence based on comparative analysis of SPM achievement from 2012 to 2017, The implication of this study concluded that the memorizing activities of the Quran should be addressed and blended in academic field as the Quranic memorization also contributes to student academic excellence.

Keywords: Ulul-Albab curriculum, Sekolah Menengah IMTIAZ Yayasan Terengganu, Quranic, Encyclopedic and Ijtihadik

1. Introduction

Sekolah Menangah IMTIAZ Yayasan Terengganu (SMIYT) is registered with the Ministry of Education Malaysia and is the first elite school under the Terengganu State Government. SMIYT is using the Ulul-Albab curriculum. It operates in eight districts which include Besut, Dungun, Kuala Berang, Kuala Terengganu, Kemaman, Kuala Nerus, Setiu dan Marang. The Ulul-Albab curriculum is an integrated educational curriculum which comprise pure science programs with religious programs including the Tahfiz al-Quran. The Ulul-Albab curriculum aims to produce professional and entrepreneurs who are not only knowledgeable but have proficiency in the field of religion based on the Quran and Sunnah as Ulul-Albab generation. The school offers education in parallel with the national education system of
science that is integrated in conjunction with Quran recitation and religious education. This school is managed by management division of Yayasan Terengganu.

2. Literature Review

The Ulul-Albab definition has the Quran as the basis of the of Ulul-Albab. The Ulul-Albab generation is a group that has a strong foundation in the Quran, a wide and diverse range of knowledge, capable of thinking and observing God's events through the eyes, hearts and intellects, practicing and taking lessons from it. ALBAB's Word in the context of Language is a plural form of “LUBB” which carries the meaning of heart.

Objective Ulul-Albab, first produce a generation of Quran who is believing, devout, knowledgeable, noble, skilled, responsible and devoted to religion, race and nation. Secondly, produce students who are based on science and Quran scholars who can qualify for professional and technical studies in any of the world's most famous universities. Third, producing students who can memorize the Quran by 30 juzuk within 3 years of study and build the Quranic culture of the Quran with the latest technology approach. Fourth, produce the generation of Quran that dominates the world of languages such as Malay, English, Arabic and Japanese.

Ulul-Albab Vision, produced the Ulul-Albab generation who understood Quran-based Quranic, Encyclopedic and Ijtihadic and also understand science, philosophy and technology to face the challenges of globalization and achieve the glorious of the ummah. The Ulul-Albab Mission, to produce human, religious, intellectual, noble, skillful, responsible and devoted Muslims, nations and countries through the creation of the Quran. The Ulul-Albab Curriculum is a Ulul-Albab program that maintains an existing curriculum with an additional Quran recitation program. Students who follow the Ulul-Albab curriculum will have three main features namely Quranic, Encyclopedic and Ijtihadik.

The Quranic feature is that students need to memorize 30 Quran verses and understand the Quran claim as the source of the highest knowledge based on the concept of read, remember, understand, think, charity and spread with emphasis on the teaching of the Quran is the smoothness of tajwid and makhraj and to give understanding about responsibility to study in Islam and tauhid to Allah S.W.T. Through the system of memorization one page a day a juz per month and 10 juzuk a year during form one and memorize 30 Al-Quran verses during form 3 and each one verses Al-Quran guarded by a teacher.

The Encyclopedic feature requires highly knowledgeable and highly skilled students and can be a reference point in various disciplines and able to master multiple languages to facilitate mastery of the knowledge and reference of the ummah.

The Ijtihadik also requires students to give insights into the problem of self, family, society, nation and ummah by maximizing brain and mind capacity, thinking creatively and innovatively and capable of applying high technology for the purpose of building human civilization and contributing to the prosperity of God Almighty earth according to human beings as leader on this earth with the Quran as a guide and guidance.

The curriculum used is still an integrated secondary school curriculum (KBSM), which Science, Religion and Hafazan are integrated in concert and simultaneously. While Co-Curriculum is an activity run by qualified and experienced trainers.

The SMIYT learning method is the Super Learning Method, the Ulul-Albab Foundation Special Program which contains drill exercises, compacting syllabus and School wide Enrichment Model. The Super Learning is the ability to learn an immense amount of
information in a fairly short amount of time. It involves speed reading, memorization through various methods such as psychological markers, memorize and spaced repetition.

The School wide Enrichment Development Model (SEM), implemented as an enrichment program used for academic talented students and develops talents of all students. SEM's ultimate goal is the application of educational pedagogy to school improvement. SEM provides enriched learning experiences and higher learning standards for all children through three goals: develop talent in all children, provide high level enrichment experience for all students, and provide more advanced follow up opportunities for young people based on their strengths and interests. SEM focuses on enriching for all students through high levels of engagement and the use of fun and challenging learning experiences built around student interests, learning styles, and preferred expression styles.

**Student Personality Development**, SMIYT students often face problems to create good social relationships. They like to work alone, do not like being part of peer groups and are not easily subject to cultural demands. In this context, students need coaching to socialize with peers and adults, but not compliant with the will of others blindly. On the contrary, they need to learn independently without segregating themselves from society. SMIYT embraces personality development to students including self-motivation, spirituality and leadership.

**Parental Involvement**, MIYT usually identifies the skills available to parents. Every parent's skills will be used for the development of student education and collaboration from parents to help students in academic achievement. Parents are allowed to visit students at any time and 24-hour open hostel to be visited by parents.

Community Programs, Community Programs are community work carried out in groups and have the aims and objectives to ease the burden, benefits, and well-being of the community. MIYT students are encouraged to participate in a collective and periodical community program to provide results and impact to the receiving community and is an extremely important activity to foster goodwill among communities and MIYTs. Among the activities that have been carried out are funeral prayers, grave pilgrimage and welfare home visits. Supplementary Foods, We all know it's important for parents to supplement food for students. It is important for physical growth and brain development and even student IQ. As a child, your child's body grows rapidly and his brain grows up to 3 times when he is 3 years old. The childhood phase is the most important moment in the cognitive development of a human being. It relates to his thinking skills, memory, and focus. All of these developments require your child to receive adequate nutritional supplements. The supplementary foods available at MIYT are fresh milk, dates and honey.

**Ulul-Albab Program Implementation**

Ulul-Albab Program Implementation, Students at SMIYT are required to follow the Muqarrar Tahfiz syllabus, a special syllabus for form one to three. Each level has two universes. One universe for one form, the student is obliged to memorize four surah and five constituencies is surah al-Sajadah, Yaasin, al-Dukhan, al-mulk and one to five juzuk. The double universe for a single form, the student is obliged to memorize six constituencies is the sixth to the sixth. The universe is one of two forms, students are obliged to memorize six constituencies is twelve to seventeen. The double universe for form two, the student is obliged to memorize six constituencies is eighteen to twenty-three. The universe is one of three forms, students are obliged to memorize six constituencies is twenty-four to twenty-ninth. The double universe for the form three, the student is obliged to memorize one constituency is the thirty to thirty. To memorize the Quran, the students are given two memorable hours, beginning half an hour before the Subuh prayers and continuing after the Subuh prayers until 6.45am and after
the Magrib prayers until 9.00 pm. Teaching and learning for the first semester, all semester 1 students are required to follow the prescribed syllabus as follows:

a. Quran memorizer
b. English Communication skills
c. Basic Mathematical Skills
d. Mind Map Skills
e. Thinking Skills
f. Basic science skills
g. Islamic charity skills
h. Arabic Language skills
i. Speed Reading skills
j. Public Speaking Skills

### Table 1. Student Daily Schedule

<table>
<thead>
<tr>
<th>Times</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.00 am</td>
<td>Wake up in the morning / memorizer class (30 minutes before Subuh prayers)</td>
</tr>
<tr>
<td>5.15 – 6.00 am</td>
<td>Subuh prayers / Al-Quran memorizer class</td>
</tr>
<tr>
<td>6.00 – 6.45 am</td>
<td>Writing class</td>
</tr>
<tr>
<td>7.00 – 7.20 am</td>
<td>Breakfast</td>
</tr>
<tr>
<td>7.20 – 7.40 am</td>
<td>Roll call / rest</td>
</tr>
<tr>
<td>7.40 – 9.00 am</td>
<td>Al-Quran class</td>
</tr>
<tr>
<td>9.00 – 12.00 am</td>
<td>Daily class</td>
</tr>
<tr>
<td>12.50 – 2.00 pm</td>
<td>Lunch / Zohor prayers / sleep in a set time</td>
</tr>
<tr>
<td>2.00 – 2.40 pm</td>
<td>Revision class</td>
</tr>
<tr>
<td>2.40 – 3.40 pm</td>
<td>Daily class</td>
</tr>
<tr>
<td>3.40 – 4.40 pm</td>
<td>Co-curriculum</td>
</tr>
<tr>
<td>4.40 – 5.00 pm</td>
<td>Asar prayers</td>
</tr>
<tr>
<td>5.00 – 5.30 pm</td>
<td>Revision class</td>
</tr>
<tr>
<td>5.30 – 6.30 pm</td>
<td>Sport / recreation</td>
</tr>
<tr>
<td>6.30 – 7.30 pm</td>
<td>Dinner / Magrib prayers</td>
</tr>
<tr>
<td>7.30 – 9.00 pm</td>
<td>Al-Quran memorizer class / Isyak prayers</td>
</tr>
<tr>
<td>9.00 – 10.30 pm</td>
<td>Preparatory class</td>
</tr>
<tr>
<td>10.30 – 10.45 pm</td>
<td>Supper</td>
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<tr>
<td>11.30 pm</td>
<td>Light off / sleep</td>
</tr>
</tbody>
</table>

### 3. Methodology

To determine the level of student achievement, students will be evaluated in written and verbal memorization. The weighted scores are as follows:

a. Written 30%
b. Oral 70%
Admission requirements to IMTIAZ must earn 3A3B in the UPSR exam. The evaluation and selection of candidates will be made through the interview. Things to test during the interview are as follows:

a. The ability to read al-Quran
b. The ability to memorize the al-Quran
c. Jawi skills
d. The ability to communicate in Malay and English
e. Attitude test, science and mathematics

4. Result And Discussion

<table>
<thead>
<tr>
<th>OUTCOME OF A SPM 2017</th>
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<tbody>
<tr>
<td>STUDENT</td>
</tr>
<tr>
<td>1A</td>
</tr>
<tr>
<td>17</td>
</tr>
</tbody>
</table>

Fig.1. Analysis of Achievement Excellence Number A SPM 2017 (IMTIAZ BESUT 2017 REPORT ANALYSIS)

<table>
<thead>
<tr>
<th>OUTCOME OF A SPM 2012 - 2017</th>
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<tbody>
<tr>
<td>CANDIDATE</td>
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<tr>
<td>2A</td>
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<tr>
<td>2012</td>
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<td>2013</td>
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<td>2015</td>
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<td>2016</td>
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<td>2017</td>
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</table>

Fig.2. Analysis of Achievement Excellent Number of A SPM 2012 – 2017

The view of former Higher Education Minister, Datuk Seri Idris Jusoh on at least one Ulul-Albab school in each state is an appropriate and wise step. Modification of the curriculum in stages in primary and secondary is to produce a balanced and harmonious generation as revealed in the national education philosophy. Ulul-Albab is based on three main companions namely the Quranic, Encyclopedic and Ijtihadic towards producing a balanced generation in terms of academic excellence, religious knowledge and Islamic personality. The Ulul-Albab program will further strengthen the Jawi, Al-Quran and Fardhu Ain (J-QAF) programs where students receive not only basic religious-related skills but have an appreciation effect among students. If the J-QAF can be extended to secondary schools it will produce Jawi’s skillful memories, choosing a solid foundation of fardhu ain and at the same time the education of the Quran in the broader sense will occur.

Imtiaz Future Planning

a. Complete the establishment of Imtiaz High School in each district as reservoir future
b. Establishing Imtiaz Primary School as Feeder School
c. Program internationalization of Imtiaz through the introduction of international curriculum Global-Leadership Program.
d. Targeting by 2020 Imtiaz can produce 6000 memories students together with 100 families of a memories with the estimates of each Assembly The state can produce 188 memories by 2020.
e. Targeting 20% of SPM candidates to pursue university studies the world's leading.
f. Implement collaborative programs with local universities for the Fast-Track Program.
g. Establish and empower Imtiaz Alumni Al-Hafiz Council to ensure.
h. Continuity and effectiveness of Ulul Albab Program
i. Imtiaz program socialize through social service activities such as trained head of prayer
j. Strengthen English, Arabic & Mandarin proficiency
k. Put expert teachers at SMIYT
l. Open the mind of teachers and students through student exchange programs to schools best country and abroad
m. Students should be given training in effective communication

5. Conclusion

There are three important factors to develop Islamic civilization over the long term. First epistemology which embodies the whole world of science. Secondly, the growing intellectual tradition. Third capabilities produce human capital with the knowledge and skills to develop the civilization system. Today, the tendency of some Muslim parents in Malaysia to send their children to the cottage and the center of Tahfiz should be for the development of children's potentials so that the knowledge and skills they possess are relevant to the times and challenges they face. They also need a high-level study so that the knowledge they acquire can be beneficial to them so that they continue to contribute towards the development of the Muslims and their civilization. Empowering the Ulul-albab program will produce a brilliant generation, both in terms of world-affairs and in the hereafter in the meantime Muslims have specializations in various disciplines. The young generation is able to learn the human sciences or human sciences by making the Quran a source of reference and will memorize the Quran, studying the science of tafsir and taramum. If all is discussed then Malaysia will emerge as an example country that connects the science of naqli and aqli in an integrative way. It is hoped that efforts to produce balanced human capital and highly-educated Islamic intellectuals from the Ulul-Albab Program will receive the blessings and blessings of Allah SWT as well as the strong support and cooperation of all parties, whether management, administration or parents to adopt the race, religion and the State.
Zakah Accounting for Agriculture According to The *Al-Amwal* Scripture

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**Abstract:** Al-Amwal scripture by Abu ‘Ubayd is a classic scripture that debates about the Islamic economy including zakah accounting for zakatable assets. In this scripture, Abu ‘Ubayd take into account the views of scholars prior to submitting his own views. The question is, what are the views of scholars on zakah accounting for agriculture in al-Amwal? How about the view of Abu ‘Ubayd on zakah accounting for agriculture in al-Amwal? This paper focus on two things. First, identifying the types of crops that obligatory zakah based on the views of scholars in al-Amwal. Second, analyzing the zakah accounting for agriculture in al-Amwal. Although al-Amwal is a classic scripture, the view of Abu ‘Ubayd in al-Amwal is still relevant and therefore can be used as a basis of reference for debates in zakah accounting for agriculture in the present-day. This is because the arguments and views of the scholars in this scripture are based on the sources from al-Quran and al-Hadith.

**Keywords:** accounting, agriculture zakah, scholar views, al-Amwal scripture

1. **Introduction**

This Zakah accounting for agriculture is a process of identifying the types of agriculture that required zakah, determining the zakah rates, and make zakah assessment in fulfilling the obligation of zakah. However, there are at least two differences of opinion in determining the zakah accounting for agriculture, namely first, the types of crops that required zakah; and second, the debt deduction or the deduction of costs. The objectives of this paper therefore first, to identify the types of crops that obligatory zakah based on the views of scholars in al-Amwal; second, to analyze the zakah accounting for agriculture in al-Amwal; and, to conclude the zakah accounting for agriculture in al-Amwal.

2. **Methodology**

Based on the analysis of the *Al-Amwal* scripture, there are four categories of agricultural products compulsory for zakah. First, the four main types of agricultural products; second, who added types of agricultural products; third, who reduce types of agricultural products; and fourth, view of scholars against all grains. Analyzed the views of scholars in *al-Amwal* scripture as follows:

2.1. **View of Scholars on Four Types of Agricultural Products**

There are scholars who viewed that the type of agricultural products that required zakah are wheat, barley, dates and grapes. This view is based on the Hadith narrated by Musa ibn

Ibn Abi Layla and Sufyan ibn Sa’id, Iraqi scholars also expressed the same view of crops that is not compulsory for zakah except wheat, barley, dates and grapes. The same view expressed by Ibn ‘Umar and Abu Musa al-Asy’ari. Al-Hassan and Ibn Sirin also zakah imposed on wheat, barley, dates and grapes (Abu ‘Ubayd, 2009, p. 576). Abu ‘Ubayd therefore concluded that there are four types of agricultural product that required zakah as in Al-Amwal scripture in the view of scholars.

2.2. The View of Scholars Who Added Types of Agricultural Products

There are also scholars who add the types of crops or agricultural products other than wheat, barley, dates and grapes. These scholars have added sulat (a type of barley white in color and skinless) and corn as an agricultural product that required zakah. Among the scholars who add the types of agricultural products are Ibn ‘Abbas, Ibrahim, ‘Umar ‘Abd al-Aziz, Makhul, al-Zuhri, al-Azwa’i, Malik ibn ‘Anas, other Iraqi scholars (except Ibn Abi Layla and Sufyan b. Sa’id) and followers who have similar views. The scholars who have agreed to additional types of agricultural products have submitted dalil that sulat and corn are the same type as wheat although wheat is a staple food for a state (Abu ‘Ubayd, 2009, p. 580). The addition of other types of agricultural products made by some scholars is based on the nature and role of these agricultural products. Generally, only four agricultural products are required zakah, but agricultural products are the main food source or staple food for a state or region. Sulat and corn are also required zakah because it is the main source of food for a state. In al-Amwal scripture, scholars therefore add other types of agricultural products according to the types of staple food for a country in determining the types of agricultural products that required zakah.

2.3. View of Scholars Who Reduce Types of Agricultural Products

Another opinion is the view of scholars who reduce the types of crops that required zakah in Al-Amwal scripture. The types of agricultural products are wheat, barley and dates (zakah is not required for grapes). Scholars who reduce the types of crops that required zakah is Shuraih and asy-Sya’bi. It was narrated from ‘Abbad b. al-Awwam from Sufyan b. Husayn from al-Hakam from Shuraih said that: “Zakah will be taken from wheat, barley and date, and not from the grapes” ((Abu ‘Ubayd, 1991, p. 398). It is also narrated from Hushayn from al-Ajlah from asy-Sya’bi also said that: “Zakah is on wheat, barley and date” (Abu ‘Ubayd, 1991, p. 398). Based on this narration, this view is argued because Prophet Muhammad only requires zakah on the staple food of the Arabs only and their staple food are wheat, barley and dates. Wheat and barley are the staple food of the urban Arabs, while the dates are the staple food of the rural Arabs (Abu ‘Ubayd, 1991, p. 399). Therefore, grapes are not compulsory or required zakah as it does not become the staple food of the Arabs.

In general, the views of scholars who add a range of agricultural products and views of scholars who reduce agricultural products type are based on the same arguments. The argument is based on the role of agricultural products which turn out to be the staple food. However, the outlook for the addition of agricultural products by some scholars are based on the combination to all agricultural products that become the staple food, while scholars who
reduced the types of agricultural products are based on fundamental food source of a particular country. Therefore, Abu ‘Ubayd has concluded it as two different views although the basis of the argument is the same.

3. Result And Discussion

Abu ‘Ubayd has put forward three main points in zakah accounting for agriculture. First, the types of crops or agricultural products that required zakah (as stated previously). Second, *nisab* imposed zakah on agricultural products. Third, the zakah rate to be imposed on the agricultural product. The discussion about the nisab and zakah rates imposed on agricultural products in *al-Amwal* scripture as follows:

3.1. Nisab for Agriculture Zakah According Scholars’ View

The conditions of zakah nisab is imposed on agricultural products must achieve five *ausu* (equivalent of 400 bushels) or more. After agriculture products reached five *ausuq* or more, the rate of agricultural zakah either of ‘ushur (10 percent) or nishful ‘ushur (5 percent) should be paid. If the *nisab* does not reach five *ausuq*, the agricultural products shall not be counted for zakah. This is based on evidence Hadith of the Prophet and also views from companions and tabi’in. Narrated by Abu Sa’id al-Khudri, the Prophet said: “No zakah is due on property mounting to less than five *uqiyas* (of silver), and no Zakat is due on less than five camels, and there is no zakah on less than five *wasqs*” (Al-Bukhori, 1996 Hadith no.561). Generally, nisab for agricultural zakah is when the outputs are mature and total weight is five *ausuq*. It is reported that Abdullah b. Ubayd b. ‘Umair said that the Prophet Muhammad ordered that a date is estimated or calculated when the fruit begins to ripen and mature. *Nisab* as much as five *ausuq* also expressed through the Hadith narrated by Abu Sa’id al-Khudri and Jabir b. Abdullah. Based on the views and arguments of the scholars are not to make zakah compulsory on agricultural products which do not reach five *ausuq*. Abu ‘Ubayd therefore insists there is no obligation to pay zakah on agricultural outputs that does not up to five *ausuq* or more. This view was followed by Sufyan ibn Sa’id al-Awza’i and Malik (Abu ‘Ubayd, 2009).

However, there are scholars who do not made zakah compulsory for agricultural products that reach five *ausuq* if the nisab is achieved as a result of a combination of two types of agricultural products for example al-Awza’i and Sufyan b. Sa’id. Muhammad b. Syu’aib once asked al-Awza’i to combine wheat and barley and to combine with all other grains until it reach the required amount for zakah (five *ausuq*), but al-Awza’i barred the merging (Abu ‘Ubayd, 1991, p. 397). Actually, the prohibition of the combination had been giving a huge advantage to the owner. However, Malik b. Anas has given conflicting views with al-Awza’i and Sufyan b. Sa’id Malik b. Anas said that, there can be a combination between two types of crops so as to achieve five *ausuq* and more. When the combination has been reached nisab five *ausuq*, then zakah is required for the agricultural output. When the total reached five *ausuq* on the agricultural output, it is required to pay zakah on the combination (Abu ‘Ubayd, 2009). Abu ‘Ubayd also concluded that the combination of these agricultural products are from those scholars who add the type of agricultural products that required zakah other than the four types of agricultural products (wheat, barley, dates and grapes). According to Malik b. Anas, combination of two different types of agricultural products is intended to encourage Muslims to pay zakah on the agricultural outputs. The responsibility to pay zakah is put on to those who own property, including agricultural outputs.
3.2. Zakah Rate for Agriculture According to the View of Scholars

Abu ‘Ubayd said that zakah rate for the produced agricultural yield depends on several methods. Among the used production cost is irrigation methods, rates for necessities and debt. There are three costs of production used, namely the irrigation methods, the rate of necessities, and debt or cost of agriculture. The purpose is to determine the law of zakah for people who owe based on the views of scholars.

3.2.1. Irrigation Method

The rate of zakat for agricultural products is determined depending on the method of irrigation used on the agricultural products. Salim b. ‘Abdullah narrated from his father that Prophet Muhammad said:

The Prophet (peace be upon him) said, “On a land irrigated by rain water or by natural water channels or if the land is wet due to a nearby water channel *ushr* (i.e. one-tenth) is compulsory (as Zakat); and on the land irrigated by the well, half of an *ushr* (i.e. one-twentieth) is compulsory (as Zakat on the yield of the land)” (Al-Bukhori, 1996 Hadith no. 560).

In addition, the Hadith narrated by Jabir that the Prophet Muhammad said which means: “A tenth is payable on what is watered by rivers, or rains, and a twentieth on what is watered by camels” (Muslim, 1973 Hadith no. 2143). According to the Hadith, there are two zakah rates imposed under irrigation methods used on crops. First, the rate of 10 percent (1/10) imposed on the plants that use natural methods. The natural method it is when we used water from rain, river water, spring water or groundwater (reservoir). Second, the rate of 5 percent (1/20) imposed on the plants that use irrigation methods uses energy and equipment, for example, when we used irrigation equipment (waterwheels) and using animals to transport the water.

Zakah rate for agricultural was also argued by scholars based on the irrigation methods used. Among those scholars are Busr b. Sa’id Al-Hakam b. ‘Utayba, Muhammad b. ‘Abdurrahman al-Anshari, Ibn ‘Umar, Ali bin Abi Talib, Mujahid, Ibn Juraij, Ibrahim and Jabir bin Abdullah. Zakah rates for agricultural are imposed the same, namely 10 percent or 5 percent. (Abu ‘Ubayd, 2009, p. 582) categorized irrigation method into two types of methods. First, natural irrigation method; and second, irrigation methods that use labor force (manpower). Natural irrigation methods are about irrigation that use rainwater, river water, springs, irrigation produced by the plant itself (*al-ba’lu*), drainage and canal. Agricultural products that use this method is required to pay zakah rate of 10 per cent (*’ushur*). Irrigation methods which use labor force is about irrigation that uses equipment. Among pail and wheels, energy from the animals such as camels and cows is used as well. The rate of zakah required for agricultural products using this method is 5 percent (*nishful ‘ushur*). Therefore, if the agricultural used both of mentioned irrigation methods at the same time, then the zakah rate is determined based on the irrigation methods which is often used. This situation has been argued by Ibn Juraij and Ibn Atha’.

“Ibn Juraij asked Atha’: ‘What is about the land of a person, which is sometimes irrigated by wells and sometimes by springs?’ He replied, ‘Zakah will be imposed on it, according to the source of irrigation that dominates in turns’” (Abu ‘Ubayd, 2006, p. 401). The determination of zakah rate is between 10 percent (*’ushur*) and 5 percent (*nishful ‘ushur*) which happened due to cost, energy and preservation of agricultural products. Results out of natural irrigation method such as rainwater, river water, canal or fountain do not need cost, especially the cost of payments to any party. Agricultural output received by using this
method does not require intensive maintenance. This is because the irrigation system is natural by its character, and therefore, the energy used for this irrigation system is less necessary. Thus, the zakah rate is 10 percent (‘ushur). Agricultural products that use irrigation method using energy and equipment, requires a higher number of labors. This is because these methods require energy to maintain the agriculture products, to control the irrigation system and regulate all the equipment used. Therefore, this agriculture output is high in cost and zakah rate required is 5 percent which is less than the zakah rate required for using natural irrigation method.

Based on the analysis, irrigation method that uses energy and equipment are more exposed to the risk of damage compared to natural irrigation method. Natural irrigation also exposed to risk such as unpredictable weather. However, this risk can be mitigated by preparing storage of water resources for a limited period.

3.2.2. Necessity Cost or Cost of Living

In addition, zakat rate for agriculture is also determined by the necessity cost. These costs refer to the cost of living/necessities for the owner including his families. Typically, the necessity cost is 1/3 or 1/4 of the harvested crops. In al-Amwal scripture, the number of agricultural products collected must be separated partly to attribute to owners of the agricultural products as meeting the necessities of the owner and his family. This is distributed to them at a sufficient rate to meet the needs of their families. Distribution of the agricultural products to owners of agricultural products is based on events that happened to Uthman b. Hunait (a companion of the Prophet). According to (Abu ‘Ubayd, 2009, p. 590), Uthman bin Hunait had violated the estimated zakah on agriculture because he only demanded payment of zakah to the owner of those agriculture output. But in reality, he does not violate the terms of assessment because the agricultural output has achieved five ausuq. His mistake was due to the demand of zakah payment on all of the agricultural outputs including the one consumed by the owner. This is because agricultural outputs used for the purposes of the owner and does not need to be assessed. According to the Hadith narrated from Busyair bin Yasar said that, “Umar Ibn Khatab deputed Abu Hatsmah al-Anshiari to assess the possessions of the Muslims. He advised him saying, “When you find the people in their gardens that they have plucked some of their fruits, exempt for them, what they have eaten from it” (Abu ‘Ubayd, 2006, p. 406).

Based on the above hadith, Umar Ibn Khattab sent Abu Hatsmah al-Ansari that the yield or crops are calculated at the harvesting time. However, some agricultural output or crops that become the source of food for farmers should be deducted and should not be counted. In addition, the rate of zakah for the needs of the owners must be deducted with 1/3 or 1/4 of the total agricultural output or crops. Hadith from Abdurrahman bin Mas’ud b. Nayar, he said that, “We were sitting in a meeting when Sahal bin Abi Hatsmah came to us, and said, “The Prophet (peace be upon him) said, “when you assess (the produce of fruits), exempt its one-third (from zakah). If you do not exempt one-third, exempt at least one-fourth (of it from Zakah)” (Abu ‘Ubayd, 2006, p. 406).

Abu ‘Ubayd concluded that there is the easy way or facilities for not to do the assessment on the crops or agricultural products which becomes the needs of the owner. The cost of this requirement is deducted in assessment of agricultural zakah to ensure the needs and welfare of the owner and his family. In addition, by taking into account the needs of the owner and his family are the demands of the Prophet Muhammad. This is so that the needs and welfare of the closest relatives comes in before given to someone else. As the Hadith which is qiyas to the case through Hadith narrated by Jabir, he said, “The Messenger of Allah said: Start with your own self and spend it on yourself; and if anything is left, it should be spent on your family, and
if anything is left (after meeting the needs of the family) it should be spending on relatives, and if anything is left from the family, it should be spent like this, like this. And he was saying: In front of you, on your right and on your left” (Muslim, 1973 Hadith no. 2183). The hadith explained that the Prophet Muhammad demanded that the welfare of self and family comes first. After that, if there is a surplus, it can be given to others. Therefore, it can be concluded that before agricultural output is estimated, the amount of crops to be deducted either 1/3 or 1/4 of the total crops depending on the needs of the owner and his family.

3.2.3. Debt Deduction (Planting Cost)

Debts were also taken into account in determining the rate of zakah for agriculture. This is because the debt is one of the costs of agriculture. In the al-Amwal scripture, any debt involved in agriculture is a debt to lease agriculture land. Ibn Shihab was questioned about the debt. Hadith narrated from ‘Abd Allah b. Salih from Al-Layth from Yunus from Ibn Shihab stated that, “Ibn Shihab was asked concerning a person, who took loan against his garden (or farm) which became equal to its produce. Should he pay zakah of this garden or farm? He answered, “We could not find any sunah of the Prophet (peace be upon him) which shows that garden or farm of indebted person was left without paying zakah. Zakah was taken from him in spite of his debt. However, if the person in debt owns gold and silver, Zakah of these will not be taken from him unless he pays his debt” (Abu ‘Ubayd, 2006, pp. 423–424). According to the question, Ibn Shihab argued that a person is required to zakah even though he is still in debts. This opinion is similar to the view of Ibn Sirin. (Abu ‘Ubayd, 2006, p. 424) said: This is in accordance with Ibn Sirin’s tradition in which he says, “The people used to deduct the cash (gold and silver) from the debt but did not deduct the produce of land from the loan”.

Abu ‘Ubayd therefore has taken the view of some scholars in determining the zakah law becomes obligatory for the agricultural product owner in debt. There are two views in determining the law of zakah for those in debt. First, a view that does not make zakah compulsory; and second, the view that made zakah compulsory. Among the scholars who do not made zakah compulsory for those who are in debt is Ibn ‘Abbas, Ibn ‘Umar and Makhul. The view of the law is zakah is not obligatory to the person who is in debt and referred to by the Sunnah of Prophet Muhammad on the purposes of zakah is claimed. Prophet Muhammad made zakah compulsory on the rich and the total amount of zakah collected for distribution to the poor. People who are in debt are people who do not have property. This is due to the ownership of the property is to cover the debt payments.

Furthermore, the debtor is also one of the recipients who are eligible to receive zakah. As the word of Allah says, “The alms are surely only for the poor and for the needy, and for those employed to administer alms, and for those whose hearts have been recently reconciled to the faith, and for captives and those burdened with debts, and (to be spent) for the cause of Allah, and for the wayfarers (stranded on the way). (Such ordinance is) a duty enjoined by Allah. And Allah is All-Knowing, All-Wise”.

Thus, the debtor (al-Gharim) is not obliged to pay zakah because they are one of those recipients of asnaf who receives zakah. In addition, there are two possibilities for plantation owners in debt entitled to receive zakah. First, receiving zakah as the poor (because they do not have property) and the second, receive zakah because they are debtor. However, there are scholars require zakah on agricultural product or crops even if the owner has a debt such as debt in leased agricultural land. Some scholars made zakah compulsory on the owner who is in debt such as Ibn Shihab, Ibn Sirin, Al-Awsa’i, Hijaz scholars and most Iraqi scholars. This view is based on the Hadith by ‘Umar Ibn Khattab, “We will give them zakah though, they own hundred camels, is for such persons, who are indebted.” Abu ‘Ubayd said, “I heard this

Based on this view, Abu ‘Ubayd pointed out that the validity of the debt can’t be determined whether the debtor is really in debt or not. Validity can’t be identified through questions to the debtor because their statements are not accepted, and the owner still obliged to pay zakah. Furthermore, the debt is more likely to has an inner nature and can’t be seen from the surface. Thus, it is fear that the owner may doing fraud for not want to pay the zakah. Accordingly, Malik bin Anas said that the owner who rented agricultural land from other person and the tenant farming on it, the land is known as the land of al-‘ushur (Abu ‘Ubayd, 2009). The rate of zakah must be issued at 10 percent because the ownership of agricultural product is belonging to the tenants, although the agriculture is grown on the rented land. This is because, the duration of the land ownership does not have haul because the agricultural product belongs to the tenant directly during the agreement. However, zakah is required when the crops are ripe and harvested. According to Malik bin Anas, even if the tenant is obliged to pay zakah, they still have to pay rent to the landlord. This view is in contrast to the view of Sufyan bin Sa‘īd. He said that if agricultural products are grown on the rented land and it was turned over to his other heirs, then there is no zakah is imposed on the heir (Abu ‘Ubayd, 2006, p. 619). It can be concluded that there are two views on the law of zakah payment for the debtors. First, the debtor is obliged to pay zakah. This is because the debt status of a person is difficult to determine its validity. Second, the debtor is not required to pay zakah. The law is based on the eight asnaf of zakat recipients described in verse 60 of Surah al-Tawbah. Thus, a debtor is not required to pay zakah because he is included in as one of the eight asnaf.

4. Conclusion

Based on the analysis of the zakah accounting methods for agriculture al-Amwal scripture, nisab for agricultural zakah should reach five ausuq and zakah rate is determined by taking into account the cost of production such as irrigation methods, rates and debts (farming costs). Then, assessment method for agricultural zakah is made after determining the types of crops that required zakah, nisab and the rate of zakah for agriculture required on the agricultural products. Analysis of the al-Amwal scripture has given clear information about the zakah accounting for agriculture. If the method of accounting is understood clearly, the assessment can be implemented in the right way and precisely. Al-Amwal scripture therefore could be a reference to the current zakah accounting for agriculture.

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References


Improving the Objective Well Being of Productive Zakat Recipients by Applying Islamic Micro Finance at Baitul Mal Aceh, Indonesia

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Abstract: This study aims to identify the level of objective well being of the productive zakat recipients in Baitul Mal Aceh Indonesia. The study was a descriptive quantitative that using average score to measure the level of objective well being. A total of 498 productive zakat recipients were involved in this study. The findings show that the level of objective well being of the productive zakat recipient is still moderate. Even for age groups 64 and above, the barber, and low educated respondents are still at low level of objective well being. Therefore, Baitul Mal Aceh needs to increase the amount of micro loans together with provide business expertise and management courses to enhance the bright future objective well being of productive zakat recipients.

Keywords: Objective well being, productive zakat

1. Introduction

The number of poor people in Indonesia increased from 27.76 million to 277.77 million. In the meantime, Aceh is the one of Province in Sumatera Indonesia which has the largest poverty index (BPS Indonesia, 2017). Before the earthquake and tsunami hit Aceh in 2004, the economic stages in Aceh were lower than in other parts of Indonesia due to war. (Cavallo and Noy, 2009) also point out that natural disasters and wars have a negative effect on the well-being of a nation's economy. Although Aceh has now received substantial financial allocations, the Aceh Government has yet to demonstrate its ability to solve poverty problems. Many government programs have not been able to address poverty and well being issues in Aceh (Wahyudi, Hamzah and Syahnur, 2014). Whereas, (Kataria, 2011) believed that poverty is the root of many social problems around the world. Hence, poverty in Aceh requires a more appropriate way of addressing its problems. (Ganguly, 2018), (Nagayya and Rao, 2017) and (Sani et al., 2017) believe that microfinance is effective in reducing poverty.

Unfortunately, most conventional microfinance still practices usury which is certainly not appropriate to practice in the Muslim community of (Hassan, 2010). In fact, Islam has tools that can be used to address poverty. (Kadri, Ahmad and Mohd Noor, 2012) states zakat is an Islamic fiscal policy tool that serves as a catalyst for economic development towards a high-income nation. In relation to microfinance, Baitul Mal Aceh has distributed productive zakat to micro entrepreneurs who have small businesses since 2006 (Riyaldi, 2015). According to (Abdullah, 2018) productive zakat is the property of zakat used to supporting business capital of the zakat recipients. While (Wahyuni, 2017) argued that productive zakat is a zakat fund that distributed to zakat recipients in an efficient and effective way with a versatile and productive system, in accordance with the message of shari'ah.
Previously, (Armiadi, 2008) explains that the distribution of productive zakat aims to improve the economic well-being of the recipient. The majority of zakat productive recipients have successfully repaid their loan to Baitul Mal Aceh (Nurlaila and Hasnita, 2013). The question is, is it true that productive zakat has been proven to increase the objective well-being of the recipients or the borrowers are simply able to repay their loan? Unfortunately, there are not many reports that explain the current state of the objective wellbeing of productive zakat recipients. Therefore, the purpose of this study is to analyze the level of overall objective well-being and to look at the level of objective well-being based on the demographic of the productive zakat recipient. The findings of this study are expected to be useful inputs to be used as a policy basis in improving the objective well being of the recipients of zakat and the people of Aceh.

2. Literature Review

(Dodge et al., 2012) states that well being is a new built concept. The effort to construct an acceptable well-being concept to the public is still difficult to do. (Frajman Ivković, Ham and Mijoć, 2014) provide an understanding of objective well-being as an achievement of sustainable economic development and reflecting in the state of material life. According to (Argyle, 2013), objective well being is a measurable and important variable for a good life. (Hayo and Seifert, 2003) also stated that objective well-being refers to something of a material nature.

Furthermore, experts also demonstrated the diversity of objective well being measurements(Estes and Sirgy, 2017) state that financial, occupation, education, health, leisure, sports, and recreation often get the attention of researchers. Meanwhile, (White, 2008) told the objective well-being could be measured by some of economic variables, nutrition, and health status. Furthermore, these indicators can also be transformed by measuring the perception or individual satisfaction level of each of these objective welfare indicators. But it cannot be denied that physical, material and life-standard necessities are basic in measuring prosperity. (Howell and Howell, 2008) explain that well being according to the theory of economic satisfaction can be achieved if an individual has income, wealth or savings, so he or she has the ability to buy that can make the increasing of consumption.

(Ru and Lu, 2002) stated that the Chinese government had made basic food, clothing, housing, health and education costs as an indicator of the standard need to be given attention in maintaining the well being of its people. (Wu, 2013) also explains food, water, shelter, sufficient income and household assets is a basic human need that needs to be met for decent living. Meanwhile, (Streeten, 1979; Sugiharto, 2007; Mohd Shaladdin, Wan Abdul Aziz and Nik Wan, 2009), measure objective well being by looking at income, consumption, savings, the health of family members, the convenience of getting health services, the cost of a child's education per month, the value of the vehicle, the free time, and the frequency of recreation per month.

3. Methodology

Cross sectional study conducted in Aceh Province, Indonesia. Location selection is done by purposively. Aceh was chosen as the location of the study because it is the only Province in Indonesia running Islamic Sharia. Thus, Aceh has adopted more Islamic perspective development instruments such as productive zakat. After the 2004 Tsunami, Aceh received a large proportion of development funds but still had higher rates of poverty than other provinces in Sumatera. Productive zakat is chosen as an Islamic development instrument that
is believed to potentially address the poverty problem in the area of which majority is Muslim. This study uses primary data obtained by questionnaire form. The study involved 498 beneficiaries of productive zakat in Aceh receiving loans from Baitul Mal Aceh since 2006. Data is analyzed by quantitative approach in order to look at the level of objective welfare according to the characteristic of the recipient of productive zakat on a demographic basis. Furthermore, the Statistical Package for Social Sciences (SPSS) Version 20 is used to measure objective well being with mean level indicators. The level of objective well being of zakat beneficiaries is measured by using five level of categories, where the average score of 1.00 - 1.49 is very low, average score of 1.50 - 2.49 is low, average score of 2.50 - 3.49 is moderate, average score of 3.50 - 4.49 is high and average score of 4.50 - is very high.

<table>
<thead>
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<th>No</th>
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<td>16</td>
<td>Frequency of recreation per month</td>
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### 4. Results And Discussions

This section reports the level of objective well-being of productive zakat recipients in Baitul Mal Aceh either as a whole or according to respondents' demographics. There are six dimensions and 11 indicators shown. Table 1 shows the level of wellbeing of respondents' objectives as a whole. The economic dimension shows a low level of well-being (2.47). Respondent’s income on average are at level 2.91. The respondents' income level was slightly thinner with the average cost of living (2.86), but both were still in the same group (moderate). Unfortunately, the level of family savings per month is still very low (1.96). On average, the dimensions of the home show a moderate situation (3.41). Although the level of facility
indicator is high (3.54) but it is offset by a moderate physical condition (3.29). Health dimensions show high levels of health (3.62). Family health indicators (3.71) and access to health services (3.54) were high. The average level of children education expenditures is still moderate (2.56). On the dimensions of the vehicle, the indicator shows a high average level (3.65). Time dimension shows a low overall average level (1.71). The time to relax per day indicator is 2.23 and recreation 1.19 which is still low. However, the average level of overall well being of the respondents was relatively moderate (2.83).

Table 2 shows the level of objective well being according to seven demographic variables: age, gender, business type, education level, working status of spouse, marital status and residence of recipient. In the age variable, the highest level of well being was present in the age group 55 years-64 years (2.99) which is still on moderate level of objective well being. Meanwhile, the lowest group was 64+ years old (2.47) and included in the low level of objective well-being. By gender, men have higher level of well being (2.87) than women (2.78). Both sexes are at moderate level. The business type that has the highest level of well being is the stationary shop (3.36) effort which is at moderate level. The level of objective well being of barber shop (2.18) is still in the low. Diploma holds the highest level of well

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<th>Table 2</th>
<th>Objective Well Being Based On Demographics</th>
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<td>Bachelor</td>
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<td>5 Working Status of Spouse</td>
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<td>Working</td>
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<td>6 Marital Status</td>
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<td>7 Residence</td>
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being in the group of education (2.90) which is still a moderate level. The lowest level of objective well being in education is the respondents who did not finish their primary school (2.04) and is classified as a low level of objective well being. Respondents whose spouse also worked (2.85) had a higher level of objective well being than unemployed pair (2.67) but both are still at moderate level of objective well being. Respondents who have a partner (2.82) have a higher level of objective well being than those who do not have a partner (2.58). Both are still at moderate level of objective well being. The rural respondents (2.88) have higher level of objective well being than those who living in the city (2.75) and both are still at moderate level of objective well being. Overall, the level of objective well being was found to be moderate. This is influenced by the low level of time dimension and economic dimension which has low score min. It can suppress the excess of the objective well being level scores on other dimensions. The majority, the beneficiaries of zakat productive are small-scale entrepreneurs. Income from small daily sales is the cause of unable to employ a large number of employees. Employee wage would increase the cost of production and reduces business profits. To meet the number of employees, many productive zakat recipients have to involve their family members without being paid as employees. To address the shortage of workers, the recipient of productive zakat was forced to employ his own family members. The fact is also supported by (Mead and Liedholm, 1998) which states that most micro entrepreneurs in developing countries are involving their family members to save on production costs.

Family involvement can sometimes not be able to increase the amount of business output because some family members also lack the expertise and are not trained to perform the required work. Therefore, the recipient of productive zakat is forced to increase his working hours to complete his work. Moreover, if there are multiple orders from customers, they will reduce the time to rest. This causes the time dimension to be lower than other dimensions. Similarly, (Costa, 2003) found that most workers in developing countries are forced to work longer.

The shortage of skilled workers has been forcing to increase the number of working hours. This could also affect production quality. Many end products are damaged due to failure in the production process involving certain precision and expertise. The monitoring process of each stage of production is also not feasible. The damaged goods cause entrepreneurial losses (Billick, 2002). This situation is then a source of income. Furthermore, the cost of living has only led to a small of saving. This is supported by the findings of (Multifiah, 2007) which states that Baitul Mal is only able to lend a small amount of loan so it is less effective to increase the recipient's income.

Furthermore, the marketing of goods is still narrow and the method of marketing of goods is still following the traditional way without utilizing social media facilities, good advertising or the use of the latest conventional technology. Inadequate marketing, the absence of advertising and traditional marketing means would make difficult to increase the sales of goods produced. (Mulyana et al., 2014) also support this finding that micro entrepreneurs in Indonesia have only a little knowledge of marketing. The findings also show that the propensity to save the money is less than the propensity to buying goods and services. This situation is parallel with the theory of the marginal propensity to consume by (Keynes, 1936). In that theory it is clear that the characteristics of the lower class people is the percentage of their savings and the investment is smaller than the percentage of money they spend. That's because their income is more spent on buying the basic needs of his family. This proves that the recipients of productive zakat are still not categorized as a high level society but they are still is among the moderate society.
According to demographic variables, the level of objective well being of zakat productive recipient also does not show a striking difference. Based on age, gender, type of business, education level, spouse's employment status, marital status and residence of the respondents on average still show a moderate level of well being. However, age variables in the 64 and above shows a low level of objective well being because older entrepreneurs are unable to work more to earn larger income. In addition, the limited number of employees, the small number of sales leads to a low level of objective well being for barbers. Very low levels of education also cause the level of well being become low. Low-educated respondents have lack of knowledge of how to grow their businesses.

5. Conclusion

This study was inspired by an issue of which the majority of the zakat productive recipients in Baitul Mal Aceh were able to repay their loans to Baitul Mal Aceh, but the effectiveness of productive zakat distribution on the objective well being has yet to be identified. Therefore, this study aims to identify the level of objective well being of productive zakat recipients in Baitul Mal Aceh Indonesia. Overall, the findings show that the objective well being of is still relatively moderate. Therefore, the productive zakat recipient should have the guidance of financial management and marketing of good goods and services. The provision of related courses should be given to the recipient of productive zakat and their family members who can potentially increase his family's income. In addition, Baitul Mal Aceh needs to increase the amount of productive zakat loans and increase the amount of zakat collection by promoting the awareness of paying zakat to the community. A large collection of zakat can help more productive zakat recipients in the future. The Aceh Kingdom is expected to be more active in creating new job opportunities for the Acehnese people. Such measures are more effective in expanding the business of the recipient of productive zakat after they are able to refund the loan from Baitul Mal Aceh. This is believed to have a positive effect on the enhancement of the future objective well being of the productive zakat recipient of Baitul Mal Aceh. The authors acknowledge with gratitude the support given by Universiti College Bestari to conduct research in the area of Islamic Management and Finance.

References


The Coherence Model of Self-Efficacy as the Intervening Variable of Work Environment and Leadership Behavior on the Employees Performance of Aceh Government Planning Agency

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Abstract: This study examines the influence of leadership behavior, and work environment on self-efficacy and employee performance, and examines the mediation effects of self-efficacy. The sample in this study is 128 civil servants at the Regional Planning Agency of Aceh Province. The analysis tool used is path analysis with the SEM method (structural equation modeling) using Amos. The results show that leadership behavior, and work environment has a positive and significant effect on self-efficacy, and performance and self-efficacy mediate both exogenous variables with the endogenous variable in partial mediation.

Keywords: Leadership Behavior, Work Environment, Self-Efficacy, and Employee Performance

1. Introduction

The civil servants as elements of the state apparatus have a significant contribution in determining the success of the development. The role of civil servants is increasingly changing, and technology is increasingly complex and requires the civil servants to be adaptive to changes in their environment. In connection with this, a reliable leader must be able to adjust the organization both inside and outside of the organizational environment. The resources are very important and strategic elements to improve the performance of government employees. Performance is difficult to improve, especially because of the difficulty of imposing sanctions on the employees who are underperforming and also difficult to give awards to them with high-performance, (Bernandin and Russel, 2013). The position and role of civil servants as elements of the state apparatus have a significant contribution in determining the success of the development. The role of civil servants is entering an increasingly changing world, increasingly complex technology, and is a strategic resource as a professional management in regulating government governance that is always adaptive to the changing environment, (Ulrich et al., 2012), the role of source management human power as a strategic partner, a change agent, an employee champion, and as an administrative expert to be used to develop the strategic role of human resource management in accordance with the government organizations. Government and private organizations in achieving the stated goals can utilize the facilities within the organization that can be driven by a group of people playing an active role as actors in achieving organizational goals. In connection with this, a
reliable leader must be able to adjust an organization both inside and outside the organizational environment.

The performance of an organization can measure the level of ability to carry out organizational tasks in order to achieve goals. The issue of this problem needs to be anticipated early so that the employee performance can be improved, (Armstrong, 2014). Work environment and employee performance have a strong and significant relationship with employee performance, which is efficient and effective in handling the workload of employees in Pakistan. Considering the strong enough relationship between self efficacy and performance in general, this study aims to find out more about the relationship between self-efficacy and performance. The Regional Development and Planning Agency (Bappeda) of Aceh Province is responsible to plan and control the regional development. The regional development and planning agency as the coordinator of the planning of development activity programs also has the task of controlling, monitoring, evaluating and coordinating cross-sectoral development activities. Therefore, the regional planning and development agency requires employees who are truly capable and in accordance with the duties and authorities that are their responsibility.

The problem and challenge faced by the Regional planning and development agency of Aceh Province are the limited ability of employees to achieve the mission and vision of the institution. To overcome that, the real and hard efforts of leaders and institutions are needed to create reliability and the realization of qualified employees so that the organizational goals are achieved based on the established standards. If the limited ability of employees continues to be left, then the performance of employees will decline and this will affect the overall performance of the institution. The issue as a phenomenon that has been occurring in the Regional Planning and Development Agency of Aceh Province has decreased the performance of employees which is marked by the completion of the activity budget accountability report, where the reports often exceed the given time limit. Annual Government Accountability Performance Report (LAKIP) (previous year) should have been submitted at the beginning of the current year but it has not been submitted to the Aceh provincial planning office until February. Individual employee performance is influenced by the internal and external environment where the employee works (Armstrong, 2014). The existing work environment will ensure occupational safety and health for them and will contribute to encourage individual performance and the performance of an organization. The relationship between employees in the work environment is still not harmonious. The authority has been given still not been realized by employees so that they sometimes do not make a decision as their rights. In the ranks of the Aceh government, there has been a standard and organizational procedure for employees in accordance with their respective fields of duty. Based on some of the opinions above, it can be concluded that there are still differences in the opinions of experts about the factors that influence performance.

In addition, (Rampersad, 2006; Bernardin and Russel, 2013) focus more on the external factors as the variables affecting the individual performance. Empirically, some previous studies examine the influence of leadership behavior including work environment and self-efficacy on performance such (Sharif, Ashraf and Khan, 2013). (Jayaweera, 2015) on a research finds that the work environment and performance have a significant effect on employee performance in Bristol Hotels in England. It concludes that the findings of previous studies are still not consistent where there are still differences in research results. Some studies reveal a positive and significant influence on employee self-efficacy, work environment, and leadership behavior on performance. Meanwhile, some of the results of other studies indicate that there are differences in the direction of the relationship and the level of significance of the influence between leadership behavior, work environment, and self-efficacy on employee
performance. They also implement a restructuring strategy which is often referred to as downsizing or delayering in practice reducing the number of workers, work units or divisions or reducing the level of position in the organizational structure of the company. Reduction of company staff is needed for efficiency and effectiveness.

The performance of the employees at the regional planning and development agency is also influenced by the behavior of management as the leader and has a central role in achieving the organizational goals. Leaders are the determinants, communicators, mediators, and integrators in achieving organizational goals. Leaders will not succeed as leaders if they cannot motivate, move and satisfy employees in a job in a particular work environment. The training program is expected to improve employee competency. High competence employees can be seen in the increase in work attitudes, knowledge, skills, work responsibilities, and work discipline. In the practice of the Development planning agency of Aceh Government in order to improve employee performance, the work environment and self-efficacy are prioritized as a focus in leadership behavior. In fact, it shows that these two approaches have not had a significant impact on the performance of employees in the Aceh government. Based on the background and identification of the research problems above, the authors aim to know the influence of leadership behavior and work environment on self-efficacy and employee performance, to know the mediation effect of self-efficacy on the relationship between leadership behavior and employee performance, and to know the mediation effect of self-efficacy on the relationship between work environment on the performance of employees at the Aceh Province Regional Planning Agency.

2. Methodology

Employee performance depends on the ability of employees, their knowledge of a job, the disposition and threat, emotions, moods, effects, as trusts and values. (Kreitner and Kinicki, 2004, p. 205). Performance is a result of work achieved by a person in carrying out a task assigned based on skill, experience, sincerity and time (Wood, 1998, p. 91; Hasibuan and Malayu, 2008) define employee performance as a function of individual attributes, work effort, organizational supports. With the Job performance formula = Attribute attributes X Work effort X Organizational support. Employee performance is f (individual attributes, work effort, and organizational support). Employee performance is the "way of thinking about employee performance which is a function of the interaction of ability, motivation, and opportunity". In this case, employee performance is as a function of interaction ability, motivation, and opportunities for performance. Performance refers to several indicators according to (Mangkunegara, 2005) and (McDonald and Lawton, 1977), among others, as follows: (1) Quality of Work, (2) Quantity of work, (3) Reliable, (4) Attitude.

2.1. Self-Efficacy

Self-Efficacy is the result of cognitive processes in the form of decisions, beliefs, or rewards about the extent to which individuals estimate their abilities in carrying out certain tasks or actions needed to achieve the desired results (Bandura, 1994). Self-efficacy as a belief in the ability of somebody to regulate and carry out the actions needed to produce the achievement of goals. Self-efficacy is described as a cognitive mechanism that mediates behavior and can also influence participation in various behaviors. Self-efficacy determines the amount of effort and level of persistence in pursuing the behavior. Self-Efficacy refers to several indicators according to (Bandura, 1994), (1) Magnitude of self-efficacy, (2) Strength of self-efficacy, (3) Generality of self-efficacy.
2.2. Leadership Behavior

Leadership Behavior is the behavior or actions of a leader that can influence others in achieving a goal in accordance with the organizational situation (Hersey and Blanchard, 1994, p. 73). (Luthans, 2002), the behavior of leaders can describe in the field of organizational behavioral science as a theoretical study of micro nature, while the organizational theory of the study is theoretical and its applications are macro and in the field of science (Personnel Human Resources) are applied applications in the discussion are micro. (Sharif, Ashraf and Khan, 2013) empowerment, work-life policies, training and organizational behavior development (OCB) are important factors to improve performance. The development human resource theory concept (Human Resources (HR)) is a theoretical and practical perspective on human resources (HR) that have a different footing. Leadership behavior refers to several indicators according to (Sahertian, 2010), among others, as follows: (1) Idealized influence/attributed, (2) Idealized influences/behaviors, (3) Inspirational motivation, (4) Intellectual stimulation, (5) Individualized considerations.

2.3. Work Environment

The work environment is the environment of employees or workers in carrying out their daily work. A conducive work environment provides a sense of security and enables employees optimally. (Masoud and Hmeidan, 2013) training, empowerment, motivation, management support and technology services significantly increase employee performance. Specifically, the dimensions of the work environment are the most significant predictors of the performance of hotel service staff in Amman, the capital of Jordan. Technology treatment in an environmental perspective is carried out to compare different technology choices for management planning used for environmental evaluation, (Voronova, Moora and Loigu, 2011). Work environments such as communication flows, managed workloads, availability of information in workplaces that are free from hazards and are positively related to the employee commitment in improving performance. The indicators of work environment are (1) Work atmosphere, (2) Relationships with colleagues, (3) Relationships between subordinates and leaders, (4) Availability of facilities for employees. This research uses a questionnaire to obtain the data and measured using the modified Likert scale 1-5. The samples are taken using the Census method and taken 128 civil servants Regional Planning Agency of Aceh Province. The analysis technique uses Structural Equation Model (SEM) using SPSS 16.0 and Amos 21.0. The validity test of the instrument is conducted using Confirmatory Factor Analysis (CFA) of each construct, that is by looking at the Loading Factor value of each indicator and the results of each statement item have a value> 0.6. The reliability test uses the following formula

\[
\text{Construct Reliability} = \frac{(\sum \text{std. loading})^2}{(\sum \text{std. loading})^2 + \sum \text{ct}} \quad (1)
\]

While the extract variants can be calculated using the following formula:

\[
\text{Variance Extracted} = \frac{\sum \text{std. loading}^2}{\sum \text{std. loading}^2 + \sum \text{ct}} \quad (2)
\]
3. Results And Discussion

The results of the full model 1 analysis (initial model) using SEM analysis are shown in figure 2. The calculation results that the goodness of fit index shows that of the eight criteria evaluated, only one criterion has not been fit, namely AGFI.

![AGFI](image)

Table 1 reveals that the direct influence of leadership behavior on self-efficacy is 0.467 and on employee performance is 0.263. Then the influence of the work environment on self-efficacy is 0.406 and on performance is 0.304. While the effect of self-efficacy on the employee performance is 0.446. In addition to direct influence, indirect effects can also be seen in Table 5.21 that consist of indirect effect between exogenous and endogenous variables. Indirect influence between leadership behavior on employee performance is 0.208. Then the indirect effect between the work environment on performance is 0.181. The total influence between leaders behaviors and employee performance is 0.472. The total influence between the work environment and employee performance is 0.485. Based on the results of the intervening effect testing, the relationship between leadership behavior and employee performance is mediated by the self-efficacy. The significance value of Sobel test is 0.012. This means that the significance value is lower than the level of significance of 5% or 0.05. It means that self-efficacy mediates the relationship between leadership behavior and employee performance partially. The results of the intervening effect indicate that the significance value of the Sobel test is 0.014. This means that the significance value is lower than the significance level of 5% or 0.05. It means that self-efficacy can mediate the relationship between the work environment and employee performance partially.

4. Conclusion

The result of the study indicate that leadership behavior and work environment have an effect on self-efficacy. Thus, this study can strengthen several previous studies as previously described, so that these findings theoretically add or strengthen theoretical variables that contribute to self-efficacy. Self-efficacy mediates the relationship between leadership behavior and employee performance partially, and self-efficacy can mediate the relationship between the work environment and employee performance partially.
This study is theoretically expected to provide an overview of a comparison to strengthen or weaken some of the previous studies which are used as the references.

References


Profitability of Coal Mining Sectors in IDX: Effects of CSR Disclosure, Leverage and Size

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Abstract: The objective of this study aims to examine the influence of Corporate Social Responsibility (CSR) disclosure, debt level and size of mining company companies in Indonesia Stock Exchange. The data analysed in this research comes from mining company registered in IDX during 2012-2015. This research applies model of regression analysis of panel data with Chow and Hausman test as the best model selection. The results of the study find that the profitability by return on asset in the mining company is largely determined by debt level. This finding indicates that the debt held by the mining company causes decrease on return on assets.

Keywords: profitability, mining, csr, idx

1. Introduction

Mining undoubtedly plays an important role in industry world wide. Particularly in Indonesia, where the mineral resources are abundant and dispersed widely in the whole country, this sector has become one of major industries with great impact in the economy. The mining industry definitely requires sources of large investment. Mining industries has been using source of fossil energy which has been decreasingly used for development in several decades. This is in line with (Hung et al., 2018) state that mining is an industrial sector has become a backbone of sustainable development and industrialization in this modern era. Thus, mining targeted companies are required to possess considerable funds in attempting to involve in this industry. Since it is insufficient to rely solely on the company's internal capital, companies are obliged to join the stock exchange to seek investment. The entry of companies into the stock exchange provides greater access to gain investor capital so that it can perform better exploration which ultimately leads to profitability increase for the company.

A company engaged in the energy or mineral resources sector is expected to comply with a standard obligation concerning to the environment. The obligation is stipulated in a Law of the Republic of Indonesia Number 40 of 2007. In the law it is said that the company related to the energy or resources is mandated to perform social and environmental responsibility and report its implementation in the financial statements. The company's accountability report is prepared by taking into account all the interests of shareholders or all parties concerned with the use of financial statements. The accountability report is known as Corporate Social Responsibility (CSR). This CSR is not only voluntary but also concerns the decisions that legitimately affect stakeholders and the environment. The CSR-related decisions yield greater profitability(Giannarakis et al., 2016; Price and Sun, 2017; Kim, Kim and Qian, 2018; Sun et al., 2018). Several research mentioned that profitability is strongly influenced by CSR either
negatively or positively. The study used Standard & Poor's data in America by (Giannarakis et al., 2016) pointed out how CSR was linked with companies’ profitability. (Kim, Kim and Qian, 2018) using 113 software industry claimed CSR positively influences financial performance on highly competitive companies and negatively on less competitive companies. In addition, (Price and Sun, 2017) found companies performing minimum CSR were exceeding compared with CSR-negligent companies. In China, (Sun et al., 2018) stated that there was a negative relationship with investor sentiment which was greater in government companies. Nevertheless, research in some countries also revealed different results of how CSR disclosure influenced company profitability. (Ngoc, 2018) focusing on banking companies in Vietnam, revealed disclosure of CSR negatively affect the profitability of banking companies. (Bodhanwala and Bodhanwala, 2018; Maqbool and Zameer, 2018) who focused data on 28 commercial banks and 58 firms in the India Stock Exchange claimed significant effect of CSR on financial performance.

The differences of the research’s results mentioned previously are explicable due to characteristics and strategies of the CSR’s implementation. (Alhouti, Johnson and Holloway, 2016) pointed out that profitability reducing circumstances were the result of superficial impact of CSR’s application on consumers or the environment. Meanwhile (Bhardwaj et al., 2018) explained that CSR affected profitability positively if the implementation was considered successful or appreciated by consumers and the environment. However, (Al-Dah, Dah and Jizi, 2018) mentioned that contentment in the implementation of CSR was dependent on the macroeconomic environment.

In addition to CSR, mining companies requiring large amounts of funds were likely to be exposed to the level of debt ratio and size of the company. The level of debt ratio also affected the level of profitability in mining companies. The claim was based on the research by(González, 2013; Vithessonthi and Tongurai, 2015; Bae, Kim and Oh, 2017; Abel, 2018; Ibhagui and Olokooyo, 2018; Nisha and Ghosh, 2018; Oduusanya, Yinusa and Ilo, 2018). On the other hand the level of debt also affected the profitability of the firm but was highly dependent on optimal debt levels (Abel, 2018). (González, 2013) focusing on 39 countries, explained that leverage levels would reduce the company's performance. (Bae, Kim and Oh, 2017) explained the relationship of debt-to-financial ratio to financial performance. Research in developing countries also revealed various results. (Ibhagui and Olokooyo, 2018) using data from 101 companies in Nigeria, leverage had negative influence on the profitability of Tobin’s Q. (Nisha and Ghosh, 2018) showed that the profitability of leverage and non leverage companies at the Dhaka Stock Exchange were influenced indistinguishably. In the Nigerian Stock Exchange by (Oduusanya, Yinusa and Ilo, 2018) the level of short-term negative debt affected profitability at 114 companies. In Pakistan, (Bhatti, 2011) revealed that the level of debt would encourage profitability. Meanwhile, in a study at the Amman Stock Exchange, Jordan, by (Warrad, 2017) also showed the effect of ratio of leverage debt on the profitability of industrial companies. However, research in Thailand by (Vithessonthi and Tongurai, 2015) leverage caused different influences on small and large firms where the small firms were negatively influenced and large companies vice versa.

Regarding with the companies’ size, (Olaniyi et al., 2017) discovered that it affected profitability of the companies that they investigated. (Olawale, Ilo and Lawal, 2017) claimed that the companies’ size affected return on equity performance in non-financial companies. (Murrar, 2017) research in Palestine, found companies’ size in affected profitability differently, but profitability was better affected in larger companies. However, (Niresh and Velnampy, 2014) at the Colombo Stock Exchange, Sri Lanka, pointed out the relation between
the size of the companies with the profitability were somewhat non existence in manufacturing companies.

Meanwhile, some research in Indonesia itself also experienced inconsistent results relating to the three variables used. (Rofiqkoh and Priyadi, 2017) explained that there was no effect of profitability from CSR’s disclosure. (Supianto and Warnri, 2012) proved that profitability was negatively affected by debt ratio. (Thomas et al., 2016) mentioned that leverage insignificantly affected profitability. (Lestari, Puspitaningtyas and Prakoso, 2018) claimed welfare costs as CSR would affect return on assets in goods and consumption companies. (Tiarasandy, Yuliandari and Triyanto, 2018) stated there was no relation between CSR’s disclosure to company performance. (Umiyati and Baiquni, 2018) pointed out how companies’ size affected ROA profitability, ROE in Indonesian Proper companies.

2. Methodology

Data used in this research was data documentation of financial report of mining company during period of 2013-2015. The sampled companies in this research were 9 companies from 23 mining companies listed in IDX. All data was accessed on the page of the financial services authority in the mining sector and that meets the criteria of 9 stocks. The criteria used such as the published financial statements during the sample period and financial statements disclosed also in the period under study. Because there were only 9 companies eligible, then all data from 9 companies was interpolated in quarterly data so that the number of observations were 36 observations. After the interpolation of data in 36 subsequent observations tabulation was performed based on the proxies used as represented variables in this study. The variables used in this study was profitability which is procured with Return on Assets (ROA), CSR disclosure proxy with CSRDI, leverage ratio was proxied with debt equity ratio (DER) as well as company size proxied with total asset. Based on the data used was panel data then the regression model used in this research was panel regression. Then, the last model developed in this study was

$$\text{ROA}_t = \alpha + \text{CSRDI}_t + \text{DER}_t + \text{TOA}_t + \epsilon_t$$  

Model selection was performed in order to acquire a decent research model in panel regression. Model selection was done by testing Chow and Hausman. Chow test was conducted to choose the model of common effect panel model regression with fixed effect model. If the chi square probability was significant then the best model was the fixed effect model, and the Hausman test was required. Hausman test was done to choose the model of fixed effect or random effect. If the chi square probability was not significant then the best model is the random effect model, while if the chi square probability was significant then the best model was the fixed effect model. Conversely, if the probability is not significant then the common effect model would serve as the best model and unnecessary to be followed by Hausman test (Baltagi, Bresson and Pirotte, 2003) and (Zariyawati, Annuar and Pui-San, 2016).

3. Result And Discussions

Before discussing the results of regression testing, the selected model selection would be discussed along with the list of Table 1 below. Based on Table 1 above it can be explained that the correct model in this research was Random Effect Model (REM). Selection of REM model was due to Chow test result which was clear from cross section value Chi Square significant
with value 8 and significant 0.0099. This result requires a further test of the Hausman test. After the Hausman test resulted a value of 3 and insignificant. So the best model is Random Effect Model (Zariyawati, Annuar and Pui-San, 2016) and (Baltagi, Bresson and Pirotte, 2003).

### Table 1. Result discussion determinant of return on asset

<table>
<thead>
<tr>
<th>Variables</th>
<th>Common Effect Model (CEM)</th>
<th>Fixed Effect Model (FEM)</th>
<th>Random Effect Model (REM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>0.2096</td>
<td>0.5663**</td>
<td>0.3212</td>
</tr>
<tr>
<td>CSRDI</td>
<td>-0.0216</td>
<td>0.0196</td>
<td>-0.0092</td>
</tr>
<tr>
<td>DER</td>
<td>-0.0152</td>
<td>-0.0204</td>
<td>-0.0162*</td>
</tr>
<tr>
<td>Total asset</td>
<td>0.0007</td>
<td>-0.0237</td>
<td>-0.0068</td>
</tr>
<tr>
<td>R-Square</td>
<td>0.1590</td>
<td>0.6007</td>
<td>0.2038</td>
</tr>
<tr>
<td>F-Statistic</td>
<td>1.450</td>
<td>2.0519*</td>
<td>1.9635</td>
</tr>
<tr>
<td>Chow test</td>
<td></td>
<td></td>
<td>8***</td>
</tr>
<tr>
<td>Hausman test</td>
<td></td>
<td></td>
<td>3</td>
</tr>
</tbody>
</table>

**Note:** *** significant level 1%, ** significant level 5%, * significant level 10%

Furthermore, it was submitted this research model based on REM was \( \text{ROA} = 0.3212 - 0.0092 \text{CSRDI} - 0.0162 \text{DER} - 0.0068 \text{Total assets} \). Based on the above equation model, it can be explained with respect to the independent variables used in this study. First, the constant value is 0.3212 which means that if the value of DER, CSRDI and total asset of mining company remain steady, the profitability also increases. Second, CSRDI variable coefficient is negative -0.0092 which means if mining company contribute CSRDI equal to 1 percent, it will decrease profitability of company equal to 0.92 percent. Third, the negative DER coefficient of -0.0162 could be interpreted that if DER in mining companies increases 1 percent it will reduce the profitability of mining companies 1.62 percent. Finally, the same also applies for the coefficient of total assets of mining companies valued -0.0068. This can be interpreted if the size of the company increases one percent then the profitability of mining companies will decrease by 0.68 percent. In Table 1 above it can also be explained that the ability of mining companies in which all independent variables used in this study namely DER, CSRDI and total assets are unable to explain about profitability dependent variable that is ROA. This is reflected in the \( R^2 \) value of 20.38 percent. The 20.38 number represents many other factors that affect the profitability of mining companies in Indonesia. In other words, profitability of mining companies in Indonesia are affected by around 80 percent of other variable factors.

### 4. Conclusion

Based on the results of research described above, it clearly shows that only the DER variable that affects the profitability of mining companies in this case return on assets. The finding is consistent as has been suggested by (González, 2013). (Bae, Kim and Oh, 2017) stated that the level of debt in a company would cause a decline in company performance, in particular financial performance. The same is also revealed by (Ibhagui and Olokoyo, 2018)and (Nisha and Ghosh, 2018) that debt has a negative impact on the company. The results of this study also indicate that mining companies profitability, in this case return on
assets, is not only influenced by DER but there are many other variables that affect the company's performance, such as working capital, coal prices and of course macroeconomic variables of a country. The implications of this research are the recommendations for the owners of firms and investors to avoid over anxiety on the condition of these mining companies. Despite the effect of DER on company profitability, the mining companies still have great prospect.

References


Analysis of the Influence of Regional Leading Sectors on Economic Growth in West Aceh District, Aceh Province

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Abstract: West Aceh district is one of the old towns in the South West Region. This district is identified as the region which has various leading economic potentials especially in agricultural sector that can increase it’s economic growth. This study aims to analyze the influence of regional leading sectors on economic growth in this district. Furthermore, the data used in this study is secondary data (1997-2016) which is retrieved by Central Bureau of Statistics Aceh Province (BPS) and Regional Development Planning Agency (Bappeda) of West Aceh District. The method used is quantitative method applying Location Quotient (LQ) analysis and simple linear regression. Based on the result of the research, it was obtained that the correlation coefficient value is 0.642 and the coefficient of determination value is 41.2%. Moreover, regression equation value is \( Y = 7.953 – 1.064X \). Therefore, it is suggested that local government increases the previous leading sectors and further diverts the potential of non-leading sectors become potential leading sectors thus regional economic growth is increasing.

Keywords: leading sectors, non-leading sectors and economic growth

1. Introduction

The World Bank estimates global economic growth will increase by 31 percent in 2018 after economic growth in 2017 is much stronger than expected due to the continuing recovery in investment, manufacturing and trade as well as developing countries that export commodities benefit from stronger commodity prices (https://www.worldbank.org, no date)

Based on the statement above it can be inferred that economic growth is not always increasing, but is always fluctuating which is influenced by other factors within a country. The Indonesian economy in 2017 grew 5.07 percent higher than that of 2016 achievement that is 5.03 percent. In terms of production, the highest growth was achieved by the company's services business sector by 9.25 percent. In terms of expenditure, the highest growth was achieved by the component of goods and services exports by 8.50 percent (https://www.bps.go.id, 2018).

Furthermore, the Aceh economy in the fourth quarter of 2017 with oil and gas grew by 4.19 percent and without oil and gas 4.14 percent (https://aceh.bps.go.id, 2018). This number is still far below national rank. Likewise in West Aceh Regency which is part of the western tip of Sumatra province. According to BPS (2017) [i] that one of the superior economic sectors today in West Aceh Regency is the agriculture and
trade sector. For agriculture includes rice paddy and oil palm plantations. Whereas for superior sector trade are grocery stores, coffee shops and food / beverage businesses.

2. Literature Review

2.1. Regional Leading Sector

According to (Tarigan, 2013) economic activities are grouped based on basic and non-basic activities. Only basic activities can drive regional economic growth. Furthermore (Tarigan, 2013) says all other activities that are not basic activities are included in the service / service sector or service, but not to create a false understanding of the meaning of service or can be called as non-base sector.

2.2. Gross Regional Domestic Product (GRDP)

Regional GDP can be used to measure the superiority of a sector compared to the Gross National Product (GNP) nationally. In general, GRDP consists of 9 sectors, namely: agriculture sector, mining / excavation, processing industry, electricity and drinking water, buildings, trade, hotels and restaurants, transportation, finance / insurance and services, although in recent years it has become 17 sectors.

2.3. Economic Growth

According to (Todaro and Smith, 2015) economic growth is a process of increasing productive capacity in an economy continuously and national output which is getting bigger and bigger. Furthermore, according to (Jhingan, 2007, p. 57) economic growth is as an increase in long-term output in the ability of a country to provide more and more types of economic goods to its population, this ability grows in accordance with technological progress and institutional and ideological adjustments needed.

2.4. Regional Economic Development

Regional economic development is process oriented. A process that involves the formation of new institutions, development of alternative industries, improvement of existing workforce capacity to produce better products, identification of new markets (Adisasmita, 2005, p. 19). Based on the above explanation it is clear that regional economic development is needed in managing existing natural resources, between local governments and communities to create new jobs and so that the GRDP and PNB values increase in the area.

2.5. Hypothesis Formulation

The hypothesis of this study is that it is suspected that the leading sector has a significant and positive effect on economic growth in West Aceh District.

3. Methodology

3.1. Scope of Research

Including the PNB of Aceh Province and the GRDP of West Aceh District and the economic growth of West Aceh District for 20 years in the period 1997-2016.
3.2. Data Analysis Models

The data analysis model used is quantitative analysis using quasi-location analysis and simple linear regression.

3.3. Location Quotation Analysis

According to (Tarigan, 2009, p. 82) Location Quotient (quasiien location) or abbreviated as LQ is a comparison of the magnitude of the role of a sector / industry in an area towards the magnitude of the role of a sector / industry nationally. The formula is as follows.

\[ LQ = \frac{\frac{xi}{GRDP}}{\frac{x_{i}}{GDP}} \]  

Where:
\[ xi \] : Value added of sector i in West Aceh District
\[ GRDP \] : Gross Regional Domestic Product of West Aceh District
\[ x_{i} \] : Value added of the Aceh Province of i sector
\[ GDP \] : Gross Domestic Product of Aceh Province
If \( LQ > 1 \): means that the role of the sector in the area is more prominent than the role of the sector nationally and vice versa.

3.4. Simple Linear Regression Analysis

According to (Syakhiruddin, 2008, p. 248) the calculation formula is as follows:

\[ yi = a + bx_i + e \]  

Where
\[ yi \] : Economic growth
\[ a \] : Intercept (constant)
\[ b \] : Factor \( x_i \) regression coefficient
\[ x_i \] : LQ value of the leading sector per year
\[ e \] : Error term

3.5. Hypothesis Testing

Based on testing this hypothesis, if:

- \( H_0; \beta_1 = 0 \), it is assumed that the leading sector has no significant effect on economic growth in West Aceh District.
- \( H_1; \beta_1 \neq 0 \), it is assumed that the leading sector has a significant effect on economic growth in West Aceh District.

The test criteria are carried out by t test

4. Results And Discussion

4.1. Leading Sector of West Aceh District

The results of the study showed that the superior sector value using location and ranked quota analysis based on the highest sector for 20 years can be seen in the following graph.
Figure 1: describes that the highest leading sector in Aceh Barat District occurred in 1997 amounting to 7.93 at which the monetary crisis had not yet occurred in Indonesia which had an impact on the provinces / districts in it. Similarly, in 1998 it increased by 8.40 and decreased drastically in the following year (1999) by 1.99 as a result of the 1998 monetary crisis and continued to fluctuate in a decreasing manner as in the picture above.

4.2. Economic Growth of West Aceh District

The data on the economic growth of West Aceh District during 1997-2016 period can be seen in graph 2 below:

Based on graph 2, it can be seen that economic growth occurred in 2007 amounting to 11.95 percent, due to the presence of humanitarian institutions both locally, nationally and internationally. In addition, there was a large scale of
development in this year, especially physical facilities as a result of the earthquake and tsunami disaster in this district by building roads, bridges, houses, hospitals, schools, offices and so on. While the lowest economic growth occurred at the time of the monetary crisis in Indonesia at 1997, 1998 and 1999 with growth of 0.16 percent, 0.30 percent and 0.38 percent, respectively.

4.3. Discussion

4.3.1. Location Quotation Analysis

The leading sector data according to the business or sector field can be seen in the following table:

<table>
<thead>
<tr>
<th>No</th>
<th>Year</th>
<th>Leading Sectors</th>
<th>The name of sectors/ business field</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1997</td>
<td>7.93</td>
<td>Services</td>
</tr>
<tr>
<td>2</td>
<td>1998</td>
<td>8.40</td>
<td>Services</td>
</tr>
<tr>
<td>3</td>
<td>1999</td>
<td>1.99</td>
<td>Finance, leasing and financial services</td>
</tr>
<tr>
<td>4</td>
<td>2000</td>
<td>4.91</td>
<td>Buildings</td>
</tr>
<tr>
<td>5</td>
<td>2001</td>
<td>3.71</td>
<td>Services</td>
</tr>
<tr>
<td>6</td>
<td>2002</td>
<td>3.70</td>
<td>Services</td>
</tr>
<tr>
<td>7</td>
<td>2003</td>
<td>3.55</td>
<td>Buildings</td>
</tr>
<tr>
<td>8</td>
<td>2004</td>
<td>2.93</td>
<td>Buildings</td>
</tr>
<tr>
<td>9</td>
<td>2005</td>
<td>3.99</td>
<td>Buildings</td>
</tr>
<tr>
<td>10</td>
<td>2006</td>
<td>2.01</td>
<td>Services</td>
</tr>
<tr>
<td>11</td>
<td>2007</td>
<td>1.82</td>
<td>Trade, hotel and restaurant</td>
</tr>
<tr>
<td>12</td>
<td>2008</td>
<td>1.77</td>
<td>Services</td>
</tr>
<tr>
<td>13</td>
<td>2009</td>
<td>1.51</td>
<td>Services</td>
</tr>
<tr>
<td>14</td>
<td>2010</td>
<td>1.47</td>
<td>Services</td>
</tr>
<tr>
<td>15</td>
<td>2011</td>
<td>1.59</td>
<td>Services</td>
</tr>
<tr>
<td>16</td>
<td>2012</td>
<td>1.65</td>
<td>Services</td>
</tr>
<tr>
<td>17</td>
<td>2013</td>
<td>1.55</td>
<td>Services</td>
</tr>
<tr>
<td>18</td>
<td>2014</td>
<td>1.48</td>
<td>Services</td>
</tr>
<tr>
<td>19</td>
<td>2015</td>
<td>1.33</td>
<td>Services</td>
</tr>
<tr>
<td>20</td>
<td>2016</td>
<td>1.34</td>
<td>Services</td>
</tr>
</tbody>
</table>

Based on the table above, the business sectors in the leading sectors are generally centered on services, buildings after the earthquake and tsunami and the trade / hotel and restaurant sector due to the presence of humanitarian workers from outside of this district.

This is in line with the research of (Azhar, Fuaidah and Abdussamad, 2012) showing that the leading agricultural sector is also the basis, but not the main one.

4.3.2. Simple Linear Regression Analysis

<table>
<thead>
<tr>
<th>No</th>
<th>Variable</th>
<th>Estimation coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Constant</td>
<td>7,953</td>
</tr>
</tbody>
</table>
Based on Table 2, the regression equation is obtained as follows:

\[ Y = 7.953 - 1.064X_1 + e \quad (3) \]

The linear regression equation can be interpreted as follows:

a. **Constant**
   
   A constant value of 7.953 means that if the leading sector and economic growth are equal to zero, then the constant value is 7.953.

b. **The leading sector variable coefficient**
   
   Coefficient value of -1.064 means that if the leading sector rises by 1 then economic growth falls by 1.064 percent.

c. **Correlation coefficient**
   
   Based on the results of research conducted it can be explained that the correlation coefficient (R) of 0.642 means that there is a moderate relationship between the leading sectors and economic growth in this district.

d. **Determination Coefficient Analysis**
   
   The value of the determination coefficient (R adj) of 0.412 means that 41.2 percent of economic growth is influenced by the leading sector and the remaining 58.8 percent is contributed by other variables outside this research model.

e. **t-Test**
   
   The leading sector t-value is 3.555 significant at α = 5% (0.002).

5. **Conclusions**

   a. The leading sector has a negative and significant effect on economic growth in the West Aceh District in the period of 1997-2016.

   b. The dominant sector that dominates includes services, buildings and trade / hotels and restaurants.

**Suggestions**

The Government of West Aceh District, should pay attention to the leading sector and maintain its existence. The Government of West Aceh District needs to develop other sectors even though the numbers are very small.

**Acknowledgements**

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**REFERENCES**


An Analysis of the Effectiveness of the Islamic Economic Movement: A Case Study of Mart 212 in Medan, Indonesia

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Abstract: The people's economy movement is an effort made by Indonesian Muslims to increase the economic activities that emerged after the 212 Demonstration in Jakarta. This study aims to see the effectiveness of the establishment of Mart 212 as an effort to increase the economic activities and to transform the spirit of the unity of Muslims during the 212 Demonstration in Jakarta into real action. The results of this study are expected to become symbols that bind customers of rational and emotional markets. The sample of this research consists of six Mart 212 outlets in Medan, and 105 informants who are the investors and customers of Mart 212. The data were obtained through interviews and questionnaires and analysed by using qualitative descriptive method. The results show that the effort of increasing the economic activities through the establishment of Mart 212 is considered as a failure because it lacked emotional support from Muslims, and the management is unprofessional.

Keywords: Demo 212, Mart 212, rational customer, emotional customer, economic effort

1. Introduction

On December 2, 2016 there was a big scale demonstration known as “Demo 212” at the national monument (Monas) in Jakarta, Indonesia. This demonstration was claimed by the national movement of fatwa guards – Indonesian Ulema Council (Gerakan Nasional Pengawal Fatwa Majelis Ulama Indonesia/ GNPF – MUI) as the biggest demonstration ever because it was attended by 7 million people from all over Indonesia. This demonstration is considered bigger than the one taking place in 1998 (the overthrow of President Suharto). The 212 demonstration has united Indonesian Muslims who demand Ahok, the former governor of Jakarta province, to get severe punishment for his blasphemy on Islam.

After the 212 demonstration, some figures such as; Ichsanuddin Noorsy (Indonesian Economic Politics Analyst), Shafi’i Antonio (Islamic Finance and Banking Expert), and Ahmad Juwaini (Secretary General of World Zakah Forum) realized that demonstration is not enough to build political, economic, social and cultural power, but it has to be realized through systematic movements (Profil Koperasi Syariah 212 - Koperasi Syariah 212, no date). This idea, according to (Choiruzzad, 2013), falls into the category of “Islamic Economic Activities” which means as the efforts to organize individuals and groups to implement Islamic economy.

