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"ASEAN Economic Community: Sustaining Business Competitiveness Through Strategic Collaboration and Innovation"

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Ismail Lebai Othman
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Tri Lestari

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Universitas Sultan Ageng Tirtayasa
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Serang, Banten, Indonesia
http://www.untirta.ac.id
Assalamualaikum w.b.t and warm greetings,

On behalf of the School of Business Management (SBM), College of Business (COB), Universiti Utara Malaysia (UUM), it is my great pleasure to welcome you to the 2nd International Conference on Business Management (ICBM) 2016.

In line with the conference theme; “ASEAN Economic community: Sustaining Business Competitiveness through Strategic Collaboration and Innovation”, this conference will serve as an ideal platform to the academicians, researchers, practitioners and students from all over the world. It is an opportunity for them to share knowledge and exchange ideas in fostering collaboration among practitioners and academicians in the areas of management, human resource, organizational behavior, marketing, entrepreneurship, economics, finance, accounting, legal and international business. It is also a gateway to venture into new potential researches and innovations.

In doing so, we hope this conference will ignite interest among researchers to accomplish and further advance in the research development, application and practices of business management.

I am very grateful to our conference patrons, keynote speakers, paper presenters, dedicated organizing committee members, sponsors and participants as well as to those who have contributed directly or indirectly to the success of ICBM2016.

Thank you.

PROF. DR RUSHAMI ZIEN YUSOFF
Dean
School of Business Management
College of Business
Universiti Utara Malaysia
Assalamualaikum wr. Wb and good day,

To all of participants at “The 2nd International Conference on Business Management (ICBM 2016)”, it is my honor to welcome you all to this meaningful moment, on behalf of Faculty of Business and Economic, Sultan Ageng Tirtayasa University.

As one of the prestigious international conferences in Business field, we strongly believe that this conference will provide academicians, practitioners, and also post graduate students an essential platform to improve and share their knowledge as well as to build and develop some brilliant ideas in order to collaborate between what practitioners need and what academia have. This conference also play important role in motivating some potential researchers to improve themselves through generating idea which they may obtain through papers that will be presented in this conference in various areas such as management, accounting, finance, marketing, organizational behavior, as well as international business.

Finally, I would like to say my deepest thank you to all conference committees, keynote speakers, paper presenters, participants, sponsors and all parties who have contributed to ICBM 2016, so that this wonderful international conference can be a great success.

Thank you

Dr. H. FaujiSanusi, Drs, MM
Dean
Faculty of Business and Economics
Sultan Ageng Tirtayasa University
The 2nd International Conference on Business Management (2nd ICBM) has been successfully held at the Millennium Hotel, Jakarta Indonesia. ‘ASEAN Economic Community (AEC): Sustaining Business Competitiveness Through Strategic Collaboration and Innovation” was the chosen theme. Thus keynote speech as well as paper presenters were set to network and discuss current issues related to business management, human resources, economics, organizational behavior, marketing, entrepreneurship, finance, accounting, international business and social sciences within the context of AEC.

The main aim was to offer the conference as a hub of academic and research collaboration among top ranked universities and research institutes in ASEAN. Besides that, it was also aimed to discuss various approaches and methods to contribute to global knowledge exploration that may benefit universities, businesses and societies at large.

The School of Business Management (SBM), UUM COB, Universiti Utara Malaysia, Faculty of Economics and Business, Universitas Sultan Ageng Tirtayasa, Sekolah Tinggi Ilmu Ekonomi, Banten Indonesia and the Center for Sustainability Research and Consultancy have jointly organized the 2nd ICBM. Few sponsoring journals also sent their representatives to oversee and select papers of high quality for their respective upcoming publications. The 2nd ICBM was really and truly a gateway for the academic and research collaboration, innovation, and publication platform.

The 2nd ICBM organizing committee members would like to thank the keynote speaker, paper presenters and participants for their interest, dedication, commitment and participations. A special acknowledgement and thanks shall also go to all members of the scientific committees and all members of the organizing committees for their untiring efforts. Also presence during the opening ceremony were Professor Dr. Rushami Zien Yusoff, Assistant Vice Chancellor, College of Business and Dean, School of Business Management, Universiti Utara Malaysia; Dr. Hj Fauji Sanusi, Dean, Faculty of Business and Economics, Sultan Ageng Tirtayasa University; Dr. Mohamad Amsal Sahban, the representative from CSRC; and Dr. Hj Ed Rahmat Taufik, Conference Co-Chair.

Thank you.

ASSOC. PROF. DR. ABDUL HALIM ABDUL MAJID
2nd ICBM – Conference Director
School of Business Management
College of Business
Universiti Utara Malaysia
The 2nd International Conference on Business Management  
(ICBM 2016)  
Hotel Millennium Jakarta, Indonesia, 19-21 August, 2016  

“ASEAN Economic community:  
Sustaining Business Competitiveness through Strategic  
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CONFERENCE BRIEF  
FRIDAY, AUGUST 19 (DAY 1)  

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EFFECT WORK-LIFE BALANCE ON EMPLOYEE PERFORMANCE WITH FURTHER STUDY AS A MODERATING

Pamela Magdalena
Economics and Business Faculty Perbanas Institute

ABSTRACT

This study analyzes the effect of work-life balance and employees’ performance. Existing research shows that employees who can make work-life balance have a good performance. Variable opportunity to study in this research further analyze the performance of employees due to workload increased further study of the work-life balance, advanced study, and still maintain the life. Further studies to make the division of time for work and life is reduced because of further studies confiscated quite a lot. This research was conducted in educational institutions. The selection of the research was based on the consideration that an educational institution employees are motivated to continuously develop themselves to continue their studies. This study was initial research for advanced research.

Key Words: Work-Life Balance, Employees’ performance, advances study

INTRODUCTION

For an employee, everyday life is concentrated on two activities and two different places. On the one hand, employees are part of an organization devoted place and earn a living. On the other hand, an employee is also part and take responsibility for they families. The concentration and distribution of time must be performed by employees so that they can run in parallel.

The divisions are mathematical calculations do not should be administered by the same amount. Supporting the employment of family life. Likewise, family life will support employees in carrying out all activities.

Suhardono (2015) said that employees expect to work and family go hand in hand in harmony, the work is a part of life which will result in the totality of the work, work, and berkehidupan. So it's not just the balance.
This study will be added variable employee activities further studies to look for other forms of employee activities outside of work and personal life and or family. Further study is attempted to be included in this study because several previous studies that found only discusses the influence Work-life balance on performance alone.

The purpose of this study was to conduct an analysis of the concepts that exist in relation to the Work-life balance a pegawi and influence between Work-life balance with the employee's performance and analyze the effect of further studies on the influence of Work-life balance with the employee's performance.

This research is expected that employees and organizations capitalize on Work-life balance in order to keep improving performance in the workplace when an employee is being further study.

LITERATURE REVIEW

Work-life balance

Work-life balance (the balance of life and work), the concept of a balance between work and leisure time with physical, emotional, and spiritual health, has been a concern of many organizations for employees to balance life and work better will affect more attention on the work and focus. In addition, such employees will have overall satisfaction in work and life. This fact is supported by several studies that found the fact that an individual is more likely to improve the quality of life, mental health, or well-being when he can balance life and work. In addition, other studies acknowledge that the Work-life balance affects healthy lifestyle, highlighting the importance of leisure and recreation to promote the welfare of acting as a crutch setres and encourage a better quality of life and increase productivity and efficiency (Pookaiyaudom, 2015).

Work-life balance has been under discussion since the 1980s as a reaction against unhealthy working life, employees have to struggle to find a precious time for their personal life, ignore the family, and friends, leisure activities because of work. Work-life imbalance detrimental to individual quality of life and well-being. The problem is the long working hours and workload, which causes setres work and illness due to setres. Limelight extends to different areas of work. Work-life programs balance enhance the experience of employees with their benefits for individual employees, workplaces, and communities. Benefits include quality of life, mental health, or well-being (Pookaiyaudom, 2015).
Work-life balance is a concept in conduct constituting a balanced allocation of time in running different roles to perform priorities between the demands of work and personal life. The balance between work and non-work responsibilities (Poelmans et al., 2008). Which must be balanced is the time division antarkegiatan, antarkegiatan engagement, and satisfaction antarkegiatan. The balance achieved is intended to improve the quality of life (Greenhaus, et al., 2003)

Work-life balance is a concept in conduct constituting a balanced allocation of time in running different roles to perform priorities between the demands of work and personal life. This variable will be seen from the resulting value of the respondents' answers on the dimensions of responsibility work and non-work responsibilities. Respondents will be approval or disapproval of the range of scores 1-5.

Performance

Performance (job performance) is an employee success rate in completing the work, is the embodiment of talent and ability of real work and not the characteristics of the individual employee, the employee's work achieved in the task and the work of the organization. According to Mathis and Jackson, the performance is also what to do and what not to do an employee, a real behavior that appears on the employee as a job performance in accordance role in the organization, is the result of the knowledge, skills, and the desire of employees, the performance of employees working in accordance with the requirements specified organization (Priansa, 2014).

Factors that affect performance are as follows.

1. The individual, which includes the ability and physical and mental skills and backgrounds, such as family, social level, experience, demographics such as age, origin, and gender;

2. psikolis, that of perception, attitude, personality, bemauan learning, and motivation;

3. The organization, in the form of resources, leadership, rewards, structure, and design work.

According Sutermeister performance is influenced by motivation, ability, knowledge, skills, education, experience, pelatian, interest, attitude, personality, physical and physiological needs, social needs, and the needs egoistik. Sementara by Keith Davis's performance is affected by the ability of psychological form of Intelligent Quotient and the ability of reality that is a combination of knowledge and skill; as well as the motivation that is formed from one's attitude in the face of the work situation. (Priansa, 2014).
Performance measurement adapted to the needs of the organization. According to Mondy, Noe, and Premeaux, dimensions that can be used is the quantity of work in the form of project work and productivity of employees in a given period; quality of work, such as accuracy, precision, neatness, and completeness in handling tasks dibebakan; self-reliance in the capability and independence of the work; initiatives that relate to the independence, flexibility of thinking, and a willingness to take responsibility; adaptabiliti that be the ability to react to changes; as well as cooperation relating to others. (Priansa, 2015)

Employee performance refers to one's achievement as measured by the standards or criteria set by the company. Management to achieve high performance human resources intended to enhance the company's overall performance. Control skills that do boss (supervisor / manager) emphasizes the development of skills and abilities of individuals. This is an attempt to influence the performance of employees to have the expertise and skills toward a good performance. Control skills including setting goals for the level of expertise and ability to be owned by the employees, monitoring skills, and the ability of employees, give guidance for the purposes of the improvements needed, reward (reward) and sentenced to employees on the basis of the level of skill and ability. To control skills, employees are trained with encouragement, support, and enhance the behavior (behavior), such as training and internships aimed at improving the skills and abilities, such as presentation, negotiation, interpersonal communication, planning and other skills that are relevant. (Wibowo, 2006)

Performance (job performance) is an employee success rate in completing the work, is the embodiment of talent and ability of real work and not the characteristics of the individual employee, the employee's work achieved in the task and the work of the organization.

Performance indicators will be measured by the quantity of work, quality of work, employee efficiency, employee quality standards, business employees, employee professional standards, the ability of employees to work the core, the precision of employees, employee knowledge (Wibowo, 2006). Each indicator will be seen the value of the answer in the form of disapproval respond up to strongly agree (1-5)

Activity of Advanced Studies

What is meant by activities further studies are an additional educational activities conducted employees out of work and personal life and or family. This activity is intended to provide additional supplies to employees, both facilitated by self-organization and employees themselves. This activity is associated with an additional allowance for the time and effort that must be set aside by an employee.
Organizations must provide greater opportunities for career development through various forms of training and education (Keban, 2004).

Further research activities are activities performed in the form of additional education of employees outside of work and personal life and or family. Measurements will be done by asking a question with a range of answers (1-5), strongly disagree to strongly agree with.

Previous Research

Research Pookayodom (2015) showed that Thai students and students of international programs at Chulalongkorn University has realized the importance Work-life balance and its influence on well-being is one of the characteristics of graduates desired including the importance of sports and recreation as approaches Work-life balance for maintenance of well-being and as a stress buffer. They are able to strike a balance between work and life for welfare, less can reduce the pressure and control stress compared with awareness of the importance of time management when excess duty. Both groups studied showed differences recreational activities for Work-life balance, Thai students spend most of their time in The Social Network, while international students watch television, play games, and sports. Another difference is the activities and facilities offered by the college. Thai students agreed that they were primarily volunteer camp allows students to practice community service and participate in the camp area. While the majority of international students feel that the socialization of recreational activities by universities offer more, such as sports games Chulalongkorn international schools because they get to know new friends and encourage their networking capabilities. Recreation is a matter of free choice and free time. Welfare component as the desired characteristics of graduates have felt and adjusted through leisure and recreation.

TA and Henry Beauregard (Beauregard, A. & Lesley, 2009) showed that the implementation of the Work-life balance is not necessarily reduce conflict and there is a possibility to make employees become less committed. Its implementation is expected to provide a competitive advantage for the organization. Its application would also have the impact of cost reduction and there is an imbalance between the treatment of male and female employees since their male counterparts will dominate.

Discussion

From previous research the author did not menemukaarian their further studies digunakan variables as variables that affect performance are considered. Besides, are not found any research on advanced study activities associated with work-life balance which is considered to strengthen or weaken the performance of employees.
From the results of the analysis showed that the variables work-life balance is not significant in building employee performance (a value significantly greater than 0.05). Work-life balance is an indicator that is supported by the employees' understanding on the implementation of work-life balance, time division employees do in order to create a balance between all activities, work, family, and further study, employee participation in each activity, and employee satisfaction on work-life performed.

<table>
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<tr>
<th>Model</th>
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<td>-1,630</td>
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<tr>
<td>Understanding</td>
<td>.150</td>
</tr>
<tr>
<td>Time</td>
<td>.226</td>
</tr>
<tr>
<td>Partisipation</td>
<td>.019</td>
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<tr>
<td>Satisfactio n</td>
<td>.158</td>
</tr>
<tr>
<td>StudiLanj ut</td>
<td>.858</td>
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a. Dependent Variable: employee' performance

Further study variables significantly influence employee performance. This fact is shown by the results of the analysis menjukkan significant level of 0.00 is less than 0.05. Further analysis of the study shows the influence of R Square .676, which means the effect of further studies on the performance was 67.6% while the remaining 32.4% is influenced by other factors not examined.
Model Summary\textsuperscript{b}

<table>
<thead>
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<th>Model</th>
<th>R</th>
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<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
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<td>.822\textsuperscript{a}</td>
<td>.676</td>
<td>.666</td>
<td>.71496</td>
<td>1.915</td>
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a. Predictors: (Constant), Further Study  
b. Dependent Variable: employee’ performance

Conclusion

From the results of this study concluded that work-life balance consisting of understanding, time, participation and satisfaction did not significantly influence employee performance. Further study has a significant influence on the performance of employees with the effect of 67.6%.

The results appear very encouraging as it turned out with their employees the opportunity of further studies, the performance of employees being adversely affected. However, this study can not describe the condition of an institution considering that not all employees who are involved in the further study of this research.

Bibliografi


INTRODUCTION

The impact of the global world on human resource management (HRM) has been noted as an important issue in today's management challenges (Scroggins & Benson, 2010; Smale, 2008). This is because many organizations not only operate within one single country, but they also run the operations in various countries (also referred to as multinational companies or multinational corporations (MNCs)). There has been a complexity of HRM particularly in MNCs that operate in foreign countries (Poor, Karoliny, Alas & Vatchkova, 2011). At organizational level, MNCs are involved in managing cultural diversity because they often send employees overseas for doing international assignments and they also hire international employees (Bunchapattnasakda & Wong, 2010; Gupta & Bhaskar, 2016). They must be concerned with international human resource management (IHRM). The definition of IHRM is recognized by González-Loureiro, Dabic and Puig (2014) that it is “the set of activities, functions and processes that aim at attracting, developing and maintaining HR in international organizations, both in the country of origin and overseas” (p. 691). MNCs that are unable to handle IHRM would have business failure.
At individual level, employees of MNCs experience more complex environments, compared to those who work for domestic companies (O’Sullivan, Appelbaum & Abikhzer, 2002). Expatriates face career difficulties in international assignments that could thwart their personal success, career success, and organizational success (Caligiuri, Baytalskaya & Lazarova, 2016). Expatriates have a great opportunity to experience a new culture but they may get a culture shock when they work abroad (Davie, Kraeh & Froese, 2015). In this case, MNCs are required to assist expatriates to reduce culture shock (e.g. provide them with sufficient information about cultural differences) and help them to cope with stress (Rosenbusch, Cerny II & Earnest, 2015). Expatriates who cannot effectively deal with people from different cultures might have poor job performance. For example, some expatriates spend long time in building relationships with others (Gupta & Bhaskar, 2016). This will negatively affect organizational performance (e.g. ineffective organizational communication and coordination). Hence, cross-cultural interpersonal competencies of expatriates are needed to be developed for getting effective and efficient performance (O’Sullivan et al., 2002).

Besides cultural difficulties, the previous studies (Guthrie, Ash & Stevens, 2003; Schoepp & Forstenlechner, 2010; Waxin & Panaccio, 2005) have emphasized the link between several factors (such as influence of family, expatriate personality, and the perceived corporate training investment) and expatriates’ career difficulties. Firstly, expatriates’ career decision is influenced by their family and significant others. Some expatriates cannot continue to perform international assignments because of family-related reasons (Haslberger & Brewster, 2008). Secondly, expatriates’ career difficulties can be resulted from their personality characteristics (Bhatti, Battour, Ismail & Sundram, 2014). Individuals’ personality characteristics are considered as predictors for expatriates’ adjustment and job performance (Bhatti et al., 2014). Thirdly, the perceived corporate training investment makes expatriates perform better in international assignments. The lack of appropriate training for expatriates is the cause of their career difficulties (Chien & McLean, 2011).

This paper assumes that the factors mentioned above have a significant impact on expatriates’ career difficulties. However, the research on this topic is limited to expatriates from developed countries. This is because the majority of multinational companies (MNCs) have originated in developed countries. The previous studies, therefore, typically focus on MNCs from developed countries such as the USA, Western European countries, and Japan (Chang, Wilkinson & Mellahi, 2007; Hansen & Gwozdz, 2015) while very few studies have been conducted in MNCs from developing countries. It should be noted that the number of MNCs from developing countries has increased in the last decade and they have become important global business players (Amal, Awuah, Raboch & Andersson, 2013). Thus, it is essential to study expatriates’ career difficulties of MNCs originated in developing countries in order to get a true understanding of their expatriates’ career difficulties. The findings of research on expatriates’ career difficulties are expected to be useful for enhancing HRM practices in MNCs. The suitability of designing and implementing IHRM practices is a key factor to the success of MNCs.

In Thailand, a developing country in Southeast Asia, it was found that there has been the growth of Thai MNCs in ASEAN countries, especially in the CLMV (Cambodia, Lao People’s Democratic Republic or Lao PDR, Myanmar, and Vietnam). Referring to the establishment of the ASEAN Economic Community (AEC), it benefits Thai MNCs in terms of full liberalization of trade, services, investments, skilled labor, and capital flows (Export-Import Bank of Thailand, 2012). However, overcoming Thai expatriates’ career difficulties in ASEAN member countries are still regarded as the challenges of MNCs. The research questions posed in this paper are: What factors affect Thai expatriates’ career difficulties? Why do these factors have an impact on Thai expatriates’ career difficulties? This paper addresses a proposed conceptual framework for an investigation of Thai expatriates’ career difficulties when they perform international assignments. A discussion on this issue could lead to a better understanding of expatriates’ career difficulties and IHRM in the ASEAN context.
This section begins with a review of definitions of expatriate. It then is followed by the theories related to expatriates’ career difficulties, and a discussion on factors influencing expatriates’ career difficulties.

Definitions of Expatriate

Expatriate is defined broadly as “the full range of international assignees, international business travellers, and their dependents” (Fee, McGrath-Champ & Liu, 2013, p. 247). In this paper, expatriate refers to an employee who works with the multinational corporation (MNC) and performs an international assignment in foreign country (Salomaa, 2015). Normally, expatriates have been temporarily sent to work abroad to complete the assignments before returning their home country (Feitosa, Kreutzer, Kramerth, Kramer & Salas, 2014). The international assignments can be either short-term or long-term assignments (McNulty, 2015). Expatriate managers and employees need specific competencies and skills to work in multicultural environment (AlMazrouei & Zacca, 2015). Therefore, MNCs should find expatriates who have a high potential to be successful in the international assignments (Park, Abbott & Werner, 2014).

From management perspective, expatriates are sent abroad for carrying out the managerial policies of MNCs. For example, MNCs require expatriates for managing, coordinating, controlling, and integrating the operations of their subsidiaries in line with the parent company (i.e. headquarter) (Srivastava & Panday, 2012). Although the use of expatriates is essential for MNCs, sometimes expatriates are viewed as ineffective, costly, and difficult to manage (Fee et al., 2013). The ineffectiveness of expatriate performance may be caused by their career difficulties.

The Theories Related to Expatriates’ Career Difficulties

The term “career difficulties” is defined as a variety of difficulties which are confronted by individuals when they pursue their career. In order to understand career difficulties of expatriates, this paper reviews the theories related to expatriates’ career difficulties. The intercultural and management theories are considered as applicable for an investigation of Thai expatriates’ career difficulties. Cultural factors are essential for understanding managerial issues across countries or cultures (Zhu & Uljin, 2005). The theories related to cultural dimensions have an impact on organizational management. For example, Hall (1981) emphasized on cultural diversity in international communications. Hofstede (1998) highlighted distinct subcultures in the organization. Cultural rifts among subcultures must be recognized and applied to HRM practices. Similarly, Harris and Moran (1996) focused on the necessity to manage cultural differences. Expatriates should develop the necessary skills (e.g. multicultural and technological skills) for their international assignments.

While cultural dimensions affect expatriates’ job performance, expatriates’ career difficulties can also be caused by personality traits. The previous studies (Bhatti et al., 2014; Robie, Brown & Bly, 2008) highlighted the link between personality factors and career difficulty. Especially, the big five or five-factor model of personality consisting of five personality traits: extroversion, openness, agreeableness, conscientiousness, and neuroticism (Digman, 1990) has been widely adopted for conducting the research on expatriate-related issues (Bhatti et al., 2014; Guthrie et al., 2003).

It can be noted that cultural dimensions and personality traits are involved in expatriates’ career difficulties. The knowledge of cultural dimensions (Hall, 1981; Harris & Moran, 1996; Hofstede, 1998) and
personality traits (Digman, 1990) is useful for developing theoretical framework for the study. Besides that, other factors that may affect expatriates’ career difficulties are discussed in the next section.

**Factors Influencing Expatriates’ Career Difficulties**

Based on the literature, four core factors (including cultural difficulties, influence of family, expatriate personality, and perceived corporate training investment) have an impact on expatriates’ career difficulties. Expatriates together with the company should understand these factors and must learn how to resolve career difficulties so that they would be successful in the international operations. Henceforth, this section describes four factors that influence expatriates’ career difficulties.

**Cultural Difficulties**

Culture is important to the experiences of expatriates (Tan, Härtel, Panipucci & Strybosch, 2005). On one hand, they have a greater chance to experience cultural diversity, compared to those who work only in the home country. On the other hand, Hutchings (2002) states that expatriates frequently face cultural difficulties. They experience particular difficulties when they work in different cultures (Shortland, 2014). A study of the lives of Thai expatriates in Indonesia by Pruetipibultham (2012) maintains that there were cultural differences (e.g. culture of time) between Thai expatriates and local employees that could lead to cultural misunderstanding and job-related difficulties. Furthermore, expatriates perceive cultural difficulties when there is a great distance between home and host cultures (Hemmasi & Downes, 2013). For instance, Thai expatriates may transfer to the new location where culture is possibly more individualistic than that of their parent country. Hofstede’s cultural dimensions provide a clear explanation of cultural distance (Hemmasi & Downes, 2013). It is useful for developing theoretical framework for an investigation of cultural difficulties.

**Influence of Family**

Richardson (2006) highlighted the influence of family and significant others on career decision of expatriates. A study by Richardson (2006) found that family (particularly spouse and children) played a significant role in the decision of expatriates. Some expatriates cannot independently decide whether to work for international assignments because of their family-related reasons. Role of family can be either making or breaking the expatriates’ international experiences (Schoepp & Forstenlechner, 2010). A study by Riusala and Suutari (2002) viewed children-related issues (e.g. education, healthcare, language problems, and lack of friends) as the elements of expatriates’ career difficulties. Likewise, Haslberger and Brewster (2008) concluded that expatriate families play a role in success and failure of expatriates. The adaptability and supportiveness of the family are helpful to the expatriates’ performance (Haslberger & Brewster, 2008). In doing so, MNCs are expected to facilitate not only their employees (i.e. expatriates) but also family members of employees.