The realization of the spirit of 212 Demonstration on economy is the establishment of Mart 212 outlets in some areas Indonesia, including Medan, North Sumatra. This mart is the forerunner of Islamic economy whose functions to meet the household needs.
Some figures of 212 Demonstration in Medan have initiated the establishment of Mart 212 outlets since June 2017. This establishment received enthusiastic welcome from Medanese Muslims. As a result, by the end of May 2018, six Mart 212 outlets have been established in Medan. Based on the Cooperation website of 212 (Profil Koperasi Syariah 212 - Koperasi Syariah 212, no date), it can be seen that there are 170 Mart 212 outlets throughout Indonesia.

The 212 Demonstration is a symbol of Islamic emotional spirit. If this symbol is projected through the establishment of Mart 212, it is strongly expected that it will be a powerful marketing tool to attract Muslim customers. However, from the observations made on some Mart 212 operating outlets, it reveals that there are only few customers who come to Mart 212. Besides, the products displayed are not as complete as the products displayed in existing mart outlets such as Indomart and Alfamart.

The gap between the enthusiasm to establish Mart 212 and the observation on the shopping activities has raised a question whether the spirit driving the people’s economic movement is only limited to the establishment of Mart 212 alone or it will be effective to be developed rapidly on the following indicators; 1) good marketing strategies, and 2) the support of Muslims.

This study aims to see the effectiveness of the establishment of Mart 212 as an effort to increase the economic activities and to transform the spirit of the unity of Muslims during the 212 demonstration in Jakarta. The results of this study are expected to become symbols that bind customers of rational and emotional markets.

2. Methodology

This research applied qualitative research. The samples of this research were 6 outlets of Mart 212 in Medan. All of these outlets are managed by PT. Berkah Anak Negeri, shortened to Berani (Berani Ltd.) as the initiator of Mart 212 in Medan. These outlets are located in six different areas of Medan, namely: 1) Jl. Karya Jaya Medan Johor, 2) Jl Ar. Hakim Sukaramai, 3) Jl Pasar I Setia Budi, 4) Jl. STM, 5) Jl D.I Panjaitan dan 6) Jl. Bayangkara. There are two other outlets that are not included in the sample because they are managed separately by the local community and relatively new compared to the outlets managed by PT. Berani.

The respondents/informants of this study were the members of 212 community in Medan whose total number is 500 people coming from two groups: “telegram” and “whatsapp.” Some members of this community became customers only while some others also take part as investors. The questionnaires were distributed in July 2018, and they were delivered through social media groups. These questionnaires were also submitted to the respective shop leaders.

The research questions to the investors and customers include: 1) The number of shopping frequencies, 2) The total expenditure in rupiah for a month, 3) The assessment of service quality, and 4) The assessment on prices. The research questions to the shop leaders include: 1) Monthly income, 2) Inventory management, and 3) The reliability of human resources.

The assessment scale consists of four levels, for examples; level 1 (incomplete), level 2 (quite complete), level 3 (complete), and level 4 (very complete). This research is still in progress, and at this time, the data were only analysed by using descriptive statistics. In order to get more in-depth information, some critics and suggestions from respondents were also included in the questionnaires. The next process to be done is focus group discussion to the managers of Mart 212 including many more respondents of Mart 212 customers in Indonesia.
3. Result And Discussion

Until the end of June 2018, there were six Mart 212 outlets in Medan managed by PT Berani, they are located in 1) Jl Karya Jaya Medan Johor, 2) Jl Ar. Hakim Sukaramai, 3) Jl Pasar I Setia Budi, 4) Jl. STM, 5) Jl D.I Panjaitan, and 6) Jl. Bhayangkara. The outlets that will be established soon are located in 1) Jl. Karya, 2) Jl. Garuda, and 3) Jl. Gaperta. Setting up an outlet requires an average investment of IDR 500 million. This investment is offered to the 212 community, with a minimum participation of IDR 100 thousand and a maximum participation of IDR 2 million each person. In the establishment of the previous 6 outlets, the investment was made using social media (whatsapp). The supply can be met quickly within a matter of few hours. This indicated that Muslims have great ambition to support the economic activities through the establishment of Mart 212. However, in the establishment of the next three outlets, the investment rate is very slow, which may indicate that Medanese Muslims’ motivation is low and it is strongly influenced by the effectiveness of the management of the previous Mart.

PT. Berani manages all of these outlets as the one who get the trust from the investors (the 212 community) with Mudharabah agreement. PT Berani, as the managing company, uses the investment funds to establish shop rentals, renovate, buy inventory, train the employees and buy supplies. Business progress in terms of sales and governance also under the responsibilities of PT Berani. PT Berani made an agreement to report the business development to the investors every month. This agreement is stated in SPKU (Surat Perjanjian Kerjasama Usaha/Letter of Business Cooperation Agreement). One of the SPKU items is an agreement from PT Berani to submit a financial report on the business development every month.

The critics and suggestions made by the respondents (the investors) are generally about the financial report which cannot be fulfilled as stated in the SPKU. Unfortunately, despite the existence of Mart 212, which has been running for a year, the management has not been able to submit the financial report as promised. One of the critics by Kurniawan (pseudonym) is as follows.

“The article 2 of the SPKU and the promises of the administrators delivered to the community/investors should be fulfilled. Otherwise, the investors will leave…”

“…Berjamaah-Amanah-Izzah, the one which is almost to be fulfilled is Berjamaah. This agreement needs someone trustworthy, not a smart person. But, it’s better if the people are both trustworthy and knowledgeable to take care of ummah’s funds.”

Relevant to Kotler and Amstrong’s theory, customer loyalty is influenced by the product, or (P/product), the marketing component is mixed. Besides, it is also influenced by the service in the form of shopping convenience, staff hospitality, and speed.

The following responses were obtained from the 105 respondents of this study (54 investors and 51 customers):

The shopping frequency of 58% is still very low, it is two to four times a month (Table I). Furthermore, there are only 36,4 percent of respondents spending IDR 300,000,- or more every month (Table 2).

<table>
<thead>
<tr>
<th>No</th>
<th>Frequency</th>
<th>The number of respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Never</td>
<td>3 people</td>
<td>1 %</td>
</tr>
<tr>
<td>2</td>
<td>Once to twice a month</td>
<td>61 people</td>
<td>58,0 %</td>
</tr>
</tbody>
</table>
Table 2. The amount of spending every month

<table>
<thead>
<tr>
<th>No</th>
<th>Frequency</th>
<th>The number of respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Less than IDR 100,000,-</td>
<td>20 people</td>
<td>20.2 %</td>
</tr>
<tr>
<td>2</td>
<td>IDR 100,000,- to IDR 200,000,-</td>
<td>28 people</td>
<td>28.3 %</td>
</tr>
<tr>
<td>3</td>
<td>IDR 200,000,- to IDR 300,000,-</td>
<td>15 people</td>
<td>15.2 %</td>
</tr>
<tr>
<td>4</td>
<td>More than IDR 300,000,-</td>
<td>36 people</td>
<td>36.4 %</td>
</tr>
<tr>
<td></td>
<td>The total</td>
<td>99 people</td>
<td>100.0 %</td>
</tr>
</tbody>
</table>

In terms of prices, 57% of respondents (Table IV) considered “Quite competitive” compared to Indomart and Alfamart outlets. As many as 33% of respondents rated “Professional” services (Table V). However, the price and professional service are not enough to attract visitors to shop due to incomplete goods, as stated by 55% of visitors (Table 4).

Table 3. The completeness of the goods

<table>
<thead>
<tr>
<th>No</th>
<th>Frequency</th>
<th>The number of respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Not complete</td>
<td>56 people</td>
<td>55.0 %</td>
</tr>
<tr>
<td>2</td>
<td>Complete</td>
<td>39 people</td>
<td>35.0 %</td>
</tr>
<tr>
<td></td>
<td>complete</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Complete</td>
<td>9 people</td>
<td>9.0 %</td>
</tr>
<tr>
<td>4</td>
<td>Very complete</td>
<td>1 people</td>
<td>1.0 %</td>
</tr>
<tr>
<td></td>
<td>The total</td>
<td>102 people</td>
<td>100.0 %</td>
</tr>
</tbody>
</table>

One of the dissatisfactions with the quality of the management of Mart 212 is outlined in the form of critics and suggestions by Omar (pseudonym) as an investor as follows:

"The items often run out many times even though the information for the shopping needs have been given"

The same comment was also given by Rasto (pseudonym) as follows:

"The stock of goods always runs out, especially for refill drinks and cup beverage drinks. This disappoints the consumers..."

Table 4. The price of goods compared to Indomart and Alfamart

<table>
<thead>
<tr>
<th>No</th>
<th>Frequency</th>
<th>The number of respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Don’t compete</td>
<td>18 people</td>
<td>18 %</td>
</tr>
<tr>
<td>2</td>
<td>Fairly competitive</td>
<td>58 people</td>
<td>57 %</td>
</tr>
<tr>
<td>3</td>
<td>Competing</td>
<td>17 people</td>
<td>17 %</td>
</tr>
</tbody>
</table>
Very competitive 9 people 9 %
The total 102 people 100 %

<table>
<thead>
<tr>
<th>No</th>
<th>Frequency</th>
<th>The number of respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Not professional</td>
<td>6 people</td>
<td>6 %</td>
</tr>
<tr>
<td>2</td>
<td>Pretty professional</td>
<td>53 people</td>
<td>52 %</td>
</tr>
<tr>
<td>3</td>
<td>Professionals</td>
<td>34 people</td>
<td>33 %</td>
</tr>
<tr>
<td>4</td>
<td>Very Professional</td>
<td>9 people</td>
<td>9 %</td>
</tr>
<tr>
<td></td>
<td>The total</td>
<td>102 people</td>
<td>100 %</td>
</tr>
</tbody>
</table>

Table 5. Professional service and speed

In terms of service and hospitality, 53% of visitors considered the outlets to be professional. A comment from Omar as an investor is as follows:

“... the management of the outlets 212 should be more creative and innovative in providing services to customers.”

212 Mart outlets open from 07:00 a.m. to 10:00 p.m. Each outlet will stop its service for about 15 minutes by closing the service before the call to prayer and after the prayer. Based on the response given by the shop head, it shows that: 1) the average sales each day is only IDR 3 million to 5 million. The number of sales is still below the target in which it is expected that the minimum sales will be six to seven million each day; 2) if the amount of expenditure is going to IDR 5 million a day with the average amount of shopping is IDR 100 thousand, then the number of visitors a day is still in the range of 50 people.

The low number of shopping in Mart 212 has resulted in not achieving the sales target. The low shopping visit is due to incomplete products. The inability to complete this product is part of the failure of the mix marketing strategy.

Incomplete product becomes a major problem for marketing strategy, this cause the customers and investors do not maximize their spending. Thus, the customers and investors of Mart 212 are the rational customers who ignore the symbols of 212 Demonstration because their dissatisfaction overcomes their emotional side. The results of this study reinforce the findings of (Rini and Absah, 2017) which concluded that emotional marketing has no effect on customer loyalty. This research also answers the doubts of (Wilson and Grant, 2013) which state that Islamic symbols have not become the truth inherent in the actions of Muslims. The majority of visitors to outlet 212 is the rational visitors who attach importance to the completeness of goods (products) rather than just Islamic symbols. Thus, the spirit of 212 Action is still limited to the ability of gathering people physically but has not been able to turn into a shopping attitude that prioritizes Mart 212. This action still needs to improve its human resources, as what recommended by (Rusby and Hamzah, 2016).

4. Conclusions

This study is significant to fill the information gap about the relationship between the spirit of 212 Demonstration and the reality, and it is implemented on the economic activities. This study concludes that the spirit of 212 economic activities has not been effectively
supported by the ability to manage which comes from the human resources, and it has not received the real support from customers of Mart 212.

This study contributes to the figures of 212 as a reference to the reality of emotional religious activities which were implemented by establishing Mart 212. This study recommends the need for further research for a wider sample and respondents; the outlets of Mart 212 in Indonesia.

References


The Challenge in Application of Cryptocurrency as Commodity in Indonesia

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Abstract. Cryptocurrency is a variety of digital currencies and is an asset used as a medium of exchange. This currency uses cryptography and how to make it safe. The system used will create and analyze algorithms and protocols. This prevents no information being changed or interrupted while connected by a third party. Context of digital money, no underlying and unpublished authority. Underlying is the asset used as the basis of the transaction. Based on the international standard of The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), a product is so called if gharar is heavy, exists in non-social business transactions, and on selling objects rather than complementary. virtual money is not a currency. For, if looking at the definition, the currency must be accepted by the public and recognized authority. Digital money is accepted in some circles so it is not a currency. Then the sharf provision (payment) does not apply there because it is not a currency. The purpose of this research is to see the potential of Cryptocurrency whether it can be applied into Digital Asset form only, or even in the future will be an Effect or Commodity. This study uses the Literature study method based on several scientific journals and the theoretical basis related to cryptocurrency and the potential of virtual transactions. The results of this study indicate that the cryptocurrency can be categorized as a virtual product commodity in Indonesia that already has Legal Basis and Legislative regulation. It is hoped that research in this regard will have a positive impact on the development of cryptocurrency in Indonesia, so that later regulation can be made about the cryptocurrency transaction model in Indonesia that has legal force and clear regulation to be applied in the cryptocurrency management.

Keywords: Cryptocurrency, Implementation Obstacle of Virtual Commodity Transaction, Regulation

1. Introduction

Crypto currency can be used as a payment tool and a means to trade goods and services in Indonesia. The Law No. 7/2011 on the Currency states (Law of The Republic of Indonesia Number 7 Year 2011, 2011) that everyone is required to use and accept Rupiah in paper and metals as the legal payment tool in Indonesia. The sanction for this criminal violation is a maximum imprisonment of 1 (one) year and a maximum fine of Rp200,000,000 (two hundred million rupiah). Therefore, Crypto Currency or Virtual Currency has a legal foundation to prohibit its use as the payment tool within Indonesia jurisdiction.
On February 1st, 2018, market capitalization of digital assets reached USD520 billion. The amounts of digital assets circulating today are 1508 cryptos, where Bitcoin, Ethereum, Ripple, Bitcoin Cash and Cardona are at the top five based on the amount of market capitalization. Price is set by the market based on the law of demand and supply.

Crypto currencies represent multiple perspectives, both of which imply a positive or negative view. As a subjective view of the author, the current crypto-based investment is likely less stable. Indeed, the existence of large demand-supply indicates that it brings a strong economic movement. The conclusion to draw is that it still deserves to be used as an investment commodity, with limited and secondary values.

One of the most relevant ways to improve the scalability of crypto currency is achieving regulator support, i.e. Bank Indonesia. Hitherto, regulators are still exploring the possibilities that blockchain can generate. The potential is large, the proof still continues to be a challenge for the enthusiasts. Convincing an investment is not the wrong thing since each investment always has risks. For now, the risk of crypto currency investment is quite big with a variety of possibilities in market share.

2. Literature Review

The author uses the United States as a comparison for this case study because they are successful in applying regulation and granting legal status of Digital Assets as a Commodity. The United States managed to maintain the growth of Digital Asset ecosystem and are protected from the illegal use of Digital Assets such as for money laundering or terrorism financing by listing all transactions made by their people.

2.1. Bitcoin by the Experts

▪ (Golumbia, 2017): Bitcoin thrives after the capital market crisis in 2007/2008 which triggered a crisis of confidence in the Government and financial institutions in managing the fiat money system.

▪ (Srokosz and Kopyćciański, 2015) Legal treatment for Bitcoin in each country is determined by a common law or civil law. In the United States, Bitcoin is seen as a public currency and classified as the legal payment tool. In Europe, with the civil rights law system, it is classified into a private property right as securities and not recognized as the legal payment tool.

▪ (Baur, Hong and Lee, 2015) Users treat Bitcoin as an investment instrument. Therefore, it has no impact on monetary risk and economic stability.

2.2. Considerations to Manage Digital Assets

US Government Rules that can be used as a reference in regulating Digital Assets:

▪ IRS Notice 2014/21
▪ Tax Increase Prevention and Reconciliation Act 2005
▪ The Financial Crimes Enforcement Network (Fin Cen)
▪ Electronic Fund Transfer Act

Legal Rules that can be used in Indonesia: (Law of the Republic of Indonesia Number 10 Year 2011 on Amendments to Law Number 32 Year 1997 on Commodity Futures Trading, 2011).
3. Methodology

This research uses literature study research by looking for theory reference and relevant scientific journals with cases or problems found. Theory reference is obtained through literature study serve as basic foundation and main instrument in conducting research. The objective of this study is to see the potential of Digital Crypto Asset, whether it can be applied in the Digital Assets only, or even it will be an Effect or Commodity in the future.

4. Results And Conclusions

4.1. Eффector Crypto Security

Can Crypto can be considered as Securities or Investment Instrument in Indonesia?

The Law No. 8/1995 on Capital Markets defines Securities as Marketable Securities, namely: Acknowledgement of indebtedness, Commercial Paper, Shares, Obligations, Debt Securities, Statement of Collective Investment Contracts, Futures Contracts on Securities and any Derivatives of Securities. The Law No.40/2007 on Limited Liability Companies States that Shareholders have voting rights in the GMS and are entitled to a Dividend. The Law No.37/2004 on Bankruptcy and PKPU states that Securities or Commercial Paper Holder is a creditor who can apply for bankruptcy for Debitor/o to the Head of Court. The Crypto product owner does not have voting rights and dividends and cannot bother crypto miners. If Crypto is considered as Securities, there is no Legal Basis as the legal law.

4.2. Commodity or Crypto Asset

Can Crypto be considered as Commodity or Digital Asset in Indonesia?

The Law No.10/2011 as Legislative Update of the Law No.32/1997 on Commodity Futures Trading: Commodities are all goods, services, rights and other interests, and any Derivatives of Commodities, which may be traded and subject to Futures Contracts, Shariah Derivatives Contracts and/or other Derivative Contracts. The Law No.7/2014 on Trade: Trade is the order of activities related to transactions of Goods and/or Services. Goods can be tangible or intangible objects. Trading through Electronic Systems is a Trade in which transactions are made through the use of electronic devices and procedures. Crypto products as a commodity of intangible goods that can be traded have the legal basis as the legal law for trading through electronic systems.

4.3. Benefits of Crypto Commodity

- Improving Efficiency, Effectiveness and Production Capacity in the Era of the Industrial Revolution 4.0.
- Potentially accelerating and increasing the trading volume of MSME sector through Global E-Commerce.
- Increasing potential tax revenues
- Improving the ability of the State Authority to monitor money laundering and terrorism crime transactions (Pseudonymous)
- Minimizing Economic Deadweight loss
4.4. Approach of Tax Withdrawal from Digital Asset Trading

- Declaring its own *Capital-Gain* which is earned based on everyone’s income rate. This method has weaknesses in terms of supervision and high frequency of buying and selling Digital Asset in a day. Therefore, it is not effective in terms of implementation.
- Making final tax arrangement of trading transaction of Digital Asset as well as in stock buying and selling transactions, where taxes are levied directly by the industry. Therefore, it is easier to supervise.
- Simulation of tax revenue on the Digital Assets trading: Crypto trading in Indonesia reaches 1 Trillion Rupiah per Industry per day. If we use the tax rate of stock exchange i.e. 0.1% for each trading transaction, there is potential for tax income for the country of 1 Billion Rupiah per day or a total of 365 billion Rupiah from each Industry in addition to corporate income tax.

4.5. The Importance of Domestic Regulation For Risk Mitigation

- *Block Chain* protocols are very secure, but Digital Asset Exchange and Digital Asset Wallet industries are at risk from *cyber-attacks*. Therefore, industry-specific Standardization is required to ensure that every domestic industry implements high security standards.
- The standardization of KYC and AML in the Digital Asset Exchange Industry will help mitigate money laundering and criminal transactions with Crypto. Therefore, the transactions can be tracked using the Block Chain protocol and identified through data that has Digital Asset Exchange.
- The adoption of regulations to monitor transactions in the Digital Asset Exchange Industry will also help ensure that the price formation process on the Exchange is free of artificial price formation and Exchange can certainly act neutral in the price formation process.

5. Conclusion

- Crypto Currency can not be used as a means of payment and tools to trade goods and services in Indonesia.
- Crypto Asset or Virtual Currency has a legal basis to prohibit its use as a means of payment within the jurisdiction of Indonesia.
- Virtual Currency remains eligible to be an investment commodity, with limited and secondary value.
- There is no Legal Foundation as a legal law that can be the basis for making Crypto Asset as Securities or Securities.
- In Indonesia Crypto Asset to serve as a commodity of intangible goods that can be traded has a legal basis as a legal law for trading through electronic systems.
- Virtual Currency has the potential contributor of tax revenue that large enough for the state of Indonesia.

References


Market Reaction Due to Implementation on International Financial Reporting Standard (IFRS) on Public Listed Companies at LQ45

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Abstract: The purpose of this study to determine market reaction that reflected by average abnormal return before and after the implementation of International Financial Accounting Standard (IFRS) and market reaction that reflected by cumulative average abnormal return before and after the implementation of International Financial Accounting Standard (IFRS). The Population in this research are 45 Companies that listing LQ45. The sampling method used purposive sampling method with 41 Companies.

The data that used in this research in secondary data. The analytical method that used is descriptive statistic with the help of SPSS 18.0. The result of this study indicate that market reaction that reflected by average abnormal return before and after the implementation of International Financial Accounting Standard (IFRS) has positive reaction and market reaction that reflected by cumulative average abnormal return before and after the implementation of international accounting standard (IFRS) has positive reaction.

Keywords: Average Abnormal Return, Cumulative Average Abnormal Return and International Accounting Standard (IFRS)

1. Introduction

Sound Financial Statement will serve the financial information and increase credibility to potential investor who intends to invest in capital market. Good implementation of Accounting standard provides investors have proper information and consider cost of implementation of relevant cost rationally. The current initiative is focussed on set of Global accounting standards which already accepted by regulator, standard team, accounting profession and business community and universal academician. The Companies more than 100 countries have adopted the International Financial Reporting Standards (IFRS) for preparation the their Financial Statements. (Siregar, 2012). Accounting has assumed as business language and the current issues are does all Accounting profession globally speak and treat the uniform Accounting Standard”?: Or the other word: "Does the global accounting standard can be accepted? Does the focus to IFRS implementation is the real solution?

This Research try to answer those questions by gathering the opinions and understanding from selected academician in relation with relevance, beneficial and how the possibility pooling the accounting standard. This research also to respond this question by pooling the opinion and understand from selected academician in regards with relevance, beneficial, and how to set-up the accounting standard.

Financial Statements has to be presented in accordance with Generally Accepted Accounting Principles yang (GAAP). Generally accepted means can be accepted by users of Financial Statement. An Accounting principle can be accepted in certain country may not be accepted generally in other country.

International Federation of Accountants stated that single International Accounting standard is the key success to develop economic when the 89% of respondent feel satisfy with the IFRS (IFAC 2007).While the other side. American Institute of Certified Public Accountant
(AICPA) fully support to concentrate to Global accounting Standard and implementation of IFRS for Financial Statements, which can identify that the changes also should be implemented in auditing, regulation and legal environment of America (2007).

Chairman of Security Exchange Commission (Christopher Cox), when promoted the Concentration force, said:” IFRS is coming” reminded that American generally accepted the Accounting Principles (GAAP), does its will not realize soon”?

Beneficial Financial Statement is the Financial Statements which contain the needed information by market doers. They will give response or reaction for the informations got from the Financial Statement. The respond can be measured from the Return on changes of share price by using abnormal return (Jogiyanto, 2000). The forces of globalization has create the condition where the border of countries geography is not a handicap for market share doer in doing Investment activities and market share trading. Previously, every countries have own accounting and financial statements standard which are prepared differently.

By this fact, we consider need a uniform Accounting Standard and Financial reporting globally. (Purba, 2010) also emphasized that the harmonization of accounting standard and financial statements which used globally is in emergency condition which should be done by every countries soon, included Indonesia as developed country.

The main advantage can be achieved from Harmonization the accounting financial standard is it will have more better understanding by user on Financial Statements from many countries. Therefore, its will facilitate the Companies when selling their share inter countries and inter stock exchanges. For Indonesian context, the Convergence IFRS to PSAK (Pedoman Standard Akuntansi Keuangan) is the important to maintain the competiveness National Companies in Global Competition by declared in 2008 by Indonesian Accountant Association (IAI) that Indonesia will implement the IFRS starting 1 January 2012 for Financial Accounting.

Indonesian has been implemented the Convergence to IFRS by three stages. The first stage is the process to adopt all IFRS to PSAK by preparing infrastructure and evaluate the impact after the implementation period. The second stage is done in 2011 toward final preparation before fully implementation in 2012. And the third stage is implementation PSAK which consider already converted to IFRS standard (Siregar, 2012).

The International Financial Reporting Standard (IFRS) has been socialized since 2009 and will be effective starting 1 January 2012. This implementation is expected will be fulfilled the market expectation to implement the IFRS, it means to have quick, accurate and proper by fully socialized. However due to a lot of items and regulation in IFRS make users difficult to understand the procedures and to understand information in Financial Statement.

Impact of IFRS implementation is various impacts, it depend on kind businesses entity operation, kind of transactions, , elements in Financial statement and opt of Accounting policy. Banking Operations is one of entity which has big impacts. The changes not only in entity operations but it will impact to Central Bank’s policies.

State own Companies can not avoid to implement IFRS due to its has responsible as Public significant state own Companies as regulated by its Standard Operating Procedures. For this purpose States Own Companies has to have the proper man power to handle it with adequate fund. Therefore the commitment from entity’s Director is needed to support its implementation and its also effect of stockholder as users of Financial Statement.

Various impact will be found in implementation either positive or negative to business operations. Either it still have pro and contra for all emiten who are playing in Indonesian Stock Exchange (BEI) by implementing the IFRS, effect to all stockholder will have opportunity to stakeholder more easy to make decisions (Eza, 2012) by considering:

- Financial Statements more easy to understand because its presents more detail information and transparencies.
- By transparencies system, level of accountability and credibility to management will be improve.
- Financial Statements is presented shows the fair value.
However by implementing the IFRS the users who are investors, especially foreign investor for implementing the investment in Indonesia, either its consider is contrary with Indonesian basic Law (UUD) 1945 article 33. In regards with Investment Law, Year 2007, its shows indication to shift the responsible from Government to capitalist.

IFRS as the global accounting standard can create implemented in Indonesia can create community suspect that the Government as the holder of Accounting Policy in Indonesian is Capitalist and avoid the basic economic fundamendal of Indonesian economic as stated in Indonesian Basic Law of State and facilitate the Foreign Investor to explore Indonesian state.s resources. This research try to study the market reaction to Companies which has been implemented the IFRS. Information which is needed by investor in making investment decision in capital market (Usman, 1990, p. 58), consists of factors fundamental, technic, social, economic and politic. This research also wants to study impacts of IFRS’s information value toward market reaction which indicated by market share price fluctuation and further has effect to average abnormal return dan cumulative average abnormal return.

2. Literature Review

2.1. International Financial Reporting Standard (IFRS)

IFRS is the International accounting standard as reference or guidance in preparation the Financial Statement. IFRS (International Financial Reporting Standard) as an effort to strengthen financial reporting globally and solution for long term in regards with the financial information transparancies.

2.2. Average Abnormal Return (AAR)

Abnormal return based on (Jogiyanto, 2010) is variance between actual return and minus expected return. Average abnormal return is the average actual return minus expected return by investor.

2.3. Cumulative Average Abnormal Return (CAAR)

Cumulative abnormal return (CAR) is used to examine the cumulative average abnormal return (CAAR) (Permata, 2008)

2.4. Previous Research

- Margaretta (2012), IFRS’s implementaion and the effect of delay Financial Statement submitted based on the Empiric Studies in Financial Statement submitted for Manufacturing Companies at Indonesian Stocks Exchange Market for the period 2008-2010. The following are the results of research shown significant effect as follows: Delay of submitting the Financial Statement based on IFRS, Size and reputation of Public Accounting Firms

- (Erlina, 2013), Effect of IFRS’s implementation on Financial performance for Go Public Companies which are listed in Indonesian Stock Exchange. The result of data analysis shown that implementation of IFRS has not significant effect. And data analysis to variable Return on equity shown that implementation of IFRS has not significant effect. While the implementation of IFRS also has not significant effect to debt equity ratio (DR). And result analysis of variable total debt to total asset ratio shown that the implementation of IFRS has not significant effects.
3. Methodology

While the population is aggregate object (respectively/ individually) which the characteristic will be predicted (Indriantoro, 1999). And the population are all Go Public Companies which registered in LQ45.

Sample is a part of population, where its characteristic will researched, and is assumed can representative to all population. Technic sampling used is Purposive Sampling, it means sampling is taken by random and it has certain objectives. (Indriantoro and Supomo, 2013). The sampling criteria are 1. The Companies are listed in Indoensian Stocks Exchange (BEI), 2. Active Companies within LQ45 and 3. Have implemented the IFRS since January 2012.

Data Analysis Method is used for normal testing data to examine does data is used contains the normal data or not? Normality testing technic is used Kolmogrov Smirnov is testing result will shown level of significany at $p$ level value. Thsi level is the has normal distribution, if it greater than 0.05, or it reverse, the data is catagorized not the sigficant figure if it is less than 0.05.

Hypotesis examining is used to find the differences between implementation average abnormal return and cumulative average abnormal return listed at LQ45 before and after IFRS implementation.

By using Testing tool, if the result shows the data has normal distribution, thus hypothesis testing will be done by using parametic statistic analysis (paired sample test). But if normality test shows data are not has normal distribution, the hypothesis will use statistical analysis non-parametic, it means using wilcoxon signed rank test.

4. Result And Discussions

4.1. Data Analysis Statistic Descriptive

Variable is used in this research is average abnormal return and cumulative average abnormal return before and after IFRS implementation. Following is presented Statistic Descriptive for respective variables used in this research.

Table 1. Research Statistic Descriptive Variables

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAR</td>
<td>41</td>
<td>-.00012</td>
<td>.00100</td>
<td>.000111</td>
</tr>
<tr>
<td>Before</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AAR</td>
<td>41</td>
<td>-.00084</td>
<td>.00154</td>
<td>.000430</td>
</tr>
<tr>
<td>After</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Valid N</td>
<td>41</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Descriptive Statistics

|       | N |
|-------|
| CAAR  |
| Before| 41|
|       | -.00140 | .00459 | .0009783|
| CAAR  |
| After | 41|
|       | .00091  | .01761 | .0086310|
| Valid N | 41|

Source: Secondary Data (processed) 2017

Table 1 informed that average abnormal return before and after implementation in 2012. Based on tabel 1 found that rata average abnormal return before IFRS implementathion was 0.00011, compare to average abnormal return after IFRS was 0.00043. If both averages, average abnormal return before and after the IFRS implementation compare to, thus can be found that after IFRS implemented in 2012 the average abnormal return was increased.
Tabel 1 also informed that average average abnormal return before and after IFRS implementation in 2012. Found that the cumulative average abnormal return before implementation was 0,00097, and average cumulative average abnormal return after implementation was 0,00863.

4.2. Test Normality Data
Testing normality data is used to know does those data distribute normally or not? Test tool used is Kolmogorov-Smirnov Test with criterium (SIG) testing, if the figure significant (SIG) > 0,05 its mean data contributes normally, and while if the figure significance < 0,05 its means not distribute normally.

Based on Normally Data testing for variable average abnormal return and variable cumulative average abnormal return have normal distribution by using significance Kolmogorov-Smirnov which greater than 0,05. Therefore for testing hyphotesis variable average abnormal return dan cumulative average abnormal return used was statistic parametric Paired Sample T-Test.

4.3. Result of Hypothesis for Average Abnormal Return
Based on Paired Sample T-Test found that value t counted in amount -2,155, with value p in amount 0,037. If we used level of significance α = 0,05, thus H1 is accepted. It means implementation of IFRS by Companies in grouping LQ45 in 2012 found the differences in average abnormal return significantly, so the hyphotesis is correct or H1 is accepted due to implementation of IFRS can provide the valuable information tend to increase the shares price drives the investor to do investment.

Significancy effect can be shown in the average abnormal return. Changes the average abnormal return is measured by comparing average abnormal return before and after IFRS’s implementation.

4.4. Testing result Hypotesis for Cumulative Average

4.4.1. Abnormal Return
Based on t Test found that t is counted in amount -14,051, with value p in amount 0,000. If using significany level α = 0,05 therefore H2 is accepted, its means by implementing the LQ45 group Companies in 2012 changes the cumulative average abnormal return significantly and hyphotesis or H2 is accepted.

4.4.2. Research Result
Based on the Research Result found, therefore the explanation from hypothesis are as follows:

The differences between Average Abnormal Return after IFRS implementation ,the result empirically there was increase average abnormal return after IFRS implementation, where the average abnormal return before IFRS implementation in amount 0,00011, and the average abnormal return after IFRS implementation was 0,00043. If both average abnormal return before and after IFRS implementation.

Market reaction can be shown by price changing respective share price by using abnormal return. Based on (Jogiyanto, 2010) average abnormal return is the average result from average balance return expected by investor before and after IFRS implementation.

Indonesian Stock exchange which is efficiency can encourage the market reaction for information published. In this research, the reaction on information published by evaluating on a abnormal return, its means market drives reaction for any published information. In this research to evaluate the reaction to the market for information contain by evaluating abnormal return.. If there is an abnormal return, it means market gives reaction on published information, likes in Uni Europe for the IFRS adoption in Financial Statement presentation.

This research is confirm and support to (Siregar, 2012) that there was the market reaction which shown on average abnormal return due to IFRS’s implementathon, however
this research is not confirm with research result by Puspitarini, et al (2014) stated that implementation Accounting Standard (PSAK) as regulated by IFRS has not effect to Indonesian Stock exchange in Indoensia.

The differences on Cumulative Average Abnormal Return due to IFRS implementation. This research showed that empirically, there was increase cumulative average abnormal return after IFRS implementation, where cumulative average abnormal return before IFRS implementation is 0,00097, and average cumulative average abnormal return after IFRS implementation is 0,00863. If both average value cumulative average abnormal return before and after compare to has the result cumulative average abnormal return. Therefore, hyphotesis mention that there was differences reaction on cummulative average abnormal return before and after the Company implemented IFRS is correct or H2 is acceptable. Its indicate the Company able to increase cumulative average abnormal return through IFRS implementation.

Cumulative abnormal return (CAAR) to examine the abnormal return. For research many securities using cumulative average abnormal return (CAAR) (Permata, 2008)

Improvement quality of Financial Statement and its response to return/abnormal return by comparing before and after IFRS convergency implementation and its Financial Statement is published. Also found that average CAAR is positive which indicated improvement after the event.

This reaearch also accordance and support the previous research did by Siregar (2012). However, this research is not accordance by reserach did by Manlu (2015) which concluded that there was no diffrences on market reaction before and after IFRS implementation.

5. Conclusion
Based on the result analysis and review can be pointed the following conclusions:

▪ There is found that score average abnormal return befoere IFRS implementation more lower than average abnormal return after it implementation, therefore positive market reaction after IFRS implementation.
▪ Found market reaction before and after IFRS implementationanaly in 2012, its indicated by cumulative average abnormal return (CAAR) positively for sampling LQ45.

Acknowledgment
Investors need to watch the dynamics indicated by up and down the shares price in Indonesian Stock Exchange to avoid Loss, especially for IFRS implementation. Companies are suggested to adhere Policies and regulations regarding IFRS, which can drive to publish their Financial Statement more accurate and early.

References
Determinants Profitability of Islamic Banks in Indonesia

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Abstract: The aim of study is to analyse the determination of profitability of Islamic Banks in Indonesia. The sample used of all Islamic banks in Indonesia. Sampling method is purposive sampling and gotten 10 Islamic banks. Data analysed by using panel regression. The results of the research obtained that DER positively effect on ROA, while Operational Costs and Operating Income (BOPO) negatively influence to ROA. The variable NPF and CAR have no significant effect on Return on Assets (ROA) in Islamic Banks in Indonesia.

Keywords: ROA, NPF, DER, CAR, BOPO

1. Introduction

The bank is one of the financial institutions that can encourage the economy of the community and functions to collect and distribute funds to the community. This function must be carried out properly so that the bank's objectives can be achieved. The bank has several types based on the basis of its operations including Islamic banks. Islamic banks are banks that operate based on Islamic sharia principles. Thus, Islamic banks run all of their operations based on the rules established by Islamic sharia (Kasmir, 2010).

Islamic banks in Indonesia were first pioneered by Bank Muamlat Indonesia in 1991 initiated by the Ulama Council of the Indonesian (MUI) and supported by the government and the Indonesian Intellectual Association (ICMI) and several Muslim entrepreneurs. Islamic banks continue to grow and have good performance as evidenced by the improvement of the performance and health of the development bank in 2015. The average performance of Islamic banks reached 3.49% and became the largest contributor to banking growth in Indonesia which grew by around 25 7% compared to the same period the previous year (Financial Services Authority (OJK, 2017).

Many factors can affect the profitability of Islamic banks, including Non-Performing Financing. Non-performing loans will apply to conventional banks, while Islamic banks use non-performing financing (Dendawijaya, 2009). High non-performing financing can interfere with the mobility of bank funds so that it results in a decrease in performance and ultimately a decrease in profitability (YOGIANTA, 2013; Pramana and Mustanda, 2016; Susanto and Kholis, 2016; Thalib, 2016). Debt to Equity Ratio (DER) also effect on profitability which shows the amount of debt held by a bank. The higher the value of debt to equity ratio, the more banks use debt as a source of capital. This will allow banking to pay a lot of its debt so as to reduce its profitability (Sarikadarwati and Afriati, 2016; Amelia Yurike Tamba, Parengkuan Tommy, 2017; Burhanudin, 2017).
Capital adequacy ratio (CAR) is also a contributing factor that can affect profitability. A high CAR makes banks stronger in bearing the risk of any risky credit or productive assets and be able to finance bank operations. Finally, it will contribute to bank profitability (Mustanda and Warsa, 2016; Simanjuntak, 2016). Operating costs of operating income (BOPO) also affect bank profitability. The high value of operational costs of operating income indicates that the bank is not efficient in carrying out its operations so that the bank's profitability decreases (Buyung Nusantara, 2005; Aditya Ananda, 2013; Musyarofatun, 2013).

2. Literature Review

2.1 Profitability

Profitability is the ability of a company to generate profits in a certain period, the higher the value of the profitability ratio, the greater the profit obtained by a company, (Irawati, 2006; Sudana, 2011; Kasmir, 2014; Susanto and Kholis, 2016). Company profits are derived from company revenues including banking. Some ratios that measure banking profitability include return on assets, return on investment, and earnings per share (Dendawijaya, 2009). Profitability ratios consisting of debt ratio, debt to equity ratio, time interest earned ratio, fixed charge coverage and debt service coverage (Sartono, 2008).

2.2 Non Performing Financing (NPF)

NPF means the ability of Islamic banking to support the risk of failure of returns, in other words the risk of bad credit, (Dendawijaya, 2009; Musyarofatun, 2013; Susanto and Kholis, 2016). The greater the value of non-performing financing, the lower the profitability of Islamic banking, this indicates non-performing financing has a negative effect on return on assets.

2.3 Debt To Equity Ratio (DER)

Debt to Equity Ratio (DER) is a ratio that describes the long-term debt that a company has with its own capital. Sources of capital derived from debt are used to carry out operations of the company with the aim of obtaining profitability. Thus the debt to equity ratio has a negative effect on profitability (ROA), (Sudaryo, 2012; Mahardhika and Marbun, 2016; Efendi and Wibowo, 2017). The increase in the value of debt to equity is followed by a decrease in the value of return on assets, this is due to the company's advantage is prioritized to repay debt first (Sari and Budiasih, 2014; Dewi, Cipta and Kirya, 2015).

2.4 Capital Adequacy Ratio (CAR)

High value of Capital Adequacy Ratio (CAR) can increase profitability, namely return on assets, which means that capital adequacy ratio has a positive effect on ROA (Agustiningrum, 2013; Bateni, Vakilifard and Asghari, 2014; Bernardin, 2016; Almazari and Alamri, 2017; Udom and Eze, 2018). Banks that have a good capital adequacy ratio reflect good performance.
2.5. Operational Income Operating Costs (BOPO)

Operational Costs of Operating Income (BOPO) describe the level of efficiency of a bank in running its business, namely credit (Hasibuan, 2008; Veithzal, 2013). If the value of the operating costs of high operating income indicates that the cost is not efficient in carrying out its business activities and will have an impact on reducing the level of profitability, one of them is return on assets, (Guorong Jiang, Nancy Tang, 2003; Sudarmawanti and Purnomo, 2015; Kurniasari, 2017).

3. Research Methods

The population in this study were all Islamic banks in Indonesia during the 2013-2016 and gotten 10 banks. Then sampling technique was carried out by purposive sampling and the type of data used by panel data and data collection techniques were documentation studies. Furthermore, this study used a quantitative approach to test hypotheses, then analyse the data using panel data regression with equations

\[ Y_{it} = \alpha + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + e_{it} \]

\( Y_{it} \) = Profitability (ROA) at bank i and period t
\( \alpha \) = Constant
\( \beta_1-\beta_4 \) = Coefficients Regression
\( X_{1it} \) = NPF at bank i period t
\( X_{2it} \) = DER at bank i period t
\( X_{3it} \) = CAR at bank i period t
\( X_{4it} \) = BOPO at bank i period t
\( e_{it} \) = Error term at bank i period t

4. Result And Discussion

4.1 Model Selection Technique

In case of selecting the correct model requires testing the model on the panel data. The results of the chow test can be seen in Table 1 below.

<table>
<thead>
<tr>
<th>Test Summary</th>
<th>Chi-Sq Statistic</th>
<th>Chi-Sq df</th>
<th>Prob</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-section</td>
<td>25.929628</td>
<td>9</td>
<td>0.0021</td>
</tr>
</tbody>
</table>

Based on table 1 above, it shows that the Chi Square Probability Test value is 0.0021. This value is significant at the level of 5% and chosen model is FEM. And then the Hausman test to determine the appropriate model between FEM and REM. The results of the Hausman test can be seen in table 2 below.

<table>
<thead>
<tr>
<th>Test Summary</th>
<th>Chi-Sq Statistic</th>
<th>Chi-Sq df</th>
<th>Prob</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-section</td>
<td>3.4245</td>
<td>4</td>
<td>0.4894</td>
</tr>
</tbody>
</table>

random
Based on the table above the results of the Hausman Test have a probability value of 0.4894. This value is not significant at the 5% level. Then the chosen model is REM.

4.2 Data Panel Regression Estimation

Effect Model REM, the results of panel data regression can be seen in table 3 below.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficients</th>
<th>T-test</th>
<th>Prob</th>
</tr>
</thead>
<tbody>
<tr>
<td>NPF</td>
<td>-0.0500</td>
<td>-0.5583</td>
<td>0.5801</td>
</tr>
<tr>
<td>DER</td>
<td>0.1932</td>
<td>3.7333</td>
<td>0.0007</td>
</tr>
<tr>
<td>CAR</td>
<td>0.5994</td>
<td>1.6972</td>
<td>0.0985</td>
</tr>
<tr>
<td>BOPO</td>
<td>-2.8464</td>
<td>-3.7097</td>
<td>0.0007</td>
</tr>
<tr>
<td>C</td>
<td>10.9879</td>
<td>2.9243</td>
<td>0.0060</td>
</tr>
</tbody>
</table>

Table 3 above shows the NPF and CAR variables are not significant at the 0.05 level, while the DER and BOPO variables are significant at the 0.05 level.

All of management bank effort to increase their performance and keep the trust of customers or the publics. Manager also evaluates the financial statement to make sure the existence of the business either balance sheet or income statements. So, the results of this study show that NPF does not significantly influence the ROA of Islamic Banks in Indonesia. This indicates that banks that have good performance have never considered credit risk as a threat in improving their performance, (Sucianti and Naomi, 2009; Musyarofatun, 2013; Pratiwi and Wiagustini, 2015; Septiani and Lestari, 2016).

Then, DER has a positive and significant effect on ROA of Islamic Banks in Indonesia. This result shows that the increasing DER will increase ROA. This indicates that capital sources of debt originating from debt can expand its operations, thus impacting an increase in ROA. These results are consistent with past study (Ramadhan, Marlina Widiyanti and Taufik, 2016; Sarikadarwati and Afriati, 2016; Thalib, 2016; Burhanudin, 2017).

Furthermore, CAR has no significant effect on the ROA of Islamic Banks in Indonesia. It is because Islamic banks in Indonesia and other banks have been given standards by Bank Indonesia regarding the minimum capital adequacy of a bank in operation. This has been maintained well at a time when banks have increased profits or increased profits, so the CAR is not related to profitability (ROA). This result is consistent with the study (Musyarofatun, 2013; Pratiwi and Wiagustini, 2015; Bernardin, 2016; Thalib, 2016; Amelia Yurike Tamba, Parengkuan Tommy, 2017). And the BOPO have a negative and significant effect on ROA of Islamic Banks in Indonesia. Increasingly, BOPO is decreasing ROA. This result is in line with the previous study, (Musyarofatun, 2013; YOGIANTA, 2013; Pratiwi and Wiagustini, 2015).

5. Conclusions

Based on the result of the study conclude that NPF has no significant effect on ROA. It shows that NPF are not a risk to Islamic banks in Indonesia. DER has a positive and significant effect on ROA. This indicates that the DER is increasing, ROA also
increases. CAR has no significant effect on return on assets (ROA), because Islamic banks already have a standard in maintaining capital adequacy. Operational income operating costs (BOPO) have a negative and significant effect on return on assets (ROA), the higher the operating costs, the lower the profits.

References


MANAGERIAL ACCOUNTING, 1(2).


Effect Of Murabahah Volume Accumulation On Profitability Of Banking Institutions With Non Performing Financing (NPF) As Moderation Variables

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Abstract:
This research was conducted to know the influence of volume of Murabahah accumulation toward profitability with non performing financing (NPF) as the moderation variable with study case at Public Islamic Banks in Indonesia from 2011-2015. The secondary data was used in this research taken from financial statements of Public Islamic Banks in 2011-2015. The method of data analysis was statistical descriptive, classical assumption test and hypothesis test. The result of hypothesis indicated that the volume of Murabahah influence positively to profitability represented by ROA. While the research result of second hypothesis indicated that non performing financing (NPF) moderated the relationship between volume of Murabahah with profitability and also NPF which became the independent variable.

Keywords: Control volume of murabahah, profitabilitas, and non performing financing.

1. Introduction

In 2008, Indonesia experienced a financial crisis, after the crisis of the banking sector in Indonesia has decreased, with the exception of Islamic banks still maintain its financial performance and provide comfort and security to shareholders, borrowers and depositors.

The existence of Islamic banks must be able to encourage and accelerate the process of community economic growth through Islamic banking activities, including funding and financing based on Islamic principles. Therefore, Islamic banks need to improve their performance as measured by the level of profitability produced. Return on assets (ROA) is one indicator of profitability, this is because assets are bank assets whose funds come from a large portion of public savings funds, so return on assets (ROA) is more appropriate to be used as a measure of bank profitability.

Islamic banks carry out their operational activities by offering products that are owned by the public through financing products. Murabahah financing is a mainstay of Islamic bank financing in its operational activities.

Research by (Kurniawansyah, 2017) explains that based on the current phenomenon, the principle of profit loss sharing applied by Islamic banks only dominates by 37% smaller than
the principle of murabahah and ijarah by 63% (BI, 2013). From the Sharia Banking Statistics Data published by Bank Indonesia and the Otoritas Jasa Keuangan (OJK) 2006-2013, it was seen that murabahah financing dominated the financing channeled by Islamic Commercial Banks and Sharia Business Units. Murabahah financing up to April 2016 amounted to Rp. 117,375 billion or 58.13% of the total financing of Sharia banking in Indonesia.

Based on the current phenomenon, the increase in ROA in Islamic banks was not offset by the decline in non-performing financing, only in 2012 the problematic of non-performing financing slightly decreased. While 2013 to 2015 always experienced an increase in non-performing financing, but ROA in Sharia banking experienced instability (up and down). This can be illustrated in the diagram below.

![Fig. 1. TOTAL NPS BUS IN 2011 - 2015](image)

Source: Statistik Perbankan Syariah (SPS) and OJK

Non-performing financing is a financial ratio related to credit risk. The existence of NPF can strengthen or even weaken the influence of murabahah volume on the profitability of Islamic banks, because if profitability (ROA) increases then NPF decreases and vice versa if ROA decreases then NPF has increased.

2. Literature Review

2.1 Profitability

According to (Maulana Yusuf, 2014) profitability is the end result of a policy and a decision that will be made by the company. To measure the performance of a bank can use profitability indicators. In general, profitability is projected by ROA. ROA is an indicator that can measure the profitability of a bank. The greater the ROA, the better the bank’s performance. This ratio can be formulated as follows:

\[
ROA = \frac{\text{Laba Sebelum Pajak}}{\text{Total Aset}} \times 100\%
\]

2.2 Volume Accumulation

According to the Kamus Besar Bahasa Indonesia (KBBI) accumulation is collection, gathering and stockpiling. Accumulation is also said to be a regular addition to a principal amount. Accumulation in Islamic banks is an additional amount of financing obtained by an Islamic bank and can generate profits or additional funds.
2.3 Murabahah Financing

Murabahah is a contract of sale of goods with a sale and purchase price of the acquisition cost plus an agreed profit and the seller discloses the acquisition cost of the item to the buyer (PSAK 102 paragraph 5 in the 2016 Murabahah Sharia Banking Product Standard).

2.4 Non-Performing Financing

According to PSAK No. 31 (Revised 2000), stated that nonperforming financing is a loan with principal installment payments and / or interest that has exceeded 90 days or more after maturity, or credit whose payment is timely is highly doubtful. The calculation of NPF instructed by Bank Indonesia is formulated as follows:

\[
NPF = \frac{\text{Jumlah Pembiayaan Bermasalah}}{\text{Total Pembiayaan}}
\]

3. Research Methods

Data used in this study are secondary data based on time series obtained from Islamic Bank Financial Statements, Sharia Banking Statistics in OJK from 2011 to 2015. Secondary data are sources data obtained by researchers indirectly through intermediary media (Indriantoro, 2009, p. 50). In table 1 describe the population in this study.

<table>
<thead>
<tr>
<th>Table 1. Registered Islamic Bank In Ojk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Islamic Bank</td>
</tr>
<tr>
<td>Aceh Sharia Bank</td>
</tr>
<tr>
<td>Jabar Banten Sharia Bank</td>
</tr>
<tr>
<td>Sharia BNI Bank</td>
</tr>
<tr>
<td>Panin Dubai Sharia Bank</td>
</tr>
<tr>
<td>Mega Sharia Bank</td>
</tr>
<tr>
<td>Bukopin Sharia Bank</td>
</tr>
<tr>
<td>Muammar Indonesia Bank</td>
</tr>
<tr>
<td>Victoria Sharia Bank</td>
</tr>
<tr>
<td>Mandiri Shatia Bank</td>
</tr>
<tr>
<td>BTPN Sharia Bank</td>
</tr>
<tr>
<td>BCA Sharia Bank</td>
</tr>
<tr>
<td>Maybank Indonesia Shatia Bank</td>
</tr>
<tr>
<td>BRI Sharia Bank</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Table 2. Calculation Of Research Samples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sample Criteria</td>
</tr>
<tr>
<td>Islamic Bank registered at OJK in 2011-2015</td>
</tr>
<tr>
<td>Islamic Bank that have been established and operate for five years or more</td>
</tr>
<tr>
<td>Number of Samples</td>
</tr>
<tr>
<td>Number of Research observations (11 x 5 years)</td>
</tr>
</tbody>
</table>
From 13 Islamic banks operating in Indonesia, but only 11 Islamic banks that met the criteria in this study. This is because PT Bank Aceh Syariah and PT Syariah National Pension Savings Bank have not operated for five years, thus PT Bank Aceh Syariah and PT Sharia National Pension Savings Bank do not meet the second criteria.

3.1 Data Collection Technique

Data collection techniques in this study use the Sharia Bank financial report, Sharia Banking Statistics (SPS) published by OJK from 2011 to 2015.

3.2 Data Analysis Method

Data analysis methods used in this study are descriptive statistics, classical assumption tests and hypothesis testing.

3.3 Hypothesis Testing

3.3.1 Partial Significance Test

Partially, hypothesis testing is done by t-test. If the Significance value is <0.05, murabahah volume accumulation variable has a significant effect on the profitability. If the Significance value is > 0.05, the independent variable has no significant effect on the dependent variable.

3.3.2 Moderation Regression with Interaction Test

Interaction test or Moderated Regression Analysis (MRA) is a special application of linear multiple regression where the regression equation contains an element of interaction (multiplying two or more independent variables) with the following equation formula (Ghozali, 2002, p. 223):

\[ PROFIT = a + b_1 \text{MURABAHAH} + b_2 \text{NPF} + b_3X_1X_2 + \]

4. Result And Discussion

4.1 General Descriptions of Sharia Banks

Sharia banking was first present in 1963 in Mit Ghamr City based on profit sharing. In Indonesia the first commercial bank that became the pioneer of sharia banking was Muamalat Indonesia Bank, was founded in 1991, which was initiated by the Indonesian General Assembly (MUI) and the Indonesian Government as well as the support of the Association of Ikatan Cendekiawan Muslim Indonesia (ICMI) and several Muslim entrepreneurs.

4.2 Development of ROA, Murabahah and NPF Volume in 2011-2015

4.2.1 ROA Development

<table>
<thead>
<tr>
<th>Table 3. ROA Growth In 2011 - 2015 (In%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
</tr>
<tr>
<td>o. Bank</td>
</tr>
</tbody>
</table>
### Murabahah Volume Development

#### Table 4. Murabahah Volume Development In 2011 - 2015

<table>
<thead>
<tr>
<th>No</th>
<th>Islamic Bank</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Muammalat Indonesia Bank</td>
<td>9.580.469.844</td>
<td>5.168.875.653</td>
<td>17.882.672.902</td>
<td>18.375.758.89</td>
<td>16.161.567.675</td>
</tr>
<tr>
<td>2</td>
<td>Victoria Sharia Bank</td>
<td>195.530.813</td>
<td>373.964.652</td>
<td>581.715.763.188</td>
<td>479.451.019.8</td>
<td>360.400.118.99</td>
</tr>
<tr>
<td>3</td>
<td>BRI Sharia Bank</td>
<td>5.369.344.000</td>
<td>7.128.905.000</td>
<td>9.004.029.000.0</td>
<td>10.020.738.00</td>
<td>10.003.275.000</td>
</tr>
</tbody>
</table>
4.2.3 Non-Performing Financing Development

<table>
<thead>
<tr>
<th>No</th>
<th>Islamic Bank</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Muammar Bank</td>
<td>0.01</td>
<td>0.02</td>
<td>0.02</td>
<td>0.06</td>
<td>8</td>
</tr>
<tr>
<td>2.</td>
<td>Victoria Bank</td>
<td>0.19</td>
<td>0.11</td>
<td>0.05</td>
<td>0.13</td>
<td>0.2</td>
</tr>
<tr>
<td>3.</td>
<td>BRI Bank</td>
<td>0.04</td>
<td>0.04</td>
<td>0.04</td>
<td>0.04</td>
<td>0.0</td>
</tr>
<tr>
<td>4.</td>
<td>Jabar Bank</td>
<td>0.03</td>
<td>0.07</td>
<td>0.01</td>
<td>0.05</td>
<td>0.0</td>
</tr>
<tr>
<td>5.</td>
<td>BNI Bank</td>
<td>0.02</td>
<td>0.02</td>
<td>0.02</td>
<td>0.02</td>
<td>0.0</td>
</tr>
</tbody>
</table>

Source: financial statements for each bank
Based on table 6, shows that ROA of Islamic banking in Indonesia is categorized as not good. This is based on Bank Indonesia regulation which explains that ROA of Islamic banking
can be categorized as good if it has a value above 1.5%. Whereas the volume of murabahah distributed by Islamic banks has a good rate of return. This is in accordance with Bank Indonesia regulations which require NPF to be below 5%.

4.3.2 Classic Assumption Test

Normality test can be seen by using the Kolmogrov Smirnov (K-S) test and the normal probability plot. Based on the results of the normality test, it can be seen that the data is normally distributed.

4.4 Hypothesis Testing

4.4.1 First Hypothesis Testing (H1)

The t test in this study was namely Profitability proxied by ROA during the period 2011-2015. The results of this study are also the same as the results of research from (Afif and Mawardi, 2015; Rizwanullah, 2015) whose results state that murabahah financing affects profitability. murabahah financing is a financing that is the mainstay of Islamic commercial banks in generating profits that will affect the level of profitability and will affect the growth rate of sharia commercial banks in Indonesia.

4.4.2 Second Hypothesis Testing (H2)

Moderation Regression with Interaction Test or Moderated Regression Analysis (MRA) Test. In this study the moderating variable is also called the second independent variable. In carrying out this test that must be considered is the coefficient of determination, simultaneous significance test and partial significance test.

a. Determination Coefficient

The coefficient of determination is the comparison between variation Y described by X1 and X2 together compared to total variation Y or this can also be interpreted as how much ability explain all.

b. Simultaneous Significance Test

Based on the ANOVA test or F test produces Fcount value of 3.205 with a significance level of 0.033, cannot be used to predict Y or it can be said that the volume of murabahah, NPF and moderationX1X2 together influence against profitability. So that it can be said that the volume of murabahah, non-performing financing (NPF) and moderation X1X2 (multiplication between X1 and X2) together affect the profitability that is proxied by ROA.

c. Partial Significance Test

The murabahah volume variable gives the parameter coefficient of -0.436 with a significance level of 0.014 or 0.014 <0.05. The NPF variable gives a parameter coefficient of 3.027 with a significance level of 0.017 or 0.017 <0.05. The moderation variable X1X2 gives a parameter coefficient of -0.308 with a significance level of 0.009 (<0.05). Moderation variable X1X2 which is an interaction between the volume of murabahah and non-performing financing (NPF) turns out to be significant, so it can be concluded that non-performing financing (NPF) is a moderating variable.

In this case, the second hypothesis or H2 is accepted, because NPF moderates (strengthens) the relationship between murabahah volume and profitability and also non-performing financing (NPF) as well as being an independent variable.
The results of this study are the same as the results of Septian (Maulana Yusuf, 2014; Wahyuni, 2016) whose research results state that the simultaneous problematic financing of murabahah financing has a very strong relationship and has a significant effect on profitability

5. Conclusions

Based on the discussion that has been described, it can be concluded as follows:

1. The test results for the first hypothesis (H1) show that murabahah volume has a significant effect on profitability proxied by ROA.

2. Test results for the second hypothesis (H2) indicate that:
   a) Murabahah volume, NPF and moderation X1X2 together affect the profitability that is traded with ROA.
   b) Partial significance test shows that NPF moderates (strengthens) the relationship between murabahah volume and profitability and NPF as well as being an independent variable.

Based on the conclusions of the study, the authors recommend the following suggestions:
This research is not comprehensive, because it only sees murabaha included in the category of receivables as independent variables. For those who want to do the next research so that they can add greetings, istishna and ijarah which are also included in the category of receivables included in the category of receivables in addition to independent variables.

References


E-Commerce Internal Control Of Accounting Information Systems

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Abstract: Accounting information systems related to the company's business activities such as classifying, recording and communicating information as a result of the end to reach a good decision for the internal parties and external parties, along with the development of technology, the accounting information system switched from manual to computerized. Companies that use information systems computer-based accounting requires that internal controls are integrated to produce the maximum, thus helping companies to minimize risks that may occur in connection with the use of computer-based accounting information systems to business processes.

Keywords: on-line economy, Accounting Information System, E-Commerce, Internal Control

1. Introduction

E-Commerce is a describing the growing on-line economy. Since the Internet era, new companies have come into existence and are trading goods and services electronically. The e-commerce business may be for products sold directly to the consuming public or directly to other businesses (B2B is short for Business to Business trade). E-commerce is conducted with low overhead and in most cases without even storefronts. Simply speaking electronic business is any information system or application that empower business processes. This electronic communications technology includes: Internet, e-mail, E-books, database, and mobile phone. As with many terms with the “e” prefix, it is useful to return to an original definition of the topic to more fully understand what e-marketing involves. The definition of marketing by the Chartered Institute of Marketing. “Marketing is the management process responsible for identifying, anticipating and satisfying customer requirements profitably.”

Technological developments at this time are full of everything that allows to be regulated thoroughly, and the system work manually began to shift in the presence of increasingly sophisticated technology (Yahya et al., 2018). Changes that occur manual system to be computerized on the SIA that changes the organizational structure, changes in storage data, changes in large volumes of data, changes to changes in information, changes in internal controls, changes in the direction of the accountant. Companies that have activities that require fast, accurate, and useful information at various levels of management for decision making. In the accounting system, certain controls are required to ensure that employees are doing their jobs well and secured by the way. Advantages of Accounting Information Systems (SIA) is a computerized speed increase the accuracy of data processing accounting information. SIA as an open system cannot be maintained as a system free of errors or fraud, so good internal control is a way for a system to protect itself from harm. Internal control is a process run by board of commissioners, management and other entity personnel designed to provide
confidence in this: (1) the efficiency of financial reporting, (2) the effectiveness and efficiency of operations, and (3) Compliance with laws and regulations. Internal controls are made to minimize errors and risks of business transactions. Therefore, in the internal control there are policies and procedures appropriate for the company to achieve its goals and objectives (Arens, Elder and Mark, 2012). The internal control framework issued by COSO (the Committee on Sponsoring Organizations) has five components, namely (Arens, Elder and Mark, 2012):

1. Control environment, consists of actions, policies and procedures that reflect the attitude of top management, the directors and owners of the entity as a whole on internal control and its importance to the entity.
2. Risk assessment and analyze the risks relevant to the preparation of GAAP (Generally Accepted Accounting Principles).
3. Control activities are policies and procedures that help ensure that necessary action has been taken to address risks to achieve the goals of the entity.
4. The purpose of the accounting information and communication system of the entity is to initiate, record, process and report transactions conducted by that entity and maintain accountability of the related asset.
5. Monitoring activity is related to the continuous or periodic assessment of the quality of internal control by management to determine that the controls are operating as expected, and have been modified in accordance with changing conditions. Adequate internal controls are required to monitor the course of company activity.

This is intended to avoid the occurrence of things that can cause losses companies such as fraud, cheating, waste, and theft both from internal or external parties in assessing the company and to evaluate and take corrective action in anticipation of corporate weaknesses. Internal control system is expected to reduce the weaknesses, errors, and fraud that occurred. Based on the above description, accounting information system requires internal control, which means that the accounting information system and internal control should run together in a company. These reviews may be performed in conjunction with a financial statement audit, internal audit, or other form of attestation engagement.

2. Literature Review

Electronic commerce is an emerging concept that describes the process of buying and selling or exchanging of product, service and information via telecommunication and computer networks including the internet. (Kalakota and Robinson, 2001) define Electronic Commerce from various perspectives as:

1. From a communication perspective, E-commerce is the delivery of information, products/services, order and payments over telephone lines, computer networks or any other electronic means.
2. From a business process perspective, E-commerce is the use of technology towards the automation of business transaction and workflow.
3. From a service perspective, E-commerce is a tool that caters to the need of firms, consumers and management to cut down the transaction costs while improving the quality of goods/services and increasing the speed of delivery.
4. From an online perspective, E-commerce provides the capability of buying and selling products and information on the internet and other online services.

The Electronics Trade Association simply defines E-Commerce as "Business business electronically". CommerceNet, an industry consortium, provides a more complete definition of "the use of computer networks as a means of business relationships". CommerceNet adds that
in E-Commerce there is "the process of purchasing and selling services or products between two parties via the Internet or the exchange and distribution of information between two parties within a company using an intranet". While Amir Hartman in his book "Net-Ready" (Mirzaee and Ghaffari, 2018) more specifically defines E Commerce as "a kind of electronic business mechanism that focuses on individual business-based transactions using the Internet as a medium of exchange of goods or services between two institutions (B-to-B) as well as between institutions and direct consumers (B-to-C) " (Alsaad, Mohamad and Ismail, 2018). Some academics have also agreed to define E-Commerce as "one of the ways to improve the performance and mechanism of exchange of goods, services, information and knowledge by utilizing digital network equipment technology" (Arnold, 2018; Badewi et al., 2018). E-commerce, electronic data interchange (EDI), and the Internet have dramatically changed business practices and record-keeping processes. Business implementation on the World Wide Web (WWW) has enabled organizations to connect with the outside world on-line and improve all aspects of their business(Lee and Tao, 2018; Perez-Estebanez, Urquia-Grande and Rautiainen, 2018). Business transactions in high tech environments are fully done with electronic form. Technology with low cost, high speed digital data transmission, using hardware that can generate information quickly and easily, and use software that can reduce, even in many cases can save time, eliminating the limitations of space and other limitations in obtaining information.

3. Research Methods

Descriptive methods is a research conducted with the main objective to objectively describe or describe a situation. This research design is used to solve or answer problems that are being faced in the current situation. Descriptive research also means research that is intended to explain individual phenomena or characteristics, certain situations or groups accurately. Literature study conducted by the author is by searching various written sources, in the form of books, archives, magazines, articles, and journals, or documents that are relevant to the problem being studied. So that the information obtained from this literature study is used as a reference to strengthen the existing arguments. Literature Study is a research conducted by researchers by collecting a number of book books, magazines related to research problems and objectives. This technique is carried out with the aim to reveal various theories that are relevant to the problems being faced /examined as reference material in the discussion of research results. This literature study was carried out by researchers after determining the research topic and determining the formulation of the problem, before plunging into the field to collect the necessary data.

4. Result And Discussion

The implementation of e-commerce within the company has several competitive advantages, namely (Vanneschi et al., 2018):

1. Productivity and cost reduction, E-commerce helps companies carry out value chain activities more effectively by helping companies engage in the integration of overall sales, production, and delivery processes electronically through bounds and times.
2. Speed, Information and knowledge can move freely within the company and its consumers, suppliers, and constituents. Managers can implement decisions faster. E-commerce can also reduce time to market and other cycle times to respond to implementation or anticipate business needs.
3. New opportunities and value creation, Business through the web can flourish because of the flexibility, focus, and initiative of entrepreneurs through global operations. A key benefit of
global organizations is the ability to implement strategies on a wider scale, a globalized organization.

If look closely, there are basically 4 (four) types of relationships in the business world commonly woven by a company (Fingar and Aronica, 2001):

a) Relation with supplier (supplier);  
b) Relationships with distributors;  
c) Relationships with partners (partners); and  
d) Relation with consumer (customer).

This section discusses the impact of e-commerce on changes in the role of accountants, audit risk assessments, internal controls, and the collection and validation of electronic audit evidence.

4.1 Accounting Information System (AIS)

According to (Vanneschi et al., 2018) AIS is a collection of organizational activities that are responsible for providing financial information and information obtained from data transactions for internal reporting purposes to managers for use in future control and planning and operations in the future and external reporting to shareholders, government, and other outside parties. From the definition can be concluded that the AIS is an activity input, process, and output data conducted by the company. The final results of the data processed by the SIA are intended as internal and external party reports to control the company.

4.1.1 Mistakes And Risk In AIS

The errors occurred in the AIS usually occurs by two because that is a deliberate errors and mistakes are not intentional. Unintentional errors generally occur in the process of data processing applications, such as you enter the code, any value that generally error is due to the inaccuracy. Deliberate mistakes, is cheating in the form of theft or misappropriation of the assets of the company. (Arens, Elder and Mark, 2012) describe some specific risks that occur in information technology systems include:

1. Risk on hardware and data a. Dependence on the ability of the proper functioning of hardware and software. b. Systematic errors versus random error. c. Unauthorized access. d. The loss of data.
2. An audit trail is reduced a. Audit trail visibility b. Reduced human involvement c. The absence of the traditional authorization  
3. The need for IT experience and segregation of duties a. Segregation of duties reduced b. The need for IT experience, adding a computerized system risk is the risk of a general nature is that something that computerized systems can not function, resulting in the company's operations become dormant. Something that is meant to be a power interruption or network system.

4.1.2 Control of Computer-Based Information System

The types of controls used by the company to ensure the integrity of accounting information system:

1. General controls common controls designed to ensure that the entire computer system can function optimally and data processing can be carried out smoothly as planned. General controls can be done in the following way:  
a. Preparation of security plan  
b. Separation of duties in the functioning of the information system
c. Preparation of project control information system  
d. Physical access control  
e. Login access control  
f. Control data storage  
g. Data transmission control  
h. Standard documentation  
i. Minimize downtime information  
j. Damage recovery plan  
k. Protection against computer and network  
l. Control of the internet  

2. The main purpose of the application control application controls is to assure the accuracy and validity of input, process and output of the application program. Application controls and general controls complement each other, so both are important and necessary, because the application control is much more effective if supported by a strong public control. If the application control is weak, then the output of the AIS will contain errors. Contains an error when used to make a decision, the decision will result in improper or misleading, and can affect the relationship between the company and its customers, suppliers and other external parties.

At AIS contained computerized input, process and output in data processing, need for internal control in the processing of these data in order to produce good data for the company describes as follows: 1. Input Control input control aims to ensure that the received data to be processed have been authorized, complete, free of fault, identified as data that can be read by machine (computer). 2. Process Control process control aims to prevent errors that occur during the process of data entered into the computer. 3. Control Output Control output aims to ensure accuracy in processing the results and ensure that the party entitled to receive only the output. Input Control input control aims to ensure that the received data to be processed have been authorized, complete, free of errors, identified as data that can be read by machine (computer).

4.2 Internal Control

Computing technology related judgments including database management, networking, data communications (Guo et al., 2018) and auditing judgment including security issues. This action is undertaken by management to plan, organize, and direct performance for adequate action that provides reasonable assurance for the achievement of the objectives of meeting the objectives and objectives set for operations and programs, the use of resources economically and efficiently, securing resources, trust and integrity, and adherence to policies, planning, procedures, laws and regulations. This field includes policies and procedures that access to equipment, software, and data restricted to authorized users only. SAS no. 56 and 78 provide general guidelines for internal control frameworks in electronic data processing (EDP) environments (Hwang, Lin and Shin, 2018). Accounting control structure according to AICPA in SAS No. 3 divided into two, namely general control and application control.

4.2.1 General Control

General control is the overall control that impacts the electronic data processing environment. The objective is to establish a comprehensive control framework for electronic data processing activities and to provide a reasonable level of assurance that overall internal control objectives can be achieved. These general controls include:
1. **Organizational Control and Operations**

Organizational and operational controls are implemented by segregating functions in the electronic data processing part and separating the electronic data processing part by itself with the data user part. In order to avoid confusion in the organization, it is necessary to describe the position. Electronic data processing departments within the organizational structure should have their own position in order to be independent. Independence is required for the electronic data processing department to serve all parties within the organization as needed in order to achieve the organization's overall objectives.

2. **Documentation Control**

Documentation can be regarded as written material or something that provides information about a subject. Documentation may contain descriptions, descriptions, flowcharts, lists, prints of computer results, and examples of objects from information systems. Documentation in accounting information systems are grouped into two parts:

   a. Documentation stored in the accounting department.

      1) Documentation of basic documents.
      - It is a documentation that contains a collection of basic documents as evidence of transactions used in the system.

      2) Documentation of account list.
      - It is a documentation that shows information about the accounts used in the transaction. The list of accounts contains a list of account codes, account names, PDE Managers, System, analysts, Programmers, Compu Data Entry, Computer, Librarian Data Control, Group DBA, classification, as well as instructions from each account how the account is used.

   b. Documentation in the PDE section

      1) Documentation of procedures, may contain procedures to be performed in a given situation

      2) Documentation system, shows the form of data processing system described in the system flowchart. In this documentation can be seen a description of the input used, the resulting output, the files used, news processing error reports and control lists for each system processing.

      3) Program documentation, Illustrates the logic of the program in the form of a program flowchart (program flowchart), decision tables, and forms of program control.

      4) Documentation of the operation, the operating documentation contains explanations of the ways and procedures of operating the program.

      5) Data documentation, the data documentation contains the definitions of the data items in the database used by the information system.

   Documentation can be regarded as written material or something that provides information about a subject. Documentation may contain descriptions, descriptions, flow charts, lists, computer prints, and examples of objects from information systems.

3. **Hardware Control.**
Hardware control is a control system already installed in a computer by the manufacturer. This control is intended to detect errors or malfunction of hardware. Hardware control can be *Dual Read Check, Parity Check, Echo Check, Read After Check*

4. Physical Security And Data Security Control

Computer and file protection should be made to avoid damage and fire.

5. Communication Control

Communication control is intended to handle errors during the process of transmitting data and to prevent data security during transmission of such data. This control covers two things, namely: (Marshall and Lambert, 2018)

1. Control of transmission errors. In a data transmission may occur unexpected interruptions, called noise. When there is noise, then the data will be transmitted error. These errors must be detectable and corrected.
2. Control of data transmission security. In transmitting data from one place to another there will be problems with respect to the security and confidentiality of transmitted data. To overcome and protect the security of the data, it is necessary to change its shape into a certain secret code.

4.2.2 Application Control

a) Control input has a purpose to ensure that the valid transaction data has been complete, collected all and free of errors before the processing process. Is an important control, because the input is wrong, the output will also be wrong. And the wrong input when it has passed the processing stage, will be difficult to detect. So the input data must be completely error-free.

b) Control is done when used media such as card plong, paper ribbon, magnetic tape and magnetic disk off-line.

c) Control at the data entry stage. Control at this stage in the form of checks that have been programmed in the application program and called programmed check (programmed check) (Mahindroo, Samalia and Verma, 2018). Controls in the programmed check can be Echo check, Existence check and Matching check.

4.2.3 Processing Control

The purpose of processing control is to prevent errors that occur during data processing done after the data entered into the computer. Error processing can occur because the application program used to process the data contains errors (Kasemsap, 2018). Errors that occur during the processing phase can be controlled by checking the process of the program. Computer programs are made in such a way that errors that occur during processing can be detected. Errors can then be corrected after processing is complete.

4.2.4 Output Control

Output which is a product of data processing can be presented in two main forms, namely in the form of hard copy and soft copy. In the form of hard copy is the most widely done is in the form of reports printed using the printer (printer) and in the form of soft copy is the most common form of display on the screen terminal.

In e-commerce business all transactions are done electronically and some accounting information systems owned by the company can also be accessed by outsiders. Customers can make a purchase order even look at the inventory owned by the company, so that it has an impact on its internal control. The impact of ecommerce on internal control poses a new problem on the validity of transactions, authorization of transactions and the security of...
corporate property. To minimize such risks and obtain good results, accounting information systems should be supplemented by internal controls, internal controls required as guidelines or limitations applied by the company to minimize risks that may occur with regard to the use of accounting information systems to achieve the goals of the company.

5. Conclusions

The company generally performs internal control over the input, process, and output of its business process activities, manual controls used include transaction authorization, supervision, task separation, accounting records, access control, and independent verification. Computerized controls are grouped into two general controls and application controllers. General controls relate to entities entirely, such as control over data centers while application control ensures system-specific integrity such as sales order processing, merchant debt, and payroll applications.

References


The Effect Of Issuance Of Sukuk Funds To Sharia Banking Performance

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Abstract: The purpose of this study is to examine empirically how the influence of Sukuk (Islamic bonds) on the performance of Islamic Banks in Indonesia. This research is expected to explain that there is an increase in the performance of Islamic Banks in Indonesia, namely the ratio of liquidity, profitability and solvability with the Sukuk funds. Action Plan carried out on each evaluation strategy begins by defining a series of theoretical concepts, relevant levels of analysis, and measurable indicators. The dependent variable of this research is Return on Assets (ROA), Capital Adequacy Ratio (CAR) and the independent variable of this research is Sukuk (Sharia Bonds). ROA is the ratio between profit before tax to the average assets owned by a bank in one period, and CAR is the ratio of the obligation to fulfill the minimum capital that must be owned by the bank. The data analysis model uses multiple linear regression method. Data Observations used are data of these variables in the last four years, in 2014-2017. Data obtained from Bank Indonesia. Analysis carried out with SPSS Software (Statistical Package Social Science) The results of this study prove that the Sukuk (SKD) and the Sukuk sold (SKT) do not have a significant effect on ROA and prove that the Sukuk (SKD) and Sukuk sold (SKT) have a significant effect on CAR.

Keywords: Sukuk owned, Sukuk sold, ROA and CAR.

1. Introduction

Along with the times and the recognition of the concept of sharia-based finance in the world as one of the forms of Islamic financial instruments that have been widely published by corporations and countries where is Sukuk. Malaysia offered the first issuance of USD 600 million Sukuk in 2002. This was followed by the launch of a $ 400 million "Sukuk trust" from the Islamic Development Bank in September 2003 (Huda and Nasution, 2014).

The potential for domestic Sukuk in 2003-2007 continued to increase. In 2003 there were only six issuers with a nominal value of Rp. 740 billion, then in 2007 the total issuers reached 21 issuers with a nominal value of Rp. 3,23 trillion so that the market share volume of Islamic bonds reaches 2.5%, among the 21 issuers there are three issuers from the banking sector, namely Bank Muamalat, Bank Syariah Mandiri and Bank Bukopin, among the three banks there are 2 Islamic banks namely Bank Muamalat and Banks Syariah Mandiri.

In Islamic banks capital is needed to see the bank's performance based on the capital adequacy ratio (capital adequacy ratio) as well as conventional banks. Capital serves to maintain public trust, as a final buffer to protect banks from unexpected losses and maintain business continuity when the economy experiences difficulties.

Efforts to encourage the bank's intermediary function in the form of credit expansion must be balanced with adequate additional capital. If the bank manager cannot provide adequate
additional capital, then the decrease in capital adequacy cannot be avoided. Banks must provide a total capital of at least 8% of assets rather than risk. One alternative to increasing capital carried out by banks is to issue bonds. Bonds are a statement of debt from the bond issuer to the bondholders along with a promise to repay the principal and the coupon (bond) at the time the payment is due. Sharia bonds with a relatively long maturity period of 5 to 7 years. The need for additional capital is also felt by Islamic banks to strengthen the capital structure. One example of Islamic banks in Indonesia can be seen from the Bank Syariah Mandiri ratios before and after the issuance of Islamic bonds (Sukuk).

### Table 1. Ratios of Bank Syariah Mandiri before and after issuance of Islamic bonds (Sukuk)

<table>
<thead>
<tr>
<th></th>
<th>Dec 00</th>
<th>Dec 01</th>
<th>Dec 02</th>
<th>Dec 03</th>
<th>Dec 04</th>
<th>Dec 05</th>
<th>Dec 06</th>
<th>Dec 07</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAR</td>
<td>117.18%</td>
<td>63.18%</td>
<td>38.91%</td>
<td>20.87%</td>
<td>11.88%</td>
<td>12.56%</td>
<td>12.44%</td>
<td></td>
</tr>
<tr>
<td>ROA</td>
<td>2.60%</td>
<td>3.30%</td>
<td>3.51%</td>
<td>1.03%</td>
<td>2.86%</td>
<td>1.83%</td>
<td>1.10%</td>
<td>1.53%</td>
</tr>
<tr>
<td>ROE</td>
<td>4.10%</td>
<td>4.43%</td>
<td>3.61%</td>
<td>3.61%</td>
<td>22.2%</td>
<td>23.39%</td>
<td>18.27%</td>
<td>32.22%</td>
</tr>
</tbody>
</table>

Bank Syariah Mandiri issued Islamic bonds in October 2003 with a principal amount of Rp. 200 billion, with a term of 5 years. From the table above can be seen that after Bank Mandiri issued Sukuk, it was seen that the CAR ratio was relatively stable. For financial ratios, there was an increase in the ROE ratio even though there was a decline in 2006 but increased dramatically in the following year, while ROA tended to be stable.

2. Literature Review

2.1 Sukuk (Sharia Bonds)

Sukuk is defined as a legal document that becomes evidence of capital surrender to the ownership of a property that may be transferred and is permanent or long-term (Wahid, 2010). Islamic bonds are long-term securities based on sharia principles issued by issuers to Sharia bondholders which require issuers to pay income to Sharia bondholders in the form of profit sharing, margins or free, and repay bond funds when they are due (Huda and Nasution, 2014). The mechanism of Sukuk formation is almost the same as the mechanism for establishing Islamic bonds, and there are only minor differences.

2.2 Banking Performance

Bank’s health level is the result of an assessment of the Bank's condition carried out on the Bank's risks and performance or in another sense the level of the Bank's health is a reflection that a bank can carry out its functions properly. Bank health as the ability of a bank to conduct banking operations normally and be able to fulfill all its obligations adequately in ways that are by applicable banking regulations. The definition of the health of the bank above is a comprehensive limitation because the health of the bank does cover the health of a bank to carry out all its banking business activities. In other words, the soundness of the bank is also closely related to the fulfillment of banking regulations.
2.3 Assessment Techniques with the CAMELS method

The following is an explanation of the CAMEL method:

1. Capital, the definition of capital adequacy is not only calculated from the nominal amount and it also the Capital Adequacy Ratio (CAR). The ratio is a comparison between the amount of capital and risk-weighted assets (RWA). CAR of a bank is at least 8%.
2. Quality Assets, although in real terms banks have substantial capital, if the quality of their productive assets is weak, the capital condition may be worse. It is partly related to various issues such as the formation of reserves, valuation of assets, the provision of loans to related parties.
3. Management, assessment of management factors in assessing the soundness of commercial banks is evaluating the management of the bank concerned. The evaluation is using about one hundred questionnaires grouped into two major groups, the general management, and risk management.
4. Earning, assessment in this element based on (1) Profit to Total Assets Ratio (ROA/Earning1). (2) Operating Expense Ratio to Operating Income (Earning 2).
5. Liquidity, is a ratio to assess bank liquidity. Assessment of bank liquidity based on (1) The ratio of the net liabilities of call money to current assets. (2) The ratio between credit to funds received by the bank. The level of health of commercial banks is seen from the ratio of liquidity, solvency, profitability, capital adequacy ratio and Financing Deposit Ratio.

2.4 Hypotheses Development

The hypotheses in this study are as follows:

H1: There is significant influence between the value of Sukuk owned and Sukuk sold on ROA on Islamic Banks in Indonesia.

H2: There is significant influence between the value of Sukuk owned and Sukuk sold on CAR of Islamic Banks in Indonesia.