**Expatriate Personality**

Personality traits are significant predictors of individuals' career preferences (Westerman, Beekun, Daly & Vanka, 2009). A study by Spagnoli and Caetano (2012) showed the effect of personality on job satisfaction and organizational commitment. Satisfied and committed employees are more likely to achieve high performance. Downes, Varner and Hemmasi (2010) assert that there is the link between expatriate personality traits and job performance. In the same manner, Guthrie et al. (2003) maintain that personality characteristics play a significant role in expatriates’ career success. Thus, the big five model
of personality could be applied to recruitment and selection process of MNCs. If expatriates have appropriate personality traits, they will have less career difficulties. For instance, Guthrie et al. (2003) viewed extra-cultural openness as an important personality characteristic that contributes to expatriates’ international assignment success. Similarly, Downes et al. (2010) contend that “agreeableness” is positively associated with expatriate job performance.

Perceived Corporate Training Investment

Expatriates’ perceptions of the employer’s training investment influence their adjustment in both forms; work and general adjustments (Min, Magnini & Singal, 2013). A study by Min et al. (2013) asserts that the perceived corporate training investment in expatriates’ international assignments leads to their enhanced work and general adjustments in the foreign cultures. The company may provide expatriates and spouses with coaching and mentoring which represent its investment for promoting the success of expatriate assignments (Salomaa, 2015). Particularly, the availability of effective cross-cultural training facilitates expatriate performance (Qin & Baruch, 2010; Waxin & Panaccio, 2005). A study of expatriation in the hotel industry by Causin, Ayoun and Moreo (2011) found that the seven of nine cross-cultural training activities provided by the parent company were perceived to be beneficial to the success of expatriates’ international assignments.

CONCEPTUAL FRAMEWORK

This section presents a proposed conceptual framework of the study. The four factors mentioned earlier are connected to expatriates’ career difficulties. The interrelations between the four factors and career difficulties need to be tested further by future researchers.

Figure 1: Proposed Conceptual Framework
Figure 1 shows a conceptual framework of expatriates’ career difficulties. Independent variables are cultural difficulties, influence of family, expatriate personality, and the perceived corporate investment. These factors are hypothesized to influence expatriates’ career difficulties. The research findings and references that support the findings are shown in Table 1.

### Table 1: Factors Affecting Expatriates’ Career Difficulties

<table>
<thead>
<tr>
<th>Factors</th>
<th>Findings</th>
<th>References</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cultural difficulties</td>
<td>Cultural adaptation is important for the successful adjustment of expatriates.</td>
<td>Weeks and Weeks (2010)</td>
</tr>
<tr>
<td></td>
<td>Cultural differences between expatriates and local staff can make job-related difficulties.</td>
<td>Pruetipibultham (2012)</td>
</tr>
<tr>
<td></td>
<td>Individuals who work in culturally diverse settings must have the capability for cross-cultural adaptability that helps them to avoid career difficulties.</td>
<td>Huff (2013)</td>
</tr>
<tr>
<td>Influence of family</td>
<td>Family-related reasons can motivate expatriates to remain or leave their international jobs.</td>
<td>Schoepp and Forstenlechner (2010)</td>
</tr>
<tr>
<td></td>
<td>Children-related issues (e.g. education, healthcare, and lack of friends) were considered as expatriates’ career difficulties.</td>
<td>Riusala and Suutari (2002)</td>
</tr>
<tr>
<td></td>
<td>Expatriates’ career success depends on their family support and acceptance of living and working conditions in the foreign country.</td>
<td>Sarkiunaite and Rocke (2015)</td>
</tr>
<tr>
<td>Expatriate personality</td>
<td>Expatriates’ personality traits are important to their successful completion of international assignments.</td>
<td>Bhatti et al. (2014)</td>
</tr>
<tr>
<td></td>
<td>Expatriate personality traits are significant predictors of the expatriate effectiveness.</td>
<td>Downes et al. (2010)</td>
</tr>
<tr>
<td></td>
<td>Personality traits are predictors of expatriate performance.</td>
<td>Heirsmac (2015)</td>
</tr>
<tr>
<td>Perceived corporate training</td>
<td>Cross-cultural training provided by MNCs has a positive effect on expatriates’ work adjustment.</td>
<td>Waxin and Panaccio (2005)</td>
</tr>
<tr>
<td></td>
<td>Expatriates perceived that it is necessary for them to have knowledge and skills through</td>
<td>Chien and McLean (2011)</td>
</tr>
</tbody>
</table>
corporate training so that they can reduce career barriers and effectively perform international assignments.

International training programs are necessary for working abroad effectively. Shen (2005)

CONCLUSION AND DISCUSSION

Enhancing career difficulties of Thai expatriates is a challenge of the Thai MNCs. They should understand expatriates’ career difficulties and pay attention to solving the problems. In order to deal with career difficulties, expatriates require the effectiveness of training, coaching, and mentoring provided by MNCs. They need cross-cultural training programs not only for themselves, but also for their spouses or family. In rapid changing environments, expatriates who only wait for training or career development programs provided by employers may not achieve success in their international assignments. Conversely, expatriates who prepare themselves for reaching the job requirements (e.g. improving social skills, learning local language of the host country, and being open-mindedness) (O’Sullivan et al., 2002) will make their career successful. This seems like the notion of career self-management is crucial for expatriate career success.

Expatriates get a great opportunity to learn new things in the foreign country. Most expatriates develop essential knowledge and skills during their international assignments. They are expected to become competent people who work effectively in diverse environments. They are supposed to be able to produce better work outcomes when returning the home country. In fact, it was found that their knowledge and skills getting from other countries or cultures cannot be completely applied to their home country. Even though expatriates often gain a great of knowledge from their international assignments, it is hardly utilized by the parent headquarters located in the home country (Barakat & Moussa, 2014). It can be assumed that expatriates will face career difficulties when returning the home country. In doing so, MNCs should notice difficulties in the process of returning the home country (i.e. repatriation) as well.

This paper presented a proposed conceptual framework that could be applied to the research on expatriates’ career difficulties in any country. However, the relationship between four factors and expatriates’ career difficulties need to be explored further specifically in uncovered areas that may provide different results than past research. Whereas most studies of expatriates have paid attention to expatriates working in Thailand rather than Thai expatriates working abroad (Boode, 2005; Herberholz, 2012; Imura, 2004), the knowledge of Thai expatriates’ career difficulties is still limited. Therefore, the future research should focus on career difficulties of Thai expatriates working for international assignments.

The use of a conceptual framework for exploring Thai expatriates’ career difficulties could lead to the answers of the questions: What factors affect Thai expatriates’ career difficulties and why do these factors affect Thai expatriates’ career difficulties? A true understanding of Thai expatriates’ career difficulties benefits Thai MNCs for achieving competitive advantage in terms of motivating and retaining expatriates. Since Thai MNCs have sent expatriates to perform international assignments in many countries, their expatriates may face different career barriers. The great challenge of Thai MNCs is to develop and implement strategic international human resource management to proactively respond to cultural and social diversity.
REFERENCES


AN EVALUATION OF HUMAN RESOURCE MANAGEMENT (HRM) PRACTICES IN BANGLADESH READY-MADE GARMENTS SECTOR

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ABSTRACT

Bangladesh Ready-Made Garments (RMG) had grown significantly over the last decades in every term but unfortunately quality of locally produced goods is still an issue. According to BGMEA report (2014) RMG consists around 40% manufacturing as well as 50% of total workforce and 78% of total export earnings generate from this sector. Most of employees in RMG are women around 90% where 4.2 million people are working in this sector. However, the potential growth and prospect in Bangladesh RMG sector is huge. And for using this opportunities it should focused on proper implementation of HR policies to emphasis quality performance. In recent knowledge based economic condition human resource is the most crucial resource as organizational effectiveness and efficiency is largely depends on the utilization capacity of this resource especially in case of Ready-made Garments industry in Bangladesh. Yet, the realities for RMG organizations are that their people remain undervalued, under trained and underutilized. Due to im proper HR practices labor unrest rate in RMG is high and employee productivity rate is lower than its competitors. As RMG is the rising sector for further investment, now a day a much concern is needed to improve and sustain garments companies growth. Human Resource Management requires much more concern in Bangladesh RMG sector. In this aspect, literatures proved that, HR practices didn’t get much attention which need to be measured and analysis in the aspect of Bangladesh RMG sectors quality performance improvement as in RMG sector human resources is the main advantage for industrial growth and sustainable competitive advantage in business. So this study is required to lift up this expectation to fulfill this research gap.

Keywords: Human Resource Management, Quality performance, Employee productivity, RMG.

INTRODUCTION

In case of ready-made garments manufacturer, Bangladesh position second in the world where china is number one. Bangladesh contributed around 60% export contract with European buyers and rest of the 40% with American buyers. In terms of investors, local investors control most of the production and manufacturing garments companies whereas foreign investors only control 5%. However, this sector is the main source of income in case of national economy in a condition where, according to the World Bank, “you either export or die” (Custers, 1997). Bangladesh Garments manufacturing industry is expanding at a rate of 20% per year (Johir, Saha and Hassan, 2014). In the industrial sector, Bangladesh set the example of cheapest and low cost use of human resources. At the same time, Bangladesh garments industry fully labor intensive rather than technology oriented as Bangladesh is the cheapest labor country, the average labor cost per hour is only $0.3 (Israfil, Seddiqe, & Basak, 2014). Here, noteworthy to
mention that since 1985, the growth rate of Bangladesh RMG sector is remarkable because of few privileges and opportunities, such as MFA, Quota and GSP etc. (Rahman, 2011; Ferdousi and Shabnam, 2013).

At the same time, Bangladesh garments industry fully labor intensive rather than technology oriented as Bangladesh is the cheapest labor country, the average labor cost per hour is only $0.3 (Israfil, Seddiqe and Basak, 2014). Actually the future of this sector is fully depends on the effective utilization of its workforce. Though most of the workers in RMG sector are female and young where their average age limit is below 30 years (Mehedi, 2014). Bangladesh RMG sector should focus on proper implementation of HR policies to emphasis quality performance (Absar and Mahmood, 2014). As each organizations success and quality goal accomplishment is largely depends upon the capabilities of human resources (Budhwar and Debrah, 2011). In this regard according to Rahman (2012) against technological scenery, a thorough analysis of human resource management practices on manufacturing industries especially on Bangladesh RMG sector is very much needed. HRM practices are immensely necessary for the achievement and ensuring quality performance in the organization. Therefore, effective utilization of human researches is the prime challenge and pre-condition of organizational business success (Rahman, 2011). Issues raised in HRM practices in Bangladesh RMG sector are a attempt to improve competitiveness is still a debate both theoretically as well as empirical studies (Sharmin Akhter, 2014). So this study is required to lift up this expectation to fulfill this research gap.

Currently, Bangladesh RMG’s are under tremendous pressure due to the free market economy, rapid technological development and continuous changes in customer demands (Barroso and Wilson, 1999; Siddiqi, 2007; Parul Akhter, 2015). These demands emphasize the need for high levels of overall system reliability that include the reliability of human resources, machines, equipment, material handling systems, other value adding processes, and management functions throughout the manufacturing system (Ariful, 2008; Rahman, 2011; Yunus and Yamagata, 2012). Each organizations success and quality goal accomplishment is largely depends upon the capabilities of human resources (Budhwar & Debrah, 2011).Bangladesh RMG sector should focus on proper implementation of HR policies to emphasis quality performance (Absar and Mahmood, 2014). Unfortunately, RMG industry is labor intensive despite technological developments harnessing the need for appropriate HRM practices to ensure quality of output over the right duration at the right cost (BGMEA, 2015). These have over the years had adverse effect on productivity, sustainable competitive advantage and commitment further affecting organizational performance, time and cost. These prompt the need for this research which aims at providing a tool, a procedural framework, to enhance HRM in various companies operating in Bangladesh via the development of appropriate policies which will ensure high organizational performance and sustainable competitive advantage (Joarder et al., 2010).

Therefore, the results of this research outcome will be beneficial for both theoretically and practically. The current study offers significant values for practitioners since it has considerable managerial significance. At the same time, this research will be significant in Bangladesh garments sector by offering new insights into the various TQM as well as HRM functions. As well as the findings of this study will be useful to government and other organizations in Bangladesh that are currently implementing HRM practices, as well as those seeking to establish HRM practices within their systems with the aim of improving performance as well as gaining sustainable competitive advantage of their businesses (Chowdhury, Ahmed and Yasmin, 2014).
LITERATURE REVIEW

Human Resource Management

According to Huselid (1995), “HRM practices can contribute to superior productivity by improving the quality of employees' work life”. At this point, according to Absar (2014) lack of appropriate HRM practices always enhance turnover rate, decrease the productivity rate and huge job dissatisfaction among employees though effective implementation of HRM practices is help to increase overall organizational performance and growth. Therefore, according to Holtom et al. (2005) high turnover rate is a negative sign among the workforce which affect employee work performance and productivity. High turnover always create the gap of production as new skilled needed to be developed as the skilled performer left, new skill development to fulfil the gap is always costly (Hughes and Bozionelos, 2007). Absar (2014) denoted that, “due to lack of proper HR policies and procedures, labour-intensive manufacturing firms are facing shortage of workers, and high job turnover in developing countries such as Bangladesh”.

Therefore incompetency of HRM practices always affects the organizational competitiveness as workforce is the main factor of quality performance (Ahmed, 2013). Inappropriate manpower planning is considered the main significant considerable factors of human resource as well as workforce shortage as well as surplus which reflect the reality about the inconsistency of HRM practices with companies’ goals (Ichniowski et al., 1997; Rahman 2011). According to Absar (2014), “although human resource management practices are indispensable in enhancing organizational performance and competitive advantage but unfortunately an inadequate number of studies have been conducted in this area so far in the context of Bangladesh RMG sector”. So, in this study the research is conducted for the motive of fulfilling this research gap.

In this regard according to Hossan, Rahman and Rumana (2012) the growth rate of this sector is remarkable in Bangladesh, yet, realities of RMG sector is that their people remain undervalued, under trained and underutilized. So the potential growth and prospect in Bangladesh RMG sector is huge. And for using this opportunities it should focused on proper implementation of HR policies to emphasis quality performance (Weeratunga, 2003; Absar & Mahmood, 2014). Pfeffer (1994) introduced 16 HR practices which denote best practice. In context of Bangladesh ready-made garments industry, in this research we consider the following four HRM practices: recruitment and selection, job analysis, equal employment opportunity act (EEOA). The main focus of recruitment and selection process is the choosing the right person for the right position. According to Mládková (2005), “workers must be able and willing to cooperate and communicate and accept the way of sharing their knowledge (skills, abilities and experience) based on reciprocity, reputation and altruism”. Schuler (1987) give emphasised in his study on more general, implicit and less formalised selection criteria are proposed by some authors. In Bangladesh ready-made garments, they don’t follow any defined recruitment and selection policies which largely affect employees’ turnover and competitiveness (Ahmed, 2013).

On the other hand, Geisler (2006) stated that, “manpower planning is the process – including forecasting, developing and controlling by which a firm ensures that it has the right number of people, the right kind of people, at the right places, at the right time, doing work for which they are economically most useful”. Manpower planning is associated with organizational optimum size of workforce, appropriate training


**BANGLADESH RGM SECTOR'S HRM CONDITION**

Ready-made Garments Industry contributed a lot for the development of Bangladesh economy. Bangladesh Garments manufacturing industry is expanding at a rate of 20% per year (Siddiqi, 2005; Johir, Saha and Hassan, 2014) and around 76% of the export earnings are came from RMG sector (BEPB, 2015). Currently 4.2 million workers are working in this sector where 4490 manufacturing units are in operation (BGMEA, 2015).
Table 1:  
Membership and employment

<table>
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<tr>
<th>Years</th>
<th>No. of garments factories</th>
<th>Employment in million workers</th>
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<tr>
<td>1984-85</td>
<td>384</td>
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<tr>
<td>1985-86</td>
<td>594</td>
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<td>629</td>
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<td>1987-88</td>
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</table>

Source: BGMEA (2015)

Each organizations success and quality goal accomplishment is largely depends upon the capabilities of human resources (Budhwar & Debrah, 2011). Bangladesh RMG companies don’t provide proper training to the employees as they focus on cost reduction most but training and skill development is essential for quality performance (Ahamed, 2013). That’s why employee productivity rate comparatively low rather than competitors (Absar & Mahmood, 2014). Therefore, Ernst and Young (2007) stated that Bangladesh has the 7th largest work force i.e. 69 million of the world. Potential growth and prospect in Bangladesh
RMG sector is huge. And for using this opportunities it should focused on proper implementation of HR policies to emphasis quality performance (Weeratunga, 2003; Absar & Mahmood, 2014). In this regard, Mamun and Islam (2001) stated where they conducted research on RMG sector that the ready-made garments enterprises workers’ productivity need to be improved through proper HRM practices. According to Johir, Saha, and Hassan (2014), “to face challenges of globalization and the reasons for the low productivity of laborers are unsystematic recruitment and selection of workers, unavailability of training facilities, inadequate financial facilities, and low motivation level of workers”.

The situation of Bangladesh RMG sector is critical as there are lack in practice of HRM practices which causes lots of problems (Ahamed, 2011). Control of lower level employees is usually done by line supervisors who are not an expert of employee management as the supervisors do not have proper training, nor knowledgeable about compliance acts neither familiar about HR rules and procedures. So most of the time due to their inefficiency, employees are demotivated as well as dissatisfied which reflect their quality performance (Rock, 2010). According to Parul Akhter (2015) most of the garments factories have no well-defined HR department. Actually, HR departments are fully concern about formulation and implementation of HR rules, regulation and practices as well as make sure employees will be motivated through these activities which are essential for the success in Bangladesh RMG sector. According to Rahman (2012, “working conditions in the RMG sector are poor and the factories often do not have HRM units and workers’ rights are minimal”. In this regard, Ahamed (2013) stated that the absence of an HR function in the RMG sector creates difficulties with workers. In Bangladesh, most of the RMG factories have automatic machinery. But unfortunately coupled with workers lack of education, skills and technical knowledge, this can lead to accidents causing death or injury (BGMEA, 2015). Without appropriate HR policies in Bangladesh RMG sector as well as lack of HR unit in the organization, most of the garments employees are not aware and familiar about IR (Industrial Relations) rules and acts (Ahamed, 2011). In this study selection of RMG sector as research area is worthy for further research as there is a huge research gap.

The working environment in the RMG sector is deficient in various ways focused health and safety and the work environment (Akhter, 2015). As a result, workers often suffer disease and are injured or even killed. The HRM department ensures that employees’ rights are not violated, and that the organization provides better working condition (Rahman, 2012). Mondy and Noe stated that safety is the act of protecting employees from injuries caused by work-related accidents and health as well as keeping employees free from physical or emotional illness”. According to Ahamed, F. (2011) the absence of any HR functions in the RMG sector can be a factor in serious labor unrest. In this aspect, Bangladesh RMG sector accidents is quite common and without the practice of EEOA, employee didn’t get proper care which creates employees demotivation as well as labor unrest which largely affect quality performance (BGMEA, 2014).

However, usually no HR unit is found in most of the small companies in Bangladesh RMG sector where the number of members of the organization is less than 100 (Sharmin, 2014). In Bangladesh RMG sector, establishment of HR departments has the potential to facilitate productivity and sustainability (Bansari, N., 2010; Ahamed, F., 2011) Due to improper HRM practices, Bangladesh ready-made garments industry sustainability as well as competitiveness largely hampered (Bansari, N., 2010; Ahamed, F., 2011). So there is a research gap to implement HR practices in Bangladesh RMG sector.

Several researchers conducted studies on working condition in Bangladesh RMG which are essential for
developing the EEO and compliance. In this regard, according to Ahamed F. (2011), “in fact working conditions in the RMG sector are below standard and do not meet the ILO standards”. Ahamed F. (2011) also stated that, “labour standards and rights are commonly ignored in the RMG factories in Bangladesh: poor practices include the absence of trade unions, informal recruitment, and irregular payment, sudden termination, wage discrimination, excessive work, and abusing child labour”. So lots of accidents happened previously as for example “Rana Plaza” incident. At the same time employee health and facilities are serious issues in garments sector because of absence in implementation of labor laws and appropriate HR practices.

On the other hand, in RMG sector employee recruitment is informal they don’t provide any appoint letter as formal legal documents and for this reason employee could not able to claim compensation against any misfortune happened with them. In this regard according to Bansari (2010), “in case of Bangladesh RMG companies, employees are vulnerable to losing their jobs at any time and have fear of losing their jobs and lack of alternative job opportunities compel workers to continue in unsatisfactory employment”. Kumar (2006) stated that, “garments workers are concerned with long working hours or double consecutive shifts, personally unsafe work environment, poor working conditions, wage and gender discrimination and employers treat the RMG workers as slaves, exploiting workers to increase their profit margins and keep their industry competitive in the face of increasing international competition”.

However, Alam (2004) pointed out that lots of problems are remain in Bangladesh RMG sector such as suppressed work schedule, no break time, inappropriate over time procedure, physical harassment etc. though management are not aware about the appropriate policy and implementation of HR rules and practices. According to Majumder P (1998), “work areas are often overcrowded with limited workspaces, causing occupational hazards such as musculoskeletal disorders and contagious diseases”. Bangladesh RMG owners are under pressure to oblige all the code of conduct for sustaining their business operation. That’s why they are more concerned about this research study which will help them to build-up a proper quality culture with the help of effective HRM practices.

In this regard, according to Ahamed (2011), “workers often try to complement their low wages by overtime, which in effect is mandatory practice in Bangladesh RMG factories”. But unfortunately, most of the garments workers are illiterate they don’t have appropriate knowledge about quality work environment as well as labor rights. The wage rates of RMG sector compare to other competitor countries are given below:

Table 2:
Inter-country comparative average hourly wage in the RMG industry

<table>
<thead>
<tr>
<th>No.</th>
<th>Country</th>
<th>Wages($)/hour</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Germany</td>
<td>25.00</td>
</tr>
<tr>
<td>2</td>
<td>USA</td>
<td>16.00</td>
</tr>
<tr>
<td>3</td>
<td>Turkey</td>
<td>7.3</td>
</tr>
<tr>
<td>4</td>
<td>South Korea</td>
<td>5.00</td>
</tr>
<tr>
<td>5</td>
<td>Mexico</td>
<td>2.40</td>
</tr>
<tr>
<td>6</td>
<td>Thailand</td>
<td>1.75</td>
</tr>
<tr>
<td>7</td>
<td>Poland</td>
<td>1.40</td>
</tr>
</tbody>
</table>
An interesting finding is that due to excessive use of women workers, the wage rate is ultimately low (Ahamed, 2011). Another considerable factor is there is abandon supply of human resources who are able to work in Bangladesh RMG sector. So, because of labor availability the wages rate is comparatively low. The offered the cheapest wages in the world. Muhammad (2012) stated that in reality garments worker are not entitled to any fringe benefits, including accommodation allowances, health care, emergency funds, or transportation. In this regard, according to ILO and BGMEA (2014) glass ceiling is another considerable problem remains in Bangladesh RMG sector. At the same time discriminated wage rate among male and female employees are huge. The following table shows the gender discriminated wages rate.

Table 3
**Gender differentials in wages in Bangladesh RMG sector**

<table>
<thead>
<tr>
<th>Categories</th>
<th>Male wages USD $/per month</th>
<th>Female wages USD $/per month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operator</td>
<td>28.65</td>
<td>19.53</td>
</tr>
<tr>
<td>Cutting</td>
<td>50.02</td>
<td>15.00</td>
</tr>
<tr>
<td>Ironer</td>
<td>24.08</td>
<td>14.06</td>
</tr>
<tr>
<td>Sewing helper</td>
<td>15.25</td>
<td>9.69</td>
</tr>
<tr>
<td>Cutting helper</td>
<td>19.22</td>
<td>10.64</td>
</tr>
<tr>
<td>Finishing helper</td>
<td>15.37</td>
<td>13.00</td>
</tr>
<tr>
<td>Folder</td>
<td>19.42</td>
<td>14.71</td>
</tr>
</tbody>
</table>

Source: Absar (2010)

In this regard, Garments worker often change their jobs because of wage arrears, lay-offs, irregular payment, excessive working hours, forced labor, ill health or harassment from bosses and their security guards (DWP, 2014). Bangladesh RMG sectors HRM implementation and practices play vital role for achieving employees’ job satisfaction, better productivity, employee efficiency and skill development. It is another area where Bangladesh severely lags behind most of its competitors (Richthofen, 2012). Therefore, on the basis of the above literature, this research is much needed as there is a huge research gap.