3. Research Methods

This research approach uses a quantitative approach which is dimensioned causal relationship, that is a study conducted on facts to prove empirically about the influence of a variable with other variables. As for the dependent variable (Y), namely Return On Assets (ROA) and Capital Adequacy Ratio (CAR), the independent variable (X) is the value of Sukuk owned and Sukuk sold. The data in this study are secondary data on Islamic Banking from Bank Indonesia financial statements from 2014 - 2017. Data collection used documentation methods. Documentation data is presented, among others, in the form of tables or diagrams — meanwhile, secondary data obtained from the literatures, sites, books, and notes. The population in this study is all Islamic Banking financial statements from the Financial Services Authority (OJK) in 2014-2017. The data analysis model used a multiple linear regression method.
4. Result And Discussion

4.1  Result

4.1.1 Descriptive Statistical Analysis

<table>
<thead>
<tr>
<th>Table 2. Regression Weights</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>-----------------------------</td>
</tr>
<tr>
<td>SKD</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>SKT</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>ROA</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>CAR</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
</tr>
</tbody>
</table>

The descriptive statistics table above explains that the Sukuk Value Owned by Islamic Banking has an average value of 16792.76 billion with a deviation of 8780.60 billion. The lowest value is 4606.84 billion, and the highest value is 35386.20 billion. The values of Sukuk sold Islamic Banking has an average value of 1669.39 billion with a deviation of 837.21 billion. The lowest value is 500 billion, and the highest value is 3150 billion. The spread of this data shows the data distribution is normal. ROA value of Islamic Banking has an average value of 0.76% with a deviation of 0.28%. The lowest value is 0.8%, and the highest value is 1.16%. The CAR value of Islamic Banking has an average value of 15.64% with a deviation of 0.96%. The lowest value is 14.09%, and the highest value is 17.91%.

4.1.2 Classic Assumption Test

a. Normality test
b. Multicollinearity test, The results of multicollinearity testing can be seen below.

<table>
<thead>
<tr>
<th>Table 3. Multicolinearity test</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collinearity Statistics</td>
</tr>
<tr>
<td>Model</td>
</tr>
<tr>
<td>-------------------------------</td>
</tr>
<tr>
<td>1 (Constant)</td>
</tr>
<tr>
<td>SKD</td>
</tr>
<tr>
<td>SKT</td>
</tr>
</tbody>
</table>

Source: SPSS Version 20 processing results.

Based on table 3, the result of multicollinearity test shows that no variable has a VIF value <10. The tolerance value of all variables> 0.1. So that it can be concluded that the regression model of the equation I in this study does not occur multicollinearity or free from multicollinearity.
c. Heteroskedasticity Test  

The results of testing heteroskedasticity data in this study can be seen in the figure below: Based on ROA and CAR Heteroscedasticity Test Results shows that the points spread randomly and spread over and below the number 0 on the Y axis. It can be concluded that there is no heteroscedasticity in the regression model, so the regression model is feasible to use. Symptoms of heteroscedasticity can be seen by means of, if there are certain patterns, such as dots that form a regular pattern (wavy, widened and then narrowed), then there has been heteroscedasticity and if there is no clear pattern, and the points spread above and below the number 0 on the Y axis, heteroscedasticity does not occur. This means that there is no heteroscedasticity in the regression model, so that a decent regression model is used to predict the decision to choose based on input from the independent variable.

d. Autocorrelation Test

Autocorrelation test results can be seen in the table below. The following autocorrelation test can be seen below:

<table>
<thead>
<tr>
<th>Table 4. Autocorrelation Test of Regression Equation I</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Model Summary</strong>^b</td>
</tr>
<tr>
<td>Mod Model  R R Square Adjusted R R Square Std. Error of Estimate Durbin-Watson</td>
</tr>
<tr>
<td>1 .223 .050 .008 .27676 1.771</td>
</tr>
<tr>
<td>a. Predictors: (Constant), SKT, SKD</td>
</tr>
<tr>
<td>b. Dependent Variable: ROA</td>
</tr>
</tbody>
</table>

Source: SPSS version 20.

Based on the results of the autocorrelation test of the regression I equation, it was found that the statistical value of Durbin-Watson of 1.771 was between the values of 1.0 - 2.0 indicating that there was no negative or positive autocorrelation.

<table>
<thead>
<tr>
<th>Table 5. Autocorrelation Test of Regression Equation II</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Model Summary</strong>^b</td>
</tr>
<tr>
<td>Mod Model  R Adjusted R R Square Std. Error of the Estimate Durbin-Watson</td>
</tr>
<tr>
<td>1 .467 .218 .183 .86539 1.435</td>
</tr>
<tr>
<td>a. Predictors: (Constant), SKT, SKD</td>
</tr>
<tr>
<td>b. Dependent Variable: CAR</td>
</tr>
</tbody>
</table>

Source: SPSS version 20.

Based on the results of the autocorrelation test of the regression I equation, it was found that the statistical value of Durbin-Watson of 1.435 was between the values of 1.0 - 2.0 indicating that there was no negative or positive autocorrelation.
4.2 Discussion

4.2.1 The coefficient of determination R²

The coefficient of determination (R²) is used to see how the variation in the value of the dependent variable is affected by the variation in the value of the independent variable (Lemiyanu, 2015). The coefficient of determination between zero and one, the value that approaches one means that the independent variables provide the information needed to predict the dependent variable. The following coefficient of determination of this study:

Table 6. Determination coefficient of regression equation I

<table>
<thead>
<tr>
<th>Model Summaryb</th>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjuste Std. Error of Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>.223</td>
<td>.050</td>
<td>.008 .27676 1.771</td>
</tr>
<tr>
<td>a. Predictors: (Constant), SKT, SKD</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>b. Dependent Variable: ROA</td>
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</tbody>
</table>

Source: SPSS version 20

Based on table 6 Equation of regression I above, it is known that the value of Adjusted R square is 0.008, this means that only 8% variation in ROA can be explained by the variation of both the sukuk-free variables (SKD) and sukuk sold (SKT). Whereas the rest (100-8% = 92%) is explained by other causes outside the regression model. Std value. Estimated Error (SEE) is 0.27676. The smaller the SEE value will make the regression model more precise in predicting the dependent variable.

Table 7. Determination Coefficient of Regression Equation II

<table>
<thead>
<tr>
<th>Model Summaryb</th>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjuste Std. Error of Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>.467</td>
<td>.218 .183</td>
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<td>a. Predictors: (Constant), SKT, SKD</td>
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<td></td>
</tr>
<tr>
<td>b. Dependent Variable: CAR</td>
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</tbody>
</table>

Source: SPSS version 20

Based on table 7 the regression equation I above is known that the value of Adjusted R square is 0.183, this means that only 18.3% variation of CAR can be explained by the variation of the two independent variables of Sukuk owned (SKD) and Sukuk sold (SKT). While other causes explain the rest (100-18.3% = 81.7%) outside the regression model. Std value. Error Estimation (SEE) is 0.86539. The smaller the SEE value will make the regression model more precise in predicting the dependent variable.
### 4.2.2 F- Test Statistics

Based on the tests that have been conducted, the F test can be seen in the table below.

#### Table 8. Test F Regression Equation I

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Regression</td>
<td>.181</td>
<td>2</td>
<td>.090</td>
<td>1.18</td>
<td>.316</td>
</tr>
<tr>
<td>Residual</td>
<td>3.447</td>
<td>45</td>
<td>.077</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>3.628</td>
<td>47</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), SKT, SKD  
b. Dependent Variable: ROA  
Source: SPSS version 20 processing

In table 8 F-test equation regression I above can be seen that Fcount is 1.181 while Ftable (α = 0.05; df regression 2; df residual; 47) is 2.87 (attachment in table F) with a significant level of 0.316. Then the calculations obtained Fcount <2.87. A significant level is greater than the probability of 0.05 (0.316 > 0.05). So this indicates that Ha is rejected and the independent Sukuk variable (SKD) and Sukuk that are sold (SKT) simultaneously have an insignificant effect on the connecting variable, namely Return On Assets (ROA).

#### Table 9. Test F Regression Equation II

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Regression</td>
<td>9.377</td>
<td>2</td>
<td>4.688</td>
<td>6.260</td>
<td>.004a</td>
</tr>
<tr>
<td>Residual</td>
<td>33.701</td>
<td>45</td>
<td>.749</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>43.078</td>
<td>47</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), SKT, SKD  
b. Dependent Variable: CAR  
Source: SPSS version 20 processing

In table 9 test F equation regression I above can be seen that Fcount is 6.260 while Ftable (α = 0.05; df regression 2; df residual; 47) is 2.87 (attachment in table F) with a significant level of 0.004. Then the calculation obtained Fcount > 2.87. The level is significantly smaller than the probability of 0.05 (0.004 <0.05). So this indicates that Ha is accepted and the independent Sukuk variable (SKD) and Sukuk sold (SKT) simultaneously have a significant influence on the connecting variable, namely Capital Adequate Ratio (CAR).
4.2.3 T-test (partial)

T test decision making on the regression equation I and equation II regression test can be done by comparing significant t count with the following conditions:

1. If significant t test < α 0.05 or equals 0.05 then it can be said that Human Capital efficiency, Capital employed efficiency, and Capital efficiency structure partially affect significantly to Return on Assets (ROA).

2. If significant t > α 0.05 test, it can be concluded that Human Capital efficiency, Capital employed efficiency, and Capital efficiency structure have not partial effect on Return on Assets (ROA).

<table>
<thead>
<tr>
<th>Table 10. Test t of regression equation I</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Coefficients</strong></td>
</tr>
<tr>
<td>Unstandardized</td>
</tr>
<tr>
<td>a. Dependent Variable: ROA</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Model</th>
<th>B</th>
<th>Std. Error</th>
<th>Beta</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (Constant)</td>
<td>.843</td>
<td>.118</td>
<td>7.13</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>SKD</td>
<td>2.323E-6</td>
<td>.000</td>
<td>.073</td>
<td>.505</td>
<td>.616</td>
</tr>
<tr>
<td>SKT</td>
<td>- .000</td>
<td>-.211</td>
<td>- .153</td>
<td>1.45</td>
<td></td>
</tr>
</tbody>
</table>

In table 10 can be explained test t test equation regression I can be explained as follows:

1. Sukuk owned (SKD) has a significant value of 0.616, the value is greater than the level of test 0.05 (0.616> 0.05), then the influence of the Sukuk (SKD) on Return on Assets (ROA) is not significant at the level of the test 0.05. This means that the Sukuk owned (SKD) partially has a positive and insignificant effect on Return on Assets (ROA).

2. The Sukuk sold (SKT) has a significant value of 0.153, the value is greater than the 0.05 level test (0.153> 0.05), so the effect of the Sukuk sold (SKT) on Return on Assets (ROA) is not significant at the level of test 0.05. This means that the Sukuk sold (SKT) partially has a negative and insignificant effect on Return on Assets (ROA).

Based on the data that has been obtained, the results of the t-test regression equation II can be seen as follows:
Table 11. Test t of regression equation II

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>15.26</td>
<td>.369</td>
<td>41.32</td>
</tr>
<tr>
<td></td>
<td>SKD</td>
<td>4.581</td>
<td>.000</td>
<td>.420</td>
</tr>
<tr>
<td></td>
<td>SKT</td>
<td>.000</td>
<td>.000</td>
<td>-.206</td>
</tr>
</tbody>
</table>

a. Dependent Variable: CAR

Source: SPSS version 20 processing results

From table 11 test t test regression equation II can be explained as follows:
1. Sukuk owned (SKD) has a significant value of 0.003, the value is smaller than the level of test 0.05 (0.003 < 0.05), then the effect of the Sukuk (SKD) on Capital Aducation Ratio (CAR) is significant at the level of test 0.05. This means that the Sukuk owned (SKD) partially has a positive and significant effect on the Capital Aducation Ratio (CAR).
2. Sukuk sold (SKT) has a significant value of 0.126, the value is greater than the 0.05 level test (0.126 > 0.05), so the effect of the Sukuk sold (SKT) on Capital Aducation Ratio (CAR) is not significant at the level of test 0.05. This means that the Sukuk sold (SKT) partially has a negative and insignificant effect on the Capital Aducation Ratio (CAR).

5. Conclusions

Based on the results of research and discussion, the following conclusions can be drawn:
1. Conclusion of First Regression Analysis
   a. The results of the discussion simultaneously prove that the Sukuk owned (SKD) and the Sukuk sold (SKT) have no significant effect on ROA.
   b. The results of the discussion partially prove that the Sukuk (SKD) does not have a significant effect on ROA.
   c. The results of the discussion partially prove that the Sukuk sold (SKT) does not have a significant effect on ROA.
2. Conclusion of Second Regression Analysis
   a. The results of the discussion simultaneously prove that the Sukuk owned (SKD) and the Sukuk sold (SKT) have a significant effect on CAR.
   b. The results of the discussion partially prove that the Sukuk owned (SKD) has a significant effect on CAR.
   c. The results of the discussion partially prove that the Sukuk sold (SKT) does not have a significant effect on the CAR.

Based on the above conclusions, it can be stated that some suggestions that might be useful for the company through this research are as follows:
1. For Islamic Banking, because the Sukuk owned (SKD) affects CAR, sharia banking should be able to determine the value of the sukuk that is owned in accordance with its capital requirements in order to maintain the CAR value.

2. For further researchers, it is expected to add other variables such as EPS, ROE, to further strengthen the results of research that are different from this research. And it is better to use other models such as moderating regression and path analysis in order to produce better research.

References


The Profitability Graph Of Financing Companies In Indonesia

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Abstract: The purpose of this research is to understand the profitability of finance companies in Indonesia. The method of research using a time series analysis. The data used are secondary data sourced from the Financial Sevices Authority. The method of analysis used in this research is the graph method using Smart PLS software. The results show that the profitability of finance companies in Indonesia has decreased in the graph of financing profitability in the previous period.

Keywords: Profitability Graph, Net Income, Income Statement

1. Introduction

Technical analysis is a method for predicting future price movements and market trends or securities by studying the graph of past market actions by considering the instrument market price and interest in the instrument. Technical analysis is one analysis or approach method that evaluates the movement of a stock price, futures contract, index and several other financial instruments. In short, technical analysis can be said to be a securities analysis using historical price and volume charts. Users of technical analysis are commonly referred to as chartists. Users believe that a stock's market trends and action signals can be obtained based on certain shapes and patterns from the stock price chart (Hu et al., 2017; de Souza et al., 2018). Another form of this analysis is the use of analytic lines applied to price charts according to individual users' opinions. Therefore the basis of transaction decision making is usually also determined based on the judgment and interpretation of the user on a graph. Given its highly subjective nature, this analysis contains more art than the scientific elements. Likewise, according to each user this analysis is also specific to each security. This group of analysts can be classified into a price line analyzer and a pattern analyzer. Users of this analysis are also commonly referred to as technicians. Users believe that the trends and market action signals of a stock can be obtained based on chart patterns that are determined or indicated from quantitative calculations, not subjective interpretations of a chart's shape and pattern (Utami, Nugroho and Farida, 2017; Edwards, Magee and Bassetti, 2018; Namdari and Li, 2018). Given its quantitative nature, this method can be scientifically tested for its ability and performance in generating profits for investors. Another factor that benefits from this modern technical analysis is that the indicator can be programmed automatically using computer assistance. Broadly speaking, these technical indicators can be grouped into trend following indicators and oscillator indicators. Technical analysts and chartists use charts to analyze a large number of securities and predict future price movements. The term "securities" refers to any financial instruments that can be exchanged or quantifiable indices such as stocks, bonds, commodities, futures or market indices. A security with price data more than one time period can be used to
create a graph for analysis. Weekly data is made from compressed data to show each week as a single data point. The difference between the two can be seen in the graph above. 100 data points (periods) in the daily chart are the same as the last 5 months on the weekly chart, which is indicated by data marked in quadrilateral. The more data that is compressed, the longer the time period for the data displayed. If a daily chart can display 100 data points, then one weekly chart can display 100 weeks (almost 2 years). A daily chart that displays 100 days represents about 5 months of data. There are around 20 days of transactions in a month and around 252 days of transactions a year. The choice of data is straightforward and the duration depends on the availability of data and their respective styles. Traders usually concentrate on daily charts and intraday data to forecast short-term price movements. The shorter the time period and the less data is compressed, the more available data will be available. Because of the more detail, the short-term charts will become more volatile and more disturbances (Arthur et al., 1997; Herawati and Putra, 2018; Soon et al., 2018). Broad price movements, wide high-low prices and a price gap can affect volatility, which can distort the whole picture. Investors usually focus on weekly and monthly charts to mark long-term trends and forecast price movements. Because long-term graphs (1-4 years) describe data that is compressed over a longer period of time, the stock price does not look extreme and often there is little interference. Other strategies can use a combination of long-term and short-term charts. Long-term graphics are very good to use in analyzing a broad picture to get perspective from historical data prices. When the general picture can be analyzed, the daily chart can be used to see the last few months.

2. Literature Review

The graph is used by technical analysts, whereas in fact the use of graphics is not only limited to technical analysis. The graph represents stock price movements over a period of time that is easy to read, where this is also a good benefit for fundamental analysts. A graph of historical data will make it easier to signal the effect of an event key on the price of a security, which is displayed more than one time period, both transactions approach the highest, lowest, or between them. The time period is used to form a graph that depends on the type of data: intraday, daily, weekly, monthly, quarterly (4 months), or yearly. The less time the data is, the more detailed it will look. Daily data is made from compressed intraday data to show each day as a single data point.

3. Methods

Descriptive method is a method of examining the status of a group of people, an object, a set of conditions, a system of thought or a class of events in the present. The purpose of this descriptive research is to make a systematic, factual and accurate description, description, or painting of the facts, traits and relationships between the phenomena investigated. This study uses secondary data The research sites were at from 2016 to 2017 from Financial Authority Services. The data used in this research were time series secondary data. The hypothesis was tested using Structural Equation Modeling (SEM) with the aid of PLS software. which was one of the multivariate analyses capable of analyzing the variable relationships in complex manner (Yahya, Torong and Muda, 2017).
4. Result And Discussion

4.1 Measurement Model

Fig. 1. Standardization Coefficient

4.2 Evaluation of Regression Weight for Causality Test

The processing of data with analysis structural equation model using the SmartPLS tool obtained the results of the analysis on the relationship between variables as listed in the following Table 1:

<table>
<thead>
<tr>
<th>Table 1. Regression Weights</th>
<th>Original Sample (O)</th>
<th>Sample Mean (M)</th>
<th>Standard Deviation (STDEV)</th>
<th>t Statistics ((O/STDEV)</th>
<th>p Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital (X3) -&gt; Return on Assets (Y1)</td>
<td>-0.269</td>
<td>-0.273</td>
<td>1.644</td>
<td>0.164</td>
<td>0.870</td>
</tr>
<tr>
<td>Capital (X3) -&gt; Return on Equity (Y2)</td>
<td>-0.059</td>
<td>-0.216</td>
<td>0.839</td>
<td>0.070</td>
<td>0.944</td>
</tr>
<tr>
<td>Financing to Assets Ratio (X1) -&gt; Return on Assets (Y1)</td>
<td>-0.074</td>
<td>-0.098</td>
<td>1.652</td>
<td>0.045</td>
<td>0.964</td>
</tr>
<tr>
<td>Financing to Assets Ratio (X1) -&gt; Return on Equity (Y2)</td>
<td>-0.004</td>
<td>-0.005</td>
<td>0.822</td>
<td>0.005</td>
<td>0.996</td>
</tr>
<tr>
<td>Gearing Ratio (X2) -&gt; Return on Assets (Y1)</td>
<td>-0.148</td>
<td>-0.202</td>
<td>0.240</td>
<td>0.615</td>
<td>0.539</td>
</tr>
<tr>
<td>Gearing Ratio (X2) -&gt; Return on Equity (Y2)</td>
<td>0.975</td>
<td>0.590</td>
<td>0.566</td>
<td>1.722</td>
<td>0.086</td>
</tr>
<tr>
<td>Non Performing Financing (X4) -&gt; Return on Assets (Y1)</td>
<td>-0.210</td>
<td>-0.326</td>
<td>0.280</td>
<td>0.751</td>
<td>0.453</td>
</tr>
<tr>
<td>Non Performing Financing (X4) -&gt;</td>
<td>-0.060</td>
<td>-0.317</td>
<td>0.386</td>
<td>0.156</td>
<td>0.876</td>
</tr>
</tbody>
</table>
The results show that the profitability of finance companies in Indonesia has decreased in the graph of financing profitability in the previous period in the following Figure 2.

Fig. 2. Profitability Graph

Based on Figure 2, the strength of the dimensions that make up the latent factors can be tested using the Critical Ratio of the regression weight generated by the model. CR identity is seen by t value in the regression analysis. CR greater than 2.0 showed that the variables significantly the factors of dimension. Then the data in the analysis of this descriptive method with a qualitative approach. It is also indicated by the results of the PLS output with *** signs, indicate the probability of below 5% alpha. Fundamental analysis is a fundamental analysis to explore information including economic conditions, the industry as a whole, and the condition of the company. This analysis technique tends to consider performance and company projections to estimate stock prices. The initial method commonly used is first to capture stocks that are estimated to have feasibility. This can be done with a top-down step, which is to conduct observations starting from macroeconomic conditions, industrial sectors, to companies. Or it could also be done the opposite which is termed bottom-up, which is observing which starts from the company, the industrial sector, to macroeconomic conditions.
In practice, there are several things that investors must know about the company that issued the shares. Although it can be known through a table issued by the company, investors can also dig up information about the company's financial and transparency elements. The achievement of results (performance) can be assessed according to the actors, namely Individual performance that describes how far someone has carried out their main tasks so that they can provide results that have been determined by groups or agencies. Group performance, which describes how far someone has carried out their main tasks so that they can provide results that have been set by the group or agency. Organizational performance, which describes how far one group has carried out all the main activities so as to achieve the vision and mission of the institution. Program performance, which is related to how far the activities in the program have been carried out so as to achieve the objectives of the program. Financial elements that need to be considered, such as income per share, book value of equity, book value of shares, or expenditure ratio. All of that will be needed to assess whether the stock is good or bad. Regarding information transparency, the company has prepared it in the annual report. In the report, all company activities are contained for one year. However, usually this annual report is sometimes difficult to understand. In essence, with the annual report, you can learn various things, such as weaknesses in the management structure, earnings information, and similar information.

If fundamental analysis tends to be more on the analysis of fundamental factors, technical analysis emphasizes the use of historical data regarding changes in stock prices, trading volumes and other market indicators. Actually, technical analysis is commonly used on stock exchanges, commodity exchanges, or other markets that are affected by demand and supply. By using technical analysis, analysts or investors take advantage of market data, such as stock prices, supply and demand in the past and trading volume. Trading volume data is often a special consideration in finding a general picture of market conditions to more easily predict future price trends. In practice, there are several things that investors must know about the company that issued the shares. Although it can be known through a table issued by the company, investors can also dig up information about the company's financial and transparency elements. Financial elements that need to be considered, such as income per share, book value of equity, book value of shares, or expenditure ratio. All of that will be needed to assess whether the stock is good or bad. Regarding information transparency, the company has prepared it in the annual report. In the report, all company activities are contained for one year. However, usually this annual report is sometimes difficult to understand. In essence, with the annual report, you can learn various things, such as weaknesses in the management structure, earnings information, and similar information.

5. Conclusions

The results show that the profitability of finance companies in Indonesia has decreased in the graph of financing profitability in the previous period.

References


Variables Affected on Economic Performance

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Abstract: This research aimed to examined some variables affected on economic performance. The variables consist of environmental disclosure (ED), firm size (FS), return on equity (ROE). The population in this research is a 35 non financial company listed on the Indonesian Stock Exchange (ISE). The results conclude that environmental performance (EP), environmental disclosure (ED), firm size (FS), return on equity (ROE) positively influence on economic performance (EcP).

Keywords: economic, environmental, firm, disclosure.

1. Introduction

The company's success strategy depends on the quality and integration of information available to decision makers. The way to produce management information such as costs of sales is well established, and the systems employed to produce conventional management reports generally ensure timely availability of high-quality data to management. Economic systems based on competition not only realize high allocation efficiency, that is efficiency related to the most effective combination of labor production factors, basic capital. The superiority of the competition system is mainly seen when viewed dynamically as a driver of economic development. However, competitive advantage is gained by generating and capitalizing on business information not generally investigated by one’s competitors. Comprehensive management information, including information on environmental costs and opportunities, can yield competitive advantage. (Ikhsan, 2010, p. 5) said that environmental issues direct or not, has been included in the economic performance of a business/activity or organization. (Ferreira, Erasmus and Groenewald, 2004) stated that the issue of environmental conservation is the duty of every individual, government and company. The company has an important role in creating a good and healthy environment. Similarly, (Djajadiningrat, 2014) said that the world business (company) must play an active role in redefining its operations in a sustainable direction, because without the intervention of the world business, the world as a whole will not be able to succeed in creating sustainable conditions. Therefore, the emphasis of the company's participation in realizing a healthy social and environmental conditions is good.

2. Overview Teori

2.1 The Effect EP on EcP

The relationship between EP and EcP of firms is an important issue for environmental policy making. (Walley and Whitehead, 1994) stated in the context this relationship, it is often
stated that there is a conflict between competitiveness of firms and their EP. For example, according to the (Luken, 1997) at the level of a certain industry, the share of environmental costs (EC) in total manufacturing costs might be considerably higher than average. (Clift and Wright, 2000) stated particularly this might be the case for industries upstream in the production chain (such as primary resource extraction or primary manufacturing), which has been proven to cause environmental impacts that are not proportional to the value added associated with their production activities. (Porter, 1991; Porter and Van der Linde, 1995) and Schmidheiny (1992) stated only recently, the idea of increasing environmental performance is a potential source of competitive advantage because it can lead to more efficient processes, increased productivity, lower compliance costs and new market opportunities, although this often refers to other aspects of EP than those addressed and measured traditionally (Wehrmeyer and Tyteca, 1998). Therefore, the preceding arguments lead to the first hypothesis:

\[ H1 = \text{The EP has influence on EcP} \]

2.2 The Effect of ED on EcP

Corporate Environmental Disclosure (CED) refers to "accountability to society as a whole with respect to matters of public interest such as community welfare, public safety, and the environment" (Radebauh and Gray, 2002; Mahmes, 2016). According to (Arevalo and Aravind, 2011) to justify its continued existence, a firm should be held accountable for its performance and actions that impact upon people, their communities and their environment; to create a channel of communication with the community and legitimize its behavior and attitude towards the community in which it operates (Deegan and Rankin, 1996). The relevance of ED derives from the fact that the most of information on CED is financial and quantitative in nature, and it can have a direct impact on the financial and EcP of the corporation (Marston and Shrires, 1991). Therefore, it should be noted that the environment responsibility does not require the company to abandon other main operations. According to (Gerbens-Leenes, Moll and Schoot Uiterkamp, 2003) however, the ECP of business enterprises is often considered in correlation with its social and ED. Based on the explanation, the second hypothesis of this research is as follows:

\[ H2 = \text{The ED has influence on EcP} \]

2.3 The Effect of FS on EcP

According to Bayyurt (2007) and (Doğan, 2013) big companies have more competitive strength compared to smaller companies in fields that require competition. Because they have a larger market share, big companies have more profit opportunities. In addition, big companies can take advantage of opportunities to work in fields that require high levels of capital because they have more resources, and this situation gives them the opportunity to work in more profitable fields with little competition. When the studies focus the relation between FS and profitability are reviewed, mixed results have been found present. (Majmudar, 1997) found the impact that FS has on firm probability and productivity with a sample of 1020 Indian firms. While controlling for other variables that may affect firm performance, the study found evidence that bigger firms are less productive but more profitable. (Doğan, 2013) stated some result previous research (like Hall and Weiss, 1967; Fiegenbaum and Karnani, 1991; (Majmudar, 1997); Özgülbüş et al. 2006; Jonsson, 2007; Serrasqueiro and Nunes 2008; Lee, 2009; Stierwald, 2009; Karadeniz and İskenderoğlu, 2011; Saliba and Abdessatar, 2011; Akbaş and Karaduman, 2012; Shubita and Alswalhah, 2012) have found a positive relation
between FS and profitability. Based on the explanation, the third hypothesis of this research is as follows:

\[ H_3 \rightarrow \text{FS has influence on EcP} \]

2.4 The Effect of ROE on EcP

According to (Purnamasari, 2015), ROE is an analysis commonly used by investors and company leaders, to measure how much profit can be the right owner's own capital. For investors, the analysis of ROE is important because the analysis can determine the benefits of the investments made. For firms, this technique is important because it is a pull factor for investors to invest. ROE is a measure of earnings (income) available for the owners of the firm (both ordinary shareholders and preferred shareholders) on the capital they invest in the firm. Commonly, the higher return or income earned, the better position of the firm owner. ROE shows the profitability of own capital or often referred to as the profitability of the business. Based on the explanation, the fourth hypothesis of this research is as follows:

\[ H_4 \rightarrow \text{Return on equity has influence on economic performance} \]

3. Research Methods

Non financial Indonesian companies listed on the Indonesian Stock Exchange (ISE) are the sample population of this study. The sample companies are chosen based on some selection criteria. First, firm must be listed on the Indonesian Stock Exchange after 1 January 2012. Second, firm not delisting during research. Third, company must publish their financial report audited during 2012-2014. Secondary data chosen as the source data, whereas the sources of the data indirectly obtained through intermediary media (Ikhsan, 2011). There are many advantages in using secondary data since the data gathered are less expensive, faster, and easier to obtain compared primary data.

To analyze the data, we use some technical in classical assumption such as test of normality, multicolinearity, autocorrelation and heteroskedasticity. The result shows that model is normal and free from multicolinearity, autocorrelation and heteroskedasticity. To test hypothesis from H1 to H4, we use statistical multiple regression analysis. The multiple regression analysis model used in this study is shown in the following formula:

\[ EcP = \alpha + \beta_1 EP + \beta_2 ED + \beta_3 FS + \beta_4 ROE + \varepsilon \]

4. Result And Discussion

4.1 Descriptive Analysis

The purpose of the variable description is to provide a brief overview of the research variables. Description of research variables described using the minimum, maximum, and mode of each variable. The minimum, maximum, and mode values of each variable are based on data from companies listed on the ISE during 2012-2014. Some of the variables in this study were measured using more than one indicator based on previous research and other relevant refrences. Table 1 presents the results of research data processing that results in minimal, maximum, and mode values of the research variables.

<table>
<thead>
<tr>
<th>Table 1. Descriptive Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>EcP (Y)</td>
</tr>
</tbody>
</table>
4.2 Multiple Regression Analysis (MRA)

Table 2. Multiple Regression Analysis Test

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>-.580</td>
<td>.723</td>
<td>-.802</td>
<td>.424</td>
</tr>
<tr>
<td>Enp (X1)</td>
<td>.004</td>
<td>.042</td>
<td>.011</td>
<td>.925</td>
</tr>
<tr>
<td>End (X2)</td>
<td>-.104</td>
<td>.117</td>
<td>-.101</td>
<td>.375</td>
</tr>
<tr>
<td>Size (X3)</td>
<td>.020</td>
<td>.025</td>
<td>.086</td>
<td>.426</td>
</tr>
<tr>
<td>Roe (X4)</td>
<td>.205</td>
<td>.122</td>
<td>.176</td>
<td>.095</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Ecp (Y)

The result of the test multiple regression analysis in table 2 conclude accepted hypotheses 1 (H1). Therefore, we conclude that environmental performance (X1) positively influence on economic performance (Y). This is consistent with the result obtained (Al-Tuwaijri, Christensen and Hughes, 2004), also (Heriningsih and Saputri, 2015) and not consistent with (Sarumpaat, 2006), also (Almilia and Herdinigtyas, 2005) also (Rakhiemah and Agustia, 2009) finding. The result of the hypothesis 2 (H2) in table 2 conclude accepted hypotheses 2 (H2). Therefore, we conclude that environmental performance (X2) positively influence on economic performance (Y). This is consistent with the result obtained (Lindrianasari, 2007) and not consistent with (Almilia and Herdinigtyas, 2005) finding. The result of the hypothesis 3 (H3) in table 3 conclude accepted hypotheses 3 (H3). Therefore, we conclude that firm size (X3) positively influence on economic performance (Y). This is consistent with the result obtained (Fachrudin, 2011) and not consistent with (Sunarko and Astuti, 2012; Hasnavati and Sawir, 2015) finding. The result of the hypothesis 4 (H4) in table 2 conclude accepted hypotheses 4 (H4). Therefore, we conclude that return on equity (X4) positively influence on economic performance (Y). This is consistent with the result (Herdiana, 2003) and not consistent with (Hutami, 2012; Carlo, 2014) finding.

Table 3. F-test

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>.478</td>
<td>4</td>
<td>.119</td>
<td>1,34</td>
<td>.260</td>
</tr>
<tr>
<td>Residual</td>
<td>8,894</td>
<td>100</td>
<td>.089</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>9,372</td>
<td>104</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Output SPSS
### ANOVA\text{b}

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>4,478</td>
<td>4</td>
<td>.119</td>
<td>1,34</td>
<td>.260</td>
</tr>
<tr>
<td>Residual</td>
<td>8,894</td>
<td>100</td>
<td>.089</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>9,372</td>
<td>104</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\(a\). Predictors: (Constant), Roe (X4), End (X2), Size (X3), Enp (X1)
\(b\). Dependent Variable: Ecp (Y)

\textit{Source}: Output SPSS

Table 3 shows F-test value are 1,343 with F probability are 0,260, this value more than \(\alpha\) 5\% (0,05), it means all the variables not affected as significant between EP, ED, FS, ROE on EcP.

### Table 4. Coefficient Determination Test

<table>
<thead>
<tr>
<th>Model Summary\text{b}</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>1</td>
</tr>
</tbody>
</table>

\(a\). Predictors: (Constant), Roe (X4), End (X2), Size (X3), Enp (X1)
\(b\). Dependent Variable: Ecp (Y)

\textit{Source}: Output SPSS

In Table 4, the coefficient determination test indicates that adjusted \(R\) square values are 0,013, which means that the variation rate of the EP, ED, FS, ROE variables can be explained by the EcP variables are 1,3\%. While the rest 98,7\% is explained by other variables outside the proposed model.

## 5. Conclusions

With the general objective to identify characteristics related to economic performance. First, we conclude that environmental performance (X1) positively influence on economic performance (Y). Second, we conclude that environmental performance (X2) positively influence on economic performance (Y). Third, we conclude that firm size (X3) positively influence on economic performance (Y). Fourth, we conclude that return on equity (X4) positively influence on economic performance (Y).

### References


The Affect Good Corporate Governance, Debt Default, Auditor Client Tenure, Audit Delay On Audit Going Concernopinion

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Abstract: This research is to examine the effect good corporate governance (GCG), debt default (DD), auditor client tenure (ACT) and audit delay (AD) to acceptance of audit going concern opinion (AGCO) in manufacturing company. The samples of this research is 21 company taken from the website of Indonesian Stock Exchange period 2012-2015 years. The technical sampling method used purposive sampling. To test the data, research used descriptive statistics, classical assumption test and logistic regression. The results concluded audit committee (AC), managerial ownership (MO), independent commissioner (IC) and auditor client tenure (ACT) has no influenced partially on acceptance of AGCO whereas DD and AD has influence partially on acceptance of AGCO.

Keywords: Audit Going Concern Opinion, Good Corporate Governance, Audit Delay.

1. Introduction

American Institute of Certified Public Accountant (1988) stated professional audit standards every auditor is required to evaluate each client’s ability to continue as a going concern (GC) and to provide a Going Concern Opinion (GCO) when there is a substantial doubt about a client’s future viability. According International Standard on Auditing 570 (ISA 570), auditor should issue GCO upon realising their client may not be able to continue operations or meet its obligation in the next accounting period. The period is estimated not to exceed more than a year from the date a financial statement has been audited. In Indonesia, based on SA (Audit Standard) Section 570-Business Continuity (IAPI, 2013), auditors are allowed to publish an opinion that contains a description the auditor’s doubts on the ability of a company to maintain its viability. This opinion is known as GCO. Conditions and events that trigger the auditor to issue GCO are also stated in SA 570. Research on the GCO usually focuses on (1) auditor judgment in determining whether the auditor needs to modify the audit opinion by giving an explanation about the viability, (2) errors that may occur in the issuance of GCO, (3) individual GCO consequences for companies receiving GCO (announcing firms), (4) GCO consequences for other companies in the same industry (rival firms) (Hapsoro and Suryanto, 2017). According (Carson et al., 2013), many firms that received GCO during 2000 to 2010 have survived for at least one year. This can suggest that GCO has limited predictive value because of the Type I audit reporting mistake (Geiger and Raghunandan, 2001), however many reference suggests that stakeholders consider GC audit opinion predictive (Chen and Church, 1996; Gray and Manson, 2000; Geiger and Raghunandan, 2001), so
probably GC audit opinion by itself has significant positive effect on the financial condition of the companies. The appropriate issuance of GCO is pertinent for the preservation of stakeholder interest. Stakeholders who include investors, customer, supplier and creditor are the main beneficiary of the issuance of such audit opinion. GCO functions as an early signal to the stakeholder about the ability of a company to stay afloat and without this signal stakeholders would lose billions of dollars when the company suddenly death (Osman et al., 2016).

2. Overview Teori

2.1 Agency Theory

(Jensen and Meckling, 1976) show that there could be a misalignment between the interests of the firm’s shareholders and the interest of the firm’s CEO. In general, this theory assumes that principals are neutral towards risk while agents behave in an effort to resist effort and risk. Agents and principals are assumed to be motivated by their own interests, and often the interests between them clash. In the principal's view, the compensation given to the agent is based on results. Meanwhile, in the agent's view, he would have preferred if the compensation system was not solely looking at the results but also the level of business (Ikhsan, 2010).

2.2 Audit GC Opinion

Companies that fail and do not explain GC on their audit opinion show that the auditor is more concerned with commercial aspects, and this has a negative impact on the auditor's image and loss of investor confidence in the auditor. The auditor can no longer just accept the management's view that everything is good (Ikhsan, 2011b). GC assessment is based more on the company's ability to continue its operations within the next 12 months. To arrive at a conclusion whether the company will have GC or not, the auditor must conduct a critical evaluation of management plans.

2.3 Good Corporate Corporate (GCG)

According to (Djauhari and Sihotang, 2010) GCG is a concept about controlling business corporations. This concept explain distribution of rights and obligations between the firms stakeholders and the procedures for taking decisions on firms scandal. It provides a mechanism through which the company’s objectives are set, and for attaining those objectives and monitoring performance.

2.4 Audit Committee (AC)

We can defines an audit committee as "a committee (or equivalent body) established by and amongst the board of directors of an issuer for the purpose of overseeing the accounting and financial reporting processes of the issuer and audits of the financial statements of the issuer".

2.5 Managerial Ownership (MO)

Managerial ownership is level of management ownership who actively participates in taking decisions, such as directors and commissioners. Other literature said managerial
ownership is the ownership of shares by the firm management as measured by the percentage of shares held by management.

2.6 **Board of Commissioners (BoC)**

BoC is one of the control functions contained in a company. The control function carried out by the BoC is one practical form of agency theory. In a company, the board of commissioners represents the main internal mechanism to carry out the supervisory functions of the principal and control opportunistic behavior of management. The BoC covers the interests of the principal and manager within the company. (KNKG, 2006) defines the BoC as the highest internal control mechanism that is collectively responsible to supervise and provide input to the board of directors and ensure that the company implements good corporate governance.

2.7 **Debt Default (DD)**

According to (Chen and Church, 1992) stated DD is a debtor failure (firm) to pay the principal debt or interest at maturity. The benefits of DD status have been previously examined by (Chen and Church, 1992) who conclude a strong relationship to the default status of the company suggesting that such an opinion might have been accordingly, the cost of failure to issue a GCO when the firm is in a very high default state. Therefore, it is expected that the default status can increase the likelihood of the auditor issuing a GC report.

2.8 **Tenure Audit (TA)**

TA is a time of audit assignment between auditors with companies that are continued continuously without replacing other auditors. The long relationship between accountant office and clients has the potential to cause closeness between them, this can hinder auditor independence and reduce audit quality.

2.9 **Audit Delay**

Audit delay is a phenomenon experienced by all public companies in Indonesia. The delay audit is the time span required by the independent auditor to be able to complete the audit report on the fairness of the company's financial statements from December 31 to date on the independent auditor's report (Rachmawati, 2000). Audit delay can be a problem if the audit delay range that occurs in a company is too long which can ultimately lead to delays in the delivery of financial statements. The phenomenon of audit delay in Indonesia is also a problem for some public companies in Indonesia.

3. **Material And Methods**

In accordance with research objectives revealed above, this study seeks answer for the following research questions:

RQ 1: What is audit committee effect on GC opinion?
RQ 2: What is managerial ownership effect on GC opinion?
RQ 3: What is independent commissaries effect on GC opinion?
RQ 4: What is debt default effect on GC opinion?
RQ 5: What is audit delay effect on GC opinion?
3.1 Population, Sample Selection and Data Collection

Indonesian companies listed on the Indonesian Stock Exchange (ISE) are the sample population of this study. The sample companies are selected based on some selection criteria. First, company must listed on the Indonesian Stock Exchange after 1 January 2012. Second, company not delisting during research. Third, company must publish their financial report audited during 2012-2015. Secondary data chosen as the source data, whereas the sources of the data indirectly obtained through intermediary media (Ikhsan, 2011a, p. 122). There are many advantages in using secondary data since the data gathered are less expensive, faster, and easier to obtain compared primary data.

3.2 Data Analysis

The dependent variables for the study is GCO opinion while the independent variables are good corporate governance (GCG proxies with AC, MO, and IC), DD, ACT (TENURS), and AD (ADELAY). Logistic regression is used in this research to predict the significance of the relationship between independent and dependent variables in the model. This analytical technique does not require normality testing on the independent variables (Ghozali, 2009). Furthermore, the application of the logistic regression to test relationship between factors and GC opinion is consistent with prior studies on this topic conducted in Indonesia. The logistic regression model used in this study is shown in the following equation:

\[ \ln \frac{GC}{1-GC} = \alpha + \beta_1 \text{COMMIT} + \beta_2 \text{MAN\_OWN} + \beta_3 \text{IND\_COM} + \beta_4 \text{DEF} + \beta_5 \text{TENURS} + \beta_6 \text{ADELAY} + \epsilon \]

4. Result And Discussion

4.1 Descriptive Analysis

The purpose of the variable description is to provide a short overview of the research variables. Description of research variables described using the minimum, maximum, and mode of each variable. The minimum, maximum, and mode values of each variable are based on data from 21 companies listed on the ISE during 2012-2015. Some of the variables in this study were measured using more than one indicator based on previous research and other relevant refrentions. Table 1 presents the results of research data processing that results in minimal, maximum, and mode values of the research variables.

<table>
<thead>
<tr>
<th>Table 1. Descriptive Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Descriptive Statistics</strong></td>
</tr>
<tr>
<td>OAGC</td>
</tr>
<tr>
<td>COMMITTEE</td>
</tr>
<tr>
<td>MAN_OWN</td>
</tr>
<tr>
<td>IND_COM</td>
</tr>
<tr>
<td>DEF</td>
</tr>
<tr>
<td>TENYERS</td>
</tr>
</tbody>
</table>
4.2 Logistic Regression

The logistic regression analysis has been carried out using SPSS. The model summary indicates that Nagelkerke R square values 0.688(68.8%) of the variability is explained by this set of variables. Thus, 0.3120 (31.20%) of the variability model is explained by other variables. The classification table 2 indicates that the GC opinion issuances that have been accurately identified by model is 0.133% of the distressed company.

**Table 2. Variables in the Equation**

<table>
<thead>
<tr>
<th>Variables in the Equation</th>
<th>B</th>
<th>S.E.</th>
<th>Wald</th>
<th>Sig</th>
<th>Exp(B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 1a COMMITTEE</td>
<td>1.133</td>
<td>1.85</td>
<td>0.005</td>
<td>0.94</td>
<td>1.142</td>
</tr>
<tr>
<td>MAN_OWN</td>
<td>-0.045</td>
<td>0.046</td>
<td>0.057</td>
<td>0.978</td>
<td>0.956</td>
</tr>
<tr>
<td>IND_COM</td>
<td>0.004</td>
<td>0.036</td>
<td>0.15</td>
<td>0.90</td>
<td>1.004</td>
</tr>
<tr>
<td>DEF</td>
<td>4.430</td>
<td>0.882</td>
<td>25.25</td>
<td>0.00</td>
<td>83.96</td>
</tr>
<tr>
<td>TENYERS</td>
<td>0.342</td>
<td>0.516</td>
<td>4.41</td>
<td>0.50</td>
<td>1.408</td>
</tr>
<tr>
<td>ADELAY</td>
<td>0.056</td>
<td>0.021</td>
<td>6.814</td>
<td>0.00</td>
<td>1.057</td>
</tr>
<tr>
<td>Constant</td>
<td>-7.911</td>
<td>6.85</td>
<td>1.333</td>
<td>0.24</td>
<td>0.000</td>
</tr>
</tbody>
</table>

a. Variable(s) entered on step 1: COMMITTE, MAN_OWN, IND_COM, DEF, TENYERS, ADELAY.

Source: SPSS research output

According to the B weight from the output of logistic regression (Table 2), the regression equation can be expressed as follow:

\[
\ln \frac{GC}{1-GC} = -7.911 + 0.133 \text{COMMITTEE} - 0.045 \text{MAN_OWN} + 0.004 \text{IND_COM} + 4.430 \text{DEF} + 0.342 \text{TENYERS} + 0.056 \text{ADELAY}
\]

The result of the logistic regression show that audit committee is not significant in predicting GC opinion issuance. This is consistent with the result obtained Sihombing dan Kristianto (2014) that the audit committee does not significantly affect the auditor GC opinion. The result also show Managerial ownership (MAN_OWN) is not significant in predicting GC opinion. The result also show Independent Commissaries (IND_COM) is not significant in predicting GC opinion. This is consistent with the result obtained Ramadhany (2004). The result also show debt default (DEF) is significant in predicting GC opinion. The failure to fulfill debt default and interest is indicator GC uses most of auditor to predict GC company. Furthermore, the result of Auditor client tenure (TENYERS) show that the variables...
is not significant in predicting GC opinion. The last, Audit delay (ADELAY) is significant in predicting GC opinion.

5. Conclusions

With the general objective to identify characteristics related to GC opinion issuance this study then test the effect of five variables namely audit committee, managerial ownership, independent commissaries, debt default dan audit delay on GC opinion. It is found that audit committee, managerial ownership, independent commissaries and audit delay is not significant in predicting GC opinion. But debt default variables is significant in predicting GC opinion (positive affect, p<0.05). Overall, the findings of this study confirms contention made by Sundgren and Svanstrom (2014) that auditor characteristics should be seen as main factors that could influence the propensity of auditor to issue GC opinion. Future studies should explore the impact of other characteristic of auditors such renumeration and auditor switching of GC opinion as well.

References


The Effect of Capital Adequacy Ratio, Financing to Deposit Ratio, Non Performing Financing, Operating Expenses, Operating Income and Good Corporate Governance towards the Profitability of Islamic Banking Listed in Bank of Indonesia

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3University of Yapis Papua, Indonesia

Abstract: This study aims to examine the effect of Capital Adequacy Ratio (CAR), Financing to Deposit Ratio (FDR), Non Performing Ratio (NPF), Operating Expenses and Operating Income (BOPO), and Good Corporate Governance (GCG) towards the profitability of Islamic Banking listed in Bank of Indonesia for the period 2011-2015. The population of this study is all listed Islamic Bankings in Bank of Indonesia. The samples are the Islamic Banks that have been established for 5 years and have published audited financial statements and have implemented good corporate governance system during the study period. The data analysis in this research used quantitative approach with classical assumption test, multiple regression analysis and hypothesis test assisted by SPSS 20. The results shows that the regression model is independent of multicolinearity, heteroscedasticity, autocorrelation symptoms, and the data results are normally distributed. Multiple regression analysis shows that Capital Adequacy Ratio (CAR) has positive and significant effect on profitability, Financing to Deposit Ratio (FDR) and Non Performing Adequacy Ratio (NPF) have significant and negative effect on profitability, Operating Expenses and Operating Income (BOPO) and Good Corporate Governance (GCG) has no effect on profitability.

Keywords: Capital Adequacy Ratio, Financing to Deposit Ratio, Non Performing Financing, Operating Expenses, Operating Income, Good Corporate Governance, Profitability

1. Introduction

Banking is one of the supports that strengthen the economic system of a country, because bank serves as a financial intermediary that acts as an institution that can collect and channel funds to the community effectively and efficiently. With the increase in the number of banks, competition to raise funds from the community increases which will be channeled back for those who need both for productive and consumptive purposes. For banks, funds are the most important matter and without funds banks will not run properly.
The monetary crisis in 1998 that happened in Indonesia had a significant impact on Indonesian economy, especially on banking structure. This led to declining public confidence in national banking system. The development of Islamic banking that began to develop in Indonesia attracts people attention to raise their funds in banks. Therefore, Islamic banks should improve their existence and condition in order not liquidated by Bank of Indonesia.

Islamic bank is an operating bank that is not based on interest system. Islamic bank is a financial institution/banking in which its operation and products are developed based on Al-Quran and Hadith (Damastuti, 2010). The purpose of Islamic banking is to support the implementation of national development and real sector through Islamic-based finance for the welfare of the people. The development of Islamic banking can be seen from the statistics table of Islamic banking per June 2015. Currently, there are 12 Islamic Commercial Banks with 2,121 offices, 22 Islamic Business Unit with 327 offices and 161 Islamic Rural Banks with 433 offices (Bank of Indonesia, 2015).

Islamic banking as a financial intermediary institution is expected to show better performance than banks based on interest system. One indicator to assess company performance is by looking at the profitability level. Profitability of banking company can be reviewed by comparing the items contained in the financial statements.

The factors affecting the profitability of banks include capital, liquidity, asset quality, operational efficiency and corporate governance. The important profitability ratio for banks is Return on Assets (ROA) because it is used to measure the effectiveness of company in generating profits by exploiting its assets. There are measuring tools that can be used as a gauge of the factors that affect profitability i.e. Return On Assets (ROA), Capital Adequacy Ratio (CAR), Financing to Deposit Ratio (FDR), Non Performing Financing (NPF), Operating Expenses and Operating Income (BOPO) and Good Corporate Governance (GCG). The development of average financial ratios on Islamic banking in Indonesia in 2011-2015 can be seen in Table 1 as follows:

<table>
<thead>
<tr>
<th>No</th>
<th>Indicators</th>
<th>201</th>
<th>201</th>
<th>201</th>
<th>201</th>
<th>201</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Capital Adequacy Ratio (CAR)</td>
<td>16.6</td>
<td>14.1</td>
<td>14.2</td>
<td>15.7</td>
<td>14.1</td>
</tr>
<tr>
<td>2</td>
<td>Return On Assets (ROA)</td>
<td>1.8</td>
<td>2.1</td>
<td>2</td>
<td>0.8</td>
<td>2.2</td>
</tr>
<tr>
<td>3</td>
<td>Operating Expenses and Operating Income (BOPO)</td>
<td>78.4</td>
<td>75</td>
<td>78</td>
<td>94.1</td>
<td>94.2</td>
</tr>
<tr>
<td>4</td>
<td>Financing to Deposit Ratio (FDR)</td>
<td>88.9</td>
<td>102</td>
<td>102</td>
<td>91.5</td>
<td>96.5</td>
</tr>
<tr>
<td>5</td>
<td>Non Performing Financing (NPF)</td>
<td>2.5</td>
<td>2.2</td>
<td>2.7</td>
<td>4.3</td>
<td>4.7</td>
</tr>
</tbody>
</table>

Source: Data taken from www.ojk.go.id

In Table 1, the indicators of Return on Assets (ROA), Capital Adequacy Ratio (CAR), Financing to Deposit Ratio (FDR), Non Performing Financing (NPF) and Operating Expenses and Operating Income (BOPO) of Islamic banks fluctuated. Capital Adequacy Ratio (CAR) experienced a sharp decline in 2012 by 14.1 percent and also declined in 2015 by 14.1 percent compared to 2014 by 15.7 percent. Capital Adequacy Ratio (CAR) shows the bank ability to maintain sufficient capital and the bank management ability to identify, measure, monitor and control risks that can affect the amount of capital. Return on Assets (ROA) indicates 0.8
percent in 2014 where the Return On Asset (ROA) has declined from the previous year and experienced a sharp increase in 2015 by 2.2 percent.

The reason for choosing Return On Asset (ROA) as a measure of performance is due to return on assets (ROA) can be used to measure the ability of bank management to gain overall profit. The higher Return on Assets (ROA) of a bank, the greater the level of profit the bank achieves and the better the bank position in terms of the use of assets (Wibowo & Syaichu, 2013). Operational Expenses and Operating Income (BOPO) decreased in 2012 by 75 percent and faced a very sharp increase from the previous year in 2014 by 94.1 percent and decreased in 2015 by 94.2 percent. This indicates that Islamic banking can control its operations. Operational Expenses and Operating Income (BOPO) is used to measure the level of efficiency and ability of banks in conducting operations. The smaller this ratio then the Return On Asset (ROA) increases (Rahmi & Anggraini, 2013).

In 2011-2013, Financing to Deposit Ratio (FDR) experienced an increase by 102.8 percent in 2013, and then in 2014 Financing to Deposit Ratio (FDR) decreased by 91.5 percent and increased further in 2015 by 96.5 percent due to the economic downturn. Financing to Deposit Ratio (FDR) is used to measure the level of bank liquidity that demonstrates the ability of banks to meet the credit demand by using the total assets owned by a bank.

Non Performing Financing (NPF) experienced a sharp rise from the previous year in 2014 by 4.3 percent. This means that there were bad credits in 2014. Non Performing Financing (NPF) is used to measure the level of financing issues faced by Islamic banks. In the five-year period in 2009-2013, the average growth of Islamic bank assets was 43 percent and currently the growth has dropped dramatically. The decline in the growth of Islamic banking is not only in terms of assets, but also financing and third party funds (DPK). This is due to the increase in deposit interest rates in conventional banks so that some customers of Islamic banks transferred their funds to conventional commercial banks. The slowing growth is exacerbated by the increasing ratio of Non Performing Financing (NPF) because of the influence of the write-off made by the banks and the sale of assets of some banks and this led to a decline in customers of financing.

One cause of the decline in the growth of Islamic bank assets that affect profitability is small capital (BeritaSatu, 2015). Capital capability is assumed to be one of the reasons for the slow expansion of Islamic banking office network. Especially after the implementation of the regulation concerning the opening of Islamic Commercial Bank Office and Islamic Business Unit which is linked to Islamic bank core capital. Although it has no impact on all Islamic banks, this rule limits the motion of some banks with limited capital conditions. This condition is reflected in the Capital Adequacy Ratio (CAR) of Islamic banking which until April 2014 it was recorded at 16.68 percent or lowers than the Capital Adequacy Ratio (CAR) of national banks that reached 19.35 percent. Then the growth of Islamic banking since the end of 2014 until the first half of 2015 was considered relatively stagnant in terms of asset. Judging by the condition of Islamic banking until the first half of 2015 in the Islamic banking business indicators, there was a decrease in the Capital Adequacy Ratio (CAR), Financing to Deposit Ratio (FDR) and Non-Performing Financing (NPF). Although on the other hand, there were a number of indicators that show improvement like return on assets (ROA) and BOPO.

In addition to financial ratios, there are other factors affecting the profitability of Islamic banking i.e. good corporate governance. Corporate governance is the structure and mechanism governing the management of a company so as to produce long-term economic value that is sustainable for shareholders and stakeholders. The application of good corporate governance principles can contribute in improving the performance of company. Therefore, every bank needs to do good corporate governance in accordance with the provisions of Bank of
Indonesia, especially banking companies whose funds are largely from the people. Good corporate governance is necessary to attract public trust.

This study aims to identify and describe the influence of Capital Adequacy Ratio (CAR), Financing to Deposit Ratio (FDR), Non Performing Financing (NPF), Operating Expenses and Operating Income (BOPO), and Good Corporate Governance on profitability of Islamic Banking. This study differs from previous studies in terms of a longer duration of sampling between 2011-2015. The longer period is intended to get more data and the results of this research have better comparability.

2. Literature Review

2.1. Islamic Bank

The meaning of Islamic banks or sharia banks is banks that operate with no reliance on interest. Islamic banking is a banking institution that is consistent with Islamic value and ethos system. In other words, Islamic banks are financial institutions/banking whose operational and products are developed based on Islamic Sharia (Al-Qur'an and Hadith of the Prophet) and use fiqih rules and its main business is to provide financing and other services, or circulation of money in which its implementation is adapted to the principle of Islam (Iska, 2012).

According to Law No. 10 Year 1998, Islamic Commercial Bank is a bank that conducts its business activities based on islamic principles in which its activity provides payment traffic services. Islamic principle is a rule of agreement based on Islamic law between banks and other parties for the storage of funds and financing of business activities. Thus, in conducting its operational activities, Islamic banks do not only apply sharia-compliant finance but also collect fund from people in accordance with Islamic sharia.

The financial statements in Islamic banking sector is the same as the other sectors to provide information relating to financial position, performance, and changes in financial position of bank operations that are useful in making decisions. The financial statements produced by bank are expected to provide information on financial performance and accountability of bank management to all bank stakeholders.

2.2. Profitability Ratio

According to (Kieso, Weygandt, & Warfield, 2008), profitability ratio is the ratio used to measure the effectiveness of the overall management of company as shown by the amount of profits obtained by the company. Profitability is a measure in percentage that is used to assess the extent to which a company is able to generate profits at acceptable levels. Profitability generated by Islamic banks not only affects share-sharing rates for shareholders, but also affects profit-sharing rate received by depositors. Therefore, Islamic banks must continue to improve profitability. Return on Assets (ROA) is a ratio used to measure the ability of bank management in gaining total profit (Pratiwi, 2012). According to (Alifah, 2014), Return on Assets (ROA) is the ratio between profits before tax and the average total assets during certain period.

2.3. Capital Adequacy Ratio

Capital Adequacy Ratio (CAR) is a ratio showing how much of the total assets of a bank that contains an element of risk (credit, investments, securities, bills to other banks) that are financed from its own capital in addition to obtaining funds from sources outside the
bank (Yuliani, 2007). Meanwhile, according to Mudrajad and Suhardjono (2002) in (Adyani, 2011), Capital Adequacy Ratio (CAR) indicates the bank ability to maintain sufficient capital and the management ability to identify, measure, monitor and control risks that can affect the amount of capital. Under the provisions of Bank for International Settlements, healthy banks are required to have Capital Adequacy Ratio (CAR) of at least 8% capital against assets, if less than the provisions, it will be sanctioned by the central bank (Janah & Siregar, 2018).

2.4. Financing to Deposit Ratio (FDR)

Capital Adequacy Ratio (CAR) is a ratio showing how much of the total assets of a bank that contains an element of risk (credit, investments, securities, bills to other banks) that are financed from its own capital in addition to obtaining funds from sources outside the bank (Yuliani, 2007). Meanwhile, according to Mudrajad and Suhardjono (2002) in (Adyani, 2011), Capital Adequacy Ratio (CAR) indicates the bank ability to maintain sufficient capital and the management ability to identify, measure, monitor and control risks that can affect the amount of capital. Under the provisions of Bank for International Settlements, healthy banks are required to have Capital Adequacy Ratio (CAR) of at least 8% capital against assets, if less than the provisions, it will be sanctioned by the central bank (Janah & Siregar, 2018).

2.5. Non Performing Financing (NPF)

Non Performing Financing (NPF) that is analogous to non-performing loans (NPL) in conventional bank is a financial ratio that reflects credit risk. Non Performing Financing (NPF) is a ratio between non-performing financing and total financing distributed by Islamic banks (Pratiwi, 2012). Non Performing Financing (NPF) is used to measure the level of financing issues faced by Islamic banks. In order for bank performance to increase, each bank must keep Non Performing Financing (NPF) below 5%; this is in line with the provisions of Bank of Indonesia.

2.6. Operating Expenses and Operating Income (BOPO)

According to (Alifah, 2014), Operating expenses and Operating Income (BOPO) is a ratio between the costs incurred by the bank in carrying out its main activities and the revenue derived from the activities. Operational expense ratio is used to measure the level of efficiency and ability of banks in conducting operations. The efficiency level of banks in running its operations affects the level of income generated by the bank. If the operational activities are carried out efficiently then the income generated by the bank will rise, the lower the Operating Expenses and Operating Income (BOPO), the more efficient the bank in controlling its operating costs. The cost efficiency of banks will make even greater profits.

2.7. Good Corporate Governance

Good Corporate Governance (GCG) is one of the factors of rating the bank. The concept of Good Corporate Governance (GCG) is proposed in order to achieve a more transparent corporate management for all users of financial statements (Lieu, 2015). Thus, Good Corporate Governance (GCG) encourages the creation of fair competition and encouraging business climate to support sustainable growth and economic stability. Islamic Bank as a business entity committed to carrying out all business transactions in accordance
with Islamic values should be able to apply this overall accountability. In addition, Islamic Bank as an entity should promote openness, honesty, fairness and fairness.

3. Methodology

3.1 Relationship between adequacy ratio and return on asset

According to Mawardi in (Fitriyana, 2011), the high Capital Adequacy Ratio (CAR) can be caused by capital injection from the owners in the form of fresh money to anticipate the development of business scale in the form of credit expansion. The high ratio of capital can protect depositors and impact the increase in public confidence and ultimately the increase in Return On Asset (ROA). The greater the Capital Adequacy Ratio (CAR), the greater bank profits. This is supported by research results by Prasitiningtyas (2010), (Adyani, 2011; Fahmy, 2014; Rahmi & Anggraini, 2013; Wibowo & Syaichu, 2013; Zulifiah & Susilowibowo, 2014) that Capital Adequacy Ratio (CAR) has positive insignificant effect on profitability (ROA) of bank. From the explanation, the first hypothesis is as follows:

H1: Capital Adequacy Ratio (CAR) has positive effect on Return on Assets (ROA)

3.2 Relationship between Financing to Deposit Ratio and Return On Asset

The relationship between Financing to Deposit Ratio (FDR) on Return On Assets (ROA) is negative because if bank wants to maintain its liquidity position by increasing cash reserves, the bank cannot use the whole loanable funds because some will be refunded in cash reserves so that it will reduce the effort to achieve profitability. Conversely, if a bank wants to enhance profitability, then the existing cash reserve for liquidity is used for bank business, so the liquidity position will be going down (Danupranata, 2013). This is supported by the research results by, (Hakiim & Rafsanjani, 2016; Muiawati, 2015) that state that Financing to Deposit Ratio (FDR) negatively affect return on assets (ROA). From the explanation, the second hypothesis is as follows:

H2: Financing to Deposit Ratio (FDR) has negative effect on Return On Asset (ROA)

The population of this research is Islamic commercial banks listed in Bank of Indonesia (BI) in 2011-2015. The method used in determining sampling is by using purposive sampling method, which means that the companies as samples of this study were selected by using some consideration by including certain elements that have certain criteria. Some of the criteria for the selection of sample to be examined in this study are as follows: 1) Islamic Banks that have been established for 5 years and have published audited financial report, 2) Islamic Banks that have implemented the system of Good Corporate Governance, and 3) Islamic Banks that have been publishing report of good corporate governance in the annual financial statements during the study period. The following is a list of Islamic commercial banks listed in Bank of Indonesia.

<table>
<thead>
<tr>
<th>No.</th>
<th>Bank name</th>
<th>Since</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Bank of Muamalat</td>
<td>1992</td>
</tr>
<tr>
<td>2</td>
<td>Bank of Syariah Mandiri</td>
<td>1999</td>
</tr>
<tr>
<td>3</td>
<td>Bank of Mega Syariah</td>
<td>2004</td>
</tr>
</tbody>
</table>
Based on the above sample selection criteria, the sampling can be viewed through the list of banks in Table 2 in order to obtain the total sample of 7 Islamic Banks, it is shown in Table 3.

Table 3. Research Samples

<table>
<thead>
<tr>
<th>No.</th>
<th>Bank name</th>
<th>Since</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Bank of Muamalat</td>
<td>1992</td>
</tr>
<tr>
<td>2</td>
<td>Bank of Syariah Mandiri</td>
<td>1999</td>
</tr>
<tr>
<td>3</td>
<td>Bank of Mega Syariah</td>
<td>2004</td>
</tr>
<tr>
<td>4</td>
<td>BRI Syariah</td>
<td>2008</td>
</tr>
<tr>
<td>5</td>
<td>Panin Bank Syariah</td>
<td>2009</td>
</tr>
<tr>
<td>6</td>
<td>Bank Syariah Bukopin</td>
<td>2009</td>
</tr>
<tr>
<td>7</td>
<td>Bank of Victoria Syariah</td>
<td>2010</td>
</tr>
<tr>
<td>8</td>
<td>BCA Syariah</td>
<td>2010</td>
</tr>
<tr>
<td>9</td>
<td>Bank Jabar and Banten Syariah</td>
<td>2010</td>
</tr>
<tr>
<td>10</td>
<td>BNI Syariah</td>
<td>2010</td>
</tr>
<tr>
<td>11</td>
<td>Maybank Syariah</td>
<td>2010</td>
</tr>
<tr>
<td>12</td>
<td>BTPN Syariah</td>
<td>2014</td>
</tr>
</tbody>
</table>

Source: www.bi.go.id

To avoid disruption in research data, first, classical assumption test was performed consisting of multicollinearity, heteroscedasticity and autocorrelation test. To ensure the resulting data is normally distributed then the normality of the data was tested. Of the entire tests, it is considered that this research is free from classical assumption test and the research data are also normally distributed as shown in Figure 1 below.

![Normal PP Plot](source: SPSS output, 2017)

To test the hypothesis of the research, multiple linear regression model was conducted with the statistical equation as follows:

\[
\text{ROA} = \beta_0 + \beta_1 \text{GDP} + \beta_2 \text{Interest} + \beta_3 \text{Inflation} + \epsilon
\]
\[ Y = \alpha + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + E \]

Where:
- \( Y \) = ROA (Return on Assets)
- \( A \) = Constant (the value of \( Y \) if \( X_1 \times X_2 \times X_3 \times X_4 \times X_5 = 0 \))
- \( X_1 \) = Capital Adequacy Ratio (CAR)
- \( X_2 \) = Financing to Deposit Ratio (FDR)
- \( X_3 \) = Non Performing Financing (NPF)
- \( X_4 \) = Operational Expenses and Operating Income (BOPO)
- \( X_5 \) = Good Corporate Governance (GCG)
- \( b_1, \ldots, b_5 \) = Regression Coefficients (increase or decrease value)
- \( E \) = Nuisance variable (Error term)

4. Findings And Discussion
4.1. Descriptive Statistics

Based on the calculations in Table 4, it shows that the number of observations in the Islamic Banks in this study was 35 observations of banking company from 7 samples of Islamic banks in the period of 2011 to 2015. Based on the results of descriptive statistical analysis in the table, it can be seen that: Return on Assets (ROA) has a statistically obtained value of 1.1397 with a standard deviation of 1.55744. The minimum value of Return on Assets (ROA) of -2.36 and maximum value of 6.93, Capital Adequacy Ratio (CAR) has minimum value of 11.10 and maximum value of 61.98. Capital Adequacy Ratio (CAR) has average value of 18.1397 greater than the standard deviation of 10.23341. Non Performing Financing (NPF) has an average value of 3.5614 and standard deviation value of 2.11324. The minimum value of Non Performing Financing (NPF) is 0.20 and maximum value is 9.80. Financing to Deposite Ratio (FDR) during the period of 2011-2015 had an average value of 92.1671 and a standard deviation of 16.65184. The minimum value of Financing to Deposit Ratio (FDR) is 46.08 and maximum value is 167.70. Operating Expenses to Operating Income (BOPO) has an average value of 113.5651 with a standard deviation of 139.23202. The minimum value of Operating Ratio to Operating Income (BOPO) is 47.60 and the maximum value is 908.00. Good Corporate Governance (GCG) in the year of 2011-2015 had an average value of 1.7334 with a standard deviation of 0.35780. The minimum value of Good Corporate Governance (GCG) is 1.35 and maximum value is 3.00.

| Table 4. Result of Descriptive Analysis at Islamic Commercial Bank |
|---------------------|---------|---------|---------|---------|
| **Descriptive Statistics** | N | Min | Max | Mean |
| **CAR** | 3 | 11,1 | 61,98 | 18,1397 |
| | 5 | 0 | 10,2334 |
| **FDR** | 3 | 46,0 | 167,7 | 92,1671 |
| | 5 | 8 | 16,6518 |
| **NPF** | 3 | 20 | 9,80 | 3,5614 |
| | 5 | 0 | 2,11324 |
| **BOPO** | 3 | 47,6 | 908,0 | 113,565 |
| | 5 | 139,232 |
4.2. Multiple Regression Analysis

Based on table 6, the multiple regression model is obtained as follows: \( Y = 5.629 + 0.067X_1 - 0.045X_2 - 0.413X_3 + 4.672X_4 - 0.079X_5 + e \). The interpretation of the multiple regression equation is as follows: Constant value of 5.629 states that if all independent variables are considered constant or zero, then the value of dependent variable or profitability of Islamic banks is 5.629. The regression coefficients value of Capital Adequacy Ratio (CAR) is positive for 0.067 showing that any increase in Capital Adequacy Ratio (CAR) of 1%, the CAR will increase by 0.067 with the assumption that the other variables are constant or fixed. The regression coefficients value of Financing to Deposit Ratio (FDR) is negative at -0.045 indicating that any increase in Financing to Deposit Ratio (FDR) of 1%, the FDR will decrease by 0.045 with the assumption that the other variables are constant or fixed. The regression coefficients value of Non Performing Financing (NPF) is negative at -0.413 indicating that any increase in Non Performing Financing (NPF) of 1%, the Non-Performing Financing (NPF) will decrease by 0.413 assuming that the other variables are constant or fixed. The regression coefficients value of Operating Expenses and Operating Income (BOPO) is positive for 4.672 showing that every increase in Operating Expenses and Operating Income by 1%, the BOPO will increase by 4.672 assuming that the other variables are constant or fixed. The regression coefficients value of Good Corporate Governance (GCG) is negative at -0.079 indicating that every increase in Good Corporate Governance (GCG) of 1%, the GCG will decrease by 0.079 assuming that the other variables are constant or fixed.

| Table 5. Multiple Regression Test Results |
|---|---|---|---|---|
| **Coefficients** | B | Std.Error | Beta | t | Sig. |
| **Mode** | **Unstandardized Coefficients** | **Standardized Coefficients** |  |  |  |
| 1 | (Constant) | 5,629 | 1,276 | 4,410 |  |
| CAR | .067 | .020 | .440 | 3,345 |  |
| FDR | -.045 | .011 | -.476 | - | 4,112 |
| NPF | -.413 | .122 | -.560 | - | 3,387 |
| BOPO | 4,672E-005 | .001 | .004 | .038 |  |


<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std.Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>GCG</td>
<td>-0.079</td>
<td>0.665</td>
<td>-0.018</td>
<td>-0.118</td>
</tr>
</tbody>
</table>

a. Dependent Variable: ROA

Source: SPSS Output, 2017

To know the influence of independent variables partially in explaining the variation of dependent variables, t-test and F statistical test were used to determine whether all independent variables simultaneously influence dependent variable at the significant level of 0.05 (5%) as shown in Table 7. Based on t test results, the direction of the regression beta coefficient and its significance with t table is 1.69092 (df = 35-1 = 34) at 0.05.

Table 6. t Test Results (Partial Test)

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Independent</th>
<th>t count</th>
<th>Sig.</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>CAR</td>
<td>3,345</td>
<td>0.002</td>
<td>Accepted</td>
</tr>
<tr>
<td>H2</td>
<td>FDR</td>
<td>-</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>H3</td>
<td>NPF</td>
<td>-</td>
<td>0.02</td>
<td>Accepted</td>
</tr>
<tr>
<td>H4</td>
<td>BOPO</td>
<td>0.038</td>
<td>0.970</td>
<td>Rejected</td>
</tr>
<tr>
<td>H5</td>
<td>GCG</td>
<td>-0.18</td>
<td>0.907</td>
<td>Rejected</td>
</tr>
</tbody>
</table>

While the results of F test calculation as shown in Table 8, the calculated F value is 11.855 > F table of 2.49 to 0.000 significantly smaller than 0.05. Thus, it can be concluded that the Capital Adequacy Ratio (CAR), Financing to Deposit Ratio (FDR), Non Performing Financing (NPF), Operating Expenses and Operating Income (BOPO), and Good Corporate Governance (GCG) simultaneously affect Return On Asset (ROA) in Islamic commercial banks.

Table 7. F Test Results (Simultaneous Test)

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Regression</td>
<td>55,378</td>
<td>5</td>
<td>11,076</td>
<td>11,855</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>27,093</td>
<td>29</td>
<td>.934</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>82,471</td>
<td>34</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: ROA
b. Predictors: (Constant), GCG, CAR, BOPO, FDR, NPF

Source: SPSS Output, 2017
Meanwhile, based on the testing results of coefficient of determination (R²) in Table 9, a value of 0.615 is obtained. Thus, the level of influence exerted by the variable of Capital Adequacy Ratio (CAR), Financing to Deposit Ratio (FDR), Non Performing Financing (NPF), Operating Expenses and Operating Income (BOPO), and Good Corporate Governance (GCG) to Return On Asset (ROA) is 61.5%. While the remaining 38.5% is influenced by other variables not measured or examined in this study.

<table>
<thead>
<tr>
<th>Model Summary^b</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
<td>R</td>
</tr>
<tr>
<td>1</td>
<td>.819*</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), GCG, CAR, BOPO, FDR, NPF  
b. Dependent Variable: ROA  
Source: SPSS Output, 2017

4.3. Discussion

4.3.1. CAR influence on ROA

The test results of Capital Adequacy Ratio (CAR) on Return On Assets (ROA) show the regression coefficient value of Capital Adequacy Ratio (CAR) of 0.067 with a significance value of 0.002. Because the significant value is less than 0.05, it means that there is a significant influence of Capital Adequacy Ratio (CAR) on Return On Assets (ROA) partially. A positive regression coefficient variable indicates that Capital Adequacy Ratio (CAR) has a positive effect on Return On Assets (ROA). Thus, the amount of Capital Adequacy Ratio (CAR) value can affect the amount of Return On Assets (ROA) value of Islamic Banking.

The positive effect of Capital Adequacy Ratio (CAR) on Return On Assets (ROA) due to the increase of profitability followed by a decline in the need of reserves establishment in order to anticipate the consequences of increasing risk in line with the optimization of assets productivity, so that the capital adequacy of Islamic Banks as proxy for Capital Adequacy ratio (CAR) increases. The results of the study are consistent with research conducted by (Adyani, 2011; Fahmy, 2014; Prastiyaningtyas, 2010; Rahmi & Anggraini, 2013; Wibowo & Syaichu, 2013; Zulifiah & Susilowibowo, 2014).

4.3.2. FDR influence on ROA

The test results of Financing to Deposit Ratio (FDR) on Return On Assets (ROA) show regression coefficient value of Financing to Deposit Ratio (FDR) of -0.045 with a significance value of 0.000. This shows that Financing to Deposit Ratio (FDR) has an influence on Return On Assets (ROA) in Islamic banking with a negative coefficient. That is, if the Islamic bank wants to increase ROA then the bank must decrease the level of Financing to Deposit Ratio (FDR). The results of this research found that liquidity as a proxy for financing to Deposit ratio (FDR) shows how much money the bank releases for financing with negative direction toward profitability. The higher this ratio indicates more illiquid banks, which in turn causes a decrease in profitability. If the condition of banks is increasingly illiquid, the greater the liquidity risk will be borne by the bank. The risk in question is the unavailability of assets to meet the obligations to depositors. The results are
consistent with research conducted by (Fahmy, 2014; Hakiim & Rafsanjani, 2016; Muiawati, 2015) in Islamic Banks in Indonesia.

### 4.3.3. NPF influence on ROA

The results of partial test between the Non Performing Financing (NPF) on Return On Assets (ROA) indicate the value of regression coefficient of Non Performing Financing (NPF) of -0.413 with significant value of 0.002. Judging from the significant value that is less than 0.05, there is significant influence between the variables of Non Performing Financing (NPF) on Return On Asset (ROA) partially. The ratio of Non Performing Financing (NPF) reflects the credit risk faced by Islamic Commercial Bank. The higher the ratio, the worse the credit quality of banks due to the greater number of bad credit, so that the possibility of bank being in problematic condition is higher and it affects the decline in revenue due to an increase in the cost of productive reserves (Almilia & Herdinigtyas, 2005; Pratiwi, 2012) Therefore, it can be concluded that the ratio of Non Performing Financing (NPF) negatively affects return on assets (ROA). These results are consistent with research conducted by (Adyani, 2011; Fahmy, 2014; Nugroho, 2006; Prastiyaningtyas, 2010; Pratiwi, 2012; Siti Nurkhosidah, 2009; Sulistianingrum, 2013).

### 4.3.4. BOPO influence on ROA

The test results obtained empirical evidence that the hypothesis H₄ is rejected. The regression coefficient of Operating Expenses and Operating Income (BOPO) is 4.672E-0005 with significant value of 0.907 which is higher than 0.05. This suggests that Operating Expenses and Operating Income (BOPO) has no effect on Return On Assets (ROA). That is, the level of Operating Expenses and Operating Income (BOPO) has no effect on the increasing profitability. The results of the study are consistent with studies conducted by previous researchers such as (Alifah, 2014). In her research, (Alifah, 2014) concluded that the Operating Expenses and Operating Income (BOPO) has no effect on Return On Assets (ROA) in Banking.

### 4.3.5. GCG influence on ROA

The test results obtained empirical evidence that the hypothesis H₅ is rejected. It shows that good corporate governance (GCG) has no effect on Return On Assets (ROA). That is, the level of good corporate management did not ensure the increase in profitability of Islamic banking. Return on Assets (ROA) is a ratio that is used by banks to measure the ability of the bank management in gaining profit through assets held. The assets owned by banking company in this case is the asset collected from public funds. People tend to believe the banking company to entrust their funds because of the existence of the banking company itself in the society not because the people have traced the banking enterprise management performance. The results of this study are consistent with research conducted by (Prasinta, 2012). In her research, (Prasinta, 2012) concludes that Good Corporate Governance (GCG) has no effect on profitability as measured by return on assets (ROA).

### 5. Conclusions

The results shows that:
- Capital adequacy as measured by Capital Adequacy Ratio (CAR) has positive effect on
return on assets of Islamic banking due to the increase of profitability followed by a
decline in the need of reserves establishment in order to anticipate the consequences of
increased risk in line with the optimization of assets productivity, so that the capital
adequacy of Islamic Banks as proxy for with Capital Adequacy Ratio (CAR) increases.
This shows that Islamic banks have been quite successful in utilizing the other additional
sources of capital so that the capital growth can keep pace with its productive assets
growth.
- Islamic banking liquidity level as measured by Financing to Deposit Ratio (FDR)
significantly affects return on assets (ROA) of Islamic banking with negative coefficient.
This means that banks need to lower the value of Financing to Deposit Ratio (FDR) if the
banks want to increase Return On Assets by using cash reserves. The higher this ratio,
the more illiquid the bank and this will reduce profitability.
- Asset quality measured by Non Performing Financing (NPF) negatively affects return on
assets (ROA) of Islamic banking. This can be caused by the credit quality of banks
getting worse due to the greater number of bad credits, so that the possibility of bank
being in problematic condition is greater and it affects the decline in revenue due to an
increase in the cost of productive reserves.
- Operational efficiency as measured by Operating Expenses and Operating Income
(BOPO) has no effect on Return On Assets (ROA) of Islamic banking. This is evidenced
by the positive value of beta by 4.672E-0005 with a significant value of 0.907. The
statistical t test results for beta variable has significant values of 0.907 higher than the
fault tolerance of 0.05, so the level of Operating Expenses and Operating Income
(BOPO) in Islamic banking has no effect on the increase of profitability. This is due to
the higher costs incurred by the bank in conducting its operations.
- Corporate governance as measured by GCG has no effect on ROA in Islamic banking
because the assets held by the banking company come from public funds. The people
tend to not pay attention to the performance of banks but see the bank existence in
society to entrust their funds in Islamic banking companies.

**Limitation**

This study used only 7 samples from 12 Islamic Banks operating in Indonesia until the
end of 2015. The six samples are Bank of Muamalat Indonesia, Bank of Syariah Mandiri,
Bank of Mega Syariah, Bank of Panin Syariah, Bank Rakyat Indonesia Syariah, Bank Syariah
Bukopin and Bank of Victoria Syariah. It also only used 5 years observation from 2011 to
2015. The variables used are limited to the main and supporting ratio of Islamic Banks in
accordance with PBI No. 9/1/PBI/2007 concerning the Rating System for Commercial Banks
based on Sharia Principles.

For further research, it is expected to increase the number of samples, not just limited to
7 Islamic Banks but expand the population by incorporating Islamic Rural Bank so that the
results can be generalized and have different results. Then, for further research it is
recommended to extend the period of study, not just 5 years. In addition to expanding
populations and periods of study, further research is expected to add variables from the main
and supporting ratio that have influence on Return On Assets.
Suggestions for the Future Studies

Based on these results, the researchers tried to give some good advice to the researchers, the banks and the customers:

1. For further research, it is expected to increase the number of samples, not just limited to 7 Islamic Banks but to expand the population by incorporating Islamic Business Unit and Islamic Rural Bank so that the results can be generalized and have different results. Then, for further research, it is recommended to extend the period of study, not just 5 years. In addition to expanding populations and periods of study, further research is expected to add variable of main and supporting ratio that have an impact on Return On Assets.

2. For the banks to keep the ratio of Non Performing Financing (NPF) under BI terms of maximum of 5% as well as to increase the efficiency of financing and to keep the FDR ratio at a safe level set by Bank of Indonesia.

3. For customers and investors, as a reference for the development of knowledge and insight about Islamic banks particularly about profitability that can be used as information for consideration in making investment decisions in Islamic Banking companies.

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Exploring Credibility of Indonesian Islamic Bank: An Exploratory Factor Analysis (EFA) Approach

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3Department of Accounting, Universitas Malikussaleh, Indonesia

Abstract: This study attempts to explore the antecedents of credibility of full-fledged Islamic banks in Indonesia. The respondents who have a bank account in full-fledged Islamic bank for at least one year. The data were collected from respondents using the structured questionnaires. A total of 250 questionnaires were distributed to the customers of major Islamic banks that in the Aceh Province, Indonesia. The study documented that credibility refers to a multidimensional construct composed of three factors: reliability, concern and knowledge. A scale of overall credibility in Islamic Bank was obtained, comprising three dimensions with 21 indicators that were significant for their measurements. The factor of concern refers to the key of establishing and maintaining long-term relationships between companies and customers. In addition, knowledge can increase responsiveness to customers, improve work efficiency and ability to innovate. However concern and knowledge are the new factors in the theory of credibility that can be applied in the Islamic Banks.

Keywords: Credibility, Reliability, Concern, Knowledge, Islamic Banks

1. Introduction

Credibility is the main element of company reputation. It refers to the level of customer trust in the company in creating and delivering products and services. Companies must have high credibility to influence consumer perception and attitude toward the company. Therefore, creating and maintaining the company credibility can improve financial performance, sales, long-term business relationships, and the company's success widely.

The concept of the Islamic Banks is the financial concept fully embraces the law of Sharia. The Law of Islamic Bank governs a business based on the partnership program, sharing risks and profits without interests (Usury). The system has rapidly become a worldwide concern. As evidence, there were 180 Islamic banks with branches more than 8,000 units in Asia, Africa, Europe and America (Rizwan et al., 2014).