**DISCUSSION**

Based on above discussion, for ensuring the performance development and sustainability of Bangladesh RMG sector effective implementation of HRM practices should be assured. Khan (2010) stated that,
“HRM is the essential factor for sustainable competitive advantage and success of any organization”. According to Schuler (1990), “the practice of HRM enables firm to achieve resource optimization and continuous improvement in production”. At the same time lack of appropriate HR always create high turnover rate, increase absenteeism as well as reduce profit (Johir, Saha, & Hassan, 2014). In this regard, Marchington and Wilkinson (2008) stated that, “HRM is a distinctive approach of employee management to achieve competitive advantage through job satisfaction and commitment”. Several criteria works behind the relationship between HRM practices and sustainable competitive advantage which need to be further tested (Batt, 2002; Ahamed, 2013).

According to Batt (2002), “if the firm invests on human capital it may increase the worker’s productivity”. Appelbaum et al. (2000) stated that, “job enlargement and increasing autonomy of workers will decrease the amount of wastage and the inefficiency rate in production, as the firm takes the advantage of unused skills from non-managerial workers”. So through job satisfaction HRM practices can ensure employee motivation which will directly relate with quality performance of individual as well as organization. In this regard, Ichniowski et al. (1997) denoted that, “good HRM practices increase the motivation of workers due to increased job satisfaction”. Job satisfaction also will increase quality performance. MacDuffie (1995) mentioned, “good HRM policies reduce the rate of job turnover that consequently trim downs the cost of recruitment and selection, and increases the benefits of investments in human capital”. At the same time, Ichniowski et al. (1997) stated, “higher employee motivation will raise the tendency among the workers to do better job, and it will also increase their commitment towards the organization”.

On the basis of the above discussion, this research got the potentiality to vary the statement of whether human resources practices have positive relationship with Bangladesh RMG sector to gain sustainable competitive advantage or not as there is a research gap for it.

CONCLUSION AND FURTHER RESEARCH

Though the growth rate of Bangladesh RMG sector is immensely high but unfortunately from the starting of the implementation practices of HRM did not received its due and proper attention. This research will be very much beneficial for both owners as well as policy and decision makers. On the basis of this research, some recommendations are: first, always maintain and follow proper rules and documentation for the employment of employees. Second, establish justified wages and compensation policy not the discriminated payment. Third, every employee should provide appropriate training opportunities. Fourth, follow and maintain all HRM practices according to Bangladesh Labor Law 2006. Fifth, working hour and overtime policy should be maintained and justified legally and ethically. Sixth, trade union and collective bargaining option should be opened for the employees. Seventh, fairly and ethically practice “owner-labor-government agreement of 22 & 23rd may, 2006”. Eighth, wages and compensation should be adjusted with incremental payment as well as inflation and work life balance. Ninth, maintained appropriate and proper “safety and security law” of workplace safety. Tenth, ensure quality culture and reduce work stress and misbehave towards workforce. Eleventh, do not recruit child labor or minor which is a regular practice in Bangladesh RMG sector. Twelfth, maintained, follow and updated “BGMEA & Government rules and regulation”.

The current study offers significant values for practitioners since it has considerable managerial
significance. At the same time, this research will be significant in Bangladesh garments sector by offering new insights into the various HRM functions. These initiatives will cover the latest research gap on the implementation HRM practices in the literature. Additionally, it is believed that this study can be replicated in other context such as other product and service industries in Bangladesh. Therefore, this study will assist and explore for future research prosperities and opportunities in HRM area of research. Overall, this research can help to build up remarkable understanding of practicing HRM in Bangladesh RMG sector as well as contribute significantly in building the scientific knowledge in the subject of the research area.

REFERENCES


THE RELATIONSHIP BETWEEN PSYCHOLOGICAL EMPOWERMENT AND JOB INVOLVEMENT

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ABSTRACT

Job involvement is the psychological identification with one’s job. Studies show that those with high job involvement are inversely related to absenteeism, positively related to organizational citizenship behavior and in-role performance, organizational identification and employee commitment. Meanwhile psychological empowerment is a motivational construct that comprises individual cognitions and perceptions that constitute feelings of behavioral and psychological investment in a work. Empirical research on empowerment suggested that empowering subordinates is also a major component of organizational effectiveness. Knowing the importance of these two variables, therefore, a study has been carried out to examine the relationship between psychological empowerment and job involvement among bank managers in Peninsular Malaysia. A questionnaire survey was conducted and data were analyzed by using Smart PLS 3.0. Results of a survey of 151 bank managers revealed that psychological empowerment is positively related with job involvement.

1. Introduction

The issues on job satisfaction, organizational commitment and job involvement of employees is always a major concern for managers of any organizations. These attitudes are key determinants of the experience of work and are central to understanding and managing organizational behavior. For example, Harrison, Newman and Roth (2006) in their meta-analytic study found that both job satisfaction and organizational commitment term as overall job attitude has considerable importance for understanding behavioral outcomes such as performance, lateness, absenteeism, and turnover. Price and Mueller (1981) also found that job satisfaction to influence intention to stay, which, in turn, predicted turnover. Meanwhile, Keller (1997) and Diefendorff, Brown, Kamin, and Lord (2002) found that job involvement as predictor of job performance. Robbins (2005) further added that job satisfaction, organizational commitment, and job involvement are components of work attitudes that have important implications for organizational behavior. Therefore, in organization, attitudes are important because they affect job behavior.
Many studies have focused on identifying the antecedents and outcomes of work attitudes. Among these researches, quite a few have concentrated on identifying empowerment strategies as predictor to work attitudes or work outcomes (for example Ashness & Lashley, 1995; Bordin & Bartram, 2007; Laschinger, Finegan, Shamian, & Wilk, 2004; Lawson & Luks, 2001; Yoon, 2001). Initially, empirical research on empowerment as mentioned above is based upon the relational conceptualization of empowerment or the organizational level of empowerment. This approach to empowerment aims at reducing the dependencies in carrying out the job by delegating power and authority (Conger & Kanungo, 1988).

Psychological empowerment is empowerment from psychological perspective. It can be viewed as the perception of individuals towards their work and their role in the organization (Conger & Kanungo, 1988). The term empowerment in this case is motivational in nature. The motivational construct of empowerment is about discretion, autonomy, power, and control. Moreover, Thomas and Velthouse (1990) defined empowerment as a motivational construct too but more broadly as increased intrinsic task motivation manifested in a set of four cognitions reflecting an individual’s orientation to his or her work role: meaning, competence, self-determination, and impact. Thus, it is belief that employees who experienced empowerment are more motivated and will be more beneficial to organizations.

Since psychological empowerment is motivational in nature, employees in any organization should experience these feelings. This is further stressed by Porter and Lawler (1968) who suggested that management should provide work environment that motivate effective job performance through intrinsic and extrinsic rewards. Workplace environment such as organizational policies and procedures, relationship with peers, fringe benefits are positively related to job performance. However, extrinsic rewards may not be the most seeking choice at the moment. With the slowdown in economic, plus other things like increase competition to remain competitive in the market place, intrinsic rewards or psychological empowerment should be the right alternative. The workplace empowerment has then been promoted as a general practice for enhancing work performance (Wall, Cordery, & Clegg, 2002). Empowerment programs have been introduced as one organizational variable to improve productivity, increase customer satisfaction and enhance competitive advantage. For example, Keller and Dansereau (1995) in their study of leadership and management suggested that empowering subordinates is a major component of organizational effectiveness. In addition, studies found that empowered employees are related to productivity (Ashness & Lashley, 1995; Liden, Wayne, & Sparrowe, 2000), significantly related to job satisfaction and work stress (Holdsworth & Cartwright, 2003; Spritzer, Kizilos, & Nason, 1997) and can also influence organizational commitment (Bhatnagar, 2005; Liden et al., 2000; Menon, 2001). Thus, empowerment do play important role in influencing employees’ attitudes and performance in the organization.

2. Literature Review

2.1 Job Involvement (JI)

Years ago Lodahl and Kejner (1965) identified job involvement as an important organizational attitude. It can be considered from two perspectives, organizational and individual. From an organizational perspective, job involvement has been considered the key to increase employee motivation and from individual’s perspective, it has been thought of as key to personal growth and satisfaction, which will lead to goal-directed behavior (Hackman & Lawler, 1971; Lawler & Hall, 1970).

Robinowitz and Hall (1977) concluded that job involvement be described into two perspectives; performance-self-esteem contingency and component of self-image. The first perspective describes the whole job situation such as work, coworkers, and the company he or she is working with as a very important part of his or her life. Performance at work would very much affect the self-esteem of the individuals. Therefore, higher level of job involvement would
mean higher self-esteem derived from work behavior. The second perspective views job involvement as component of self-image. This view is refers to the extent to which the individuals identify psychologically with their jobs. Both definitions are consistent with the definition proposed by Lodahl and Kejner (1965) which relates the importance of work in the workers' total self-image and how performance affects self-esteem.

Job involvement is also a determinant of organizational effectiveness and individual motivation (Hackman and Lawler, 1971). To be more specific, both job involvement and job satisfaction were inversely related to absenteeism, but job involvement was more consistent with absence behavior (Wegge et al., 2007; Cheloha and Farr, 1980). Other study by Gechman and Wiener (1975) showed that job involvement and satisfaction did not correlate consistently with personal time devoted to work and mental health. The results showed that devoting personal time to work-related activities was positively associated with job involvement, but unrelated to job satisfaction. Mental health was positively related to job satisfaction, but did not correlate significantly with job involvement. A meta-analysis by Brown (1996) further concluded that job involvement was unrelated to job performance and mental health. However, these differential relationships support the view that job involvement and job satisfaction are two separate construct and distinct job attitudes (Gary J. Blau, 1985; Brooke, Russell, & Price, 1988; Kanungo, 1982a). A later study by Azeem (2010) found job involvement to influence burnout.

On the other hand, Keller (1997) in his study on engineers and scientists, found that job involvement was a strong predictor of job performance ratings and counts of patents and publications for scientists than for engineers. In addition to that, job involvement was also a significant predictor of organizational citizenship behavior and in-role performance (Diefendorff et al., 2002; Rottenberry & Moberg, 2007; Paille, 2010), organizational identification (Katrinli, 2009) and employee commitment (Khan et al. 2011). Their findings also mentioned that employees with high level of job involvement are more motivated to go to work and go on time because these employees are attracted by the kind of job they have. Thus, these findings reaffirms that job involvement is a potential determinant of individual performance.

Similar to job satisfaction and organizational commitment, job involvement is also a component of attitudes that affect work related behavior (Khan et al. 2011; Paille, 2010; Diefendorff et al., 2002; Huselid & Day, 1991; T. A. Judge, Bono, & Locke, 2000; Keller, 1997: Gary J. Blau, 1986). Since managers’ job in most organizations are trying to influence work related attitudes in order to create behavioral change, therefore it is belief that study on job involvement is very much significant in today’s workplace scenario.

2.2 Psychological Empowerment (PE )

The concept of empowerment has been mentioned and discussed by both management researchers and practitioners. This interest is due to several factors, mostly related to organizational effectiveness. In order to understand how empowerment plays its role in management, some definitions of the concept is introduced. For example, according to Kanter (1977), empowerment results from decentralization, a flattening of the hierarchy, and increased employee participation. Ford and Fottler (1995) stated that empowerment usually means giving employees the autonomy to make decisions about how they go about their daily activities. Therefore empowered employees have a high sense of self-efficacy due to having significant responsibility and authority over their jobs (Thomas & Velthouse, 1990).

Psychological empowerment is a motivational construct that comprises individual cognitions and perceptions that constitute feelings of behavioral and psychological investment in a work (Conger & Kanungo, 1988; Spreitzer, 1995, 1996). This would mean when individual experienced empowerment he or she feels the capacity to carry out the work and perform well. A strong sense of personal efficacy is developed and this condition heightened the motivation to accomplish the task given. Therefore, Conger (1989) thinks of empowerment as the act of strengthening an individual's beliefs in his or her sense of effectiveness. The theory behind these ideas can be traced
to the work of Alfred Bandura, who conceptualized the notion of self-efficacy. Based on the theory, it is believes that empowered employees are intrinsically motivated to take personal ownership of their jobs, to exercise self-determination, to satisfy their need for power and to reinforce their personal self-efficacy beliefs (Bandura, 1986).

Thomas and Velthouse (1990) regard empowerment as consisting of four psychological states: meaningfulness, competence, choice, and impact. The first component, meaningfulness, relates to the value of the task, involving intrinsic caring about a given task. The employees’ perceptions of how meaningful their tasks are affect their feelings of empowerment. Competence, the second component, refers to the belief that individuals are able to perform the task activities skillfully when they try. The third component, choice, is the degree to which employees feel a causal responsibility for choosing or regulating task actions.

The last component, impact, is the degree to which employees perceive their behaviors as ‘making a difference’ in terms of accomplishing the task. (Thomas and Velthouse, 1990, p 672–673).

Based on the work of Thomas and Velthouse (1990), Spreitzer (1995) defined psychological empowerment as intrinsic task motivation manifested in a set of four cognitions reflecting an individual’s orientation to his or her work role: meaning, competence, impact and self-determination. Meaning is defined as the value of work goal or purpose, based on individual’s own standard. Employees will find meaning in their job when they perceived that the activity they take part and its objectives are compatible with their own value system (Brief & Nord, 1990). Competence is an individual’s belief that he or she has the capability to produce favorable outcome. Self-determination is defined as autonomy in carrying out work behavior or work process. Self-determination also refers to the discretion given to employees to adopt to which types of behavior and actions that they think is best in influencing them in achieving organization’s objectives. According to Deci (1975), self-determination is the expression of choice by the employees as how to perform their task. Finally, Spreitzer (1995) redefined impact as a “degree to which an individual can influence strategic, administrative or operating outcomes at work” (p.1443). Simply said, impact is the perception of the employees whether he or she can affect or influence organization outcome (Ashforth, 1989).

Menon (2001) defined psychological empowerment as a cognitive state characterized by a sense of perceived control, competence, and goal internalization. She introduced a new measure of psychological empowerment. According to her, three main dimensions of the experience of power underlying the empowerment process are: (a) power as perceived control, (b) power as perceived competence, and (c) power as being energized toward achieving value goals. However, the measurement does not receive much attention. Most research on psychological empowerment adopt the measurement developed by Spreitzer (1995), (see also Koberg et al., 1999; Mok & Au-Yeung, 2002; Huang et al., 2006; Bordin, Bartram & Casimir, 2007; Chiang & Jang, 2008). The widely used of the instruments in other settings and across other culture has further strengthened its reliability and validity.

Many studies had been carried out to examine the impact or the outcomes of empowerment ((Bhatnagar, 2005; Holdsworth & Cartwright, 2003; Laschinger et al., 2004; Savery & Luks, 2001; Spreitzer et al., 1997)).

Laschinger et al. (2003) studied burnout among the nurses. The longitudinal design was used to examine the effect of structural empowerment (such as opportunity, information, support, resources and power) on psychological empowerment and then the effect of psychological empowerment on burnout. Their findings indicated that structural empowerment resulted in increased psychological empowerment at Time 1 and the feelings of psychological empowerment had a negative influence on burnout. In addition, Hochwalder and Brucefors (2005) also believe that psychological empowerment at work may be one of the possible factors that provide protection against ill health.
Psychological empowerment also has an impact on job satisfaction and on job related stress (for example, Laschinger et al., 2004; Holdsworth & Cartwright, 2003; Savery & Luks, 2001; Spreitzer, Kizilos, & Nason, 1997). On the other hand, Bhatnagar (2005) did a study to measure psychological empowerment and organizational commitment among managers in various organizations in India. The result shows that affective commitment is a strong outcome of psychological empowerment, followed by normative commitment, and continuance commitment being the weakest outcome.

2.3 PE and JI

An exploration of the relationships of the individual components of empowerment to organizational outcomes, such as job involvement is still lacking from the empowerment research. Besides job satisfaction and organizational commitment, job involvement is also generally important in predicting performance, especially in the new global economy. Satisfaction has a highly positive effect on intention to stay in a job and a modest effect on actually staying in the job (Scott & Taylor, 1985). High level of satisfaction too has a positive effect on regular attendance at work. Organizational commitment also influences turnover intention, absenteeism and performance of individual (Harrison et al., 2006; Tett & Meyer, 1993). Similar to satisfaction and commitment, job involvement also has important effects on intention to stay in a job (Huselid & Day, 1991), attending job regularly (Gary J. Blau, 1986), job performance and citizenship behavior (Diefendorff et al., 2002; Keller, 1997), motivation and goal-directed behavior in general (Hackman & Lawler 1971; Lawler & Hall, 1970).

A meta-analysis study by Brown (1996), support the conclusion that job involvement is affected by personality variables. Three relationships, work ethic endorsement, internal motivation, and self-esteem were statistically significant. The results shows that people who are high in work ethic, internal motivation, and self-esteem are predisposed to be highly job involved.

Meanwhile the meta-analyses of the relationships between situational variables (such as, skill variety, task identity, feedback, task significance, job challenge, task complexity, and motivating potential) and job involvement generally support the position that job involvement is substantially related to situational influences. These results support the Hackman and Lawler (1971) and Hackman and Oldham (1975) position that enriched jobs stimulate job involvement. The concept of job involvement, its antecedents, and outcomes have been researched extensively by organizational researchers (for example, Gary J. Blau, 1985, 1986; Diefendorff et al., 2002; Kanungo, 1979, 1982a; Keller, 1997; Morrow, 1983; Rabinowitz & Hall, 1977) however, little attention has been devoted to exploring psychological empowerment and job involvement (Chan, 2003). Therefore this study examined the relationship between psychological empowerment and job involvement among managers in Malaysian context. In this study, the attitudinal outcome such as job involvement is the likely consequence of psychological empowerment. Thus, it is hypothesized that it has a positive relationship with job involvement.

H1: Managers’ perception on psychological empowerment will have a positive effect on job involvement.
3. **Methodology**

3.1 *Population and Sample size*

This study focused on the bank manager throughout Peninsular Malaysia. The population of this study covers all the conventional banks which had gone through the merging and acquisition process. The branch manager and the head of department from the various bank located in Peninsular Malaysia, were the respondents for this study. Only 164 respondents turned up a sample and 151 usable questionnaires were analyzed.

3.2 *Instrument Development*

The psychological empowerment measures that were used in this study are based from the instruments developed by Spreitzer (1995). The four-factored psychological empowerment construct is operationalized by twelve items. The four factors or dimensions are meaning, competency, self-determination and impact. Meanwhile, job involvement is assessed using the 10-item index developed by Kanungo (1982) to measure the degree to which the individual identifies with his or her present job.

3.3 *Data Analysis*

Data collected was analyzed using Smart PLS 3.0. Since the model consist of first and second order construct, assessing the measurement model included both constructs. The first order construct refers to the relationship between the indicators and its dimensions, while the second order construct refers to the relationship between the dimensions and the latent constructs. In evaluating the measurement model, elements of the model are individually evaluated based on certain quality criteria such as reflective measurement models, formative measurement models and structural model.
4. Findings

4.1 Hypothesis Testing

Structural model assessment was performed to test the developed hypotheses relationships. The results from the output of the bootstrapping PLS-SEM confirmed that there is a positive significant relationships between transformational leadership and psychological empowerment ($\beta = 0.46$, $t = 7.626$, $p<0.01$), as shown in Table 1. Therefore, the hypothesis is supported.

Table 1. Path Coefficients and Hypothesis Testing

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Relationship</th>
<th>Beta</th>
<th>SE</th>
<th>T Statistic</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>PE-JI</td>
<td>0.46</td>
<td>0.06</td>
<td>7.626</td>
<td>Supported</td>
</tr>
</tbody>
</table>

5. Conclusion and Discussion

This result is consistent with Ooi et al. (2007), where they found that how employees perceived their psychological empowerment affects their job involvement. Employees with high level of psychological
empowerment perceive that their job as very meaningful (value of work goal), believe they are competent (self-efficacy), self-determined (having choices and autonomy), and able to make an impact or make a difference (influence on works outcome) in performing their tasks (Lambert, 1991; Brown & Leigh, 1996; Kanungo, 1982a). Meanwhile, Singh and Sankar (2012) found only meaning to be significantly effects job involvement. In other words, those with high level of psychological empowerment would experience high level of internal motivation. Therefore, the finding indicates that employees who are psychologically empowered tend to psychologically identified with their job or being actively attached with their job.

The present study’s finding also implies that employees who are psychologically empowered are motivated to perform their tasks and having a strong sense of feeling towards the attachment with their job. Job involvement is considered to be attitudinal outcome of intrinsic motivation, and thus, was hypothesized as positively related to psychological empowerment. Employees are motivated intrinsically when organization eliminates constraints that contributes to their feeling of powerlessness or helplessness

References


ECONOMIC COOPERATIONS FOR SUSTAINABLE REGIONAL DEVELOPMENT

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ABSTRACT

The role of local authorities and clusters in regional development and economic growth is crucial not only to meet the needs of population, to increase welfare, and to increase people’s resilience, but also to strengthen interwoven economic cooperation in regional level such as in ASEAN Economic Community (AEC). The ability to work together and to strive from increasing competitiveness will be tested especially in bordering areas. This paper contains review and observation on AEC from Indonesia's point of view.

Keywords: Sustainable Development, Economic Cooperation, Economic Cluster, AEC

INTRODUCTION

Economic cooperation has been accepted as an important part to ensure sustainable development. Mainly, economic cooperation is perceived as related activities that enable a region capable to meet the needs of its population and to improve their welfare. Interwoven economic cooperation both at local, cluster, regional and global level cannot be avoided especially in an open region such as Indonesia. With regards to economic cooperation, the latest issue being discussed is how Indonesia will be able to make some benefits from ASEAN Economic Community (AEC). Indonesia’s ability to work together and to strive in tight competitiveness will certainly be tested. The impact on immediately adjacent area to other ASEAN countries - such as Riau Islands, North Kalimantan, and North Sulawesi Provinces - will also be increased. In effort to tackle such problems, national cooperation between central authorities and local levels need to be improved in order to keep good economic development and to achieve economic development goals as well as social welfare as national objectives.

LITERATURE REVIEW

Network and good cooperation are absolutely needed in sustainable development process. Therefore, cooperation at various levels - global, regional, national and local - is essential to achieve objectives of sustainable development especially economic growth no matter how skeptical some opinions might be. In this case, the role of local authorities, clustering and networking at various levels are needed to create a workable system.

Network and Economic System Cooperation

Mempel-Śnieżyk (2014) asserted that modern economy has an important role to create a system that functions well - that is a system between local economic actors such as entrepreneurs, business environment institutions, stakeholders in the field of research and development, as well as local authorities. Thus, economic system at local level is important in achieving Sustainable Development
Goals. In the pursuit of sustainable development, economic networks also indicate the importance of cooperation at local, national, regional and global level. The Development Goals’ primary discourses are still on reduction of poverty and hunger, improvement of basic education and health. However, in addition to that, development and strengthening partnerships around the world are also emphasis in Sustainable Development Goals that prioritize economic growth in inclusive and sustainable condition by improving living standards through accelerated income growth and employment.

Regional Development and Economic Growth

Economic challenges facing countries in the 21st century led to the creation of vision in economic policies. For example, Europe 2020 strategy has been set up for European Union (EU) market. To face structural weakness of European market, EU members set priorities of “smart growth, based on knowledge and innovation; sustainable growth, promoting a more resource efficient, greener and competitive economy; inclusive growth, fostering a high-employment economy delivering economic, social and territorial cohesion” (Guide to Research and Innovation Strategies for Smart Specialization, 2012). These kinds of notions had been set up all over the world.

Role of Local Authorities, Cluster, and Networking

The role of local authorities as well as cooperation of existing network is indispensable in achieving economic growth and sustainable development of modern world (Mempel-Śnieżyk, 2014). In this case, the role of local authorities in terms of triggering the growth of small and medium enterprises (SMEs) become important because they are regarded as one of the important pillars of the economy due to its contribution in terms of triggering economic growth and employment. The existence of a number of SMEs are increasingly dependent on their complex relationship within a sector can lead to clusters. Clusters that arise can be a business market that can be identified, specific business clusters, as well as economic clusters (Porter, 1998). The structure of clusters increasingly awakened thus constitutes a form of cooperation that is both structured and integrated high enough, thus establishing an economic network (Gunasekaran, 2006).

CONCEPTUAL FRAMEWORK

Conceptual framework on economic cooperation for sustainable regional development in this paper is simply based on the relation of three main inputs: (1) network and economic system cooperation, (2) regional development and economic growth, and (3) role of local authorities, cluster, and networking.

RESEARCH METHODOLOGY

Literature research on issues on sustainable regional development and AEC from Indonesia’s point of view has been conducted. Meta-analysis from that literature research then compared with observation on latest issues of AEC from Indonesia’s point of view, then directs comparison on Indonesia in AEC and Poland in EU was conducted. The comparison between two countries in different regional economic cooperation condition is to see the likelihood of sustainable regional development and how mid-level countries such as Indonesia and Poland should react towards dynamics of sustainable regional development and economic cooperation, especially on determined issues, i.e. (1) network and economic system cooperation, (2) regional development and economic growth, and (3) role of local authorities, cluster, and networking.
DATA ANALYSIS

Network and economic system cooperation become more important by time. There is an emerging awareness to act together towards sustainable development. For example, Poland - according Mempel-Śnieżyk (2014) - is committed to implement sustainable development policies by integrating a variety of activities in economic, social and environment fields for the benefit of future generations. This kind of notion was also stated in the vision of Poland in 2015. Poland is aimed to became a country with high level and high quality of life, has a strong economic conditions and competitive, and able to create new jobs. Many countries share the same visions, including Indonesia in its long-term development plan towards 2025. In order to support this kind of vision, the role of innovation is indispensable. In this case, research and development sectors, innovative environmental and economic ability to apply various research results seem to be the benchmark level of innovative ability of a company or region. Furthermore, Mempel-Śnieżyk (2014) also states that knowledge, technological developments and innovations taking place constantly as major elements to ensure development and competitive advantage of particular economic system. Those major elements trigger economic system to adapt new technologies and new knowledge that contribute to socio-economic development, give impacts on quality of life, build information society, as well as improve and achieve of a new green or even blue economy.

In the case of regional development and economic growth, the fundamental to social and economic development worldwide is cooperation agreements at local and regional level between developed countries and less advanced countries. In relation to that, the stakeholders have important tasks, mainly creating a high potential for innovation in the field of culture, internal economic forces as well as strong social and institutional ties. Mempel-Śnieżyk (2014) asserts that the development and strengthening of partnerships around the world will be achieved by supporting the activities of local authorities, non-governmental institutions, local communities and spread the idea of cooperation. All of these activities are now common in European Commission. In addition to that, new trends in regional policy in EU that can be highlighted as cooperation at the local level as well as how to identify regional domain by using clusters (Mempel-Śnieżyk, 2014). Independent Research Forum (2013) stressed it out on sustainable improvement in human wellbeing that is the ultimate purpose of all development efforts. Achieving the purpose of development efforts substantially depends on a foundation that binds together and gives balanced weight to economic progress, social equity, a healthy environment and democratic governance. These dimensions of development are too deeply intertwined to treat separately and therefore become a foundation in creating regional cooperation.

Thus, one way that is deemed best to boost innovation in the field of economics is to conduct regional cooperation to establish regional systems. In the case of Poland, the role of companies, local authorities, sector III (Logistic Parks), Research and Development sector, as well as the institutions that support businesses working together to establish strategies that can increase the potentials, radical new innovations, or modernization through adaptation of technology and new processes. The private sector also triggers application of these innovations. It is then being synergized with local governments that participate in creating conditions that focus on development of innovative economy. To support this, the local government can carry out the coordination of various economic activities, help to solve problems or conflicts, start economic project that favorable for harmonious development, initiate cooperation between companies, institution, and business environment, as well as create favorable conditions for new entrepreneurs (Mempel-Śnieżyk, 2013 in Mempel-Śnieżyk, 2014).

There is also increasing role of local authorities, cluster, and networking around the world. For example in Poland, as has been raised in Mempel-Śnieżyk (2014), the role of local authorities in socio-economic development can be seen as constantly changing and intertwined. SMEs came into effect in 1990s and
creating a new wave of economic transformation. As what had happened in Indonesia during economic crisis, SMEs have supported the sustainability by creating new jobs and prevent unemployment that occurred as a result of liquidation and restructuring of state-owned and private-owned enterprises during economic crisis. Currently, activities and development of the SME sector contribute to sustainable economic growth in Poland, although still hampered by the lack of legislation to support the structure, financing difficulties, as well as the competition that favoring large companies. In an effort to create a good business climate to support SMEs, local authorities are encouraged to establish a system of local businesses that can take advantage of natural resources, human resources, or create location availability through spatial planning. The creation of networks of cooperation or broker network will be favorable for socio-economic development and sustainable development in general.

General Findings

Mempel-Śnieżyk (2014) emphasized the importance of the triple helix models to describe the dynamic relationship between companies, research and development sectors, as well as government authorities. In this case, the learning process that is built up through mutual cooperation aims to build an innovative system.

Picture 1: Triple Helix Model

Source: Leydesdorff (2009)

Triple helix model (Picture 1) although it is often used in Indonesia and used in policy-making, it has also proved as ineffective based on social conditions of Indonesian society as collective society. On the other hand, based on the social conditions, triple helix models often impede freedom of creativity in the community since it is more focused and controlled by a particular institution or agency. As a society with a high level collectivism and there is a strong interdependence between existing components in society such as Indonesian society (Hofstede & Hofstede, 2005), dimensions of community is a very important component in Indonesia. Involving community has been proved as crucial in Indonesia especially in considering demographic condition with its high population. In addition to that, job creation and entrepreneurship with community-based economic system must be carried out with regard to the presence of high collectivism in society. On the other hand, an increase in the level of education and infrastructure, especially in the field of information and communication technology in Indonesia could lead to the creation of understanding and knowledge that leads to innovation process. In fact, various studies involving innovations in the creative industries in Indonesia (Delima, 2015) shows that the model of innovation quintuple helix (Picture 2) that is more emphasized on community participation in development. In this case, social participation lead to the development of social capital, and social participation also give ways to creation of variety new innovations that support sustainable development.
Basically, the innovation-based model or quintuple helix model has five pillars. The pillars of political institutions or government system - a political system that creates legal and political capital; the pillar of education or research system - consisting of academia and education system that creates human capital; the pillar of economic system that consists of industry and business sector that creates economic capital; the pillar that covers media-based and culture-based system that not only knowledge and information creation, but also creating information and social capital; as well as environmental pillar of which public places can create natural capital and the supporting man-made capital. Each pillar has their contribution in creating knowledge that then leads to the implementation of series of knowledge and know-how in the process. All pillars are linked to one another and creating a vortex understanding of knowledge which in turn can provide skills that lead to solutions that are needed or even to new innovations. Management of the creative implementation of various innovations is exactly what would later become the basis of sustainable development. Quintuple Helix Innovation Model is believed be able to give more economic impact, with stronger and better user experiences since a wide range of products and services can be created with better knowledge and know-hows and applicable due its high level of society participation. Moreover, the circulation of knowledge then keeps innovation development process to be always responsive to changes in existing environment (Delima, 2013).

Quintuple helix model is by par more excellence in comparison with triple helix model since Indonesian society has a tight social fabric with specific characteristics contained therein. Network of knowledge and understanding of creation process that involving many people and make use of demographic condition is considered as more capable to give chance of public participation and innovative creation than triple helix models. In addition to that, it is even more closely related to characteristics of Indonesian society with its multicultural and socially diverse community. The existence differences - either culture or certain specific local conditions are able to make products specific economic and competitive. This condition creates some advantages in developing local economics and naturally able to form clusters of locally based SMEs based on the advantages of highly competitive and highly economic comparative conditions. The problem is how to manage this condition creatively in relation with advances in technology and infrastructure and how new markets can be achieved. Since it is the core of growth in culture-based society and media-based society, in which public participation can be formed and be boosted its capacity as information and social capital.
Wave of innovation in the end becomes very important in sustainable economic development. Related aspects of sustainable economic growth usually done based on the principle that "current needs must be met, in addition to ensure the ability of future generations to be able to meet its own needs as well," as often quoted from the Brundtland Report (UN, 1987). Thus, innovation also becomes inevitable rather than necessary. Technological advances, especially in the field of information and computing also sparked social benefits and increase economic growth. In Europe, it became Europe 2020 Strategy (Digital Agenda for Europe, 2013). In Indonesia, it became the starting point of creative economic development as had been proclaimed in 2009. It is rather a disadvantages that Creative Blueprint for Development of Creative Economy Indonesia in 2025 based on the study of creative industry in Indonesia in 2009 had been stopped by changing leadership, since the Economic Creative Agency formed in 2014, has not yet showed its flying colors as high authorities in the development of creative economy so far, and it had not been able to become a real role management institution or driving Indonesia's creative industries as expected in SMEs or larger scales.

Role of Indonesian Local Authorities and Cluster Systems

The role of local authorities as well as the cooperation of the existing network is needed, especially in developing SMEs. The success of SMEs is also very helpful economies localized areas, especially if the network of SME clusters of competitiveness. SME clusters can be used as a strategy to reduce logistics costs and maximize the efficiency of both to obtain raw materials and product marketing (Manno, 2000). Cluster development is considered appropriate to maximize the improvement of products and services potentially lower commodity related or direct relationship and cooperation between individuals and the natural environment where it resides (Manno, 2000). Cooperation with the cluster system, the SME sector may increase thanks to the positive impact generated commodity generation. The success of cluster system can be seen in the centers of rapid growing handicraft industry in Indonesia such as Garut and Tasikmalaya-West Java, Ubud-Bali, and other places.

Although SME sectors give a lot of benefits in economic development, it is not without problems. For example, the SME sector in Europe accounted for 64% of industrial pollution (Mempel-Śnieżyk, 2014). Data on industrial pollution in Indonesia is available. However, if it is linked to the difficulty in finding financial resources, conduct and promote environmental activities, the situation that is faced by SMEs seemed pretty much the same - SMEs are still getting a lot of challenges to transform environmental challenges into opportunities, especially in terms of cost reduction, environmental impact and efficiency energy. High cost and difficulty in getting the certificate of certification including environmental management systems make SMEs had become indifferent or reluctant to get it. The recent trends indicate a movement to act together especially because of cluster system promotes collaboration and networking, e.g. Street Vendors Cooperative, Cooperative Market and others. In addition to that, cluster system in Indonesia is also triggered by new technologies and new media.

In order to build up economic resilience, the Polish government interestingly creates innovation in facing economic uncertainty in Europe by building a strong domestic trade and industrial output as well as strong market (CBRE, 2011). In order to build this powerful industry, Polish government is building simultaneously manufacturing sector and its logistics network of warehouses that divide the territory of Poland into three development sectors, namely Sector I – in which the warehouse area is located within a radius of 15 km from the capital city of Warsaw; Sector II – for logistics area around Warsaw with the access road that lies between 15 to 80 km from the center of Warsaw; as well as the third sector that covers the entire network of logistics infrastructure in other areas. The growth of logistic infrastructure is still increasing at the time of this paper is written even though Poland's economic growth rate remained at
around 4%. Along with the construction sector, the development of clusters in sector coverage is also being noted as it might lead to future economic benefits.

In relation with logistic network construction, Indonesia actually has acceleration and expansion plans during Indonesia's economic development for 2011-2025 periods, including the development of the National Logistics System known as Pendulum Nusantara (Picture 3). National logistics system is actually indispensable in improving efficiency and improve economic competitiveness, given that the current logistics cost impact to the price of goods is still far beyond the range of 10-20% - over the cost of product as commonly applied to logistics in developed and developing countries as proposed Waters (2003). The existence of the logistics system that works well is very important considering the condition of Indonesia as an archipelago, in which series of national logistics system should be able to reach all areas and help the distribution of goods and services equally.

Picture 3: Development Scheme of Pendulum Nusantara

To support the scheme of Pendulum Nusantara, a good supply chain network is important because it is related to government policies that seek to promote an integrated logistics lines between islands and internationally connected economy. It actually has been set forth in the Vision Logistics Indonesia in 2025, the "Integrated locally, globally connected for the realization of national competitiveness and social welfare" (Widiyanto, 2010). Although the supply chain network is considered important, in reality, its existence has its own specific urgency to face global competition while at the same time strengthening local trade. In this case, the development of the National Logistics System not only emphasizes the importance of hardware or infrastructure, but also improving quality of logistics players, logistics service providers, and human resource management. Moreover, the development of maritime network becomes necessary since almost of 80% Indonesian area consists of water area.

The supply chain network should also be recognized cluster networking presence. There is no detailed study so far that look upon economic costs compared with comparative or absolute economic benefits that can be obtained in Indonesia. Marine transportation network planning as backbone of Indonesia's logistics will lie in Kuala Tanjung for Indonesia's West and East Indonesia Bitung, yet presumably not accommodate existing cluster network. If the Kuala Tanjung and Bitung planned as an international hub port, between those two points should be built up a number of port hubs as specific collector (Picture 4). Realization of the collecting ports at the time of this review being made still face many hindrances. In essence, marine transportation networks with various hubs should also be integrated with road network along with clusters centers and existing warehouse production to achieve economic efficiency so that it can provide additional advantages.
One thing that is often overlooked by both central and local authorities in Indonesia are Indonesia's geographical conditions and high degree of heterogeneity related to natural and human resources - a very open opportunity in cluster system development connected with logistical hubs so that the level of distribution of goods and services as well as inter-regional trade can be increased. The actual cluster system can also be planned based on a number of Indonesian economic corridors, each of which serves as a center of production and processing of superior products contained in its section cluster. However, there are a number of questions regarding validity of centers of production and processes industry contained in each corridor that might restrict and hinder the creativity of the economic actors, especially in SME sector. Based on cluster system lesson-learned, it is clear that development of logistics system plays the main role in vertices of national logistics. The hub creation then is important in creating areas that trigger and drive new economic development. In this case, a diversified natural resources management will become more assured, and the heterogeneity that exists in the characteristics of natural resources and human resources of Indonesia will also be able to be managed properly. The fact is that if managed properly, local authorities in Indonesia with good management system based on hub or corridor should then be enabled to create and to produce strategic commodity with economic advantages. Successful management of existing clusters, along with the ability to manage the network hub in the logistics system and various other related systems will then make Indonesia able to participate in global supply chains as a producer of a commodity and not as a mere consumer.

Networks and Economic System Cooperation

Network that exists between central government, institutions and companies nationwide became increasingly necessary to achieve economic growth that leads to sustainable development. Related to this issue, development of dynamic entrepreneurship and innovation improvements is still a challenge, as it requires expertise and special understanding. However, networks are increasingly moved towards globalized cooperation. As Poland became part of the European Economic Community, it cannot be separated from pattern of regional cooperation. The same notion can also be applied to Indonesia as a part of AEC. In this case, all country inevitably will have to adapt to regional economic development, as well as within the scope of regional or global. As a member of such community financial contribution to other countries to ensure employment opportunities, especially for younger population, building an
Regional Development and Economic Growth in Indonesia

Regional development increasingly triggered by presence of AEC, an opportunity but also a challenge for Indonesia. Indonesia's economic growth, products and services will be forced to compete with foreign powers. The problem is, the cost of exports in Indonesia is of the 3rd of ASEAN's most expensive while cost of import in 3rd ASEAN's less expensive (Permana, 2015). Under these conditions, if there is no proper intervention from the government, AEC will only lead to undesirable market excesses. Indonesia's economic growth slowed to a rate of 4.67% (BPS Data for the second quarter of 2015) while in the previous quarter was 4.71% and 5.12% when referring to the same quarter in the previous year, it is necessary to be aware of. Although the economic slowdown is the effect of the impact of the global economy, but without an adequate economic policy, the Indonesian economy will be worse.

A number of efforts to improve infrastructure and industries throughout the region are a done deal. Indonesia also imposes free trade zone and free port in a number of areas in order to encourage national industries and attract investment. Nonetheless, free trade zone and free port is still not supported by suitable stable legislation or clear law enforcement. For example, Batam as a free trade zone and free port area faces many problems in labor issues that disturb performance of the production of goods and services. Improvements to the quality of human resources and favorable investment climate is certainly in need, especially with the direct competition of free trade zone of Johor Bahru that offers various options of logistics and convenience to invest and guarantee of free labor conflict (Madjid, et al., 2015).

CONCLUSION AND DISCUSSION

In conclusion, Indonesia needs regional cooperation to strengthen its sustainable economic development. However, it is much more in need of strengthening economic development by empowering cluster system as production base of goods and services, as well as a national network of solid cooperation both horizontal and vertical to ensure equitable distribution of goods and services. In this regard, cooperation
between central and local governments as well as various institutions development planning plays a very important in determining the direction and policies and road map of Indonesian economic development.

Strengthening networks and cooperation for sustainable development is largely determined by local authority's role both in the sense of a community member country in certain economic or local authorities within the scope of a particular country. In the network of economic cooperation of this kind, cluster system can be applied to create a form of competitive advantage even for a region's comparative advantage, provided that binding regulations between cluster cooperation can work, managed, and maintained. Even for areas with natural resources that are very special, absolute advantage is not likely to be achieved by strengthening the product and service support. Especially in the case of Indonesia, the cluster system will be firmly established by the existence of a strong national logistics system that is powered hubs that play a role in the dissemination of goods and services.

There are other important things that needed beside regional cooperation. Good governance system with a decentralized system of financial balance between the center and regions, logistics systems that in sync with economic sectors and regions are a number of tools needed to boost economic growth and ensuring resilience of Indonesia as archipelagic nation. The fulfillment of those various aspects will undoubtedly support the sustainable economic development of Indonesia.

REFERENCES


MANAGEMENT STYLE AND FACTORS AFFECTING SERVICES PROVIDED BY HALAL SPA BUSINESSES FOR MUSLIM TOURISTS IN THE GULF OF THAILAND

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ABSTRACT

This academic article aims to provide a case study into the management style and factors affecting services provided by Halal spa businesses for Muslim tourists. The content of the article explains the importance of spa businesses for Muslim tourists in Thailand as well as the tendencies of Muslim tourists in the gulf of Thailand and management styles of various Halal spa businesses. It also attempts to explain the factors affecting those Halal spa businesses. The study found that the management style of the Halal spa businesses mostly consists of both internal and external elements. As for the factors affecting the service by Halal spa businesses in the gulf of Thailand for Muslim tourists, they compose of the following; product, price, place, promotion, people, process and physical evidence. Hence, Halal spa businesses in the gulf of Thailand can utilize this knowledge to improve the efficiency of their business models in order to increase the benefits they receive.

Keywords: Business Management, Halal Spa Business, Muslim Tourist, Gulf of Thailand

INTRODUCTION

Nowadays, Tourism is an important to economic systems all over the world. In other words, many countries around the globe assign tourism to being a service industry which is significant to their countries as tourism can generate immense revenue streams. A successful tourism industry can also stabilize a country's economy. Consequently, tourism is a service industry that is as important as other large industries in many countries. These countries therefore have to compete with each other in terms of economy for the purpose of snatching tourists from other countries to come to travel to their own countries. Aside from this, tourists may also travel around inside a certain country. Thus, it is necessary for the countries that have big tourism industries to create opportunities to compete with their rivals by setting up strategies that can respond to their customers' needs. For instance, new forms of services and additional services. The purpose of these strategies is to develop products and services regarding tourism which can create a competitive advantage. Halal tourism is a relatively new kind of tourism service in the tourist industry which focuses on the target group of tourists from Muslim countries. Hence, tourism services and halal services must be developed in order to meet the needs of this new market of tourists from muslim countries. One way to attract these tourists is to provide many kinds of services that can respond to their needs by providing services which are in line with their religious practices. For example, hotels may support muslim tourists by providing products and services free of prohibited goods such as pork meat and alcoholic drinks. In addition, the swimming pool, spa room, and prayer room may be separated between men and women (Halabase, 2011).
At present, the muslim population around the world stands at approximately 1,500,000,000 which is 22.9% of the total world population. There is a density of muslims in the Asia Pacific region of around 61%, Muslims are spread around the globe. Accordingly, the market that sells halal products is constantly in demand, and also halal products and services are highly consumed. It can be seen that tourism for muslim countries is regarded as an extremely important market (okhovat, 2010). Meanwhile, providing services concerned with tourism to muslim tourists has to make considerations based on Islamic regulations. This is due to Islam having strict rules which tourism management services need to respond to in order to meet the needs of muslim people. (Thaipost, 2013). The Halal spa service is an activity that promotes tourism, which is particularly outstanding in Thailand in the field of Thai ancient massage. According to Sriprasert et. Al (2014), it was found that tourists from muslim countries who travel to Thailand on the Andaman coast required spa services at a high level. Therefore, Halal spa businesses are regarded as one of businesses that is very interesting in order to support all muslim tourists who are travelling to Thailand. The process of giving services in the form of Halal is heartfelt and this is important in giving tourists good service. This is due to the tourists placing importance on the practice following Islamic principles, also, it is well known that the procedure of giving services is a part of management. As a consequence, the operations of Halal spa businesses needs the understanding of the management form as well as the factors affecting Halal spa business services so that the entrepreneurs in the spa business field will be able to apply themselves correctly in order to support all tourists from Muslim countries.

The importance of spa businesses for Muslim tourists in Thailand.

The number of tourists from the Middle East travelling to Thailand is about 476,024 people each year, 43% of whom will use services provided by Halal spas. According to the survey findings of this group of tourists, it is found that spas in Thailand ranked on the top of their list of activities. The average expenses of using the spa services are about 3,918.25 baht per person in a trip. In this regard, the effect of the total market value of the Middle Easterners using spas will be at approximately 825.65 million baht. This accounts for 5% of the total market value of the spas involved in providing Thai ancient massage, of which the total yearly profit is 16,000 million baht. However, this will be regarded as a niche market. (Prachachart Business, 2015). Thailand places great importance on the Halal market for the purpose of responding to Muslim tourist needs. An important factor in Halal marketing is to develop the raw material quality to be in accordance with Islamic principles. The cosmetic products for use in a Halal spa business such as washing products and skin care products cannot either be made from any parts of pork or made by through processes that are not in line with the religious principles. All oil products should be made from plants. If any product is made from animal fat, it must not be made from forbidden animals. The process of making products associated with killing animals should be executed in the Islamic way. Consequently, methods involving Thai herb products and the organic products can answer all the Halal questions right away. However, some of those products still lack the International organisation standardisation (ISO). This standard, as mentioned above, is regarded as the heart of the Halal spa business in order to give the services of Traditional Thai medicine to muslim tourists. To provide the services of the traditional Thai medicine to the muslim tourists, the spa businesses must do so in the form of Langkasuka massage treatment which means using fennel oil and a compressed massage ball in a massage service (Halal institution of Prince of Songkhla University, 2015). Apart from the cosmetic products used in spas, the process of providing the Halal services is also regarded as the heart of the service, which is very important in giving the services to Muslim tourists. In this regard, it can impress upon Muslim tourists, and that can be spread by word of mouth that can cause repeat, as well as new, custom in the use of spa services in the future. If the number of tourists increases, it can also increase the value of the tourism...
economy to entrepreneurs and improve the revenue of the country’s economy on the whole. That could give Thailand an advantage over its competition in the tourism service industry.

The tendencies of Muslim tourists in the gulf of Thailand

Since Thailand became a member of the Asean Economic Community (AEC), it has had an increased number of tourists from Muslim countries in South East Asia such as Malaysia, Indonesia, and Brunei travelling to Southern Thailand (Insititution for tourism professional training, 2011). Furthermore, Malaysia and Indonesia have been in cooperation with Thailand in making the co-economic development program known as the Indonesia – Malaysia – Thailand Growth Triangle (IMT GT). This program covers the area of the Thai gulf comprising of Chumphon, Surat Thani, Nakhon Sri Thammarat, as well as Phatthalung provinces. Through this cooperation, the number of tourists from Malaysia and Indonesia coming to Thailand can be far higher than in the past. (Nittaya Tieangtrongpinyo, 2008). According to the data from the Department of tourism, it was found that tourists from Malaysia, which are at 17.5% of the total number of tourists, travel to Thailand and spend most of their time in the South. They can mostly be found in the city of Hatyai in Songkhla province. This is because Hatyai and Songkhla are the center of the Southern Thailand so travelling between them is easier and more convenient for tourists travelling North by land from Malaysia. Moreover, the data from the Department of tourism also shows that from the statistics of tourists who travel to Thailand from or through Malaysia are ranked as the second highest group of the total number of tourists who travel to Thailand each year. (Department of tourism, 2011)

If Thailand wants to encourage more tourists from muslim countries to visit the Kingdom, especially tourists from the group of Asean countries including Malaysia, Indonesia, and Brunei. It is necessary to provide adequate Halal spa services which are suitable for the needs of Muslim tourists. In doing this, Thailand must have the correct business administration of the Halal spa services in place in order to impress those tourists. Word of Thailand’s tourism industry may then be spread to people in the tourists’ home countries so that both returning tourists and new tourists will come to use the services in Thailand, particular in the south of Thailand comprising of the provinces of Chumphon, Surat Thani, Nakhon Si Thammarat, and Phatthalung. Those provinces mentioned on the Thai gulf side are areas which consist of both the seaside locations and mountain range locations, and are regarded as areas that are rich in tourism resources. If entreprenuers in the spa business are well prepared in the field of providing services in Halal form it will be create a great opportunity for the Thai gulf to welcome many more Muslim tourists travelling to Thailand in the future.