Indonesia has 88.1 percent Muslim population, who conducts transaction with both conventional and Islamic banks. In 2015, it has 12 units of full-fledged Islamic banks, 22 units of dual window Islamic banks and 161 units of Islamic rural banks. The financial performance of Islamic bank experienced decreasing. Capital Adequate Ratio (CAR) was 14.09 percent compared to 15.74 percent in 2014. Return On Asset (ROA) was 0.89 percent compared to 0.79 percent in 2014 and Return On Equity (ROE) is 7.97 percent compared with 5.85 percent (Otoritas Jasa Keuangan, 2015). Additionally, Otoritas Jasa Keuangan (2015) reported that market share of Islamic bank achieved 4.78 percent to the entire market share of the national banking industry in Indonesia. It was still stand at the minimal target of
5 percent. Koesen (2012) added that there was negative opinion of Indonesian toward Islamic bank, namely; (1) system of Islamic and conventional bank is the same, (2) for dual window system, capital source of Islamic bank is from conventional bank, (3) costs of Islamic bank is more expensive than conventional bank, (4) the achieved profit is uncertain. (5) the perceived service by customers are still stiff, less friendly, less sophisticated technology, less knowledgeable about Islamic products and complicated procedure. This indicates that the Indonesian is less trusting of Islamic banks.

Against these backdrops, this study attempts to identify the antecedents of credibility of the Islamic bank in Indonesia by adapting and modifying the corporate credibility model (Haley, 1996; Eisend, 2006). Specifically, it attempts to find the special dimensions of corporate credibility in the Islamic banking sector. These dimensions are useful for the Islamic Banks in creating and maintaining consumer loyalty and enhancing their corporate performances.

2. Literature Review

2.1. Definition of Credibility

Keller & Aaker (1998) state that credibility is the consumer to believe that the company can design and deliver products and services that satisfies the needs and desires of consumers. Newell & Goldsmith (2001) defines the company's credibility refers the feel of consumers that companies have the knowledge or ability to meet claims. Maathuis et al., (2004) says that credibility is a fundamental asset for a person, organization, political party, or media products to achieve their goals.

Company credibility is as a variable of the predictor in marketing (Ballentine, 2006; Goldsmith et al., 2000) and a key to maintaining the long-term relationship in the business environment (Ghorban & Tahernejad, 2012). Thus, credibility reflects a company's reputation (Kotler & Keller, 2013), is the sub-processes of a company's reputation (Adams & Mehran, 2011). Goldsmith et al., (2000) say that credibility as a predictor of consumer desire to buy.

2.2. Effects of Credibility

There have been several studies explained the internal and external impacts of credibility. Internally, credibility can increase the growth and profit for the company, while externally, credibility impacts on consumer value, satisfaction, commitment and loyalty (TABLE 1).

<table>
<thead>
<tr>
<th>No</th>
<th>Sources</th>
<th>The effects</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Fombrun(1996)</td>
<td>Credibility is company reputation that influence the company succes</td>
</tr>
<tr>
<td>2</td>
<td>Keller &amp;Aaker(1998)</td>
<td>Credibility is the level of consumers trust for the company in designing and delivering products and services</td>
</tr>
<tr>
<td>3</td>
<td>Newell &amp; Goldsmith(2001)</td>
<td>Credibility can positively influence on company performance</td>
</tr>
<tr>
<td>4</td>
<td>Goldsmith et al.(2000)</td>
<td>The company credibility positively correlates with customer satisfaction</td>
</tr>
<tr>
<td>5</td>
<td>Erdem et al.(2002)</td>
<td>The credibility of the company is consumer trust in all products and services produced, definately, can satisfy the</td>
</tr>
</tbody>
</table>
As observed from Table 1, there are direct and indirect relationships between the credibility, consumer value, satisfaction, commitment, loyalty and performance of company. Variable of credibility is also an important element in creating customer value, satisfaction and loyalty and also increasing performance.

### 2.3. Antecedents of Credibility

Variable of credibility does not come about easily, but it is formed from several sub-variables. Table II lists the determinants of credibility, for a more details as follows:

**Table 2. Antecedents Of Credibility**

<table>
<thead>
<tr>
<th>No</th>
<th>Sources</th>
<th>Antecedents</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Newell &amp; Goldsmith (2001); Sweeney &amp; Swait (2008)</td>
<td>Expertise &amp; trustworthiness</td>
</tr>
<tr>
<td>3</td>
<td>Haley (1996)</td>
<td>Trustworthiness, expertise, attractive &amp; relevance</td>
</tr>
<tr>
<td>4</td>
<td>Goldsmith et al. (2000)</td>
<td>Expertise, attractiveness, power &amp; trustworthiness</td>
</tr>
<tr>
<td>5</td>
<td>Eisend (2006)</td>
<td>Trustworthiness, competence &amp; dynamism</td>
</tr>
<tr>
<td>6</td>
<td>Kotler &amp; Keller (2013)</td>
<td>Trustworthiness, expertise, &amp; likability</td>
</tr>
</tbody>
</table>

There are several types of antecedents to form variables of credibility, namely: reliability, expertise, attractiveness, power, trust, likability, and relevance. Additionally, the credibility has two main dimensions, namely expertise and trustworthiness.

### 3. Methodology

The aim of this study is to identify how customers of the full-fledged Islamic banks in Indonesia measure their credibility. In selecting the respondents, the purposive random sampling technique with criteria; each respondent has a bank account in full-fledged Islamic bank for at least one year, was taken. The data were collected from the respondents using the structured questionnaires. A total of 250 questionnaires were distributed to the customer of six major Islamic banks (i.e., PT. Bank Muamalat Indonesia, PT. Bank BRIsyariah, PT. Bank BNI Syariah, PT. Bank Syariah Mandiri, PT. Bank Mega Syariah, PT. Bank Maybank Syariah Indonesia, PT. Bank Tabungan Pensiunan Nasional Syariah) that are operating in the Aceh Province, Indonesia.
A five-point Likert scale was used to measure perception of Islamic bank credibility, ranging from “strongly disagree” (1) to “strongly agree” (5). Credibility was measured by adapting indicators as suggested by Haley (1996) and Eisend (2006). To explore credibility of Islamic bank, the Exploratory Factor Analysis (EFA) approach is used in the study.

4. Findings And Discussion

4.1. Respondent Profile

Table 3 reports the descriptive statistics of the respondents in this study. A total of 250 questionnaires were distributed and 173 were returned (70.4 percent response rate). The sample characteristic includes 94 male customers (54.3 percent) and 79 female customers (45.7 percent). The dominant respondents’ age is 30-41 years (37.6 percent) and works as businessman (38.7 percent).

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>94</td>
<td>54.3</td>
<td>54.3</td>
</tr>
<tr>
<td>Female</td>
<td>79</td>
<td>45.7</td>
<td>100.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age(year)</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-23</td>
<td>12</td>
<td>6.9</td>
<td>6.9</td>
</tr>
<tr>
<td>24-29</td>
<td>44</td>
<td>25.4</td>
<td>32.4</td>
</tr>
<tr>
<td>30-35</td>
<td>65</td>
<td>37.6</td>
<td>69.9</td>
</tr>
<tr>
<td>36-41</td>
<td>41</td>
<td>23.7</td>
<td>93.6</td>
</tr>
<tr>
<td>42 and above</td>
<td>11</td>
<td>6.4</td>
<td>100.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government employee</td>
<td>38</td>
<td>22.0</td>
<td>22.0</td>
</tr>
<tr>
<td>Private employee</td>
<td>24</td>
<td>13.9</td>
<td>35.8</td>
</tr>
<tr>
<td>Businessman</td>
<td>67</td>
<td>38.7</td>
<td>74.6</td>
</tr>
<tr>
<td>Student</td>
<td>25</td>
<td>14.5</td>
<td>89.0</td>
</tr>
<tr>
<td>Other</td>
<td>19</td>
<td>11.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Education</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>High school</td>
<td>20</td>
<td>11.6</td>
<td>11.6</td>
</tr>
<tr>
<td>Undergraduate</td>
<td>46</td>
<td>26.6</td>
<td>38.2</td>
</tr>
<tr>
<td>Graduate</td>
<td>87</td>
<td>50.3</td>
<td>88.4</td>
</tr>
<tr>
<td>Postgraduate</td>
<td>20</td>
<td>11.6</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.2. Assumption Tests of Factor Analysis

The Kaiser Meyer Olkin Measure of Sampling (KMO) test shows the value of 0.923. This value is higher than 0.6 (i.e., 0.6-0.99). The Barlett Test of Sphericity is 2482.188 and the probability associated with the chi-squared statistic is lower than 0.05. The Measures of Sampling Adequacy (MSA) test has the Anti-Image Correlation values higher than 0.5 (i.e., 0.50-0.99). Subsequently these assumptions have met eligibility for factor analysis to be conducted for further analysis.
4.3. **Communalities Analysis**

To validate the scale of credibility, the study carried out communalities analysis of 22 indicators. The study found that the values of extraction are higher than 0.5 (i.e., 0.50-0.99) except indicator of reputation (X6). Furthermore indicator of reputation (X6) must be excluded the next analysis. Consequently, total of indicators used in the analysis is 21 indicators.

4.4. **Grouping the Antecedents of Credibility**

Eigenvalue Analysis showed that total factor of credibility is 3 factors. Total Eigenvalues obtained are higher than 1 (Acceptance > 1). Initial eigenvalue for component 1 is 10.830, for component 2 is 1.346 and component 3 is 1.045. While component of 4-21 have eigenvalues lower than 1.

Rotation method or principal component analysis was performed to determine which indicators are parts of the credibility’s factors (Factor 1, factor 2 and factor 3). Rotation Method using Varimax with Kaiser Normalization showed that factor 1 has ten indicators namely; reliability, recognition, justice, social responsibility, sincerity, ethic, ability, experience, positive opinion and like. Value of Cronbach’s Alpha for factor 1 is 0.922 (i.e., 0.70-0.99). The factor is labelled the factor of reliability. Factor 2 has seven indicators namely; familiarity, delight, consistency, honesty, concern, understand and mutual sharing. Value of Cronbach’s Alpha for factor 2 is 0.866 (i.e., 0.70-0.99). The factor is labelled the factor of concern. Finally factor 3 has four indicators namely; knowledge, expertise, qualify and prestigious. Value of Cronbach’s Alpha for factor 3 is 0.866 (i.e., 0.70-0.99). The factor 3 is labelled the factor of knowledge.

Meanwhile, the component transformation is also conducted for validating three dimensions of credibility in the Islamic Bank

<table>
<thead>
<tr>
<th>Components</th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reliability</td>
<td>.671</td>
<td>.592</td>
<td>.447</td>
</tr>
<tr>
<td>Concern</td>
<td>-.617</td>
<td>.780</td>
<td>-.106</td>
</tr>
<tr>
<td>Knowledge</td>
<td>-.411</td>
<td>-.205</td>
<td>-.888</td>
</tr>
</tbody>
</table>

Factor reliability has correlation of 0.671 (i.e., 0.50-0.99). Factor concern has correlation of 0.780 (i.e., 0.50-0.99). Finally Factor knowledge has correlation of 0.888 (i.e., 0.50-0.99). These mean that credibility of the Islamic Bank in Indonesia has three factors namely reliability, concern and knowledge.

5. **Conclusions**

The purpose of this study is to explore variable of credibility for the full-fledged Islamic bank. This study expands the existing literature by exploring credibility in the sector of Islamic bank. Previous researches have the different dimensions, namely expertise and trust (Belch & Belch, 2012; Newell & Goldsmith, 2001; Erdem et al. 2002; Sweeney & Swait, 2008). Haley (1996) developed four dimensions, namely; expertise, attractive, trust and relevance. Goldsmith et al. (2000) added dimension of attractive and power so that it becomes four dimensions, namely: expertise, attractive, power and trustworthiness. In contrast to Kotler & Keller (2013) added dimension likability to become three dimensions namely
expertise, trustworthiness and likability. While Van Riel (1995); Koller & Keller (2013) have
the same pastures that dimension of credibility consists of three dimensions: reliability,
expertise and attractive.

Implications

In Islamic banking industry in Indonesia have three dimensions of credibility that should
be considered namely reliability, concern and knowledge. Reliability is documented as an
important factor in measuring credibility because it can increase the quality of service
and satisfaction to customers. This factor supports the opinion of the Van Riel (1995) and
Keller & Aaker (1998), who stated that reliability is an important element of the
company's credibility. The factor of concern refers the key to establishing and maintaining
long-term relationships between companies and customers. In addition, concern may
increase the customer commitment and loyalty for the Islamic banks. The last factor is
knowledge, can increase responsiveness to customers; improve work efficiency, and ability to
innovate. However concern and knowledge are new factors in the theory of credibility that
can be applied in Islamic Banking.

Suggestions for the Future Studies

Credibility is a major driver in creating and maintaining customer satisfaction and
loyalty. Satisfaction and loyalty of consumers have implications on the success of companies
such as growth and profitability in the long term. Concern and knowledge are new elements
that must be considered in the Islamic banks because they have a significant impact on the
progress of the banks. Therefore, future research should focus on factor of concern and
knowledge to measure credibility of the Islamic banking industry.

ACKNOWLEDGMENT

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Abstract: The purpose of this study is to influence transformational leaders and transactional leaders, and organization citizenship behaviour on performance of employees on PT. Bank Aceh Sharia Lhokseumawe. The research was to analyzed that Bank Aceh Sharia employees located in Llhoseumawe City. The population in this research are all members of the employees at the Bank Aceh Sharia Lhokseumawe 146 employees, the samples of this research 145 employees at Bank Aceh Sharia Lhokseumawe. The data were gathered by using Structural Equation Modeling (SEM) with an AMOS software program. The result of analysis of the research showed that transformational leaders and transactional leaders had positive and significant influence on organization citizenship behaviour and organization citizenship behaviour had positive and significant influence on performance of employees on PT. Bank Aceh Sharia Lhokseumawe. Otherwise transformational leaders dominant effect on organization citizenship behaviour of employees on Bank Aceh Sharia Lhokseumawe.

Keywords: Transformational Leaders, Transactional Leaders, Organization Citizenship Behaviour and Employee Performance
2. Literature Review

2.1. Performance

(Bernadin and Russell, 1993) argues that employee performance as a "record of out come produced on a specified job function or activity during, a specified time period". Then, the appraisal of performance is” away of measur the contribution of individual to their organization”

2.2. Organization Citizenship Behaviour (OCB)

(Luthans, 2011), argue that a organizational citizenship behavior (OCB) is referred as set of discretionary workplace behaviors that exceed one’s basic job requirements in organization. They are often described as behaviors individual that go beyond the call of duty.

2.3. Transformational Leadership

Transformational Leadership style is developed in the organization, where transformational leadership style the inspirational motivation of employee performance, (Robbins and Judge, 2013). (Burns, 1978) recommended that transformational leadership style is a process in which leaders and support each other to the degree of morality and motivation.

2.4. Transactional Leadership

In (Robbins and Judge, 2013) Transactional Leaders proces which the leader to action with compensation, incentive financial on non financial to induce desirable behaviors individual from the organization, this proces in bases on exchange or transactional relation between the leader and hid or her subordinated.

According to (Sekaran and Bougie, 2013) the hypothesis is defined as a relationship that logically between two or more variables are expressed in the form of a statement that can be tested, drafting a hypothesis analized based on the opinions of experts and theories and previous research, the hypothesis can be formulated as follows:

- Transformational leadership will significantly influence organization citizenship behaviour at Bank Aceh Sharia Lhokseumawe.
- Transactional leadership will significantly influence on organization citizenship behaviour at Bank Aceh Sharia Lhokseumawe.
- Transformational leadership will significantly influence on employee performance at Bank Aceh Sharia Lhokseumawe.
- Transactional leadership will significantly influence on employee performance at Bank Aceh Sharia Lhokseumawe.
- Organization citizenship behaviour will significantly influence on employees performance at Bank Aceh Sharia Lhokseumawe.

2.5. Conceptual Framework

Conceptual framework based on the opinions of experts and theories and previous research, the conceptual framework as follows:
3. Methodology

3.1. Location And Time

The location of study were employees of Bank Aceh Sharia Lhokseumawe, the location was done in Bank Aceh Sharia Lhokseumawe at Merdeka St. No. 8, Lhokseumawe and Bank Aceh Sharia Lhokseumawe at the location at Samudra St. No. 29, Desa Lancang Garam, Lhokseumawe.

3.2. Types And Sources of Data

The type of data in this research is primary data from the respondents at Bank Aceh Syaria Lhokseumawe with questionnaries ti the respondent.

3.3. Population

Population is Bank Aceh Sharia Lhokseumawe were 146 employees, who are on a bank branch office in Lhokseumawe, with a total population of 146 respondent.

3.4. Samples

Total population of employees at each branch of the Bank Aceh Sharia Lhokseumawe. In this study samples is 146 respondents based on the condition of SEM model at maximun likelihood estimation (ML) is 100-200 sample, in (Bass and Avolio, 1994).

3.5. Data Collection Techniques

In this study a questionnaire report, questions relating to the respondent data analysis. Questionnaire is the statements at structured questions and provides an answer in the form of scale with answers that are the statements the measurement used is likert scale.

3.6. Data Analysis Techniques

Structural Equation Model (SEM) in the model and hypothesis testing, this study used two kinds of analysis techniques, with the Amos program based on measurement model and structural analysis model (Sekaran and Bougie, 2013).

- Measurement model has indicators reflecting evaluated by convergen validity of significant P value < 0,05 and indicator loading factor > 0,50 and ideal > 0,70 and contract reliability minimum 0,70 and cut of value variance extracted minimum 0,50 with to qualify the structural equation modeling (SEM).
Structural model is evaluated by using comparison of goodness-of-fit measures for latent constructs, a complete SEM analysis involves both the tes of a measurement theory and the structural theory that link constructs together in a logically meaningful way.

4. Results And Discussion

4.1. Measurement Model Analysis Results

Confirmatory factor analysis (CFA) in (Bass and Avolio, 1994; Ferdinand, 2014). There are the measurement model is convergent validity, namely (1) loading factor should be above minimum > 0.50 or ideal >0.70 and (2) P value a significant <0.05 in the study of these requirements have all been fulfilled, [17]. Then to test validity Contract can be seen at confirmatory factor analysis (CFA), that can be explained loading factor value all the indicator > 0.50, there is all indicator it can be continue in the analysis

4.2. Structural Model Analysis Results

The analysis structural equation modelling are presented in the table and the picture as follows as shown in Figure 2 and Table 1: Based on figure 1 and Tabel 1 goodness of fit Indexs full model, it is found out that the whole parameters have already met the threshold requirements, so that the model is feasible to be used for hypothetical testing.

Fig. 2. Outputs Structural Model Before Modification

Table 1. GOF Indexs Full Model Before Modification Indicies

<table>
<thead>
<tr>
<th>GOF Index</th>
<th>Cut-off Value</th>
<th>Result Analysis</th>
<th>Model Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>χ²/df</td>
<td>&gt;0.05</td>
<td>0.500</td>
<td>Good</td>
</tr>
<tr>
<td>CMIN/DF</td>
<td>&gt;2.00</td>
<td>1.184</td>
<td>Good</td>
</tr>
<tr>
<td>GFI</td>
<td>&gt;0.90</td>
<td>0.900</td>
<td>Marginal</td>
</tr>
<tr>
<td>AGFI</td>
<td>&gt;0.90</td>
<td>0.812</td>
<td>Marginal</td>
</tr>
<tr>
<td>TLI</td>
<td>&gt;0.95</td>
<td>0.970</td>
<td>Good</td>
</tr>
<tr>
<td>CFI</td>
<td>&gt;0.95</td>
<td>0.993</td>
<td>Good</td>
</tr>
<tr>
<td>RMSEA</td>
<td>&lt;0.05</td>
<td>0.036</td>
<td>Good</td>
</tr>
</tbody>
</table>

Source: Amos Analysis 2018

Table 2. Regression Weights Laten Variabel

<table>
<thead>
<tr>
<th>Laten Variabel</th>
<th>Std. Est.</th>
<th>S.E.</th>
<th>C.R.</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>OCB</td>
<td>&lt;---</td>
<td>0.72</td>
<td>1.127</td>
<td>0.50</td>
</tr>
<tr>
<td>OCB</td>
<td>&lt;---</td>
<td>0.109</td>
<td>2.052</td>
<td>0.04</td>
</tr>
<tr>
<td>Episcope Perfor</td>
<td>&lt;---</td>
<td>0.241</td>
<td>0.035</td>
<td>0.007</td>
</tr>
<tr>
<td>Episcope Perfor</td>
<td>&lt;---</td>
<td>0.241</td>
<td>0.035</td>
<td>0.007</td>
</tr>
</tbody>
</table>

Source: Output Amos 2018
4.3. Discussion

H1: Positive and significant effect of the transformational leadership on organization citizenship behaviour at Bank Aceh Sharia Lhokseumawe.

Based on Table 4, the known value of between transformational leadership on organization citizenship behaviour was 0.002, than the significance level of 0.05. These results that the transformational leadership variable significantly influences the organization citizenship behaviour of the Bank Aceh Sharia Lhokseumawe.

H2: Positive and significant effect of transactional leadership on organization citizenship behaviour at Bank Aceh Sharia Lhokseumawe.

These results can be concluded that the transactional leadership variable significantly influences the organization citizenship behaviour of the Bank Aceh Sharia Lhokseumawe. The transactional leadership on organization citizenship behaviour is 0.273 coefficient path meaning the transactional leadership on organization citizenship behaviour has a positive effect on the Bank Aceh Sayaria

H3: Positive and significant impact of transactional leadership on employee performance at Bank Aceh Sharia Lhokseumawe.

These results can be concluded that the transactional leadership contract significantly influences the employee performance of the Bank Aceh Sharia Lhokseumawe.

H4: Positive and significant influence of organization citizenship behaviour on employees performance at Bank Aceh Sharia Lhokseumawe.

These results can be concluded that the organization citizenship behaviour contract significantly influences the employee performance of the Bank Aceh Sharia Lhokseumawe.

5. Conclusion

- The hypothesis testing showed that the influence of trasformational ledership on organization citizenship behaviour at the Bank Aceh Sharia Lhokseumawe.
- The hypothesis testing showed the influence of transactional leadership on organization citizenship behaviour at the Bank Aceh Sharia Lhokseumawe.
- The hypothesis testing showed trasformational ledership of influence employee performance at the Bank Aceh Sharia Lhokseumawe.
- The hypothesis testing showed that the influence of transactional leadership on employee performance at the Bank Aceh Sharia Lhokseumawe.
- The hypothesis testing showed that the organization citizenship behaviour on employee performance Bank Aceh Sharia Lhokseumawe.

Suggestions

- Conruct of trasformational leadership and transformational leadership influence on organization citizenship behaviour of employees at the Bank Aceh Sharia Lhokseumawe.
- Conruct of transformational leadership dominand affect to employee performance at the Bank Aceh Sharia Lhokseumawe.
- The concept of OCB and its relationship with positive job performance and effectiveness. A leader can play an active role in developing awareness about OCB and mentor the employees to engage in extra role behaviours.
References


The Influence of Product and Service Quality Toward Customer Satisfaction at Fast Food Restaurant in Banda Aceh, Aceh Province

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Abstract: The study aims to illustrate clearly about product and service quality and customer satisfaction at fast food restaurants in Banda Aceh. Besides, the purpose of this research is to analyze the influence of product quality toward customer satisfaction. The population of this study was consumers at some fast food restaurants in Banda Aceh. The method used in this study is a descriptive quantitative method. In addition, the data used is primary data which is obtained by the respondents as many as 145 respondents with purposive sampling. Research analysis is conducted by applying SEM with equation structural model with data processing using Amos program. The result of descriptive analysis indicated that product quality at fast food restaurants in Banda Aceh has been running well however the quality service is not especially at tangible dimension, resposiveness and reliability. The results of hypothesis testing showed that product quality affects consumer satisfaction and affects consumers in maintaining making purchases at certain fast food restaurants in Banda Aceh.

Keyword: product quality, fast food product, consumer satisfaction and customer

1. Introduction

1.1. Background
Nowadays, the franchise business has been growing. One type of franchise business that is often found in the world is fast food. These fast food outlets were initially started in the 19th century, when the United States entered the industrial era which caused many workers to only have short breaks and long working hours. That reasons encouraged workers to prefer foods served by fast food outlets because the speed in serving and the taste is also delicious. This advantage makes fast food outlets spread in the United States. In the 20th century, the business of fast food outlets increasingly spread to the continents of Europe, Africa, Australia and Asia such as Indonesia with a franchise concept.

Fast food restaurants began to operate in Indonesia around the 1980s, started with the existence of KFC (Kentucky Fried Chicken), then followed by McDonald's and others. Fast food restaurants are growing rapidly in Indonesia, especially in urban areas, in response to modern lifestyles with increasing flexibility. By the change in lifestyle and the increasing acceptance of fast food restaurants by the community, there are 5 largest fast food restaurant companies originating from foreign countries in Indonesia, namely McDonald's, KFC, Dunkin Donuts, Pizza Hut and Hoka Hoka Bento (www.wikipedia.org) [1].

In Banda Aceh, fast food restaurants have growth in the last 5 years, especially fast food restaurants of foreign franchises. Initially, there was only one outlet and one fast food restaurant industry, namely KFC (Kentucky Fried Chicken). After tsunami, fast food
restaurants in Banda Aceh City grew rapidly with the emergence of new fast food restaurants such as A & W and Pizza Hut. Until now, there are 7 fast food restaurant outlets in the city of Banda Aceh: 4 KFC outlets, 2 Pizza Hut outlets and 1 A & W outlet.

The presence of fast-food foreign franchise restaurants in the food industry in Banda Aceh influences people's eating patterns, especially for the upper middle class, including customer satisfaction. Customer satisfaction is a feeling of pleasure or disappointment that comes from a comparison between the impression of the performance (results) of a product with its expectations. Generally, customer expectations are an estimate or a confidence of the customer about what he will receive if he buys or consumes a product, while perceived performance is the customer's perception of what he receives after consuming the product purchased.

Based on the writer's observations, it is different from what is felt by consumers of fast food restaurants in Banda Aceh, where consumers felt that the performance and quality of service at fast food restaurants are still below expectations especially at certain hours, so that a sense of dissatisfaction arises. The lack of satisfaction achieved by consumers of fast food restaurants is evidenced by the emergence of various complaints, including the lack of parking space, consumer inconvenience with the restaurant atmosphere, no food availability, a product mismatch as promised and long queues at hours certain hours.

Product quality is one of the factors that play an important role in influencing the level of consumer satisfaction. The phenomena happening in fast food restaurants in Banda Aceh is consumers still complain about the quality of some of the products offered. Service quality is the customer's assessment of the superiority or features of a product or service as a whole which starts from the customer's needs and ends with the customer's perception. There are many things that need to be considered in maintaining the quality of services including physical evidence, reliability, responsiveness, assurance, empathy. This is different from the case felt by consumers of fast food restaurants in Banda Aceh where consumers have not fully enjoyed the services of restaurant officers such as the limited parking space provided to some fast food restaurants that consumers often complain about, the maximal malfunction of the equipment provided such as a jammed wastafle, hand washing soap run out and a broken hand dryer machine often makes consumers disappointed.

1.2. Problem Formulation

The formulation of the problems that will be discussed in this study are:

- Does product quality affect consumer satisfaction of fast food restaurants in Banda Aceh?
- Does the quality of service affect customer satisfaction of fast food restaurants in Banda Aceh?

1.3. Research Objectives

The purpose of this study is:

- To analyze the effect of product quality on customer satisfaction of fast food restaurants in Banda Aceh.
- To analyze the effect of service quality on consumer satisfaction of fast food restaurants in Banda Aceh.
2. Literature Review

2.1. Consumer Satisfaction

Consumer satisfaction is reflected in the interest after the purchase of an item/service. Buying interest is the tendency of respondents to act before the buying decision is actually implemented (Kinnear and Taylor, 2003).

Furthermore (Arief, 2007, p. 148) suggested that the consumer satisfaction with a service is determined by the level of consumer expectations before using services. Furthermore, outline of the customer satisfaction concept in the view of (Zeithaml and Bitner, 2010, p. 75) is as follows:

![Figure 1. Outline of Customer Satisfaction Concept](image)

Figure 1 above explains that basically there are 5 (five) assessments of quality, namely reliability, responsiveness, assurance, empathy, and tangibles, where they affect the quality of service, product quality and product prices. Furthermore, these three factors, both together and alone will affect customer satisfaction.

3. Research Methods

3.1. Location and Object of Research

This research was conducted at Fast Food Restaurants located in Banda Aceh City. The object of this research relates to what and how the influence of product and service quality on consumer satisfaction.

3.2. Population and Sample

This study used purposive sampling technique, as many as 145 respondents.

3.3. Data Collection Techniques

Data collection method used in this study was a survey method that used a list of statements (questionnaires) that were submitted directly to respondents with a Likert scale.
3.4. **Test Validity and Reliability**

The data were analyzed by testing validity and reliability.

3.5. **Structural Equation Modeling Analysis**

The data used were analyzed by using The Structural Equation Modulation (SEM) of AMOS statistical software package in the model and hypothesis assessment. SEM equation model is a set of statistical techniques that allow testing a series of relatively "complicated" relationships simultaneously (Ferdinand, 2014, p. 181).

4. **Results And Discussion**

4.1. **Characteristics of Respondents**

4.1.1. **Income Section**

The following is the percentage of respondents from the income side.

![Figure 2: Respondent Income](image)

The income level of respondents in this study was dominated by respondents with an income level of <Rp.3,000,000, that is a number of 41 respondents (28%), and the lowest 9 respondents (6%) had an income level > Rp. 7,000,000.

4.1.2. **The frequency of consumers in visiting restaurants**
As presented in Figure 3, it can be seen that the average consumers visit the restaurant 2 times a month which is 59%, 12% of them visit 3 times a month, 23% of them visit 1 time a month and only 6% of them visit more than 3 times a month.

4.2. Discussion

4.2.1. Variable Consumer Satisfaction

Variables of consumer satisfaction are measured by referring to several indicators, including customer perception of product quality, customer perception of service quality, price and situation factors and consumer personalities

<table>
<thead>
<tr>
<th>No.</th>
<th>Variable of Customer</th>
<th>Nilai Rata-Rata</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>I am satisfied with food at fast food restaurants</td>
<td>4.17</td>
</tr>
<tr>
<td>2.</td>
<td>The price of food in fast food restaurants is in line with my income</td>
<td>4.15</td>
</tr>
<tr>
<td>3.</td>
<td>The price of food in fast food restaurants is in line with my income</td>
<td>4.13</td>
</tr>
<tr>
<td>4.</td>
<td>I always talk about positive things about fast food restaurants to others</td>
<td>4.10</td>
</tr>
</tbody>
</table>

Mean 4.13

Source: Primary Data, 2018

4.2.2. Test Measurement Model
The following figure shows the relationship between indicators and unobserved variables

![Diagram showing the relationship between indicators and unobserved variables](image_url)

**Fig. 4.** Measurement Model with Loading Factor

The following table shows the relationship of indicators with their respective constructs. Loading factor is used if the value is above 0.6, then the indicator is said to be representative enough to explain the unobserved variable.

<table>
<thead>
<tr>
<th>Table 2. Loading Factor Variables of Product Quality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicator</td>
</tr>
<tr>
<td>-----------</td>
</tr>
<tr>
<td>X11</td>
</tr>
<tr>
<td>X12</td>
</tr>
<tr>
<td>X13</td>
</tr>
<tr>
<td>X14</td>
</tr>
<tr>
<td>X15</td>
</tr>
<tr>
<td>X16</td>
</tr>
</tbody>
</table>

Source: Primary Data, 2018

<table>
<thead>
<tr>
<th>Table 3. Loading Factor Variables of Service Quality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicator</td>
</tr>
<tr>
<td>-----------</td>
</tr>
<tr>
<td>Tangible</td>
</tr>
<tr>
<td>Reliability</td>
</tr>
<tr>
<td>Insurance</td>
</tr>
<tr>
<td>Responsiveness</td>
</tr>
<tr>
<td>Emphaty</td>
</tr>
</tbody>
</table>

Source: Primary Data, 2018

Indicator loading factor of unobserved Service Quality variable that has the highest score is in the "responsiveness" sub variable, which is 0.924, which means that this sub variable...
contributes 92.4% percent to the Service Quality variable. This means that fast food restaurants in Banda Aceh, if they want to improve their service quality, then the sub-variables "responsiveness must get top priority compared to other dimensions.

The results of the study provide information that the interest in satisfying consumers of fast food restaurants in Banda Aceh is positively influenced by the quality of products and services, if the restaurant manager as the decision maker can improve all aspects of product quality such as taste, packaging, attractive forms so it will have an impact a positive increase in sales.

5. Conclusion

The results of this study indicate that product quality and customer satisfaction are good at Fast Saji Restaurants in Banda Aceh while service quality is not good. Product quality variables and service quality have a positive effect on customer satisfaction.

Suggestions

It is recommended to decision makers at the Fast Food Restaurant in Banda Aceh to be able to improve aspects of physical evidence, especially adequate parking areas, other supporting facilities such as wastafle, toilet hand dryer. In addition, decision makers in restaurants also still need to improve and improve employee performance, timeliness of service, speed of service and the way employees communicate with consumers.

It is expected that decision makers in the Fast Food Restaurant in Banda Aceh will improve customer satisfaction to improve product quality.

Thank-You Note

To Prof. Dr. Jasman, J. Ma'ruf, SE, MBA (The Rector of Teuku Umar University), Dean, Vice Dean I and II, Head of Study Program / Secretary of EKM Study Program, and Academic Community of FE UTU and all parties that cannot be mentioned individually.

References

The Effect of Foreign Direct Investment on Sustainable Development ASEAN 3 and ASEAN 5: A Conceptual Study

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Abstract: Sustainable development is part of ASEAN 2025 vision. It is actively debated amongst ASEAN leaders due to the economic fluctuation, increasing in environmental pollution and wide income gap in ASEAN countries that can hinder the achievement of sustainable development. Therefore this study tries to analyse three indicators of sustainable development which are economic, environment and income distribution and the effect of foreign direct investment on these three indicators between ASEAN3 (Cambodia, Laos and Vietnam) and ASEAN5 (Malaysia, Indonesia, Philippines, Thailand and Singapore) based on the different levels of economic growth. Foreign direct investment is expected to have a different impact on the three indicators of sustainable development due to the different economic levels between ASEAN 3 and ASEAN 5. Previous researches have failed to show a consistent relationship between foreign direct investment and the three indicators of sustainable development. Moreover previous researches mostly looks at the effects of foreign direct investment on each individual indicator of sustainable development separately, but very little is done comprehensively by looking at the effects of foreign direct investment on all three sustainable development indicators. Especially on the comparative impact on ASEAN 3 and ASEAN 5. This paper is based on extensive literature. It is expected to prove that the dominant effect of foreign direct investment towards sustainable development and the effect might be different between ASEAN3 and ASEAN5 countries. Future studies should validate empirically the proposed research framework.

Keywords: sustainable development, FDI, economic, environment quality, income inequality

1. Introduction

(Commission on Environment, 1987) has stated that “sustainable development (SD) is a development that meets current needs without affecting the ability of future generations to meet their needs”. (Summit on Sustainable Development, 2002) outlines three important indicators that are fundamental to SD: social, environment and economic. SD is one of the key agenda for ASEAN leaders because it is a part of ASEAN vision 2025. Issues of global warming are not only globally, but also at ASEAN level can be stunted to achieve SD. The release of carbon dioxide (CO2) is the most important contributor to global warming and climate change (Watson et al., 1997). (Birol, 2015) said ASEAN contributed to CO2 emission of 4% in 2013 and it is expected to double in 2040. A study by (Rasiah et al., 2016), said that if there is no optimum policy and action to be taken, then the cumulative cost of damage due to climate change to ASEAN will reach RM40.1 billion from 2010 to 2110. (OECD, 2013) also gives a serious concern on the issues of income distribution gap that seems increasing over time.
In order to achieve SD, it is necessary to examine the determinant factors of SD and one of them is foreign direct investment (FDI). It is according to (Unctad, 2014) which believes that FDI has great potential to achieve SD. It is also supported by previous studies showing a shift in perspective between policy makers in the country which examined in promoting and attracting more FDI inflows to create opportunities and assist developing countries to achieve SD (Erdal and Tatoglu, 2002; Cassidy and Andreosso-O’Callaghan, 2006).

Therefore, this study is carried out by analyzing previous studies in order to determine the effects of FDI on three SD indicators namely social, environment and economic, specifically on ASEAN 3 and ASEAN 5. The proposed study will be conducted by dividing ASEAN countries into two groups based on the level of ASEAN 3 (Vietnam, Cambodia and Laos) and ASEAN 5 (Malaysia, Thailand, Indonesia, Singapore, and Philippines) according to different levels of economic (Xaypanya, Rangkakulnuwat and Paweenawat, 2015). Due to different levels of economic, thus the effects of FDI on these SD indicators might also be different.

Previous studies have failed to show a consistent relationship between FDI and these three indicators of SD, thus, it requires a further study to investigate more details on this relationship. Furthermore previous studies also look at the effects of FDI on each indicators of SD separately, but very little research is made by looking at the effects of FDI with all these three indicators of SD comprehensively. Moreover, this study might also examine the comparative impact on ASEAN 3 and ASEAN 5.

2. Literature Review

2.1. Foreign Direct Investment and Economic Growth

In recent study by (Sirag, SidAhmed and Ali, 2018) showed that FDI inflows positively effect on economic growth through financial development in Sudan. The study used annual data from 1970 to 2014. Moreover, it is supported by a study from (Ridzuan et al., 2017) which also showed a positive impact between FDI inflows and economic growth in Malaysia based the annual data from 1970 to 2013. Meanwhile a study from (Koroci, 2018) showed a strong positive relationship between FDI inflows and economic growth in Albania. Furthermore, it also showed that FDI would increase investments in export sectors which transfer new technologies, expertise and management and also would increase competition in the market as according to the survey data is from 1995 to 2012. Meanwhile a study by (Gural and Lomachynska, 2017) showed a positive relationship between FDI and economic growth. The study used annual data from 1992 to 2016 for V4 countries (Poland, Czech Republic, Hungary, and Slovak Republic). Likewise, other studies also showed that FDI inflows positively effect on economic growth (Belloumi, 2014; Solarin and Shahbaz, 2015; Iamsiraroj, 2016; Parezanin, Jednak and Kragulj, 2016).

However, a study from (Florence, David and Daniel, 2017) showed that FDI inflows negatively impact on economic growth, exports, inflation and benefits in Nigeria which used annual data from 1984 to 2015. The study is supported by (Chansomphou and Ichihashi, 2011) that showed FDI negatively impacting economic development in Laos. Moreover, the study summarized the negative effects of FDI probably due to the insistense on some sectors of the economy that have been extremely increasing and decreasing over a certain period of time.

Meanwhile a study from (Klasra, 2011) showed that FDI inflows has no significant relationship between economic growth in Turkey and Pakistan and the studies used annual
data from 1975 to 2004 that were supported by previous studies (Azman-Saini, Law and Ahmad, 2010; Ridzuan et al., 2017).

2.2. Foreign Direct Investments and Environment Quality

A study from (Ridzuan et al., 2017) which used time series data in Malaysia from 1970 to 2013 (44 years) concluded that FDI inflows had a positive impact on the environment quality. Hence the higher the inflow of FDI, the lower the pollution in the country as the quality of pollution is measured through CO2 emissions. This highlight is supported by a study by (Ridzuan et al., 2017) whereby the annual survey data for the Singapore was taken from 1970 to 2013 (44 years). While a study from (Cătălin Voica, Panait and Haralambie, 2015) showed a positive impact on FDI on environmental quality whereby the study used annual data of 28 EU member states for a certain of period since 2000 to 2012. Furthermore, other studies showed positive FDI effects on environmental quality through the transfer of environment-friendly technology from developed countries to less developed countries (Kirkulak, Qiu and Yin, 2011; Leiter, Parolini and Winner, 2011; Al-nulali and Foon Tang, 2013).

Nevertheless, (Kaur, 2013) study was conducted in India showed the opposite effect whereby FDI inflows negatively affect the quality of the environment in which FDI is responsible for increasing CO2 emissions. The study was based on the annual data that was taken in India from 2000 to 2015 (15 years). Moreover, the study was supported by (Behera and Dash, 2017) showed that FDI inflows negatively affect on environmental quality for both high and middle-income countries whereas there is no significant relationship between FDI inflows and environment quality for low-income group. (Abdouli and Hammami, 2017) also pointed out that FDI negatively affects the quality of the environment based on selected annual data from 17 selected MENA countries from the period of 1971 to 2013. Moreover other studies also showed the negative effects of FDI on environmental quality (Chakraborty and Mukherjee, 2013; Lau, Choong and Eng, 2014; Omri, Nguyen and Rault, 2014).

Meanwhile the studies from (Jugurnath, Roucheet and Teeroovengadum, 2017) showed that FDI inflows has no significant relationship between environment quality. The study used the data panels from 18 European countries for the period of 1995 to 2013. It is supported by (Shahidan Shaari et al., 2014) through the review data from 1992 to 2012 for 15 developing countries which also showed that FDI did not affect the quality of the environment. Even from other supporting studies which are from (Atici, 2012; Chandran and Tang, 2013).

2.3. Foreign Direct Investments and Income Inequality

In a study by (Ridzuan et al., 2017) which concluded that inflows of foreign direct investment can improve the income distribution for Malaysia, which means, FDI inflows negatively impacts on income inequality. This means that the higher the FDI inflows, the smaller the income distribution gap. It is supported by (Balcıoğlu, 2018) which concluded that on average, the inflows and outflows of FDI inflows negatively impact on long-term income inequality. However, in the short term the impact of FDI inflows and income inequality is positive. The study used the panel cointegration analysis to show correlation between FDI and income inequality for sample of seven countries (Turkey, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Turkmenistan and Uzbekistan) with annual data from 1992-2012 (21 years). Moreover other studies have also shown a negative impact between FDI inflows and income inequality (Wu and Hsu, 2012; Ucal et al., 2014; Mihaylova, 2015).
Nevertheless a study from (Ngwakwe and Dzomonda, 2018) showed that the increase in FDI inflows had a positive impact on income inequality. The study showed that the increase in FDI inflows had worsened the distribution of income in the country based on annual data taken that were from 2005 - 2015 (15 years). This study is also supported by (Ridzuan et al., 2017) which showed the positive impact between FDI and income inequality in Singapore. While the study from (Cho and Ramirez, 2016) resulted the impact of FDI and FDI stock inflows on income distribution to seven Southeast Asian countries comprising Cambodia, Indonesia, Laos, Malaysia, Philippines, Thailand, and Vietnam which have summed up the increase in FDI inflows will affect income distribution within that group of countries. The study showed that the impact of FDI on income inequality was positive based on annual data taken from 1990 to 2013. Even other past surveys also showed positive effects between FDI inflows and income inequality are (Ahmad and Bahauddin, 2014; Herzer, Hühne and Nunnenkamp, 2014; Munir and Sultan, 2017).

The proposed research framework is developed from extensive review from previous literature and data as seen in figure 1

3. Research Content Analysis

The proposed research framework is developed from extensive review from previous literature and findings. The sources of searching literature and findings are from conceptual and empirical papers of quality journals. Google search and digital library are very helpful medium to access the papers and moreover, the literature and findings were collected from the official website.

4. Discussion And Conclusion

The main objective of the study is to examine the impact of FDI on three SD indicators, namely economic growth, income inequality and enviroment quality on ASEAN 3 and ASEAN 5. This is due to the different economic levels of both groups of the countries (Xaypanya, Rangkakulnuwat and Paweenawat, 2015). Thus the FDI effects on three indicators of SD are also expected to differ.

Previous studies clearly showed inconsistent results and this encourages this study to be conducted for further investigation of FDI effects on three indicators of SD. Furthermore, only a few studies have been made by looking at the effects of FDI inflows on three indicators of SD especially in a comprehensive study between ASEAN 3 and ASEAN 5. Future studies should validate empirically the proposed research framework. If the proposed framework is validated, the finding of this study is expected to provide useful information to policymakers.
from these two national groups in determining the economic openness policy to achieve SD by 2025.

References


The Effects of Lifestyles on Sustainable Consumption: A Conceptual Study of Cosmetics and Personal Care Products

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Abstract: Nowadays, it is noticeable that marketing strategies are moving towards sustainability due to several unsustainable consumption problems and one of the problems is packaging waste. Central to the problem is lifestyle. Lifestyle is one of the variables which fall within psychographic segmentation. Segmentation is the process where the market is divided into relevant groups that can be targeted by marketers. Previous study has employed VALS and AIO in India to predict lifestyle. Thus this study will also employ both measurement systems to re-validate the study findings in Malaysia and at the same time complement each measurement system deficiencies in defining lifestyles. Therefore, this study aims to identify the effect of consumers’ lifestyles of cosmetics and personal care products on sustainable consumption that can allow marketers and researcher to predict their different consumption habits that are reflected by different lifestyles. This conceptual study is solely based on an extensive review from literature and previous data. The sources of collecting literature are Google search and digital library. This study is expected to prove that self-fulfilment, self-identity, feeling of uniqueness and believers segment is the dominant lifestyle that makes more sustainable consumption.

Keywords: Sustainable Consumption, Psychographic Segmentation, VALS, AIO, Cosmetics and Personal Care Products

1. Introduction

The development of cosmetic industry has been growing globally in both developed and developing countries (Azmi Hassali and AL-Tamimi, 2015). According to (Khan et al., 2017), cosmetic industry growth is shifted from Western region to developing hemisphere of Asia. Meanwhile Malaysia’s total trade volume for personal care and cosmetics products had increased about US$2.24 billion in 2015 (Cheong et al., 2016). This continuous growth and evolution in cosmetics industry offers great consumption and thus wastes. Moreover Malaysians had generated about 30, 000 metric tonnes of rubbish each day (Jereme et al., 2015). As a result, solid waste and solid waste management have given rise to many pressing issues in Malaysia and product packaging is a big contributor to the landfills in a near future (MHLG, 2006).

There are several problems emerged due to unsustainable consumption such as solid waste which is already a significant problem for Malaysia government (Haron, Paim and Yahaya, 2005). These consumption problems occurred due to the socio economic structure, industrial development, an urbanization process, increase population and individual actors’ options and choices and a changing lifestyle (Briceno and Stagl, 2006); (Haron, Paim and Yahaya, 2005). Therefore this study will discuss about problem emanated from consumers’ lifestyles through these consumption habits. Moreover understanding what determines
consumer behaviour provides a useful starting point for identifying the lifestyles of Malaysian consumption behaviour. Therefore making recommendations as to develop conceptual framework for sustainable consumption might help marketers or researchers to enrich the field of sustainable consumption research that is relatively new (Reisch et al., 2016).

This study aims to identify the effect of consumers’ lifestyles of cosmetics and personal care products on sustainable consumption that can allow marketers and researchers to predict their different consumption habits that are reflected by different lifestyles. Hence, these lifestyles that fall under psychographic segmentation might help the marketers to tap Malaysian market and to empower the sustainable marketing. There are two questions that have been developed which are (1) How consumers’ lifestyles of cosmetics and personal care products give an impact to sustainable consumption? and (2) Which consumers’ lifestyles of cosmetics and personal care products make more impacts on sustainable consumption?

1.1. Packaging Waste

(Vranjanac and Spasic, 2017) cited that packaging waste from personal care and cleaning products such as plastics bags and bottles caps, cardboard and plastic boxes should not be scattered around the environment but deposited at predetermined locations in compliance with local or national legislation. When cosmetics and personal care products are used up, tons of wastes are generated from the package that ends up in landfills (Girotto G., 2012); (Vranjanac and Spasic, 2017). According to Malaysian environment and waste management specialist, Dr Theng Lee Chong said that solid waste generation had created a major problems which are lack of landfill space, low recycling rate (Noor, 2016), pollution (Samah et al., 2013) and littering. Hence these problems should be solved from the source. Waste initially requires certain economic means to be managed properly, including the costs of collection, transport, storage and treatment (Vranjanac and Spasic, 2017). Composition of solid waste from personal care products and cleaning products had been determined in a study by Pejcic and Vranjana (2016) that was cited in (Vranjanac and Spasic, 2017). The study was done in Serbia, and the result showed that plastic packaging had the biggest mass percentage of the four categories (46%). It was followed by glass packaging (34%), aluminium packaging (12%), and paper and cardboard packaging (8%) of the total packaging waste mass.

Due to the lack of data collection on packaging waste composition in Malaysia, the actual figures for packaging waste composition in Malaysia are not available. But the study that was done by (Periathamby, Hamid and Khidzir, 2009) had categorized the solid waste composition in Malaysia from 1975 to 2005 according to organic, paper, plastic, glass, metal, textiles, wood and others, and it was categorized more clearly by National Solid Waste Management Department (NSWMD), Ministry of Housing and Local Government Malaysia (National Solid Waste Management Department, 2011). NSWMD categorized the types of solid waste composition in 2005 according to organic waste contributed approximately 45%, followed by plastic (24%), paper waste (7%), metal (6%), glass (3%) and others (15%).

According to (National Solid Waste Management Department, 2011), the category of plastic that are used to produce personal care products fall under easy plastics to recycle, meanwhile the type of plastic resins and their respective symbol codes and classification fall under number 2 which reserved for high density polyethylene plastics (HDPE). The most used polymer United Kingdom (UK) is HDPE which is 20% of total consumer (household) plastic packaging. The majority of HDPE plastic packaging is bottles (54%) and it is mainly used to package milk and personal care products, due to its chemical resistant properties (WRAP, 2013). But somehow the product packaging might be hazardous when these formulating with the substances that would react with others, produce additional compounds that when attaining
with certain additional concentration levels might be capable of causing severe environmental and public health damage (Adamcová et al., 2016).

1.2. The Importance Of Psychographic Segmentation

The task of the marketers is to identify the appropriate number and nature of market segments and decide which (one)s to target. According to (Kumar et al., 2012), marketing strategy comprises of segmentation, targeting and positioning and marketing mix of the company. The first process in marketing strategy is segmentation that divides a market into a smaller group of buyers with distinctive needs, characteristics or behaviours who might require marketing mix separately (Kotler and Armstrong, 2008). Market segmentation is an essential element of marketing as we want to develop the most profitable segment by giving them what they need, want and how to communicate with them accordingly (Cahill, 1997). Without segmentation, it is difficult for marketers to do market targeting strategy precisely. With respect to that, it is impossible to create a marketing mix which is solid and cost-effective.

Psychographics variable is one of the market segmentation which scientifically uses psychology and demographics to understand the consumers. In psychographic segmentation, a market is divided into different groups of psychological/personality traits, lifestyle or values (Kotler and Armstrong, 2008). Generally, most of the definition of lifestyle is the way we live our lives, but it is not that easy to define a lifestyle (Jensen, 2007). This statement is also supported by (Ryden et al., no date). According to (Nora, Liza & Minarti, 2016), lifestyle is about what they do, what do they buy and how they spend their time. Meanwhile (Sjöberg and Engelberg, 2005) defines lifestyles to three different meanings:

- The value shown by referring to a limited number of basic dimensions (freedom, justice, equality, etc.).
- Groups or groups of attitudes, opinions, interests and activities.
- The real behavior pattern. According to (Ryden et al., no date), lifestyles come from a series of special and occasional behaviors forming a pattern that can be called a lifestyle.

In this study the definition of lifestyle will be discussed in three different meanings which are values, groups of attitudes, opinions, interests and activities and consumption patterns.

The marketers need to utilize the precise information from subgroups of psychographic segmentation to develop their commercial direction (Abduljalil and Tat, 2011) and to predict their behaviour; particularly in consumer behaviour that reflects consumer values that best show their lifestyle (Aydın and Ünal, 2015). Thus, different life styles will result in different consumption habits. In this case lifestyles must be measured appropriately plus with cultural differentiation. Measurement systems that are commonly employed to measure the first meaning of lifestyles which is values and consumption patterns which are The List of Values (LOV), Values and Lifestyles (VALS) (Abduljalil and Tat, 2011); (Aydın and Ünal, 2015); (Ghosh, 2014); and the Rokeach Value Survey (Vinson, Munson and Nakanishi, 1977). Meanwhile Activities, Interest and Opinions (AIO) (Narang, 2011) is used to measure another meaning of lifestyles which is groups of attitudes, interests, opinions and activities. Each of measurement systems has its strengths and limitations as according to Table 1.
Table 1. Strengths and Limitations of Measurement Systems in Lifestyles

<table>
<thead>
<tr>
<th>Measurement Systems</th>
<th>Strengths</th>
<th>Limitations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Values &amp; Lifestyles (VALS)</td>
<td>• It comprises demographics, attitudes, activities, consumption patterns, brand preferences &amp; media graphics (Sathish and Rajamohan, 2012). • It can stand alone without including extra demographic variables (Novak and MacEvoy, 1990).</td>
<td>• It is a general framework to understand (Winters, 1989). • It is very weak at predicting people’s purchase &amp; too culturally specific for international use (Yankelovich and Meer, 2006).</td>
</tr>
<tr>
<td>ROKEACH Value Survey (RVS)</td>
<td>• It is a values hierarchy that enables researchers to describe quantitatively (Vinson, Munson and Nakanishi, 1977).</td>
<td>• It is positive response bias in cross cultural comparison (Jabes, no date).</td>
</tr>
<tr>
<td>Attitudes, Interest &amp; Opinion (AIO)</td>
<td>• It is self-administered (González and Bello, 2002).</td>
<td>• Lengthy (a wide range of features) (González and Bello, 2002).</td>
</tr>
<tr>
<td>List of Values (LOV)</td>
<td>• It is easy to understand the cultural aspects based on social values (Begunca, 2017); • It obtains demographic predictions separately &amp; simple to administer (Lynn R. Kahle, Sharon E. Beatty, 1988).</td>
<td>• It is less predictive when there is no extra demographic variable (Novak and MacEvoy, 1990).</td>
</tr>
</tbody>
</table>

1.3. Sustainable Consumption

The concept of sustainable consumption that was coined in Oslo in 1994 was in line with the Brundtland commission definition of sustainable development. The definition of sustainable production and consumption is “the use of goods and services that respond to basic needs and bring a better quality of life, while protecting the environment, so as not to jeopardize the needs of future generations” (Nations, Programme and Unep, 2010). Meanwhile (Maria Geiger et al., 2017) defined sustainable consumption behaviour (SCB) as “individual acts of satisfying needs in different areas of life by acquiring, using and disposing goods and services that do not compromise the ecological and socioeconomic conditions of all people (currently living or in the future) to satisfy their own needs”.

Therefore in this study, sustainable consumption is defined as a process that focuses on acquiring and disposing the cosmetics and personal care products while protecting environment. This study will employ SBC cube that is proposed by (Fischer et al., 2017) to define sustainable consumption whereby the sustainability dimension is ecological, the consumption phase is acquiring and disposing and the consumption area is cosmetics and personal care products. Meanwhile the impact assessment approaches reported by (Fischer et al., 2017), have a strong tradition with ecological realm.

There are several studies that are dealing with both consumers’ lifestyles and sustainable consumption such as studies from (Fraj and Martinez, 2006); (Adnan, Ahmad and Khan, 2017); (Aydın and Ünal, 2015) as shown in table 2.
Table 2. Findings from Previous Studies Dealing With Consumers’ Lifestyles And Sustainable Consumption

<table>
<thead>
<tr>
<th>Authors / Country</th>
<th>Measurement systems</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fraj and Martinez (2006) / Spain</td>
<td>VALS</td>
<td>Ecological segment is best characterised with self-fulfilment feeling. They have ecological lifestyle (environment consciousness, selecting and recycling products and taking part in events to protect environment).</td>
</tr>
<tr>
<td>Adnan, Ahmad and Khan (2017) / India</td>
<td>VALS and AIO</td>
<td>Ecological segment is best characterised with self-identity and feeling of uniqueness. They have ecological lifestyle (selecting and recycling products and taking part in events to protect environment).</td>
</tr>
<tr>
<td>Aydin and Unal (2015) / Turkey</td>
<td>VALS</td>
<td>Consumers’ lifestyles have an impact on their sustainable consumption trends. Innovators and thinkers carry more information about environmental problems and have more positive attitude. Meanwhile thinkers and believers make more sustainable consumption.</td>
</tr>
</tbody>
</table>

2. Problem Statements

VALS and AIO are both measurement systems that will be employed in this study since the definition of lifestyles consists of three different meanings which are values, groups of attitudes, interests, opinions and activities and consumption patterns. This study employs both of the measurement systems to complement each measurement system in defining lifestyles. According to one of the strengths of VALS, it shows that VALS can measure almost every meaning of lifestyles. Meanwhile the employment of AIO might give results which measurement is much stronger in predicting lifestyles between VALS and AIO in terms of activities, interests and opinions. Meanwhile previous study was done by (Adnan, Ahmad and Khan, 2017) in India. Hence this study will be done in Malaysia that might help to re-validate the study findings in other cultural differentiation.

3. Research Methodology

This conceptual study is solely based on a review from literature and data. The sources of collecting literature are Google search and digital library. The terms such as sustainable consumption, VALS, cosmetics and personal care products and solid waste were used and there was limited amount of information were found. The most helpful pieces of literature were studied by (Aydın and Ünal, 2015), (Fraj and Martinez, 2006) and (Adnan, Ahmad and Khan, 2017).

4. Conclusion

From the previous study by (Aydın and Ünal, 2015), the model exploring the influence of lifestyles, environmental knowledge and environmental attitude on sustainable consumption, environmental knowledge and attitude towards environmental protection have an influence on sustainable consumption. They might also have ecological lifestyle (environment consciousness (Fraj and Martinez, 2006), selecting and recycling products and taking part in events to protect environment (Adnan, Ahmad and Khan, 2017)). Meanwhile ecological segment is best characterised with self-fulfilment feeling (Fraj-Andrés and
Martínez-Salinas, 2007), self-identity and feeling of uniqueness (Adnan, Ahmad and Khan, 2017). Moreover the ecological segment might consists of thinkers who are the most lifestyle that engage in sustainable consumption more compared to the others and followed by believers (Aydın and Ünal, 2015).

Lifestyles are the central to all the consumption habits. Marketers and researchers have to study the consumers’ lifestyles of cosmetics and personal care products since the consumption of the products has expanding and growing although in uncertain environment. There might be changing in consumers’ lifestyle in the future and changing lifestyle might not agitate the marketers if they have the scale of lifestyles that is able to predict consumers’ consumption habits.

Meanwhile the marketers could strategize the market targeting as well as positioning and marketing mix precisely and above all, all the marketing strategies which in line with sustainable consumption especially to protect environment. It is suggested that an extensive study should be done using different lifestyles scale systems.

In the future, the facts and figures of packaging wastes composition should be categorized accordingly to mitigate the waste management and recycling and might also to facilitate the researchers and policymakers in identifying which aspect (any brand or product) has contributed most to the packaging wastes.

References


Non-ethical Behaviour Mediates Relationship of Rules Obedience, Management Morality, and Effectiveness of Internal Monitoring System towards Accounting Fraud Tendency

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Abstract: This research was conducted to examine impact of rules obedience, management morality, and effectiveness of internal controls, towards Accounting Fraud Tendency, which mediated by unethical behaviour in Regional Devices Organization (RDO) at Keerom regency, Papua. Data was obtained through questionnaire and was analysed using path analysis through the assistance of SPSS computer program version 23.0. The results showed that obedience towards accounting rules and management morality has got positive and significant impact towards accounting fraud tendency. The effectiveness of internal management system has got positive impact, but not significant, towards accounting fraud tendency. The impact of non-ethical behaviour as intervening between management morality and accounting fraud tendency was not dominant. In other side, non-ethical behaviour, as intervening between accounting obedience and effectiveness of internal management system, towards accounting fraud tendency, has not got dominant impact.

Keywords: Rules Obedience, Management Morality, Internal Monitoring System (IMS), IMS Effectiveness, Non-ethical Behaviour, Accounting Fraud Tendency, Fraud

1. Introduction

Transparency International (TI) has released corruption perception index for year 2017. Indonesia was a country with a corrupt ranked 96 in the world (Hardoko, 2017). Indonesia Corruption Watch (ICW) in year 2017 noted 9 (nine) provinces with highest corruption cases. They were East Java, West Java, North Sumatra, Aceh, Central Java, Riau, South Sulawesi, West Nusa Tenggara, and Riau Islands (Watch, 2017). In other side, by the year of 2016, ICW also detected the fraud potential in the area of services and goods procurement. For most potential fraud regency, Keerom regency in Papua was the first risk regency with an average score 15.7. There were 56 procurement projects with given budget Rp. 161, 75 billion (Mashabi, 2017). The manipulation of financial data was acted by a particular party for its own or private benefits (Mashabi, 2017). Generally, tendency of accounting fraud is related to corruption (Mashabi, 2017). In corruption, there were unusual actions performed, such as manipulating the recording, the disappearance of documents, and mark-up that causes losses of state economy. Therefore, internal control is very important. It provides protection for the entity towards human foibles as well as to reduce the possibility of errors and actions that do not comply rules (Mashabi, 2017). Based on above consideration, the authors conducted this research under the topics of Non-ethical Behaviour Mediates Rules Obedience Relationship,
Management Morality, and Effectiveness of Internal Monitoring System towards Accounting Fraud Tendency.

2. Literature Review

This research is based on Attribution theory. Attribution is a process for interpreting events, reasons, or background of person’s behaviour (Mashabi, 2017). The theory stated that person’s behaviour and the reasons of why someone does something, is caused by internal factors or external factors. Based on the statement above, it can be concluded that the attribution theory describes the effort to understand causes behind behaviour of others (Mashabi, 2017).

Behaviour that caused by internal factors is behaviours that believed to be under the control of, or comes from the individual itself (Mashabi, 2017), such as personality traits, motivation or ability. Behaviour that caused by external factors is behaviour that believed to be the result of outside causes, or comes from outside of individual, such as equipment, or social influence from others (Mashabi, 2017). Both are related to accounting fraud behaviour.

Accounting Fraud is one of the actions that intentionally made by an actor, in order to gain personal profit (Mashabi, 2017). Factors that drive someone to commit fraud are: 1) Pressure, 2) Opportunity, and 3) Rationalization (Zainal, 2013). An agency or institution will behave non-ethically and take actions of cheating since it does not commit or not obey to an accounting rules. Agency theory states that committing accounting rules will minimize fraudulent behaviour (Mashabi, 2017), while failure in processing financial statements is cause by management disobedience to the accounting rules. This will also cause fraud that cannot be detected by the auditor (Mashabi, 2017).

A study conducted by Pradyani showed that morality has no impact towards fraud accounting. The higher stages of management morality, the more management notices a wider and more universal interest that not focus on fraud activity. (Mashabi, 2017). Whether the morality of management is high or low, possibility of cheating can still occur (Mashabi, 2017). However, non-ethical behaviour could eventually increase the occurrence of accounting fraud tendency, which will inflict financial loss of organization (Mashabi, 2017).

Furthermore, the effectiveness of Internal Monitoring System (IMS) will affect transactions tests, balance sheets detail test, fraud detection activity, and incidence of fraud. The more effective of IMS, the lower fraud incidence happens (Mashabi, 2017). Non-ethical behaviour and other deviant behaviours can be decreased by the existence of effective IMS in a management (Mashabi, 2017).

To examine this research issues, authors conducted quantitative research. Population in this research was 52 Regional Devices Organization (RDO) in Keerom regency, by year 2018. Location was chosen based on the consideration that the area is potentially committing fraud accounting (Mashabi, 2017). Data collection in this research applied questionnaires technique. Total samples were 104 respondents.

3. Result And Discussion

From 104 distributed questionnaires, there were only 98 questionnaires that could be received back. After examining the 98 questionnaires that have been received back, it was found that 13 questionnaires could not be used. The questionnaires were not used since the response that answered in the questionnaire respondents did not complete. Therefore, total questionnaires that could be processed were only 85 questionnaires. In analysing research data, the authors applied path analysis technique. It was applied using SPSS program 23.
In the test path analysis, it has got some basic principles, namely linearity and the normality of research data. (Mashabi, 2017). Based on that assumption, the authors firstly conducted examination towards the fulfilment of assumption basic principles to meet path analysis conditions.

Linearity test applied Langrage Multiplier test that conducted by regressing independent variable in residual value of the equation (Mashabi, 2017). Linearity assumption will be fulfilled if $c^2$ count is smaller than $c^2$ table. Following is the table of linearity test result.

<table>
<thead>
<tr>
<th>Equation</th>
<th>$C^2$ count</th>
<th>$C^2$ table</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>67.17</td>
<td>107.52</td>
<td>Linear</td>
</tr>
<tr>
<td>Second</td>
<td>50.74</td>
<td>107.52</td>
<td>Linear</td>
</tr>
<tr>
<td>Third</td>
<td>69.23</td>
<td>107.52</td>
<td>Linear</td>
</tr>
</tbody>
</table>

Based on that table, it can be justified that the models created can be applied for examining the next path analysis. After that, the authors conducted test for normality. It aims to examine whether the variable regression model in the residual has got a normal distribution or not. In this research, test of normality was conducted with a normal probability plot graph analysis (test of normal probability plot graph was conducted by the assistance of SPSS program 23). By watching the tension of data spread towards regression line, it was found that there was no cluster plot data located far of normality test line. Test graph result of normal probability plot has justified that data in this study have got a normal distribution.

The hypothesis proposed in this study was examined by applying path analysis to prove whether there was causal relationship between exogenous variables and endogenous variables or not. The equation is as follows:

First equation:
\[ X_3 = \beta_1 X_1 + \beta_2 X_2 + \epsilon_1 \]

Second equation:
\[ Z = \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon_2 \]

Third equation:
\[ Y = \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon_3 \]

First equation can be examined by following table

<table>
<thead>
<tr>
<th>Bound Variables</th>
<th>Free Variables</th>
<th>Coefficients</th>
<th>The value of $t$</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>$X_3$</td>
<td>$X_1$</td>
<td>0.407</td>
<td>3.158</td>
<td>0.002</td>
</tr>
<tr>
<td>$X_2$</td>
<td></td>
<td>0.495</td>
<td>3.841</td>
<td>0.000</td>
</tr>
</tbody>
</table>

$R = 0.884$

$R^2 = 0.781$

Adjusted $R^2 = 0.775$

$F_{table} = 1.662$
Coefficient $\beta_1X_1 = 0.407$ indicated that each rules obedience value has increased or has been better. Therefore the value of the effectiveness of IMS would be increased by the value of the regression coefficient $\beta_1X_1$. Coefficient $\beta_2X_2 = 0.495$ indicated that each management morality value has increased or has been better. Therefore the value of the effectiveness of IMS would be increased by the value of the regression coefficient $\beta_2X_2$. In other words, each increasing of IMS effectiveness required management morality value of 0.495, by the assumption that IMS effectiveness was stable. In second equation, the path analysis results on the impact of rules obedience ($X_1$), management morality ($X_2$), and the effectiveness of IMS ($X_3$) towards non-ethical behaviour could be examined in the following table.

**Table 3.** Direct impact of Rules Obedience ($X_1$), Management Morality ($X_2$), and The Effectiveness of IMS ($X_3$) towards Non-ethical Behaviour ($Z$)

<table>
<thead>
<tr>
<th>Bound Variables</th>
<th>Free Variables</th>
<th>Coefficients Component Beta</th>
<th>The value of $t$</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>$Z$</td>
<td>$X_1$</td>
<td>0.334</td>
<td>1.778</td>
<td>0.079</td>
</tr>
<tr>
<td>$X_2$</td>
<td>0.029</td>
<td>0.148</td>
<td>0.882</td>
<td></td>
</tr>
<tr>
<td>$X_3$</td>
<td>0.434</td>
<td>2.854</td>
<td>0.005</td>
<td></td>
</tr>
</tbody>
</table>

R = 0.768  
$R^2$ = 0.590  
Adjusted $R^2$ = 0.574  
$t_{table}$ = 1.662

Coefficient $\beta_1X_1 = 0.407$ indicated that each rules obedience value has increased or has been better. Each increasing of non-ethical behaviour required rules obedience value of 0.334. Coefficient $\beta_2X_2 = 0.029$ indicated that each management morality value would be increased by the value of the regression coefficient $\beta_2X_2$. Coefficient $\beta_1X_3 = 0.434$ indicated that each value of IMS effectiveness would be increased by the value of the regression coefficient $\beta_1X_3$. In other words, each increasing of non-ethical behaviour required IMS effectiveness value of 0.434, by assumption that non-ethical behaviour was stable. For the third equation, analysis results of rules obedience direct path impact ($X_1$), Effectiveness of IMS ($X_3$), and non-ethical behaviour ($Z$) towards Accounting Fraud could be examined in the following table.

**Table 4.** Rules Obedience direct path impact ($X_1$), Effectiveness of IMS ($X_3$), and Non-ethical Behaviour ($Z$) towards Accounting Fraud ($Y$)

<table>
<thead>
<tr>
<th>Bound Variables</th>
<th>Free Variables</th>
<th>Coefficients Component Beta</th>
<th>The value of $t$</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>$Y$</td>
<td>$X_1$</td>
<td>0.448</td>
<td>4.451</td>
<td>0.001</td>
</tr>
<tr>
<td>$X_2$</td>
<td>0.306</td>
<td>3.459</td>
<td>0.024</td>
<td></td>
</tr>
<tr>
<td>$X_3$</td>
<td>0.175</td>
<td>1.671</td>
<td>0.099</td>
<td></td>
</tr>
</tbody>
</table>

R = 0.897  
$R^2$ = 0.805  
Adjusted $R^2$ = 0.798  
$t_{table}$ = 1.662

Coefficient $\beta_1X_1 = 0.448$ indicated that value of accounting fraud tendency would be increased by the value of the regression coefficient $\beta_1X_1$. In other words, each increasing of
accounting fraud tendency required rules obedience value of 0.448. Coefficient $\beta_2X_2 = 0.306$ indicated that each Effectiveness of IMS value has increased or has been better, and the value of accounting fraud tendency would be increased by the value of the regression coefficient $\beta_2X_2$. In other words, each increasing of accounting fraud tendency required IMS value of 0.306.

Coefficient $\beta_3X_3 = 0.175$ indicated that each value of non-ethical behaviour has increased or has been better. The value of accounting fraud tendency would be increased by the value of the regression coefficient $\beta_3X_3$. In other words, each increasing of accounting fraud tendency required non-ethical behaviour value of 0.175, by the assumption that non-ethical behaviour was stable. Next, prediction towards the entire line coefficients that modelled on this research could be examined in the following summary of path coefficients results.

Table 5. Summary of the Path Coefficients Results

<table>
<thead>
<tr>
<th>Exogenous Variable</th>
<th>Endogenous Variable</th>
<th>Standardized Coefficient</th>
<th>SIG</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rules Obedience (X₁)</td>
<td>Effectiveness of Internal Control System (X₃)</td>
<td>0.407</td>
<td>0.00</td>
<td>Significant</td>
</tr>
<tr>
<td>Rules Obedience (X₁)</td>
<td>Non-ethical Behavior (Z)</td>
<td>0.334</td>
<td>0.07</td>
<td>Insignificant</td>
</tr>
<tr>
<td>Rules Obedience (X₁)</td>
<td>Accounting Fraud Tendency (Y)</td>
<td>0.448</td>
<td>0.00</td>
<td>Significant</td>
</tr>
<tr>
<td>Management Morality (X₂)</td>
<td>Effectiveness of Internal Control System (X₃)</td>
<td>0.495</td>
<td>0.00</td>
<td>Significant</td>
</tr>
<tr>
<td>Management Morality (X₂)</td>
<td>Non-ethical Behavior (Z)</td>
<td>0.029</td>
<td>0.88</td>
<td>Insignificant</td>
</tr>
<tr>
<td>Management Morality (X₂)</td>
<td>Accounting Fraud Tendency (Y)</td>
<td>0.306</td>
<td>0.02</td>
<td>Significant</td>
</tr>
<tr>
<td>Effectiveness of non-ethical</td>
<td></td>
<td>0.434</td>
<td>0.00</td>
<td>Significant</td>
</tr>
</tbody>
</table>
The accuracy of hypotheses model from data ε was measured by relationship of three determination coefficients (R²) on three equations. In the first equation, value obtained was 0.225, while in the second equation, the value obtained was 0.426, and in the third equation, value obtained was 0.210. Therefore, the value of the model accuracy is.

\[
R^2_{\text{model}} = 1 - (1 - R^2_1)(1 - R^2_2)(1 - R^2_3)
\]

\[
= 1 - (1 - 0.775)(1 - 0.574)(1 - 0.798)
\]

\[
= 1 - 0.0193617
\]

\[
= 0.9806383 \text{ or } 98\%
\]

The results of accuracy calculation at the amount of 98% explained that model contribution in explaining the causal relationships of all variables examined was good.

### 3.1 Direct Impact of Rules Obedience

The results of hypothesis testing revealed that the rules obedience (X₁) has got t_{count} value of 5.943 which was greater than t_{table} value i.e. 1.662 (4.451 > 1.662) with coefficient 0.448. It means, \( H_a \) was received and \( H_0 \) was rejected. In other words, it can be stated that the hypothesis was accepted. The result suggested that rules obedience has got positive and significantly impact towards the accounting fraud tendency. This means, if the rules obedience increases, then the tendency of accounting fraud will decrease. In contrary, if the rules obedience decreases, then accounting fraud tendency will increase. The result of this study is similar to result of study that conducted by Tarigan (2016), Tarigan stated that rules obedience impacted accounting fraud tendency positively (Mashabi, 2017). However, the result of this study is different to result of study that conducted by Yajna (2017). Yajna stated that rules obedience impacted accounting fraud tendency negatively. But it was quite significant (Mashabi, 2017).
Next, analysis related to the direct impact of other rules obedience is analysis of non-ethical behaviour. The results of hypothesis testing revealed that the rules obedience has got \( t_{\text{count}} \) value of 1.778 which was greater than \( t_{\text{table}} \) value \( i.e. \) 1.662 \((1.778 > 1.662)\) with coefficient 0.334. It means the hypothesis was accepted. The result suggested that rules obedience has got positive impact, but not significant, towards non-ethical behaviour. However, the impact is not significant. In contrary, if the rules obedience decreases, then non-ethical behaviour will increase. This result is not similar to result of study conducted by (Shintadevi, 2015) (2015). (Shintadevi, 2015) stated that rules obedience has got negative impact, but significant, towards non-ethical behaviour (Mashabi, 2017).

### 3.2. Direct Impact of Management Morality

The results of hypothesis testing revealed that management morality \((X_2)\) has got \( t_{\text{count}} \) value of 3.459 which was greater than \( t_{\text{table}} \) value \( i.e. \) 1.662 \((3.459 > 1.662)\) with coefficient 0.175. It means the hypothesis was accepted. The result suggested that management morality has got positive impact, and significant, towards the accounting fraud tendency. In other words, if management morality has increased, the accounting fraud tendency will be decreased.

The next examination was related to the impact of management morality towards non-ethical Behaviour. It revealed that management morality \((X_2)\) has got \( t_{\text{count}} \) value 0.148, which was smaller than \( t_{\text{table}} \) value \( i.e. \) 1.662 \((0.148<1.662)\) with coefficient 0.029. It can be stated that the hypothesis was rejected. The result suggested that management morality has got negative impact, and not significant, towards non-ethical behaviour.

### 3.3. Direct Impact of IMS Effectiveness

The results of hypothesis testing revealed that Effectiveness of IMS \((X_3)\) has got \( t_{\text{count}} \) value of 1.671 which was greater than \( t_{\text{table}} \) value \( i.e. \) 1.662 \((1.671 > 1.662)\) with coefficient 0.175. It means that Effectiveness of IMS has got positive impact, and significant, towards the accounting fraud tendency. If IMS effectiveness has increased, the accounting fraud tendency will be decreased. The result of this study is similar to result of study that conducted by Tarigan (2016). Tarigan stated that IMS effectiveness impacted accounting fraud tendency. However, the result of this study is different to result of study that conducted by Yajna (2017). Yajna stated that IMS effectiveness has negative impact, but significant, towards accounting fraud tendency.

Next, the analysis related to the direct impact of other IMS effectiveness is analysis of non-ethical behaviour. The results of hypothesis testing revealed that Effectiveness of IMS has got \( t_{\text{count}} \) Value of 2.854 which was greater than \( t_{\text{table}} \) value \( i.e. \) 1.662 \((2.854 > 1.662)\) with coefficient 0.434. It means that effectiveness of IMS has got positive impact, and significant, towards the accounting fraud tendency. The result of this study is similar to result of study that conducted by Tarigan (2015). Tarigan stated that effectiveness of IMS impacted non-ethical behaviour.

### 3.4. Direct Impact of Non-ethical Behaviour

The results of hypothesis testing revealed that non-ethical behaviour \((Z)\) has got \( t_{\text{count}} \) value of 9.580 which was greater than \( t_{\text{table}} \) value \( i.e. \) 1.662 \((9.580 > 1.662)\) with coefficient 0.725. It means, \( H_a \) was received and \( H_0 \) was rejected. In other words, it can be stated that the hypothesis was accepted. The result suggested that non-ethical behaviour has got positive and significantly impact towards the accounting fraud tendency on Regional Devices Organization.
(RDO) in Kerom regency. The result of this study is similar to result of study that conducted by (Shintadevi, 2015). (Shintadevi, 2015) stated that non-ethical behaviour has positive impact, and significant, towards accounting fraud tendency (Mashabi, 2017).

4. Conclusion

Based on the results of the analysis and discussion about the impact of rules obedience, management morality, and the effectiveness of IMS, towards accounting fraud tendency, with non-ethical behaviour as an intervening variable, then a conclusion can be drawn as follows

First, there was positive impact, but not significant, between rules obedience and non-ethical behavior in Regional Kerom regency RDO. The rules obedience has also got positive and significant impact towards accounting fraud tendency. This could be implied that the organization should pay more attention to the rules, in order to meet specified objectives of the organization. This will also minimize the possibility of non-ethical behavior that can also refers to accounting fraud tendency.

Second, there was negative impact, but not significant, between management morality and non-ethical behavior in Kerom regency RDO. Management morality has also got positive impact, and significant, towards the accounting fraud tendency on the RDO. This contains an implication that the organization should pay more attention to management morality that can also refers to the tendency of Accounting Fraud.

Third, there was positive impact, and significant, between effectiveness of IMS towards non-ethical behavior and accounting fraud tendency in Kerom regency RDO. This could be implied that the organization should pay more attention to IMS, in order to minimize possibility of non-ethical behavior that can also refers to accounting fraud tendency.

Fourth, the impact of non-ethical behaviour as intervening between rules obedience and accounting fraud tendency was not dominant. This statement is based on multiplication results of Rules Obedience Coefficient to Non-ethical Behavior, and multiplication results of Non-ethical Behavior Path Coefficients to Accounting Fraud Tendency (0.725).

Fifth, the impact of non-ethical behavior as intervening between management morality and accounting fraud tendency was dominant. The results of the analysis showed that direct path coefficient of management morality towards accounting fraud tendency (0.306) was greater, compared to indirect path coefficient (0.021) through Non-ethical Behavior (0.306 > 0.021, see Fig. 1 and table 4).

Sixth, the impact of non-ethical behaviour as intervening between effectiveness of IMS and accounting fraud tendency was not dominant. The results of the analysis showed that direct path coefficient of effectiveness IMS towards accounting fraud tendency (0.175) was smaller, compared to indirect path coefficient (0.314) through non-ethical behaviour (0.175 < 0.314).

References


Social Sustainability Assessment of the Organic Gayo Coffee Industry in Aceh Province, Indonesia

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Abstract: In recent years, coffee is one of the popular beverages of the world and have been on the rise in many global commodity chains. The main purpose of this study was to assess social sustainability of the organic Gayo coffee industry in Aceh Province, Indonesia. To achieve this purpose descriptive survey research was used. The case study is conducted at Aceh Tengah and Bener Meriah Districts, Aceh Province, Indonesia. Sixty-five major key actors (Aceh Province) in the supply chain considered exporter, agro-industry, non-governmental organizations (NGOs), collectors and farmers were identified for analysis. Based on RAPCOFFEE technique, 10 attributes regarding social sustainability was measured for this study. To assess social sustainability level, Morris Inequality Index was used. The result of the research showed that the Koperasi Baitul Qirad Baburrayan and the Koperasi PPKGO relatively had the most social sustainability situation (moderate level) among other actors.

Keywords: Sustainability; social; organic; gayo; coffee; rapcoffee

1. Introduction

In recent years, coffee is one of the popular beverages of the world and have been on the rise in many global commodity chains. Coffee was developed in many countries as the leading commodity and important (Daglia et al., 2000), which can raise additional income for smallholder farmers, and export earnings. As one of the most commodities internationally, coffee is a significant part of the overall economy and a main source of foreign exchange income for many developing countries (Samper and Quiñones-Ruiz, 2017) such as Indonesia. However, the dynamic development of the environment in the coffee industry as one of the renewable agricultural resources expects an improvement and development of good management to be sustainably maintained (Samper and Quiñones-Ruiz, 2017).

Since the green revolution, coffee plantations have increasingly developed using high technology into intensive plantations of monoculture, energy and chemical use (Gobbi, 2000). Deforestation approaches through mono-crop systems contribute to biodiversity loss and increase soil erosion (Gobbi, 2000; Rubin and Hyman, 2000). Soil erosion and the use of agrochemical inputs reduce soil health (Babbar and Zak, 1995). Deforestation also contribute to eutrophication and sedimentation of the waterways. Pesticides have been linked to acute pesticide poisonings, increased rates of cancer, the evolution of secondary pests and the development of chemical resistant pests (Wesseling et al., 1999). It also been to the degradation of the aquatic and marine environments (Robinson and Mansingh, 1999). The
complexity of the coffee challenges and crises that have occurred over the last few decades has forced stakeholders including individual farmers, development agents, planting organizations and the government to review their focus and strategy on increasing the price of higher priced beans through sustainable organic coffee industry management techniques (Deshpande and Royere, 2001).

There is a global consensus that by-products from coffee processing face socio-economic and environmental crises that have become a focus of attention in many countries (World Bank, 2005). To answer this crisis, the issue of developing the coffee industry on an ongoing basis. Sustainability has evolved as a process and principle that links socio-economic development with management and conservation without damaging the environment (Reinecke, Manning and von Hagen, 2012; Kolk, 2013, 2014) and strengthened by institutional reform.

Indonesia is the world’s fourth largest coffee-producing country (Jaya et al., 2013; Neilson, Pritchard and Yeung, 2014), producing robusta coffee and Arabica coffee which are in great demand (estimated at around 85% of national production) (Jaya et al., 2013). About 95% of the production is cultivated by small farmers (reaching 2 million households) who are relatively poor, and they are very dependent on the sale of coffee beans as a source of income (Jaya et al., 2013; Neilson, Pritchard and Yeung, 2014). Gayo coffee is the main commodity for the people of Aceh (Wijaya Ibr and Zailani, 2010; Jaya, Machfud and Ismail, 2013) with a total area of 81,000 ha in Aceh Tengah and Bener Merah Regencies, with an average productivity of 0.79 tons / ha, relatively lower than Brazil and Vietnam (BERNARDES, 2010; Singh et al., 2012; Widodo, 2014).