The management style of the Halal spa businesses in the gulf of Thailand

From studying the importance of the Halal spa business sector and the trends of the muslim tourists in the gulf of Thailand. It is recommeded by the author that the management of the Halal spas should be set up for the purpose of being in accordance with the Thai gulf context to support Muslim tourists. In this regard, the administration and management of the Halal spa in the Thai gulf should be in harmony with the standards of Halal food for tourism which should be divided into 11 elements (Deopartment of tourism, 2011). Regarding the form of administration and management, Halal spa businesses are presented in nine elements, classified into two main parts which are internal elements and external elements, these elements are described below.

Internal element
Internal elements are the elements related to the internal Halal spa business. The author suggests the internal elements for the management of the Halal spa business should be divided into six sections.

1. **The location element**

In order to manage the location element, the halal spa business must have good location management. To begin with, the male and female prayer rooms and the rest rooms should be separate. What is more, there should be clear signs that visitors can use to tell which rest rooms are for men or women. Moreover, the spa should set up all equipment for use in the toilets such as toilet hoses and water taps. Additionally, the bed for the massage and the rest rooms should not face in the direction of Qiblah (The West of Thailand). Furthermore, any inappropriate images are not allowed to be hung, especially in the massage rooms. Aside from inappropriate images, pets should also be prohibited in the spa area.

The Halal spas should be located in a clean and safe environment which is free of any pollution. As mentioned earlier, the Gulf of Thailand has areas consisting of both mountains and the sea, thus the spa halal business might use the local context in arranging a place to do business. For instance, most areas in Phatthalung and Nakhon Sri Thammarat province are next to the hills and mountains. As a consequence of this, the spa might take advantage of the local geography by situating its business in those mountain areas, or the spa may decorate the inside of the spa to be as natural as possible if the spa is in a mountainous area. Apart from Phatthalung and Nakhon Sri Thammarat, Surathani is a famous city which is nearby the sea, and as a result of that, the Halal spa business might be located in a beach area. What is more, the spa business may decorate its premises to give the customers a beach feel in order to make them feel fresh with a good feeling whilst having a massage. The tourists will feel relaxed and this will leave a good impression on them of the services provided by the Halal spa.

2. **Personnel element**

The personnel who provide the services of the Halal spa are exceedingly important and so the Halal spa business will have to arrange muslim staff to work or find staff who have the cognition of the practices following Islam principle. Besides this, the staff should have good knowledge associated with massage and have received the proper training. What is more, the staff should wear a proper uniform. Apart from that, staff must be healthy and free of any contagious illnesses. In this case, the staff should have to go for annual health check-ups. In addition, it is neccessary for the Thai staff to have the requisite skills and experiences in giving services and they should also be multilingual and capable of communicating in one or more of the following languages; English, Arabic and Bahasa. Furthermore, the business of the halal spa should develop their personnel in the organisation by using the foreign language and by following the methods of massage in the Islamic way.

3. **The material and products element**

To manage the element of materials and products, Halal spa businesses must only use products do not contain addictive sustances that may affect the mental state and/or nerves. Apart from that, the materials and products should not have any ingredients that come from the forbidden animals of Islam. The products must not contain toxins that can cause serious harm. Moreover, products should not have any alcohol even those which can are only activated in treatment. The most important thing is that the products are certified and they must also have the Halal sign on them in order to make the tourists trust the products, this may lead to an improvement of the reputation of that spa among its visitors.
4. The service element

To give adequate services to Muslim tourists, Halal spa businesses should have various forms of services for the purpose of supporting the tourists and respond to their needs. Thailand is well known regarding providing good services especially the Thai ancient massage (Prachachat Business, 2015). Thus, Halal spa businesses can give Muslim tourists the best form of Thai ancient massage service. In doing this, the staff must also wear the proper uniform and welcome all the tourists with a traditional Thai wai. The Halal spa business should separate the services between men and women. The female staff must only massage female tourists and the male staffs likewise should only massage male customers. Additionally, the staff should aim to give the customers a great service which is quick and neat. Moreover, the spa should not sell any kind of alcohol drink and the Halal spa business should definitely not have sexual services on offer.

5. Safety element

Halal spa businesses should locate its business in an area where the local environment is safe. There is a multitude of dangers that should be considered when choosing a location for the business including gas leaks, electrical shortages etc. Furthermore, the Halal spa business should be located far away from any pollution producing areas.

6. Disposal of waste element

The disposal of waste at any Halal spa business should be regulated and different coloured waste bins provided for the staff to separate out recyclable and non-recyclable goods. Besides that, there should be lids on all drains which should also be laid down in an efficient and useful manner. The spa should not release sewage into public water resources. Apart from that, there should be a tank installed that can filter food & oil so as not to cause any pollution to the local area.

External element

External element is something thing that can have an effect on the management of any Halal spa business. The external element is divided by the author into four main elements; social responsibility element, environmental management element, community relationship element and safety element.

1. Social responsibility element

The social responsibility element is something that any Halal spa business should give huge importance to. In this regard, the Halal spa business must follow labour legislation in terms of wage and welfare. Furthermore, the spa business should not break the law with regards to child labour. In case of hiring foreign staff, the spa business should operate in line with the relevant labour legislation. In addition, the spa business must not support or provide any sexual services.

2. Environmental management element

To manage the environmental element of the business, it is necessary for the Halal spa business to have measures and policies that can create a high level of consciousness in all departments in order to campaign about environmental conservation. The business should also support the use of
products that are eco-friendly as well as increasing the use of crops and herbal products. There should be policies in place to encourage the business and its staff in water and energy conservation, training should be provided to deal with this particular element of the business.

3. Community relationship element

In order to achieve sustained success in the Halal spa business, it is necessary to build a long and lasting relationship with the community by providing activities and participating with the local community, especially the Muslim community. Besides this, local products from the community should be supported. The spa business should encourage the local community to produce Halal products as well as Halal food in order to sell them on to the Muslim tourists. This may also help to create employment opportunities for the local community. What is more, the conservation of Thai culture and folk customs in the local community should also be supported. Additionally, any information regarding the mosques in the area should be provided to all Muslim tourists in case they want to practice religious activities there.

4. Safety element

To manage the business of Halal spa, it should be situated in a safe environment, which can control any dangers that might occur such as; gas leaks, flooding and electrical shortages for example. Additionally, it should be situated far from any polluted areas.

From the synthesis of the internal and external elements, the author hereby specifies the diagram showing business management of Halal spas in the gulf of Thailand as shown below in Figure 1.

**Figure 1** – The form of Halal spa business management in the gulf of Thailand.

The factors affecting services provided by Halal spa businesses

The author uses the theory of marketing components by Kotler which is called the marketing mix 7’s (Kotler, 2011) to set up the factors relevant to providing Muslim tourists with the necessary services.
1. Product factor

The operation of the spa business nowadays provides a diverse range of massage including Thai ancient massage, oil massage, herbal steam and relaxing massage. To develop the services in the Thai gulf the spa should have products which are unique. By doing this, it can attract the tourists to come and use their services. The strength of the gulf of Thailand is its geographical context, which consists of mountains, the sea and hot springs. Thus, the spa businesses should aim to develop their services to be in the form of mineral spring spas for the Muslim tourists. Moreover, herbal drinks should be provided as part of the service because Thailand is a country with a richness of herbs especially in Phatthalung province. The aforementioned herbs can be brought for use in making herbal drinks for Muslim tourists so that they are able to sample them. (Anucha Noonun, 2005). In addition, the Halal spa business can make its own products for use in massage such as fennel oil and compressed massage balls which can also be sold to Muslim tourists as souvenirs or gifts.

2. Price factor

In the business of Halal spas, the entrepreneurs will have to set the price to be appropriate with the service offered. In doing this, the entrepreneur must clearly present the service rates for all types of massage so the Muslim tourists will get to know the right information before making a decision on using the services. Payment methods will have to be under Muslim legislation, in the case of changing the price such as during a festival period, the entrepreneur should notify their customers of any changes in advance.

3. Place factor

The Halal spa businesses can set up various channels of distribution i.e. sale systems of services that are available, through the business website. Apart from websites, the spa business might sell its services via hotels and travel agencies. Today, it can be clearly seen that it is easier than ever before for tourists to buy service packages. They can just go to Halal hotels or selected travel agencies from Muslim countries to purchase them. Moreover, the tourists can either reserve the service package via telephone or walk-in to the spa by themselves if they want a more customized experience.

4. Promotion factor

Promotion is one of the factors that can have an effect on customers coming to use the services provided by the Halal spa. To promote the business of Halal spas to Muslim tourists, the spa must advertise via mass media such as travel magazines, the Internet and signage or posters in public places. The spa might also sell memberships which contain special benefits for returning customers; they can get discounts when they use the service. In doing this, it can persuade Muslim tourists to come and use the services, and of course the overall number of tourists increase with this strategy.

5. People factor

The staff who look after the Muslim tourists should also be Muslim. To give the massage to Muslim tourists, the staff will have to be friendly, polite, as well as sociable to them. The staff must wear a proper uniform which is modest and in line with Islamic principles. They have to have a good
understanding of giving services to Islamic customers. Moreover, staff should have a good command of one or more of the following languages; English, Arabic and Bahasa.

6. Process factor

The process of the Halal spa service is that the staff will give massages to clients from the start to end following Islamic rules. The female staff service female tourists and the male staff will service the male tourists. Moreover, the services given to Muslim tourists have to be fast, and staff should make them feel at home. All stages of this process will have to be in accordance with Islamic principles. The number of staff should also be adequate for the amount of Muslim tourists who come to use the services.

7. Physical evidence factor

The physical service provided to Muslim tourists is the area in which the Halal spas need to set the correct atmosphere in the massage rooms, to be in accordance with Islam. In doing this, the spa may decorate their massage rooms with the images of the moutains and/or sea to be in harmony with the local area where the spa business is located. Moreover, it is neccessary to provide prayer rooms in the central area which should be large enough to support all muslim tourists praying together. The prayer rooms should also be saperated between men, women and family prayer rooms. The restrooms should be separated in the same manner and should also be equipped with all relevant hygienic equipment such as toilet hoses and hot and cold water taps. Additionally, massage beds and restrooms should not be set up facing in the Westerly direction as this is is the direction of Qiblah and is therefore prohibited in Islam. Pets and inappropriate pictures are also prohibited in any of the massage rooms.

Conclusion

The management style of Halal spa businesses and the factors affecting Halal spa services in the gulf of Thailand have been presented in this piece. It is a management style which can be operated easily and is not complicated. The key factor is the motivation of people who are interested in doing spa business in the Thai gulf, and also whether these businesses can apply themselves in all areas mentioned to develop and improve their own businesses. They should aim to support the number of Muslim tourists who are prefigured to travel to the gulf of Thailand which is increasing year on year. The method of management and the factors affecting spa business services can make an impression on all Muslim tourists who may then spread the word of their positive experience to other tourists as well as those tourists returning for repeat custom in the future. It can bring about the expansion of marketing to Muslim tourists around the globe. Additionally, it can increase the number of Muslim tourists from the group of Muslim countries travelling to the gulf of Thailand for Halal spa services. In this regard, it is in harmony with the present situation whereby Muslim countries are regarded as a group of countries that has high puchasing power. This can bring about an increase in Halal spa business revenue. Consequently, it will have a good effect on tourism in Thailand and hopefully there will be an increase in the number of Muslim tourists that make the trip to Thailand each year, therefore increasing the revenue streams from tourism throughout the Kingdom.

Acknowledgment

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References


THE INFLUENCE OF FINANCE AWARENESS ON SMALL AND MEDIUM ENTERPRISES PERFORMANCE IN NIGERIA

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Abstract
This study aims to examine the influence of finance awareness on SMEs performance in north-western Nigeria. Many factors have been suggested to have been influencing the SMEs performance. This includes, among others, capabilities, entrepreneurial orientation, market orientation, organizational learning, and total quality management. However, few studies have been attempted to consider the influence of finance awareness on SMEs performance in Nigeria. Hence, this study aims to fill up the gap that exists in the extant literature. This study employed quantitative survey method. Data were collected from the owner/managers of SMEs in Sokoto metropolis in north-western Nigeria. A total of 103 questionnaires distributed and after a screening process, 74 questionnaires were considered usable for further analysis. PLS was used for the data analysis. Result indicated that finance awareness is significantly influenced SMEs performance. Implication of the finding and suggestion for future research are discussed.

Keywords: Finance awareness, PLS, SMEs performance, Nigeria

INTRODUCTION

Generally, many countries consider Small and Medium Enterprises (SMEs) as the lifeblood for their economic survival (Tadesse, 2014). Essentially, SMEs serve as machinery for job creation all over the world (Mahmood & Hanafi, 2013; Oduyoye, Adebola, & Binuyo, 2013). Consequently, this attracts global attention worldwide, and encourage supporting of SMEs development (Oduyoye et al., 2013). Generally, many countries employed the platform of SMEs to combat more of their socio-economic problems such as poverty, unemployment rate, as well as their Gross Domestic Product (GDP) growth issue. Nevertheless, despite the important role played by SMEs in an economy of a country, it is, however, revealed that Nigerian SMEs are skinny and only few of them are able to survive due to the problems of finance (Aminu & Shariff, 2014). Moreover, the poor performance of SMEs in Nigeria is incredible issue of a serious concern to all stakeholders (Gbandi & Amissah, 2014). For example, in Nigeria SMEs contribute less than 10% to their GDP. Therefore, SMEs performance is centred on the number of issues, remarkably variable like entrepreneurial awareness is established in the literatures to have far-reaching implications on the SMEs positively or otherwise (NBS & SMEDAN, 2012). SMEs were motivated with various entrepreneurial opportunities but the level of awareness is still lacking (NBS & SMEDAN, 2012; Thong, Chye, & Fong, 2013). For example, in every 10 SMEs operators, more than 9, which equivalents to 95.2 percent are not aware of the entrepreneurial opportunities available for entrepreneurial activities in Nigeria (NBS & SMEDAN, 2012).
Number of evidences have been accumulated concerning the determinant of SMEs performance. A broad review of the literature has acknowledged several factors such as the influence of SMEs performance. Although, all the prior studies have provided an empirical understandings in relation to the determining factors of SMEs performance, but, only few studies, that have investigated the influence of finance awareness on the performance of Nigerian SMEs (Aminu & Shariff, 2014). In this study, finance awareness is operationalised as an entrepreneurial knowledge about the existence and benefit of entrepreneurial financial opportunities that are available for entrepreneurs, as mooted by Mot (2011). Therefore, this study extends the existing literature by empirically examining the influence of finance awareness on the performance of Nigerian SMEs.

**LITERATURE REVIEW**

**SME Performance**

Performance of any organisation is made up of their actual outcome measured against their input. Through the performance measurement, organisations would be able to focus on units that need upgrading by appraising the level of work progress in terms of time, quality and cost as well as amalgamating areas with higher output (Hansen & Wernerfelt, 1989; Tomlinson, 2011).

A quite number of criteria are used in assessing the SMEs performance. The key indicators used in measuring organisational performance include both the subjective and objectives norms (i.e. profitability, management performance, liquidity and leverage market share, quality of goods and services, human resource management) (Dess & Robinson, 1984; Ringim, 2012). Performance in optimal utilisation of resources is related to productivity, effectiveness and efficiency (Berry, Sweeting, & Goto, 2006). However, Kamyabi and Devi (2011) viewed performance as the measurement of financial ability of the firm such as the investment level, level of profit in both growth in sales and profit. In contrast, Man (2009) asserted that performance was the outcome of adapting effective management process. He posited that organisational performance can be measured using a number of criteria, i.e. growth, productivity effectiveness and efficiency.

**Finance awareness and SME performance**

According to Oxford Dictionary (2010) Awareness is the “state of acknowledging the existing of something and it's important”. Clare, Marková, Roth, and Morris (2011) and Ardichvili, Cardozo, and Ray (2003) pointed out that awareness as opportunity awareness that serves as the major component of opportunity recognition.

A plethora of studies have been conducted by different researchers in different disciplines to examine the concept of awareness. For instance, a study by Thong, Chye, and Fong (2013) was conducted to examine the level and influence of finance awareness of microfinance programmes within the central region of Malaysia among the microenterprises. However, the findings of the study indicated that educational level and marketing and promotional activities are positively related with the level of awareness. Meantime, age, monthly income, social culture and gender have negative relationship with level of finance awareness. Hence, the creation of finance awareness is imperative for launching of any programmes and schemes to promote entrepreneurship by the government and other stakeholders (Gaiha & Thapa, 2006; Singh & Belwal, 2008). Ajemunigbohun, Ademola, and Iyun (2014) measure the level of accessibility of micro-insurance product in Nigeria through the creation of finance awareness and discovered that finance awareness among the Nigerian insurance companies is not encouraging and it is not significantly reflected among the life of many insuring populace. Similarly, it has
found that, there is no significant relationship between brand awareness and brand/consumer loyalty (Subhani & Osman, 2011). In contrast, a study by Panian and Spremić (2004) showed a significant relationship between the degree of finance awareness and managers’ perception toward e-business. It has revealed from the literature that there are still limited studies that relate microfinance awareness and SMEs performance, in particular, in Nigeria. Therefore, based on the literatures, this study hypothesised that:

**Proposition 1**: Finance awareness has a positive and significant influence on SME performance in Nigeria.

**METHODOLOGY**

Structured questionnaires were used to collect data from the SMEs’ owner/managers in Sokoto metropolis of north western Nigeria. It is cross-sectional research where the data were collected only in a given point in time (Kumar, Talib, & Ramayah, 2013; Zikmund, Babin, Carr, & Griffin, 2012). Variables under study was measured using the adapted questionnaire from the previous literature. Eight (8) questions on SMEs performance were adapted from Suliyanto and Rahab (2012) and Vorhies and Morgan (2003), nine (9) questions on finance awareness were adapted from Nambisan, Agarwal, and Tanniru (1999) and Tang, Kacmar, and Busenitz (2012). All questions were using a 5-point Likert scale where ‘1’ denotes ‘strongly agree’ and ‘5’ denotes ‘strongly disagree’. One hundred and three (103) questionnaires were randomly distributed in a personally administered approach, and after screening process, seventy four (74) were duly completed and deemed usable, yielding a response rate of 76.2%. The data were analysed using Smart-PLS 2.0 statistical package.

**Analysis and Result**

Smart PLS 2.0 was used preliminary to test the validity and reliability measure of the constructs. The model involving finance awareness and SMEs performance was examined, which employed a two – step approach measurement and structural measure by Chin (1998).

**CONCEPTUAL FRAMEWORK**

**Figure 1: Proposed Research framework**

The primary aim of measurement model is to filter the data, which is to assess and confirm the constructs validity and reliability before establishing the goodness of measures. The data were examined through the indicators reliability, with 0.4 is accepted. While for internal consistency, using conversant reliability and Cronbach's alpha, 0.7 is considered accepted level. Convergent validity using average variance extracted (AVE), which must be 0.5 and above (Chin, 1998). For discriminant validity using factor loading, any item loading on the other construct higher than their loadings should be deleted (Chin, 1998; Hair, 2010). Therefore, in order to satisfy the measurement model, some items were deleted: PERF1, PERF4, PERF5, FAW3, FAW8, FAW9, because they did not meet with the minimum benchmark (Chin, 1998; Hair, 2010). Hence, it is resolved that the instrument adapted in this study is reliable, since none of the items is with less than 0.4.
All items loaded on their respective construct ranges from 0.4967 to 0.8584, which is deemed acceptable since all values range above the cut-off point of 0.4 (see Chin, 1998; Hair, Ringle, and Sarstedt (2011). Equally, the composite reliability, value ranges from 0.84 to 0.91 which are also greater than the recommended value of 0.7 (Hair et al, 2011). To determine the convergence validity, AVE was used. The AVE ranges from 0.5078 to 0.5388, which are above the minimum cut-off point of 0.5 (Hair et al, 2011). Lastly, to determine the discriminant validity, the AVE is compared to correlation squared of the interrelated variables of concerned constructs which indicates adequate discriminant validity. Table 1 presents factor loading, Table 2 presents the discriminant validity and Figure 2 shows the measurement of the model.

### Table 1: Factor Loading

<table>
<thead>
<tr>
<th>Items</th>
<th>Factor Loading</th>
<th>Composite Reliability</th>
<th>Cronbach’s Alpha</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>FAW1</td>
<td>0.6698</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FAW2</td>
<td>0.6756</td>
<td>0.8599</td>
<td>0.8045</td>
<td>0.5078</td>
</tr>
<tr>
<td>FAW4</td>
<td>0.8483</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FAW5</td>
<td>0.7288</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FAW6</td>
<td>0.6585</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FAW7</td>
<td>0.6776</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PER2</td>
<td>0.8584</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PER3</td>
<td>0.7409</td>
<td>0.8504</td>
<td>0.7895</td>
<td>0.5388</td>
</tr>
<tr>
<td>PER6</td>
<td>0.7444</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PER7</td>
<td>0.4967</td>
<td></td>
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<tr>
<td>PER8</td>
<td>0.7795</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Table 2: Discriminant validity

<table>
<thead>
<tr>
<th>Variables</th>
<th>FAW</th>
<th>PRF</th>
</tr>
</thead>
<tbody>
<tr>
<td>FAW</td>
<td>0.712741</td>
<td></td>
</tr>
<tr>
<td>PRF</td>
<td>0.4815</td>
<td>0.73403</td>
</tr>
</tbody>
</table>

**Figure 2: Measurement of the model**
After attaining the requirement of the measurement model (construct validity and reliability), the next step was to test the proposed hypotheses of the study by running PLS Algorithm and Bootstrapping in Smart PLS 2.0. Table 3 and Figure 3 present the hypothesis testing results.

### Table 3: Hypothesis Testing Results

<table>
<thead>
<tr>
<th>Hy. No</th>
<th>Hypothesize Path</th>
<th>Beta</th>
<th>Standard Error</th>
<th>T Statistics</th>
<th>P-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>FAW -&gt; PRF</td>
<td>0.4815</td>
<td>0.1029</td>
<td>4.6772</td>
<td>0.00</td>
</tr>
</tbody>
</table>

### Figure 3: Structural Model

![Structural Model Diagram]
DISCUSSION AND CONCLUSION

The objective of this study is to examine the influence of finance awareness (FAW) on SMEs performance. The statistical finding of the study shows that hypothesis 1 (H1) is supported, where FAW – SMEs performance relationship is significant ($\beta = 0.4815$, $t = 4.6772$, $P$-Value=0.00). This finding is consistent with the earlier finding of Panian and Spremić (2004), Mansor, Shariff, and Manap (2012), and Ugwu and Ezeani (2012) which showed significant and positive relationship. It is worth to note that even though the researchers used the concept of finance awareness in different context, but their findings are in accordance with the current study. Consequently, it is concluded that the higher level of entrepreneurial finance awareness on the financial opportunity will bring maximum level of performance in an organisation.

Theoretically, this study contributes by extending the existing literature about FAW – SMEs performance. In practical contribution the results of this study will help stakeholders (i.e. agencies, both governmental and non-governmental organisations) in taking appropriate decisions as regards to awareness campaign toward the existence and benefit of financial facilities. Finally, this study suggests that a large sample should be used for the future research using PLS-SEM in order to re-validate the model which we intent to undertake in the near future.

REFERENCES


COMPARATIVE THE GOVERNMENTAL FINANCIAL REPORTING ACCURACY BEFORE AND AFTER OF ACCOUNTING APPLICATIONS

(A Case Study in Office for Management of Regional Revenue, Finance at Cilegon)

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ABSTRACT

With the reform of local government finances in particular must be able to manage finances well, and able to present these financial statements, local governments can use information technology developments that exist today. With the development of information technology available today we can do with ease of data processing, can yield some information that we need to accurately and streamline time, and the cost we spend more efficient. This advantage makes the current information technology, many participate in all areas and aspects of life there, and developed in accordance with the needs of the community.

Variables used consisted of: Financial Reporting Accuracy Prior to implementation of Government Accounting Applications (Variable X1) with the accuracy of the Government Financial Reporting After the application of Accounting Applications (variable X2). By sampling random sampling (random sample), this study conducted on Revenue Agency and the Regional Financial Cilegon by distributing questionnaires and the amount of data (n) of 30.

Data analysis using t-test (t) with the level of validity that is used by 5%. Hypothesis testing using t test (partial). Based on calculations of data analysis t hitung (10.259) > t table (2.05) at 5% level. t hitung means greater than t tabel. Means Ha Ho accepted and rejected it means there is a significant comparison between the Government Financial Reporting Accuracy Prior Accounting Application Implementation (Variable X1) with the accuracy of the Government Financial Reporting After the application of Accounting Applications (variable X2).