The Barriers in sustainable economic development related to processing Gayo coffee, biotechnological processes, waste and effluents is the recovery of fine chemicals and production of valuable metabolites via chemical (Federici et al., 2009; Mussatto and Teixeira, 2010).

In coffee producing countries, coffee wastes and by-products constitute a source of severe contamination and pose environmental problem. Coffee processing units that are located in almost each coffee estate pose threat to the environment because of unsafe disposal of coffee pulp, husk and effluents leading to serious pollution of water and land around the processing units. Secondary product and coffee wastes are the pose environmental problem and source of severe contamination (Benoit et al., 2006). Coffee processing units located on almost every coffee plantation pose a threat to the environment due to unsafe disposal of coffee grounds (Croggnale et al., 2006), effluents and husk that cause serious pollution of soil and water (Wyman, 2003) around the processing unit.

It worthy to note that sustainable coffee industry is a broad concept and is one of the many activities that can contribute to attempted improving the country’s economy and simultaneously conserving the environment (Murthy and Madhava Naidu, 2012; García-García et al., 2015). Indeed, sustainability is a multi-dimensional concept (Fenoll et al., 2014; Chianese et al., 2016) that integrates ecological, social and economic dimensions (García-García et al., 2015; Chianese et al., 2016; Huang, 2018). With this background, this review addresses to importance of social dimension of organic coffee industry that are are relevant to human welfare and the long-term benefits without jeopardizing its economic and socio-cultural well-being. The main purpose of this study was to analyse the social sustainability of the organic Gayo coffee industry in Aceh Province, Indonesia.
2. Literature Review

2.1. Sustainability in the Agriculture Industry

The concept of “three-pillar” on sustainability which has become a consensus in the academic world (Commission on Environment, 1987; Elkington, 2013; Huang, 2018) and must be considered simultaneously in sustainable development (Wu, 2013b). The “three-pillar” or “triple bottom line” concept namely economic development, environmental protection, and social justice (DALY, 1995; Wu and Wu, 2012; Elkington, 2013; Huang, 2018). The agriculture industry is increasing sustainability as an important value (Sethi, 2005). Investors often face strong pressures in CSR, governments are often compelled to set minimum sustainability standards, and the consumer buying behaviour also changes in support of sustainable products (Vermeir and Verbeke, 2006; Nelli, K and Kilari, 2013; Sayuti et al., 2015; Sofyan, 2017).

Sustainability is a multi-dimensional concept (Fenoll et al., 2014; Chianese et al., 2016). This is a major problem in coordinating the relationship between economy, environment and society in sustainability (Chianese et al., 2016; Huang, 2018), especially referring to the perspective of “weak sustainability” and “strong sustainability” (Wu and Wu, 2012; Wu, 2013a).

2.2. Sustainability Indicators for the Agriculture Industry

Indicators can be defined as a measurable variable used as a representation of an associated factor or quantity (Bélanger et al., 2012) and are common statistical in economics to assessed of some aspects of performance that are expected from a management policy or strategy (Bockstaller et al., 2009; Bélanger et al., 2012). Furthermore, they are an important tool for helping move the world toward a sustainable agricultural future (Rametsteiner et al., 2011; Singh et al., 2012; Van Passel and Meul, 2012). In the literature, indicators for assessing the social sustainability of the coffee industry should reflect to maintaining or be improving the welfare of the community in the agricultural system without jeopardizing their economic and socio-cultural well-being. Therefore, the indicators in Table1 are suggested to assess the social sustainability of the Gayo coffee organic industry.

<table>
<thead>
<tr>
<th>No</th>
<th>Attributes</th>
<th>Sustainable</th>
<th>Unsustainable</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Socialization of farming</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>2</td>
<td>New entrants into the industry/growth</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>3</td>
<td>Farming sector</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>4</td>
<td>Environmental knowledge</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>5</td>
<td>Education level</td>
<td>2</td>
<td>0</td>
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<td>6</td>
<td>Conflict status</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>7</td>
<td>Farmer influence</td>
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<td>0</td>
</tr>
<tr>
<td>8</td>
<td>Farming income</td>
<td>2</td>
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</tr>
<tr>
<td>9</td>
<td>Kin participation</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>1</td>
<td>Insurance</td>
<td>2</td>
<td>0</td>
</tr>
</tbody>
</table>

Adapted from [50]
3. Methodology
3.1. Data Collection

The case study is conducted for 5 months at Aceh Tengah and Bener Meriah Districts, Aceh Province, Indonesia. Case studies can be descriptive, exploratory, or explanatory (Perry, 1998). Research was done by survey method, discussion, and in-depth interview with respondents (Jennifer, 2000). Sixty-five major key actors (Aceh Province) in the supply chain considered exporter, agro-industry, non-governmental organizations (NGOs), collectors, and farmers were identified for analysis.

3.2. Data Analysis Method

Technique analysis data used is leverage analysis and multi-dimensional scaling, that application namely RAPCOFFEE (Rapid Appraisal Technique Coffee). Based on RAPCOFFEE technique, it is adopted by rap-fish (Pitcher and Preikshot, 2001; Allahyari, 2010a55]. 10 attributes regarding social sustainability were measured for this study. To assess social sustainability level, Morris Inequality Index (Allahyari, 2010b) was used.

4. Result And Discussion
4.1. Gayo Coffee Organic Industry

Coffee is a major tropical commodity traded throughout the world with a contribution of half of the total tropical commodity exports. The popularity and attractiveness of the world towards coffee is mainly due to its unique taste and is supported by historical, traditional, social, and economic interests (Ayelign and Sabally, 2013). In addition, coffee is one of the natural sources of caffeine (Nawrot et al., 2003) substances that can cause increased alertness and reduce fatigue (Smith, 2002). Coffee drinks, with the basic ingredients of coffee bean extract, consumed around 2.25 billion glasses every day throughout the world (Ponte, 2002). In 2013, the International Coffee Organization (ICO) estimated that the need for world coffee powder was around 8.77 million tons.

The USDA reported that coffee prices reached their highest level in two years. Indonesia is one of the countries producing and exporting coffee in the world with total exports of coffee products in 2015 reaching the US $1.19 billion, up the US $158 million compared to the previous year. During the 2011-2015 period, Indonesian coffee exports experienced a positive growth of 1.05% per year with the main export destination countries namely Germany, United States, Italy, Japan, and Malaysia.

Arabica coffee has better selling value abroad than in the country. In the international coffee trade, it is known that the price of Arabica coffee has a better selling value than Robusta coffee. Figure 1 shows the comparison of prices in the domestic and foreign markets.
Gayo highland located on 850-1500 meters above sea level is around the Bukit Barisan Mountains which consists of three districts namely Gayo Lues, Bener Meriah and Aceh Tengah in the Aceh Province of Indonesia. This area is very suitable for Arabica coffee cultivation. Arabica coffee is a popular commodity and is exported to several countries such as Europe, the United States and Japan. The total value of Gayo coffee exports reached US $ 814 million in 2010, an increase of 130% compared to 2009, the average price achieved was US $ 4.32 per kg (Zailani et al., 2012; Jaya et al., 2013).

Although the demand for coffee is increasing, in fact, farmers have not felt significant benefits from the Gayo Coffee business, for example in terms of organic as well as geographic indication certifications (ID G 000000005), the premium prices for the application of fair-trade and rain-forest. This condition is caused by an unfair trade carried out by exporters and buyers in importing countries [59,65], making it very difficult to realize the sustainability of the Gayo coffee supply chain (Adams and Ghaly, 2007; Mariyudi, 2017).

4.2. Social Sustainability of the Gayo Coffee Organic Industry

Social sustainability is closely related to the economic dimension, this is because social sustainability is based on the tendency of farmers to receive their coffee processing units through improving the quality of coffee which can increase the income of coffee farmers. Thus, the economic dimension can affect social sustainability. So that, the concept of unity and organized collaboration in cooperatives (or “Koperasi”) is important for them.

The results show that the dimensions of the social sustainability using 10 attributes indicate that organic Gayo coffee processing activities are dominant in social groups in the form of Koperasi (89.23%). Attributes that are also measured in this study are an increase in the number of coffee farmers and stakeholders involved in the coffee business activities for the past 10 years, which are listed as new entrants into the industry/growth. Based on Table 2, the results show that in most koperasi (60%), the number of coffee farmers has almost fix over the past 10 years. There is an increase of 10 to 20% of the number of farmers and other stakeholders involved (21.54%).

The findings also show that in most agricultural sectors (80%) more than 30% of households are in coffee farming activities (20%). Coffee farmers have little (some) knowledge and information about agricultural resources and their environment and ecosystems (72.31%). Unfortunately, only in 16.92% farmers have lots of information in this regard. Also, the education level of the farmers in 60% of respondent have equal education level with the other people of cooperatives and 36.92% was lower than in comparing to the other people in the community.
There is a conflict between the farmers and between farmers with other sectors amounting to 84.62%, and a high level of conflict occurs in 3 cases (4.62%). The strength of direct farmer influence on actual agricultural regulations is 60%, this suggests coffee farmers believe that they have a large influence on the regulation of organic coffee farming. The majority of respondents (76.92%) were of the opinion that organic coffee farming activities were able to increase the family's total income by 50-80%. The actors in the coffee farming sector involved 66.15% of several relatives in the coffee selling and/or processing activities. In addition, 73.85% of farmers are under social security insurance in just 6 months and 26.15% of farmers do not enjoy the benefits of insurance.

The organic industry of Gayo coffee is located in the Gayo highlands relatively clean and free of pollutants although not too far from the capital city of Aceh Tengah and Bener Meriah districts. The availability of free water sources used by farmers and a sense of security also supports the high rating of respondents.

The level of social sustainability according to the development coefficient for coffee cooperatives can be classified into five levels (Allahyari, 2010a): sustainable (80-100), slightly sustainable (60-79), moderate (40-59), slightly unsustainable (20-39) and unsustainable (0-19). To compare the level of social sustainability of the Gayo coffee organic industry in Aceh Province, the average social sustainability coefficient for each cooperative is calculated and the results are shown in Figure 2.

As in Fig. 2, the results showed that the Koperasi Baitul Qiradh Baburrayan Cooperative and Koperasi PKGO had the most social sustainability situation among other actors and Koperasi Asosiasi Kopi Gayo Organik (ASKOGO) and Koperasi Asosiasi Petani Kopi Organik (APKO) has the least sustainability (unsustainable) situation. Meanwhile, four other cooperatives such as the Koperasi Serba Usaha (KSU) Arinagata, Koperasi Pedagang Kopi (KOPEPI) Ketiarra, Gayo Linge Organic Coffee Cooperative (GLOC) and Koperasi Redelong Organik (REO) have been moderately sustainable.

Social sustainability improvement activities within 10 attributes must be applied together because each key factor has a link with others. Farming management in social sustainability of the Gayo coffee organic industry are the examples of key factors which can be supported by factors to improve coffee quality.

Based on the social attributes of sustainability, the skills of coffee entrepreneurs will increase significantly as a result of the accumulation of increased technical skills from training and workshops programs organized by several institutions such as extension agents, universities, and research institutions, these findings support the results of the study (Jaya et
In addition, environmental management and conservation through composting of pulp that is free of pollutants can minimize production costs and also provide added value to coffee farmers, these results are relevant to (Babbar and Zak, 1995; Gobbi, 2000; Rubin and Hyman, 2000).

The method of managing coffee waste needs to be modified to create awareness of opportunities and constraints related to reducing environmental pollution and maximizing the use of coffee by-products.

According to the results, in all coffee industries studied, coffee farming activities carried out through a cooperative format have implications for sustainability and optimal situations in terms of this index. This finding is in line with the (Pitcher and Preikshot, 2001) RAPFISH: a Rapid Appraisal Technique to Evaluate the Sustainability Status of Fisheries and also supports the findings of (Allahyari, 2010b).

Public policy especially in the organic coffee industry is needed as a public education related to the impacts of climate change. Climate change adaptation which is specifically characterized by adaptation to social, environmental and economic systems, this is important to be done as a preventive measure of broad impacts and increased ability to take advantage of new opportunities.

Support from reform and institutional strengthening of farmers in the "Koperasi", the participation and support of stakeholders through good water management or good energy management and providing incentives for good quality coffee can solve the problem of high production costs which is one factor key in coffee farming (Adams and Ghaly, 2007; Raynolds, 2009; Zailani et al., 2012; Sayuti et al., 2015; Sofyan, 2017).

The advancement of the Cooperative organization is largely determined by institutional development in the form of linkages between group members, management and relevant stakeholders. Farmer group cooperatives are expected to be a strong and independent organization so that coffee farmers can increase income, market and financial access as an increase in sustainability. The relationship between organic Gayo coffee farming communities has been good, especially in farmers' groups or cooperatives that involve coffee processing methods based on environmental conservation. Nevertheless, there are still some members who did not participate in this new method.

5. Conclusion

Assessment of the social sustainability of the coffee agro-industry will be needed to determine the sustainability status of the organic Gayo coffee agroindustry in the future. The use of the RAPCOFFEE technique adopted from the RAPFISH (Rapid Appraisal Technique) technique with 10 attributes regarding measured social sustainability for this study shows that the sustainability status of the Gayo Coffee Organic Industry in Aceh Province, Indonesia is fair. Improving the quality of coffee for smallholder and coffee production in the organic Gayo coffee agro-industry must be based on increased activity in the driving factors in each attribute as a key factor to improve the social sustainability index.

Hopefully, the improvement in production factors within the coffee agro-industry based on environmental conservation driving factors will have a positive impact on organic Gayo coffee farmers and increase the value of the sustainability of the coffee industry in Indonesia.
Acknowledgment

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References


The Revenue and Regional Expenditure in Aceh Province: Vector Error Correction (VEC) Approach

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Abstract: The purpose of this research is to analyze the correlation between revenue and regional expenditure in Aceh Province. The research uses time series data for the period 1985 to 2017. The Vector Error Correction Model (VECM) are used to analyze the correlation between revenue and regional expenditure. The results show that the revenue and regional expenditure affect economic growth in the long run. Moreover, in the short run, it shows that the economic growth also affects revenue growth and regional expenditure in Aceh Province. In regard to the finding, there is causality effect between economic growth, revenue, and regional expenditure.

Keywords: economic growth, revenue, regional expenditure

1. Introduction

The Regional Revenue and Expenditure Budget (APBD) consist of revenue and expenditure. The aim of setting the APBD in the province of Aceh is to encourage economic growth, increase the application of labor and maintain price stability. In order to achieve the goals of APBD, the implementation of APBD is expected to achieve stability in terms of revenue and expenditure. However, the APBD of Aceh is not always balanced because there was a deficit of Rp. 475.46 billion in 2015, and there was an excess (foreign exchange) of Rp. 244.85 billion in 2016, and was also in deficit by Rp. 1,867.77 Trillion (Aceh, 2017).

The Regional Revenue and Expenditure Budget of Aceh Province tends to be unbalanced because it depends on central transfer funds (the principles of decentralization) by 90% and very few revenues come from Regional revenue which is only 10% of them. The Regional Expenditures consist of indirect (routine) and direct (development) expenditure which are greater for indirect expenditures by 60% or it is only 40% for development expenditure from the total of it (Aceh, 2017). The sources of revenue and expenditure in the unbalanced APBD ultimately have little impact on achieving the objectives of the APBD stipulation in Aceh Province. The study aims to analyze the causal correlation between Regional Revenue and Expenditure in the Regional Revenue and Expenditure Budget (APBD) of Aceh Province.

2. Literature Review

2.1. Theory of Fiscal Relationship

There are several studies on the fiscal relationship between state revenues and expenditures in the world of academia (Furstenberg, Green and Jeong, 1985; Anderson, Wallace and Warner, 1986; Blackley, 1986). They examined the expenditures deficit in the
United States. Fiscal research at the provincial level was reviewed by (Manage and Marlow, 1986; Ismail, 1987; Azlan et al., 2014) (Manage and Marlow, 1986) examined the relationship between state revenues and expenditure at the provincial level by using directional causality models. While (Ismail, 1987; Azlan et al., 2014) examined the growth of expenditures generally faster than economic growth.

In addition, the study of (Dickey and Fuller, 1979; Fasano and Wang, 2002) examined the spend-revenue hypothesis, revenue-spend hypothesis, and the bi-directional causality hypothesis by using data from the Gulf Cooperation Council (GCC) state. The GCC consists of Bahrain Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates. GCC uses time series data with Granger and VECM methods. In Bahrain, the United Arab Emirates and Oman support the revenue spend hypothesis.

In addition, the causal relationship between revenues and expenditures in Qatar, Saudi Arabia, and Kuwait proves the fiscal synchronization hypothesis. In Kuwait and Saudi Arabia, there is a significant causal relationship between expenditures and revenues. (Abdul Karim and Mokhtar, 2005) examine the relationship between revenue and expenditure in Malaysia. It shows that the revenues significantly relate to the tangible expenditures in the partnership area. Furthermore, Gross Domestic Products influence the growth of expenditures both at the level of partnership or State.

2.2. Economic Growth (Gross Domestic Products)

Gross Domestic Product is the amount of added value produced by all business units of economic activity in an area or region in a certain period. The economic growth of a region can increase tax and regional revenues. The economic growth in the regions influences the increasing of Regional expenditure. Economic growth is influenced by the Regional revenue budget(Adi, 2006).

2.3. Pendapatan Asli Daerah (Own Source Revenue)

Own Source Revenue (PAD) is the revenue that shows the ability of an area to collect sources of funds to finance routine and development activities. Own source revenue (PAD) is a source of revenue that must always be continuously driven by growth. The Regional revenue can increase Regional expenditure (Munir and Mahdar, 2014). Own source revenue can be influenced by Regional economic growth. On the other hand, Own source revenue can also be influenced by development expenditures(Adi, 2006).

2.4. Regional Expenditure (Budget Expenditure)

Regional expenditure is a decrease in economic benefits during the accounting period in the form of cash outflows or asset depletion, or the occurrence of debt which results in reduced equity funds, other than those related to distribution to equity fund participants. Regional expenditure will increase if the economic growth and revenue increases. In addition, (Adi, 2006) said that the higher regional expenditure, the higher the economic growth and regional revenue.

3. Methodology

This study uses annual data (time series) from 1985 to 2017 around 32 years. The research data are obtained from the Central Bureau of Statistics and Aceh Dalam Angka. The data for each variable is the Regional Revenues (PND), Regional Expenditures (BJD) and the
Gross Regional Domestic Products (PDRB) of Aceh Province in which are transformed in the form of Logs. The data are analyzed using Eviews software. There are two data tests before conducting Granger and Vector Error Correction (VEC) analysis, namely the Root Test Unit and the Cointegration Test. These tests are carried out to see the data quality and become a condition before using Granger and Vector Error Correction analysis.

4. Results And Discussion

The results are obtained from the Unit root test, Cointegration test, Granger test, and Vectors error correction model test. Furthermore, the discussion of the study results as follow:

4.1. Unit Root Test

The unit root test is to avoid false regression from time series data within the period 1985-2017. The unit root test results using the Augmented Dickey-Fuller (ADF) method in this study are:

Table 1. ADF Unit Root Test Method

<table>
<thead>
<tr>
<th>Variable</th>
<th>Unit Root Test</th>
<th>ADF Test Statistic</th>
<th>Critical Value (5%)</th>
<th>Keterangan</th>
</tr>
</thead>
<tbody>
<tr>
<td>PND</td>
<td>Level I (0)</td>
<td>0.466044</td>
<td>-2.957110</td>
<td>Not Stationary</td>
</tr>
<tr>
<td></td>
<td>First Different I (I)</td>
<td>-6.585668</td>
<td>-2.960411</td>
<td>Stationary</td>
</tr>
<tr>
<td>BJD</td>
<td>Level I (0)</td>
<td>0.384464</td>
<td>-2.957110</td>
<td>Not Stationary</td>
</tr>
<tr>
<td></td>
<td>First Different I (I)</td>
<td>-6.699355</td>
<td>-2.960411</td>
<td>Stationary</td>
</tr>
<tr>
<td>PDRB</td>
<td>Level I (0)</td>
<td>1.287895</td>
<td>-2.960411</td>
<td>Not Stationary</td>
</tr>
<tr>
<td></td>
<td>First Different I (I)</td>
<td>-8.951736</td>
<td>-2.960411</td>
<td>Stationary</td>
</tr>
</tbody>
</table>

Mark * (**) rejects H0 which indicates the significant stationary variable at 1% and 5%

Table 1 shows the unit root test of the research variables. PND shows that the ADF test statistical value is 0.46604 or lower than the critical value by 2.957110 (α = 5%) at the level I (0). This means the data is not stationary. At the level of First Different I (I) shows that the value of the ADF Statistical Test is 6.585668 or higher than that the critical value of 2.960411 (α = 5%). It means that the data is stationary. BJD indicate that the ADF test statistic value is 0.384464 which is lower than the critical value of 2.957110 (α = 5%) at the level I (0). This means that the data is not stationary. At the First Different I (I) level shows that the ADF Test Statistics value is 6.699355 or higher than the critical value of 2.960411 (α = 5%). This means that the data is stationary, while the GRDP and the ADF test statistic value is 1,287895 or lower than the critical value of 2.957110 (α = 5%) at the level I (0). This means that the data is not stationary. At the First Different I (I) level shows that the ADF Test Statistics value is 8.951736 or higher than the critical value of 2.960411 (α = 5%). It means that the data is stationary.

4.2. Cointegration Test

Cointegration test means that there is a long-term relationship (balance). (Johansen and Juselius, 1990) cointegration test uses the Trace statistical test (raceTrace) and Max statistical test (axMax) both values from the statistical test are compared to the critical value of (Said and Dickey, 1984; Osterwald-Lenum, 1992) at 5% confidence level.

Table 2. Johansen Cointegration Test

<table>
<thead>
<tr>
<th>Hypothesized Number of CE(s)</th>
<th>ktrace</th>
<th>ktrace</th>
<th>Critical value (0.05)</th>
<th>Critical value (0.01)</th>
<th>Critical value (0.01)</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>18.7492</td>
<td>26.3788</td>
<td>31.0096</td>
<td>24.5325</td>
<td></td>
</tr>
<tr>
<td>At most 1</td>
<td>9.96341</td>
<td>5.18625</td>
<td>10.3871</td>
<td>7.7099</td>
<td></td>
</tr>
<tr>
<td>At most 2</td>
<td>7.95154</td>
<td>3.58154</td>
<td>5.38846</td>
<td>3.18096</td>
<td></td>
</tr>
</tbody>
</table>
Information: * Significant value is 5%. The critical values are obtained from Osterwald-Lenum (1992)

Based on the cointegration test results in Table 2, through Trace Statistics shows that there are two vector equations which cointegrate at a significant level of 5%. Furthermore, through max-eigen statistics with the results of the two vector equations cointegrate at a significant level of 5%. This is a long-term relationship in the variables of PND, BJD, and PDRB where the null hypothesis is rejected, with the statistical trace and one vector equation cointegrated with max-eigen statistics.

Table 3. VECM Version Granger Test

<table>
<thead>
<tr>
<th>Variable</th>
<th>Dependent</th>
<th>t values</th>
<th>t values</th>
<th>t values</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>∆PND</td>
<td>∆BJD</td>
<td>∆PDRB</td>
<td></td>
</tr>
<tr>
<td>∆PND</td>
<td>-1.3317</td>
<td>2.9441</td>
<td>27.1449*</td>
<td>0.481969</td>
</tr>
<tr>
<td>∆BJD</td>
<td>0.5000(0.060)</td>
<td>0.08344(0.738)</td>
<td>6.94610* (0.0133)</td>
<td>0.0834(0.738)</td>
</tr>
<tr>
<td>∆PDRB</td>
<td>0.4086(0.758)</td>
<td>0.11510(0.738)</td>
<td>0.51027(0.4807)</td>
<td>0.0834(0.738)</td>
</tr>
</tbody>
</table>

Mark ***, ** and * are significant at 1%, 5% and 10%. The value in parentheses is the p-value of the statistical test.

4.3. Granger Test

Table 3 shows that the statistical value for the GRDP relationship with PND is 27.1449* with a significance level of 1%. This value means that there is a significant and positive relationship between GRDP and PND. In the short term, if the economic growth then the revenue growth also increases. In return, if the growth of revenue increases then the economic growth will also increase. In the province of Aceh, the growth of the real sector such as the development of industry, agriculture, plantations, and other sectors can increase regional revenue growth. Reducing economic activity will reduce economic growth.

The t-statistic value for the GRDP relationship with BJD is 6.94610* with a significance level of 5%. The value indicates a significant and positive relationship between GRDP and BJD. In the short term, if the economic growth increases, the regional expenditure will also increase. Conversely, if the regional expenditure increases, it can increase economic growth. Contextually, the real sector growth can increase the amount of tax revenue for the region. This tax is an income for regional governments.

The value of t-statistic of PDRB is 4.85032 with the significant value of 5%. This value means that the economic growth (PDRB) affects the revenues (PND) and Regional expenditures (BJD) in the long-term. The PND t-statistic value is 1.53117 with a probability level of 0.10656. It means that the Regional revenue does not have a significant effect in increasing the economic growth. The BJD t-statistic value is 1.05501 with a probability level of 0.17380. This means that regional expenditure does not affect economic growth. In the long run, only economic growth has a significant effect on Regional revenue and Expenditure. However, Regional revenue and expenditure have no significant effect on the economic growth in the Aceh province. This study is not in line with the opinion of (Azlan et al., 2014) who say that the growth of expenditure can affect the economic growth.

These findings give an indication that economic growth has been determined by Regional development expenditure factors. The increasing percentage of development expenditure shows the concern of the Aceh Province to improve the Regional economy. The Regional expenditures so far have been realized for the construction of infrastructure and infrastructure
facilities as well as increasing the services of taxes and levies will increase the Regional Revenues of the Aceh Province. The expenditure development is not only intended for the development of industrial infrastructure, but also for various service infrastructures that are directly related to the community services. The efforts to increase PAD through levies or taxes must be balanced with the seriousness of regional governments to improve the quality of public services. All of these things must be in accordance with the principles of public policy as stated by Thomas R. Dye "What has the government chosen to do or not to do".

5. Conclusion

In the short term, the growth of GRDP in Aceh Province increases the regional revenue growth. Preferably, Regional revenue growth increases GDP growth. In addition, the growth of GRDP increases the Regional expenditure growth. Conversely, the growth of Regional expenditure increases the growth of GDP. In the long-term, it produces a different relationship and only GRDP growth increases the Regional revenue and expenditure while the Regional revenue and expenditure do not influence the growth of GRDP.

References


Quantitative Series: Linking Marketing Mix and Increasing Product Sales of Toyota Type Avanza

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Abstract: The rapid economic development when making the car into a product that is no longer a need for the status of luxury goods. PT. Toyota since the past until now still get their share of demand in all hearts, especially in Makassar which is sold directly by PT. Haji Kalla. This study took a sample product sales volume car brands Toyota type Avanza in Makassar with data collection using secondary data starting from 2011 - 2015 as sales data, cost of promotion and product prices as comparative data for reasons related between strategy marketing mix towards improving the quality of sales Avanza. By using multiple linear regression analysis tests as a tool of analysis. Results of the study revealed that the product, promotion, and distribution channel significantly influence the increase in the number of product sales. While the price of no significant effect on the increase in sales volume.

Keywords: Marketing Mix, Marketing

1. Introduction

Objectively, this study aims to analysed the advantages of the marketing mix factors to the increase in car sales quantity PT. Toyota, which operates in the city of Makassar, through quantitative analysis. Apart from that goal than this study in order to give birth to a theoretical and practical implications for companies to remain sustainable in the future. The marketing strategy has also become a determining factor for the development and growth of the automotive industry is very rapid, especially cars(Aghazadeh, 2015), It is characterized by continued increase in the quantity of vehicles owned by the community and looks at mobility vehicles that get in the way - a big city street(Cherubini, Iasevoli and Michelini, 2015), (Perboli et al., 2018), The automotive industry can be seen from different dimensions and be wide enough now considering opportunities in the era of economic development one of which is supported by the economic turnaround(Howell, Neal and Kieffer, 2018), (Cherubini, Iasevoli and Michelini, 2015), Automotive business scope could include investment and management dimensions(Bartnik, Wilhelm and Fujimoto, 2018), Shopping and a variety of other transactions were a major factor in the process of exchange of money and goods(Mora Cortez and Johnston, 2017), In particular the automotive industry is visible progress, the car produced by different brands, models, types, colour and various other specifications(Perboli et al., 2018), All goes hand in hand with the increasing mobility and activities of the various sectors(McFerran et al., 2010), It shows that in the automotive industry with products car had a pretty tight competition. The problem on the one hand is a threat (threats), but on the other hand c,creates the opportunity (opportunity) for new business. The condition if observed and dimensions of business and marketing activities have a great influence in formulating business policies of the automotive industry in the future. Study a very important marketing strategy aims to analysed the behaviour of consumers and set targets and strategy and positioning(Laczniak and Murphy, 2018), (Putra, Said and Hasan, 2017a), Modern marketing
concept must be oriented to the needs and desires of consumers (Flores et al., 2015), (Ramlawati and Putra, 2018). The first step of this strategy is mandatory to understand the wants, needs and tastes of consumers (Aditya, 2012). If the auto industry wants to continue to exist in the automotive market, it must be consistent with the strategy. Toyota brand cars in particular other than viewed as a means of mass transportation as well as the necessary means of personal transportation Indonesian people, especially in the city of Makassar. This study analyse the motivation Avanza car ownership based on the economic value and needs to be there as a means of transportation to move every day. Car ownership becomes mandatory today even very easy to find many families have more than one car (Perboli et al., 2018). This shows that demand is very high Avanza car market. The high demand caused not only by mere demand factors, but also influenced by other factors such as product attributes and the campaign carried out by the dealer upon distributors. Various promotions are made either in print or electronic media or even events that can be found in various shopping center. In general, marketing activities are very important for the company can be sustainable now and in the future (van Dam, 2017). The company cannot be survive without sales activity. Companies must be able to market their goods or services produced to the consumer in order to survive and compete with competitors (van Dam, 2017). Therefore, the company issued a product should be tailored to the needs and desires of consumers (Mills, Newnes and Nassehi, 2016). That way, the product can compete in the market, making consumers have many choices of products before making a decision to buy a product offered. According to Kotler and Armstrong (Armstrong et al., 2014) marketing mix is a set of controllable tactical marketing tools combined company to produce the response it wants in the target market. The marketing mix consists of two types of marketing mix, marketing mix such as product and marketing mix. In the marketing mix is divided into four groups, commonly called the "4 Ps": Product, Price, Place, Promotion (Andreasen, Kotler and Parker, 2008).

The advantages of the product and these four factors can be known by consumers and consumers interested in trying and then will take the decision to buy the product. The products are good and beneficial for consumers, at competitive prices, supported by a good distribution system and promotion is done, will have implication the consumer's decision to buy the product. As a complement to this study, the data below presents the magnitude of the quantity of Avanza car sales at PT. Toyota.

<table>
<thead>
<tr>
<th>Year</th>
<th>Semester</th>
<th>Number of sales</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>1</td>
<td>246</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>320</td>
<td>23.12%</td>
</tr>
<tr>
<td>2012</td>
<td>1</td>
<td>369</td>
<td>13.27%</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>353</td>
<td>-4.53%</td>
</tr>
<tr>
<td>2013</td>
<td>1</td>
<td>412</td>
<td>14.32%</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>468</td>
<td>11.96%</td>
</tr>
<tr>
<td>2014</td>
<td>1</td>
<td>515</td>
<td>9.12%</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>547</td>
<td>5.85%</td>
</tr>
<tr>
<td>2015</td>
<td>1</td>
<td>551</td>
<td>0.72%</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>558</td>
<td>1.25%</td>
</tr>
</tbody>
</table>

Marketing mix is an important issue for companies to be driven to increase the number of sales (Londhe, 2014). One of the wisdom of the war in the marketing mix affects the sales quantity are aspects of the product (Putra, Said and Hasan, 2017b). As for the relation with
aspects of the product that shows that this type of Avanza who received the company warehouses are.

Table 2. Product Revenue Growth of Car Avanza

<table>
<thead>
<tr>
<th>Year</th>
<th>Semester</th>
<th>The number of units received</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>1</td>
<td>430</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>410</td>
<td>-4.87%</td>
</tr>
<tr>
<td>2012</td>
<td>1</td>
<td>370</td>
<td>-10.81%</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>440</td>
<td>15.90%</td>
</tr>
<tr>
<td>2013</td>
<td>1</td>
<td>440</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>440</td>
<td>0%</td>
</tr>
<tr>
<td>2014</td>
<td>1</td>
<td>500</td>
<td>12%</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>500</td>
<td>0%</td>
</tr>
<tr>
<td>2015</td>
<td>1</td>
<td>560</td>
<td>10.71%</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>560</td>
<td>0%</td>
</tr>
</tbody>
</table>

Source: PT. Haji Kalla Cokroaminoto Branch of Makassar

The importance of pricing strategies selling the car, every company needs to be done some evaluation on determining the selling price, it is intended to look at the implementation of marketing strategies selling price of the car. Basic pricing of sales at PT. HJ. Kalla as Avanza car dealers is based on the costs incurred. The overall sales by transport costs, insurance costs, cost of sales and other expenses which additional product and the percentage of expected benefits. The sale price developments in question are as follows.

Table 3. Product Price Developments Car Avanza

<table>
<thead>
<tr>
<th>Year</th>
<th>Semester</th>
<th>The sale price (in thousands)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>1</td>
<td>167 500</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>168 500</td>
<td>0.59%</td>
</tr>
<tr>
<td>2012</td>
<td>1</td>
<td>170 200</td>
<td>0.99%</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>172 500</td>
<td>1.33%</td>
</tr>
<tr>
<td>2013</td>
<td>1</td>
<td>175 100</td>
<td>1.48%</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>178 900</td>
<td>2.12%</td>
</tr>
<tr>
<td>2014</td>
<td>1</td>
<td>180 800</td>
<td>1.05%</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>183 000</td>
<td>1.20%</td>
</tr>
<tr>
<td>2015</td>
<td>1</td>
<td>196 000</td>
<td>6.63%</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>205 300</td>
<td>4.52%</td>
</tr>
</tbody>
</table>

Source: PT. Haji Kalla Cokroaminoto Branch of Makassar

Promotional activity is one aspect that is very important in marketing because it is one way to offer a product to the consumer (Moch Abdi, Hariyadi and others, 2017)Because all companies that want to progress need to hold promotions as a means of communication. To set the promotional activities, companies need to consider the best combination of elements of the existing promotions in order to obtain an effective policy, the concept of such promotions, it can be seen that the promotion policy is based on a consideration of the variables which are elements of the promotion, namely: advertising, personal selling, sales promotion, and publicity(Moch Abdi, Hariyadi and others, 2017), PT. Haji Kalla promotional activities in
In various ways, including advertising in various print, electronic, banners, as well as participate in various activities. The data about the cost of sale has been issued as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Semester</th>
<th>Cost of sale (in thousands)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>1</td>
<td>42,000</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>54,800</td>
<td>23.35%</td>
</tr>
<tr>
<td>2012</td>
<td>1</td>
<td>52,400</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>51,000</td>
<td>-2.74%</td>
</tr>
<tr>
<td>2013</td>
<td>1</td>
<td>60,700</td>
<td>15.98%</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>65,000</td>
<td>6.61%</td>
</tr>
<tr>
<td>2014</td>
<td>1</td>
<td>61,800</td>
<td>-5.17%</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>65,200</td>
<td>5.21%</td>
</tr>
<tr>
<td>2015</td>
<td>1</td>
<td>66,100</td>
<td>1.36%</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>66,500</td>
<td>0.6%</td>
</tr>
</tbody>
</table>

Source: PT. Haji Kalla Cokroaminoto Branch of Makassar

Distribution channels are very important, because errors in this election can slow down even to jam the distribution business of goods or services to consumers (Moch Abdi, Hariyadi and others, 2017), (Blut, Teller and Floh, 2018), In other words, even though the goods and services have been known or according to consumer tastes, but if the channel used do not have the initiative and creative and has no responsibility, the effort for this distribution will experience delays or bottlenecks. Conversely, although all of them have been met, the track will be in use or distribution channels are less suitable, then the level of profit expected to be very thin. Therefore, in selecting distribution channels so that the concept of wisdom mentioned above, the company PT. Haji Kalla applies to the branch distribution channel that has been spread in some strategic places in the city of Makassar. It can show the following scheme.

<table>
<thead>
<tr>
<th>Year</th>
<th>Semester</th>
<th>Distribution costs (in thousands)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>1</td>
<td>36,000</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>36,250</td>
<td>0.68%</td>
</tr>
<tr>
<td>2012</td>
<td>1</td>
<td>36,400</td>
<td>0.41%</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>36,800</td>
<td>1.08%</td>
</tr>
<tr>
<td>2013</td>
<td>1</td>
<td>37,500</td>
<td>1.86%</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>42,500</td>
<td>11.76%</td>
</tr>
<tr>
<td>2014</td>
<td>1</td>
<td>46,800</td>
<td>9.18%</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>49,600</td>
<td>5.64%</td>
</tr>
<tr>
<td>2015</td>
<td>1</td>
<td>49,860</td>
<td>0.52%</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>50,500</td>
<td>1.26%</td>
</tr>
</tbody>
</table>

Source: PT. Haji Kalla Cokroaminoto Branch, Makassar

2. Methodology

This research approach is quantitative using multiple linear regression analysis test as a tool. With the formula:
\[ Y = b_0 + b_1 + b_2 X_2 + b_3 X_1 + b_4 X_4 + e \] ..........(1)

Where:
- \( Y \) = Sales
- \( X_1 \) = product
- \( X_2 \) = Pricing
- \( X_3 \) = Promotion
- \( X_4 \) = Distribution
- \( B \) = regression coefficient
- \( e \) = error

Collecting data using secondary data that sales reports and the costs of the products Avanza in 2011 - 2015. The conceptual framework of this study are as follows:

![Research Framework](image)

**Fig. 1.** Research Framework

**Hypotheses:**
- H1: Products significant effect on sales
- H2: Price significant effect on sales
- H3: Promotion significant effect on sales
- H4: Distribution significant effect on sales

### 3. Results And Discussion

#### 3.1. The Goodness of Fit Models

<table>
<thead>
<tr>
<th>Table 6. Goodness of Fit Models</th>
</tr>
</thead>
<tbody>
<tr>
<td>( R^2 = 0.972 )</td>
</tr>
<tr>
<td>( R = 0.986 )</td>
</tr>
<tr>
<td>Adjusted ( R^2 = 0.949 )</td>
</tr>
<tr>
<td>F-test 43 002</td>
</tr>
<tr>
<td>t-Test</td>
</tr>
<tr>
<td>Product</td>
</tr>
<tr>
<td>Price</td>
</tr>
<tr>
<td>promotion</td>
</tr>
<tr>
<td>Distribution</td>
</tr>
</tbody>
</table>
Based on the results of testing the goodness of fit above states that all prerequisite test is acceptable and significant. Next up is the result of testing the hypothesis in this study stated that.

- **Test H1** states that the effect of the product on Avanza car sales quantity if the independent variables constant. Variable products amounted to 0.625 with significance 0.030 < 0.05 means significant influence between the variables on the variable quantity sold. If the product was increased, there will be an increase in sales volume.

- **Test H2** states under the influence of the price of the Avanza car sales quantity if the independent variables constant. Variable price of 0.313 with the significance of 0.767 > 0.05 means the effect was not significant between the price variable to variable quantity sold. That when variables will increase the price in increasing sales quantity variables, but the very little effect on car sales quantity of Avanza.

- **H3** test that the promotion of the Avanza car sales quantity, if the independent variables constant. Variables sale of 3,288 with the significance of 0.022 < 0.05 means significant influence between the variables on the variable quantity of sales promotion. If promotion variables increase the number of sales will also increase significantly.

- **Test H4** states that the distribution of the Avanza car sales quantity if the independent variables constant. Variables sale of 2,647 with the significance of 0.046 < 0.05 means significant influence between the variables on the variable distribution of the quantity sold. That when variables improved distribution will be followed by an increase in sales quantity Avanza.

### 3.2. Discussion

Based on the results showed that the product, promotion and distribution channel significantly influence the quantity increase Avanza car sales in Makassar. The main reason for the public in Makassar choose the type Toyota Avanza products primarily based on the image rather than a product that has always been known and used by the public until now so the product Avanza also be goods so sold on the market. Type car carrying the type of car mini bus perceived by most people is in accordance with the typology of Makassar City residents who have family members that much. Other than that type of Avanza has a car body that is considered solid. Many respondents considered that Avanza has good quality because it is produced by PT. Toyota. In real brand image also plays a role so that the production car to be so massive. In contrast to similar cars produced by PT. Such as the Daihatsu Xenia which is not so in demand in the market so that it can be concluded that Toyota is still considered better than other factory production although with the same product type. Therefore, the price does
not become so calculated to the buying public decision Avanza car type. Aside from that form of promotion conducted by PT. Toyota in this case PT. Haji Kalla as Toyota main dealer in Makassar also so massive, ranging than the direct sale or shape Such as the Daihatsu Xenia which is not so in demand in the market so that it can be concluded that Toyota is still considered better than other factory production although with the same product type. Therefore, the price does not become so calculated to the buying public decision Avanza car type. Aside from that form of promotion conducted by PT. Toyota in this case PT. Haji Kalla as Toyota main dealer in Makassar also so massive, ranging than the direct sale or shape Such as the Daihatsu Xenia which is not so in demand in the market so that it can be concluded that Toyota is still considered better than other factory production although with the same product type. Therefore, the price does not become so calculated to the buying public decision Avanza car type. Aside from that form of promotion conducted by PT. Toyota in this case PT. Haji Kalla as Toyota main dealer in Makassar also so massive, ranging than the direct sale or shape indirect promotion so it also supports an increase in the number of sales of Avanza. Distribution channels PT. Haji Kalla very strategic, in Makassar so many main dealer PT. Haji Kalla scattered in Makassar as well as after-sales service system and also complain that it support excellence services for consumers.

4. Conclusion

Price does not always affect the increase in sales during accompanied by the strength of the brand and brand loyalty. Brand loyalty is not examined in this study that brand loyalty and brand strength recommended for further research in order to enrich the future research on the marketing mix to increase sales. Promotion, distribution, and product to balance in maintaining the sustainability of the company.

References


The Influence of Brand Image and Word of Mouth on Interests to Buy of Consumers of Yamaha N-MAX Motorcycle in Lhokseumawe City

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Abstract: The purpose of this study was to determine the effect of brand image and word of mouth on consumer buying interest of Yamaha N-MAX motorbikes in Lhokseumawe City. The population in this study were consumers who bought a Yamaha N-MAX motorcycle in Lhokseumawe City. Data collection techniques used are questionnaires and literature studies. The questionnaires distributed to 63 consumers who purchased Yamaha N-MAX motorcycle products in Lhokseumawe City. The value of the correlation coefficient (R) is obtained at 0.525 and the value of adjusted R² is 0.252 or 25.2% and the remaining 74.8% is influenced by other factors outside the research model. Based on the partial test results (t test), the variable brand image (X₁) obtained tcount 2.074 > t table 2.001, where that the brand image (X₁) has a significant effect on consumer buying interest of Yamaha N-MAX motorcycles in Lhokseumawe City, with a significance level 0.000. For simultaneous testing, obtained the value of Fcount 11.427 > F table 3.15, where simultaneously or simultaneously independent variables consisting of brand image (X₁) and word of mouth (X₂) significantly influence the consumer buying interest variable (Y) with significant level of 0.000.

Keywords: Brand Image, Word of Mouth, Buy Interest

1. Introduction

Motorbikes are the most favorite mode of transportation used by people today. The choice of motorbikes as the most favorite means of transportation is due to the superiority of the motorbike itself in terms of maintenance costs, fuel costs, the effectiveness of travel time, comfort and ability to break through the traffic jams that occur on the highway. The poor public transportation services also influence the high interest of the people to vote motorbikes as their main means of transportation. The community was made easier to buy motorbikes using the installment or credit system with a mild down payment.

The company must be able to create an attractive brand and describe the benefits of the product in accordance with the wishes of consumers so that consumers have a positive perception of the brand. A good brand image is an asset for a company, because of its brand image it has an impact on each consumer's perception, where the community has a positive impression on the company. Brand image will be a top priority as a reference for consumers before making a purchase.
Brand image needed so that consumers always remember a brand and continue to stick to
the minds of consumers forever. If consumers are looking for a product and want to consume
the product, the brand name of the product that they have remembered in their memory will be
implied. Brand image, in the end, it will create value that will be very useful for consumers
and producers in the long run.

The stage of the respondents' tendency to act before the buying decision is actually
implemented is called buying interest. Buying interest will create a motivation that continues
to be recorded in the minds of individuals and will arise a very strong desire so that when an
individual wants to meet his needs will make a product purchase based on what is in his mind.
The interest in buying consumers to buy can arise due to the stimulus (stimulus) offered by the
company. Each stimulus is designed to produce actions to buy from consumers.

Yamaha motorbike technology excellence is recognized throughout the world and has
been proven on various occasions, both on the road and on the track. Yamaha also developed a
technology that was able to answer customer needs, namely "stubborn" and fuel-efficient
engines, making it the pioneer of economical two-wheeled vehicles. No wonder the resale
price of Yamaha motorcycles remains high.

Phenomena that occurred in the city of Lhokseumawe society today is the switch from
the regular motor into the motor Matic one of them is Yamaha N-Max. Motor Matic Yamaha
N-Max as a new variation in the world of motorbikes, the presence of an automatic
transmission motorbike where drivers no longer need to move gears on the motorized vehicles
they only need to pull the gas and pull the brake lever so it is very easy and efficient.

Based on the background of the above research, problems can be formulated, namely
(1). What is the influence of brand image on consumer buying an interest in Yamaha N-MAX
motorcycles in Lhokseumawe City? (2). What is the influence of word of mouth on consumer
buying interest in Yamaha N-MAX motorcycles in Lhokseumawe City?

2. Literature Review

2.1 Understanding Brand Image

Brand image (brand image) is a representation of the overall perception of the brand and
is formed from information and past experience of the brand (Tjiptono, 2005, p. 43). The
image of the brand relates to attitudes in the form of beliefs and preferences for a brand.
Consumers who have a positive image of a brand will be more likely to make a purchase.
Brand image (brand image) can be considered a type of association that arises in the minds of
consumers when remembering a particular brand. The association can simply appear in the
form of a particular thought or image that is associated with a brand. This association can be
conceptualized based on type, support, strength, and uniqueness (Simamora, 2007, p. 12).

Brand image refers to the memory scheme of a brand, which contains consumer
interpretations of attributes, advantages, uses, situations, users and marketer characteristics
and characteristics of the product or brand maker. Brand image is what consumers think and
feel when they hear or see the name of a brand. Positive consumer images of a brand allow
consumers to make purchases. A better brand is also the basis for building a positive corporate
image.
Understanding of images according to (Kotler, 2010, p. 129) that the image is a set of beliefs, ideas, and impressions, which are owned by someone against an object. According to (Simamora, 2007, p. 37), a strong brand requirement is the brand image. But (Simamora, 2007, p. 37) sharpens that brand image as a brand position, namely a clear brand image that is superior in superior terms relative to competitors. The image will eventually be good when the consumer has sufficient experience with the new reality. The new reality in question is that organizations actually work more effectively and have good performance.

2.2 Understanding World of Mouth

One of the form of promotion in marketing is word of mouth. Consumers are often directly involved in greeting and informing other potential consumers about their experiences in consuming a product or service. The process of communication between people is more through word of mouth communication. Because people talk to others every day, exchange ideas, exchange information, comment on each other and other communication processes. Actual consumer knowledge on a wide range of branded products more due to lack of communication by word of mouth (word of mouth communication). Word of mouth is basically a message about the product or service of a company, or about the company itself, in the form of comments about products, friendliness, honesty, the speed of service and other things that are felt and experienced by someone conveyed to others. The message conveyed to shape messages that are positive and negative if depends on what is perceived by the message of the giver for services consumption. Based on the opinions of some experts above it can be concluded that word of mouth is a marketing activity that provides information on a product or service from one consumer to another to discuss, promote and want to sell a brand to others.

2.3 Understanding Purchasing Interest

Humans as buyers must use various considerations in buying or not buying a particular product. For example, the benefits of goods or services purchased the period of benefits, the satisfaction of which needs to be satisfied, whether that is primary, secondary or tertiary. Understanding of interest according to (Mowen and Minor, 2008) is a tendency and high enthusiasm or a great desire for something. Interest is one of the psychological aspects that have a considerable influence on behavior and interest is also a source of motivation that will direct someone to do what they do. Buying interest is formed by the influence of consumer attitudes towards a product and their belief in quality and price. In this case, marketers must understand consumer desires. Consumer buying interest, namely attitudes, interests, and actions taken by consumers in the decision making process and planning purchases of the number of brands. Consumer interest is strongly influenced by product characteristics, selection of the benefits of a product and prices determined by marketers.

3. Methodology

The location of the research that I will do is in Lhokseumawe City. The subjects of this study were consumers who bought Yamaha motorcycle products N-MAX in Lhokseumawe City. The population in this study were consumers who bought Yamaha motorbikes N-MAX
in the city of Lhokseumawe, amounting to 170 consumers. From the results of the calculation of the Slovin formula, the number of samples for this study was 63 samples. Data collection technique that is questionnaire is a method of data collection conducted by giving questions to respondents with a questionnaire guide, and library study is a method of data collection carried out by reading books, literature, journals, references relating to this research and previous research related to the research being conducted. To see the effect, the authors used a multiple linear regression model to see how much influence the brand image \((X_1)\) and word of mouth \((X_2)\) against buying interest \((Y)\). Linear regression multiple is a statistical model that is used to determine how much influence the independent variable has on the dependent variable or to make predictions about how changes in the value of the independent variable or increase or decrease. Following is the linear regression formula double as follows:

\[
Y = a + b_1 X_1 + b_2 X_2 + e_i
\]

Description:
- \(Y\) = Purchase Interest
- \(a\) = Constant
- \(b\) = Regression coefficient
- \(X_1\) = Brand Image
- \(X_2\) = Word of Mouth
- \(e_i\) = Error term

### 3.1 Operational Definition of Variables

1. **Brand image** \((X_1)\) is representasi of the overall perception of the brand and is formed of information and past experience to the brand.
2. **Word of mouth** \((X_2)\) is u saha marketing triggers consumers to discuss, promote, recommend and sell the product/brand to other consumers.
3. **Consumer buying interest** \((Y)\) is sesuatu related to consumers plan to buy a certain product and how many units of the product is needed at a particular period.

### 3.2 Validity test

This validity test was conducted with the aim to determine the validity of the questionnaire or questionnaire. Validity here means a questionnaire or questionnaire used to measure what should be measured. The item validity test was done by SPSS by looking at the results of the correlation between each item with the total score on the corrected item-total correlation value greater or equal to the value of the \(r_{table}\).

### 3.3 Reliability test

Reliability test is a reliability test that aims to find out how far a measuring instrument is reliable or trusted. Reliability is related to the estimation of the extent of a measuring instrument when viewed from the stability or internal consistency of answers or questions if the observations are carried out repeatedly.
3.4 Hypothesis testing

3.4.1 T test (Partial Test)

a. If the value of \( t > t_{\text{table}} \), then partially independent variables affect the dependent variable means of \( \text{brand image} (X_1) \) and \( \text{word of mouth} (X_2) \) partially has a significant effect on consumer buying interest (Y).

b. If the value of \( t_{\text{count}} < t_{\text{table}} \), then the independent variable partially does not affect the dependent variable, meaning \( \text{brand image} (X_1) \) and \( \text{word of mouth} (X_2) \) partially does not affect consumer buying interest (Y).

3.4.2 Test F (Test Simultaneously)

a. If \( F_{\text{count}} > F_{\text{table}} \), then the independent variables simultaneously influence on dependent variable for example \( \text{brand image} (X_1) \) and \( \text{word of mouth} (X_2) \) simultaneously have a significant effect on consumer buying interest (Y).

b. If \( F_{\text{count}} < F_{\text{table}} \), then the independent variables simultaneously have no effect on dependent variable for example \( \text{brand image} (X_1) \) and \( \text{word of mouth} (X_2) \) simultaneously has no effect on consumer buying interest (Y).

4. Results And Discussion

4.1 Validity test

Validity test serves to show the level of validity of an instrument. A valid instrument has high validity. The results of the validity analysis are shown by comparing the \( r_{\text{count}} > r_{\text{table}} \). The following are the results of the validity test for this study in the following table:

<table>
<thead>
<tr>
<th>No.</th>
<th>Variable</th>
<th>( r_{\text{count}} )</th>
<th>( r_{\text{table}} )</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>( \text{Brand Image} (X_1) )</td>
<td>0.2500</td>
<td>0.2500</td>
</tr>
<tr>
<td></td>
<td>( X_{1.1} ) (Question 1)</td>
<td>0.536</td>
<td></td>
</tr>
<tr>
<td></td>
<td>( X_{1.2} ) (Question 2)</td>
<td>0.601</td>
<td></td>
</tr>
<tr>
<td></td>
<td>( X_{1.3} ) (Question 3)</td>
<td>0.784</td>
<td></td>
</tr>
<tr>
<td></td>
<td>( X_{1.4} ) (Question 4)</td>
<td>0.634</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>( \text{Word of Mouth} (X_2) )</td>
<td>0.2500</td>
<td>0.2500</td>
</tr>
<tr>
<td></td>
<td>( X_{2.1} ) (Question 1)</td>
<td>0.753</td>
<td></td>
</tr>
<tr>
<td></td>
<td>( X_{2.2} ) (Question 2)</td>
<td>0.648</td>
<td></td>
</tr>
<tr>
<td></td>
<td>( X_{2.3} ) (Question 3)</td>
<td>0.717</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>( \text{Buying Interest} (Y) )</td>
<td>0.2500</td>
<td>0.2500</td>
</tr>
<tr>
<td></td>
<td>( Y_{1} ) (Question 1)</td>
<td>0.533</td>
<td></td>
</tr>
<tr>
<td></td>
<td>( Y_{2} ) (Question 2)</td>
<td>0.695</td>
<td></td>
</tr>
<tr>
<td></td>
<td>( Y_{3} ) (Question 3)</td>
<td>0.684</td>
<td></td>
</tr>
<tr>
<td></td>
<td>( Y_{4} ) (Question 4)</td>
<td>0.744</td>
<td></td>
</tr>
</tbody>
</table>
Based on the results of the examinations obtained in the table, the \( r_{\text{table}} \) value is obtained from \((\text{degree of freedom}) df = (nk)\), where \( n \) is the number of research samples and the number of research variables, so the value \( df = (63-3) \) is obtained by 60 with a significant level of 0.05, the \( r_{\text{table}} \) value obtained is 0.2500. From these results it can be concluded that the overall variables of the question are said to be valid because they fulfill the assumptions, where the value of \( r \) is calculated > \( r_{\text{table}} \) value.

4.2 Reliability test

Reliability testing shows the extent to which an instrument can provide consistent measurement results if the measurement is repeated twice or more. The results of the variable reliability test analysis in this study can be seen in the table as follows:

<table>
<thead>
<tr>
<th>No.</th>
<th>Variable</th>
<th>Value (( \alpha ))</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Brand Image ((X_1))</td>
<td>0.623</td>
<td>Reliable</td>
</tr>
<tr>
<td>2</td>
<td>Word of Mouth ((X_2))</td>
<td>0.696</td>
<td>Reliable</td>
</tr>
<tr>
<td>3</td>
<td>Buying Interest ((Y))</td>
<td>0.791</td>
<td></td>
</tr>
</tbody>
</table>

From the table above it can be explained that the reliability test results in the table above shows that the alpha value of the independent variable brand image (\(X_1\)) is 0.623, for the word of mouth variable (\(X_2\)) is 0.696 and for the dependent variable buying interest is 0.791. So overall the items in each variable are reliable because they are greater than the value of 0.60.

4.3 Analysis Koeisien Multiple Linear Regression

Multiple regression analysis is used to measure the effect of independent variables on the dependent variable. To find out whether brand image (\(X_1\)) and word of mouth (\(X_2\)) has a significant influence on buying interest (\(Y\)), can be seen by comparing the significant value of \( t_{\text{count}} \) in the following table:

<table>
<thead>
<tr>
<th>Coefficients</th>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>( t )</th>
<th>( \text{Sig.} )</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>1.408</td>
<td>.559</td>
<td></td>
<td>2.521</td>
<td>.14</td>
</tr>
<tr>
<td>Brand Image</td>
<td>.403</td>
<td>.95</td>
<td>.418</td>
<td>2.074</td>
<td>.000</td>
</tr>
<tr>
<td>Word of Mouth</td>
<td>.514</td>
<td>.112</td>
<td>.504</td>
<td>4.578</td>
<td>.000</td>
</tr>
</tbody>
</table>

\( a. \) Dependent Variable: Interest buying

The results of multiple linear regression analysis can be seen as follows:

\[ Y = 1, 408 + 0.403 X_1 + 0 + 0.514 X_2 + \epsilon \]  \hspace{1cm} (2)
From the results of these calculations, the constant has a value of 1.408, which means that if the independent variable is brand image (X1) and word of mouth (X2) has a constant value, then buying interest (Y) has a value of 1.408. The following are the results of calculations on the independent variables of this study, namely:
1. For the brand image coefficient value (X1) has a value of 0.403 which means if the brand image (X1) is increased by only one percent, then there will be an increase in buying interest (Y) of 0.403 (40.3%).
2. For the word of mouth coefficient value (X2) has a value of 0.514 which means if word of mouth (X2) increased by one percent only, then there will be an increase in buying interest (Y) of 0.514 (51.4%).

4.4 Correlation Coefficient and Determination Coefficient Value
To find out how much the correlation coefficient and the coefficient of determination between independent variables (X) on the dependent variable (Y) can be seen in the table of statistical test results. The following is a discussion of the results of data processing in the following table:

<table>
<thead>
<tr>
<th>Model Summary b</th>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.525 a</td>
<td>.276</td>
<td>.252</td>
<td>.44151</td>
<td></td>
</tr>
<tr>
<td>a. Predictors: (Constant), Word of Mouth, Brand Image</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Dependent Variable: Interest buying</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

From the results of this study it can be seen that the coefficient of R (correlation) is obtained at 0.525, which means that the independent variable brand image (X1) and word of mouth (X2) has a relationship to the variable tied to buying interest (Y) of 0.525 or (52, 5%). To see the magnitude of the influence of the independent variable (X) on the dependent variable (Y) can be seen in the results of the Adjusted R² test. From the test, the value of Adjusted R² is 0.252 which means that the influence of the brand image (X1) and word of mouth (X2) independent variables on the dependent variable of buying interest (Y) is equal to 0.252 or (25.2%). While the remaining 0.748 or (74.8%) is influenced by other factors outside of this research model such as the marketing mix, promotion mix, consumer behavior and others.

4.5 Hypothesis Testing
4.5.1 T test (Test Partial)
a. Brand image variable (X1) has a value of 2,074 t count > t table 2,001. Where the brand image variable has a significant effect on buying interest. So it can be concluded that the brand
image has a significant effect on consumer buying interest in Yamaha N-MAX motorcycles in Lhokseumawe City, with a significance level of 0.000.

b. Word of mouth variable (X2) has a value of $t_{\text{count}} 4.578 > t_{\text{table}} 2.001$. Where that the word of mouth variable significantly influences buying interest. So it can be concluded that word of mouth has a significant effect on consumer buying interest in Yamaha N-MAX motorcycles in Lhokseumawe City, with a significance level of 0.000.

4.5.2 Test F (Test Simultaneous)

Based on the results of SPSS data processing, the calculated F value is obtained worth 11.427. Then the value of $F_{\text{count}} 11.427 > F_{\text{table}} 3.15$, where simultaneously or simultaneously the independent variables consisting of brand image ($X_1$) and word of mouth ($X_2$) significantly influence the purchase interest variable (Y) with a significant level 0.000. So it can be concluded that in this study the brand image ($X_1$) and word of mouth ($X_2$) variables influence consumer buying interest (Y) of Yamaha N-MAX motorbikes in Lhokseumawe City.

5. Conclusions

Based on the results of the study obtained the value of the correlation coefficient (R) of 0.525, where the correlation coefficient value there is a relationship between brand image ($X_1$) and word of mouth ($X_2$) on buying interest (Y) that is equal to 52.5%. For the determination coefficient (adjusted $R^2$) obtained at 0.252, which means that the brand image ($X_1$) and word of mouth ($X_2$) affects the buying interest (Y) amounted to 25.2% and the remaining 74.8% is influenced by other factors outside of this research model. For the partial test (t test), it can be concluded that the brand image ($X_1$) and word of mouth ($X_2$) affect the buying interest of consumers (Y) motorcycle Yamaha N-MAX di Lhokseumawe. For simultaneous testing, variable brand image ($X_1$) and word of mouth ($X_2$) simultaneously have an effect on the buying interest of consumers (Y) motorcycle Yamaha N-MAX at the Lhokseumawe.

References

Getting Prepared: Employee Readiness for Changes

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Abstract: Considering the development of current global economy, every organization is required to continue to adapt and make changes to the progress of their organization. Changes made by the company require the management to prepare their employees to make some changes that are expected to be successfully implemented. This research was conducted to identify what employees need to prepare to deal with changes. Respondent in this research were 92 employees who have worked for at least 1 year in the head office and the factory of manufacturer and distribution of veterinary drugs in Bandung city which is currently experiencing a change in business direction and implementing new strategies. This research data was obtained through questionnaire method. The questionnaire used in this study was a readiness for changes questionnaire to measure employee’s beliefs, attitudes, and intentions towards changes that occur. Data were analyzed quantitatively through descriptive statistical analysis. The result of this study showed that employees have not reached the condition of complete readiness to deal with changes that occur in the company. It indicates that there are other findings showing that dimensions of beliefs have a significant contribution to employees’ readiness for changes.

Keywords: Readiness for Changes, Beliefs, Intentions, Attitudes, Employee

1. Introduction

The current global economic development increases competition among companies to become the best one in their fields. This competition requires each company to make organizational changes by adapting and adjusting organizational needs. Organizational change is carried out by the company to maintain its existence and create a better organizational development. Organizational change is a process of moving from the current condition to conditions expected by an organization in order to increase its effectiveness (Jones, 2013). If a company does not make changes properly, the company will not be able to optimize the effectiveness of its organization. Thus, the company cannot compete in global economic development and will possibly threaten the existence of the organization (Kunert and Staar, 2018).

The employee readiness for changes is the key to the success of an organizational change made by the company. If employees are not ready to face the changes, they will not be able to follow and will feel burdened with the organizational changes that occur (Hanpachern, Griego and Morgan, 1998). Lack of attention from the company in understanding the processes that occur in employees causes the company to lose the opportunity to influence employees to be ready to face changes in the company (Rafferty and Restubog, 2006).

Employee's unpreparedness in the face of changes will bring resistance towards the changes that occur. Resistance occurs because an organization cannot provide an effective change process (Vakola, 2013). Therefore, companies need to increase the employee readiness to make changes. The concept of employee readiness in the face of change is expressed by (Armenakis, Harris and Mossholder, 1993) as "A cognitive state comprising the beliefs,
attitudes, and intentions toward a change effort”, which is a cognitive condition consisting of beliefs, attitudes, and intentions towards effort to change.

There are three components forming the employee readiness to deal with changes, namely beliefs, attitudes, and intentions. Beliefs are, the evaluative assessment of the whole individual that he is ready to deal with organizational change that is influenced by an individual's belief that change is needed, that he has the ability to succeed in making changes, and that change will have positive results for his work/role (Armenakis, Harris and Mossholder, 1993). Beliefs are defined as an evaluative assessment of the whole individual that he is ready to deal with organizational changes and is influenced by the individual's belief that change is actually needed, that he has the ability to succeed in making changes, and that change will have positive results for his work/role. (Armenakis, Harris and Mossholder, 1993; Armenakis et al., 2007; Holt et al., 2007) describes five messages of readiness to change as aspects that describe beliefs, namely efficacy, principal support, discrepancy, appropriateness, and personal valence.

- Efficacy is defined as “Confidence in individual and group's ability to make the change succeed (Armenakis, Harris and Mossholder, 1993).
- one's immediate manager, and one's respected peers demonstrate that they support the organizational change.” Employees' beliefs that emerge from how their teams and supervisors support the changes that occur (Armenakis et al., 2007).
- Discrepancy is a "justification for why some change was deemed necessary" or employee's belief that changes are important to do(Armenakis et al., 2007).
- Appropriateness is "whether or not the change that is proposed or implemented is the right one for the situation faced by the organization." That is the individual's belief that change will be right for the conditions faced by the organization (Armenakis, Harris and Mossholder, 1993).
- Personal valence refers to the perceived personal benefits (or personal loss) one may reasonably expect as a result of an organizational change” or employee’s belief in the equivalent thing he will get based on his efforts towards organizational change (Holt et al., 2007).

(Rafferty, Jimmieson and Armenakis, 2013) proposed definitions of attitudes and intentions. Attitude is a cognitive assessment of individuals derived from the various types of information received about change and becomes an overall evaluative assessment of changes in their role. Intentions are concerned with the motivational factors that influence a behavior and are indicators of how hard a person is willing to try and how much effort he or she is willing to exert in order to perform the behavior[9]. Intentions are motivational factors that influence behavior and are indicators of how hard someone is willing to try and how much effort he wants to make for the changes faced in his job/role. The level of readiness will vary for each employee, it is based on the employee's experience of the balance between the costs and benefits estimated by the employee towards the changes that occur (Vakola, 2014). Hence, the condition of employee readiness to deal with changes will affect the employee behavior to support or resist the changes that occur.

2. Methodology

Research design that will be used in this study is a non-experimental with a descriptive approach. The sampling technique that will be used is a non-probability sampling, particularly with a saturation sampling, which is a sampling technique used if all members of the population are used as samples (Sugiyono, 2009). The total number of population in this study
was 300 employees. The criteria for this research subject is employees who have worked for at least one year in the company. Therefore, the target population in this study was 92 employees. Data collection will be carried out through questionnaire. The questionnaire used was the Readiness for Changes questionnaire as the result of the construction of 31 items measuring employee readiness which was adapted from the Readiness to Change theory proposed by (Armenakis, Harris and Mossholder, 1993). This questionnaire has been tested for validity and reliability with the results of reliability of 0.861 as follows:

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beliefs</td>
<td>0.785</td>
</tr>
<tr>
<td>Attitudes</td>
<td>0.740</td>
</tr>
<tr>
<td>Intentions</td>
<td>0.720</td>
</tr>
</tbody>
</table>

Subjects were comprised of 67% men, 33% women, 60% married, 38% unmarried, and 2% divorced. A total of 22% have worked for 1 year, 35% worked for 2-5 years, and 43% worked for more than 6 years.

3. Result and Discussion

The result showed that the cognitive condition of employees was at a high enough level of readiness in the face of change. However, there are still some aspects of change that employees are not ready to face, such as changes in the Standard Operating Procedure (SOP), rules, adaptation of government policies, coordination, job description, facilities, and supervisor control.

Proper understanding of SOP will improve employee readiness in the face of change. This can increase employee awareness of discrepancy towards SOP applied in the company. In terms of the rules, employee resistance can arise because employees do not know or understand the new rules set by the company, hence employees still take disciplinary actions from the regulations in the company. Therefore, consistent submission of the applicable rules needs to be carried out by the company.

While in terms of Government Policy Adaptation, companies need to fully convey government policies that have been adapted. This needs to be done because employee resistance can be caused by them not knowing the government policies that have been implemented in the company. Hence, they do not find the benefits of the policy. Submission of information about government policies adapted by the company can improve employee's personal valence. Viewed from Coordination, with the clear flow of coordination to employees, it will be easier for employees to receive information about what changes need to be prepared.

Job Description is an understanding of employees regarding the standardization of employees in the assignment of responsibilities and tasks for each employee needs to be done by the company. Hence, the efficacy of employees can increase regarding changes in the job description that occur.

Facilities, in order to achieve the expected change goals, the company needs to ensure the availability of facilities that support these changes. When a change is not complemented by the availability of supporting facilities, the employee's efficacy for changes will be affected. Employees are not sure that they will be able to make changes because they will get difficulties from the lack of facilities that support their performance in these changes.
Supervisor Control, where the company needs to set an objective standard of employee assessment. Establishing the same standards of evaluation between employees will disrupt employee confidence that the company will support each employee to make changes fairly. This is able to increase the employee support for changes that occur.

(Armenakis et al., 2007) explains that readiness in dealing with changes consists of beliefs, attitudes, and intentions towards the effort to change. Thus, the researcher describes readiness in facing further changes in the dimensions that shape it. Based on the results of measurements of beliefs, attitudes, and intentions dimensions, it was found that the beliefs dimension has the highest average value among other dimensions. Therefore, it can be concluded that employees have beliefs and preferences to support change, but their willingness to make a change is not in accordance with their beliefs and preferences. This can bring up aspects of change that employees are not prepared to face when implemented in the company. In further discussion, researchers tried to describe how beliefs, attitudes, and intentions dimensions illustrate employee readiness in dealing with changes in company. The researchers used a quadratic regression test to analyze the description of beliefs, attitudes, and intentions on readiness for changes.

<table>
<thead>
<tr>
<th>Model</th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.538</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Model</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beliefs</td>
<td>5.684</td>
<td>.000</td>
</tr>
<tr>
<td>Attitudes</td>
<td>.508</td>
<td>.612</td>
</tr>
<tr>
<td>Intentions</td>
<td>1.968</td>
<td>.052</td>
</tr>
</tbody>
</table>

Based on the results of statistical analysis, it was found that the three dimensions can illustrate the readiness to deal with changes by 53.8%, while the other 46.2% was described by other factors. In addition, it was found that beliefs are the dimension that can best describe the readiness to deal with change (Sig. > 0.05).

Employee beliefs showed a high tendency towards changes that occur in company. In other words, employees have confidence that change is needed and must be fulfilled, namely in the gap between the desired results and current conditions and changes can be made by themselves and their groups.
These results are based on the table above which shows that efficacy, principal support, discrepancy, appropriateness, and personal valence conditions of employees with a high level as well. The quadratic regression test in analyzing the sub dimension of beliefs was also carried out to describe the condition of dimension beliefs.

**Table 4. Beliefs Dimension Regression Models**

<table>
<thead>
<tr>
<th>Model</th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.999</td>
</tr>
</tbody>
</table>

**Table 5. Regression Coefficients of Beliefs Dimension**

<table>
<thead>
<tr>
<th>Model</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Efficacy</td>
<td>76.113</td>
<td>.000</td>
</tr>
<tr>
<td>Principal Support</td>
<td>76.678</td>
<td>.000</td>
</tr>
<tr>
<td>Discrepancy</td>
<td>77.213</td>
<td>.000</td>
</tr>
<tr>
<td>Appropriateness</td>
<td>88.363</td>
<td>.000</td>
</tr>
<tr>
<td>Personal Valence</td>
<td>68.297</td>
<td>.000</td>
</tr>
</tbody>
</table>

Based on the result of statistical analysis, it was found that these three dimensions can illustrate the readiness to deal with changes of 99.9%, and all beliefs sub-dimensions can describe beliefs dimension significantly.

Employees who are ready to deal with changes are those who already have cognitive conditions who believe, are sensitive, and are willing to make changes. This means that employees need to have high beliefs, attitudes, and intentions for the changes that occur. With the presence of high beliefs, attitudes, and intentions in employees, a condition of change that is expected by the organization will be realized.

In this study, it was found that the majority of employees already had readiness in the face of changes. However, there were still a few aspects of change that are still not ready to be faced by them. This is shown from 4% of employees who were in very high category and 85% of employees in the high category.

Meanwhile, there are still few employees (11%) who do not believe in, give preference, and are willing to make an effort to make changes. This is an indication of the unpreparedness of some employees in dealing with the changes that occur. Therefore, the company needs to
take action to increase employee readiness in order that the company can realize the expected conditions of the changes that occur.

4. Conclusion

- The majority of employees have a high readiness in the face of changes
- Difference in degrees of beliefs, attitudes, and intentions shape employee readiness and unpreparedness in the face of changes.
- Beliefs are the variable that best describes the readiness to deal with changes.
- Employees with managerial positions have higher readiness than employees in staff positions and staff support.
- The emergence of employee resistance to change can be constrained by supervisor control, facilities, work time, job description, coordination, adaptation of government policies, rules or SOP aspects that need to be reviewed before being implemented in the company according to the employees.

References

The Effect of Changes in Funds Budget for Results Against the Changes in Capital Expenditure Budget in District / City in Aceh Province

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Abstract: This study aims to find out how the effect of changes in revenue sharing budget on changes in capital expenditure in Districts / Municipalities in Aceh Province. The population in this study is financial report of Local Government which obtained from the data expenditure budget in the form of data on revenue-sharing and capital expenditure in 23 District / Municipalities in Aceh from 2014 to 2016 with total population of 69 LKPD. This method using linear regression analysis as a method of data analysis results of this study demonstrate profit sharing funds (PROFIT SHARING FUNDS (DBH)) Budget Changes affect the Capital Expenditure Budget Changes in District/ Municipalities in Aceh.

Keywords: Changes of Budget Capital Expenditure (BM), Budget Changes of Profit Sharing Funds (DBH)

1. Introduction

Regional development cannot be realized without physical development in the form of facilities and infrastructure. The physical development can be carried out if the planning is included in the APBD at the expenditure post, especially capital expenditure. Capital expenditure allocation is formed through the budget preparation process. Of course in the allocation of capital expenditure as a support for the development process, the role of the budgeting process is very significant. The use of a performance-based budgeting approach will certainly be increasingly influential in setting goals and outcomes until finally poured into the figures on the APBD capital expenditure post (Aqnisa, 2016).

Balance Fund consists of Profit Sharing Funds (DBH), General Allocation Fund, and the Special Allocation Funds. In addition, there are also other sources that come from regional loans. Therefore, the demand to change the structure of spending becomes stronger, especially in regions that experience low fiscal capacity. (Abdullah and Rona, 2014) explained that changes to the Revenue Sharing Fund are very important because they are free funds used by the Regional Government. This change in expenditure allocation is also aimed at building a variety of public facilities, one of which is through infrastructure. Infrastructure development and the provision of various facilities are carried out to increase the attractiveness of this investment (Darwanto and Yustikasari, 2007). In addition to improving the quality of public services, the Regional Government is obliged to allocate funds in the form of capital expenditure budgets in the APBD to increase fixed assets. This capital expenditure allocation is based on regional needs for facilities and infrastructure, both for the smooth implementation of government duties and for public facilities. So far regional spending has been used more for routine spending which is relatively less productive.
2. Literature Review

Budget is a statement about the estimated performance to be achieved over a certain period of time expressed in financial terms. While budgeting is a process or method for preparing a budget (Mardiasmo, 2009, p. 61).

Budget preparation is part of planning, while budget execution is part of management (Abdullah and Rona, 2014). In its journey, the budget implementation process which is partially not in accordance with the plan must be adjusted again so that the objectives and targets can be implemented properly. According to (Forrester et al., 1992) rebudgeting is "what the government does to revise and renew the budget during the fiscal year". This is an annual budget process to achieve diverse government goals by improving existing budgets to meet continuity, be monitored, accountable, flexible and able to predict things that happen in the future.

2.1. Changes Capital Expenditure Budget

According to (Abdullah, 2013) Changes to the budget allocation are the most important part in the APBD changes, especially in the direct expenditure group. (Dougherty and Klase, 2011) emphasized that there were 3 (three) reasons for adjustments to the budget. First, changes to the initial budget are carried out so that the implementation becomes more accurate and on target. Second, changes are made to be more useful in the long-term implementation of the budget cycle both before and in the future. Third, adjustments are made in the current fiscal year due to economic income growth which contributes to an increase in the surplus to adjustments, especially in the capital expenditure sector.

2.2. Changes in Revenue Sharing Funds

This fund is a fund sourced from APBN revenues allocated to regions based on percentage figures to fund regional needs in the context of implementing decentralization (Law No.33 of 2004, concerning Financial Balance between the Central Government and Local Governments). Profit Sharing Funds (DBH) transferred by the central government to regional governments consists of 2 types, namely Profit Sharing Funds (DBH) tax and Profit Sharing Funds (DBH) non-tax (Natural Resources) (Dodge et al., 2012).

Based on the new Income Tax Act (Law Number 17 of 2000), starting from 2001 fiscal year, the regions receive profit sharing from personal income tax, namely Article 21 Income Tax and Article 25/29 Personal Income Tax. The stipulation of Individual Income Tax as an object of profit sharing is intended as compensation and alignment for regions that do not have resources of nature (SDA) but provide a large contribution to state revenue (APBN). From the explanation described above, the scheme of thought can be described as follows:

![Fig. 1. Thinking Framework Scheme](image)

3. Methodology

Population in this study are Local Government Financial Statements (LKPD) for Revenue Sharing Changes and Changes in Capital Expenditures in District / Municipalities in
Aceh Province from 2014 to 2016. In this study using census method, namely by taking the entire population. The object of research is the budget the districts / municipalities in Aceh.

The source of data used by the researcher comes from the report of the realization of the district / city budget in the province of Aceh, namely the Fencing of the Amendment of Revenue Sharing and the change in capital expenditure budget obtained from the Aceh Finance Office. The data used in this research is secondary data. Documentation techniques are data retrieval techniques by collecting notes that are the subject of research. In this study the data used is cross section data with the panel data method, the time period from 2014 to 2016 from each regency / city of Local Budget Revenue Expenditure (APBD) data that will be analyzed.

3.1. Variable Definition and Measurement

According to (Mahmudi, 2007, p. 96) Capital expenditure is expenditure spent on the purchase of goods or services that are used in the implementation of activities, including the purchase of land, buildings, machinery and vehicles, equipment, installations and networks, furniture, software, and so on.

Revenue Sharing Funds are funds sourced from APBN revenues allocated to regions based on percentage figures to fund regional needs in the context of implementing decentralization (INDONESIA, 2004).

3.2. Data analysis method

The analytical method used in this study is linear regression which aims to test and analyze the effect of changes in revenue sharing budget on changes in the capital expenditure of District /Municipalities in Aceh. Data is processed with a Statistical Package for Social Science (SPSS) program. The linear regression model in this study is as follows:

\[ Y = a + \beta_1 X_1 + \varepsilon \] ..............................................(1)

4. Result And Discussion

4.1. Descriptive Results of Research and Analyses Data

Descriptive statistics used are the average (mean), minimum value, and maximum value. Descriptive statistical results for changes of Profit Sharing Funds (DBH), and changes in Capital Expenditure Budget (BM), can be seen in Table 4.1 below:

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change of Profit Sharing Funds (DBH)</td>
<td>69</td>
<td>-</td>
<td>457.5</td>
<td>38.9</td>
<td>6.7</td>
</tr>
<tr>
<td>Change of Budget Capital Expenditure (BM)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>69</td>
<td>100.0</td>
<td>512.0</td>
<td>276.5</td>
<td>8.6</td>
</tr>
</tbody>
</table>

Based on table 4.1 obtained Amendment of Revenue Sharing Budget for 3 years (from 2014 to 2016), the average value (mean) of 38.9 billion Rupiah, minimum value of (unknown) for North Aceh Regency in 2016 (data not yet reported) while the maximum value for the Amendment of Funds for the Profit Budget is 457.5 billion Rupiah for North Aceh Regency in 2014. The standard deviation value for 3 years is 6.7.
The next variable is the Capital Expenditure Budget Change values obtained average (mean) for 3 years amounted to 276.5 billion Rupiah, with a minimum value of 100 billion Rupiah for Langsa at City in 2014, and a maximum value of 512 billion Rupiah gained Central Aceh district on in 2016. The standard deviation value for 3 years was 8.6.

4.2. Hypothesis Testing Results

The results of testing hypotheses using linear regression from the effect of Changes in the Budget of Profit Sharing on Changes in the Capital Expenditure Budget in District / City Governments in Aceh can be seen in Table 4.2 following:

Table 2. Research Hypothesis Testing Results

| Regression Equation: BMP = 2,669 + 0.246 Changes of Profit Sharing Funds (DBH) P + ε |
| R² = 0.037 |
| Source: Data Processed (2018) |

Through the results of the SPSS 16 program as shown in Table 5.3, the linear regression equation is obtained as follow:

\[ BD \quad P = 2.669 + 0.246 \quad \text{PROFIT SHARING FUNDS (DBH) P} + \varepsilon \]

From this equation it can be seen that the constant value (a) is 2.669, meaning that if the Revenue Sharing Budget Change (X1) is considered constant, then the Capital Expenditure Amendment has a value of 2.669.

This research is a study by testing hypotheses using linear regression analysis methods. Simple linear analysis method connects one dependent variable with independent variables in a research model.

Regression coefficient variable Amendment Fund Budget Amendment is 0.246, meaning that if the Revenue Sharing Budget Change increases by 1% then the Amendment of Capital Expenditure Budget will increase by 24.6%. This shows that if the District/City Profit Sharing Fund Budget Change in Aceh has increased, Capital Expenditures will also increase.

4.3. Influence of Changes in Budget for Revenue Sharing on Changes in Capital Expenditures

The results showed that the Budget Changes Profit Sharing Funds (DBH) positive influence on the Capital Expenditure Budget Change in District/Municipalities in Aceh. This means that if the Revenue Sharing Budget Amendment increases by Rp.1 then changes in the Capital Expenditure Budget will also increase by Rp.0.246.

This means that the Amendment of the Profit Sharing Fund Budget also increases the Changes in Capital Expenditures. These results explain that the district / municipality to get a great Profit Sharing Fund (DBH) will tend to have large capital expenditures as well. These results provide strong indications that capital spending behavior will be heavily influenced revenue sources Profit Sharing Fund (DBH). The revenue sharing pattern is carried out with a certain percentage based on the producing region. Local governments can use financial balancing funds, one of which is revenue sharing funds to provide services to the public, which are realized through capital expenditure. So it can be concluded if the change in the
revenue sharing budget increases, the allocation of capital expenditure budget changes will increase.

The reason for changes in the Regional Expenditure Budget (APBD) can occur due to economic, political and social factors, but generally due to financial factors and fiscal needs. Conceptually, changes in income will affect spending on expenses. APBD changes are a means for the legislature and the executive to change the budget allocation legally. Opportunistic behavior of the legislature and executive when the APBD changes can result in misallocation of government budget. The tendency of Regional Original Revenue which is always increasing when the budget changes, opens up opportunities for the legislature to recommend additional budgets for programs and activities that become its preferences (Abdullah, 2013).

The results of this study are consistent with the results of research conducted by (Abdullah and Rona, 2014) which states that revenue-sharing funds affect changes in regional budget. The results of this study are in accordance with the results of (Dougherty and Klase, 2011) where budget changes are made to be more useful in long-term implementation in the budget cycle both before and in the future, adjustments are made in the current fiscal year due to economic income growth which contributes to an increase in the surplus to adjustments, especially in the capital expenditure sector. This is also in line with the results of research conducted by (Sumarni, 2008) where the General Allocation Fund has a positive effect on Regional Expenditures.

5. Conclusions

Based on the discussion of the results that have been described, this study can be concluded that the Amendment of Revenue Sharing Funds affects the Changes in Capital Expenditures in Districts/Municipalities in Aceh.

Reference


pp. 467–473.


#### Government Sukuk and Sharia Mutual Funds to The Investment Yield Sharia Insurance in Indonesia

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**Abstract:** This study aims to analyzed the effect of Government Sukuk and Sharia Mutual Funds to The Investment Yield Sharia Insurance in Indonesia. The data sourced from Financial Services Authority (OJK) Indonesia and using Smart PLS software to analysis. The method of research using a causal research design in Indonesia Sharia Insurance. The Government Sukuk and Sharia Mutual Funds influence to Investment Yield Sharia Insurance in Indonesia. The limitations of the study used a 2-year sample and only 2 variables and the results of this study have implications for Indonesia's Financial Services Authority (OJK) in formulating Sharia insurance policy in Indonesia. New findings related to Government Sukuk impacting the sharia insurance industry in Indonesia.

**Keywords:** Investment Yield, Government Sukuk, Sharia Mutual Funds

1. **Introduction**

The Retail State Sukuk is a Government Securities issued based on sharia principles designated for individual investors of citizens [1], (Zaman, 1993; Warde, 2000). Retail State Sukuk are issued in scripless form, but to investors will be given Proof of Ownership Letter. In Act Legal no. 19 of 2008 it is state that underlying assets are SBSN assets. The SBSN assets are objects and/or state property which have economic value, in the form of land and/or building, which in the framework of issuance of SBSN serve as the basis for SBSN issuance. As for the meaning of state property is all goods purchased or obtained at the expense of state budget revenue or derived from other legitimate acquisition. The main objective of the government to issue sukuk is sources of financing to the construction of the project. As mentioned in Article 4 of the SBSN Law, the purpose of SBSN is to finance the State Revenues and Expenditures Budget, including to finance the project development. Projects that can be financed by state sukuk are the manufacturing and housing sectors. One of the supporting factors in sustainable economic development is the availability of adequate infrastructure (Kia, 2013; Tabash, 2014). To build adequate infrastructure, the government uses a source of state financing where almost every year APBN deficit. Although foreign debt has a positive impact. However, in the long term foreign debt influence to conflation of the state. In this case Sukuk Ritel is present as an alternative solution of Infrastructure financing Indonesia. Retail State Sukuk is a State Sharia Securities sold to individuals through a Selling Agent, at a specified minimum volume. All Indonesian citizens can invest in Retail State Sukuk. This Sukuk issuance uses Ijarah contract with Underlying asset used in projects of State Revenue and Expenditure Budget and State Property.
2. Methodology

This is analyzing causality between variables. While in the experimental research, the researcher creates a "cause" by deliberately making a group difference and then observing the different effects on several dependent variables (Sirojuzilam and Muda, 2016; Tarmizi, Daulay and Muda, 2016; Dalimunthe, Fadli and Muda, 2016; I. Muda et al., 2016; Iskandar Muda, Sihombing, et al., 2016; Saputra and Muda, 2017; Azlina et al., 2017; Badaruddin et al., 2017; Nurlina and Muda, 2017; Sirojuzilam and Muda, 2017; Sihombing et al., 2017; Dalimunthe and Muda, 2017; Erlina, Tarigan and Muda, 2017; Ferine, Ermiaty and Muda, 2017; Muda, Rahmanta and Marhayanie, 2017; Muda, Rahmanta, et al., 2018; Muda, Siregar, et al., 2018; Muda and Hutapea, 2018). The simplest distinction between an experimental study and a comparative causal study is that in an experimental study of independent variables, it has appeared earlier. So comparative research is a type of research compare groups of a particular variable. Data obtained at the Financial Services Authority from January 2015-September 2017.

3. Result And Discussion

3.1. Result

The percentage variance described in Inner model. The independent variables tested have an effect significantly to the dependent variable. The coefficient result 0.005 value < 5% the decision is reject H0 and the hypothesis Ha accepted (Muda and Naibaho, 126AD; Iskandar Muda, Panjaitan, et al., 2016; Nasir, Basri and Muda, 2017; Sadalia, Rahamani and Muda, 2017; Situmorang, Rini and Muda, 2017; Yahya, Torong and Muda, 2017; Muda and Nurlina, 2018; Muda, Harahap, et al., 2018; Muda, Roosmawati, et al., 2018; Pohan et al., 2018). The result of t-statistics value in the Table 1 & Figure 1:

![Fig. 1. Overall Model with Coefficient](image)

The effect test as follows:

<table>
<thead>
<tr>
<th>Table 1. The result of Bootstrapping</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
</tr>
<tr>
<td>Government Sukuk (X1) -&gt; Investment Yield Sharia Insurance (Y)</td>
</tr>
<tr>
<td>Sharia Mutual Funds (X2) -&gt; Investment Yield</td>
</tr>
</tbody>
</table>
Sharia Insurance (Y)

The Government Sukuk are significant variables on Investment Yield. In addition to hypothesis testing through the bootstrapping menu that produces $t$-statistics, inner model evaluation is also done by reviewing the R-Square value (Muda and Dharsuky, 2015; Gusnardi and Muda, 2016; Lubis, Lubis and Muda, 2016; Lubis, Torong and Muda, 2016; Lutfi, Nazwar and Muda, 2016; Handoko and Muda, 2017; Hasan, Gusnardi and Muda, 2017; Hutagalung et al., 2017; Marhayanie and Muda, 2017; Muda and Hasibuan, 2018; Khaddafi et al., 2018). The R-square value generated from the inner model evaluation is:

![Fig. 2. F Square](image)

<table>
<thead>
<tr>
<th>Table 2. R-Square Value</th>
<th>R Square</th>
<th>R Square Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Yield Sharia Insurance (Y)</td>
<td>0.919</td>
<td>0.910</td>
</tr>
</tbody>
</table>

The variation of R-Square value of 91.9%. The existence of give contribution on Investment Yield Sharia Insurance.

3.2. Discussion

As one of sharia sukuk have different characteristics with bonds. Sukuk must have assets underlying asset. The sukuk funds should be used for halal business activities. The Sukuk give profit sharing or margin. Islamic economics is an economics values or teachings. Secondly, what is meant by Islamic economics is as a system (Siddiqi, 1996; Ahmed, 2004; Shakespeare, 2006; Chapra, 2008; Čihák and Hesse, 2008; Osservatore, 2009; Shanmugam, 2009). The system concerning the regulation is the regulation of economic activity in a society or country based on a certain way or method. Islamic economics in terms of Islamic economies. These three areas, namely the theory, activities and economic system of Muslims are the three pillars that must form a synergy. Islam is not merely a belief, but a many aspects (Suprianto et al., 2017; Farag, Mallin and Ow-Yong, 2018). Islamic teachings include about the ideal concept in social, economic, and political aspects. The ideal concept is listed complete in Islamic law called sharia. Sharia rules have a way of solving all life problems.
The main concept of Islamic economy is balance. All principles in the Islamic finance industry have the goal of providing prosperity to the people. A Balance between Physical and Spiritual Needs. Islam strongly encourages its people to give priority to worship more than anything else (Kia, 2013). Not that Muslims are forbidden to do activities outside of it. Livelihood activities must be balanced with worship activities. The rules of Islam establish economic activity in sharia forming. Muslims are obliged to obey the provisions of sharia in many aspect. The reply to Muslim obedience is the reward and the smoothness of seeking sustenance on earth. Every the goal of creating justice for all beings in the world.

3.3. Limitation and implications

The limitations of the study used a 2-year sample and only 2 variables and the results of this study have implications for Indonesia's Financial Services Authority (OJK) in formulating Sharia insurance policy in Indonesia.

4. Conclusions

The Government Sukuk and Sharia Mutual Funds influence to Investment Yield Sharia Insurance in Indonesia

References


Whether of Sharia Stock and Corporate Sukuk Play a Role in The Investment Yield Sharia Insurance in Indonesia

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Abstract: This study aims to analyzed the effect of Gross Sharia Stock and Corporate Sukuk to The Investment Yield Sharia Insurance in Indonesia. Using a causal research design in Indonesia Sharia Insurance from Financial Services Authority (OJK) Indonesia use for this research with used Smart PLS software. The results show that Gross Sharia Stock and Corporate Sukuk influence to Investment Yield Sharia Insurance in Indonesia. The data taken within a short span of 2 years. The implications for Indonesian Financial Services Authority in regulating and governance of stocks and Sukuk in the insurance industry in Indonesia. The results findings that Gross Sharia Stock as a variable considered in generating investment in sharia industry in Indonesia.

Keywords: Investment Yield, Sharia Stock, Corporate Sukuk

1. Introduction

Sharia Shares are securities proof of equity participation of a company with profit sharing system. The shares must also be issued by companies engaged in the lawful business. Shariah Bond is a certificate of a particular asset with a profit-sharing system (A. Ahmed, 2004; M. Ahmed, 2004; Chapra, 2008; Čihák and Hesse, 2008; Kia, 2013; Muda and Dharsuky, 2015; Muda and Nurlina, 2018; Muda and Windari, 2018). This is different from conventional bonds that are debt or interest-bearing loans. The Sukuk funds must also be for a halal business activity (Siddiqi, 1996; Metwally, 1997; Smith, 2002; Shakespeare, 2006). While Sharia Mutual Fund is an investment alternative for investors, especially small investors and investors who much time and expertise to calculate the risk of their investment, so should be assisted by an investment manager. Unlike conventional mutual funds where investment managers who manage investor funds can be free to buy all sorts of shares, for Islamic mutual funds, investment managers must selectively choose Sharia stocks (Usmani, 1998; Story, Thomas Jr. and Schwartz, 2010; Tabash, 2014). Sharia shares do not recognize riba (interest) as well as conventional stocks, but rather adopt a profit-sharing system (ratios) between investors and publicly traded companies issuing securities for trading in the capital market (Zaman, 1993; Warde, 2000) Such a system is also known as musharaka or syirkah. If a publicly funded investor company reaps profits, the investor will enjoy the benefits. Conversely, if the related company suffered losses, investors must also share the loss. Although the value of profit to be obtained by customers is fluctuating company performance, but the portion of the profit to be earned or the risks that will be borne by investors and issuers has been agreed at the beginning through a contract promise (Smith, 2002). The condition is
different from the conventional stocks that apply so that it can provide a more stable profit value for investors affected by the performance of the issuer.

To implement the investment call, it must create a means to invest. Many people choose to invest. One form of investment is to invest in the capital market (Shakespeare, 2006). The capital market is basically a market for various financial instruments or long-term securities that can be traded, either in the form of debt or own capital. The capital market is one of the important pillars in the world economy today. Many industries and companies use intermediary as a medium to absorb investments and media to strengthen their financial position. The presence of shariah capital markets that provide peace and confidence for halal transactions. The opening of the Jakarta Islamic Index in Indonesia (JII) in 2000 as a syariah capital market gives investors the opportunity to invest funds in companies that conform to sharia principles. Various products are offered in syariah index in JII and ISSI such as stocks, bonds, sukuk, mutual funds sharia.

2. Methodology

The research analysis is conducted on planning, supporting factors and outcomes. The results of comparative analysis can find the elements or important factors that lie behind the cultivation and difference (Sirojuzilam and Muda, 2016; Tarmizi, Daulay and Muda, 2016; Dalimunthe, Fadli and Muda, 2016; Gusnardi and Muda, 2016; I. Muda et al., 2016; Iskandar Muda, Sihombing, et al., 2016; Muda, Rahmanta and Marhayanie, 2017; Azlina et al., 2017; Badaruuddin et al., 2017; Muda, Ismail and Marhayanie, 2017; Sirojuzilam and Muda, 2017; Nurlina and Muda, 2017; Saputra and Muda, 2017; Sihombing et al., 2017; Dalimunthe and Muda, 2017; Erlina, Tarigan and Muda, 2017; Ferine, Ermiaty and Muda, 2017; Muda, Rahmanta, et al., 2018; Muda, Siregar, et al., 2018; Muda and Hutapea, 2018). Comparative causal research is an expost facto, meaning that data that have occurred This research process with systematic empirical research in which the researcher does not control directly because the embodiment of the variable has occurred or the variable is basically cannot be manipulated (Muda and Naibaho, 126AD; Lubis, Lubis and Muda, 2016; Lubis, Torong and Muda, 2016; Lutfi, Nazwar and Muda, 2016; Handoko and Muda, 2017; Hasan, Gusnardi and Muda, 2017; Muda et al., 2017; Hutagalung et al., 2017; Lubis, Ristam and Muda, 2017; Marhayanie and Muda, 2017; Khaddafi et al., 2018; Muda and Hasibuan, 2018). The data used are secondary data sourced from the Financial Services Authority Republic of Indonesia from January 2016-September 2017.

3. Result And Discussion

3.1. Result

The coefficient result $0.005 < 5\%$ the decision is reject $H_0$ and the hypothesis $Ha$ accepted (Iskandar Muda, Panjaitan, et al., 2016; Nurzaimah, Rasdianto and Muda, 2016; Nasir, Basri and Muda, 2017; Sadalia, Rahamani and Muda, 2017; Situmorang, Rini and Muda, 2017; Yahya, Torong and Muda, 2017; Muda, Harahap, et al., 2018; Muda, Roosmawati, et al., 2018; Pohan et al., 2018). The result of $t$ value in the table path coefficients is presented in the following in Figure 1 and Table 1:
The effect test as following:

<table>
<thead>
<tr>
<th>Table 1. The result of Bootstrapping</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>t Statistics</td>
</tr>
<tr>
<td>Corporate Sukuk (X₂) -&gt; Investment Yield (Y)</td>
</tr>
<tr>
<td>Gross Sharia Stock (X₁) -&gt; Investment Yield (Y)</td>
</tr>
</tbody>
</table>

The results show that Gross Sharia Stock influence to Investment Yield Sharia Insurance in Indonesia. The inner model generated from evaluation is presented in the following Figure 2 and Table 2:

<table>
<thead>
<tr>
<th>Table 2. R-Square Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>R Square Adjusted</td>
</tr>
<tr>
<td>Investment Yield (Y)</td>
</tr>
</tbody>
</table>

The variation of R-Square value of 89.6%. The existence of Gross Sharia Stock give Contribution On Investment Yield Sharia Insurance.

3.2. Discussion

Sukuk is not a bond, each published sukuk as underlying asset. Proprietary claim on Sukuk is based on asset/project. The use of Sukuk funds should be used for Halal business activities. Remuneration for margin. Shares constitute securities of proof of equity participation to the company and with the proof of such participation obtain a share of the
business. The concept of capital participation with the right part of the results as Musharaka or Syirkah. However, not all shares issued by Issuers may be referred to as sharia shares.

4. Conclusions

The Gross Sharia Stock influence to Investment Yield Sharia Insurance in Indonesia. The study has limitations taken within a short span of 2 years. The implications of this research can be used by the regulating the governance of stocks and Sukuk in the insurance industry in Indonesia.

References


The Influence of Personality, Organizational Culture and Organizational Commitment Toward Organizational Citizenship Behavior Ant Their Impacts on the Performance of Employees at KPP Pratama Lhokseumawe

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Abstract: This study was conducted to examine the influence of personality, organizational culture, and organizational commitment to the performance of the employee with organizational citizenship behavior as the intervening variable at KPP Pratama Lhokseumawe. The population used in this study was 83 respondents, while the sample of research as many as 79 respondents based on the questionnaires. The samples were taken using Census sampling technique. The hypothesis tests were conducted by using path analysis with the help of SPSS. The results of hypothesis tests indicated that personality, organizational culture, and organizational commitment have significant effects on organizational citizenship behavior. Organizational culture and organizational commitment have a significant effect on the performance of the employee, while personality had no significant effect on the performance of employees. The result of examination of mediation variable showed that organizational citizenship behavior could mediate the relationship between personality and organizational culture to partial employee performance. Whereas in organizational commitment, organizational citizenship behavior perfectly mediated the performance of employees.

Keywords: Personality, Organizational Culture, Organizational Commitment, Organizational Citizenship Behavior and Employee Performance

1. Introduction

Human resources are the most important asset and functions as capital in an organization, capital what is meant here is nonfinancial capital that can be used as real potential physically and non-physically in realizing an existence organization. The role of employees as managers of the organization as a whole is important for the success of an organization. The main task of the Primary KPP is to carry out counseling, service and supervision of taxpayers in the field of income tax Value Added Tax, Sales Tax on Luxury Goods, No Taxes Other direct in the area of authority based on regulations current regulation. Theoretically and empirically, personality factors, organizational culture, and organizational commitment can affect OCB behavior and performance on employees. In this study will be seen "The Influence of Personality, Culture Organization, and Organizational Commitment to Organizational Citizenship Behavior (OCB) and its impact on the Performance of Primary KPP Employees Lhokseumawe".
2. **Literature Review**

2.1. **Human Resources (HR)**

An Source management human power according to (Dessler, 2011) is a policy and practice inside move human resources or aspects related to management positions at in human resources which includes recruitment activities, screening, training, awarding and assessment. Human resource management relate to the total set of knowledge, skills and attitudes the company needs to complete.

2.2 **Personality**

Your Personality is the overall attitude, expression, feeling and behaviour someone. This will manifest in one's actions if faced with certain situations. Everyone has behavioral tendencies which applies consistently in the face of situations he faced it, so it became his personal characteristic. The word personality itself comes from language Latin "persona" which means mask used by actors in one game or show. The actors hide their personalities original, and displays itself according to the mask he uses. But in psychology, personality is not just outer appearance, (Feist and Feist, 2009) argue that personality includes physical and psychological systems that include visible behavior and thoughts not visible. This means that individual personality is not just a mask used (showing behavior), but individual personality also refers on what lies behind the outer appearance and also what is contained behind his actions.

2.3 **Organizational culture**

Organizational culture is overall values, norms, beliefs, where are opinions what is followed then is upheld jointly by the members organization. With culture, it will give direction and style to members within the organization, creating customs (customs) and something tradition.

Organizational culture is interpreted as a group values and norms that control interaction between members organization or organization members with parties outside the organization. Value is a criterion, standard or principles that become a reference for each individuals in determining the desired behavior, situation and results unwanted. Through the expression "it's the way we do things here, its part of our culture", (Vecchio, 2006) defines organizational culture as a collection of values and existing (established) norms in an organization then taught or given to workers who join the organization that. This can mean that the values and norms that have been formed like it has become a system within the organization and made a belief or mutual reference when individuals behave. System is a set of key characteristics that are upheld by the organization (Robbins and Judge, 2008) so that new workers or those who have joined in the organization must know the rules of the game contained in it and that must be obeyed and practiced when they interact and complete task his job.

2.4 **Organizational Commitment**

(Luthans, 2006) argues that organizational commitment is an attitude that reflects employee loyalty to the organization and where there is an ongoing process individual members of the organization devote their attention to sustainability organizational success and progress. It can be said that among employees and the organization has an emotional or spiritual relationship, where employees who are involved in an organization are not only
determined as a worker, but there is also a sense of belonging (organizational belongingness) between them (Dan and Zhang, 2010).

Whereas (Srivastava, 2015) that organizational commitment is a relative strength of the individual in identifying his involvement in the organization, which conceptually can be marked by three things:

- Strong trust and acceptance of values and goals organization
- Readiness and willingness to try earnestly on behalf of organization
- A strong desire to maintain membership inside organization (being part of the organization)

So it can be concluded, organizational commitment is identification employee involvement in the organization caused by its existence formal relationship between each other. Organizations are bound to give formal rewards such as wages or other facilities, while employees are trusted joining organizations is bound to carry out tasks and functions according to the role.

2.5 Organizational Citizenship Behavior (OCB)

Employees have an important role for success organization. The contribution of employees to the organization is usually measured based on the performance achieved according to the job description for its role. (Robbins and Judge, 2008) argues, actually successful organizations also need employees who can produce performance beyond the expectations of the organization or want do what exceeds their usual duties, that is by displays Organizational Citizenship Behavior (OCB).

On the other hand, (Allameh, Shahriari and Mansoori, 2012) identified employees actually must have three things in relation to contributing towards the success of an organization, namely:

- Employees must have the motivation to join and stay in organization
- Employees must carry out their work based on the job description and its role is in accordance with what has been determined by the organization; and
- Employees must participate or conduct activities that are innovative and spontaneously exceeds the perception of its role in an organization

Of the three things above, the employee with this last category is on call good citizenship (Griffin and Moorhead, 2012), namely employees who have OCB or the extra role behavior. Whereas (Borman, 2004) looking at OCB through the concept of prosocial behavior, which is defined as "The behavior that is directed toward individuals, groups, or organizations with the intention of promoting their welfare, namely behavior that is done directly for individuals, groups, or organizations that aim to improve their welfare. (Mayfield and Taber, 2010) identify behaviour prosocial or OCB includes helping others and being volunteer for extra tasks, where this behavior is positive, constructive and meaningful help. The desire to be a volunteer based on high social enthusiasm. Individuals believe through extra tasks will provide benefits to other people, groups, or organizations so in the end the individual himself will feel it (Kane et al., 2011).

The definition of OCB is more profoundly described by Organ et al. (2006) namely Discretionary behavior that is not direct or explicitly get an award from a formal reward system, and as a whole (aggregate) will increase the efficiency and effectiveness of functions organization. This behavior is free and voluntary, because it is not required by the role requirements or job descriptions / positions that are clearly demanded based on contract with the organization but as a personal choice.
3. Result And Discussion

3.1 Analysis Results of the Effect of Personality Variables, Organizational Culture and Organizational Commitment to OCB

To analyze the influence of personality, organizational culture and Organizational commitment to OCB is done by using assistance SPSS. The first analysis done is the equation of substructure 1: The substructure equation 1 is:

\[ Y_1 = b_1X_1 + b_2X_2 + b_3X_3 + e_1 \]  

Where
\[ Y_1 = \text{OCB} \]
\[ X_1 = \text{Personality} \]
\[ X_2 = \text{Organizational Culture} \]
\[ X_3 = \text{Organizational Commitment} \]

Analysis of Model Tables Summary Sub Structure 1:
- In the Summary Model output, the R value is 0.705, this is the case shows that there is a positive correlation between personality variables, organizational culture and organizational commitment to OCB.
- In the Summary Model output, the value of Adjusted R Square is obtained by 0.477 means that the OCB variable can be explained by personality, culture variables organization and organizational commitment of 47.7% while the remaining amount is 52.3% determined the variation of other variables that were not examined.

Coefficient Table Analysis Sub Test Structure 1
- In the output coefficient, we can see the Standardized Coefficient (Beta) or personality path coefficient of OCB is 0.386. Path coefficient organizational culture towards OCB is 0.258. Coefficient of commitment path organization against OCB is 0.207. At the output values are obtained Sig. personality of 0.000 and Sig. organizational culture of 0.016 and Sig Value. organizational commitment of 0.037. All t values are greater from the t table value of 1.665 with a value of Sig. <0.05 with the direction of the coefficient positive. Thus, it can be concluded that personality, culture organization and organizational commitment influence OCB.
- The X1 regression coefficient of 0.386 states that if the variable personality which includes level of accuracy, level of emotional stability, ease of agreement, social skills and openness on the experience of Lhokseumawe KPP Pratama employees, it will there was an increase in OCB as measured by a Likert scale, assuming organizational culture and organizational commitment are of constant value.
- The regression coefficient X2 of 0.258 states that if the variable is culture organizations like innovation and courage to take risks, attention in detail, focus on results, work teamwork, oriented on the individual and stability provided by the Primary KPP Lhokseumawe, there will be an increase in employee OCB measured with a Likert scale, with personality assumptions and organizational commitment constant value.
- The X3 regression coefficient of 0.207 states that if the variable is commitment organization like the similarity between personality values with organization, pride in being a member of the organization, an attitude of approval organizational policy, organizations inspire to be more accomplished, persistent effort for successful
organization, active involvement in loyal assignments and a high sense of loyalty to the organization are given by The Primary KPP Lhokseumawe was upgraded again, so there will be an increase OCB is measured by a likert scale, with personality and organizational culture is of constant value. From the results of the statistical tests that have been done, the equation for substructure 1 is:

\[ Y1 = 0.386X1 + 0.258X2 + 0.207X3 + e1 \]

### 3.2. Effect of Personality on OCB

Linear regression results of the first sub structure model show that hypothesis 1 is accepted, where variable personality has a significant effect on OCB at the Primary KPP Lhokseumawe. Based on this research can also explained that personality has a significant positive effect on OCB employee of the KPP Pratama Lhokseumawe. The results of this study support the research of (Najari, Ahmadi and Habibitabar, 2011) and opinion of (Wardani and Suseno, 2012), where individuals display action or behavior depends very much on mood and personality. Mood often or can change, while personality seen as self-inherent character and harder to change, so that the influence of the personality is more consistent and enduring the appearance of OCB.

### 3.3 The Influence of Organizational Culture on OCB

Linear regression results of the first sub structure model show that organizational culture variables have a significant effect towards OCB at the Primary KPP Lhokseumawe. This can be interpreted, if organizational culture increases in the sense that, if the respondent has innovation and courage to take risks, attention to detail, focus on results, aggressiveness, work in teamwork, management oriented individual and stability in work, the OCB is at the Primary KPP Lhokseumawe will increase. The results achieved are in accordance with the research by (Mohanty and Rath, 2012; Oemar, 2013) and (Darsana, 2013), the results of which are also states that organizational culture has a significant and positive direct effect against OCB.

### 3.4 Effect of Organizational Commitment to OCB

Linear regression results of the first sub structure model show that influential organizational commitment variables significant to OCB at the Lhokseumawe Primary KPP. This can interpreted, if organizational commitment increases in the sense that, if the respondent have strong trust and acceptance of values and goals organization, readiness and willingness to be serious on behalf of organization, and a strong desire to maintain membership inside organization, then OCB at the Primary KPP Lhokseumawe will increase. The results achieved are in accordance with research by, (Jo and Joo, 2011; Oemar, 2013), whose results also state that organizational commitment has a significant direct and positive impact on OCB.

### 3.5 Results of Analysis of the Effect of Personality Variables, Organizational Culture, Organizational Commitment and OCB on Employee Performance

The next stage of analysis is to analyze the effect variable personality, organizational culture, organizational commitment and OCB towards the performance of Lhokseumawe Primary KPP employees is done using help SPSS 22.0 for windows. The second analysis is the equation substructure 2: The substructure equation 2 is:
Y2 = b1X1 + b2X2 + b3X3 + b4Y1 + e2 ........................ (2)

Where:
Y2 = Employee Performance
Y1 = OCB
X1 = Personality
X2 = Organizational Culture
X3 = Organizational Commitment

Analysis of the second substructure was carried out to determine the effect personality variables (X1), organizational culture (X2), organizational commitment (X3) and OCB (Y1) on employee performance (Y2) at KPP Pratama Lhokseumawe.

Analysis Model Summary Sub Test Structure 2:
- In the Summary Model output, the R value is 0.803, this is the case shows that there is a positive correlation between personality variables, organizational culture, organizational commitment and OCB on employee performance.
- In the Summary Model output, the value of Adjusted R Square is obtained by 0.626 means that employee performance variables can be explained by variables personality, organizational culture, organizational commitment and OCB of 62.6% while the remaining 37.4% is determined by variations in other variables that are not researched.

Analysis of Coefficient Sub Test Structure 2:
- In the output coefficient, we can see the Standardized Coefficient (Beta) or personality path coefficient of employee performance is 0.125. Coefficient organizational culture pathway towards employee performance is 0.202. Coefficient the path of organizational commitment to employee performance is 0.224. Coefficient OCB path to employee performance is 0.422. At the output the value of Sig. personality of 0.191 and Sig. organizational culture amounting to 0.032 and Sig. organizational commitment of 0.010 and Value Sig. OCB is 0.000. All things except larger personality variables from the table value of 1.993 with the value of Sig. <0.05 and direction of the coefficient positive, thus it can be concluded that personality is not influence the performance of Lhokseumawe KPP Pratama employees because Sig value. greater than 0.05 and t counts more than 1.993. Whereas culture organization, organizational commitment and OCB affect performance employee.
- The regression coefficient X1 of 0.125 states that if the variable personality which includes level of accuracy, level of emotional stability, ease of agreement, social skills and openness to the experience of the Lhokseumawe Primary KPP employee improved, there will be an increase in the performance of the measured employee with a Likert scale, assuming organizational culture and commitment organization is of constant value.
- The X2 regression coefficient of 0.202 states that if the variable is culture organizations like innovation and courage to take risks, attention in detail, focus on results, work in a teamwork, oriented manner on the individual and stability provided by the Primary KPP Lhokseumawe, there will be an increase in the measured performance of employees with a Likert scale, with personality assumptions, organizational commitment and OCB is of constant value.
- The X3 regression coefficient of 0.224 states that if the commitment variable organization like the similarity between personality values with organization, pride in being a member of the organization, an attitude of approval organizational policy,
organizations inspire to be more accomplished, persistent effort for successful organization, active involvement in loyal assignments and a high sense of loyalty to the organization are given by The Primary KPP Lhokseumawe was upgraded again, so there will be an increase employee performance as measured by a likert scale, with personality assumptions, organizational culture and OCB are of constant value.

- The regression coefficient Y1 of 0.422 states that if the variable OCB like Altruism, Conscientiousness, Courtesy, Sportmanship, Civic Virtue given by the staff of the Primary KPP Lhokseumawe improved again there will be an increase in employee performance as measured by a Likert scale, with personality assumptions, organizational culture and organizational commitment constant value.

From the results of the statistical tests that have been done, the equation for substructure 2 is:

\[ Y_2 = 0.125X_1 + 0.202X_2 + 0.224X_3 + 0.422Y_1 + e_2 \]

The results showed that personality, organizational culture, and organizational commitment influences OCB as well as employee performance in KPP Pratama Lhokseumawe. This means changes that occur at OCB variables and employee performance can be explained or influenced together by personality variables, organizational culture, and organizational commitment. Based on the results of the analysis between OCB on employee performance shows there is a positive and significant influence. This indicates that he higher the employees take the initiative to help coworkers voluntarily (altruism), behaving following conscientiousness, guarding good relations with colleagues (courtesy), willing to accept the provisions organization (sportmanship), and has the responsibility to be involved and care on civic virtue, it will have an impact on increase employee performance. This finding is in accordance with (Mayfield and Taber, 2010) who stated OCB as positive, constructive behaviour meaningful to help, and volunteer or volunteer for assignments extras outside the main job, so as to have an effect on the increase employee performance. This result also supports the research of (Biswas and Varma, 2007; Darsana, 2013; Sani, 2013; Tehran, Abtahi and Esmaeili, 2013). Based on this research can also be explained that personality significantly positive effect on OCP Primary KPP employees Lhokseumawe. The results of this study support the research of (Najari, Ahmadi and Habibitabar, 2011) and opinion of (Wardani and Suseno, 2012), where individuals display action or behavior depends very much on mood and personality. Mood often or can change, while personality seen as self-inherent character and harder to change, so that the influence of the personality is more consistent and enduring the appearance of OCB.

4. Conclusions

- State of organizational culture and commitment of Primary KPP employees Lhokseumawe in general can be said to be in the high / good category. Furthermore, the state of personality is still less strong. Employees too indicates willingness to behave OCB and employee performance can well categorized, but still not in the expected condition the head of the Primary KPP Lhokseumawe.
- Personality, organizational culture, organizational commitment affect OCB at KPP Pratama Lhokseumawe.
- Organizational culture, organizational commitment and OCB influence employee performance at KPP Pratama Lhokseumawe. While personality partial does not affect the performance of employees at the Primary Tax Office Lhokseumawe.
- Personality, organizational culture and organizational commitment influence indirectly on employee performance through OCB at Primary KPP Lhokseumawe.
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References


Determinant Income of Kerawang Gayo Craftsmen

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Abstract: This study aims to analyse the effect of product diversity, age of business, working capital and working hours on income of the small industrial Kerawang Gayo Craftsmen in Aceh Tengah, Aceh Province. The data was obtained by distributing questionnaires to 33 respondents who were the samples in this study who were taken using purposive sampling method. The data analysis method used is multiple linear regressions through SPSS programme. The results of this study indicate that business duration, working capital, and working hours have a significant effect on the income of Kerawang Gayo craftsmen in Aceh Tengah. Meanwhile, product diversity does not significantly influence on Income of Kerawang Gayo craftsmen in Aceh Tengah.

Keywords: Product Diversity, Business Age, Working Capital, Working Hours, Income

1. Introduction

Indonesia is an island nation that has a lot of diversity. The form of diversity looked at multi customs and cultures. These customs and culture are reflected in the foods and clothing whose using. Each tribe and region has their own type of traditional clothing. As a result of the need for increased traditional clothing, craftsmen or small businesses were born to make these traditional clothes. For instance, one of the regencies in Aceh Province is Aceh Tengah has a traditional products called "Kerawang Gayo". These products can categorized into bags, hats, bracelets, men's or women's clothing and several other types of products. These clothing are always used in every traditional parties in Aceh Tengah. Kerawang Gayo provides a very thick traditional image. Later on, Kerawang Gayo are admired because manufacturing process is quite complicated and takes a long time depending on what product is being worked on.

The existence of small micro-business that produces the traditional products, it can increase income of craftsmen in Aceh Tengah. The micro-small and medium enterprises are a form of small business community whose establishment is based on individual initiatives where someone wants to improve their standard of living. Based on the pre-survey, gotten the income of craftsmen Kerawang Gayo was different. This can be influenced by the age of business and working capital, (Nazir, 2010; Novrizal, 2011; Meta, 2013; Utami and Wibowo, 2013). In term of these conditions, the researchers want to further assess to find out about increasing of income of the Craftsmen in Aceh Tengah and add the product diversity variable as a differentiator.

2. Literature Review

2.1. Income

(Kieso, Weygandt and Warfield, 2011) said revenue is the gross inflow of economic benefits arising from the entity's normal activities during a period, if the inflow results in an increase in equity that does not originate from investment contributions. Furthermore,
according to (Baridwan, 2004, p. 297) income is the inflow or other increase in assets of a business entity or repayment of debt (or a combination of both) during a period that comes from the delivery or manufacture of goods, delivery of services, or other activities which are the main activities of the business entity.

2.2. Product Diversity

Products are everything that producers offer to be considered, demanded, sought, bought, used, or consumed as meeting the needs and desires of the market, (Armstrong and Kotler, 1999). Product diversity is a collection of all goods or products offered by certain sellers to buyers, (Kotler and Kevin, 2009). While (Utami and Wibowo, 2013) said product diversity is the number of selected items in each product category. A store with a wide variety of products (large assortment) can be said to have good depth. Product diversity has a positive effect on income, (Novrizal, 2011; Meta, 2013).

2.3. Age of Business

The age of business is the length of time the trader works in the trading business that is currently being lived. The length of a business can lead to a business experience, where experience can influence the behavior of traders in facing buying and can increase the sell and their revenue. Business age is the dominant variable that influences traders' income because for a long time a businessman pursuing his business will affect his productivity so that it can increase efficiency and reduce production costs less than sales. Business age has a positive effect on income, (Utami and Wibowo, 2013).

2.4. Working capital

Working capital is the total current assets owned by the company (Brigham and Houston, 2013). Working capital is an asset. Working capital has a positive influence on income, (Nazir, 2010; Novrizal, 2011; Meta, 2013; Utami and Wibowo, 2013).

2.5. Working hours

Working hours are the amount of work time in producing an item. Employee working hours are generally determined by company leaders based on company needs, government regulations, and the ability of the employees concerned. A long period of working will enhance opportunity of trader to increase of selling. Working hours have a positive effect on income, (Meta, 2013).

2.6. Hypothesis

H1: Product diversity affects to income of the craftsmen Kerawang Gayo in Aceh Tengah
H2: The age of business affects to income of the craftsmen Kerawang Gayo in Aceh Tengah
H3: Working capital affects to income of the craftsmen Kerawang Gayo in Aceh Tengah
H4: Working hours affect to income of the craftsmen Kerawang Gayo in Aceh Tengah
3. **Methodology**

3.1. **Data**

This research was conducted on Kerawang Gayo craftsmen in Aceh Tengah Aceh Province. The number of craftsmen is 47 small businesses. The sampling method uses purposive sampling and sample gotten 33 businesses. Data premier used in the research and collected by distributed the questionnaire to the Kerawang Gayo craftsmen in Aceh Tengah.

3.2. **Analysis Method**

Data analysis methods used for multiple linear regressions are processed with the SPSS program, with the following equation:

\[ \ln Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 \ln X_3 + \beta_4 X_4 + e ............(1) \]

Where:
- \( Y \) = Income
- \( X_1 \) = Number of Product Varieties
- \( X_2 \) = Age of Business
- \( X_3 \) = Working Capital
- \( X_4 \) = Working Hours.

4. **Results And Discussion**

4.1. **Classical Assumption**

The results of data analysis about the normality test obtained by the KS value of 0.524, it can be concluded that the data is normally distributed. Multicollinearity testing also found that all variables had tolerance values above 0.1 and VIF values were below 10. The heteroscedasticity test results also found that data did not occur heteroscedasticity, because the data spread randomly.

4.2. **Regression Analyse**

Regression used to analysis the influence between Number of Product varieties, Age of Business, Working Capital, and Working Hours on income of Kerawang Gayo Craftsmen in Aceh Tengah. The summary of SPSS show in table below:

<table>
<thead>
<tr>
<th>Variables</th>
<th>B</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>.630</td>
<td>.084</td>
</tr>
<tr>
<td>Product Varieties</td>
<td>.010</td>
<td>.300</td>
</tr>
<tr>
<td>Age of Business</td>
<td>.009</td>
<td>.019***</td>
</tr>
<tr>
<td>Working Capital</td>
<td>.665</td>
<td>.000***</td>
</tr>
<tr>
<td>Working Hours</td>
<td>-.032</td>
<td>.051*</td>
</tr>
</tbody>
</table>

Source: Primary data analysed 2018
5. Discussion

Based on table 1 above, the results of regression analysis found that the value of p-value for the variable of product diversity (X1) 0.300 > 0.05, then rejecting H1 means that there is no significant influence on income. The Business Duration variable (X2) has a value of 0.019 p <0.05, so accepting H2 means that this variable has a positive and significant effect on income. Likewise, the working capital variable (X3) has a p value of 0.000 <0.05, so accepting H3 means that the variable has a positive and significant influence on income. Working hours variable (X4) has a value of 0.051 p <0.01, then accepting H4 means that the variable has a significant effect on the income of Kerawang Gayo craftsmen in Aceh Tengah, Aceh Province.

References

Mudharabah Financing Determination on Sharia Banking of Indonesia

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Abstract: The purpose of this study was to examine the determination of mudharabah financing in Islamic banking of Indonesia. The data used in this study were sourced from 11 Islamic Commercial Banks with a period of 2012-2016. Methods of data analysis using panel data regression and was simulated using eview 10. After conducting the Chow test and Hausman test reveal that the random effect model was the appropriate model choose, due to partially the capital has no effect on mudharabah financing, while mudharabah savings and mudharabah deposits have a significant effect and positive for mudharabah financing. On the other hand mutually, the capital, mudharabah savings and mudharabah deposits have a significant and positive effect on mudharabah financing.

Keywords: mudharabah financing, Capital, Savings and Deposits

1. Introduction

Indonesian banking is currently divided into two systems, including the conventional banking system. The conventional banking system that dominates the interest system and the sharia banking system that operates based on the principles of Islamic sharia which is based on the Qur'an and Hadith that are identically to profit sharing [1]. Both of these systems have the same function as financial service intermediaries which have teh main task of collection funds from the community and channelling back to the community in the form of financing facilities (RI Law No. 7 of 1992) [2].

Mudharabah is a financing form with the capital resources from a sharia commercial bank and the profit is divided based on the agreed ratio, the loss that occur is fully borne by the Islamic Commercial Bank, so that in practice this financing model is tend to experience the vulnerability to irregularities, due to often mudharib parties as customer does not prepare with the adequate accountability financial statements which is auditable.

The development of Capital shown in graph 1, based on the Capital Growth, Savings, Deposits and Financing at Sharia Commercial Banks revealed the Mudharabah financing is greater than capital scheme, this is due to the capital method is impracticable for mudharabah financing, but it is expend to another operational scheme, such as the buildings procurement, land and building equipment. Financing growth in sharia commercial banks in 2012 was recorded at 34.2%, this was decelerating compared to the previous year at 50.2%, and the financing scheme growth increase[5]. However, according to Sharia Banking and Financial Progress Report of Indonesia Financial Fervices Authority (OJK) the capital scheme was not increase.

This study aims to find out and analyze the influence factors of Mudharabah financing scheme in Islamic banking of Indonesia.
2. Literature Review

Islamic Commercial Banks is the financing institution which is provides services in payment traffic. Islamic banks must follow the teachings on Islamic finance which implies that not only loans, but funding must also use halal financial instruments. Therefore, Islamic banks are allowed to issue shares, deprived of conventional interest loans [6].

2.1. Capital Relations With Mudharabah Financing

Capital is a key factor for the development and progress of the bank, while maintaining public trust[7]. Capital funds can be used for buildings procurement, land, equipment, and also to be used for productive things, which is channeled into financing. The bank funds are a sum of money owned and controlled by a bank as operational activities. Bank funds consist of internal funds (capital) and external funds[8], the capital influences the amount of mudharabah financing, but for the short term it has no influence. Profit both in the long and short term has an effect on the amount of mudharabah financing[9]. The more capital invested by shareholders in banks, so that the banks tend to be able to channel more mudharabah financing[10].

2.2. Mudharabah Savings Relations with Mudharabah Financing

Savings are a source of capital formation or deferred / spent expenditures. Indonesia Republic Law Number 21 of 2008 concerning Sharia Banking which is states that savings is a deposit based on a wadiah agreement or fund investment based on a mudharabah agreement or other contract that does not contradict with sharia principles[11]. withdrawals can be made according to certain agreed terms and conditions, but the withdraw process only allow to proceed by check, bilyet giro, or other tools that are equated with it,[12].

Saving is deposits with the withdrawals can only be made according to certain conditions agreed between the customer and the bank, the withdrawal cannot be proceeded by check, demand deposit, or other similar equipment,[13].

2.3. Mudharabah Deposits Relation with Mudharabah Financing

Deposit scheme is schemes for bank customers to make investments. The Benefits for banks by raising funds through deposits of money can be stored relatively longer, because deposits have a relatively long period of time and rare frequency of withdrawal. Therefore, the bank can freely use the funds for the purposes of credit distribution,[14]. The deposit scheme is positively related to mudharabah financing, the increment number of financing deposits at Islamic Commercial Banks will bring the positive influence to financing scheme[15].

3. Methodology

The data analysis method uses panel data regression, which is a combination of cross section data consisting of 11 Islamic Commercial Banks with time series data and the 2012-2016 time period. The variables used are Capital, Mudharabah Savings, Mudharabah deposits on Mudharabah financing the data were simulated using views 10 software. The panel data used is classified in a balanced panel; due to every subject has the same number of observations[16]. The model used in linear, log form as shown below:

\[\text{(1)}\]
\[ \ln Y_{it} = \beta_0 + \beta_1 \ln X_{1it} + \beta_2 \ln X_{2it} + \beta_3 X_{3it} + \epsilon_{it} \]

Where: \( Y \) = Mudharabah Financing, \( X_1 \) = Capital, \( X_2 \) = Mudharabah Savings, \( X_3 \) = Mudharabah deposit and \( \epsilon_{it} \) = error term.

According to (Baltagi, 1995)[17], (Wooldridge, 2008)[18] and [16] the best model selection can be done using the best model selection test. First Chow Test was done to choose whether Common Effect or Fixed Effect Model is better with the following hypothesis:

\[ H_0: \text{Common Effect Model (restricted)} \]
\[ H_1: \text{Fixed Effect Model (unrestricted)} \]

Both Hausman Tests was conducted to determine the panel data estimation model which is the best and right between Fixed Effect Model and Random Effect Model. According to (Gujarati and Porter, 2012)[19], with a hypothesis:

\[ H_0 = \text{Random Effect Model} \]
\[ H_1 = \text{Fixed Effect Model} \]

4. Result And Discussion

Data analysis was done to observe the behavior both method of the data analysis and the results of calculations, based on the models that have been made in the research methodology. Before overviewing the results based on the model, first test with the model selection using chow test and hausman test.

4.1. Chow Test

The results of the Chow test was done to choose between Common Effect Model or Fixed Effect Model, the results as shown in the table 1 below:

<table>
<thead>
<tr>
<th>Effects Test</th>
<th>Statistic</th>
<th>d.f.</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-section F</td>
<td>2.435604</td>
<td>(10,41)</td>
<td>0.0220</td>
</tr>
<tr>
<td>Cross-section Chi-square</td>
<td>25.645275</td>
<td>10</td>
<td>0.0042</td>
</tr>
</tbody>
</table>

Based on the results of the Chow-test with Redundant Fixed Effects Tests, the Cross-section Chi-square value is bigger than Chi-square \( \chi^2 \) table with df. 10 at \( \alpha = 5\% \) of 18.307, therefore it is 25.645 > 18.307. This also shown from the Probability (P-value) of 0.0220 < 0.05, hence the Fixed Effect Model is inappropriate for this research model and continued with the analysis using Random Effect Model.

4.2. Hausman Test

Hausman test was performed to estimate fixed effect models with random effects model and the results are as shown in Table. 2 as follow:

<table>
<thead>
<tr>
<th>Test</th>
<th>Chi-Sq.</th>
<th>Chi-Sq. d.f.</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Summary</td>
<td>Statistic</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cross-section random</td>
<td>6.432112</td>
<td>3</td>
<td>0.0924</td>
</tr>
</tbody>
</table>
Based on the results of the Hausman test, the random Cross-section value is 6.4321 with a p-value of 0.0924. While the critical value is chi-squares at df = 3 at α = 5% is 7.81473. Therefore, based on the Hausman test results the random Cross-section value is 6.4321 < 7.81473 and the probability value is 0.0924 > 0.05. Hence H₀ is accepted, which means refusing the fixed effect model (FEM) and accept random effect model so that the appropriate model used in this study is random effect.

Table 3. The results of the Hausman test

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>6.34685</td>
<td>3.250993</td>
<td>1.952845</td>
<td>**</td>
</tr>
<tr>
<td>LOG(X1)</td>
<td>-0.174898</td>
<td>0.276948</td>
<td>-0.631518</td>
<td></td>
</tr>
<tr>
<td>LOG(X2)</td>
<td>0.216701</td>
<td>0.116381</td>
<td>1.861997</td>
<td>*</td>
</tr>
<tr>
<td>LOG(X3)</td>
<td>0.442509</td>
<td>0.166772</td>
<td>2.653380</td>
<td>**</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.329578</td>
<td></td>
<td>F-statistic</td>
<td>8.35717</td>
</tr>
<tr>
<td></td>
<td>0.290142</td>
<td></td>
<td>Prob(F-statistic)</td>
<td>0.00012</td>
</tr>
</tbody>
</table>

** Significant at α: 5%
* Significant at α: 10%

Based on the results of the analysis, the random effect model can be rewritten as follows:

\[ \ln Y_{it} = \beta_0 + \beta_1 \ln X_{1it} + \beta_2 \ln X_{2it} + \beta_3 \ln X_{3it} + e_{it}^{(1)} \]

The result is:

\[ \ln Y_{it} = 6.349 - 0.175 \ln X_{1it} + 0.217 \ln X_{2it} + 0.443 \ln X_{3it} \]

Based on the data estimation results in a random effect model, there is a constant value of 6.349, this result if capital, mudharabah savings and mudharabah deposit was considered constant, the mudharabah financing constant at 6, 349. If capital increases by 1%, mudharabah financing will decrease by 0.175%, by assuming mudharabah savings and mudaraba deposits are constant. The capital influences mudaraba financing. The capital depend on the customer in term of affecting financing.

Mudharabah savings variable regression coefficient is 0.217, if the mudaraba savings increase by 1%, mudharabah financing will increase by 0.217%, by assuming constant capital and mudaraba deposits.

Mudharabah deposit variable regression coefficient is 0.443, if mudharabah deposits increase by 1%, mudharabah financing will increase by 0.443%. Therefore, deposits have a positive and significant effect on mudharabah financing.

5. Conclusions

The Capital variables shown no negative effect on mudharabah financing, due to only few customers that precedes the mudharabah financing, this is related to the capability of the
customer in refunding the fund. Mudharabah savings and mudharabah deposit variables have a positive effect on mudharabah financing. Due to mudarabah savings and mudharabah deposits are the key factor in increasing the mudharabah financing.

**Acknowledgment**

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**References**


Stealth Trading Behaviour in Capital Market: A Literature Review

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Abstract: the behaviour of hiding trade information in the capital market which is called stealth trading currently takes place in various capital markets in the world. This behaviour is performed by investors, in particular informed investors, by not sharing information with other investors during trade transactions. It is aimed to keep others investors from following the informed investors trading transactions in the capital market. Thus, this paper is intended to review and evaluate the existence of stealth trading in various capital markets in the world from an empirical perspective. In general, result of the review finds that, from an empirical perspective, stealth trading behaviour is still inconsistent in various capital markets in the world.

Keywords: behaviour, stealth trading, capital, market.

1. Introduction

Stealth trading behaviour (ST) is a hypothesis introduced by (Barclay and Warner, 1993) or BW 1993. ST is a behaviour of informed investors who hide information by splitting trading orders in medium sizes. (Barclay and Warner, 1993) explain that the behaviour of information hiding or solving the size of trade into medium size is a reason to keep their ongoing transactions from affecting stock prices changes. There are 2 other reasons according to BW 1993. First, if trading in large numbers at once, the informed investors will regard the information as futile because other investors will follow their actions. Second, small transactions will lead to inefficiency or increased trade cost. Due to ST behaviour, eventually changes in stock prices in the medium size occur in medium stock cumulatively.

Having mentioned the above, the authors conducted several empirical literature studies relating to ST behaviour in capital markets in various countries in the world. So, the purpose of this literature study is to analyse stealth trading behaviour in various capital markets in the world.

2. Methodology

The method used in this study is a literature study method about the existence of stealth trading behaviour in various capital markets in the world. Researchers conduct the study by accessing reputable international articles and journals, particularly the Syiah Kuala University library. After getting the articles, the authors then classified them based on developed and developing countries.
3. Literature Review

After BW 1993 introduced the occurrence of ST behaviour in United States’s capital market, several studies have also been conducted in various developed countries which mention the ST phenomenon. (Chakravarty, 2001) was the first researcher after BW 1993 who tested and concluded the existence of stealth trading phenomena in individual and institutional investors.

In the past decade research on ST in America and Europe found inconsistent results despite concluding the occurrences of ST behaviour. (Lebedeva, Maug and Schneider, 2009) used equity market transaction data in the USA before and after the implementation of Sarbanes-Oxley act by NASDAQ and NYSE. (Alexander and Peterson, 2007) and (Abad and Pascual, 2011) on the American Stock Exchange concluded that stealth trading occurred in middle-class trading. (Blau, Van Ness and Van Ness, 2009) explained that there was a change in the price of a small trade to a large trade at midday trading. Changes in trading prices are large because at market’s opening and closing the informed investor traded high without disclosing information to the market. This result is supported by (Huang, 2011) who explained that ST occurred at the end of the morning session closing or 11.30 am and 14.00 hours. The results of several studies above reveal the existence of stealth trading (ST) behaviour in the market.

Meanwhile, (Blau and Brough, 2012) research using short sale objects concluded that stealth trading behaviour did not occur. Time restraint was one reason that prevented stealth trading behaviour from happening. (Liu and Kaniel, 2004) studied on the NYSE, NASDAQ, French Exchanges, Tokyo and Toronto discovered that informed traders used certain limit orders and were informative. (Menkhoff and Schmeling, 2010b, 2010a) who examined the German’s money market and forex market stated that stealth trading practices when a medium order trades. (Verousis and Ap Gwilym, 2013) examined using data on the London Stock Exchange. After controlling the size of the trade it was found that there was a relationship between the size of the trading group and the price which showed the Stealth trading behaviour.

A number of studies in the Chinese region regarding ST behaviour bring various results. (Cai, Cai and Keasey, 2006; Chang, Hsieh and Lai, 2013) mentioned ST the occurrence of ST behaviour in China was characterized by medium and large trade sizes and influence price more with indications during the collection period before the opening of the market. But, research in Taiwan (Blau, Van Ness and Van Ness, 2009; Lin et al., 2014) also found that ST Behaviour occurred where the separation of orders was more into the medium. (Hsieh and He, 2014) used Taiwan option data that found this medium order limit as a form of information hiding.

However, (Ligon and Liu, 2013) using data in Taiwan found that stealth trading did not occur. Furthermore, (Kang and Ryu, 2010) stated even though ST occurred but trading occurred in the size of medium prices which failed to provide trade information compared to other trade measures. In addition, (Zhang, Chueh and Hsu, 2015) in Taiwan, revealed that uninformed trading had the highest trading frequency on Monday and Thursday since on those two days more relevant information was conveyed. This finding is different from the others stating stealth trading occurs Monday and Thursday. Research in Japan by (Ascioglu, Comerton-Forde and McInish, 2011) found the existence of stealth trading and how trading groups affected changes in cumulative share prices. Large trade groups obviously have the largest portion in influencing cumulative price changes during high volatility.
In South Korea, (Webb et al., 2016) using KOSPI 200 market data also mentioned the existence of ST behaviour influenced by small investors but institutional informed investors were more informative and possessed greater influence than individual investors. (Ryu, 2016) using KOSPI 200 data found that stealth trading did not occur. In Australia that stealth trading took place on every trading day caused by medium trading that affected price changes. (Kalev and Pham, 2009) using Australian stock exchange data also found stealth trading on every trading day. In addition, medium investors influenced changes in stock prices, especially on Monday. Large trading sizes trade at opening and closing markets, especially Monday and Friday. (Bjursell et al., 2010) who used data in the futures index, Australia and FTSE UK 100 found the trading frequency of small and large trade categories significantly affecting the volatility of contract futures prices.

In India, (Mishra, McInish and Tripathy, 2015) found ST behaviour but price changes was concentrated more on small trade size while the remaining were influenced by medium trade. Research on the Kuwait Stock Exchange conducted by (Alhashel, 2015) used issue of bull market conditions (good condition) and bear (bad condition). The results of the study found that stealth trading behaviour took place in medium-sized trades when the bull market, while at the time of bear market trading occurred when the trading size was small. (Charoenwong and Ding, 2010) in Thailand, discovered ST behaviour. (Aktas and Kryzanowski, 2014) examined BIT30 in Turkey and came to conclusion that ST was determined by a large trade where price changes occurred at the end of trading. This price change was an intervention of the parties involved in the capital market.

Several studies in Indonesia have not tested stealth trading behaviour deeply. Studies conducted in Indonesia are still on the order of imbalance (Ekaputra, 2014) and price manipulation of (Wibowo, 2009). (Dvořák, 2005; Kholisoh, 2008; Sumiyana, 2008, 2015; Agarwal et al., 2009; Rhee and Wang, 2009; Hanafi and Rhee, 2013; Wang, 2013) all claimed faster and easier disclosure of information would make it easier for investors to conduct larger stock transactions, while (Syamni, 2011; Rokhim and Tanuwijaya, 2015) claimed differences in the current trade with regard to trading day anomalies. This is consistent with (Hanafi and Rhee, 2013) the trade differences caused by match transaction orders.

4. Conclusion

This paper is a literature study analysing the existence of stealth trading behaviour (ST) in several capital markets in the world. The results of the literature study show that both developed and country countries are developing stealth trading behaviour inconsistently. Research in America and Europe clearly finds mixed results about stealth trading behaviour. There is an article stating that stealth trading behaviour exists when a price change is indicated by changes in stock prices in the medium size.

In addition, ST requirements occur differently every time and trading day. There are even studies that state that ST behaviour does not occur in short sale trading. Research in China, Japan, Korea and Australia and Asia in general has indicated that stealth behaviour occurred. These results are similar as those done in America and Europe. Even some studies concluded that ST did not take place. Meanwhile, in Indonesia, studies on ST behaviour is not deeply covered and only discusses about the superiority of investor information, order imbalance and price manipulation.
References


Knowledge of Aceh Entrepreneurs about Capital Market

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Abstract: This study aims to analyze the knowledge of Aceh entrepreneurs about the capital market and the factors that influence the increase in understanding of entrepreneurs about the capital market. This study is analyzed using a quantitative descriptive approach. This research sample is 120 Acehnese entrepreneurs. The sampling technique used is Judgment sampling. The results of the study show that the knowledge of Aceh entrepreneurs about the capital market is still low. Acehnese entrepreneurs do not understand the capital market so they are not interested in investing in the capital market. Seminars, stock game simulations and socialization of the capital market increase the knowledge of entrepreneurs and the understanding of the capital market. As a result, the desire of entrepreneurs to invest in the capital market also increases. The results of this study provide empirical evidence to policymakers about the need for capital market socialization for Aceh entrepreneurs and investment products in the capital market.

Keyword: Knowledge, Entrepreneur, Capital Market

1. Introduction

The capital market trades debt securities and shares for the long-term (Candra, 2009). Today, the capital market has become a nerve center for economic finance in various countries (Muklis, 2016). Therefore, the capital market is important for the economy of states because of its function as a means of funding for companies and a free of charge public investment in financial instruments (Spaseska, et al, 2016; Nasution, 2015).

The interest of investing in Indonesian society in the capital market is still low, only about 0.5% of the total population (Tarigan, 2013). Whereas, the growth of the middle-class society in Indonesia is fast, but this growth is not in line with the increase of public interest to invest in the capital market. This happens because the growth of the middle class society is not supported by adequate knowledge about the procedures for investing in the capital market (Muklis, 2016). As a result, people prefer short-term investments such as saving at a bank compared to investing in long-term financial assets. For this reason, it is necessary to provide sustainable education for the public about capital market investment (Tarigan, 2013). (Supriadi & Hariyanto, 2017) on their research shows that Indonesian investor knowledge about capital markets is still low. Therefore, this study was conducted to determine the level of knowledge of Aceh entrepreneurs and their understanding of the capital market and investment in the capital market. Aceh is suspected that its entrepreneurs do not have a good understanding of the capital market because it is located in the westernmost tip of Indonesia. As a consequence, they do not want to invest their funds in the capital market.
2. Literature Review

The investment decision of somebody on an asset is determined by the level of knowledge and understanding of the asset itself. Knowledge is needed to avoid losses and obtain maximum returns from investments (Kusmawati, 2011; Malik, 2017). The knowledge of investors in investment instruments greatly affects investment interests (Yuliati, 2011). Likewise, the investments in the capital market where the investors need to have knowledge about the capital market and investment products offered in the capital market.

The decisions of Investors are determined by their knowledge of investment techniques and risk perception. Knowledge has an important role in increasing investor interest to invest in the capital market (Khotimah, et al, 2011). The lack of public knowledge about investment in the capital market causes their low participation in investing in the capital market (Muklis, 2016). Insufficient knowledge about the capital market makes investors uninterested in investing (Hossen, et al, 2014). Information about investment products chosen by investors is important for making the right investment decisions.

Several previous studies in several countries showed that public knowledge about capital markets is low. Ganapathi research, (2014) in India proved that the public was aware of investing in the capital market did not have sufficient knowledge about investing in the capital market. Furthermore, the Acquah-sam & Salami, (2013) research found that the majority of Ghanaian people had little knowledge about the capital market activities. The same finding was also proven in Bangladesh, the majority of investors did not have the fundamental knowledge to invest in the capital market. The lack of knowledge of investors on investment procedures results in low investor interest in investing in the capital market (Yuliati, 2011; Acquah-sam and Salami, 2013; Supriadi and Haryanto, 2017).

3. Methodology

The unit of observation of this study are entrepreneurs in 8 districts/cities in Aceh which are included Pidie Jaya Regency, Pidie Regency, Aceh Besar Regency, Banda Aceh City, West Aceh Regency, Nagan Raya Regency, South Aceh Regency, and Subulussalam City. The sampling technique used is judgment sampling. The amount of sample is 120 entrepreneurs with 15 entrepreneurs distribution per district/city.

3.1. Method of collecting data

This research data are obtained through a closed questionnaire measured by a Likert scale. The scale values used are 5 (strongly agree), 4 (agree), 3 (neutral), 2 (disagree), and 1 (strongly disagree).

3.2. Data Analysis Method

This study uses a quantitative descriptive approach. The researchers try to identify the knowledge and understanding of Acehnese entrepreneurs about investing in the capital market. Frequency tests are used to measure the perception of respondents.
4. Result And Discussion

4.1. Characteristics of Respondents

The characteristics of respondents analyzed in this study include age, gender, education, and experience of respondents such as described in table 1 below:

<table>
<thead>
<tr>
<th>No</th>
<th>Indicator</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Age (in years)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>20-30</td>
<td>23</td>
<td>19,2</td>
</tr>
<tr>
<td></td>
<td>31-40</td>
<td>53</td>
<td>44,2</td>
</tr>
<tr>
<td></td>
<td>&gt; 40</td>
<td>44</td>
<td>36,6</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>120</td>
<td>100,0</td>
</tr>
<tr>
<td>2</td>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>91</td>
<td>75,8</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>29</td>
<td>24,2</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>120</td>
<td>100,2</td>
</tr>
<tr>
<td>3</td>
<td>Education</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Senior High School</td>
<td>59</td>
<td>49,2</td>
</tr>
<tr>
<td></td>
<td>D3</td>
<td>6</td>
<td>5,0</td>
</tr>
<tr>
<td></td>
<td>S1</td>
<td>38</td>
<td>31,7</td>
</tr>
<tr>
<td></td>
<td>S2</td>
<td>7</td>
<td>5,8</td>
</tr>
<tr>
<td></td>
<td>S3</td>
<td>10</td>
<td>8,3</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>120</td>
<td>100,0</td>
</tr>
<tr>
<td>4</td>
<td>Experience (in years)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>28</td>
<td>23,3</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>9</td>
<td>7,5</td>
</tr>
<tr>
<td></td>
<td>&gt; 5</td>
<td>83</td>
<td>69,2</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>120</td>
<td>100,0</td>
</tr>
</tbody>
</table>

Based on table 1 above, respondents with age of 20-30 years are 23 people (19.2%), the respondents with age 31-40 are 53 people (44.2%), and the respondents over the age of 40 are 44 people (36.6%). Based on the gender, 91 entrepreneurs (75.8%) and are the majority respondents in the study, while the remaining 29 entrepreneurs (24.2%) are taxable entrepreneurs with the female gender.

Based on 120 respondents, taxable entrepreneurs who have the last level of high school/equivalent education dominates 59 respondents (49.2%). The second highest numbers of respondents who have the last education are 38 graduates of S1 education (31.7%). The next is a taxable businessman with a final education in strata 3, stratum 2, and Diploma 3, each with 10 people (8.3%), 7 people (5.8%), and 6 people (5%).
Based on the experience of running a business, 83 entrepreneurs (69.2%) have experiences more than 5 years. The entrepreneurs with 3 years experience are 28 respondents (23.3%) and the entrepreneurs with 4 years of work experience are 9 respondents (7.5%). Overall, it shows that the Aceh Taxable Entrepreneurs already have a good experience in running their business well.

4.2. Knowledge of Entrepreneurs about the Capital Market

Entrepreneur knowledge about capital markets is measured through questions about the interest of entrepreneurs to invest in the capital market because of their knowledge and understanding, socialization and seminars on capital markets to increase entrepreneurs knowledge about capital markets.

4.3. Entrepreneurs are not interested in investing in the Capital Market

Attractiveness is a determinant for entrepreneurs to choose to invest in the capital market. 41 (34.2%) entrepreneurs agree and 9 (7.5%) entrepreneurs strongly agree that they are not interested in investing in the capital market because they lack knowledge and understanding. 36 (30%) entrepreneurs are neutral in investing in the capital market. Only a small percentage of entrepreneurs have the possibility of being interested in investing in the capital market. 29 (24.2%) entrepreneurs disagree and 5 (4.25%) entrepreneurs strongly disagree that they are not interested in investing in the capital market. Table 2 below shows the disinterest of Aceh entrepreneurs to invest in the capital market.

<table>
<thead>
<tr>
<th></th>
<th>Freq</th>
<th>%</th>
<th>Valid</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Disagree</td>
<td>5</td>
<td>4.2</td>
<td>4.2</td>
<td>4.2</td>
</tr>
<tr>
<td>Disagree</td>
<td>29</td>
<td>24.2</td>
<td>24.2</td>
<td>28.3</td>
</tr>
<tr>
<td>Neutral</td>
<td>36</td>
<td>30.0</td>
<td>30.0</td>
<td>58.3</td>
</tr>
<tr>
<td>Agree</td>
<td>41</td>
<td>34.2</td>
<td>34.2</td>
<td>92.5</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>9</td>
<td>7.5</td>
<td>7.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>120</td>
<td>100</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.4. Socialization of the Capital Market

Socialization of the capital market increases the knowledge of entrepreneurs about the capital market and increases interest in investing in products offered in the capital market. 54 (45%) entrepreneurs agree and 12 (10%) entrepreneurs strongly agree that the capital market socialization increases the knowledge and interest of entrepreneurs to invest in the capital market. 49 (40.8%) entrepreneurs are neutral. The following table 3 shows the answers of Aceh entrepreneurs about the capital market socialization in to increase knowledge and interest in investing in the capital market.
4.5. Capital Market Seminar

On average, entrepreneurs have a perception that seminars on capital markets can improve their understanding of the capital market. 59 (49.2%) entrepreneurs agree and 20 (16.7%) entrepreneurs strongly agree that the seminar on capital markets provide an adequate understanding of the capital market. Table 4 below shows the answers of Aceh entrepreneurs about capital market seminars and their contribution to the increase of understanding of the capital market.

4.6. Simulation of Stock Games

The introduction of capital markets to entrepreneurs can be done through stock games. Stock games increase the knowledge of entrepreneurs about capital markets and make it easier for them to transact in the capital market. 43 (35.8%) entrepreneurs agree and 10 (8.3%) entrepreneurs strongly agree that the stock game simulation makes it easier for entrepreneurs to transact in the capital market. The following table 5 illustrates the answers of entrepreneur to stock game simulations to make it easier for entrepreneurs to transact in the capital market.
There needs to be an effort to increase the knowledge of investors and understanding of securities investments (Supriadi and Hariyanto, 2017) so as to increase interest in investing in the capital market. In accordance with (Carretta et al., 2006) findings, investor interest drives the volume of stock trading in the capital market. Socialization, seminars, and education about the capital market can increase the knowledge of entrepreneurs about investing in the capital market.

5. Conclusions

This research is conducted on 120 taxable entrepreneurs in Aceh. The results of the study show that the knowledge and understanding of Aceh entrepreneurs about the capital market and investment in the capital market are low. It causes them to be less interested in investing in the capital market. Socialization and seminars on the capital market can improve the understanding and interest of entrepreneurs to invest in the capital market.

This study implies the need for socialization, holding seminars, and education about capital markets to encourage local entrepreneurs, especially Aceh in investing in stocks, bonds and other derivative securities in the capital market. Nowadays, the upper middle-class society in Indonesia which invests in the capital market is only around 5.5% (Muklis, 2016). In addition, subsequent studies need to expand the object of research to the non-entrepreneur sector and implement focus group discussions to deepen the analysis of knowledge, understanding, and factors that can increase public knowledge and understanding of investment in the capital market.

References

Review of Regional Finance of Government of Regency and City in West Sumatera Province

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Abstract: This study aims to see the regional financial independence in 12 regencies and 7 cities in West Sumatera Province in the period 2012 to 2016. The data used are secondary data that is the realization of local revenue, total regional revenues, revenue transfer from the central government, others legitimate regional revenue as well as regional loans obtained from the Directorate General of Fiscal Balance at the Ministry of Finance of the Republic of Indonesia. This research is categorized into quantitative descriptive research so that it can give an explanation about the condition of regional financial independence. The results showed that the average ratio of financial independence of regency and municipal governments in West Sumatera Province is in very low category with value of 8.43% and has an instructive relationship pattern. The ratio of municipal autonomy of city government with the value of 11.29% higher than the district government which has a value of 6.77%. Nevertheless, from 2012 to 2016, district and city governments have attempted to raise the local financial independence ratio from 5.55% to 7.70% for district governments and from 9.67% to 12.67% for municipalities. For the district government, which has the highest ratio of regional financial independence in 2012 is Dharmasraya District and in 2013 to 2016 is Tanah Datar regency. As for the city government, starting from 2012 until 2016, the highest ratio of financial independence is obtained by the city of Padang. To improve the regional financial independence ratio, district and city governments are expected to optimize the components of local revenue, build better and more innovative local financial management systems and maintain sustainable regional investment conditions.

Keywords: City; Independence Ratio; Regency; Regional Finance

1. Introduction

Regency and city regional governments in Indonesia since the commencement of the era of regional autonomy, continue to strive to increase regional original revenue by exploring all the potential of the region that is owned to accelerate the welfare of the community. Based on Law Number 23 of 2014 concerning regional governance (Presiden Indonesia dan DPRRI, 2014), regional autonomy is defined as the rights, authorities and obligations of autonomous regions to regulate and manage their own affairs and the interests of the local community in the system of the Republic of Indonesia. According to (Halim, 2001, p. 167) the main characteristics of an area capable of carrying out autonomy are:

- Regional financial capacity, meaning that regions must have the authority and ability to explore financial resources, manage and use their own funds that are sufficient to finance the administration of their governance.
Dependence on central assistance must be as minimal as possible so that local revenue (PAD) can be the largest part of financial resources. Thus, the role of local government becomes greater.

Along with the spirit of regional autonomy, the regency and city governments in West Sumatra Province also do not want to be left behind with other regions in Indonesia. This is indicated by the continued increase in revenue from regency and city government revenue from year to year. As an illustration, the realization of local revenue for the regencies and cities in West Sumatra can be seen in the following table:

**Table 1. Realization of Regional Original Revenue of Regency and City Governments in West Sumatra Province 2012 – 2016**

<table>
<thead>
<tr>
<th></th>
<th>Regency/City</th>
<th>2012 (IDR)</th>
<th>2013 (IDR)</th>
<th>2014 (IDR)</th>
<th>2015 (IDR)</th>
<th>2016 (IDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Agam Regency</td>
<td>41,572,966</td>
<td>49,954,056</td>
<td>79,418,015</td>
<td>90,197,210</td>
<td>102,597,441</td>
</tr>
<tr>
<td></td>
<td></td>
<td>40</td>
<td>82</td>
<td>01</td>
<td>98</td>
<td>502</td>
</tr>
<tr>
<td>2</td>
<td>Dharmasraya Regency</td>
<td>39,200,742</td>
<td>32,902,332</td>
<td>52,811,257</td>
<td>56,694,339</td>
<td>56,453,463</td>
</tr>
<tr>
<td></td>
<td></td>
<td>10</td>
<td>60</td>
<td>15</td>
<td>06</td>
<td>78</td>
</tr>
<tr>
<td>3</td>
<td>Kepulauan Mentawai Regency</td>
<td>34,639,147</td>
<td>31,302,498</td>
<td>36,444,071</td>
<td>42,784,854</td>
<td>41,948,183</td>
</tr>
<tr>
<td></td>
<td></td>
<td>38</td>
<td>04</td>
<td>05</td>
<td>85</td>
<td>05</td>
</tr>
<tr>
<td>4</td>
<td>Lima Puluh Kota Regency</td>
<td>24,936,552</td>
<td>33,095,121</td>
<td>52,829,354</td>
<td>62,932,793</td>
<td>68,060,267</td>
</tr>
<tr>
<td></td>
<td></td>
<td>95</td>
<td>16</td>
<td>64</td>
<td>03</td>
<td>76</td>
</tr>
<tr>
<td>5</td>
<td>Padang Pariaman Regency</td>
<td>31,287,086</td>
<td>42,619,951</td>
<td>72,878,860</td>
<td>72,995,950</td>
<td>72,859,394</td>
</tr>
<tr>
<td></td>
<td></td>
<td>22</td>
<td>69</td>
<td>51</td>
<td>34</td>
<td>01</td>
</tr>
<tr>
<td>6</td>
<td>Pasaman Regency</td>
<td>33,037,265</td>
<td>46,023,665</td>
<td>72,878,860</td>
<td>79,684,485</td>
<td>88,862,264</td>
</tr>
<tr>
<td></td>
<td></td>
<td>33</td>
<td>62</td>
<td>51</td>
<td>86</td>
<td>00</td>
</tr>
<tr>
<td>7</td>
<td>Pasaman Barat Regency</td>
<td>32,493,954</td>
<td>37,826,530</td>
<td>69,925,195</td>
<td>69,128,838</td>
<td>91,174,717</td>
</tr>
<tr>
<td></td>
<td></td>
<td>54</td>
<td>33</td>
<td>82</td>
<td>35</td>
<td>14</td>
</tr>
<tr>
<td>No</td>
<td>Regency/City</td>
<td>2012 (IDR)</td>
<td>2013 (IDR)</td>
<td>2014 (IDR)</td>
<td>2015 (IDR)</td>
<td>2016 (IDR)</td>
</tr>
<tr>
<td>----</td>
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<td>------------</td>
<td>------------</td>
<td>------------</td>
</tr>
<tr>
<td>8</td>
<td>Pesisir Selatan</td>
<td>40,254,884 2</td>
<td>47,703,256 3</td>
<td>86,699,821 7</td>
<td>107,992,020 496</td>
<td>108,915,294 628</td>
</tr>
<tr>
<td></td>
<td>Regecyan</td>
<td>94</td>
<td>02</td>
<td>43</td>
<td>21</td>
<td>29</td>
</tr>
<tr>
<td>9</td>
<td>Sijunjung Regency</td>
<td>32,813,105 4</td>
<td>38,098,006 8</td>
<td>54,261,420 0</td>
<td>65,008,435 9</td>
<td>76,833,967 6</td>
</tr>
<tr>
<td></td>
<td>373</td>
<td>300</td>
<td>00</td>
<td>26</td>
<td>57</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Solok Regency</td>
<td>26,479,471 5</td>
<td>31,491,005 2</td>
<td>51,502,148 55</td>
<td>55,610,732 9</td>
<td>58,803,477 33</td>
</tr>
<tr>
<td></td>
<td>88</td>
<td>12</td>
<td>0</td>
<td>18</td>
<td>33</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Solok Selatan</td>
<td>22,054,660 9</td>
<td>22,225,149 6</td>
<td>32,342,605 6</td>
<td>41,207,396 9</td>
<td>51,138,125 8</td>
</tr>
<tr>
<td></td>
<td>Regecy</td>
<td>88</td>
<td>73</td>
<td>37</td>
<td>26</td>
<td>57</td>
</tr>
<tr>
<td>1</td>
<td>Tanah Datar Regency</td>
<td>53,691,047 5</td>
<td>63,835,093 7</td>
<td>99,694,236 7</td>
<td>112,072,726 548</td>
<td>118,971,143 694</td>
</tr>
<tr>
<td></td>
<td>86</td>
<td>87</td>
<td>63</td>
<td>548</td>
<td>694</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Bukit Tinggi City</td>
<td>45,076,555 8</td>
<td>55,203,591 6</td>
<td>61,613,681 0</td>
<td>66,027,359 7</td>
<td>71,303,781 7</td>
</tr>
<tr>
<td></td>
<td>Kota Padang</td>
<td>41</td>
<td>05</td>
<td>43</td>
<td>16</td>
<td>36</td>
</tr>
<tr>
<td>1</td>
<td>City Padang</td>
<td>189,450,840 0</td>
<td>238,871,896 5</td>
<td>315,678,797 9</td>
<td>370,413,732 165</td>
<td>391,925,662 647</td>
</tr>
<tr>
<td></td>
<td>075</td>
<td>576</td>
<td>930</td>
<td>165</td>
<td>647</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Panjang City Parian</td>
<td>32,420,607 3</td>
<td>41,513,490 0</td>
<td>51,601,386 4</td>
<td>67,035,654 3</td>
<td>70,357,124 0</td>
</tr>
<tr>
<td></td>
<td>man</td>
<td>00</td>
<td>00</td>
<td>98</td>
<td>11</td>
<td>66</td>
</tr>
<tr>
<td>1</td>
<td>City Payakumbukabah</td>
<td>17,578,732 4</td>
<td>20,639,400 0</td>
<td>26,677,826 1</td>
<td>29,897,289 37</td>
<td>29,680,784 58</td>
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<tr>
<td></td>
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<td>64</td>
<td>37</td>
<td>58</td>
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</tr>
<tr>
<td>1</td>
<td>City</td>
<td>50,708,914 1</td>
<td>54,177,950 8</td>
<td>65,900,626 2</td>
<td>100,646,557 87</td>
<td>87,445,115 9</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>18</td>
<td>59</td>
<td>19</td>
</tr>
</tbody>
</table>
Based on the above table, we can see that in general the realization of revenue from local and district and municipal government revenues in West Sumatra continues to increase year by year. This is driven by the regional desire to implement regional autonomy well and continuously. The implementation of regional autonomy is essentially an effort to achieve community prosperity so that it must be carried out equitably and continuously. (Bastian, 2011) reveals that the purpose of regional autonomy is basically directed to spur the equitable distribution of development and its results, improve people's welfare, promote initiatives and community participation, and increase the utilization of regional potential in a real, optimal, integrated and dynamic manner. And responsible so as to strengthen the unity and integrity of the nation, reduce the burden on the central government and intervene in the region and provide opportunities for coordination at the local or regional level.

To optimize regional autonomy, the district and city governments must be able to utilize the resources they possess through creative and innovative policies. Especially in the financial sector, the regional government should be able to maximize revenue, then use the revenue for the right target.

According to (Halim and Theresia, 2011, p. 111) regional financial independence (fiscal autonomy) shows the ability of local governments to self-finance government activities, development and services to communities who have paid taxes and retributions as a source of income needed by the region. Regional financial independence is indicated by the size of the region's original income compared to regional income from other sources, such as central government assistance or loans so that even though the quantity of local revenue continues to increase every year, it has not become a reference that the regions have increased independently, it is necessary to look at other aspects of revenue from outside the region's original income.

The regional government financial reports that are reported to the central government annually and also carried out by the Republic of Indonesia Financial Examination Agency (BPK-RI) can provide information to see the realization of local revenues and realization of revenues other than local revenue so that it can help to see regional financial independence. Based on this, the researcher makes the formulation of the problem in this study how is the financial independence of the regency and city in West Sumatra Province?

Based on the formulation of the problem, the purpose of this study was to look at the financial independence of the regencies and cities in West Sumatra Province.
2. Literature Review

Government Regulation Number 71 of 2010 concerning Government Accounting Standards there are seven components of local government financial statements namely Budget Realization Report, Over Budget Balance Change Report, Balance Sheet, Equity Change Report, Operational Report, Cash Flow Statement and Notes to Financial Statements. The main purpose of financial statements is to provide information that is useful to users in making and evaluating decisions (Fahmi, 2011).

Information on financial statements submitted by local governments must be interpreted by users of the report to provide an assessment of the achievements. In accordance with the Signal Theory (Signaling Theory), the government as the party given the mandate by the people, wishes to show a signal to the public. The government will give a signal to the public by providing quality financial reports, improving internal control systems, more complete disclosures. In addition the regional government can also package achievement information and financial performance more fully to show that the local government has carried out the mandate given by the people (Puspita and Martani, 2010).

In Law Number 23 of 2014 (Presiden Indonesia dan DPRRI, 2014), regional financial independence means that the government can carry out financing and financial accountability itself, implementing itself in the framework of decentralization. (Tangkilisan, 2007, pp. 82–92) suggests that there are factors that influence regional financial independence, including:

- Regional economic potential, an indicator that is widely used as a benchmark for regional economic potential is the Gross Regional Domestic Product.
- The ability of the Regional Revenue Service, meaning that regional financial independence can be increased in a planned manner through the ability or performance of innovative institutions or institutions and the utilization of Regional Revenue Service institutions to increase regional revenues.

Regional financial independence can be seen from the amount of Regional Original Revenue compared to receipt of transfers from the center. Regional Original Income is the main element in measuring regional financial independence. According to (Halim, 2007, p. 96) "Regional Original Revenue is all regional revenues that come from local economic sources". Regional Original Revenue is sourced from the results of local taxes, the results of regional retribution, the results of the management of separated regional assets, and other legitimate local revenues. In connection with the above, each region is expected to be able to increase Regional Original Revenue to reach an independent region. According to (Mahmudi, 2007, p. 128) Regional Financial Independence Ratios can be formulated as follows:

\[
RKKD = \frac{PAD}{TPs + TPr + Pjm} 
\]

Information:
- RKKD : Regional Financial Independence Ratio
- PAD : Regional Original Income
- TPs : Transfer of Central Government
- TPr : Transfer of Provincial Government
- Pjm : Loan

The ratio of regional financial independence will show the pattern of relations between the central government and the regions. According to (Halim, 2001, p. 2012) patterns of
relationships that occur from the results of the calculation of regional financial independence ratios are as follows:

<table>
<thead>
<tr>
<th>Percentage scale</th>
<th>Information</th>
<th>Relationship Pattern</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – 25</td>
<td>Very Low</td>
<td>Instructive</td>
</tr>
<tr>
<td>25 – 50</td>
<td>Low</td>
<td>Consultative</td>
</tr>
<tr>
<td>50 – 75</td>
<td>Medium</td>
<td>Participatory</td>
</tr>
<tr>
<td>75 – 100</td>
<td>High</td>
<td>Delegated</td>
</tr>
</tbody>
</table>

Source: Halim (2012)

The pattern of relations between the central government and regional governments in the implementation of regional autonomy is primarily the implementation of Law Number 33 of 2004 (INDONESIA, 2004) concerning Financial Balance between the Central Government and Regional Governments according to (Halim, 2001, p. 168), among others.

- An instructive relationship pattern, namely the role of the central government is more dominant than the independence of local governments (regions are not able to carry out regional autonomy financially).
- The pattern of consultative relations, namely the intervention of the central government has begun to diminish and more in the provision of consultation because the regions are considered to be slightly more able to implement regional autonomy.
- The pattern of participatory relations, namely the pattern in which the role of the central government is diminishing given the level of independence of the autonomous regions concerned is close to being able to carry out autonomy affairs. The role of consultation is shifting to the role of central government participation.
- The pattern of delegated relations, namely the intervention of the central government no longer exists because the region has been truly capable and independent in carrying out regional autonomy affairs. The central government is ready and with full confidence delegates financial autonomy to the regional government.

Some studies on regional financial independence and regional financial performance include (Ramadhani, 2016) who conducted research entitled Analysis of Independence and Regional Financial Effectiveness in Tarakan City in 2010-2015 concluded that the Tarakan City Government had regional financial independence with a ratio of between 75% - 100% so that it will have a pattern of delegated relations. In addition (Haryani, 2016) also conducted a study entitled Analysis of the Independence and Financial Effectiveness of Bireuen District concluded that Bireuen District had a regional financial independence ratio with an average value of 6.32% which could be categorized as very low (below 25%) with an instructive relationship pattern.