Keywords: Financial Reporting Accuracy Prior to implementation of Government Accounting Applications, Accuracy of Financial Reporting After the implementation of Government Accounting Applications.
INTRODUCTION

In order to support good governance and clean government in the implementation of regional autonomy, financial management should be organized professionally, openly and responsibly based on the basic rules set out in legislation. The law no. 17 of 2003 on State Finance and Law no. 1 of 2004 on State Treasury and the Local Government obliges the SKPD as budget users to prepare financial statements as financial management responsibility. Financial statements of the balance sheet, the realization of the budget, cash flow statement and notes to the financial statements must be presented in accordance with Government Regulation No. 24 of 2005 concerning the Government Accounting Standards. To that end, the local government requires a system that can produce financial report and other financial information more comprehensively which includes information on regional financial position, financial performance conditions, and accountability. The system also should refer to the Government Regulation No. 58 of 2005 on Regional Financial Management and Regulation of the Minister of Home Affairs number 13 in 2006 regarding Guidelines for Financial Management. Deputy Regional Financial Implementation Monitoring Sector has set the organization's vision to be a catalyst for the success of regional autonomy through professional supervision in the field of financial holding area, with one mission, which is to establish and contribute to the improvement of the quality of implementation of the system of local finance. In order to carry out this aim, drafting the financial management systems with information technology bases is carried out in which can assist the local governments in obtaining a relevant, fast, accurate, complete and verifiable financial information. The development of information technology as the proponent of the financial management system has been done by making a financial application program areas: Application Program SIMDA version 2.1 by using the SQL database V13 as a refinement of the previous version. As a complement to the bookkeeping function includes a series of processes ranging from recording, up to financial reporting in the context of accountability of the budget that can be done manually or using a computer application. Reports and responsibilities will focus on the discussion of how to prepare financial report with SIMDA Applications Version 2.1 that uses SQL data bases V13. The financial report will be presented automatically by the application program, but there is a process and the steps that must be done by a bookkeeping or accounting functions so that the financial report presented accurately with actual display data on a specific date. Given these statements, the local government is obligated to report the planning and consumption of the budget in the area once a year and reported to Parliament, the public and stakeholders as an attachment and annual responsibility and the report will also be published in the local newspaper letter. With the financial reform in the discourse on Local Government in particular must be able to manage your finances well, and present the financial statements. The local governments can use the information technology development nowadays. Information technology nowadays has a very important role in all fields and aspects of life, whether in business, politics and economy, because the society's needs of information are fulfilled with the existence of information technology. With the development of information technology exist nowadays we can do data processing easily, provide information we need accurately and have effective time, and spend the expense efficiently. This advantage makes a lot of current information technology participate in all areas and aspects of life, and develop based on the needs of the society. According to Mulyadi (2002: 191), the usage of information technology in business is a radical way for type of workers, organization, and management system used to manage the organization. Indriyantoro (2002: 191) states that the development of computer technology, communication technology and other technologies such as manufacturing technologies and transport technologies support transport business environment, so that the market conditions in various scales (local, regional, global) are becoming increasingly competitive.
Similarly, in the processing of financial data, information technology becomes an important company in the processing which is more accurate and time-effective in their preparation. Of course, information technology used for the processing of financial data not only can facilitate parties involved in producing the financial statements of a government agency, but also the government has reformed the management of state finances both at the central government and the regional government, especially with the enactment of Law No. 17 of 2003 State Finance. In the law No. 17 of 2003 particularly on Article 30, 31, and Article 32 states that the President / Governor / Regent / Mayor expressed responsibility of the organization of government.

LITERATURE REVIEW

2.1 Financial Report

The financial report is the result of a process of financial accounting in the form of financial transactions and generate a reporting entity (Jusup, 2003: 11). The financial report is transactions that portray the financial position (Thomson 2005: 455). Meanwhile, According to Darise (2008: 49), the financial report is a structured report on the financial position and transactions undertaken by a reporting entity. Nur Afiyah (2009: 161) defines that the financial report is the final output of the accounting process carried out on education level and level PPKD.

Components of Financial Report

According to Darise (2008: 49), the basic financial report consists of:

1. Budget Realization Report

The report provides an overview of the budget realization of resources, allocation and usage of economic resources managed by the central government / Regions, which illustrates a comparison between the budget and its realization in reporting period. The components comprise directly by the Budget Realization Report consisted of revenues, expenditures, transfers, and finance.

a. Revenue is the acceptance by the State Treasurer / Regional Treasurer or by any other government entity that adds to the current equity in the period of the fiscal year in question entitled to the government, and does not need to be repaid by the government.
b. Shopping is all expenditure by the Regional Treasurer that reduce equity funds in the current budget year in period that will not be earned back by the government payment.
c. Transfer is the acceptance / spending money of a reporting entity from / to other reporting entities, including the equalization fund and revenue sharing.
d. Financing is any kind of admission that need to be repaid and / or expenditure which will be returned, either in the relevant fiscal year and next fiscal years.

2. Balance.

Balance portrays the financial position of a reporting entity of the assets, liabilities, and equity funds on a specific date. Components comprises by balance sheet consist of assets, liabilities, and equity funds.

a. Assets are economic resources controlled and / owned by the government as a result of past event and from which the benefits of economic and / or social in the future is expected to be obtained, both by governments and communities, and can be measured by unit of money.
b. Liabilities are debts arising from past events which the result come into outflow of economic resources of the government.
c. Equity fund is the net worth of government which the difference is between assets and liabilities of the government.

3. Cash flow statement

The cash flow statement presents the cash information in connection with operational activities, investment of non-financial assets, financing and non-budgetary transactions which describes the
beginning balance, receipts, expenditures and ending cash balances of the Central Government / Local for a certain period.
Components comprised the Statement of Cash Flows consist of cash receipt and cash outlay, each of which is defined as follows:
a. Cash receipt is all cash flow coming into the State General Treasurer / Regions.
b. Cash outlay is all the cash flow out of the General Treasurer of the State / Region.

Notes of the financial report include narrative explanations or details of the numbers listed in the realization of the Budget Statement, Balance Sheet and Cash Flow Statement. Notes of the financial report disclose to the following:
a. Presenting information on fiscal / financial, macroeconomic, revenue targets budget law / regulation
Budgets, with obstacles and barriers faced in achieving the target.
b. Presenting an overview of the financial performance during the reporting year.
c. Presenting information about the basis of preparation of financial statements and accounting policies that have to be applied on transactions and other important events.
d. Disclose the information required by the Government Accounting Standards that is not presented on the cover sheet (on the face) of financial report.
e. Disclose the information to the posts of assets and liabilities arising in related to the application of the accrual basis of revenues and expenditures and a reconciliation with the application of the cash basis.
f. Providing additional necessary information for fair presentation, which is not presented on the cover sheet of financial report.
It has the same idea with with Nur Afiyah (2009: 13-14), which states that the financial statements consists of Budget Realization Statement, Balance Sheet, Cash Flow Statement, and Notes to Financial Statements.

2.2 Financial Reporting
According to Darise (2003: 21) the financial reporting are the end result of the accounting process that describes the form and content of simple financial statements.

Definition of Financial Reporting
Concrete efforts in realizing responsibility and transparency within the government requires each State Financial Management to submit reports on financial management responsibility with wider coverage and time. Law No. 17 of 2003 on State Finance and Law No. 1 on Treasury insists on implementation of the budget, submitted a draft Regional Head Regulation on accountability of the budget to Parliament in the form of financial statements comprising:
a. Budget Realization Report;
b. Balance Sheet;
c. Cash flow statement;
d. Notes to the Financial Statements;
Actual Performance Overview Report and Financial Statements enterprises audited by the State Audit Board (BPK) not more than six (6) months after the fiscal year ends (Darise, 2008: 2-3). To fulfill the mandate, it has been written the Government Regulation No. 8 of 2006 about Financial Reporting and Performance Government Agencies.
The regulation describes in more detail the components of financial report which must be prepared and submitted by every level of budget user, business Treasury, as well as the Central Government / Local. In addition, it also set a hierarchy of accounting activities from the level of the regional work units until completion of the financial statements of the Central Government / Local.

2.3 Accounting application
Science development, especially in information and communication technologies, play an important role in education and business. It is said to be important for the business community requires each business to follow the development of information and communication technologies which rapidly up-to-date. This rapid development makes everyone involved in the world business to follow the progress of this technology.

**Definition of Accounting Application**

According Darise (2008: 223), accounting application is a government of accounting application computer system users which have to enforce accounting and preparing financial statements for the reporting entities incorporated in the local government.

**Types of Accounting Applications**
The types of computer accounting application that has been widely known and used in the world of business are as follows:
1. MYOB is a program which has several advantages compared with other similar software
2. DacEasy is a complete system to manage and record the transactions that occur in any company, either commercial or services.
3. Payroll System computer can produce financial information which is relatively fast compared to manual systems, because computers can do some work simultaneously at high speed.
4. General Ledger is a software system which will assist with the orderly administration of the accounting process guaranteed and improve work efficiency and minimize human error in the accounting process starting from the journal, cash coming in and out, making the financial report.
5. Simply Accounting is an accounting system altered by the influence of the usage of computer technology. This system creates a lot of convenience in resolving the problems of accounting while fulfilling the principles of accounting. Instead accounting computer system can cause a lot of problems if it is not followed by an increase in human resources.
6. Peachtree Query Language Server system is designed with a reliable security system in which each user level is set in a different scope of work based on authorization system, which is divided by: administrator, application, and entry operator.
7. ACCPAC multi user systems that enable information system access by multiple users in different time.

**SQL Accounting Application**

In this study, researchers took the object of research at government agencies regarding the comparison of the accuracy of financial reporting government before and after the application of accounting applications.

Accounting applications that are used by the government in the preparation and creation of a government financial report is SIMDA application version 2.1 with SQL database V13 (server query language) which very helpful and easier to manufacture in government financial statements.

The definition of SQL is one of the main product of Microsoft for database server (Sunyoto, 2007: 125). The ability of the management of data and ease operation make it the choice of the SQL data base administrator.

**2.5 Accuracy of Financial Reporting**
The accuracy of financial reporting resulted from a calculation is in accordance with procedure. Financial reporting obtain relevant information about the financial position and all transactions conducted by a reporting entity during the reporting period and the results can be justified. Having the ability to display data quickly and easily. Having a security system in the password, can present comparative financial statements bases on the data in the desired period.

**The accuracy of the Government Financial Reporting Before Applying Accounting Applications**
According to Prasetyo (2007: 24), budget arrangement is where the local budgeting process is conceptually composed of budget formulation policy and operational planning budget done by creating and filling out forms DPA (Budget Implementation Document) in the form of:

a. Income form is proof of the transaction regarding the recording of income which is processed to prepare financial report expected.
b. Indirect shopping form is evidence regarding the recording of transactions on shopping area then recorded and processed data to prepare financial report expected.
c. Funding Acceptance Form is evidence regarding the recording of receipts financing transaction then processed to prepare financial report expected.
d. Financing Expense Form is evidence regarding the recording of transactions financing expenditure which is then processed to prepare financial statements expected.
e. Format General Ledger revenue.

In financial reporting there is Ledger arrangement on each transaction but recorded in finance journals and journal expenditures itself.

Accuracy of Financial Reporting Implementation After the Government Accounting Applications

Accounting Applications provide an easy reporting of government finance punctually, rapidly, efficiently, accurately and easily understood by the user, which can provide financial information that's open and honest with the people who have the right to find out it openly and comprehensively on government responsibility in the management of resources and adherence to laws and regulations.

The Advantage of Accuracy Reporting after Applying Accounting Applications

According to Prasetyo (2007: 97), the benefits of the application of accounting computer applications compared with the manual method is as follows:

a. Getting financial report automatically, quickly and have a level of accuracy better than the manual way.
b. Having the ability to display data quickly and easily.
c. Having a security system in password.
d. Presenting the comparative financial statements bases the data in the desired period.
3.1. Framework Scheme

In this study which use computer application as a software to support the making, analyzing, and reporting to the users.

After the government arrange the Government Accounting Standards (SAP), which applies not only for the central government but also the regional government by established the Government Accounting Standards Committee (KSAP) on June 13, 2005. Republic of Indonesia government determine the Indonesian Government Regulation Number 24 of 2005 about Government Accounting Standards (SAP).

In SAP stated that the basic financial statements consist of:
1. Report of the budget realization
2. Balance Scale
3. Report of cash flows; and

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Applications users received the raw data which are the elements of the government's financial report that have been realized, then the data is processed using computer applications as a form of the Government's financial report. The resulting output is as the form of financial report accuracy then as the needs of its users (stakeholders) in making of decision. Financial reporting is a government made up of one or more accounting entity which obliged to submit an accountability report form of financial statements (Darise, 223: 2008).

3.2. Hypothesis
   Based on the background and the theoretical basis above, the researcher take the research hypothesis as follows:

Ho: There is no significant comparison between the financial reporting of the government before and after the application of accounting at the Department of Revenue and Financial Management Cilegon City.

Ha: There is a significant comparison between the financial reporting of the government before and after the application of accounting at the Department of Revenue and Financial Management Cilegon City.

4. METHODS (METHODOLOGY OF RESEARCH)

4.1. Object of research
   In this study, the object is the Department of Revenue and Financial Management Cilegon City. The aspects studied include the financial report in the period 2005-2008 to compare the accuracy of the government's financial reporting before and after the application of accounting at the Department of Revenue and Financial Management Cilegon City.

4.2. Methods of Research
   In this study, the researchers conducted a study to one of the government agencies, the Department of Revenue and Financial Management Cilegon City that will discuss the extent of the comparison accuracy of the government's financial reporting before and after the application of accounting.

4.3. Design of reasearch
   This research is an economics approaching, especially for the science of government accounting in government financial reporting accuracy with the application of accounting or manually. This research was conducted with a case study approaching and using comparative methods. Research by the comparative method is a study that is comparing (Sugiyono, 2004: 11).

4.4. Variables Operational
   Based on the research hypothesis formulation, there are two variables as follows: variables X1 and X2:

   a. variable X1
      In relation to the problems examined, then that becomes the variable X1 is the accuracy of the government financial reporting before the application of accounting.

   b. Variable X2
      In relation to the problems examined, then that becomes X2 is the accuracy of the government financial reporting after the application of accounting.

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<thead>
<tr>
<th>Variable</th>
<th>Variable Concept</th>
<th>Indicator</th>
<th>Measure</th>
<th>Scale</th>
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The Variable of Operations
The Accuracy of Government Financial Report before implementation Accounting Application. (X₁ Variable)


- Income Form;
- Indirect Shopping Form;
- Financial Accepting Form;
- Inform of Financial Outcome;
- Format of General Cash Book

Likert Scale

Ordinal

The Accuracy of Government Financial Report after Implementation Accounting (X₂ Variable)


- LRA dan LAK

Likert Scale

Ordinal

4.5. Technique of Collecting Data

To obtain the data or information that is required in this study, we used the following methods:

1. Library Research, is the method of collecting data sourced from supporting books concerned with research or problems examined.

2. Field Research, is the collecting data directly in the field using the following ways:
   a. Observation, is the collecting data through observation and noted of the research object.
   b. Documentation, by studying and noting the data that has been documented by the government concerned, such as financial reports, applications used, etc..
   c. The interview, by asking some questions directly to the consumer and to the companies about the object.
   d. Quisoner (questionnaire), a technique of collecting data done by giving a set of written questions to the respondent to answer. This study uses verbal communication through the list of questions or quisoner that by distributing the questionnaire forms for the respondent to obtain data written response. The shape of quisoner used in this study is structured where the questions and answers have been written. Respondents consisted of five choices with a high rated five then to lower rated one. The value of the respondents' answers can be described as follows:

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4.6. Sources and Types of Data
This study obtained data through multiple sources, namely:
1. Library Research
This method done by studying, researching and analyzing various of literature from libraries derived from text books, scientific journals, which previous research that are relevant to the research topic.
2. Field Research (Field Research)
Collecting the data in the form of writings, books, literature and other documents about the policies issued by the Department of Revenue and Financial Management Cilegon City.
The type of data used by the data source above are:
• Primary data is obtained from the study or observation directly on the object, which is done by observation and through questionnaires to employees of the Department of Revenue and Financial Management City of Cilegon City., Which is about the differences of financial reporting before and after application of the accounting.
• Secondary data is the using of data already collected by others (library research) related to research that will be done to determine the differences of financial reporting before and after the using of accounting applications at the Department of Revenue and Financial Management Cilegon City.
The type of data that the researcher used is the qualitative data, data in the form of numbers or qualitative data. The qualitative data used in this study, a record number of financial reports with application of accounting or manually.

4.7. Population and Sample
The population used is the financial reporting Revenue Service and Financial Management of City of Cilegon with a total staff of 300 people.

4.7.1. Samples
The sample is financial reporting before and after the application of the accounting period 2005-2008. The number of respondents Revenue Service and Financial Management Cilegon sampled as many as 30 people. In sampling is associated with problems that have been discussed previously, the methods used by the researcher in this study, according to calculations Slovin (Husain Umar, 2002: 107) is :

\[ n = \frac{N}{N (e)^2 + 1} \]

Where:
- \( n \) = number of samples to be used
- \( N \) = the number of existing populations
- \( E \) = the percentage of allowances due to inaccuracy akaibat sampling problems that can be tolerated by 10% / 0.1.

From the data that has been processed generating number that represents the entire population of at least 30 respondents.

4.7.2. Mechanical Sampling
The sampling technique used is purposive sampling, it means sampling conducted on considerations of researchers. Where the sample selected must have the following criteria: the respondent must understand the accounting application, and part or an employee relating to the accuracy of financial reporting with the implementation of accounting applications.

4.7.3. Data analysis
The researchers can know how big a comparison between variables X1 (the accuracy of financial reporting by the government before the application of accounting) with variable X2 is the accuracy of financial reporting government accounting application after application.

4.7.4. Determination hypothesis
Based on above, data analysis hypotheses that will be tested are as follows:
Ho = 0 (There is a significant comparison between the accuracy of the government's financial reporting before and after the application of accounting at the Department of Revenue and Financial Management Cilegon City).
Ha ≠ 0 (There is a significant comparison between the accuracy of the government's financial reporting before and after the application of accounting at the Department of Revenue and Financial Management Cilegon City).

5. Result and Discussion of Research

5.1. Testing Questionnaire Data
In this study the researcher give as many as 30 questionnaires to 30 respondents employees DPPKD Cilegon with 10 questions. Here can be seen the results of recapitulation of the questionnaire:

The Questionnaire Recapitulation of Government Accounting Report before Implementation Accounting (X1)

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Comparison of Government Financial Reporting Before and After Implementation Accounting Applications

Based on the data obtained from the Department of Revenue and Financial Management Cilegon city by distributing questionnaires, it is known that the Government Financial Reporting Before and After Implementation of Accounting Applications are as follows:

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Result of Data Questionnaire
From above, it can be seen that the 30 respondents to give responses to 10 questions about the Government Financial Reporting before Accounting Application total of 619 votes expressed a positive response, while the Government Financial Reporting After the implementation of Accounting Applications for 1063 expressed a positive response.

**Comparison of Government Financial Reporting Before and After Implementation of Accounting Applications**

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<td>1.16726</td>
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</table>

Source: Output Result SPSS

From above, it can be seen that the 30 respondents to give responses to 10 questions about the Government Financial Reporting to implementation of Accounting Application total of 619 votes expressed a positive response, while the Government Financial Reporting After the implementation of Accounting Applications for 1063 expressed a positive response.
5.3. Comparison of Government Financial Reporting Before and After Implementation of Accounting Applications

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<tr>
<th>Paired Samples Statistics</th>
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<td>35,433</td>
<td>6,39333</td>
<td>1.16726</td>
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Source: Output Result SPSS

Output paired sample statistics interpretation, Government Financial Reporting Accounting Before applications the average of 20.633; standard deviation of 3.5862; and average standard error 0.6547. While the GOI After implementation of Financial Reporting Accounting Application average amounted to 35.4333; the standard deviation of 6.39333; and the average standard error of 1.16726. Than ever before, an increasing in the quality of financial reporting GOI After Implementation of Application of Accounting adopted by the Department of Revenue and Finance business area is the city of Cilegon, which was created to make it easier for users of financial statements (stakeholders).
Paired samples test interpretation to test the significant of comparisons between the Government Financial Reporting Before and after Implementation of Accounting Applications, then the decision can be made by comparing to count TTable. Seen in table 4.13 that count 10.259 and TTable on the distribution of the t value, i.e. at the level of 95% (α = 5% and for the t test is two-sided, then the value of α that is referenced is α / 2 = 5% = 0,025) and the degrees of freedom (df) = n-1 = 30-1 = 29, so that the magnitude of 2.05 TTable. Because count > TTable then Ho is rejected and Ha accepted, meaning that there is a significant comparison, Financial Reporting GOI Before and After Implementation of Accounting Applications. After the implementation of International Financial Reporting Accounting Application GOI more easily understood by all users of financial statements.

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<tr>
<th>Pair 1</th>
<th>Before Implementation of Accounting Application - After Implementation of Accounting Application</th>
<th>Mean</th>
<th>Std. Deviation</th>
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Source: Output Result of SPSS
CONCLUSION AND DISCUSSION

Based on the analysis of data and the preceding discussion, the conclusions of the study are:

1. Reporting before the implementation of Accounting Application Not quite right, this is caused by the publication of the Financial Reporting not on time of the specified time. And the difficulty of understanding of human resources.
2. Implementation of Accounting Financial Reporting Application produced in accordance with user requirements and the time of issuance in accordance with the specified time.
3. Before and after the implementation of accounting applications have different benefits and results reporting, Accounting Applications accuracy before reporting less can be perceived by the user while financial reporting is generated by the implementation of Accounting Applications perceived by the user is highly precise.
4. The implementation of accounting applications greatly affect the accuracy of government financial reporting at the Department of Revenue and Financial Management (DPPKD). This is evidenced by the data processing that is the average value increased to 35.4333 20.633. It means that the implementation of accounting applications will be successful when given different treatment by providing more interesting applications, using accounting applications SIMDA V 2.1 models more easily, quickly and accurately in the accuracy of financial reporting of government rather than using only the usual way that takes a long time.
5. On the significance test obtained \( t (10.259) > T_{Table} (2.05) \) at 5\% level. It means that the implementation of the accounting application has enormous influence on the improvement of the quality of work DPPKD itself mainly in government financial reporting accuracy.

REFERENCES

Books

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THE INFLUENCE LEVEL OF PROFIT SHARING, FINANCING TO DEPOSIT RATIO AND DEPOSIT MUDHARABAH

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ABSTRACT

Profit sharing is a system where does the agreement or bond together in the conduct of business activities. In seeking the agreement of the division of benefits that will result in the can between the two sides or more. The continued development of Islamic banking for the results show that the principle of attraction for investors to use Islamic banking services. The higher the income the higher the return for this result is reflected in the FDR bank. This research of the deposit mudharabah in order to determine the effect of the level of profit-sharing and financing to deposit ratio to deposit mudharabah. The data used in this research is secondary data and times series obtained from the Financial Statements of Bank Indonesia publications, and reports publication Islamic banks are concerned. Sampling technique used was purposive sampling. The sample in this study were 48 Islamic banks the financial statements of the years 2007-2010. Data analysis techniques used in this study is the multiple linear regression analysis in which data have been previously tested with the classical assumptions include testing normality, heteroscedasticity, multicollinearity and autocorrelation. During the period research shows that the data are normally distributed. Based on the test for normality, multicollinearity test, test heteroscedasticity, and autocorrelation test found no variables that deviate from the classical assumptions. This shows the available data has been qualified using multiple linear regression equation model. These results indicate that the variable rate for the results show a significant effect on mudharabah deposits. FDR variables no significantly influence mudharabah deposits.

Keyword : Mudharabah Deposit, Profit-Sharing, and Financing To Deposit Ratio

INTRODUCTION

The development of Islamic banking is an interesting and unique phenomenon, because it occurs precisely when the national economy is in bad situation. The Development of Islamic banks in Indonesia is reputed because it's able to target loyalists sharia market, like consumers who believe that bank interest is forbidden. On the other hand, Islamic banks are experiencing a very tight competition conditions for all parties involved in banking which is equally suffice in rational markets that are not into interest. The depositor himself actually notice the return or profit they earn when investing their money in the bank.

The year of 2009 was a challenging year in the financial system, both globally and domestically. In theory, the accumulation of deposits mudharabah greatly influenced by the reward or return. The rate of return that will encourage someone to save or deposit funds at the expense of current consumption to be utilized in the future (Smith, 1994 in Risma Rismayanti 2011). Factors becoming into income is productive
assets in funding form (Earning Assets). The more funds could be distributed into financing the higher earning Assets, which means that the funds raised from the public can be distributed to the productive finance (no many unused assets), which is reflected in the level of Financing to Deposit Ratio (FDR) of bank. The higher the FDR can demonstrate that the fund management of third party which have been collected by the bank were distributed in the form of financing, although on the other hand the higher the FDR describe the lack of the bank's liquidity position.

The principle of profit sharing is a common characteristic and the basis for the overall operations of Islamic banks. By sharia, this principle is based on the principle of al mudharabah. Based on these principles, Islamic banks will serve as a partner, either by the depositor or by entrepreneurs who borrow funds. With depositors, the bank will act as mudharib (fund managers), while savers act as shahibul maal (owner of the funds). Between both held mudharabah stating sharing of benefits each party.

In determining the results, which became the main reference is the revenue assumptions. The higher income can make the higher the rate of return. Factor that can be made into income is in the form of financing of productive assets (Earning Assets). The more funds that can be allocated into financing means higher Earning Assets, meaning that the funds raised from the public can be allocated to the financing of productive (not many assets that are unemployed), which is reflected in the level of Financing to Deposite Ratio (FDR) bank. The higher the FDR can demonstrate that the management of third party funds that have been collected by the bank were distributed in the form of financing, although on the other hand the higher the FDR describe the deficiencies in the bank's liquidity position.

Seeing the facts above, researchers are interested in studying how the influence of profit-sharing and financing to deposit ratio to deposits mudharabah. In this case, the level of profit sharing is the mudharabah deposits.

**LITERATURE REVIEW**

**Investment Theory (Smith, 1994)**

Someone will allocate the rest of its budget for investment like investing in the productive sector. With the investment, a person is willing to sacrifice his consumption now hoping to obtain the result (return) in the future. By using mudharabah system, it can provide income (return on investment). In this turn it will increase the budget you have from time to time.

**Demand theory**

In this research, the goods is shown as an example of mudharabah deposits and the price of a market is the interest and profit sharing. The market demand is aggregate demand for a commodity that shows the number of alternative commodity demanded for each period of time at various alternative prices by all the individuals in the market. Geometrically market demand curve for a commodity is obtained by the horizontal calculation of all the individual demand curves commodities (Salvatore in Assriwijaya Raditya, 2007). The relation of demand explains that if the price rises, the amount of output demanded will decrease, otherwise if the price goes down then the required output will rise. This means that if the price or interest has increased the demand for mudharabah deposits, it will be reduced or decreased, and vice versa, if the result is greater than the interest commercial banks deposits, the demand will increase because customers have mudharabah profit motive quality. If it's viewed from the side of demand deposits, the relationship between interest and mudharabah deposit is negative.

The demand function can be written as follows:

$$Qd = f (P, Py)$$

Information:

- \(Qd\) : Deposit \textit{Mudharabah}
- \(P\) : Interest
- \(Py\) : Profit sharing
From the demand function above, it can be seen that there are several factors that influence the **mudharabah** deposits including interest and profit sharing. If the interest on commercial banks has increased the demand for **mudharabah**, deposits will decrease. If the interest is decreased, the demand for deposits **mudharabah** will increase or rise. The correlation is if the profit sharing term given is increased so the volume of **mudharabah** deposits will also increase, and if the profit sharing given is decrease, so the volume of **mudharabah** deposits is, too.

**Mudharabah Deposits**

**Mudharabah** deposits is one of the Islamic bank investment fund products which is different from conventional banking products, designed for people who are interested in investing for the results system. In contrast to deposits, investment funds cannot be withdrawn at any time, but it's based on the agreement between the bank and the customer.

According to Wiroso (2005: 57) **“Mudharabah” deposits represent funds with mudharabah where the owner of the funds (shahibul maal) entrusts funds to be managed bank (mudharib) with profit sharing in accordance with the agreed ratio since the beginning”**.

Meanwhile, according to Sigit Triandaru and Totok Budi Santoso (2006: 172) argues: **“Deposits on the basis of mudharabah principle that an initial agreement was made not on the interest, but the proportion of profit sharing on the development of customer deposits funds”**.

**Profit Sharing**

In the Islamic economic system, interest can be expressed as usury “unclean” under sharia law Islamiyah. Instead, replacing it with an Islamic economic system “profit sharing” is permitted by sharia Islamiyah based on the Al-Quran and Al-Hadith. According to Wiroso (2005: 37), **“Profit sharing is defined as the magnitude of the portion that clients' rights based on the amount of gain or loss realized from a business”**.

According to Muhammad (2005: 87), **“Profit sharing is a system that includes procedures for sharing efforts among the providers of funds with fund managers”**.

According to Adiwarman Karim (2004: 191), **“Profit sharing is a form of return (acquisition of return) of an investment contract, from time to time, uncertain and precarious. The size of the acquisition of return will depend on the results of operations that actually happened”**.

Benefit payments Islamic bank to the depositor (owner of the funds) in the form of profit sharing number is highly depend on the income earned by the bank as mudharib on fund management mudharabah, if Islamic banks obtained an equity in a large number, the distribution of the equity of operations based on a large number otherwise if Islamic banks get results in very little equity. So it's smaller the profit sharing distribution to the customers. Calculation of return or equivalent rate is done after an unknown portion of the income for the owner of the funds or fund groups shahibul maal (PSKD). Return Calculation Results of Operations (Income) Fund owner (RHPD) or better known as the level of income sharing (equivalent rate) for each group of funds, the calculation formula is defined as follows:
Calculation Rate Of Return (Slamet Wiyono2006), as follows :

\[
ER = \frac{\text{PHPD}}{\text{SRKD}} \times \frac{365}{\text{HBH}} \times 100\%
\]

ER : Equivalent Rate  
PHPD : Equity Dividend Portion of the Depositor (Shahibul maal)  
SRKD : Daily Balance Average of Fund Group  
HBH : Day of Sharing

In the Islamic bank, the concept for the results (IBI, 2003: Slamet Wiyono 265 in 2006), as follows:

1. The funds owner invest its funds through the financial bank institution taking steps as fund manager.
2. Business or Islamic banks manage these funds in the top of the system pool of funds, then the bank will invest these funds into the project or business viable and profitable and fulfilling aspects of sharia.
3. The two sides signed an agreement that provides a collaborative environment, nominal, ratio, and the term of the valid agreement.

There are two factors affecting the profit sharing, as follows:

a. Direct factor
Factors are directly affecting the calculation of results of the investment rate, the amount of funds available and the profit sharing ratio, explained as follows:

1. Investment funds rate is the actual percentage of the total funds invested. If the bank determines the investment rate of 80%, this means that 20% of the total funds allocated to meet liquidity;
2. The amount of funds are available to invest an amount of funds from various sources of funds available. The fund can be calculated by using one of the methods of the average monthly minimum balance and the average total daily balance. Investment rate multiplied by the amount of funds available to be invested will produce the amount of funds actually used;
3. Profit sharing ratio (Nisbah).

The characteristic of mudharabah is a ratio that should be fixed and approved at the beginning of the agreement. Ratio between one bank to another can be differ. Ratio also may differ from time to time deposits, such deposits mudharabah 1 month, 3 months, 6 months and 12 months. Ratio can also differ between one account to another in accordance with the number of the fund and due date payment.

b. Indirect Factors
Indirect factors that affect the calculation the profit sharing :

1. Determination of the income and mudharabah cost.
   a. Shahibul Maal and Mudharib will share in both the income and cost. Income “shared out” is the income received after deducting the costs;
   b. If all the costs on the responsibility of the banks, it is in the income sharing.
2. The accounting policy (principles and methods of accounting). For the results are not directly affected by the passage of the applied activity, particularly with respect to the recognition of
incomes and expenses. The calculation of profit sharing between shahibul maal and mudharib is income earned from the management of funds sourced from funds mudharib alone. According Wiroso (2005: 114) there are several stages in the calculation of the distribution of results of operations, as follows:

1) Determination of the type of distribution principle operating results. At this stage the principle of Islamic banks determine the type of distribution of results of operations, namely the principle of income sharing or profit sharing.

2) Calculation of the portion of incomes shared out. The portion of incomes shared out a number of fund management incomes are the rights of all owners of the funds for which the funds from the mudharabah mutlaqah.

3) Calculation of group income fund type. At this stage, the portion of income calculation for this type of fund groups, such as group savings fund, group fund deposits for 1 month, 3 months, 6 months, and 12 months and so on.

4) Calculation of the individual results. Calculation of the results for each individual account can only be done after steps above do. Because the division of profit sharing to each individual done after known the income for the type of funds group.

The Factors that Affecting the Determination of Profit Sharing

Mudharabah return is the level of return for Investment bank customers in deposit funds. Profit sharing ratio of the customer and bank are not the level of profit which can give the benefits to the depositor and the bank, but it is the ratio or percentage sharing where the customers get the rights of profits which are set aside for their deposits because each their deposits are used by the bank for favorable financing. While profit sharing ratio of the bank is the ratio which the bank get the rights of profits that are set aside by entrepreneur to the mudharabah funds that used for financing (Nejatullah Siddiq, page 140 (1984) in Nasrah Mawardi (2005). Easily, both of the ratio are stated in percentage form.

The return which is accepted by depositor will depend on the amount of funds that distributed (in this case how productive the funds which are deposit used by the bank for financing), it is measured by the level of FDR and how good the quality of financing that given by the bank, because these things will influence the profits from using of funds. This case is indicated by the level of Non Performing Finance (NPF), the better quality of financing that distributed by the bank, less the level of NPF. Profit sharing ratio of the customer is percentage sharing to bank income obtained because placements of funds that used by the bank to get income from the financing so the level of return that accepted by the customers are affected by:

1. Income that obtained by the bank from profit sharing ratio with the customer financing.
2. The targets of acquisition of bank funds, this case is indicated with the level of FDR.
3. The level of profit sharing for competitor.

Or can be conclude that the level of deposit return affected by FDR, effective bank income which can be shared to the depositor and the level of profit sharing of competitor.

Syariah bank can develop better if refers to the society demand of the profitable product and the service of syariah banking. According to Adiwarman Karim (2006 : 83), there are three level of the banking customer as follows:

a. Conventional Market
   Conventional segment will choose bank interest because it is assumed reflecting the cost which is profitable for financing terms or return which is profitable in funding terms.

b. Floating Market
   Floating market segment prefer to the lowest cost or the higher return.

c. Syariah Loyalist Market
Syariah loyalist market segment is still choosing syariah bank although deviation between syariah bank rate is lower than conventional bank.

The biggest potential of syariah bank is found on floating market, that have more feature shows financial benefit aspect than syariah aspect. For floating market segment, interest and willingness to transact with syariah bank if it gives the service with the same profit or even more than conventional bank. According to Adiwarman A. Karim (2005 : 339) states that:

"If the customer loyalty is affected by the level of return or profit sharing will impact to high level of transfer of funds on deposits from Bank A to the Bank B if the level of profit sharing Bank A is lower than the level of profit sharing Bank B. Before the management determine the level of profit sharing ratio, they must project the level of profit sharing which is accepted by the customer."

It means, if syariah bank has the bigger level of profit sharing than previous period, it means syariah bank is able to show better performance of fund distribution, so it will affect the public interest to adopt syariah bank that will impact on deposit increasing of syariah bank.

**FINANCING TO DEPOSITE RATIO**

Financing to deposit ratio is the ratio between amount of financing that given by the bank with the third-side funds which accepted by the bank. FDR is determined by the comparison between amount of financing that given by the society funds compiled as follows checking, deposit, and savings. FDR itself states that how far the bank competence in paying back the withdrawing funds that done by the depositor depend on the credit which is given as liquidation source. The bigger credit, the higher income got, because the income increase automatically so the profit increase too. The rating of financing to deposit ratio of a bank must be on a balance position, not really high and also not really low exceeding the provision that assigned by Indonesian Bank. ".....Indonesian Bank in order to implementation of banking regulation according to the prudent principle determine that..... the provision of financing to deposit ratio maximum 100% (Dahlan Siamat, (2001 : 71). This provision is meant to the bank to optimize the funds using which succeed complied in financing distribution, however still keeping the position of liquidation as well as possible.

As a bank, the liquidation problem is the most important problem because related to security and secured the importance of customer and society trust. The differences of funds management concepts of syariah bank and conventional bank are conventional bank accept the funds from the third-side and pay the interest bank to the funds which complied, then calculate it as a cost of fund. The concept of fund management in Syariah Bank is based on stock model approaching (Nejatullah Siddiqi, page 138 (1984) on Nasrah Mawardi (2005), bank accepts the checking account with the requirements, they also accept the deposit which made a book as “investment accounts”. The bank save the funds (capital savings, mudharabah deposit minus the alternative) to the business world. The result of acquisition bank’s profit is divided to the depositor customer appropriate with agreement in form profit sharing ratio. Operation of Syariah Bank don’t emerge cost of funds, so there’s less possibility to occur inflation because of cost of funds increasing.

To compile and allocate the funds, the bank implement it with two system as follows, pool of fund approach and asset allocation approach. Pool of fund approach is collecting of funds approach that centralized in one pool, meanwhile asset allocation approach is placing funds to the each of assets. In
Syariah Bank normally used the method of pool of fund approach except Mudharabah Muqqayadah transaction, all of funds are collected in one pouch, then placed on various forms of financing, and fulfillment the others bank liabilities. This financing can be a financing which is profit sharing, although it is not profit sharing based.

In this case can be conclude that if the level of FDR is bigger, it makes the bank better to operate the function of intermediation. It is caused by funds financing that needed in investment which will move the rill factor and be able to make the economy growth quickly. If this FDR is low means that there are the society funds which idle and investment which can move the rill factor will be obstructed. Meanwhile, the high of FDR bank can be defined that the bank liquidation is low. It is caused by the higher of FDR bank, so the risk of bank itself about problem financing will increase. So Syariah Bank will get the crisis easily when occurred withdrawing of deposit from the depositor and in a big number. This case explained by Eka Wahyuni Kusumaningrum (2010) states that there’s the positive impact between financing to deposit ratio (FDR) to the growth of mudharabah deposit. This case is strengthened by the research of Suhrowardi (2010) states that financing to deposit ratio (FDR) significant affect to the mudharabah deposit.

**IMPACT OF FINANCING TO DEPOSITE RATIO TO MUDARABAH**

Financing to deposite ratio is a comparison between the level of financing provided by Islamic banks to third party funds (DPK) that have been collected from the public. If the FDR level is getting bigger, it will be better the bank is in its intermediary function. This is due to the financing funds are funds needed for investment that will drive the real factors and considered able to stimulate economic growth. And conversely, if FDR is low means there are public funds are idle and investments that will move the real factor will be hampered. But the high bank FDR could mean that the bank's liquidity is low. This is due to the higher FDR bank, then the bank against the risk of financing problems will also rise. So that islamic banks will be vulnerable to crises when the withdrawal of deposits from depositors simultaneously and in large numbers. This is explained by Eka Wahyu Kusumaningrum (2010) which says that there is a positive influence between financing to deposite ratio (FDR) to the growth of desposito mudharabah. This is also reinforced by research Suhrowardi (2010) which says that financing to deposite ratio (FDR) significantly affects the mudharabah deposits.
CONCEPTUAL FRAMEWORK

Impact of the Level Profit Sharing to Mudharabah Deposit

The Level of Profit Sharing

Return forms (Obtained of return) from investment from time to time not certainly and unstable. More or less obtained of return depends on the result of the effort already done.

Kinds of measured investment for the individual customer and law institution with the profit sharing system.

Ani Andriyanti and Wasilah (2010) : Level of profit sharing significant effect on deposits mudharabah

Asriwijaya raditya (2007) : Level of profit sharing positive effect on deposits mudharabah.

Growth of Syariah Banking when the condition of economy is bad.

Compiled of mudharabah deposit → the payment of service or return → the level of high return → supporting someone to save or deposit the funds → saver or depositor is the profit motif → if the level of conventional bank interest increasing → the customer prefer to deposit the money at conventional bank → compiled the deposit at syariah bank decreasing → stable with the level of profit sharing that competitive or competence with the level of conventional bank interest.

H1
The level of profit sharing affect to the mudharabah deposit

Impact of Financing Deposit Ratio to Mudharabah Deposit
Financing To Deposit Ratio

The Ratio between funds which placed in financing compared with the funds which compiled from society.

Mudharabah Deposit

Kinds of Investment for individual customer and Legal Institution by sharing result system.

Ani Andriyanti dan Wasilah (2010): There’s no significant impact between Financing to Deposit Ratio to Mudharabah Deposit.

Nasrah Mawardi (2005): There’s positive impact but it doesn’t influenced significantly between FDR (Financing Deposit Ratio (FDR) to Mudharabah Deposit.

Eka Wahyuni Kusumaningrum (2010): There’s positive impact between FDR to Mudharabah Deposit.

Surowardi (2010): FDR has significant impact to Mudharabah Deposit.

The Growth of Syariah Bank in alarming Economical condition.

In determining Profit sharing to be the first reference is income → The higher income which get → The higher level of provit sharing returns → The factor to be income is the productive assets in form financial (earning assets) → The more funds that donated in financial → The higher earning assets → The funds which compiled from society can be donated to productive financial → The less idle assets → reflected from FDR

H2

Financing to Deposite Ratio affected to Mudharabah Deposit
The development of this hypothesis is a replication of hypothesis which stated by Ani Andriyanti S.E and Wasilah, S.E.,Ak., M,E (2010):

- **H1**: There's influenced between level of profit sharing to *Mudharabah* Deposit
- **H2**: There's influenced between Financing to Deposit Ratio (FDR) to *Mudharabah* Deposit

### RESEARCH METHODOLOGY

#### Population and Sampling Design

Number of samples in this research is 48 financial reports of Syariah General Bank that is 16 Quarterly Financial Reports of Muamalat Bank in 2007-2010 (Years), 16 quarterly financial reports of Mega Syariah Bank in 2007-2010 (years), 16 quarterly financial reports of Mandiri Syariah Bank in 2007-2010 (years), Sampling Technique that used in this research is purposive Sampling. Purposive Sampling Method is the sampling method based on Subjective considerations of the researcher that the requirements should be completed by the samples (Sugiyono 2001). The Criteria of Syariah General Bank which can be a sample in this research as follows:

2. Syariah General Bank which has the completeness of the data based on the variable which already searched.

Based on the criteria of choosing sample above, Syariah Bank that fulfill the criteria to be a sample is the three of Syariah General Bank there are Indonesian Muamalat Bank Company, Mandiri Syariah Bank Company and Indonesian Mega Syariah Bank Company.

#### Research Procedure

Kinds of Data that used in this research is Secondary Data. The Data which used is Quantitative Data, included Quarterly Financial Report of Syariah Bank in period 2007-2010.

Secondary data which need in the research obtained from publication of some institutions which is related such as Indonesian Bank and Syariah Bank which means in research sample, such as

- [www.bi.go.id](http://www.bi.go.id)
- [www.muamalatbank.co.id](http://www.muamalatbank.co.id)
- [www.banksyariahmandiri.co.id](http://www.banksyariahmandiri.co.id)
- [www.bsni.co.id](http://www.bsni.co.id)

#### ANALYSIS DATA

Analysis data Method that used in the research is by using Double Linear Regression of Analysis Data. In Analyzing double linear Regression, this method required to make classic assumption test in order to get the best result of regression (Ghozali, 2005).
Table 1: T-test Analysis Result

<table>
<thead>
<tr>
<th>Coefficientsa</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>1.050E6</td>
<td>1.030E6</td>
<td>1.019</td>
<td>.314</td>
</tr>
<tr>
<td>Level of Profit Sharing</td>
<td>13685.918</td>
<td>1439.555</td>
<td>.820</td>
<td>9.507</td>
</tr>
<tr>
<td>Financing to Deposits Ratio</td>
<td>1.042E6</td>
<td>1.100E6</td>
<td>.082</td>
<td>947</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Mudharabah Deposits

Test results of t on a level of profit sharing variable (X1) obtained t_{count} of 9.507 with a probability of 0.00 that value is below 0.05, to t_{table} obtained a value of 2.011. Because t_{count} > t_{table} which is 9.507 > 2.011 thus H1 accepted, it means that there is influence between the level of profit sharing to mudharabah deposits. Thus, these findings support the study hypothesis which states that "The level of Profit Sharing affects toward mudharabah deposits."

Test result of t on FDR variable (X2) obtained t for 0.947 with probability of 0.349 with value above 0.05, for t_{table} obtained for 2,011. Because t_{count} < t_{table} which is 0.947 < 2,011 thus H1 rejected, it means that there is no influence between the level of profit sharing to mudharabah deposits. Thus, these findings don’t support the study hypothesis which states that "The level of Profit Sharing affects toward mudharabah deposits."

Coefficientsa

<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 (Constant)</td>
<td>1.929E6</td>
<td>447598.000</td>
<td>4.309</td>
<td>.000</td>
</tr>
<tr>
<td>Profit sharing</td>
<td>13561.829</td>
<td>1431.966</td>
<td>.813</td>
<td>9.471</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Deposito Mudharabah

Hypothesis Test: H1: Impact the level of profit sharing mudharabah deposits.

To test this hypothesis, the regression analysis method. Regression analysis was used in this study to test the strength of the relationship between the independent variable (deposits mudharabah) with dependent variable (level of revenue sharing and FDR) with significance level of 5%.

**Mudharabah Deposits = 1,929 + 13561.829 level of profit sharing + e**

Results equations show that the variable level of profit sharing has a positive coefficient with a significance level below 0.05. This means that the level of profit sharing positive and significant impact on the profit and deposits shows that the increase in the level of revenue sharing will increase mudharabah deposits.

Testing the hypothesis in this study is the first to examine whether the effect on the level of revenue sharing mudharabah deposits Based on the table research results showed a significance level of 0.00 < α = 0.05 so that hypothesis testing reject Ho. It can be concluded that the level of profit sharing mudharabah affect deposits.
Hypothesis Test : H2: Financing to Deposit Ratio take effect on mudharabah deposits.

### Coefficients

<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 (Constant)</td>
<td>5.222E6</td>
<td>1.599E6</td>
<td>3.265</td>
<td>.002</td>
</tr>
<tr>
<td>Financing to Deposit Ratio</td>
<td>89600.658</td>
<td>1.879E6</td>
<td>.007</td>
<td>.048</td>
</tr>
<tr>
<td>a. Dependent Variable: Mudharabah Deposits</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Mudharabah Deposits = 5,222 + 89600,658FDR + e

The results of the equation shows that the financing to deposit ratio variable has a negative coefficient with a significance level above 0.05. This means that financing to deposit ratio has negative impact and not significant to mudharabah deposits and this shows that the increasing of financing to deposit ratio does not increase mudharabah deposits. Based on table result shows that level of significance 0.962 > α = 0.05 Based on study results table shows the level of significance 0.962 > α = 0.05 so that hypothesis testing refuse H2. It can be concluded that financing to deposit ratio does not affect mudharabah deposits.

### Model Summary

<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>.8174</td>
<td>.668</td>
<td>.653</td>
<td>1886565.837</td>
</tr>
<tr>
<td>a. Predictors: (Constant), Financing to Deposite Ratio, Profit Sharing</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

According to the table can be great value adjusted R² of 0.668 which means that the variability of the dependent variable that can be explained by the independent variable was 66.8%. This means that 66.8% of deposits mudharabah influenced by the level of profit sharing and financing to deposit ratio. While the remaining 33.2% is influenced by other variables not examined in this study.

Rated R = 0.817 indicates that the correlation coefficient of 81.7%. From this value we can conclude that the correlation between the results and financing to deposit ratio with deposits mudharabah has a strong position.

### CONCLUSION AND DISCUSSION

1. **Based on test result on t with SPSS obtained value t_count of 9.507 with t_table of 2.011 because t_count > t_table which is 9.507 > 2.011 therefore the hypothesis H1 is accepted, which means that variable of the level of profit sharing has a significant impact on the growth of mudharabah deposits because customers in placing funds in sharia bank are still influenced by the desire to seek profit so that if the bank's level of profit sharing is bigger, then the greater will be the third party's fund that stored in sharia bank.**

2. **Based on test result on t with SPSS obtained value t_count of 0.947 with t_table of 2.011 because t_count < t_table which is 0.947 < 2.011 therefore the hypothesis H2 is rejected, which means that variable of the level of profit sharing has no significant impact on mudharabah deposits. Indications that causes this is because there are two mechanisms that are actively used by the Institute of Islamic Bank to reduce the volatility of the investment rate of return of deposits, and the consequence is the return smoothing. This mechanism is used by Islamic banks to avoid displaced commercial risk that occurs when customers withdraw money en masse and raises the potential for bank run.**
Based on the conclusions that have been made and the limitations of existing study, the suggestions that can be given is as follows:

1. In the study the authors created, the time series data that used is still limited. It is therefore expected for next study to be able to use time series data with a longer period in order to better describe the actual conditions.

2. It is expected for next study to not only uses FDR factor in influencing the mudharabah deposits since FDR in Islamic commercial bank fails to demonstrate actual results to obtain a high FDR, the bank added FDR from capital reserves.

3. In a subsequent study, it is expected to see a direct impact on the customer side so that it can be seen more clearly the influences that affect customers to save money in Islamic banks.