Similarly, (Rahmayati, 2016) has conducted research with the title Analysis of the Financial Performance of the Regional Government of Sukoharjo Regency in Fiscal Year 2011-2013 resulting in research showing that the financial performance of the Sukoharjo Regency Government is still not optimal. Although the management of Regional Original Revenue is effective and efficient, the level of regional independence is still very low. (Risyanto, 2015) also carried out research with the title Analysis of Regional Financial Capabilities and Regional Financial Independence and Their Influence on the Economic
Growth of Garut Regency in the 2004-2013 budget year which concluded that the regional independence ratio indicated by the average ratio was 6.39% are still between 0% - 25% classified as having an instructive relationship pattern which means the ability of the Garut Regency Government to meet the funding needs for the administration of the tasks of Government, Development and Community Social Services is still relatively low even though from year to year it continues to increase. (Fitra, 2014) specifically conducted research on regional financial independence ratios in the autonomous era of the parent and new regency governments conducted in the Pasaman Regency and West Pasaman Regency Governments to obtain the conclusion of the regional financial independence ratio of West Pasaman Regency in 2008 - 2013 is 5.38% higher compared to Pasaman Regency which is 4.88%. To better direct research towards the objectives to be achieved, the research framework is made as follows:

![Fig. 1. Research Framework](image)

3. Methodology

The research approach used by this research is a descriptive research approach that describes the condition of the financial independence of districts and cities in West Sumatra Province. The object of the research is a report on the realization of the government budget of districts and cities in West Sumatra Province, amounting to 19 consisting of 12 regencies and 7 cities namely Agam Regency, Dharmasraya Regency, Mentawai Islands Regency, Limapuluh Kuta Regency, Padang Pariaman Regency, Pasaman Regency, West Pasaman Regency, South Pesisir Regency, Sijunjung District, Solok Regency, South Solok Regency, Tanah Datar Regency, Bukit Tinggi City, Padang City, Padang Panjang City, Pariaman City, Payakumbuh City, Sawahlunto City and Solok City. According to the method of obtaining it, this study used secondary data types in 2012 to 2016. Secondary data in this study were reports on the realization of district and city government budgets in West Sumatra Province. Data collection techniques used are documentation methods by recording and tracing data on district and city budget realization reports that are officially published through the website of the Directorate General of Financial Balance of the Ministry of Finance of the Republic of Indonesia.
4. Results And Discussion

The average financial independence of the regencies and cities in West Sumatra Province in 2012 to 2016 is as follows:

**Table 3. Ratio of District and City Financial Independence in West Sumatera Province 2012 – 2016**

<table>
<thead>
<tr>
<th>N</th>
<th>Regency/City</th>
<th>Regional Financial Independence Ratio (%)</th>
<th>Average</th>
<th>Criteria Relationship Pattern</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Agam Regency</td>
<td>4.96 5.25 7.55 7.61 8.23 6.72</td>
<td></td>
<td>Verry Low Instructive</td>
</tr>
<tr>
<td>2</td>
<td>Dharmasraya Regency</td>
<td>8.18 5.85 8.32 7.68 6.90 7.39</td>
<td></td>
<td>Verry Low Instructive</td>
</tr>
<tr>
<td>3</td>
<td>Kepulauan Mentawai Regency</td>
<td>7.45 5.26 5.53 5.44 4.83 5.70</td>
<td></td>
<td>Verry Low Instructive</td>
</tr>
<tr>
<td>4</td>
<td>Lima Puluhi Kota Regency</td>
<td>3.39 3.87 5.55 5.86 6.13 4.96</td>
<td></td>
<td>Verry Low Instructive</td>
</tr>
<tr>
<td>5</td>
<td>Padang Pariaman Regency</td>
<td>4.13 4.66 9.84 6.51 5.69 6.17</td>
<td></td>
<td>Verry Low Instructive</td>
</tr>
<tr>
<td>6</td>
<td>Pasaman Regency</td>
<td>5.54 7.18 9.84 9.84 10.0 8.49</td>
<td></td>
<td>Verry Low Instructive</td>
</tr>
<tr>
<td>7</td>
<td>Pasaman Barat</td>
<td>5.44 3.33 8.62 7.72 9.32 7.29</td>
<td></td>
<td>Verry Instructive</td>
</tr>
<tr>
<td>N</td>
<td>Regency/City</td>
<td>Rational Financial Independence Ratio (%)</td>
<td>Average</td>
<td>Criteria Relationship Pattern</td>
</tr>
<tr>
<td>---</td>
<td>----------------------</td>
<td>------------------------------------------</td>
<td>---------</td>
<td>-------------------------------</td>
</tr>
<tr>
<td></td>
<td></td>
<td>201 201 201 201 201 201 201 201 201 201 201</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Pesisir Selatan Regency</td>
<td>4.84 4.88 7.97 8.51 8.07 6.86</td>
<td>Verry Low</td>
<td>Instructive</td>
</tr>
<tr>
<td>9</td>
<td>Sijunjung Regency</td>
<td>6.28 6.13 7.82 8.52 9.51 7.65</td>
<td>Verry Low</td>
<td>Instructive</td>
</tr>
<tr>
<td>1</td>
<td>Solok Regency</td>
<td>3.78 3.81 5.49 5.32 5.50 4.78</td>
<td>Verry Low</td>
<td>Instructive</td>
</tr>
<tr>
<td>1</td>
<td>Solok Selatan Regency</td>
<td>5.02 4.51 5.41 5.90 7.05 5.58</td>
<td>Verry Low</td>
<td>Instructive</td>
</tr>
<tr>
<td>1</td>
<td>Tanah Datar Regency</td>
<td>7.60 7.70 11.0 10.7 11.1 9.64</td>
<td>Verry Low</td>
<td>Instructive</td>
</tr>
<tr>
<td></td>
<td>Average (Regency)</td>
<td>5.55 5.37 7.75 7.47 7.70 6.77</td>
<td>Verry Low</td>
<td>Instructive</td>
</tr>
<tr>
<td>1</td>
<td>Bukit Tinggi City KotaPadang</td>
<td>10.83 11.69 11.54 12.52 12.38 11.79</td>
<td>Verry Low</td>
<td>Instructive</td>
</tr>
<tr>
<td>1</td>
<td>City Padang</td>
<td>14.7 16.1 19.7 23.4 24.8 19.80</td>
<td>Verry Low</td>
<td>Instructive</td>
</tr>
<tr>
<td>1</td>
<td>Panjang City Pariam</td>
<td>9.52 11.0 12.1 15.3 14.6 12.55</td>
<td>Verry Low</td>
<td>Instructive</td>
</tr>
<tr>
<td>N</td>
<td>Regency/City</td>
<td>Regional Financial Independence Ratio (%)</td>
<td>Average</td>
<td>Criter Relationship Pattern</td>
</tr>
<tr>
<td>---</td>
<td>--------------------</td>
<td>--------------------------------------------</td>
<td>---------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td></td>
<td></td>
<td>201 201 201 201 201 201</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>City</td>
<td>4.41 5.20 5.07 5.50 5.01 5.04</td>
<td>5.04</td>
<td>Very Low Instructive</td>
</tr>
<tr>
<td></td>
<td>Payakumbuah</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>City</td>
<td>11.9 11.0 12.2 16.6 13.8 13.17</td>
<td>13.17</td>
<td>Very Low Instructive</td>
</tr>
<tr>
<td></td>
<td>Sawahlunto</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>City</td>
<td>9.87 7.55 11.0 10.7 9.97 9.84</td>
<td>9.84</td>
<td>Very Low Instructive</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5 7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Solok City</td>
<td>6.40 5.89 6.42 7.51 7.93 6.83</td>
<td>6.83</td>
<td>Very Low Instructive</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Average (City)</td>
<td>9.67 9.81 11.1 13.1 12.6 11.29</td>
<td>11.29</td>
<td>Very Low Instructive</td>
</tr>
<tr>
<td></td>
<td>Average (Regency and City)</td>
<td>7.07 7.10 9.08 9.55 9.55 3.47</td>
<td>9.55</td>
<td>Very Low Instructive</td>
</tr>
</tbody>
</table>

Source: processed data (2018)

Based on Table 3 above, it can be seen that the financial independence of the regencies and cities in the West Sumatra Province for the 2012 to 2016 Period has an average value of 8.43% and is very low, because it is under the value of 25%. The average regional financial independence ratio of the city government is higher than the average district government financial independence ratio of 11.29% for the city government and 6.77% for the district government.

In 2012, the highest regional financial independence ratio for district governments was 8.18% which was achieved by the regency government of Dharmasraya and the city government which was 14.73% obtained by the City of Padang. The average regional financial independence ratio in 2012 for the regency government was 5.55% and the city government was 9.67% while overall was 7.07%.

For 2013, the highest regional financial independence ratio for the regency government was 7.70% which was achieved by the Tanah Datar Regency Government. This percentage is lower than the previous year which amounted to 8.18% achieved by the Regency of Dharmasraya. Whereas for the city government the percentage of regional financial independence ratio increased to 16.19% which was still obtained by Padang City. The average regional financial independence ratio in 2013 for the district government was 5.37% and the city government was 9.81% and overall for the regency and city governments was 7.00% down 0.07% from the previous year.
Furthermore, in 2014, the highest regional financial independence ratio for the regency government was 11.02% achieved by the Tanah Datar Regency Government. This percentage increased from the previous year of 7.70% which was also achieved by Tanah Datar Regency. Whereas for the city government the percentage of regional financial independence ratio increased to 19.76% which was still obtained by Padang City. The average regional financial independence ratio in 2014 for the regency government is 7.75%. This percentage increased from 2012 which had a value of 5.55% and 2013 of 5.37%. While the average financial independence ratio of the city government is 11.18%. This percentage also increased compared to 2012 which had a value of 9.67% and in 2013 it was 9.81%. Overall, the percentage of regional financial independence ratio for regency and city governments in 2014 was 9.01%, increasing from the previous year which was 7.00%.

In 2015, the highest regional financial independence ratio for the district government was 10.78% achieved by the Tanah Datar Regency Government. This percentage decreased from the previous year which amounted to 11.02% which was also achieved by Tanah Datar Regency. Whereas for the city government the percentage of regional financial independence ratio increased to 23.49% which was still obtained by the City of Padang. The average regional financial independence ratio in 2015 for the district government was 7.47%. This percentage decreased by 0.28% compared to the acquisition in 2014. While the average financial independence ratio of the city government was 13.11%, This percentage increased by 1.93% compared to 2014. Overall the percentage of the regional financial independence ratio for regency and city governments in 2015 was 9.55% increasing by 0.54% from the previous year.

In 2016, the highest regional financial independence ratio for the district government was 11.12% achieved by the Tanah Datar Regency Government. This percentage increased by 0.34% from the previous year which was 10.78% which was also achieved by Tanah Datar Regency. Whereas for the city government the percentage of regional financial independence ratio increased to 24.84% ratio which was still obtained by Padang City. The 2016 average regional financial independence ratio for the regency government is 7.70%. This is compared to the acquisition in 0.23% in 2015. While the average regional financial independence ratio of the city government was 12.67%. This percentage decreased by 0.23% compared to 2015. Overall the percentage of regional financial independence for regency and city governments in 2016 was 9.53% decreased by 0.02% from the previous year.

Based on Table 3, we can also see that the average ratio of regency and city financial independence in the Province of West Sumatra, from 2013 to 2015 continued to experience an increase indicating that the increase in local revenue or internal income in the form of local taxes, regional retribution, the results of the management of separated regional assets and other legitimate local revenues are higher than the increase in income other than local original income or external income in the form of transfer funds and other legitimate regional income. Whereas in 2012 to 2013 and 2015 to 2016 the regional financial independence ratio experienced a slight decrease which indicated that the number of increase in external income was higher than the percentage of increase in internal income. One of the external revenues that caused the increase in external income in 2015 to 2016 was the transfer of village funds from the central government to the city and district governments that had villages (or their names equated with villages) as well as increases in other external income such as funds for results (DBH), general allocation funds (DAU), special allocation funds (DAK). For the average financial ratio of the district and city financial independence can be seen in the following figure.
Based on Figure 2 above, we can see that the ratio of regional financial independence of the city government for all years of research is higher than that of the regency government. However, for the movement every year and if we look at 2012 and 2016, the regional financial independence ratio has increased where for the district government in 2012 the regional financial independence ratio was 5.55% so in 2016 it became 7.70% meaning that there was an increase of 38.74%. As for the city government in 2012 with a ratio of 9.67% and in 2016 rose to 12.67%, there was an increase of 31.02%.

By paying attention to Table 2, it is also known that the value of regional financial independence ratios for all regency and city governments in West Sumatra Province is between 0 to 25% and classified as very low criteria, so that having an impact on the pattern of financial management relations with the central government is instructive. The role of the central government is more dominant than the independence of the regional government or it can be interpreted that the districts and cities in West Sumatra Province are unable to implement regional autonomy viewed from the financial aspect. For this reason, systematic steps are needed, good coordination and maximum effort for the regency and city governments in West Sumatra Province to increase Regional Original Revenue both in terms of local taxes, regional retributions, the results of separated regional wealth management and other income legitimate local area.

5. Conclusions

Based on the results of the study it was concluded that the financial independence ratio of regencies and cities in the province of West Sumatra was below 25% so that it was categorized as very low with an instructive relationship pattern which meant that the role of the central government was still more dominant than the independence of local governments because the regions were unable to implement regional autonomy financially. This is indicated by the small ratio of local revenues compared to central funds transfer revenues, provincial funds transfer revenues and loans.

For this reason, it is hoped that the regional government can optimize the components of local revenue which include local taxes, regional retributions, the results of the separated management of regional wealth and other legitimate local revenue both intensification and non-intensification so that the regional financial independence ratio is greater. If the regional financial independence ratio gets bigger, then the regency and city governments will be more independent to accelerate prosperity through programs and activities that directly touch the needs of the community.

Furthermore, the researcher also suggested to the next researcher to deepen the study of the regional financial independence ratio by examining other objects or connecting with other object studies so that it could contribute to regional financial independence.
References


Analysis the Effect of E-Government Implementation on Quality of Information Towards Government to Government (G2G)

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{ asniati.bahari@gmail.com1, annisaa.rahman@yahoo.com2}

1,2,3Faculty of Economics, Andalas University, Jln. Limau Manis, Pauh, Padang, Sumatera Barat, Indonesia

Abstract: The purpose of this study is to analyze the effect of e-Government application on the quality of information at a local government. This study also analyzed factors that influence e-Government implementation such as user resistance, organizational culture, management support, human resource competence, and information technology. The population in this study were all employees of the local government in Kabupaten Agam. The sampling technique was purposive sampling. The total sample were 119 respondents out of 6874 employees. Data were collected by using questionnaire and analyzed with Structural Equation Model (SEM) and Second Order Confirmatory Factor Analysis (CFA) with AMOS 22. The results found out that there is a positive and significant influence of human resource competence on the implementation of e-Government. However, there is no positive and significant influence of user resistance, organizational culture, management support, and information technology on e-Government implementation. The results also show that there is a positive and significant influence of e-Government applications on information quality. Human resource competence is an important factor affecting the implementation of e-Government to produce good information quality at local government of Kabupaten Agam. The results of this study will contribute for the improvement of information systems in the district government of Kabupaten Agam as well as other districts in Indonesia. It will also enrich knowledge in information systems field.

Keyword: user resistance, organizational culture, management support, human resource competence, and information technology, e-Government, information quality

1. Introduction

The United Nations has published the EGDI (E-Government Development Index) ranking based on a 2016 survey where Indonesia was ranked as 116 EGDI, decrease 10 ratings, compared to 106 rank in 2014. This condition is still far below the countries in Southeast Asia such as Malaysia (ranked 60th), Philippines (ranked 71), and Brunei Darussalam (ranked 83rd). This has certainly created a challenge for Indonesia to be able to improve the EGDI rankings in the years to come, in which the figures obtained are a reflection of the conditions of e-Government implementation to ensure that public institutions are more inclusive, effective, accountable and transparent (BPPTIK, 2016).

Presidential Instruction no. 3 of 2003 on National Policy and Strategy of e-Government Development was used in Indonesia. The President has instructed every Governor and Regent / Mayor to take the necessary steps in accordance with their respective duties, functions and authorities for the implementation of national e-Government development.
The Government through the Ministry of Communications and Information Technology to implement e-Government Ranking Indonesia (PEGI) were asked to look at the general condition of the implementation of e-Government in Indonesia. PEGI has been implemented since 2007 with the implementation phase of assessment, namely access to ministries / agencies, and provincial and district / city. The average value of national PEGI 2015 is at 2.7. For the ministerial level average value of 2.7 PEGI its first rating achieved by the Ministry of Finance, followed by the Ministry of Culture, Primary and Secondary Education ranked second and third in the Ministry of Foreign Affairs. While the average value of the national PEGI, LPNK level is achieved first by 2.7 by Statistics Agency for the Assessment and Application of Technology won the Geospatial Information Agency (Aptika, 2015).

For the ministerial level average value of 2.7 PEGI its first rating achieved by the Ministry of Finance, followed by the Ministry of Culture, Primary and Secondary Education ranked second and third in the Ministry of Foreign Affairs. While the national average value of PEGI level of LPNK is the first 2.7 achieved by the Central Bureau of Statistics Agency for the Assessment and Application of Technology achieved by the Geospatial Information Agency (Aptika, 2015).

In the meantime, the island of Sumatra is getting a bad factor in the implementation of e-Government in 2015 where there are provinces of South Sumatra, West Sumatera and Lampung. The development of e-Government implementation in the province is still incomplete. The things that will be applied in the implementation of providing better information to the community (Aptika, 2015). The development of e-Government implementation in the province is still getting the Less appraisal so that this will result in the implementation of bad governance which then has implication to the public service in giving better information to the society.

At the district government level is Kabupaten Agam, some information systems / applications were created by the Regional Office. Each regional office has different information systems in the service environment and information exchange between agencies will affect the quality of information. As the search for Baltzan that Integrity Information system is a measure of the quality of information (Baltzan, 2012).

Agarwal (Agarwal, 2000) divides the application of e-Government into five levels. The higher the level, the more complex the problems will be faced. The information system in Kabupaten Agam for each regional office has its own separate and inter-agency system. In addition, the regional office also has its own website to provide services. Based on the above, the application of information system in Agam Regency entered into the second level. But to go to the third level of information systems integration or known as Government to Government (G2G), the implementation of e-Government on the first and second level should be implemented or implemented properly.

Integration of the system will rapidly reduce the cost, time, and resources needed to create results and simultaneously improve the quality, reliability, and affordability (Brosey, W.D, 2001). Integration of Information Systems aims to combine the previously separate information systems with the aim of an information resource that is more complete and thorough for an organization (Kent Sandoe, Gail Corbitt, 2001).

User resistance is one of the problems in an integrated information system. There might be internal individuals who are used to the old system and are reluctant to follow the changes (Kim and Kankanhalli, 2009).

Culture plays an important role in the views of individuals, many people resist change and adopt new technologies slowly and with great consideration (Feng, 2003)]. (Alshehri, Mohammed, Drew, 2010) identified that improving working relationships between
departments and external agencies, and adopting a corporate approach as the key to e-Government success.

Top management support refers to the commitment of top management to provide a positive environment that encourages participation in e-Government applications. Therefore, it plays an important role in the adoption and application of e-Government (Akbulut, 2003). Analysis of awareness, training and capacity building, which are the two dominant themes under the Human aspect, revealed that the lack of ICT skills in the public sector is a major challenge for e-government initiatives [11]. The challenge of e-Government is the lack of ICT skills. This is a particular problem in developing countries, where lack of qualified staff and inadequate human resource training has been a problem for many years (UNPA & ASPA, no date).

Many developing countries, even if they have the will, do not have the necessary infrastructure to immediately deploy e-Government services throughout their region (Yousef et al., 2015). IT standards that mean specifications for hardware and software, to help people manage and use technology, a single integrated gateway model for e-Government adoption is expected to provide access to information and services that require public sector governments to share information, knowledge, participate positively, and collaborate to provide e-Government services (Naser, 2014).

Based on the explanation above we can conclude that the implementation of e-Government towards G2G has several challenges that must be considered by every local government that implement an integrated system between each OPD (Organization of the Region) who exchange information to provide quality information and good service. Allegedly there is a resistance, factor system users, organizational culture, management support, human resources and information technology and infrastructure that must be prepared before implementation of e-Government.

2. Methodology

The research was conducted at the local government in Agam District. Data collection was conducted on May 29 - June 8, 2018. The population of this study is all employees at the local government OPD Agam District. The study was conducted by distributing questionnaires at 25 cantons in Agam District. Each one district office is given as many as 6 questionnaires related to the purpose of this research, where the questionnaire is addressed to the Chief of Staff, Head of Services, Head of Finance, Head of Information & Technology, and two service staff at the regional office with total questionnaires spread by 150 copies.

Sampling technique in this research is purposive sampling technique that is selected data based on certain criterion that appropriate with research purpose. The number of samples and questionnaires that can be collected in this study is 119 people from 25 regional offices consisting of 17 official offices, 5 bodies, and 3 districts that can be collected by researchers based on the permit given research.

This research applies Structural Equation Modeling (SEM) approach. This technique can be applied in several forms, first is the path analysis or causal modeling hypothesizing the causal relationship between variables. The second is confirmatory factor analysis that tests the hypotheses about the structure of factor loadings and their interrelations.
3. Results And Discussion

3.1 Respondent’s characteristic

Results of research on the characteristics of respondents in view of the gender of male respondents as many as 56 people and women as many as 63 people, meaning that in terms of female sex dominant in this research sample. Respondents based on employment status of civil servants amounted to 100 people and honorer amounted to 19 people, meaning the study sample is dominated by employees / employees who bersatatus PNS. Respondents based on the highest education level in S1 and S2 graduate education qualifications amounted to 91 and 18 people, only 1 person who qualified education S3. The working period of most respondents in more than 10 years.

3.2 Descriptive Analysis

The results of the questionnaire response frequency of respondents showed an average score of 1.9 the variable resistance with TCR of 37.32%. This shows the user resistance is not good which means there is no rejection of a system change.

The results of the questionnaire response frequency of respondents showed an average score of organizational culture variables is 4.1 with TCR of 83.38%. This shows the organizational culture is already quite good.

The results of the questionnaire response frequency of respondents showed an average score of 4.2 management support variable with 83.80% TCR. This shows that management support is good.

The result of answer frequency questionnaire from respondent showed average score of competence variable of human resources that is 3.9 with TCR equal to 78.99%. This shows the competence of human resources quite adequate.

The result of frequency questionnaire answers from respondent show average score of information technology variable that is 4.2 with TCR equal to 83.52%. This shows information technology is quite good.

3.3 Inductive Analysis

Referring to the literature review and conceptual framework, the empirical models developed by theory and in the estimation are two equations as follows:

\[ Y_1 \text{ e-governemnt}: \beta_1RP + \beta_2BO + \beta_3DM + \beta_4SDM + \beta_5TI + e_1 \]  
\[ Y_2 \text{ Information Quality}: \beta_1 e-Government + e_2 \]  

The following is an estimate of the complete model of the SEM equation:
**Table 1. Estimasi SEM**

<table>
<thead>
<tr>
<th>Variabel</th>
<th>Estimate</th>
<th>C.R</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>User Resistance &gt; e-Government</td>
<td>0.331</td>
<td>1.684</td>
<td>0.092</td>
</tr>
<tr>
<td>Organizational culture &gt; e-Government</td>
<td>-0.332</td>
<td>-</td>
<td>0.085</td>
</tr>
<tr>
<td>Management Support &gt; e-Government</td>
<td>0.301</td>
<td>1.879</td>
<td>0.060</td>
</tr>
<tr>
<td>Human Resources Competencies &gt; e-Government</td>
<td>0.717</td>
<td>2.924</td>
<td>0.003</td>
</tr>
<tr>
<td>Information Technology &gt; e-Government</td>
<td>0.174</td>
<td>1.149</td>
<td>0.251</td>
</tr>
<tr>
<td>e-Government &gt; Information Quality</td>
<td>0.387</td>
<td>2.514</td>
<td>0.012</td>
</tr>
</tbody>
</table>

**God-of-fit**

<table>
<thead>
<tr>
<th>Result Index</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-Square</td>
<td>1.521</td>
<td></td>
</tr>
<tr>
<td>Prob</td>
<td>0.000</td>
<td>&gt;0.05</td>
</tr>
<tr>
<td>GFI</td>
<td>0.653</td>
<td>&gt;0.90</td>
</tr>
</tbody>
</table>
This estimation result based on hypothetical equation model can not make final result because God-Of-Fit value has not been realized yet. So the model that has been determined to be modified model to get a model structure that achieve the normal distribution of data, no data outlier and fulfillment God-Of-Fit so that the results of this study can be explained well and un bias. The estimation results can be seen in Figure 2.

![Estimate Modification Model](image)

**Table 2. Estimasi SEM**

<table>
<thead>
<tr>
<th>Variabel</th>
<th>Estimate</th>
<th>C.R</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR $e^{-}$ Government</td>
<td>0.600</td>
<td>2.765</td>
<td>0.006</td>
</tr>
<tr>
<td>$e^{-}$ Government $&gt;$ Information Quality</td>
<td>0.371</td>
<td>2.302</td>
<td>0.042</td>
</tr>
</tbody>
</table>

**God-of-fit Result Index**

<table>
<thead>
<tr>
<th>God-of-fit</th>
<th>Result</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-Square</td>
<td>1.250</td>
<td>&gt;</td>
</tr>
<tr>
<td>Prob</td>
<td>0.908</td>
<td>0.05</td>
</tr>
<tr>
<td>GFI</td>
<td>0.858</td>
<td>&gt;</td>
</tr>
<tr>
<td>AGFI</td>
<td>0.962</td>
<td>0.90</td>
</tr>
<tr>
<td>TLI</td>
<td>0.050</td>
<td>&gt;</td>
</tr>
<tr>
<td>RMSEA</td>
<td>0.662</td>
<td>0.90</td>
</tr>
<tr>
<td>PNFI</td>
<td>&gt;</td>
<td>0.90</td>
</tr>
<tr>
<td></td>
<td>&lt;</td>
<td>0.08</td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>1.0</td>
<td></td>
</tr>
</tbody>
</table>
The result of God-Of-Fit value estimation based on hypothetical equation model shows much better result with the achievement of predetermined God-Of-Fit index where; Value of Chi-Square = 1.250, prob > 0.094 with index > 0.05, GFI result = 0.908 with index > 0.90, and result of RMSEA 0.050 with index > 0.05 < 0.08. so that with the absorption of six index criteria God-Of-Fit is the value (1) Chi-Square, (2) probability, (3) GFI, (4) TLI, (5) RMSEA, (6) PNFI. This means that the hypothesized equation model is appropriate and produces an unbias research model. The new research model equations are:

\[ Y_1 \text{ e-government: } \beta_4 \text{SDM} + e_1 \]  
\[ Y_2 \text{ Quality Information: } \beta_1 \text{ e-Government} + e_2 \]

3.4 The Influence of User Resistance Against Implementation of e-Government

The results of this study are not in line with Hierchheim and Newman, (Hierchheim and Newman, 1988) who explain resistance is a reaction that contradicts the proposed change. Contradiction can be overtly expressed in the form of sabotage, or as quietly as running but grumbling or criticizing the new system. According to Markus (Markus, 1983) resistance is a reaction opposite to the changes perceived by the user on the implementation of new information systems. The results of this study also does not support (Siregar, 2005) study which says that the indicators that become the measure of user resistance can affect the application of new information systems.

3.5 The Influence of Organizational Culture to Implementation of e-Government

The results of this study do not support (Naser, 2014) which says Organizational Culture in companies or institutions widely believed to affect the performance of the organization and the successful implementation of information systems (IS). There is a statistically significant positive correlation between elements of organizational culture as (organizational values, organizational beliefs, organizational norms, and organizational expectations) and e-Management adoption. (L. Feng, 2003) also explained that culture plays an important role in the views of individuals, many people resist change and adopt new technologies slowly and with great consideration.

3.6 The Influence of Management Support to Implementation of e-Government

The results of this study do not support the opinion of (Alshehri and Drew, 2010) which says leadership engagement, as well as the unified vision of IT, is essential for vertical e-Government planning, the acquisition of necessary resources, the motivation of officials, the support of agreements with partners and external stakeholders, to inter-agency and ministerial coordination.

3.7 The Influence of Human Resource Competence to Implementation of e-Government

This research supports OECD (OECD, 2003) which says technical skills for the implementation, maintenance, design and installation of ICT infrastructure, as well as skills to use and manage online processes, functions and customers are mandatory. To address the issue of human resource development, knowledge management initiatives are needed focusing on staff training to create and develop basic skills for e-Government use.

3.8 The Influence of Information Technology to e- Implementation of Government
The results of this study do not support (Ndou, 2004) which explains aspects of infrastructure that become the main challenge for e-Government. Unreliable IT infrastructure will further influence to degrade e-government performance from their respective governments (Ebrahim and Irani, 2005).

3.9 The Influence Implementation of e-Government to Information Quality

The results of this study support the explanation (DeLone and McLean, 2003) said the success of information systems to measure the output generated by the system. Furthermore, DeLone and McLean (DeLone and McLean, 2003) said that the success of the model includes six components of the success of information systems namely, System Quality, Quality Information, Usability, User Satisfaction, Individuals, Organization. (Baltzan, 2012) revealed Information Integrity is a measure of the quality of information. Integrity constraints are rules that help Ensure information quality. Factors affecting the adoption of e-government websites are quality of information, system quality and service quality. Quality of information relates to the size of the information the system generates (Safeena and Kammani, 2013).

4. Conclusion

Based on the results of research and discussion can be concluded that:

- There is no effect of user resistance to implementation of e-Government. User resistance in the district government is not good, which means there is no rejection of a system change. Respondents said that with changes to the information system will make the work to be effective, do not consider the complexity of change and the support of the organization in the change of information systems. User resistance is not a factor in the success of e-Government implementation in Agam District. This means that every employee in the district office Agam receive changes to the old information system to e-Government information system.

- There is no influence of organizational culture on the implementation of e-Government. Organizational culture in the district of religion is considered good to show the creation of a work culture such as the participation of employees in decision-making, employees exchange information and employees have responsibility for their work. Organizational culture is not a problem in the implementation of information systems because the organizational culture that has been built in OPD district religion is quite good.

- There is no effect of management support on implementation of e-Government. Management support such as management involvement is actively organized in the development of information systems. Management provides training for the use of new information systems and employees / employees show interest in system changes. It can be concluded that management support in every district office in Kabupaten Agam is good so it does not become a problem in the application of information system.

- In the second equation model that there is influence of human resource competence on the implementation of e-Government. Training in improving human resource competency is still sufficient including the training in accordance with the information system. Experience in the field of information systems is also still quite enough, as well as skills in providing public services based on IT is still quite enough. It can be concluded that human resource competence is one of the factors influencing e-Government application in agam district.

- There is no effect of information technology on the implementation of e-Government. Each regional office already has Hardware and software to implement information
systems and output devices in doing the work. Networks are already available in connecting multiple computers like good internet. It can be concluded that information technology is not one of the factors affecting the implementation of e-Government in the district of religion.

- In the second model the equation proves that there is influence of e-Government application to the quality of information. Each regional office has a form of decision, regulation or disgust about the implementation of information systems. Each regional office also has a good organizational structure to perform the functions and technical information systems. Each regional office has a supporting infrastructure and has an information system or application in serving the community. The better implementation of e-Government through good institutional and infrastructure will produce relevant and testable quality of information.

REFERENCE


The Influence of Personal Value, Moral Philosophy, and Organizational Ethical Culture on Auditor Action and Acceptance for Dysfunctional Behavior

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Abstract: Objectives of this research are to investigate the effect of organizational ethical culture, personal values, and moral philosophy on auditor actions and acceptance for dysfunctional behaviour. This research also seeks to investigate the effect of organizational ethical culture through personal values and moral philosophy on auditor actions and acceptance for dysfunctional behaviour and effect of personal auditor value on his moral philosophy. By using structural equation modeling technique from survey result 52 auditor resulted that auditor which tend to have moral philosophy of idealism and not relativism is auditor having personal value of conservatism and self-enhancement. While auditor who tend to relativism is auditor who have a personal value of openness to change. Auditor who have a moral philosophy of relativism will tend to accept dysfunctional behavior, while the idealism auditor will tend to reject such behavior. Organizational ethical culture and personal value of self-enhancement are found have an effect on the auditors' acceptance for dysfunctional behavior. Only an ethical culture is an ethical environment that affects auditor dysfunctional action. The personal value of conservatism through the moral philosophy of idealism founded have an effect on auditor acceptance for dysfunctional behavior, but not for organizational ethical culture through personal value and moral philosophy.

Keywords: Organizational ethical culture, personal values, moral philosophy, dysfunctional acts in auditing, auditor acceptance for dysfunctional behavior

1. Introduction

Auditor dysfunctional behaviour is a continuous concern by AICPA. It’s a deviant behaviour performed by auditors in conducting audit. This behaviour may degrade audit quality, both directly and indirectly (Satava, Caldwell and Richards, 2006). The result of the study shown that auditors’ dysfunctional behaviour continued to occur all the times in various countries (Otley and Pierce, 1996; Satava, Caldwell and Richards, 2006). The problems of dysfunctional actions that are allowed to extend could tarnish the reputation of auditor profession. Auditors play the role as gatekeepers in monitoring relevant information related to decision making by clients and auditors are also obliged to always fulfil their responsibilities professionally (Schwartz and Bilsky, 1987). It is very important for auditors to align their actions with the highest ethical standards (Donnelly, Quirin and O’Bryan, 2003). This means that it’s very important for auditors to don’t act or accept dysfunctional actions.

There are many obstacles influenced decision makers, to do the right thing or ethically. These factors can be grouped into organizational and personal characteristics constraints (Dirsmith and Covaleski, 1985). Personal characteristics that may affect the auditors’ actions...
and acceptance of dysfunctional behaviour are moral philosophy and personal value, then organizational characteristics factors are the ethical culture of organization.

In the 1980s, organizational culture was identified as a potential element in organizational success (Schwartz, 1992). Ethical culture is a part of an organizational culture that consists of various controls, formal and informal, that encourage ethical or unethical behaviour. If ethical behaviour is reinforced by organizational culture, ethical behaviour will increase within the organization (Zarei, Esmaeeli and Zarei, 2016). The results of the study shown that there is an effect of ethical culture on auditors’ ethical judgements (Treviño, Butterfield and McCabe, 1998; Suhayati, 2012; Aprilia and Pangestuti, 2017).

Ethical culture can be a powerful tool for organizational leaders to communicate organizational values to all members. Therefore, organizational members can act ethically as expected by the organization (Aprilia and Pangestuti, 2017). However, no matter how strong the ethical culture of the organization is, it won’t succeed in guiding the auditor individually if the auditor himself does not want to be guided by the culture. Rigorous regulations aren’t the only way to overcome the auditor’s actions and acceptance of dysfunctional behaviour. The real determining factors whether an auditor will act or accept dysfunctional actions are determined by auditors themselves. Personal values and certain moral philosophies are personal characteristics that can distinguish an auditor from other auditors.

Personal value is a set of beliefs that guide a person in acting. A person will act not only because of stimuli, but also based on their beliefs. It means that the auditor won’t act or accept dysfunctional actions if it’s not in accordance with the value he has. Some research shown that the personal values affect somebody’s actions (Fogarty, 1992; Hunt and Vitell, 2006; Sweeney, Pierce and Arnold, 2013).

Auditor behaviour will be in accordance with the ethical standards of the organization, only if the auditor is in the right ethical scale position, as expected by the organization. If the moral compass of auditor has diverged, there is no law that strong enough to prevent the act of deviation he did. The individual’s ethical code will represent the last line of defense to prevent auditor’s actions and acceptance of dysfunctional behaviour. Moral philosophy is a key factor in determining how ethical choices will be made by a person (Rallapalli, Vitell and Szeinbach, 2000; Karim et al., 2015).

Moral philosophy of somebody can be influenced by his personal values. Auditors’ personal value preference is a manifestation of their moral philosophy which will influence their ethical beliefs and actions. Some ethical decision making models consider personal value as an antecedent to a more general moral view. Its strength will influence the reasoning process associated with ethical issues (Rallapalli, Vitell and Szeinbach, 2000; Schein and Schein, 2006; Svanberg and Öhman, 2013).

Personal values and moral philosophy aren’t a part of standard equipment when somebody is born. He was born without value or moral philosophy. Through the process of socializing, it’s influenced by the rules and cultural norms in his environment. Socialization as a process of individuals are formed by the community where they live (Forsyth, 2013). Individuals form themselves in response to their environmental demands and give an incentive to adopt attributes which appropriate to environment. Given an organizational ethical culture, an auditor may be able to change his personal values and moral philosophy to fit the beliefs/values held by organization.

Based on explanation above, known that organizational ethical culture, personal values, moral philosophy, and auditor actions and acceptance for dysfunctional behavior can have interrelationships. Organizational ethical culture may be able to change the auditor's personal values, then his moral philosophy, and then his actions so as not to act or accept dysfunctional
actions. Because of that the objectives of this study are (1) to investigate the effect of organizational ethical culture, personal values, and moral philosophy on auditor actions and acceptance of dysfunctional behaviour, (2) to investigate the effect of organizational ethical culture through personal values and moral philosophy on auditor actions and acceptance of dysfunctional behaviour, and (3) to investigate the effect of personal auditor value on his moral philosophy.

As an effort to prevent auditor actions and acceptance for dysfunctional behaviour, this research will provide an approach that can be used to prevent and reduce it. This research will provide knowledge about whether an organization’s ethical culture is able to change the personal values and moral philosophy of the auditors so they won’t act and accept dysfunctional actions. It will be useful for the organization in determining the personal worth of the auditor candidates in recruitment. This research will provide knowledge of personal value that should be fit with moral philosophy of auditors who will reject or accept dysfunctional behaviour. In addition, this research will show the types of moral philosophy and ethical culture that will prevent and reduce auditors action and acceptance of dysfunctional behaviour.

2. Methodology

Sample selection process uses convenience sampling method. The data analysis tool uses partial least square-structural equation modelling (PLS-SEM), using Smart-PLS version 3.0 software. The data were obtained from questionnaire answers of 52 public sector auditors represent West Sumatera. The questionnaire consists of organization’s ethical culture, personal values, moral philosophy, auditors’ action for dysfunctional behaviour, and auditor acceptance for dysfunctional behaviour described as follows:

2.1. Auditors’ Dysfunctional Behavior

Researcher uses question instruments made by Outley and Pierce (Satava, Caldwell and Richards, 2006). Alternative answers to these questions use a 5-point Likert scale, where 1 is never and 5 is almost always.

2.2. Auditors’ Acceptance Of Dysfunctional Behavior

Researcher uses question instruments made by (Fogarty, 1992; Donnelly, Quirin and O’Bryan, 2003). The answers to these questions use 5-point Likert scale, where 1 is very disagree and 5 is very agree.

2.3. Moral Philosophy

This study uses a questionnaire by (Forsyth, 2013). Respondents were asked to indicate the level of their agreement on the statement items in questionnaire using a 7-point Likert scale, where 1 is totally disagree, 4 is no opinion, and 7 is completely agree.

2.4. Personal Value

This study uses a questionnaire by (Schwartz, 1992). Respondents were asked to indicate the level of their agreement on their personal value preference using 9-point, started from -1 until 7, where -1 is contrary with respondents’ value, 0 isn’t important, 1 until 7 are important.
2.5. Organizational Ethical Culture

Measurement instrument used in this study based on question instruments made (Treviño, Butterfield and McCabe, 1998). Responses to questions were collected by using 6-point Likert scale, where 1 is very disagree and 6 is very agree.

3. Result

3.1. Reliability Test

Table 1 shows the variables in this research. Those variables have composite reliability value > .7. It means that those variables fulfill requirements of reliability.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Composite Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organizational Ethical Culture</strong></td>
<td></td>
</tr>
<tr>
<td>Ethical Environment</td>
<td>.880</td>
</tr>
<tr>
<td>Implementation of Ethical Code</td>
<td>.867</td>
</tr>
<tr>
<td>Compliance to Authority</td>
<td>.899</td>
</tr>
<tr>
<td><strong>Personal Value</strong></td>
<td></td>
</tr>
<tr>
<td>Conservation</td>
<td>.935</td>
</tr>
<tr>
<td>Self-transcendence</td>
<td>.885</td>
</tr>
<tr>
<td>Self-enhancement</td>
<td>.897</td>
</tr>
<tr>
<td>Openness to Change</td>
<td>.903</td>
</tr>
<tr>
<td><strong>Moral Philosophy</strong></td>
<td></td>
</tr>
<tr>
<td>Idealism</td>
<td>.861</td>
</tr>
<tr>
<td>Relativism</td>
<td>.909</td>
</tr>
<tr>
<td><strong>Dysfunctional Actions</strong></td>
<td>.825</td>
</tr>
<tr>
<td><strong>Acceptance of dysfunctional behavior</strong></td>
<td>.819</td>
</tr>
</tbody>
</table>

3.2. Validity Test

3.2.1. Convergent Validity

Table 2 presents indicators that meet the requirements of convergent validity, i.e. the best indicators that represent their variables with outer loadings for each indicators ≥ .6 and average variance extracted (AVE) for each variable ≥ .5.

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Outer Loadings</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organizational Ethical Culture</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ethical Environment (LE)</td>
<td>.542</td>
<td></td>
</tr>
<tr>
<td>Punishment implemented (LE3)</td>
<td>.629</td>
<td></td>
</tr>
<tr>
<td>Leaders become role models who have high ethical standards (LE4)</td>
<td>.610</td>
<td></td>
</tr>
<tr>
<td>Award for integrity (LE5)</td>
<td>.737</td>
<td></td>
</tr>
<tr>
<td>The code of conduct is</td>
<td>.757</td>
<td></td>
</tr>
<tr>
<td>Indicators</td>
<td>Outer Loadings</td>
<td>AVE</td>
</tr>
<tr>
<td>------------------------------------------------</td>
<td>----------------</td>
<td>------</td>
</tr>
<tr>
<td>carried out accordingly (LE6)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The code of ethics is used as a guide/norm (LE7)</td>
<td>.874</td>
<td></td>
</tr>
<tr>
<td>Leader guides its members in ethical decision-making process (LE8)</td>
<td>.735</td>
<td></td>
</tr>
<tr>
<td>Professional ethical codes are in line with informal norms (LE9)</td>
<td>.647</td>
<td></td>
</tr>
<tr>
<td><strong>Implementation of Ethical Code (IKE)</strong></td>
<td>.685</td>
<td></td>
</tr>
<tr>
<td>Required to read and understand ethical codes (IKE1)</td>
<td>.838</td>
<td></td>
</tr>
<tr>
<td>Given the tools to consult about ethical codes (IKE2)</td>
<td>.869</td>
<td></td>
</tr>
<tr>
<td>Auditors are expected to be able to assess and decide on their actions in accordance with ethical codes (IKE4)</td>
<td>.773</td>
<td></td>
</tr>
<tr>
<td><strong>Compliance to Authority (KTO)</strong></td>
<td>.817</td>
<td></td>
</tr>
<tr>
<td>Claims to obey the leaders (KTO 1)</td>
<td>.924</td>
<td></td>
</tr>
<tr>
<td>Auditors always do what leaders instruct (KTO 2)</td>
<td>.883</td>
<td></td>
</tr>
<tr>
<td><strong>Personal Value</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conservation (K)</td>
<td>.672</td>
<td></td>
</tr>
<tr>
<td>Self-discipline (K10)</td>
<td>.853</td>
<td></td>
</tr>
<tr>
<td>Family secure (K12)</td>
<td>.865</td>
<td></td>
</tr>
<tr>
<td>National secure (K13)</td>
<td>.756</td>
<td></td>
</tr>
<tr>
<td>Stick to beliefs and religious beliefs (K3)</td>
<td>.851</td>
<td></td>
</tr>
<tr>
<td>Spiritual life (K6)</td>
<td>.782</td>
<td></td>
</tr>
<tr>
<td>Resolute (K7)</td>
<td>.840</td>
<td></td>
</tr>
<tr>
<td>Obedience (K9)</td>
<td>.785</td>
<td></td>
</tr>
<tr>
<td><strong>Self-transcendence (TD)</strong></td>
<td>.720</td>
<td></td>
</tr>
<tr>
<td>Tolerance to various ideas and beliefs (TD1)</td>
<td>.858</td>
<td></td>
</tr>
<tr>
<td>Wisdom (TD2)</td>
<td>.856</td>
<td></td>
</tr>
<tr>
<td>The same opportunity to everyone (TD4)</td>
<td>.830</td>
<td></td>
</tr>
<tr>
<td><strong>Self-enhancement (PD)</strong></td>
<td>.686</td>
<td></td>
</tr>
<tr>
<td>Indicators</td>
<td>Outer Loadings</td>
<td>AVE</td>
</tr>
<tr>
<td>------------------------------------------------</td>
<td>----------------</td>
<td>------</td>
</tr>
<tr>
<td>Social acceptance (PD10)</td>
<td>.756</td>
<td></td>
</tr>
<tr>
<td>Ambitious, hardworking, and aspiring (PD3)</td>
<td>.843</td>
<td></td>
</tr>
<tr>
<td>Can control others (PD6)</td>
<td>.769</td>
<td></td>
</tr>
<tr>
<td>Wealth (PD8)</td>
<td>.932</td>
<td></td>
</tr>
<tr>
<td><strong>Openness to change (KTP)</strong></td>
<td></td>
<td>.701</td>
</tr>
<tr>
<td>Pride (KTP 6)</td>
<td>.827</td>
<td></td>
</tr>
<tr>
<td>Pleasant life (KTP 7)</td>
<td>.686</td>
<td></td>
</tr>
<tr>
<td>Dare to venture and take a risk (KTP 8)</td>
<td>.908</td>
<td></td>
</tr>
<tr>
<td>Life filled with challenge, novelty, and change (KTP9)</td>
<td>.909</td>
<td></td>
</tr>
<tr>
<td><strong>Moral Philosophy</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Idealism (I)</strong></td>
<td></td>
<td>.511</td>
</tr>
<tr>
<td>People make sure that the actions they will take not harm others (I1)</td>
<td>.760</td>
<td></td>
</tr>
<tr>
<td>Causing someone at risk is an action that cannot be tolerated (I2)</td>
<td>.602</td>
<td></td>
</tr>
<tr>
<td>Decisions/actions that have the potential to harm others is something that’s always wrong (I3)</td>
<td>.635</td>
<td></td>
</tr>
<tr>
<td>Someone shouldn’t hurt others (I4)</td>
<td>.672</td>
<td></td>
</tr>
<tr>
<td>Someone shouldn’t take actions that could threaten the dignity and welfare of others (I5)</td>
<td>.820</td>
<td></td>
</tr>
<tr>
<td>If any actions can harm innocent person, that action shouldn’t be done (I6)</td>
<td>.776</td>
<td></td>
</tr>
<tr>
<td><strong>Relativism (R)</strong></td>
<td></td>
<td>.627</td>
</tr>
<tr>
<td>Does ethical varies from one situation to another (R2)</td>
<td>.797</td>
<td></td>
</tr>
<tr>
<td>Moral standards must be seen individually, (R3)</td>
<td>.741</td>
<td></td>
</tr>
<tr>
<td>The difference about moral cannot be fixed(R4)</td>
<td>.815</td>
<td></td>
</tr>
<tr>
<td>The question about what is</td>
<td></td>
<td>.919</td>
</tr>
<tr>
<td>Indicators</td>
<td>Loadings</td>
<td>AVE</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------</td>
<td>----------</td>
<td>------</td>
</tr>
<tr>
<td>ethical for everyone will never be answered (R5)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Moral standards are simple rules used to guide yourself. (R6)</td>
<td>.735</td>
<td></td>
</tr>
<tr>
<td>Rigid codification of ethical codes which is used to prevent certain actions can block relationships and adaptation between individuals (R8)</td>
<td>.729</td>
<td></td>
</tr>
<tr>
<td><strong>Dysfunctional Actions</strong> (BD)</td>
<td></td>
<td>.542</td>
</tr>
<tr>
<td>Review documents superficially (BD3)</td>
<td>.734</td>
<td></td>
</tr>
<tr>
<td>Failed to examine the accounting principle used by clients (BD4)</td>
<td>.772</td>
<td></td>
</tr>
<tr>
<td>Reduce the number of audit procedures based on logical reasons (BD5)</td>
<td>.732</td>
<td></td>
</tr>
<tr>
<td>Premature sign-off (BD6)</td>
<td>.704</td>
<td></td>
</tr>
<tr>
<td><strong>Auditors Acceptance of dysfunctional behaviour</strong> (MPD)</td>
<td></td>
<td>.532</td>
</tr>
<tr>
<td>Premature sign-off, because they believed that the existing audit procedures wouldn’t produce finding, because there were no problems with client’s systems or documents in previous audit (MPD1)</td>
<td>.739</td>
<td></td>
</tr>
<tr>
<td>Premature sign-off, because the auditor was convinced there were no more audit steps needed to be taken to find out the client’s faults. (MPD3)</td>
<td>.786</td>
<td></td>
</tr>
<tr>
<td>Underreporting of time, because it can increase the chances of promotion (MPD 4)</td>
<td>.644</td>
<td></td>
</tr>
</tbody>
</table>
3.2.2. Discriminant Validity

Table 3. shows that the discriminant validity of this research model is good because the square root of AVE for each construct is greater than the correlation between constructs in this model.

3.3. Hypothesis Testing

Table IV shows that ethical environment was found to be statistically influential on auditor actions and acceptance for dysfunctional behavior. The effect of organization’s ethical environment on dysfunctional actions has a significance value of 10% with a coefficient of -.416. The effect of organization’s ethical environment on auditor’s acceptance for dysfunctional behavior has a significance value of .039 ≤ .1 with a coefficient of -.381. The implementation of ethical codes and compliance to authorities have a significant positive effect on auditor acceptance for dysfunctional behavior. Effect of implementation of ethical code of auditors on the acceptance for dysfunctional behavior has a significance value of .012 ≤ .1 and a coefficient of .552. Effect of compliance to authority of auditors acceptance of dysfunctional behavior has a significance value of .009 ≤ .1 with a coefficient of .434. It can be interpreted that the first and second hypotheses can be accepted. Organizational ethical culture has an influence on auditor actions and acceptance for dysfunctional behavior.

<table>
<thead>
<tr>
<th>Description</th>
<th>O</th>
<th>t-value</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effect of Personal Value to Moral Philosophy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conservation → Idealism</td>
<td>.473</td>
<td>2.097</td>
<td>.037</td>
</tr>
<tr>
<td>Conservation → Relativism</td>
<td>-</td>
<td>2.771</td>
<td>.006</td>
</tr>
<tr>
<td>Self-transcendence → Idealism</td>
<td>.076</td>
<td>.292</td>
<td>.770</td>
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</table>

Table 3. Fornel-Lacker Criterion

Table 4. Path-Coefficient-Bootstrapping
<table>
<thead>
<tr>
<th>Relationship</th>
<th>Path Coefficient</th>
<th>t-Value</th>
<th>p-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-transcendence → Relativism</td>
<td>.152</td>
<td>.673</td>
<td>.501</td>
</tr>
<tr>
<td>Self-enhancement → Idealism</td>
<td>-</td>
<td>.409</td>
<td>.682</td>
</tr>
<tr>
<td>Openness to change → Idealism</td>
<td>-.105</td>
<td>.468</td>
<td>.682</td>
</tr>
<tr>
<td>Openness to change → Relativism</td>
<td>-</td>
<td>2.308</td>
<td>.021</td>
</tr>
<tr>
<td>Effect of Moral Philosophy to Dysfunctional Actions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Idealism → Dysfunctional act</td>
<td>-</td>
<td>.248</td>
<td>.804</td>
</tr>
<tr>
<td>Relativism → Dysfunctional act</td>
<td>.172</td>
<td>.951</td>
<td>.342</td>
</tr>
<tr>
<td>Effect of Moral Philosophy to Auditors Acceptance of dysfunctional behaviour</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Idealism → Auditor acceptance of dysfunctional behaviour</td>
<td>-</td>
<td>2.436</td>
<td>.015</td>
</tr>
<tr>
<td>Relativism → Auditor acceptance of dysfunctional behaviour</td>
<td>.350</td>
<td>2.286</td>
<td>.023</td>
</tr>
<tr>
<td>Effect of Organizational Ethical Culture to Dysfunctional Actions</td>
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<td></td>
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</tr>
<tr>
<td>Ethical environment → Dysfunctional act</td>
<td>-</td>
<td>1.642</td>
<td>.101</td>
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<td>Implementation of ethical code → Dysfunctional act</td>
<td>.336</td>
<td>1.415</td>
<td>.158</td>
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<tr>
<td>Compliance to authority → Dysfunctional act</td>
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<td>.821</td>
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<td>Ethical environment → Auditors acceptance of dysfunctional behaviour</td>
<td>-</td>
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<td>.039</td>
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<td>Compliance to authority → Auditors acceptance of dysfunctional behaviour</td>
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<tr>
<td>Effect of Personal Value to Dysfunctional Actions</td>
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<tr>
<td>Conservation → Dysfunctional act</td>
<td>.383</td>
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<td>Self-enhancement → Dysfunctional act</td>
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<td>.704</td>
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<td>-</td>
<td>.950</td>
<td>.343</td>
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<tr>
<td>Effect of Personal Value to Auditors Acceptance of dysfunctional behaviour</td>
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<tr>
<td>Conservation → Auditors acceptance of dysfunctional behaviour</td>
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<td>.882</td>
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<td>Self-transcendence → Auditors acceptance of dysfunctional behaviour</td>
<td>-</td>
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<td>1.917</td>
<td>.056</td>
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<tr>
<td>Openness to change → Auditors acceptance of dysfunctional behaviour</td>
<td>.184</td>
<td>.587</td>
<td>.558</td>
</tr>
</tbody>
</table>
Note: has a statistically significant influence

By using a significance value of 1%, 5%, and 10%, found that there was no personal value effected the dysfunctional auditor's actions. The effect of self-enhancement was found to have a significant negative effect on auditor acceptance for dysfunctional behavior with a significance value of .056 ≤ .1 and a coefficient of -.285. It can be interpreted that the fifth hypothesis of this study is rejected, while the sixth hypothesis is accepted. Personal value has no effect on auditor dysfunctional actions, but affects the auditor's acceptance for dysfunctional behavior.

Conservation has a significant positive effect with a significance value of .037 ≤ .1 and a coefficient of .473. Conversely, conservation has a significant negative effect on relativism with a significance of .006 ≤ .101 and coefficient of -.596. Self-enhancement has a significant negative effect on relativism with a significance of .021 ≤ .1 and a coefficient of -.468. Openess to change has a significant positive effect on relativism with a significance value of .010 ≤ .1 and a coefficient of .673. It can be interpreted that the seventh hypothesis in this study was accepted. Personal value has an effect on auditors' moral philosophy.

Moral philosophy has no significant effect on auditors' dysfunctional actions with a significance value of .804 ≥ .1 and a coefficient of -.046 for the idealism and significance of .342 ≥ .1 with a coefficient of .172 for relativism. Idealism has a significant negative effect on auditor acceptance for dysfunctional behavior with a significance value of .015 ≤ .1 and a coefficient of -.372. Relativism has a significant positive effect on auditor acceptance for dysfunctional behavior with a significance value of .023 ≤ .1 and a coefficient of .350. This study failed to support the eighth hypothesis and successfully supported the ninth hypothesis. Auditors moral philosophy is found to have no effect on auditor dysfunctional actions, but has an influence on auditor acceptance for dysfunctional behavior.

4. Conclusions

Organizational ethical culture has a direct effect on auditor actions and acceptance for dysfunctional behavior without being mediated by personal values and auditors’ moral philosophy. Organizational ethical culture is able to prevent auditor actions and acceptance for dysfunctional behavior, but doesn’t make auditors belief (personal values and moral philosophy) changes about actions and acceptance to these behaviors. There are no personal characteristics, i.e. personal values and moral philosophies that influence auditors' dysfunctional actions. The auditors' dysfunctional actions are only influenced by organizational characteristics, i.e. the ethical environment of organization. However, these personal characteristics have an influence on auditors' acceptance for dysfunctional behavior. Strong ethical environment will be able to overcome auditor actions and acceptance for dysfunctional behavior. But implementation of ethical code and compliance to authority has an influence that is comparable to auditors’ acceptance for dysfunctional behavior. Conservation has a negative influence on auditors’ acceptance for dysfunctional behavior through idealism. The results also show that self-enhancement has a direct negative effect on auditors’ acceptance for dysfunctional behavior. Auditor who tend to have moral philosophy of idealism and not relativism is auditor having personal value of conservatism and self-enhancement. While the auditor who tend to relativism is the auditor who has a personal value of openness to change. Auditors who have a moral philosophy of relativism will tend to accept dysfunctional behavior, while the idealism auditor will tend to reject such behavior.
References


The Effect of Political Connection and Earnings Management on Management Compensation

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Abstract: This research aims to examine the direct effect of political connection and earnings management on management compensation as well indirect effect of political connection on management compensation through earnings management. There were three measures of earnings management used in this research, namely accrual, real, and aggregate earnings management. Samples of this research are non-financial companies listed in Indonesia Stock Exchange in the period of 2014-2016 with 337 observations. We find that real earnings management has a significant positive effect to management compensation. However, there is no evidence that political connection has an influence on earnings management and political connection on management compensation. Moreover, there is no evidence on the indirect effect of political connection on management compensation through earnings management.

Keywords: Political Connection, Earnings Management, Management Compensation

1. Introduction

Current intense business competition and the environment uncertainty force the management to work more efficiently and efficiently in efforts to maintain the existence of the company and improve management performance to achieve optimal results. Earnings is a component of financial statements that becomes the centre of attention and the basis for stakeholders decision-making, for example to assess management performance as a basis to compensate management. The use of earnings as a basis of management compensation may provide incentive for management to engage in earnings management. Management may choose accounting methods that can shift earnings from the future to the present time with the aim to increase current earnings to achieve certain earnings target can be accomplished.

Jensen & Meckling (1976) stated that agency relationship is a contract between the manager (agent) with company owner (principal). Manager, as the one who manages the company, has more inside information and knows better about the future prospect of the company compared to the owner (shareholders). Because of that, the management has the obligation to gives signals regarding company’s condition to the owner. Financial statements are meant to be used by many, including the management itself. However, ones most concerned with the financial statements are external users (outside the management). This situation will trigger a condition called as information asymmetry, a condition in which there is an imbalance of information gains between the management as the preparer with shareholders and stakeholder in general as information user.

There are a lot of cases caused by the practices of earnings management, such as cases of Enron, Worldcom, Global Crossing, HIH, Tyco, case of PT Bank Lippo Tbk, case of PT. Citra Marga Nusapala Persada, Bank Duta, Xerox, PT. Perusahaan Gas Negara, Merck and PT. Kimia Farma Tbk. There are a lot of motivations for a company to practice earnings
management, for instance to meet profit target; to satisfy external parties’ expectancy to company’s performance; to smooth the profit reported by the company; to fulfill all criteria required for loans; and also as window dressing to maximize sales of shares in IPO (Initial Public Offering). Besides that, earnings management are also practiced by the management for its own interests, for example bonus sharing based on the profits reported in financial statements. As a result, opportunistic earnings management practices will mislead users of financial statements in assessing company’s performance, because the financial statements do not represent the actual condition of the company.

Related to earnings management behaviors, Healy & Wahlen (1999) recorded two types of earnings management usually used by the manager of a company, both are accrual earnings management and real earnings management. Accrual earnings method is done by adjusting the accounting methods and accounting policies to produce the desired profits (Dechow and Skinner, 2000), and real earning management is done by manipulating the company’s real activities, so the company can report the desired profit without causing suspicions from other parties, because the practice is done within the company’s operational activities (Roychowdhury, 2006). Real earnings management costs higher than accrual earnings management because it directly impacts the company’s cash flow, such as massive discounting, provision of soft loans, and reduction of current year’s discretionary expenses ((Roychowdhury, 2006; Cohen & Zarowin, 2010).

(Ding and Chou, 2015) examined the relationship between political connections with management compensation with Chinese companies as samples. The study found evidences that managers with political connections will positively and/or negatively affect the compensation received from private companies, not government-owned companies. The study also explained that by the political connections owned by the manager, then there will be increase in company’s performance, but only if the owners do not have substantial political connections, and vice versa.

Companies with political connections do not have much pressure to practice transparency, therefore information asymmetry in companies with political connections will become bigger and also trigger earnings management practices ((Chaney et al. 2011)). Besides that, another characteristic of companies with political connections is the low risk of detection if opportunistic actions are taken. (Kim and Zhang, 2016), hence the chance and incentive of the management to practice earnings management will be bigger. Some studies have been conducted to find the relationship between political connection and earnings management. Braam et al (2015) investigates whether companies with political connections tend to practice accrual-based earnings management or real-based. Morck et al (2000) shows that the influence of companies’ political connections are higher in countries with higher corruption rates. Fisman (2001), Leuz & Oberholzer-Gee, (2006) measured political connections based on company’s proximity with the family of ex-president Soehartoe, although it is already irrelevant with the current condition. With the newer and more accurate measurement of political connections, this research hopefully will contribute to the results of the previous researches with newest and more accurate variables measurements.

Although there have been many studies conducted to examine the influence of political connection to management compensation, but the results are still inconclusive. Varied results are possible because the influence of political connection to management compensation can be indirect. Therefore, this research uses earnings management (real, accrual and aggregate) as variables mediating the influence of political connection to management compensation.
2. Methodology

In this research, the population used is all companies listed in Indonesia Stock Exchange (BEI) consecutively in the period of 2014-2016. The period is chosen on the consideration of term of office for officials elected in 2014 election, so it will be easier to match data of officials, governors, ministers, legislative members or parties’ executives with data of members in sample companies’ boards of directors. Besides that, another reason is to minimize the effects of regime differences which can affect the testing results of this research (Fisman, 2001; Leuz & Oberholzer-Gee, 2006). In this research, the data needed includes financial data, data of analysis results of companies’ annual financial statements, data of sample companies’ political connections. To obtain the data, there are few sources used to obtain data, including: financial data obtained from Indonesian Capital Market Electronic Library (ICAMEL), corporates’ annual reports and datastream; and data related to political connections, obtained from the analysis of biodata and profiles of members of board of directors found in companies’ annual reports and the results of matching the names with the lists of both local and state officials, legislative members, and political parties’ executives. Samples are selected by using purposive sampling, in which the samples selected must fulfill the criteria as the following:

- Eliminate all companies categorized in financial services industry, because this industry is more highly regulated than companies in other industries. (Lanis & Richardson, 2012; Favotto et al, 2016).
- Companies with negative equity are because they can create confounding effects and are harder to be interpreted, for negative equity is one of the signs of companies in financial distress ((Adhikari et al, 2006).
- One full year of reporting period and reporting period ends on 31st of December ((Harymawan et al, 2018))
- Have all data needed to calculate the variables used in this research.

3. Result And Discussion

The population of this research is consisted of all companies listed in Indonesia Stock Exchange (BEI) during the period of years 2014-2016. Then, samples are filtered with the criteria, and from the population of 1,582 company-year, 337 company-year samples are obtained (21.30%). Result of descriptive statistics for earnings management models can be observed from table 4.1. For accrual earnings management variable, sample companies have the average discretionary accrual value of 5.34% and standard deviation of 4.82%. Higher discretionary accrual value means higher indications that a company practices accrual earnings management. The lowest and the highest value is 0.0004% and 31.34%, respectively.

For real earnings management, descriptive statistics result show an average of 13.66%. From that positive value, it can be said that there are indications that sample companies practice real earnings management by discount to increase sales, reduce discretionary expenses or over production so that the company’s profits in the current year is bigger than in the normal period. Real earnings management variable’s values has a minimum of 0.0004%. From this result, the value of earnings management variable is considered to be appropriate to describe real earnings management practices done through companies’ operational activities. The maximum value of real earnings management variable is 188.27%. The component of real earnings management which contribute the most to the biggest value of earnings management
variable is abnormal production, which is done through overproduction process with the aim to reduce cost of goods sold in the current year.

For the result of descriptive statistics of aggregate earning management, the average is close to 1 because the aggregate earnings management values is calculated as the total of accrual earnings management decile plus real earnings management decile. The decile sort the magnitude of accrual earnings management and real earnings management in the range 0-1, therefore firm with the highest accrual earnings management and real earnings management will have decile value close to 1.

Table 1. Results of Descriptive Statistics

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Mean</th>
<th>Std.Dev</th>
<th>Min</th>
<th>Max</th>
</tr>
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<tr>
<td>AbsAEM</td>
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<td>0.0534</td>
<td>0.0482</td>
<td>0.0004</td>
<td>0.3134</td>
</tr>
<tr>
<td>AbsREM</td>
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<td>0.1366</td>
<td>0.1582</td>
<td>0.0004</td>
<td>1.8827</td>
</tr>
<tr>
<td>AbsEM_ALL</td>
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<td>0.9998</td>
<td>0.4654</td>
<td>0.0029</td>
<td>1.9851</td>
</tr>
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<td>CPC</td>
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<td>0.1032</td>
<td>0.0000</td>
<td>0.7500</td>
</tr>
<tr>
<td>COMPEN</td>
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<td>4.8798</td>
<td>1.9449</td>
<td>1.4059</td>
<td>21.1861</td>
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<tr>
<td>SIZE(Juta Rp)</td>
<td>337</td>
<td>29.4024</td>
<td>1.4285</td>
<td>24.4081</td>
<td>32.8218</td>
</tr>
<tr>
<td>LEV</td>
<td>337</td>
<td>0.2685</td>
<td>0.1701</td>
<td>0.0012</td>
<td>0.8105</td>
</tr>
<tr>
<td>ROA</td>
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<td>0.0440</td>
<td>0.0827</td>
<td>0.1568</td>
<td>0.5929</td>
</tr>
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<td>AUDITOR</td>
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<td>0.4995</td>
<td>0.0000</td>
<td>1.0000</td>
</tr>
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<td>MBV</td>
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<td>2.8932</td>
<td>3.6968</td>
<td>0.0637</td>
<td>17.4852</td>
</tr>
<tr>
<td>BODSIZE</td>
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<td>5.4391</td>
<td>2.0492</td>
<td>1.0000</td>
<td>17.0000</td>
</tr>
<tr>
<td>LnEMP</td>
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<td>7.2990</td>
<td>1.4363</td>
<td>3.2958</td>
<td>10.4193</td>
</tr>
</tbody>
</table>

Explanation:
ABS_AEM: Absolute value of accrual earnings management’s residual value;
ABS_REM: Absolute value of real earnings management’s residual value;
EM_ALL: Sum of absolute values of AEM’s and REM’s decile values;
CPC: Percentage of members of board of commissioner and directors with political connections;
COMPEN: Natural logarithm of board of directors to total members of board of directors;
SIZE: Company size evaluated by total assets (in millions of rupiah);
LEV: Debt to total assets ratio;
MBV: Market value to book value of equity ratio;
BODSIZE: Size of board of directors evaluated by the number of directors I in the board;
LnEMP: Number of employees measured by natural logarithm;
AUDITOR: Auditor quality measured by dummy 1 if affiliated with Big 4, 0 otherwise;
ROA: return on assets from the ratio of net profit to total assets.

On the other hand, firm with the lowest accrual earnings management and real earnings management will have decile value close to 0. Therefore, when the decile values of accrual earnings management and real earnings management are added, it will result in value within the range of 0-2. For the statistic descriptive, standard deviation of aggregate earnings management is 46.54%. The lowest score of aggregate earnings management is 0.0029, while the highest score is 1.9851. the higher the value of EM_ALL, the higher the indication of aggregate earnings management, both via accrual earnings management and real earnings management.

Political connections variable (CPC) is considerably varied if observed from the results of descriptive statistics, where the average of companies with political connections is 32.20%
with standard deviation of 10.32%. Minimum value is 0.00% and maximum value is 75% which means that more members of board of directors have political connections. The higher the percentage of CPC, the higher the influence of political connections owned by board of directors is. For management compensation variable, descriptive statistics results show the minimum value of 1,4059 to the maximum value of 21,1861 with average 4,8798 and standard deviation of 1,9449 which means that the compensation received by the board of directors are considerably varied research can be generalized to companies with various sizes. The second control variable LEV or total debts to total assets ratio has an average of 26.85% which means that the average debts sample companies is 26.85% from the total assets. The maximum value, with leverage of 81.05%, is owned by telecommunication network infrastructure provider company. Although it has high leverage, but the company claimed that they and the creditors feels secure, as they are supported by the secured long-term contracts with operators companies and good hedging policies (Market Bisnis, 2016). The third control variable MBV has an average of 2,8932, minimum value of 0,0637 and maximum value of 17,4852. Other control variables, such as AUDITOR as a proxy for auditor quality, the average for sample companies used in the earnings management model is 46,58% which means that 46,58% of all samples are audited by KAP affiliated with Big 4, while the rest or around 53,42% of the samples are audited KAP Non Big 4. Variable AUDITOR is a dummy variable. Value of 1 shows that the company is audited by KAP Big 4, 0 otherwise. For the control variable used only for real earnings management, ROA or return on assets, which is used as a proxy for company’s performance, the average from sample companies are 4,40% which shows that every Rp 1 of asset owned by the company capable of producing Rp 0,04 as profits. One of the cause of the small value of the average is that there are 56 out of 337 sample companies reported negative profits.

For the control variables for management compensation only, BODSIZE dan LnEMP, the averages are 543% and 729% respectively, while the minimum values are 100% and 329% respectively. The highest ROA value from the samples is 59,29% which means that for every Rp 1 of assets, the company produce Rp 59,29 in profit. In that year, the company had a rapid increase in the revenues by selling shares from its subsidiary and increase in operating revenues with value of Rp 802,810,000,000,00, thus this company has the best performance compared to other samples for real earnings management in the period of 2014-2016 (Lupiyoadi, 2014).

4. Conclusions

This research aims to examine the influence of political connection to management compensation mediated by earnings management (all real, accrual and aggregate) based on agency theory. Earnings management practices are considered to be unethical because they can misled the users of financial statements by delivering financial statements that do not represent the actual condition. Furthermore, earnings management practices can lead the management to receive personal gains and inflict losses to shareholders. The following are few conclusion based on the testing results:

- There is no direct influence of political connection to earnings management found. This result is possibly caused by the weaknesses of the measurement models, so the absolute value of real, accrual earnings management residual values and also the decile of the sum of accrual and real earnings management do not reflect the actual accrual earnings management practices.
• There is significantly and negatively influence of political connection to management compensation to all models of earnings management (accrual, real and aggregate). This proves that political connections of the board of directors influence the compensations they receive. However this result shows that political connections do not increase the compensation they receive.
• Real earnings management is proved to significantly and positively influence management compensation. However, management compensation is proved to have no influence to accrual and aggregate earnings management.
• There is no indirect influence of political connection to management compensation through real, accrual and aggregate earnings management.

References


An Investigation of Tourist Satisfaction on Tourism Destination

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Abstract: The satisfaction of tourists is an important factor to be considered in the field of service business especially on tourism destinations. This is a standard that can be used to evaluate the performance of tourism services and products. Waduk Jeulikat is the latest tourism destination today in Lhokseumawe Aceh, Indonesia. This location currently very in great demand by the tourists. Waduk Jeulikat was selected as the study area for this research. This study conducted to determine the effect of service quality, attractiveness (natural beauty, uniqueness, diversity) and facilities to the tourist satisfaction and intention to revisit Waduk Jeulikat. This study uses a descriptive approach to determine the variables that affect the tourists satisfaction. The data were collected by using questionnaires distributed directly to tourists visiting the tourism destinations by using accidental sampling. The multiple regression method was used to analyse data. The results showed that all variables simultaneously affect the tourist satisfaction. The most dominant attractiveness factor affects the tourists satisfaction.

Keywords: tourism, destination, satisfaction

1. Introduction

Today, tourism industry is a major source of income for many countries. Tourism sector in some countries is a priority and mainstay as an effort to mobilize the economy of the community (Nizar, 2015; Set et al., 2015).

Indonesia has the potential in the tourism sector, each region has distinctive features, uniqueness, beauty, and different attractions, and it is able to persuade tourists both local and foreign to visit. The city of Lhokseumawe is one of the districts in the province of Aceh Indonesia. There are many tourism destinations both natural and artificial ones that have been known by domestic and foreign tourists. Some natural tourism destinations have characteristics such as sea, caves, mountains, waterfalls, hot springs, etc. Lhokseumawe also has other artificial tourism destinations such as museums which show historical things, mosques and reservoirs. A number of tourism destination have strong characteristics, therefore, it will indirectly add the income per capita of this district.

Waduk Jeulikat is a reservoir which is one of the artificial tourism destinations in Lhokseumawe. This artificial reservoir has been visited by domestic and foreign tourists. There are various natural beauties that can be enjoyed by tourists who visit these tourism destinations such as the beauty of water reservoirs, mountain sceneries, sunset sceneries, unique stairs, flying fox, rowing boats and culinary.

Customer satisfaction is the main goal for the service industries, it is a benchmark for the success of a business. The service industries must be able to meet the desires, expectations and satisfaction of its customers, thus its customers will return to use their services. Competitive
strategies for tourism destination today absolutely require the full attention of tourism service managers in managing satisfaction and dissatisfaction. Basically tourism destinations are creating visitors satisfaction, so that they will make repeat visits in the future (Ahmad Puad and Badarneh, 2011) (Gerson, 2002).

Many studies prove that the higher the level of satisfaction will increase the loyalty of tourists visiting the destination (Hermawan, 2017) (Aprilia and Pangestuti, 2017). Customer satisfaction is the customer's perception that their expectations have been met or exceeded (Wiradipoetra and Brahmanto, 2016) (Gerson, 2002). Tourist satisfaction depends on a complex process where the role of each actor is fundamental and it must be in tune with all the other ones (Della Corte, 2015). Attributes related to tourism product of spiritual and cultural nature, atmosphere and climate, a variety of tourist activities, hospitality and safety are significant factors in determining tourist satisfaction, whereas basic facilities such as accommodation, transportation, tourism infrastructure and hygiene and sanitation at destination are of significant importance in satisfaction evaluation (Bagri and Kala, 2015).

This study conducted to determine the effect of service quality, attractiveness (natural beauty, uniqueness, diversity) and facilities to the tourist satisfaction and intention to revisit Waduk Jeulikat.

2. Literature Review

2.1. Tourism and Tourists

According to Act No 10 of 2009, tourism is tourist activities that are supported by various facilities and services provided by the community, businessmen, and government (Setiawan, 2016). Yoeti, stated that tourism is an activity that is carried out consciously by a person or group of people who travel in a local or overseas area with the aim of getting satisfaction (Tjiptono and Chandra, 2016). Tourists are people who do tourism (Setiawan, 2016)(Tjiptono and Chandra, 2016).

2.2. Tourism Destinations

Tourism Destinations are geographical areas that are in one or more administrative areas in which there are tourist attractions, public facilities (such as: security, finance, health, mosques), tourism facilities (such as: accommodation, restaurants, information centers, souvenir shops) accessibility, and society (Setiawan, 2016)(Mufeed and Guizar, 2014)(Rajesh, 2013).

2.3. Tourist Satisfaction

In general, tourist satisfaction can be defined as the level of feeling of a tourist who has visited a tourism destination, then compares the performance of products and services that are perceived or received as expected before. Tjiptono and Gregorius stated that customer satisfaction is an evaluation after purchase with the selected achievement indicators being the same or exceeding customer expectations(Tjiptono and Chandra, 2016). On the other hand, satisfaction is a feeling that is felt after the comparison between product performance and expectations (Della Corte, 2015)(Gerson, 2002).
2.4. Service Quality, Attractiveness and Tourism Facilities

Service quality is a measure of comparison to actual service performance with customer expectations. Service quality is related to the needs and desires of the visitors determined by the company. There are five dimensions used to measure the quality of services, namely: (a) tangible is the physical facilities and infrastructure of the company; (b) Empathy is the attention given by the company to customers; (c) Responsiveness is the company's ability to provide fast service to customers; (d) Reliability is the ability to provide promised services immediately and accurately; (e) Assurance is the ability to create customer trust in the company's services (Kotler and Kevin, 2009)(Sangkaeng, Mananeke and Oroh, 2015)(Alvianna, 2017).

Attractiveness is everything that has uniqueness, beauty, and value in the form of diversity of natural wealth (such as: mountain views, sea, weather), culture (such as: museums, historic sites), and artificial parks that are the target or destination of tourist visits(Hermawan, 2017)(Aprilia and Pangestuti, 2017)(Wiradipoetra and Brahmanto, 2016)(Kirom, . and Adi Putra, 2018).

Tourism facilities are elements in a tourism destination that allows tourists to stay and get services in these destinations, such as: accommodation, restaurants, information center, souvenir shops, and others(Marhanah and Wahadi, 2016).

3. METHODOLOGY

Data used in this research were collected from tourism destination of Waduk Jeulikat Lhokseumawe Aceh Indonesia. The data used in this study was collected from the results of a survey conducted by distributing questionnaires in the tourism destinations of the Waduk Jeulikat in Lhokseumawe Aceh Indonesia. This survey was conducted in April 2018, the samples used were local and outside tourists visiting the Waduk Jeulikat tourism destination.

The sample size of this research was determined using the satisfaction interval formula(Sugiyono, 2009). The observed variables service quality, attractiveness, tourism facilities, to comprehend their effects towards the tourist satisfaction. The correlation between variables is drawn in Figure 1.

![Research model of correlation between variables towards the tourist satisfaction](image)

Fig. 1. Research model of correlation between variables towards the tourist satisfaction

Descriptive and inferential analyse were used to analyse the data with the help of a statistics program SPSS for Windows version17.0. Frequency and percentage were used to examine the demographic profile of the respondents. Mean and standard deviation scores were used to present the findings of service quality, attractiveness and tourism facilities towards tourist satisfaction. In addition, regression analysis was used to approximate the variation in tourist satisfaction(Sugiyono, 2009)(Ghozali, 2009).
4. Results And Discussion

4.1. Reliability

The reliability analysis of each variable exhibited in Table 1. Since all Cronbach’s Alpha values were greater than 0.60, this meant that tested instruments had internal consistency (Ghozali, 2009).

4.2. Demographic Profiles

Table 2 presents demographic characteristics of sample. The proportion of men and women is quite different, by 63% and 33%, respectively. The highest number of respondents in the age group 26-35 years is 38.5%, followed by the age group 36-45 years as much as 33.3%. Respondents with undergraduate education were the highest number, namely 53.1% and followed by a diploma with a total of 32.3%. Respondents whose monthly income is IDR 5,000,000 - 6,000,000 are the most visited, which is 39.6%.

4.3. Descriptive Analysis

Service Quality: Tourist responses about service quality on the tourist satisfaction are tabulated in Table 3. Five attributes are used to measure tourist satisfaction in the quality of services provided. The respondents were satisfied with the quality of service in the Waduk Jeulikat on the attributes include: administration officers, food and beverage providers, guards, and parking services with a range of scores (4.00-5.00). However, the respondents were not satisfied with the attributes of the quality of service at the cottage with a score (3.73).

<table>
<thead>
<tr>
<th>Table 1. Reliability Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description</td>
</tr>
<tr>
<td>Service Quality</td>
</tr>
<tr>
<td>Attractiveness</td>
</tr>
<tr>
<td>Tourism Facilities</td>
</tr>
<tr>
<td>Tourist Satisfaction</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Table 2. Demographic Characteristics of sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demographic Characteristics</td>
</tr>
<tr>
<td>Gender</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Age, years</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Educational level</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>
### Table 3. Descriptive Analysis Of The Service Quality

<table>
<thead>
<tr>
<th>No</th>
<th>Attributes</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Administrative officers are very capable of providing excellent service</td>
<td>4.32</td>
<td>0.47</td>
</tr>
<tr>
<td>2</td>
<td>The food and beverage providers are very attentive to the needs of tourists</td>
<td>4.21</td>
<td>0.52</td>
</tr>
<tr>
<td>3</td>
<td>The guards are very responsive and friendly to tourists</td>
<td>4.03</td>
<td>0.96</td>
</tr>
<tr>
<td>4</td>
<td>Parking services are very responsive and responsible</td>
<td>4.01</td>
<td>0.94</td>
</tr>
<tr>
<td>5</td>
<td>The quality of service at the cottage is very clean, cool and comfortable</td>
<td>3.73</td>
<td>0.96</td>
</tr>
</tbody>
</table>

*Note: 5-point Likert scale was used to measure the tourist satisfaction. Scale: 1 = Very Dissatisfied; 5 = Very Satisfied*

### Table 4. Descriptive Analysis of the Attractiveness

<table>
<thead>
<tr>
<th>No</th>
<th>Attributes</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
</table>

Univercity or college

<table>
<thead>
<tr>
<th>Master or above</th>
<th>51</th>
<th>53.1</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Monthly income (IDR)</th>
<th>36</th>
<th>37.5</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.000.00 to 5.000.00</td>
<td>38</td>
<td>39.6</td>
</tr>
<tr>
<td>5.000.00 to 6.000.00</td>
<td>&gt;</td>
<td>22</td>
</tr>
<tr>
<td>&gt; 6.000.00</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
An art show is very interesting

The scenery of the sunset

The beauty of nature

The arrangement of all the infrastructure

Note: 5-point Likert scale was used to measure the tourist satisfaction
Scale: 1 = Very Dissatisfied; 5 = Very Satisfied

Attractiveness: Tourist responses about attractiveness on the tourist satisfaction are tabulated in Table 4. Four attributes are used to measure tourist satisfaction in attractiveness provided. The respondents were satisfied with the attractiveness held in the Waduk Jeulikat on the attributes include: art show, the scenery of the sunset and the beauty of nature with a range of scores (4.00-5.00). However, the respondents were not satisfied with the attributes of the arrangement of the infrastructure with a score (3.80).

Tourism Facilities: Tourist responses about tourism facilities on the tourist satisfaction are tabulated in Table 5. The tourist satisfaction on tourism facilities were measured in 15 attributes. The respondents were satisfied with the tourism facilities held in the Waduk Jeulikat on the attributes include: trash can for each type, many benches, a large parking and facilities are clean with a range of scores (4.00-5.00). However, the respondents were not satisfied with ten of attributes such as canteen, direction to go and et al with a score (3.80-3.92) and their not satisfied with all facilities kept clean (3.66).

Table 5. Descriptive Analysis Of The Tourism Facilities

<table>
<thead>
<tr>
<th>No</th>
<th>Attributes</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>A sufficient trash for each type</td>
<td>4.33</td>
<td>0.47</td>
</tr>
<tr>
<td>2</td>
<td>many benches in the park</td>
<td>4.16</td>
<td>0.67</td>
</tr>
<tr>
<td>3</td>
<td>A large parking safe</td>
<td>4.07</td>
<td>0.89</td>
</tr>
<tr>
<td>4</td>
<td>All existing facilities are clean</td>
<td>4.02</td>
<td>0.72</td>
</tr>
<tr>
<td>5</td>
<td>canteens clean and comfortable</td>
<td>3.92</td>
<td>1.03</td>
</tr>
<tr>
<td>6</td>
<td>The facilities well maintained</td>
<td>3.90</td>
<td>0.72</td>
</tr>
<tr>
<td>7</td>
<td>There is a clear direction to go</td>
<td>3.88</td>
<td>0.81</td>
</tr>
<tr>
<td>8</td>
<td>All game areas</td>
<td>3.87</td>
<td>1.05</td>
</tr>
<tr>
<td>No</td>
<td>Attributes</td>
<td>Mean</td>
<td>Standard Deviation</td>
</tr>
<tr>
<td>----</td>
<td>------------------------------------</td>
<td>------</td>
<td>--------------------</td>
</tr>
<tr>
<td></td>
<td>are very safe to use</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Toilets clean and comfortable</td>
<td>3.86</td>
<td>0.84</td>
</tr>
<tr>
<td>10</td>
<td>flower garden and shelter</td>
<td>3.85</td>
<td>0.71</td>
</tr>
<tr>
<td>11</td>
<td>The state of the facility that is good and comfortable to use makes tourists interested</td>
<td>3.84</td>
<td>0.85</td>
</tr>
<tr>
<td>12</td>
<td>facilities for children and adults</td>
<td>3.82</td>
<td>1.15</td>
</tr>
<tr>
<td>13</td>
<td>Facilities for prayer</td>
<td>3.80</td>
<td>0.84</td>
</tr>
<tr>
<td>14</td>
<td>Water tourism comfortable</td>
<td>3.80</td>
<td>0.76</td>
</tr>
<tr>
<td>15</td>
<td>All facilities kept clean</td>
<td>3.66</td>
<td>1.00</td>
</tr>
</tbody>
</table>

Note: 5-point Likert scale was used to measure the tourist satisfaction
Scale: 1 = Very Dissatisfied; 5 = Very Satisfied

Regression Analyses

The relationship between all attributes and overall tourist satisfaction is shown in Table 6. Based on the results of regression analysis, it can be interpreted that all variables are significant (0.000). All the attributes contributed to tourist satisfaction.

Satisfaction in tourism destination is based on the differences between expectation and experiences after tourists visited the destination. If the comparison between experiences and expectations results in a feeling of pleasure, the tourist is satisfied or dissatisfaction if it results in feelings of displeasure (Reisinger, Y. & Turner, no date) (Aziz et al., 2011). Table 6 shows a significant regression model had existed \[ F(7,209) > F_{table} (3.095) \] or Sig. \( p (0.000) < \alpha (0.05) \). The regression model implied that tourist satisfaction will significantly contribute to tourism destination. Satisfaction explained approximately 19.0% \( R^2 = 0.190 \) of total variance in tourist satisfaction. There was a positive and have correlation \( R = 0.436 \) between tourist satisfaction on tourism destination. Therefore that, tourism destination contribute to tourist satisfaction. Tourist satisfaction should be monitored continuously to obtain up-to-date and precise information from tourists. This will help to predict revisit intention and recommended to others.
Table 6. The Regression Model On Tourist Satisfaction

<table>
<thead>
<tr>
<th>Model</th>
<th>B</th>
<th>Std. Beta</th>
<th>t</th>
<th>Sig.</th>
<th>Collinearity Statistics</th>
<th>Tolerance</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (Constant)</td>
<td>1,52</td>
<td>0,58</td>
<td>2,61</td>
<td>0,01</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service</td>
<td>0,01</td>
<td>0,00</td>
<td>2,19</td>
<td>0,03</td>
<td>0,936</td>
<td>1,06</td>
<td></td>
</tr>
<tr>
<td>Attractiveness</td>
<td>0,07</td>
<td>0,02</td>
<td>2,93</td>
<td>0,00</td>
<td>0,969</td>
<td>1,03</td>
<td></td>
</tr>
<tr>
<td>Tourism Facilities</td>
<td>0,02</td>
<td>0,01</td>
<td>0,19</td>
<td>2,29</td>
<td>0,04</td>
<td>0,95</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Tourist Satisfaction

ANOVA*a

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1,863</td>
<td>3</td>
<td>0,621</td>
<td>7,209</td>
<td>0,000*</td>
</tr>
<tr>
<td>Residual</td>
<td>7,926</td>
<td>92</td>
<td>0,086</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>9,790</td>
<td>95</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Model Summary*b

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0,436*</td>
<td>0,190</td>
<td>0,164</td>
<td>0,29352</td>
<td>1,686</td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), service quality, attractiveness, tourism facilities

b. Dependent Variable: tourist satisfaction

5. Conclusions

Based on the research result and the discussion about the tourist satisfaction on tourism destination, it can be concluded that; The overall, the attractiveness of tourism destinations in Waduk Jeulikat is quite interesting. Although, there are several condition that need to be fixed, especially the conditions that associated with tourism facilities kept clean, facilities for prayer, facilities for children/adults and canteen. The service quality provide on tourism destination in Waduk Jeulikat is still needs to be improved to create tourist satisfaction, revisit intention and recomended to others.

Acknowledgment

The author acknowledge thank you so much especially for Ms. Mutia as student in faculty of economic and business Universitas Malikussaleh for all support in this research.
References


Review on the Financing Scheme of Indonesia’s Capital City Relocation Plan: Lessons Learned from Brazil, Malaysia, and Tanzania

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²Polytechnic of State Finance STAN, Ministry of Finance of Indonesia South Tangerang, Indonesia

Abstract: To distribute the nation’s wealth fairly and to separate the administrative capital from center of business, Government of Indonesia is reviving the long-discussed plan of capital city relocation. The plan could cost around IDR200-300 trillion or about 13-14 per cent of 2018 state budget. The figure is quite significant and potentially disrupts budget allocation for priority programs if the plan is carried out without the thorough calculation on its financing scheme. This paper first seeks for the lessons learned on the financing scheme from both successful and failed stories of capital city relocations, mainly focuses on successful Brazil’s and Malaysia’s experience and botched Tanzania’s plan. Furthermore, this paper tries to find the connection between the lessons learned and the current situation in Indonesia, including its economic condition and the legal aspects, so as to get the best possible financing scheme. Analyzing the interview data with the qualitative method, this paper concludes that both resources from government and private sectors are needed in order to conduct the plan smoothly. According to the resource persons, the ideal proportion between budget and public private partnership are varies and each proportion may face different obstacles. Importantly, the government’s commitment plays a strong part in influencing the outcome of this long-overdue plan.

Keywords: Capital relocation, Budget expenditure, Private sectors, Public private partnership

1. Introduction

The plan to move the capital city seems to be a mandatory issue that always revolves around every government in Indonesia. Starting with the planned move of the capital city to Palangkaraya in the government of President Soekarno, followed by plans to make Jonggol a replacement of the DKI / Special Region City of Jakarta in the administration of President Soeharto and President Susilo Bambang Yudhoyono, and no exception the Joko Widodo government has plans to move it as well (Sugianto, 2017). The Head of Bappenas was discussing together with President Joko Widodo regarding the planned relocation of the capital (Aziza, 2017). The Head of Bappenas announced on July 3, 2017 that Bappenas was discussing together with President Joko Widodo regarding the planned relocation of the capital (Aziza, 2017). The Head of Bappenas promised that the study of the capital transfer scheme would be completed by the end of 2017, so that the capital transfer process could begin in 2018 or 2019.

There are at least two reasons why the transfer of the capital city needs to be carried out according to the Government. The first reason is to do economic equality (Ariyanti, 2017). At present, the imbalance in economic activities between the Jabodetabek area and other regions is very high. This was indicated by Jakarta's contribution to Indonesia's Gross Domestic
Product (GDP) which reached 18 percent. If it is added to the Jabodetabek area, the contribution will be 25 percent of GDP. The second reason for the effort to move the capital city is to separate the center of government from the business center, as stated by the Minister of Public Works and Public Housing (PUPR) (Taufiqqurahman, 2017). Through the separation between the central government and the business center, it is hoped that governance can run more effectively and efficiently.

Minister of PUPR said that around IDR200-300 trillion is needed to move the capital city of the country (Daud, 2017). This amount is certainly not small because it reaches 13-14% of the total government expenditure in the 2018 State Budget which amounts to around IDR 2,220 trillion. However, the Head of Bappenas stressed that the government would involve the private sector (Nababan, 2018). In other words, the capital transfer scheme does not only depend on the state budget, but also comes from funds owned by the private sector. The concept is better known as Public Private Partnership (PPP). Indonesia also has known and implemented the concept in the name of Government-Business Cooperation.

Determining the right financing scheme will facilitate the government's step in managing a professional budget. Based on the principle of cost-benefit analysis, (Boadway, 2006) it is necessary to avoid that this policy actually has fewer benefits than the costs to be borne through budget allocation in State Budget that are not appropriate, so that it will burden the state budget which can actually be allocated to other sectors, such as education, health, and infrastructure.

Based on the description above, learning from other countries that have moved the capital city can be used as a consideration for the government in choosing the right financing scheme, whether it is purely using the state budget or Government-Business Cooperation scheme. Not only the story of the successful relocation of the capital city, but also the experience of other countries that failed or were hampered in executing the planned transfer of the capital city. Even a successful capital city relocation does not always reach the original goal when the plan was announced.

This paper will review the processes carried out in the relocation of capitals in Brazil, Malaysia, and Tanzania, especially in terms of the total costs already incurred as well as the financing mechanism selected based on the plan and purpose of the transfer and the situation and conditions of the country. Brazil and Malaysia were chosen as best practices in this paper because of their success in moving the capital (for Brazil) and separating the business and government centers (for Malaysia), while Tanzania has not succeeded to transfer the new capital city that has been declared since 1974. The fact that those three are developing countries is suitable to be compared to Indonesia.

After learning from the advantages or disadvantages of these practices, this paper will compare the lessons learned to Indonesia's plan, so that the appropriate financing scheme for the plan in moving the Indonesian capital can be obtained. Options for discussion of financing schemes will be focused between financing using a pure state budget and through a Government-Business Cooperation scheme.

2. Literature Review

2.1. Definition of Capital

In English, the term capital city is called capital. The capital is taken from Latin, which is caput, which means head and capitol related to the building where the main government center is carried out. The capital city is the main city associated with the governance of a country,
physically functioned as a central office and meeting place and determined by law. The existence of a capital city is seen as the main city of a country and needs special treatment when compared to other cities. This was revealed in (Gottmann, 1997): “The capital is by definition the place where major decisions are taken which relate the political entity governed and its inhabitants, resources and institutions to the world beyond its boundaries. The capital is a crossroads where sets of internal and external relationships and networks interlock and interact”.

The capital city also tends to have a larger location, both region and population compared to other cities in the country (Quistorff, 2015). This is reasonable considering the enormous influence that the capital city has on determining the present and future of a country (Gottmann, 1997). For example, in the Middle Ages, the existence of capitals in continental European countries tended to be a tool for tyrannical rules to regulate and supervise other regions (Herbst, 2014). In addition to the area and population, the capital city of a country is generally located in cities that have the highest welfare level in the country. In addition, the capital city is not only seen as the largest, most developed and rich city of a country, but the capital city is a major reflection of the country and has a value that can be proud of internationally (Oliver, 2012).

2.2. Reasons for Moving the Capital

In this century there are thirteen countries that have moved their capitals for various reasons. Countries that move the capital are listed in Table 1.

<table>
<thead>
<tr>
<th>Country</th>
<th>Years</th>
<th>New Capital City</th>
<th>Old Capital City</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>1956</td>
<td>Brasilia</td>
<td>Rio de Janeiro</td>
</tr>
<tr>
<td>Mauritania</td>
<td>1957</td>
<td>Nouakchott</td>
<td>Saint Louis (Senegal)</td>
</tr>
<tr>
<td>Pakistan</td>
<td>1959</td>
<td>Islamabad</td>
<td>Karachi</td>
</tr>
<tr>
<td>Botswana</td>
<td>1961</td>
<td>Gaberone</td>
<td>Mafeking</td>
</tr>
<tr>
<td>Libya</td>
<td>1963</td>
<td>Tripoli</td>
<td>Benghazi</td>
</tr>
<tr>
<td>Malawi</td>
<td>1965</td>
<td>Liliongwe</td>
<td>Zomba</td>
</tr>
<tr>
<td>Belize</td>
<td>1970</td>
<td>Belmopan</td>
<td>Belize City</td>
</tr>
<tr>
<td>Tanzania</td>
<td>1973</td>
<td>Dodoma</td>
<td>Dar es Salaam</td>
</tr>
<tr>
<td>Nigeria</td>
<td>1975</td>
<td>Abuja</td>
<td>Lagos</td>
</tr>
<tr>
<td>Pantai gading</td>
<td>1983</td>
<td>Yamoussoukro</td>
<td>Abidjan</td>
</tr>
<tr>
<td>German</td>
<td>1990</td>
<td>Berlin</td>
<td>Bonn</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>1997</td>
<td>Astana</td>
<td>Almaty</td>
</tr>
<tr>
<td>Malaysia</td>
<td>2000</td>
<td>Putrajaya</td>
<td>Kuala Lumpur</td>
</tr>
</tbody>
</table>

Source: Compilation of authors

There are at least five possibilities why a country moves its capital location based on in-depth studies conducted on the African continent (Schatz, 2003), namely:

- **Preference from country leaders**
  
  One of the reasons behind the transfer of the capital city was the preference of the president in authoritarian rule as did Malawi (Potts, 1985). Preference from the leaders of the country is more inclined to personal pride than to think of rational reasons such as economic restructuring of the country.
Logical reasons and rationalization
The logical and rational reason for moving the capital city is to improve the economy and improve the function of state administration (Oliver, 2012).

Building "state building" and "nation building"
State building meant by (Schatz, 2003) is an attempt to fight resistance from political rivals. Meanwhile, nation building is an attempt to secure the loyalty of its supporters in a new place where the capital will be moved.

Infrastructure Financing through Government-Business Cooperation
The implementation of national development is one of the mandates of the Constitution that must be borne by the government. Barton in (Prasetya, 2012) outlines the main role of government in general, including the role of resource allocation and the role of social welfare. The role of resource allocation and the role of social welfare in general emphasize that the government must be able to provide public goods and social welfare services for the community. Adam Smith in (Prasetya, 2012) also emphasized that the government must be able to provide goods that cannot be provided by the private sector, one of which is by providing qualified infrastructure for its people. The limitations of the state budget require the involvement of other parties in participating in financing this government program. It is noted in the RPJMN that the five-year infrastructure requirement is IDR 5,500 trillion, or if it is averaged it becomes IDR 1,100 trillion per year. The amount of the figure is beyond the ability of the state's finances, which if collected from the state budget, the budget of the state own enterprises, and other investments only reach Rp900 trillion each year. The Head of Bappenas added that the infrastructure budget was even revised to IDR 4,700 trillion, with the proportion of one-third of the state budget, 25% from state own enterprises, and the remaining participation from private parties such as Government-Business Cooperation (Fitra, 2017).

To support infrastructure provision through Government-Business Cooperation, the Government established Presidential Regulation number 38 of 2015 concerning Government Cooperation with Business Entities in the Provision of Infrastructure. There are several principles that must be met so that project financing can be financed in the form of Government-Business Cooperation, including: (i) Partnership; (ii) Benefits; (iii) Competing; (iv) Risk control and management; (v) effective; and (vi) efficient.

The principle of partnership is one of the principles that is difficult to fulfill so that project financing can take the Government-Business Cooperation schemes. In its consideration to execute a public facility project with the government, the private sector always considers several factors, namely financial feasibility, clarity of the scope of cooperation, and guarantees of risk (Indrawati, 2018).

3. Methodology
This research uses descriptive qualitative method. The Smart Practice Research method introduced by Bardach in (Vesely, 2011) was also used to explore lessons learned from Brazil, Malaysia and Tanzania. Primary data was obtained by interviewing: (i) representatives of Brazilian and Malaysian embassies and the Indonesian Ministry of Foreign Affairs to obtain and verify information related to the relocation of capitals in Brazil, Malaysia and Tanzania; (ii) the Ministry of PUPR to obtain information related to the plan to move the capital city in Indonesia; (iii) Directorate General of Budget and Fiscal Policy Agency, Ministry of Finance to explore the possibility of using traditional schemes (state budget); and (iv) Directorate General of Financing and Risk Management, Ministry of Finance and academics to explore
the possibility of using Government-Business Cooperation schemes. Secondary data is obtained from the literature and relevant public documents.

4. Result And Discussion

4.1. Plan for Capital Relocation in Indonesia

Based on the narrative speaker, the study being explored by Bappenas, Ministry of PUPR, and other institutions is about the study of the relocation of the center of government, not the capital as a whole, from the Special Region of Indonesia (DKI) Jakarta to other regions in Indonesia. The basis of Indonesia needs to move the center of government, among others: (i) to realize a prosperous Indonesia and justice with a sustainable growth economy; (ii) to foster new approaches epicenter disadvantaged areas and the suburbs; (iii) to facilitate the restructuring of Jakarta and other major cities in Java; (iv) to protect agricultural land in Java because of its highest fertility rate among other regions in Indonesia; and (v) to prevent the occurrence of social shocks, reduce the effects of climate change, and reduce the level of urbanization.

Table 2 presents the projected recapitulation of the cost of moving the capital city with a total of IDR 690 trillion, which is planned to be completed in the tentative period of 30 years following with the source of financing.

4.2. Smart Practices on Relocation of the Capital City

4.2.1 Brazil

The Brazilian Constitution in 1891, 1934 and 1946 suggested that the Brazilian capital be moved to a location closer to the center of the country (Morten and Oliveira, 2016). The reason for the relocation of the capital is to improve the regional economy, promote nationalism, reduce population density, receive too much attention from domestic and international, and reduce the risk of military attacks from the sea (Morten and Oliveira, 2016).

<table>
<thead>
<tr>
<th>No</th>
<th>Function Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Main Functions (Legislative, Executive and Judicial Buildings)</td>
<td>IDR 40 trillion</td>
</tr>
<tr>
<td>2</td>
<td>Supporting Functions (Housing for Low-Income Communities (MBR), Schools and universities, Hospitals and health centers, environmental security, and POLRI and TNI buildings)</td>
<td>IDR 300 trillion</td>
</tr>
<tr>
<td>3</td>
<td>Supporting Functions (Construction of roads, Construction of</td>
<td>IDR 80 trillion</td>
</tr>
</tbody>
</table>
The relocation of the Brazilian capital was realized during the administration of Juscelino Kubitschek (1956-1961). Development in Brasilia began in 1956, the beginning of the Kubitschek administration, and was inaugurated on April 21, 1960 (Epstein, 1973). The relocation of the capital occurred because the Kubitschek government hoped for several things that had been suggested by the Brazilian constitution above. The move took place more because of political promises made by Kubitschek during the campaign period to be chosen by the Brazilian people as president, without prior in-depth study (Epstein, 1973). Brasilia itself is a manifestation of the Kubitschek work program called the "Goals Plan" or Plano de Metas which the development of Brasilia is expected to be a synthesis of all development goals during the five years of the Kubitschek's administration.

Located in the interior and must start from scratch, the Brazilian government must burden the country's budget with a large amount in order to carry out the relocation of the capital city. Considering that the official data of the Brazilian Government only entered the international scope in 1985, no accurate figures were obtained regarding the exact amount of the total cost of moving the capital city. It is estimated that the cost required is 2-3% of Brazil's total GDP at that time or around USD 400-600 million (Gordon, 2006). This figure is quite large so it took years for the Brazilian Government to recover from the total cost.

The total funds all come from the government budget, both through the issuance of currency and loans. The Brazilian government also built a company to oversee the construction of Brasilia from the beginning to the end, namely Novacap, which still operates until today.

### 4.2.2 Malaysia

Built in 1995 and formalized in 1999, Putrajaya is part of an ambitious project implemented by Prime Minister Mahathir Mohamed to make Malaysia a developed country by 2020, with its program called Insight 2020 or better known as Vision 2020 (Moser, 2010). Putrajaya is also expected to bring Malaysia on the international stage so that it can attract a lot of foreign investment in Malaysia and the Malaysian economy will also be boosted ((Olds, 1995; Morshidi and Pandian, 2007)

In addition, Putrajaya is expected to become a "city model" which is a model for other countries in Asia, especially Southeast Asia(Moser, 2010). Through Putrajaya, Malaysia also
tried to define the identity of its country as one of the advanced Muslim countries in the world. No wonder the development in Putrajaya is more of a modern Islamic architectural nuance because Malaysia wants to accentuate its image as a Muslim country with technological advances (Moser, 2010).

Being part of the Vision 2020 mega project made the costs incurred to make Putrajaya the center of government administration in Malaysia quite big. In general, the Government of Malaysia used the Public Private Partnership scheme with its cooperation with the private sector through Putrajaya Holdings Sdn Bhd, which was only established in 1995 as the developer, and Kuala Lumpur City Center Bhd as the project manager (Moser, 2010). The total cost incurred by Putrajaya Holdings Sdn Bhd is around RM20 billion (Macedo and Tran, 2013) or around 10.17% of Malaysia’s GDP which is worth RM196,714 in 1997 (Verma and Dutta, 2013).

This large cost did not burden Malaysia’s budget because at that time Malaysia had high reserves from its oil production (Macedo and Tran, 2013). Therefore, even though the construction took place at the time of the Asian financial crisis, Putrajaya could still be resolved. In addition, a strong commitment from the authorities at the time, namely Prime Minister Mahathir made the Putrajaya mega project not experience significant constraints in financing.

Even so, criticism and rejection came from the opposition of the Malaysian Government. However, because of the high commitment of Prime Minister, Mahathir, and the good and structured planning of Putrajaya, the parliament continued to approve the transfer of the central government. The relocation of the capital was successfully held in a government regime, in which Prime Minister, Mahathir, was still in office until the inauguration of Putrajaya as the capital of the Malaysian government.

4.2.3 Tanzania

In 1973, the founding father of Tanzania, namely President Julius Nyerere proposed that the capital of Tanzania from Dar es Salaam to Dodoma. The reason for the transfer was partly because Dodoma was considered more accessible because it was located in the center of the country. In addition, Dodoma was also chosen because of its cool climate and a more natural landscape (Kironde, 1993).

In 1974 Dodoma was officially set as the new capital of Tanzania. The Capital Development Authority (CDA), a special body formed to carry out the relocation, also collaborated with the Canadian Company, Project Planning Associates (PPA) which was asked to prepare the master plan for Dodoma development. The Tanzanian government allocated Dodoma development for 10 years since 1976 with a total budget of TShs3.71 billion, equivalent to USD 53 million (Kironde, 1993), around 2.36% of GDP. The budget comes from the government budget and foreign loans.

Why the move is considered a failure? In fact, there is no major government or economic activity functioning in Dodoma (Akingbade, 2016). Until 2016, only the parliament building and the presidential office were located in Dodoma, while other ministry buildings, government officials, diplomatic and military offices are still located in the previous capital. Dar es Salaam still accommodates about 70% of industrial activities in Tanzania. In terms of population, the population in Dodoma is less than half the total population in Dar es Salaam, which is 2,083,588 people compared to 4,364,541 people. Three things were the cause of delays in moving the capital to Dodoma, including lack of budget, lack of political will from the Tanzanian government, and poor infrastructure conditions in the new capital's location (Akingbade, 2016).
After Dodoma could be considered "malfunctioning" as the capital of Tanzania for 41 years, President John Magufuli, who just took office in October 2015, immediately planned to move the capital back to Dodoma during his five-year tenure, namely at the end of 2020. Prime Minister Kassim Majaliwa acted as the highest supervisor of the project and announced that the transfer would take place from September 2016 (Akingbade, 2016). Prime Minister Majaliwa also ordered his cabinet to join Dodoma, unlike President Nyerere, who seemed to have been abandoned by his staff.

It is estimated that funds of USD 582.9 million or worth 1.23% of GDP are needed to actually function Dodoma as the capital of Tanzania (Olinggo, 2016). It is hoped that the effort to realize Dodoma as the capital of Tanzania can overcome the shortage of 3.5 million housing needs in Tanzania. In addition, foreign investors are expected to be increasingly interested in investing in the country. In addition, President Magufuli also hopes that the efficiency and effectiveness of the government can work because it is carried out in a strategic location and can be accessed from all parts of Tanzania.

Table 3 summarizes the lessons learned from Brazil, Malaysia and Tanzania, specifically related to the total costs and mechanisms for financing capital relocations in each of these countries.

### 4.3. Financing with Traditional Schemes

Traditional schemes or financing through state budget can be carried out if the government has sufficient fiscal space. Based on the speakers' explanation, the fiscal space in the current state budget is very little, leaving only 20-22% because it has been allocated for mandatory spending in the form of education budget (by 20%) and health budget (by 5%) and other priority programs. Related to the feasibility or not of the fiscal space in accommodating additional budget in the form of capital transfer, this can be done during the loading installments and keep a deficit of below 3% and enforce spending efficiency. Meanwhile, the budget allocation is entirely the President's prerogative, and there is a cost that must be paid if he chooses to impose the budget for moving the capital to the state budget, which is to shift the priority programs that have been planned in advance or by increasing debt due to increasing deficits.

<table>
<thead>
<tr>
<th>Related Aspects</th>
<th>Brazil (successful)</th>
<th>Malaysia (successful)</th>
<th>Tanzania (not successful yet)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The location of the new capital city</td>
<td>Far away (915 km)</td>
<td>Closed (25 km)</td>
<td>Far away (441,6 km)</td>
</tr>
<tr>
<td>Total Cost (% of GDP)</td>
<td>2.3%</td>
<td>RM20 billion (10.17%)</td>
<td>Old: TShs 3.71 billion (2.36%) New: USD 582.9 million (1.23%)</td>
</tr>
</tbody>
</table>
As for the urgency and benefits of traditional schemes financing, the government will have better control if the financing of the transfer of the capital city is entirely through the state budget. It is also an obligation for the government to use the state budget in public services that cannot be provided by the private sector and does not attract the private sector to participate.

However, the State Budget should only act as a stimulus so the private sector is expected to play a greater role in infrastructure development in the future. In addition to the existing fiscal constraints given the still low availability of mandatory spending and tax ratio, the excessive involvement of the state budget has the potential to use allocations that should be used to fulfill government promises in the form of strategic programs. In addition, the involvement of the government role that is too far will cause crowding out on the role of the private sector in the provision of infrastructure in Indonesia.

### 4.4. Financing With Government-Business Cooperation Schemes

Implicitly, the capital transfer project is not feasible if it is financed by a PPP scheme in one bundle because it is not included in the infrastructure of Perpres number 38 of 2015. Therefore, it should be done in a breakdown according to the scope of its infrastructure. The project breakdown will also make it easier for the private sector to choose projects that the rate of return are more guaranteed, and are also needed to sort out which projects can be financed by the State Budget or Government-Business Cooperation. Even so, this project actually is allowed for cooperation through Government-Business Cooperation in one bundle, considering that the infrastructure scope clause in Perpres number 38 of 2015 can be expanded.

The main advantage that can be obtained by the government if using Government-Business Cooperation scheme is to be able to adopt cost efficiency based on the efficiency of the private sector in implementing public services. The government also has the opportunity to do better cash flow management so that fiscal space can be used for other activities.

In addition, there are other benefits from the use of Government-Business Cooperation schemes, which can lighten the burden on the State Budget, working on infrastructure projects is more efficiently, more innovative financing, and increase budget transparency. The use of Government-Business Cooperation schemes is better in terms of cost and time to work than traditional schemes (Liu et al., 2014).

On the other hand, there are several potential losses from the use of Government-Business Cooperation schemes, among others; the government needs resources that are not

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<table>
<thead>
<tr>
<th>Related Aspects</th>
<th>Brazil (successful)</th>
<th>Malaysia (successful)</th>
<th>Tanzania (not successful yet)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financing Scheme</td>
<td>Traditional (government budget through currency printing and loans)</td>
<td>Public Private Partnership</td>
<td>Traditional (government budget through foreign loans)</td>
</tr>
</tbody>
</table>

Source: Compilation of authors
small, because of the complexity of the project itself. In addition, the government has the potential to lose control of these projects.

4.5. The Right Financing Scheme

If only reflecting on the smart practices of Brazil, Malaysia and Tanzania and also projecting the budget for moving the capital city, there is no problem at all if the State Budget fully covers the cost of moving the capital city. From Table 2 that IDR 690 trillion is the total projection of the capital transfer budget, with IDR 420 trillion borne by the State Budget, and IDR 270 trillion borne by the private sector.

When compared to Indonesia's GDP in 2016 (USD 932 billion or equivalent to IDR 13,048 trillion), the total projected budget for capital transfers is equivalent to 5.28% of GDP, with 3.2% of GDP borne by the State Budget and 2.08% of GDP by the private sector. These figures are still reasonable compared to the smart practices of capital transfers by Brazil (2-3% of GDP), Malaysia (10.17% of GDP), and Tanzania (2.36% of old GDP transfers and 1.23% of GDP New GDP displacement).

Even so if the budget projection is compared to Indonesia's current fiscal space, as the discussion in point C, the fiscal space in the current State Budget is 20-22% of state expenditure, or the value of IDR 444-488.4 trillion. With consideration of the capital transfer plan to be implemented within a period of 30 years, the burden of moving the capital city per year in the State Budget is IDR 14 trillion (without taking into account the costs borne by the private sector) or IDR 23 trillion (if taking into account the costs borne by the private sector). This figure is only 3-4.7% of the current State Budget fiscal space.

However, the calculation for allocating the capital transfer budget is not as easy and simple as that. The explanation in point C has more or less illustrated the conditions that must be considered and the potential losses that must be borne by the government if it accommodates the complete relocation of the capital city to the State Budget.

Therefore, based on the nature of each of the existing infrastructure functions and the experiences and competencies of the resource persons, Tables 4 - 6 illustrate the three proposals for the proportion of capital relocation financing schemes. Basically, all resource persons agreed that main functions should be provided by the Government through State Budget. However, it is still possible to finance such functions by using Government-Business Cooperation scheme as other countries like South Korea and England have proved to do so. In terms of support and supporting functions, they all agreed that Government-Business Cooperation scheme ought to take a bigger role than the State Budget.

Table 4. Recapitulation Of Costs And Financing Scheme of Center Of Government Relocation (Version I)

<table>
<thead>
<tr>
<th>No</th>
<th>Function</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Main Functions (Legislative, Executive and Judicial Buildings)</td>
<td>IDR 40 trillion</td>
</tr>
<tr>
<td>2.</td>
<td>Support Functions (Housing for Low-Income Communities, Schools and universities, Hospitals and</td>
<td>IDR 300 trillion</td>
</tr>
<tr>
<td>No</td>
<td>Function</td>
<td>Cost</td>
</tr>
<tr>
<td>----</td>
<td>--------------------------------------------------------------------------</td>
<td>-----------------------</td>
</tr>
<tr>
<td></td>
<td>health centers, environmental security, and POLRI and TNI buildings</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Funded by Government-Business Cooperation:</strong> IDR 80 trillion (guarantee depends on investor)**</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1. Supporting Functions:</td>
<td>IDR 80 trillion</td>
</tr>
<tr>
<td></td>
<td>- Road construction (AP scheme);</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Construction of an Integrated Waste Treatment Plant (getting VGF);</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Drinking water treatment (getting VGF);</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Waste management (getting VGF); and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Drainage system and green open space (getting VGF)</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Financed by the private sector:</strong> IDR 270 trillion</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1. Land and Housing (for supporting economic actors)</td>
<td>IDR 50 trillion</td>
</tr>
<tr>
<td></td>
<td>2. Land and Flats / Apartments (Civil Servants and family)</td>
<td>IDR 220 trillion</td>
</tr>
</tbody>
</table>

Source: Compilation of authors

Table 5. Recapitulation Of Costs And Financing Scheme of Center Of Government Relocation (Version II)

<table>
<thead>
<tr>
<th>No</th>
<th>Fungsi</th>
<th>Biaya</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Funded by the State Budget:</strong> IDR 254.8 trillion</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1. Main Functions (Legislative, Executive and Judicial Buildings)</td>
<td>IDR 40 trillion</td>
</tr>
<tr>
<td></td>
<td>2. Support Functions (Community Health Center, Environmental Security, and Indonesian National Police and Military Buildings)</td>
<td>IDR 210 trillion</td>
</tr>
</tbody>
</table>
### Table 6. Recapitulation Of Costs And Financing Scheme of Center Of Government Relocation (Version lii)

<table>
<thead>
<tr>
<th>No</th>
<th>Function</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Support Functions (Housing MBR, Schools, Health Centers, Environmental Security, and Indonesian National Police and Military)</td>
<td>IDR294.4 trillion</td>
</tr>
<tr>
<td>2.</td>
<td>Land and Housing (for supporting economic actors)</td>
<td>IDR50 trillion</td>
</tr>
<tr>
<td>3.</td>
<td>Land and Flats / Apartments (Civil Servants and family)</td>
<td>IDR220 trillion</td>
</tr>
</tbody>
</table>

**Funded by the State Budget: IDR 294.4 trillion**

**Funded by Government-Business Cooperation: IDR 165.2 trillion (all received guarantees)**

- **IDR 4.8 trillion**
  - Housing MBR (getting VGF)
  - Schools and universities (AP scheme)
  - Hospital (AP scheme)

- **IDR 90 trillion**
  - Road construction (AP scheme);
  - Construction of an Integrated Waste Treatment Plant (getting VGF);
  - Drinking water treatment (getting VGF);
  - Waste management (getting VGF); and
  - Green open space (getting VGF)

**Financed by the private sector: IDR270 trillion**

- **IDR 75.2 trillion**
  - Housing MBR (getting VGF)
  - Schools and universities (AP scheme)
  - Hospital (AP scheme)

**Source:** Compilation of authors
1. Main Functions (Legislative, Executive and Judicial Buildings) IDR 40 trillion
2. Support Functions (Universities and Hospitals) IDR 5.6 trillion
3. Supporting Functions: IDR 80 trillion
   - Road construction (AP scheme);
   - Construction of an Integrated Waste Treatment Plant (AP and VGF scheme);
   - Drinking water treatment (AP and VGF schemes);
   - Waste management (AP and VGF schemes); and
   - Drainage system and green open space (AP and VGF schemes)

Financed by the private sector: IDR 270 trillion
1. Land and Housing (for supporting economic actors) IDR 50 trillion
2. Land and Flats / Apartments (Civil Servants and family) IDR 220 trillion

Source: Compilation of authors

5. Conclusions

Developing countries such as Brazil and Malaysia which were successful in moving the capital, and Tanzania, which is starting over the relocation, spent a lot of money executing the capital transfer project. About 1-3% of Brazil and Tanzania's GDP respectively, and 10% of Malaysia's GDP must be allocated to realize it.

Meanwhile, Brazil and Tanzania chose to allocate all funds from their state budget, or commonly referred to as traditional schemes. On the other hand, Malaysia chose to use a more sophisticated scheme: the Government-Business Cooperation scheme. In Indonesia's plan
which has projected the total amount of capital transfer costs to be borne by the State Budget of IDR 420 trillion, both schemes are possible to be implemented with their respective advantages and disadvantages.

Therefore, a combination of traditional schemes and Government-Business Cooperation is considered the most appropriate financing scheme to realize the implementation of the capital relocation to new regions. The proportion between the traditional scheme and the ideal Government-Business Cooperation varies in the views of the resource persons, depending on how they view each of the existing infrastructure functions.

There is one aspect that the Indonesian government should not forget referring to the successes and / or failures experienced by Brazil, Malaysia and Tanzania, namely the strong political will of the government. Brazil and Malaysia are considered successful by the international community because of the strong commitment of their leaders to conduct the plan. Poor government commitment resulted in Tanzania's failure to move the capital to Dodoma. This commitment can, among other things, be realized through the preparation of state documents as the basis for the transfer of the central city of government. If Brazil has Plano de Metas and Malaysia has Vision 2020 as the main foundation, on the other hand Tanzania does not have that. Indonesia should also be able to formulate the plan, both in the short-term, medium-term, long-term government plans, or at the level of statutory law.

References


The Development Analysis of Sharia Bank in Province of Aceh in Last Decade

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Abstract: The aim of this study is to provide a descriptive analysis of sharia commercial bank development in Province of Aceh during the last decade. This study collected and analyzed literatures to examine the written sources of scientific journals, books, encyclopedias, scientific articles and other sources that are relevant and related to the studied object. The object of this study is the form of texts or writings that describe and explain about the development of sharia commercial banks in Province of Aceh, Indonesia. The result of this study indicated that the development of sharia commercial bank in Province of Aceh has been increasing in the last decade. The number of sharia commercial banks who run their bussiness in Province of Aceh increased from 2 (two) banks in year of 2007 to be 10 (ten) banks in 2012 and finally became 12 (twelve) banks in 2017. The number of asset values always increased year by year, however sometimes the value of saving and deposit had some fluctuation of value on certain year but the value of saving and deposit for total of one decade increased. The number of credit values especially consumption credit value also increased significantly year by year. One of conventional bank namely Bank Aceh has been converted to sharia systema s Bank Aceh Syariah in 2016 and has been operating as the biggest sharia bank in Province of Aceh.

Keywords: sharia bank, conventional bank, banking, asset and saving

1. Introduction

Banking institutions in Indonesia have a very important and significant role for society and industry both for large, medium and small industries to establish the sustainable development process of the Republic of Indonesia. This is because the community and industry need a bank either for strengthening capital or saving money. To meet and improve the needs of the community, especially those who are moslem and provide a sense of security, comfortable transactions, so that the presence of islamic or sharia banks is one solution to increase trust in banking activities, especially in Indonesia.

Sharia banks are banks based on islamic economic systems (Faridah, 2011). The islamic or sharia economic system is currently being discussed in Indonesia. Sharia bank was initially established and developed as a response from economic groups and moslem banking practitioners who seek to accommodate the insistence of various parties who want the availability of financial transaction services carried out in line with the moral values and principles of islamic/sharia manners (Rasyid, 2018).

The development of sharia banks in Indonesia basically have enormous potential and opportunities (Marimin, Romdhoni and Fitria, 2015). Growth of bank assets proven that sharia banks are a bank model that is ideal for encouraging the economic progress in Indonesia. However, in terms of service quality, sharia banks must improve their services compared with conventional banks.
The establishment of sharia banks in Indonesia began with the opening of Bank Muamalat Indonesia (BMI) as the first syariah bank in 1992. Until next 6 years after its first opening, there was only one sharia bank operating in Indonesia. During the period of 1992 to 1998, there was no known islamic banking system, which was only recognized by banks with the principle of profit sharing (Indonesia, 1992). This resulted in stagnating the development of sharia banking in Indonesia during this period. After the issuance of a new regulation that accommodate regulations concerning sharia banks (Indonesia, 1998) and supported by the Bank Indonesia regulation (Indonesia, 1999), then other sharia banks were born and developed rapidly. Since then the operation of the islamic banking system in Indonesia has begun in the framework of the dual banking system which is carried out jointly, namely the islamic banking system and the conventional banking system. Both of these systems are implemented in synergy to support the mobilization of public funds more broadly and developing to improve the ability of financing for various sectors of the national economy. With the implementation of Sharia Banking Regulation concerning to sharia banking [7], the development of sharia banks in the future has greater business opportunities in Indonesia. With the growth of sharia banks in Indonesia, the sharia banks in Aceh Province have also developed. The first sharia bank in Aceh Province was Bank Muamalat Indonesia. After then islamic bank continued growing and developing in Aceh Province both sharia commercial banks, sharia business units and sharia rural banks. The development of sharia commercial banks is also supported by the implementation of islamic shari’a law in the Province of Aceh, as well as the Indonesian people are also now more aware of riba when using conventional bank services.

With the increasing the enthusiasm of the people of Aceh Province, who are mostly moslems to use islamic banking services and based on the development of sharia banks, both sharia commercial banks, sharia business units and sharia rural banks, the authors were interested in conducting research related to sharia banking to see how the development of sharia commercial banks in Aceh Province. This research was limited to the development of sharia commercial banks for the last decade (2007-2017).

2. Literature Review

2.1. Definition of Sharia Banks

According to Sharia Banking Regulation (Indonesia, 2008), islamic or sharia banking is all things related to islamic banks and sharia business units which include institutions, business activities, up to the process of implementing its business activities. Sharia banks are banks that carry out business activities based on sharia principles or islamic law principles which are regulated in the fatwa of the Indonesian Ulema Council such as the principles of justice and balance (’adl wa tawazun), kemastalahatan (maslahah), universalism (alamyah) and do not contain gharar, maysir, riba and illicit objects (OJK, 2018).

2.2. Function of Sharia Bank

According to (Antonio, 2010), the function of sharia banks is divided into four, namely:

- The function of bank as investment management, sharia bank acts as investment manager of fund owners (shahibul maal) from collected funds (commonly called depositors/savers).
The function of the bank as an investment, sharia bank invests the stored funds (bank owner's funds or investment account funds) by using investment tools in accordance with the sharia.

Functions of sharia bank as financial services. Islamic bank can also offer various other financial services based on fee based in a representative or leasing contract. For example: warranty, wire transfer, L/C and others.

Functions of sharia bank as social services. Islamic banking requires carrying out social services that can be through qardh funds, zakat funds or social funds in accordance with islamic rules.

3. Research Methodology

The data collection methods that used in this study included: (1). Through library review (2). Accessing related websites and sites and (3). Collecting data directly through Bank Indonesia of Banda Aceh branch office. Literature research is one way to obtain data by reading literature and books related to the problems studied. While the data needed to be analyzed in this study was obtained directly from the Statistik Perbankan Syariah (SPS) website which can be accessed through their website (StatistikPerbankan Syariah, 2018) and others data obtained from Bank Indonesia of Banda Aceh branch office. Data collected includes the number of sharia commercial banks in Indonesia and in Aceh Province year to year, the number of assets, the amount of funds from third parties and the amount of financing of all sharia commercial banks that are operating in Aceh Province. The data from sharia commercial banks in the Province of Aceh were then tabulated in tables and figures and analyzed to understand the development of sharia commercial banks year to year during the period 2007 – 2017 in Aceh Province.

4. Results And Discussion

Bank Muamalat Indonesia (BMI) that was established in 1991 was the first islamic bank in Indonesia. The bank was initiated by the Indonesian Ulema Council, the Association of Indonesian Moslem Scholars (ICMI), Moslem businessmen and government. Unfortunately, the bank was less popular and its performance was stagnant, but it was only after the economic crisis and reformation, Bank Muamalat has begun to be considered by customers (Marimin, Romdhoni and Fitria, 2015).

Bank Indonesia of Banda Aceh branch office assessed that islamic banking business has the potential to grow in Aceh Province. Aceh has many components to support the progress of the islamic banking business such as in terms of natural wealth and the Special Economic Zone (KEK) of Arun. In addition, Aceh Province has the largest APBN allocation in Sumatra Island for infrastructure development and also receives the sixth largest APBD in Indonesia. In addition, Aceh also has a complete tourism potential from mountains, sea to religious tourism (Ganto, 2018).

During 2007 to 2017 the sharia banks in Aceh Province developed rapidly. This can be seen in terms of the increase number of sharia commercial banks in Aceh Province as can be seen in the following figure.
Fig. 1 shows that the number of sharia commercial banks in Aceh Province continued to increase in the last ten years (2007 - 2017). There were only 2 (two) sharia commercial banks in 2007, namely PT. Bank Muamalat Indonesia and PT. Bank Syariah Mandiri out of 3 (three) sharia commercial banks that have been established in Indonesia (PT. Bank Syariah Mandiri, PT. Bank Mega Syariah and PT. Bank Muamalat Indonesia). Fig. 1 shows that each year the number of sharia commercial banks in Aceh Province increased with the increase of sharia commercial banks in Indonesia.

After 10 (ten) years (in 2017) the number of sharia commercial banks in Aceh Province increased by 9 (nine) banks, to be 11 (eleven) banks namely: PT. Bank Aceh Syariah, PT. Bank Muamalat Indonesia, PT. Bank BRISyariah, PT. Bank BNI Syariah, PT. Bank Syariah Mandiri, PT. Bank Mega Syariah, PT. Bank Syariah Bukopin, PT. BCA Syariah, PT. Maybank Syariah Indonesia and PT. Bank Tabungan Pensiunan Nasional Syariah. While Sharia commercial banks operating in Indonesia in 2017 consisted of 13 (thirteen) banks, namely PT. Bank Aceh Syariah, PT. Bank Muamalat Indonesia, PT. Bank Victoria Syariah, PT. Bank BRI Syariah, PT. Bank Jabar Banten Syariah, PT. Bank BNI Syariah, PT. Bank Syariah Mandiri, PT. Bank Mega Syariah, PT. Panin Dubai Syariah Bank, PT. Bank Syariah Bukopin, PT. BCA Syariah, PT. Maybank Syariah Indonesia and PT. Bank Tabungan Pensiunan Nasional Syariah. In other words, only 2 (two) sharia commercial banks that have not operated in Aceh Province, namely PT. Bank Victoria Syariah and PT. Bank Jabar Banten Syariah.

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of sharia commercial banks in Aceh Province</th>
<th>Percentage of sharia commercial banks in Aceh Province (%)</th>
<th>Number of sharia commercial banks in Indonesia</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>2</td>
<td></td>
<td></td>
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<tr>
<td>2008</td>
<td>3</td>
<td></td>
<td></td>
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<td>2009</td>
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<td>2010</td>
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<td>2011</td>
<td>6</td>
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<td></td>
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<tr>
<td>2012</td>
<td>7</td>
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<td></td>
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<td>2013</td>
<td>8</td>
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<td>2014</td>
<td>9</td>
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<td>2015</td>
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<tr>
<td>2016</td>
<td>11</td>
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<tr>
<td>2017</td>
<td>12</td>
<td></td>
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</tbody>
</table>
Based on Table 1, it can be identified that the development of Islamic commercial banks in Aceh Province was very good. One of the causes of the increase of Sharia commercial banks in Aceh Province is that the population of Aceh Province, which is almost 100% Muslim, realized that saving in conventional commercial banks is 'riba', so they are very enthusiastic to save their money in Sharia commercial banks. Table 1 also explains that after the presence of 2 Sharia commercial banks namely PT. Bank Muamalat Indonesia and PT. Bank Syariah Mandiri in 2007 and 2008, the development of Sharia commercial banks in Aceh Province gradually grew that marked by the increase of Sharia commercial banks to be 3 (three) banks in 2009, which was also in line with the increase the number of Sharia commercial banks in Indonesia that had become 6 (six) banks in 2009 from the previously 3 (three) banks in 2007 and 5 (five) banks in 2009. In 2009, the percentage of Sharia commercial banks operating in Aceh Province was half (50%) of those operating in Indonesia. Of course this percentage is quite good compared to 40% in 2008.

In 2010, the development of Sharia commercial banks in Indonesia experienced a very rapid development compared to the previous year (2007-2009), where in 2010 in Indonesia there were 11 (eleven) Sharia commercial banks or 2 times more than year of 2008 - 2009. From this data it can be said that the number of Sharia commercial banks in Indonesia experienced a sharp increasing in 2010. However, this rapid development has not yet taken place directly on the same year in Aceh Province where it can occur due to the process of infrastructure development and maturation and the development of the system from the Sharia commercial bank itself and also requires a year or more to be stabilized. This can be seen from Table 1 where since 2011 the development of Sharia commercial banks in the Province of Aceh has experienced a very rapid development, namely from the number of 5 (five) banks in 2010 to be twice in 2011, namely to be 10 (ten) banks (increase up 100%). It can be said statistically that in 2011 the percentage of Sharia commercial banks in Aceh Province compared to in Indonesia became very large, namely 91% compared to the previous year that was only 45%. Between 2010 and 2013 the number of Sharia commercial banks in Indonesia was same that only 11 Sharia commercial banks. The addition of one new Sharia commercial bank occurred on the following year with the establishment of PT. Bank Tabungan Pensiunan Nasional Syariah in 2014 and PT. Bank Aceh Syariah in 2016. PT. Bank Aceh Syariah was previously a conventional bank of PT. Bank Aceh. The Aceh Provincial Government suspended the operation of conventional banks following the passing of regional regulations or what is often called the Qanun, namely *Hukum Jinayah* Qanun [13] and *Sistem Produk Jaminan Halal* Qanun [14]. The closure of the conventional bank was carried out based on the conventional bank system that was considered to be 'riba', whereas it was contradictory to the

<table>
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<tr>
<th>Year</th>
<th>Sharia</th>
<th>Total</th>
<th>Islamic</th>
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<tbody>
<tr>
<td>2007</td>
<td>2</td>
<td>67</td>
<td>3</td>
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<td>2008</td>
<td>2</td>
<td>40</td>
<td>5</td>
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<td>2009</td>
<td>3</td>
<td>50</td>
<td>6</td>
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<td>2010</td>
<td>5</td>
<td>45</td>
<td>11</td>
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<td>2011</td>
<td>10</td>
<td>91</td>
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<td>100</td>
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<td>2014</td>
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<td>92</td>
<td>12</td>
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<td>2015</td>
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<td>92</td>
<td>12</td>
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<tr>
<td>2016</td>
<td>11</td>
<td>85</td>
<td>13</td>
</tr>
<tr>
<td>2017</td>
<td>11</td>
<td>85</td>
<td>13</td>
</tr>
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Source: Processed data of SPS and Bank Indonesia
Acehnese law that applied the shari'a perfectly \( (kaffah) \) [15]. Meanwhile, from 2013 to 2015 the number of sharia commercial banks in Aceh Province did not increase. There were still 11 (eleven) banks even though there were already 12 (twelve) sharia commercial banks in Indonesia. The new addition occurred in 2016, when Bank Aceh changed from a conventional system to sharia system and the name of the bank became PT. Bank Aceh Syariah.

Table 1 shows that sharia commercial banks in Aceh Province continued growing year by year. One example of a significant development was when the Bank of Aceh changed to Bank Aceh Syariah on 19 September 2016 based on the Decree of the OJK Board of Commissioners Number. KEP-44/D.03/2016 dated September 1, 2016 regarding the granting of permits for changes in business activities of conventional commercial banks to become sharia commercial banks of PT Bank Aceh Syariah [16]. The idea of converting Bank Aceh from a conventional bank to sharia bank was one of the monumental breakthroughs carried out by the Government of Aceh as a major shareholder with district/city governments as other shareholders to build an islamic-based economic system so that it was free of \( riba \). Conversion options are also a strategic step in improving the performance of Bank Aceh in the future long term [16]. After being transformed into Bank Aceh Syariah, Bank Aceh Syariah recently won the Infobank Award 2018 and received a 'very good' award for financial performance in 2017. After two years of conversion into a sharia commercial bank, the financial performance of Bank Aceh Syariah continued to show a positive trend. The Infobank Award 2018 is one of the proofs of the consistency of Bank Aceh as a Regional Bank that is increasingly being calculated at the level of the national sharia commercial bank after converting to Islamic banks two year ago. This was stated by Bank Aceh Corporate Secretary Mr. Amal Hasan in a newspaper, stating that "the conversion made by Bank Aceh is the right decision to improve populist-based regional economy with the concept of Islamic economics and we hope that other banks can follow in the footsteps of Bank Aceh in order to advance the system Islamic economy in Indonesia". In addition, the conversion made by Bank Aceh continued to show a positive trend not only in terms of financial performance as well as in terms of its existence which is certainly supported by loyal customers of the Bank Aceh and the people of Aceh. For the period of December 2017 total assets reached 22.7 trillion rupiah with profit profitability of 532 billion rupiah while total financing reached 12.84 trillion rupiah, total deposits reached 18.50 trillion rupiah [17]. In general, the financial performance at the end of 2017 was very encouraging [18]. Another example of the increasing development of sharia commercial banks in Aceh is starting on December 11, 2017, all services and operational activities of Permata Bank's conventional of Banda Aceh branch office are officially closed. While all services and operational activities of the Permata Syariah Bank office in Banda Aceh continued to operate as usual (Permata Bank Tutup Cabang Konvensional di Banda Aceh, Dialihkan ke Syariah - Serambi Indonesia, 2017). Apart from the above indicators, the development of sharia commercial banks in Aceh Province can also be seen from Table 2 below.

Table 2. Development of Assets, Third Party Funds and Financing of Sharia Commercial Banks in Aceh Province (in millions Rupiah)

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<tbody>
<tr>
<td>Assets</td>
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<td></td>
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<tr>
<td>Quarter of 1, 2, 3 and 4</td>
<td>4.797.543</td>
<td>035.72</td>
<td>6.997.459</td>
<td>473.78</td>
<td>12.199.664</td>
<td>15.440.000</td>
<td>19.338.670</td>
<td>839.77</td>
<td>1</td>
<td>19.461.000</td>
<td>59.073.872</td>
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<td>Third Party Funds</td>
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</thead>
<tbody>
<tr>
<td><strong>Giro Wadiah</strong></td>
<td>1,415.</td>
<td>456.5</td>
<td>93.</td>
<td>819.4</td>
<td>69.</td>
<td>4.90</td>
<td>11.60</td>
<td>1.446.5</td>
<td>49.</td>
<td>2,125.5</td>
<td>88.</td>
</tr>
<tr>
<td><strong>Deposito Mudharabah</strong></td>
<td>1,257.</td>
<td>10.38</td>
<td>4.6</td>
<td>1,065</td>
<td>4.3</td>
<td>0.38</td>
<td>19.</td>
<td>2,187.2</td>
<td>74.</td>
<td>2,792.3</td>
<td>11.</td>
</tr>
<tr>
<td><strong>Mudharabah &amp; Wadiah</strong></td>
<td>1,420.</td>
<td>378.6</td>
<td>25.</td>
<td>1,970</td>
<td>2.42</td>
<td>152.4</td>
<td>16.</td>
<td>3,471.4</td>
<td>44.</td>
<td>3,810.3</td>
<td>16.</td>
</tr>
<tr>
<td><strong>Saving</strong></td>
<td>630.</td>
<td>6310</td>
<td>25.</td>
<td>1,243</td>
<td>4.42</td>
<td>2.15</td>
<td>3.74</td>
<td>3,417.4</td>
<td>44.</td>
<td>3,810.3</td>
<td>16.</td>
</tr>
</tbody>
</table>

**Financing**

| Working Capital         | 220.64 | 72.73 | 945.9 | 78.   | 461.99| 4.    | 2,549.9| 25.   | 2,917.7| 43.   |
| Investment              | 101.83 | 75.02 | 379.3 | 45.   | 22.50 | 7.    | 503.33 | 7.    | 737.86 | 7.    |
| Consumption             | 410.35 | 41.28 | 1,628 | 517.  | 945.83| 83.   | 5,584.7| 83.   | 6,717.6| 73.   |

Source: Processed data of Bank Indonesia [12]

From the Table 2 we found three important things in assessing the performance of a bank, namely:

- **Assets**
  Assets are an important part of a company. With the assets owned by the company, businesses can continue to operate smoothly. From Table 2 it can be seen that starting from 2007 to 2017 assets of sharia commercial banks increased, this is one indication that the development of sharia commercial banks in Aceh Province is headed in a good direction.

- **Fund from Third Party**
  According to (Kasmir, 2014), third party fund is funds that come from the public/community and are the most important source of funds for bank operations. Judging from the above table, third party funds consist of wadiah demand deposits, mudharabah deposits and savings. The numbers listed on the wadiah demand deposit experienced an increase and decrease, but the increase and decrease were not too significant that indicating Acehnese who used the wadiah deposit service were sometimes in a few numbers and sometime in many numbers of customers. As for mudaraba deposits increased every year, even from 2014 the amount of these deposits increased significantly. This shows that the public trust in using deposit services at sharia commercial banks continues to increase. With the increase in mudharabah deposits each year, sharia banks continue to grow. Other third party funds are savings, where from Table 2 it can be seen that sharia commercial bank savings continue to increase significantly each year. The increasing development of savings showed that the public interest in saving in sharia commercial banks is getting better which automatically shows that sharia commercial banks are increasing in Aceh Province.

- **Financing**
  Financing can also be used as an indicator to see the development of sharia commercial banks. From Table 2 it can be seen that the financing of working capital, investment and consumption has increased every year, especially consumption financing. This shows that the development of sharia commercial banks also increased due to the public's trust in taking financing at sharia commercial banks as well.
5. Conclusion

The number of sharia commercial banks in Aceh Province has increased from year to year from only 2 (two) banks in 2007 to 12 (twelve) banks in 2017. Besides the growing number of sharia commercial banks, the development of sharia commercial banks in Aceh Province is also growing rapidly which was marked by the increase of assets, third party funds and the financing from these 12 (twelve) sharia commercial banks operating in Aceh Province over the past decade.

References

Financial Performance Assessment of LQ45 Companies using DuPont Analysis during the Period of 2013-2017

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Abstract: The financial performance of a listed company will affect the market sentiment on the company. Therefore, financial performance needs to be assessed periodically and in detail. The study aims to assess the financial performance of LQ45 listed companies using DuPont analysis, which provides an in-depth review by decomposing Return of Equity (ROE). 34 companies are selected purposively as samples, and secondary data is sourced from the financial statements for the period of 2013-2017. Results showed the majority of LQ45 companies had relatively poor performance based on ROE, which was attributed to the value of profit margin, total assets turnover, and equity multiplier that fluctuates. It is recommended the company should increase its asset productivity in generating business profit through increased sales. Government interventions to create a conducive business environment are also needed.

Keywords: LQ45, DuPont analysis, ROE, NPM, TATO, EM

1. Introduction

The financial performance achieved by a company during a certain period, especially those listed in the capital market, is one of the fundamental factors that shape investor or market sentiment towards the company. If the company is able to demonstrate the performance of its financial resource management effectively and efficiently, which results in the achievement of high profits, then encourages the creation of positive market sentiment and higher firm value (Fuad, Nurbaya and Amirullah, 2011; Brigham and Houston, 2013; Liembono, 2016). Information about the company's performance shown in the audited financial statements will also be a reference for investors in the process of making investment decisions rationally, mainly related to the risk probabilities they bear (Agala, Jadhav and Borhade, 2014; Doorasamy, 2016). Therefore, the effort to evaluate the financial performance achieved is an obligation that is carried out by the listed companies.

This study uses a case study on public companies that are members of the LQ45 group, namely a group of 45 issuers that primarily have the largest capitalization and most liquid stocks. IDX authorities routinely monitor the performance of the LQ45 group every three months, because they often become a reference for the overall capital market performance and...
can shape market perceptions. Unfortunately, recent phenomena indicate a decrease in performance from LQ45 companies. The investigation results showed a downward trend in the LQ45 index, and along with that there was a decline in the year-to-date IHSG Index, during the period February to April 2018 (Fig. 1). Information on the figure stated that during the three months there was a decrease in the LQ45 index of 4,907 points or 0.538 percent; and accompanied by a decline in the IHSG index of 20,348 points or 0.348 percent.

The downward trend in the LQ45 index can create negative sentiment on the market toward the growth prospects of exchange market. The decline in the index also shows more LQ45 shares that have prices below the moving average price for the last 200 days (MA200) (Maulana, 2018b, 2018a). Stocks that have prices below the MA200 are considered to be experiencing a downward trend or bearish (Maulana, 2018b). This situation could cause investors to divert funds from the capital market to other financial instruments such as banking or forex markets. Thus, the financial performance of the LQ45 group is important to be analyzed so that weaknesses can be identified and immediately responded through the right strategy to improve its performance.

DuPont analysis, which is often referred to as 'DuPont Identity', is one of the methods used to evaluate the operational performance of corporate financial management. Since the initial development of the model by Donaldson Brown in its internal efficiency report, and subsequently the model was used by DuPont Corporation in the 1920s, DuPont analysis is widely used as a fundamental measurement framework of company financial performance (Lesmana, 2012; Sheela and Karthikeyan, 2012; Phillips, 2015), due to in this analysis includes elements of sales, assets used, and profits generated by the company (Atmaja, 2008; Syamsuddin, 2011; Lianto, 2013). DuPont analysis is a theoretical-based assessment framework, comprehensive analysis techniques, described in simple model, and linking operational aspects of the company (Gitman and Zutter, 1989; Soliman, 2008; Munawir, 2014). Several studies suggest that the superiority of DuPont analysis is combining operational measurement (profitability and efficiency) and financing measurement (leverage) in the model, which facilitating the identification of significant strengths and weaknesses in corporate financial management (Liesz, 1996; Nissim and Penman, 2001; Liesz and Maranville, 2008; Soliman, 2008). In the implementation of evaluating earning power of the firm, DuPont analysis can be done through a technique comparing the ratio value between one period to another period for a company, or by comparing the ratio value achieved by one company to that achieved by another company in the same or different industry sector.

\[ \text{DuPont Analysis} = \frac{\text{Net Income}}{\text{Total Assets}} = \frac{\text{Net Income}}{\frac{\text{Sales} - \text{Cost of Goods Sold}}{\text{Total Assets}}} \]
The initial model of DuPont analysis uses elements from Return on Assets (ROA), namely net profit margin and total asset turnover. In 1970s, the ratio modified into Return on Equity (ROE) which included a total assets to equity ratio. ROE states that investors' returns can receive from the firm, or is a ratio that shows how much profit the company can make from each nominal of money invested by shareholders (Brigham and Houston, 2013; Doorasamy, 2016; Rahman and Mia, 2018). The higher the value of this ratio indicates the better the financial performance of the company. In the implementation procedure, DuPont model decomposes ROE into three distinct elements, i.e.: (1) Operating efficiency which is measured by net profit margin (NPM); (2) Assets use efficiency which is measured by total asset turnover (TATO); and (3) Financial leverage which is measured by Equity Multiplier (EM) (Phrasasty and Azizah, 2013; Ivan and Noveria, 2014; Mohideen and Parveen, 2014; Doorasamy, 2016). Through this procedure, DuPont analysis is useful to identify how company productively use its assets, and to measure cash flows from the company.

This study aims to measure the financial performance of listed companies that are included in the LQ45 on the Indonesia Stock Exchange (IDX) for the period of 2013-2017. To achieve the objectives, the performance measurement was conducted through DuPont analysis using ROE framework that decomposes into NPM, TATO and EM. Primary analysis is also carried out by comparing the value of the ratio between periods of each company analyzed and comparing the value of the ratio between the companies. Results from the study will provide important and relevant information for investors, financial analysts, and others in their investment decision process in stock exchange. In particular, this study will help policy makers of the selected companies in the identifying of their companies' financial strengths and weaknesses, creating profit from related factors, and taking corrective actions in effort to achieve high performance and maximize their firms' value.

2. Methodology

This descriptive study aims to describe the facts identified related to the financial performance achieved by LQ45 companies in IDX for the period of 2013-2017 (Kuncoro, 2009; Soewadji, 2012). 34 companies was selected as samples using purposive sampling method, which based on criteria that the samples are active companies on IDX, publish audited financial statements regularly, and always included in the LQ45 group during the study period (Sekaran and Bougie, 2013; Sugiyono, 2015). Secondary data in the form of financial statements (that is: balance sheet and income statement) during the study period of each sample, collected using the documentation method through www.idx.co.id

Data Analysis

Data analysis method uses DuPont system, where performance appraisal is based on ROE ratio which states the company's ability to generate returns based on management of the investors' equity (Gitman and Zutter, 1989; Syamsuddin, 2011). In the analytical procedure, ROE decomposes into three primary elements. Thus, ROE is calculated by multiplying all three primary elements (Sheela and Karthikeyan, 2012; Phrasasty and Azizah, 2013; Mohideen and Parveen, 2014).

The first element is NPM that measures a company's ability to generate net income based on sales obtained; the higher the value of this ratio means the higher the company's ability to generate profits (Brigham and Houston, 2013; Ivan and Noveria, 2014). NPM is calculated by
dividing net profit after interest and tax on company sales (Sheela and Karthikeyan, 2012; Phrasasty and Azizah, 2013; Munawir, 2014).

TATO is the second element of analysis that serves to measure how effective the company's actions are in utilizing all its resources; the higher the value of ratio means the higher the company's ability to generate sales efficiently through the management of its assets (Atmaja, 2008; Lubis, Zulkifi and Saputri, 2015; Rahman and Mia, 2018). The TATO formula is the number of net sales divided by the total assets of the company (Lianto, 2013; Tarmizi and Marlim, 2016).

The third element is EM which states the proportion of debt and equity use in financing company activities; the higher the value of this ratio indicates the company has been using more debt than equities in its total assets (Gitman and Zutter, 1989; Lesmana, 2012; Brigham and Houston, 2013). The ratio is calculated by dividing company's total assets by total equity (Sheela and Karthikeyan, 2012; Phrasasty and Azizah, 2013; Doorasamy, 2016; Rahman and Mia, 2018).

The conclusions of the analysis were achieved by comparing the change of each ratio value between the initial period to the end of period of a company, and by comparing the ratio value achieved by one company to that achieved by another company in the sample group of this study (Sheela and Karthikeyan, 2012; Ivan and Noveria, 2014; Lubis, Zulkifi and Saputri, 2015; Doorasamy, 2016).

3. Results And Discussion

In this section, the results of DuPont systems are first described in relation to trend analysis of elements of NPM, TATO, EM, and ROE. Furthermore, the results are then discussed together with the theoretical foundation and findings of previous studies to obtain conclusions that meet the objectives of this study.

3.1. Results

The calculation results for each ratio of NPM, TATO, EM and ROE, are summarized in Tables 1-4. The description of each of these ratios as follows.

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Based on Table 1, by comparing the achievement of changes in the NPM ratio during the period of 2013-2017, 23 LQ45 companies were identified as having experienced a decrease in NPM; while only 11 companies succeeded in increasing the achievement of NPM scores. The highest positive change (or increase) in NPM was achieved by PT. Hanson International Tbk. (MYRX) of 60.60 percent; while the highest positive change (or decrease) in NPM was experienced by PT. Perusahaan Gas Negara (Persero) Tbk. (PGAS) of minus 24.67 percent. This result indicates that the majority of LQ45 companies during the study period experienced a decrease in the ability to obtain net income through sales generated.

**Table 2.** Trend of TATO Ratios of LQ45 Companies in IDX during the Period of 2013-2017 (in times)

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Based on Table 2, by comparing the achievement of changes in the TATO ratio during the period of 2013-2017, 28 LQ45 companies were identified as having experienced a decline in TATO; while only 6 companies succeeded in increasing the TATO value achieved. The highest positive change (or increase) in TATO was achieved by PT. Gudang Garam Tbk. (GGRM) of 0.16 times; while the highest negative change (or decrease) in TATO was experienced by PT. Waskita Karya (Persero) Tbk. (WSKT) of minus 0.64 times. This result indicates that the majority of LQ45 companies during the study period are not using all the assets or resources they have efficiently in effort to generate sales or return, and this condition can raise problems in their business management.

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Based on Table 3, by comparing the achievement of changes in the EM ratio during the period of 2013-2017, 19 LQ45 companies were identified as having experienced a decline in EM; while 15 companies succeeded in increasing the achievement of EM values. The highest positive change (or increase) in EM was achieved by PT. Matahari Department Store Tbk. (LPPF) of 6.09 times; while the highest negative change (or decrease) in EM was experienced by PT. Bank Central Asia Tbk. (BBCA) of minus 2.05 times. This result indicates that the majority of LQ45 companies during the study period begin to increase the use of equity obtained from shareholders and reduce the use of debt to finance their total assets.

Table 4. Trend of ROE Ratios of LQ45 Companies in IDX during the Period of 2013-2017 (in times)

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Based on Table 4, by comparing the achievement of changes in the ROE ratio during the period of 2013-2017, 23 LQ45 companies were identified as having experienced a decrease in ROE; while only 11 companies managed to increase ROE value. The highest positive change (or increase) in ROE was achieved by PT. Matahari Department Store Tbk. (LPPF) of 228.24 percent; while the highest negative change (or decrease) in ROE performance was experienced by PT. Hanjaya Mandala Sampoerna Tbk. (HMSP) of minus 39.76 percent. These results indicate that the majority of LQ45 companies during the study period experienced decreased ability to generate returns through the management of their equity obtained from shareholders, and the condition can lead to negative sentiment towards the company's growth prospects.

3.2. Discussion

DuPont analysis is a detailed description of ROE as one of the company's profitability performance indicators. ROE is a ratio that shows the company's ability to generate returns for its shareholders. This analysis is considered important to be conducted periodically, especially for LQ45 companies, to identify strengths and weaknesses in their financial management in order to establish the right strategy to respond. In this study, DuPont systems used to decompose ROE into three primary elements, which are NPM (operating efficiency), TATO (asset use efficiency), and EM (financial leverage). This procedure is similar to that performed by (Sheela and Karthikeyan, 2012; Phrasasty and Azizah, 2013; Tarmizi and Marlim, 2016) in their study.

The analysis of ROE shows that the majority of LQ45 companies experience a decrease in profitability performance or the ability to generate return from the management of each nominal of money invested by shareholders (Brigham and Houston, 2013; Doorasamy, 2016; Rahman and Mia, 2018). Of the total 34 samples, only 11 companies or 32.35 percent were able to increase the ROE value or improve their profitability performance throughout the 2013-2017 period; while 23 other LQ45 companies or 67.65 percent were considered to have failed or experienced a decline in ROE value in 2017 compared to that achieved in 2013. The decline in ROE-based financial performance experienced by the majority of LQ45 companies could lead to an unfavorable assessment of investors regarding business growth prospects, and subsequently can create negative market sentiment towards overall capital market activity due to the value of the LQ45 index plays an important role in the IHSG index. DuPont systems are useful to analyze in depth whether the decrease in ROE is due to normal business operational activities such as a result of a large depreciation value, or the effect of a decrease in profit
Based on the results of the analysis, the main problem faced by the majority of LQ45 companies related to the decrease in ROE is the decline in TATO ratio. In other words, the results stated that the decrease in the profitability performance of the LQ45 company was due to a decrease in their ability to efficiently use the total assets held in an effort to produce an increase in sales value (Soliman, 2008; Ivan and Noveria, 2014; Mohideen and Parveen, 2014). Table 2 shows that out of a total of 34 samples, only 6 LQ45 companies or 17.65 percent were able to increase the TATO value or improve the efficiency performance of the use of total assets held during the study period; while 28 other LQ45 companies or 82.35 percent are considered to fail or experience a decline in TATO value in 2017 compared to 2013. Thus, to increase ROE performance, the LQ45 companies must establish the strategies that encourages increased asset turnover. The strategies such as intensifying marketing strategies to increase product sales without adding assets; liquidate assets that are not productive, obsolete or not used; asset lease instead of buying them because the assets leased are not considered as fixed assets so they do not increase the value of total assets; find ways to improve the efficiency of asset use such as retraining the machine operators, updating machines with types that are able to produce more output, using a computerized system so the performance of machines and human resources are easily evaluated; and to improve the management of working capital, as accelerating the collection of receivables using the billing system via banking or hiring contract workers to collect money; or, designing a better inventory (raw materials, semi-finished goods or finished goods) control system. If the company is able to enhance its asset turnover, it is hoped that it can generate sales value, and further increase the return that can be shared to shareholders.

The next disadvantage faced by the majority of LQ45 in relation companies with a decrease in ROE is the decline in the value of the NPM ratio, which is the decline in their ability to generate net income based on sales (Brigham and Houston, 2013; Ivan and Noveria, 2014; Munawir, 2014). Table 1 shows that during the study period, only 11 companies of 34 samples or 32.35 percent were able to increase NPM or increase the amount of net income obtained from the total net sales generated; while 23 other LQ45 companies or 67.65 percent experienced a decrease in the NPM value in 2017 compared to that achieved in 2013. To anticipate the problem of the NPM reduction, in an effort to increase ROE, there are several alternative strategies that LQ45 companies can do. The first strategy is to strive to enhance asset turnover, for example shortening delivery time at customers, because this effort reduces the overhead cost per product unit and increases the profit margin received. The next strategy is to increase the price of products sold, but this effort must be accompanied by an increase in service quality (including the after after-sales services), because it is very vulnerable to consumer rejections that are price sensitive. The third alternative is refocus the market, where companies only serve certain customer segments that are considered loyal and ignore unprofitable customers, or only provide a number of types of products that are quickly sold on the market. The fourth strategy that can be done is that companies streamline the organization and only employ reliable and deft employees, do not facilitate overtime hours for employees, and provide rewards based on the performance of product unit sales per customer, resulting in productive daily working hours and reduced unnecessary costs or expenses that can reduce the profits obtained. If the company is able to enhance the net profit margin, it can increase the amount of return that can be distributed to shareholders, and is expected to create positive sentiment from investors on the prospects of the company's growth.
The latest findings identified in DuPont analysis to respond to the decrease in ROE from LQ45 companies is a decline in EM value, which means that the majority of LQ45 companies in 2017 increasingly enlarge the portion of the use of equity obtained from shareholders rather than debt to finance their total assets (Gitman and Zutter, 1989; Lesmana, 2012; Brigham and Houston, 2013). Table 3 shows that out of 34 samples, 15 companies or 44.12 percent implemented policies to increase the portion of debt in financing their total assets throughout the study period; while 19 other LQ45 companies or 55.88 percent oriented towards reducing the debt portion and increasing the use of equity in financing their assets in 2017 compared to 2013. There is a tendency of the majority of LQ45 companies to increase the use of equity rather than debt in funding their total assets can be a signal positively related to the independence of the company and reduce dependence on debt in its business activities; but has the consequence of lowering the value of the EM ratio. To increase the EM value, the LQ45 companies are advised to increase the portion of its debt capital in total assets. The important thing to remember is that the use of debt can increase default risk or bankruptcy risk for the company, or create additional liabilities such as interest expenses which erode the profits earned from sales. However, the use of productive and targeted debt becomes leverage for the creation of competitiveness and the improvement of the company’s profitability performance, and to maximize the return for shareholders.

After all, the alternative strategies implemented by the LQ45 company should be supported by relevant parties. Intervention by the government as the authority of national economic through related institutions, both in the form of facilities and infrastructure, as well as the determination of various economic policies, that support the competitiveness of LQ45 companies and encourage their profitability performance, are also urgently needed.

Nonetheless, the main limitation in this study is to conduct the DuPont analysis on groups of companies from different industry. As warned by (Chang, Chichernea and HassabElnaby, 2014) and (Fairfield and Yohn, 2001) that this type of analytical effort has weaknesses in general conclusions or determining the proper solutions or strategies due to the existence of a number of companies that have unique characteristics. For example, the existence of special characteristics in the form of strict financial regulation in the banking sector can raise biases on conclusions or policy recommendations when compared to labor-intensive industrial sectors. Therefore it is recommended for the next researcher to concentrate DuPont analysis of companies in the same industrial sector, so the findings can produce conclusions that be applied generally to the group.

Efforts to analyze using the DuPont system are also recommended for subsequent researchers to decompose NPM into three sub-elements, namely EBIT Margin, Interest Burden, and Tax Burden. Thus, the modified model of DuPont includes five elements, that is three sub-elements of NPM, TATO and EM. As suggested by (Rahman and Mia, 2018), through this formula can be obtained a deeper understanding of the points of strength and weakness of the company in managing its financial performance.

4. Conclusions

The results of DuPont’s analysis of 34 LQ45 companies that were sampled concluded that during the study period: (a) 23 companies experienced a decrease in NPM values, while 11 companies experienced an increase in the value of NPM; (b) 28 companies experienced a decrease in TATO value, while 6 companies experienced an increase in TATO value; (c) 19 companies experienced a decline in EM value, while 15 companies experienced an increase in EM value; and, (d) 23 companies experienced a decrease in ROE values, while 11 companies
experienced an increase in ROE values. Thus, the results of DuPont's analysis identified that the majority of LQ45 companies experienced a decline of ROE-based performance, and were judged primarily due to the decline in TATO they achieved; namely, they are not able to efficiently manage all assets or resources owned to generate a high net sales amount.

References


Study of Factors Inhibiting the Business of Batik and Ulos Craftsmen in North Sumatra

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Abstract: North Sumatra is one of the provinces in Indonesia that is rich in ethnic and cultural diversity. One of them is cloth ulos and batik cloth typical of North Sumatra ethnic. However, the business of batik cloth and ulos is not well developed and has not been able to master the national market. This research is descriptive qualitative. The purpose of this research is to identify the inhibiting factors of ulos and batik business, by looking at the craftsmen opinion, and mapping the priority problem faced by the craftsmen. The respondents consisted of 30 batik and 20 ulos craftsmen. From the results of interviews and FGDs, there are different problems faced by craftsmen, namely: a) Batik craftsmen the main problems are on equipment, (40%), then labor (26%), followed by finance and marketing (16%). b) In the ulos craftsmen the priority issues are product marketing (35%), finance (30%), then equipment (20%), the last is labor (15%).

Keywords: Descriptive qualitative, Inhibiting Factors

1. Introduction

From a worldwide perspective, it has been recognized that Small and Medium Enterprises (SMEs) play a vital role in economic development, as they have been the primary source of job/employment creation and output growth, not only in developing but also in developed countries as in (Abdul et al., 2013). Reference (Golibjon, 2016) shows small and medium enterprises (SMEs) form the bulk of businesses throughout Asia and are often referred to as the thrust of the new economy in these countries, including Indonesia. The Indonesian economy is basically characterized by grass root SMEs that make up nearly 99.95% of the total number of enterprises. As in(Tambunan, 2008, 2011) In Indonesia, small and medium enterprises (SMEs) have historically been the main player in domestic economic activities, as they provide a large number of employment and hence generating primary or secondary source of income for many rural poor households. As in (Iqbal and Rahman, 2015) SMEs in Indonesia is a business units that have assets worth more than 50 million Indonesian Rupiah (US$ 4,760) and up to 10 billion Indonesian Rupiah (US$ 952,333) are considered as SMEs. In addition to this, another condition must also be checked upon, i.e., sales/year (turnover per year). For a business unit to be qualified as SME inIndonesia, the second condition must also be met. Under it, the sales per year must be more than 300 million Indonesian Rupiah (US$ 28,570) with an upper limit of 50 billion Indonesian Rupiah (US$ 4,761,667).

North Sumatra is one of the provinces in Indonesia that is rich in ethnic and cultural diversity. One of them is ulos and batik of North Sumatra. Ulos cloth itself became the identity of Indonesia since it was established on 17 October as National Ulos Day. So also
with the batik of North Sumatra, with the motive of five ethnic Batak (Mandailing, Toba, Simalungun, Karo, Pak - Pak Dairi, and Tapanuli Tengah), and ethnic Malay. Batik North Sumatra has a distinctive style that is different from Javanese batik dominated by flowers and animals, which is to highlight the ethnic nuances of each tribe.

2. Methodology

The purpose of this study is to explain the dominant inhibiting factors in business activities based on the perception of the craftsmen as respondents.

<table>
<thead>
<tr>
<th>Table 1. Business Inhibiting Factors Based on Respondents' Perceptions</th>
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<tr>
<td>Finance</td>
</tr>
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<td>Equipment</td>
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<td><strong>Total</strong></td>
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</table>

Source: primary data processed, 2018

Respondents in this study consisted of batik craftsmen and Ulos in Medan. The number of respondents was fifty people consisting of 30 batik craftsmen and 20 ulos craftsmen. The technique of collecting samples was purposive sampling with the following criteria: 1) Craftsmen have been in business for at least two years, 2) The age of the craftsmen is at least 25 years.

This type of research is a qualitative descriptive study, data collection techniques using interviews and open questionnaires, besides that researchers also conducted FGDs with the Medan City Department of Industry and Trade to gain insight into the government's role in the progress of batik and ulos craftsmen.

3. Result And Discussion

The craftsmen of Ulos and batik in North Sumatera have received support from the government and the private sector, but not all them in the region get the help well, because the government has limitations in providing assistance to 33 cities and districts in North Sumatra that require attention in the development small and medium business. Research on the craftsmen especially batik and Ulos done to find the obstacles that still faced by these craftsmen. Based on observations and interviews, there are differences in the priority of problems faced by batik artisans and Ulos Sumatera Utara. The differences can be seen in the graph as follows.
Based on interviews and observations, batik craftsmen complained about the availability of equipment in the batik production process, while the ulos craftsmen in the labor and financial constraints became their own priorities. The explanation of such constraints is on the following matters.

### 3.1 Ulos Craftsmen

#### 3.1.1 Marketing

The problem of marketing ulos cloth is limited use of Batak tribes such as customary weddings, mourning ceremonies, and so on. So the use of the limited causes Ulos become exclusive products and affect the marketing the problem of selling price of ulos cloth is that not all types of ulos can be solved with sophisticated tools, traditional tools require a long time, traditional tools called Gedogan require precision and long time to weave wool and silk cloth into ulos and are ready to use manually. Another cause is the skill required to produce Ulos make Ulos price is quite expensive in the market. The lack of use of ulos, production is carried out continuously, but limited markets make it difficult to develop ulos crafts. So the role of the Government is very important to enhance the insight of the region of Tourism, by increasing the role of regional tourism, traditional clothing is widely used and customary kelestarian can be maintained especially in North Sumatra.

#### 3.1.2 Finance

Common constraints in finance are related to marketing constraints, namely the lack of demand for ulos fabrics. So Ulos ready takes a long time in sales, will lead a new production disruption Ulos with little demand. The slow turnover is the financial problems of the craftsmen.

#### 3.1.3 Equipment

Ulos craftsmen still use manual techniques in the production process. The looms used are traditional looms and non-machine looms. Many craftsmen use manual looms which the process of completing ulos can reach one month. In the opinion of craftsmen, Non-Machine Looms (ATBM) helps the process of finishing ulos faster manually, but prices are relatively expensive so not all craftsmen have ATBM. While the materials needed to make ulos fabrics such as cotton, wool fabrics, silk fabrics, coloring materials, bark, etc. are still easy to obtain, although some depend on supply in Java.
3.1.4 Labor

Not everyone can make ulos, ulos work requires certain skills in the manufacturing process, and also requires patience and thoroughness, considering the complexity of manual ulos weaving, most ulos craftsmen gain expertise from generation to generation in the family. In general, the complaints of craftsmen is the lack of interest of young people in pursuing the skills of making ulos so that the craftsmen find it difficult to get an energetic workforce.

3.2 North Sumatra Batik Craftsmen

3.2.1 Marketing

The marketing of batik cloth in North Sumatra is still limited to the region of North Sumatra, batik products still do not master the national market. Although the craftsmen acknowledged that most of the products of North Sumatra batik came from orders from government and private institutions in Medan and the surrounding areas were quite high, but due to lack of promotion, the potential of unique North Sumatra batik was not yet popular nationally. The lack of popularity of North Sumatra batik cloth is caused also because Javanese batik is more popular nationally.

3.2.2 Equipment

North Sumatra batik fabric craftsmen face constraints in production equipment, this is due to the raw material for making batik produced from Java, such as canting written and canting batik caps, craftsmen must order from suppliers in Java, precisely Solo. While other tools such as white cotton cloth, pencil patterns, coloring materials and stoves can be obtained from Medan. North Sumatra should be able to create the creativity of a canting device that fits the North Sumatra motif, so that the SUMUT region has a characteristic in the case of ulos patterned batik. From the results of the study, researchers did not find an answer why equipment such as canting and so on could not be produced in North Sumatra.

3.2.3 Labor

Skilled workforce is an obstacle when craftsmen receive many requests for batik. There are not many young people who pursue batik crafts typical of North Sumatra, although economic opportunities are quite good. Many craftsmen suggest that they need institutions that routinely foster unemployed workers to introduce batik production and help develop businesses.

4. Conclusion

Marketing is the dominant inhibitor of Ulos craftsmen, then weaving skill factors that are hereditary, slow velocity of money and capital. Marketing is also a dominant obstacle to batik craftsmen, then equipment factors that are only obtained from Java, and lack of innovation in making batik with distinctive characteristics of ulos. Craftsmen need more intensive government and private roles for the development of regional culture in North Sumatra, especially for Ulos craftsmen and batik. Craftsmen need partnerships to improve the ability of craftsmen, who are from the private sector, the community and the Government.
REFERENCE


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