In this study, the authors note the shortcomings and limitations of this study include:

a. This study uses time series data from the quarterly financial statements Islamic banks are published. Data times series used is still limited, while for the analysis of time series data is getting longer, the better.

b. Components of third party funds are used in this study only Mudharabah deposits.

c. Factors affecting mudharabah deposits in this study only in view of the bank as a fund manager (mudharib)

Based on the above limitations, the next writer suggests the need for further research on mudharabah deposits in Islamic banks using different models and variables, so it can be known with certainty other factors affecting mudharabah deposits in Islamic banks.

Based on the conclusions that have been made and the limitations of existing research, the advice that can be given is as follows:

a. In the study the authors created, the data time series used is still limited. It is therefore expected for next research can use time series data with a longer period in order to better describe the actual conditions.

b. It is expected for next research not only uses FDR factor in influencing the Mudharabah deposits since FDR in Islamic commercial bank fails to demonstrate actual results to obtain a high FDR bank added from capital reserves.

c. In the next study, expected to see a direct impact on the customer side so that it can be seen more clearly influences that influence customers to save money in Islamic banks.

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INTELLECTUAL CAPITAL AND BUSINESS PERFORMANCE

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ABSTRACT

This study aims to determine the relationship of the implementation of Intellectual Capital to Business Performance on the manufacture company in the province of Banten. Specially purpose of this research is to know the relationship of the Human Capital with Customer Capital, to know the relationship of the Human Capital with Structural Capital, to know the relationship of the Customer Capital with Business Performance, to know the relationship of the Structural Capital with Business Performance. The sample is that used in this research are 46 manufacturing companies on the province of Banten, and the unit of analysis are Finance Manager, Human Resource Development Manager, and Production Manager. Data is that obtained in this research is the primary data with the research instruments such as questionnaires. 60 questionnaire is that assigned, the questionnaire return and meet criteria of author are 46 questionnaires. This research use PLS (Partial Least Square) as a means of testing the hypothetical with the Outer and Inner Model. The processing of data was found that the results of the questionnaire as the primary data which represent each variable has level of good reliability, that is above 0.5. Similarly, internal consistency between the independent variables and dependent variables have a both of good validity value is greater than 0.7. For test hypothetical got results that Human Capital associated with significant positive Customer Capital, which is evidenced by the t-statistics are greater than the t-table, that is on the 4.053 > 1.96. Human Capital associated with significant positive Structural Capital, which is evidenced by the t-statistics are greater than the t-table, that is on the 7.925 > 1.96. Customer Capital has a significant positive relationship to the Business Performance, which is evidenced by the t-statistics are greater than the t-table, that is on the 5.664 > 1.96. Structural Capital associated not significantly positive to the Business Performance, which is evidenced by the t-statistic is less than the t-table that is on the 1.075 <1.96. Last Intellectual Capital is a significant positive relation with the Business Performance, which is evidenced by the t-statistics are greater than the t-table that is on the 5.436 > 1.96.

Keywords: Intellectual Capital, Human Capital, Structural Capital, Customer Capital, and Business Performance.

INTRODUCTION

In the era of globalization, technological innovation and intense competition forced companies to change the way they run their business. In order to continue to survive quickly companies change from a business based on labor (labor-based business) towards a knowledge based business (business based on knowledge), with the main characteristics of science. The increase in the value of capitalization shares are quite high and the difference between the book value of capitalized stocks on knowledge based industries the "missing value" in the financial statements by Stewart (1997) later referred to as intellectual capital. Stewart (1997) in Dwi and Arifin (2005) shows the ratio of book value to market value of shares contained in the balance sheet on a knowledge-based company is 1: 7, while in service companies 1: 1. According to Stewart (1997) of such difference because there intangible assets that are not recorded in the balance sheet by the company.

The company's inability to record intangible assets on its balance sheet due to accounting standards that exist today have not been able to capture and report on the investment incurred in obtaining the
resources of non fisik. Investasi non-physical resources that can be captured and reported in accordance with accounting standards currently only limited investment in forms of intellectual property.

Conventional accounting systems do not allow the company to capitalize on intangible assets and reported as other assets. So that the financial statements are no longer sufficient for an assessment of the performance and potential value of the company. Thus, accounting is also believed to have not been able to do the recognition and measurement of intellectual capital, because the accounting tends to focus on the assets that are real (hard assets) alone. Even if there are intangible assets are recognized and measured in the financial statements, most of them are based on the historical value (historical cost) instead of its potential to add value (Stewart, 1997) in Dwi and Arifin (2005).

The limitations are a challenge for management accounting and financial accounting. Accounting management requires new tools for managing the investment expertise of employees, to measure the return on investment skills of employees, and information and technology in the long term (IFAC, 1998). While financial accounting requires accounting measurements are not the same between the enterprise with one another to show indicators of intellectual capital, and in need of new measurements that are not based on monetary (Upton, 2001) in Partiwi and Arifin (2005).

Such challenges arise because at this time, the dominant factor in the assessment of a company, especially for high technology companies and professional service is the intellectual capital (Pike, Rylander & Roos, 2002). Therefore, although it is still not possible to give the monetary value of the intellectual capital, but intellectual capital should be considered that the value creation process easy to understand.

Implementation of intellectual capital is something new, not only in Indonesia but also in the global business environment, only a few developed countries that have begun to implement this concept, for example, Australia, the United States and the Scandinavian countries. In addition, in determining the guidelines on measurement Intangible conducted by researchers at the European institutions such as NORDIC, DATI, and MERITUM also not been able to formulate a similar concept to it. But the companies they studied still report as a Voluntary Intellectual Capital Report, (Toma's and Ramo'n, 2007).

In Indonesia, according to (Abidin 2000) in Ulum (2008) intellectual capital is still not widely known. In many cases, up to now has companies in Indonesia tend to use conventional business based in the building, so that the resulting product is still poor technological content. Besides, these companies do not pay more attention to human capital, structural capital, and customer capital. Yet all of these are elements of the company’s intellectual capital builder.

Based on the above, the researchers tried to re-examine the relationship between the application of Intellectual Capital elements consisting of Human Capital, Customer Capital and Structural Capital on Business Performance in the manufacturing companies located in the province of Banten. For this study, entitled “Relationship Analysis Application of Intellectual Capital on Business Performance: Empirical Research on Manufacturing Company in Banten Province”.

A problem to be examined in this study can be identified as follows:

1. How is the relationship of the Human Capital Customer Capital in manufacturing companies in the province of Banten.
2. How is the relationship of the Human Capital Structural Capital in manufacturing companies in the province of Banten.
3. How is the relationship of the Business Customer Capital Performance in manufacturing companies in the province of Banten.
5. How is the relationship consisting of Intellectual Capital Human Capital, Customer Capital, Structural Capital and Business Performance in manufacturing companies in the province of Banten.

Based on the identification of the problem above, the purpose of this study was to obtain empirical evidence about:

1. Customer Relationship Human Capital to Capital on manufacturing companies in the province of Banten.
2. Relation to Structural Capital Human Capital in manufacturing companies in the province of Banten.
3. Customer Relationship Capital and Business Performance in manufacturing companies in the province of Banten.
4. Structural Relationship Capital and Business Performance in manufacturing companies in the province of Banten.

With the research is expected to provide benefits such as:
1. Operational kegunaan
   a. Company
   Can provide a practical contribution to the company in the management of Intellectual Capital for corporate decision making or organisasi. Serta into consideration for companies, especially those in Banten province to determine its policy on the application of Intellectual Capital in conjunction with the Business Performance.
   b. Investor
   For consideration and performance measurement information in business organizations and also the planting stock was going to do with these companies see the Business Performance
   c. creditor
   For your consideration, and the information in the provision of loan funds will be provided by looking at the application of Intellectual CapitalBussines Performance of the company.
2. Usability Sciences Development
   a. Are expected to contribute in the form of a reference for management accounting, in particular those relating to the measurement of the performance of the business organization, the theory of accounting and financial accounting, primarily related to the theory of the intellectual capital, the discussion of intangible assetsesta preparation of Statement of Financial Accounting Standards (SFAS) with respect to the existence of intellectual capital ,
   b. Expected to be used as material for further research in the development of knowledge concerning discussion of Intellectual Capital.
   c. For authors
   To determine the relationship consisting Intellectual Capital Human Capital, Customer Capital, Structural Capital and Business Performance.

LITERATURE REVIEW

Intellectual Capital
Understanding Intellectual Capital by Sawarjuwono (2003):
"Intellectual capital can be defined as the sum of what is produced by the three main elements of the organization (humancapital, structural capital, customer capital) related to the knowledge and technology to provide more value for the company in the form of competitive advantage of the organization".

Some definitions of intellectual capital are summarized and quoted in Partiwi and Arifin (2005) are as follows:

a. Intellectual capital is exclusive, but once discovered and exploited will give the organization a new resource base to compete and win (Bontis, 1996).
b. Intellectual capital is a term given to a combination of intangible assets from the market, intellectual property, infrastructure and human centers that make a company can function (Brookings, 1996).
c. Intellectual capital is intellectual material (knowledge, information, intellectual property, experience) that can be used to create wealth. It is a collective sense force or set of knowledge that is useful (Stewart, 1997).
d. Intellectual capital is the effective utilization of knowledge (the finished product) as oppose to information (raw materials) (Bontis, 1998).
e. Intellectual capital is considered as an element of the company’s market value and also the premium market (Olve, Roy & Wenter, 1999).

Human capitals
Brinker (2000) in Sawarjuwono (2003) says that the definition of Human capital, namely: "Human capitals merupakanlifeblood in intellectual capital, where the sumberinnovation danimprovement, but it is a component that is difficult to diukur. Human capital is also home
bersumbernya very useful knowledge, skills and competencies within an organization or perusahaan. Human capital reflects the company’s collective capability to produce a solution based on the best knowledge possessed by the people in the company tersebut. Human capital will be increased if the company is able to use the knowledge held by employees. (Brinker 2000) also provides some basic characteristics that can be measured from this capital, ie training programs, credentials, experience, competence, recruitment, mentoring, learning programs, individual potential and personality ".

Human capital is the knowledge, skill, and experience brought employees when leaving the company (Starovic & Marr, 2004) which includes the individual's knowledge of an organization that existed at pegawaiannya (Bontis, Crossan & Hulland, 2001) generated through competence, attitude and intellectual intelligence (Roos, Roos, Edvinsson and Dragonetti, 1997), in Dwi and Arifin (2005).

In industries based on knowledge, human capital is a major factor for these resources is the dominant cost in the production process of the company, so we can say if all employees in the company then the company will no longer have value. Resources is what will support the creation of structural capital and customer capital which is the core of intellectual capital.

**Structural Capital**

Sawarjuwono (2003) states that: 
"Structural capital is the ability of an organization or company to meet the routine of the company and the structure that supports employee efforts to produce intellectual performance is optimal and overall business performance, for example: systems operations, manufacturing processes, organizational culture, management philosophy and all forms of intellectual propertyyang owned company. An individual can have a high intellectual level, but if the organization has systems and procedures that bad then intellectual capitaltidak can achieve optimal performance and potential can not be fully utilized ".

Structural Capital includes the company's ability to reach the market (Petras, 1996) in Widianingrum (2004) or the hardware, software and other supporting companies (Bontis, 2000) in other words the infrastructure supporting employee performance. Structural Capital is a link human capital into intellectual capital. That is even though employees have high intellectual, but if not supported by adequate means to apply their innovations, the ability will not generate Intellectual Capital.

**Customer Capital**

According Sawarjuwono (2003), Capital Customer element is a component of intellectual capital that provides real value. Definition of Customer Capital according Sawarjuwono (2003) are: 
"Customer Capital is a harmonious relationship / association networkyang owned by the company with its partners, both from suppliers and reliable quality, comes from customers loyal and satisfied will the service company concerned, derived from the company's relationship with the government and with local communities. Relational capital may be emerging from different parts of the environment outside companies that can add value for the company ".

Customer capital demonstrate the potential of the company since ex-firm intangible (Bontis, 1999), in Dwi and Arifin (2005). Another understanding of Customer Capital is the knowledge of a series of markets, customers, suppliers, relations between government and industry (Bontis, 2000) or a good relationship with outsiders (Petras, 1996) in Widianigrum (2004). So the company had to create goods and services are different and have more value in the eyes of consumers

**Business Performance**

According to Fuad (2003: 1), in his book defines business as follows: 
"Business is an activity that can not be separated from the activities of production, purchase, sale, or exchange of goods and services that involve the person or company for the purpose of generating profits".

According to Hakim (2006: 10), the term of performance or performance often associated with the company's financial condition. Performance is an important thing to be achieved by any company anywhere, because the performance is a reflection of the company's ability to manage and allocate resources.

Fisher (1998), and Arifin Dwi (2005) also says that the Business performance depicted in formal control system performance measures include the size of the financial and non-financial. Nancial measures actually show various tindakanyang occur outside the financial sector. Increased financial return is a result from a variety of operational performance include an increase kepercayaankonsumen
the products produced by the company, increased cost effectiveness of internal business processes
the company uses to produce dan meningkatnya productivity and employee commitment (Mulyadi &

**Customer Relationship Human Capital to Capital**

According to Dwi and Arifin (2005) in his research proves that human capital positively and
significantly associated with customer capital. With the tacit knowledge nya, human capital can create
value (value creation) i.e. customer capital for the company. The Company was able to transform tacit
knowledge into the knowledge inherent in the company's external relations.

**Relation to Human Capital Structural Capital**

Bontis (1998) and Partiwi (2004) in Dwi and Arifin (2005) also found a significant positive relationship
capital dan structural human capital. However, the research Bontis et al. (2000) the relationship of
human capital and structural capital depending on the industry sector. The relationship between the
structural capital dan capital pada human services industry is positive not significant, while in the non-
services industry is a significant positive. Similarly, Dwi and Arifin (2005) which also proves that the
human capital positively and significantly associated with structural capital.

**Customer Relationship Capital and Business Performance**

Companies are investing heavily to become a customer focus and a determinant of absolute market
will be able to increase or improve its business performance. Consumer is the key to survive the
failure of a company. If consumers are loyal to the company, the business performance will be
maintained. Partiwi and Arifin (2005) in his research found that the Customer capital and not
significantly positively associated with business performance.

**Structural Capital Relation to Business Performance**

Judging from the level of organizational analysis, the structural capital akan related to business
significant positive correlation between structural capital and business performance. Then Partiwi and
Arifin (2005) conducted a study back and found that the capital is positively related Structural and
signifikandengan business performance. Thus, the company's efforts to codify knowledge of
companies and develop structural capital capable of generating competitive advantages relative yield
higher business performance.

**Conceptual Framework**

![Conceptual Framework](image)

**Figure 1: Relationship Analysis Application of Intellectual Capital to Business Performance**

Sumber : Bontis (2000)
Based on the above framework, the authors formulate hypotheses as follows:

**H1**: Human capital significantly positively associated with Customer Capital

**H2**: Human capital significantly positively associated with Structural Capital

**H3**: Customer capital significantly positively associated with the Business Performance.

**H4**: Structural capital significantly positively associated with Business Performance

**H5**: Intellectual Capital consisting of Human Capital, Customer Capital, Structural Capital significantly positively related to Business Performance

### RESEARCH METHODOLOGY

#### Sampling Design

The object of this research consists of manufacturing companies located in Banten Province and is registered in the Department of Industry and Trade of Banten Province is located at Jalan Raya Jakarta Km. 4.5 Pakupatan Serang, Banten.

The method used in this research is associative, the research aims to determine the relationship between two or more variables. With this research will be constructed a theory that could serve to explain, predict and control the symptom (Sugiyono, 2007: 11).

The purpose of descriptive research is to describe the situation of widespread problems with the translation of the object being studied and a description of the research that has taken managerial decisions. According Rahayu (2005: 21) analysis is more of a description or explanation by making indicator-table, classifying, analyzing the data based on the results of the questionnaire answers obtained from respondents using data tabulation. This descriptive study used to describe how much the relationship between Intellectual Capital and its elements to the Business Performance in the manufacturing companies located in the province of Banten.

According to Mohammad Nazir (2003: 123), the indicator is a concept that has beracam-wide value. When creating a conceptualization of indicator variables to be studied should be given boundaries and the following explanation:

1. **Independent Variable** also called independent variables (variables that affect), which is composed of Intellectual Capital: Human Capital, Customer Capital, Structural Capital

2. **Dependent Variables** also called the dependent variable (the variable that is affected), the Business Performance

Below is a table Operationalization Variable:

<table>
<thead>
<tr>
<th>Variabel</th>
<th>Konsep Variabel</th>
<th>Indikator</th>
<th>Ukuran</th>
<th>Skala Pengukuran</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intellectual Capital</td>
<td>Intellectual capital can be defined as the sum of what is produced by the three main elements of the organization (human capital, structural capital, customer capital)</td>
<td>Human Capital, Customer Capital, Structural Capital.</td>
<td>Likert scale was filled to the extent to which respondents agree with the seven Likert scale (1 = very well at all up to 7 = very well).</td>
<td>Ordinal</td>
</tr>
<tr>
<td><strong>Human Capital</strong></td>
<td>Human Capital is the knowledge, skill, and experience brought when employees leave the company that includes the individual’s knowledge of an organization that is on employees</td>
<td>H1, H2, H3, H4, H5R, H6, H7, H8.</td>
<td>Likert scale was filled to the extent to which respondents agree with the seven Likert scale (1 = very well at all up to 7 = very well).</td>
<td>Ordinal</td>
</tr>
<tr>
<td><strong>Customer Capital</strong></td>
<td>Customer Capital is the knowledge of a series of markets, customers, suppliers, relations between the government and the indicator or good relations with outsiders.</td>
<td>C1, C2, C3, C4, C5, C6, C7, C8.</td>
<td>Likert scale was filled to the extent to which respondents agree with the seven Likert scale (1 = very well at all up to 7 = very well).</td>
<td>Ordinal</td>
</tr>
<tr>
<td><strong>Structural Capital</strong></td>
<td>Structural Capital includes the company's ability to reach markets or the hardware, software and others that support the company in other words the infrastructure supporting employee performance.</td>
<td>S1, S2, S3, S4, S5, S6, S7, S8.</td>
<td>Likert scale was filled to the extent to which respondents agree with the seven Likert scale (1 = very well at all up to 7 = very well).</td>
<td>Ordinal</td>
</tr>
<tr>
<td><strong>Business Performance</strong></td>
<td>Described in the formal control system performance measures include the size of the financial and non-financial.</td>
<td>P1, P2, P3, P4.</td>
<td>Likert scale was filled to the extent to which respondents agree with the seven Likert scale (1 = very well at all up to 7 = very well).</td>
<td>Ordinal</td>
</tr>
</tbody>
</table>

**Sumber:** Penulis (2009)

Here is a description of the indicator explanation:
Human Capital (H)

H1 Level of employee training  
H2 Employee competency  
H3 Efforts to improve the skills and education of employees  
H4 Intelligence and creativity are owned by employees

H5 The new recruitment system of comprehensive 
H6 The experience of employees at work  
H7 Performance of employees at work  
H8 Trust company against employee

Customer Capital

C1 Image of the company's products  
C2 Customer loyalty  
C3 Quality of service to customers  
C4 The time given to the customers of the complaints received

C5 Market Share of Companies  
C6 Market Oriented Companies  
C7 Understanding your target market and customer profiles.  
C8 Relationships with suppliers

Structural Capital (S)

S1 Level routines in the move.  
S2 Working procedures and bureaucratic system companyan  
S3 The ease in accessing information  
S4 Cultural and working conditions in the company

S5 database of companies  
S6 The company is the most efficient.  
S7 The organizational structure and job description in the company  
S8 The procedure supports the innovation and implementation..

Business Performance (P)

P1 profit growth  
P2 sales growth

P3 The level of success in the launch of new products  
P4 Overall performance of achievement..

Type of research data is the data subject (self-report data) with the response given by the written and reported responden. Sumber research data is primary data (primary data) obtained directly from the original source, and through media intermediaries, namely electronic mail. As well as through secondary data is the use of data collected by other parties (library research) related to the research conducted. Sources of data obtained from the Department of Industry and Trade of the Province of Banten and manufacturing companies studied.

Research Procedure

This study was conducted to obtain primary data is collected using a questionnaire survey method with data collection by sending a questionnaire via the contact person and send e-mail to the respondent. In addition, also for obtaining secondary data, a list of manufacturing companies located in the Department of Industry and Trade of the Province of Banten. This research is also done by reading and studying reference books and journals to obtain secondary data as the theoretical foundation that is appropriate to the issues raised. The population of this research is manufacturing companies listed in the Department of Industry and Trade of the Province of Banten, as the sampling framework. Unit ndicato research is financial managers, personnel managers and production managers as the company representative.
The sampling technique used in this research is non probability sampling with the sampling pattern is purposive sampling. The population of this research is manufacturing companies listed in the Department of Industry and Trade of the Province of Banten. And the sample in this study is a manufacturing company ndica in Banten province and has met the criteria proposed authors. The sampling criteria as follows:

<table>
<thead>
<tr>
<th>No.</th>
<th>Criteria</th>
<th>Jumlah</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Companies listed in the Department of Industry and Trade of the Province of Banten</td>
<td>603</td>
</tr>
<tr>
<td>2</td>
<td>The manufacturing company limited liability and classified into upper and middle companies</td>
<td>274</td>
</tr>
<tr>
<td>3</td>
<td>Manufacturing company which has an investment value of more than Rp. 2.000.000.000, -</td>
<td>98</td>
</tr>
<tr>
<td>4</td>
<td>A manufacturing company that has employees more than 150 people.</td>
<td>60</td>
</tr>
<tr>
<td></td>
<td><strong>Jumlah Sampel</strong></td>
<td><strong>60</strong></td>
</tr>
</tbody>
</table>

Sumber: Penulis (2009)

Analysis of descriptive indicators used in this study is intended to provide an overview of the demographics of the respondents which include gender, age, education, past, position and tenure disclosed to clarify the description of the respondents. Processing descriptive indicator of respondents are using SPSS software version 12.0 (Statistical Product and Service Solution).

Data quality test conducted on the test reliability and validity test software Partial Least Square (PLS). Uji reliability intended to measure the internal consistency of a questionnaire which is an indicator of the indicator or construct. Measurement reliability tests conducted by test Composite Reliability ≥ 0.70 (Ghozali, 2006: 43).

The data collection is done with the approach of Structural Equation Model (SEM) using software Partial Least Square (PLS) analysis using PLS. In there are 2 things to do are: 1. Assess Outer Model or the Measurement Model. There are three criteria for assessing outer Convergent models: Validity, Diseriminant Validity, and Composite Reliability. Convergent validity of the measurement model with a reflexive indicator assessed based on the correlation between the item score / component score is calculated with the PLS. The size of the individual reflexive said to be high if more than 0.70 correlated with the construct being measured. Here's the formula:

\[
AVE = \frac{\sum \lambda_i^2}{\sum \lambda_i^2 + \sum \text{var}(\varepsilon_i)}
\]

Source: Ghozali, I (2006)

Where \(\lambda_i\) is the component loading to the indicator and \(\text{var}(\varepsilon_i) = 1 - \lambda_i^2\). Direkomendasikan AVE value must be greater than the value of 0.50.

By using the output generated PLS Composite reliability can be calculated by the formula:

\[
\rho_c = \frac{(\sum \lambda_i)^2}{(\sum \lambda_i)^2 + \sum \text{var}(\varepsilon_i)}
\]

Source: Ghozali, I (2006)

Where \(\lambda_i\) is the component loading into indicators and \(\text{var}(\varepsilon_i) = 1 - \lambda_i^2\).
2. Testing inner structural model or models made to look at the relationship between constructs, significance and R-square value of the model penelitian. Pengaruh $f^2$ magnitude can be calculated with the following formula:

$$f^2 = \frac{R^2_{included} - R^2_{excluded}}{1 - R^2_{included}}$$

Source: Ghozali, I (2006)

Where $R^2_{included}$ and $R^2_{excluded}$ is R-square of the dependent latent variables as predictors of latent variables used or issued in the structural equation. $F^2$ value equal to 0:02, 0:15, and 0:35 can be interpreted that the predictor variables have an influence latent small, medium, and large at a structural level

**DATA ANALYSIS**

**Respondent demographics**

The sampling technique in this research is using purposive sampling, the sampling technique that is based on specific criteria

**Table 3.1**

<table>
<thead>
<tr>
<th>Information</th>
<th>amount</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delivery via Email</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>Direct Submission</td>
<td>44</td>
<td></td>
</tr>
<tr>
<td>Total Questionnaires were sent</td>
<td></td>
<td>60</td>
</tr>
<tr>
<td>Questionnaires were returned by email</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>Questionnaires were taken directly</td>
<td>32</td>
<td></td>
</tr>
<tr>
<td>Total Questionnaires were returned</td>
<td></td>
<td>46</td>
</tr>
<tr>
<td>Total Questionnaires were used</td>
<td></td>
<td>46</td>
</tr>
<tr>
<td>Rate of Return (Response Rate) (46/60 x 100%)</td>
<td>76.7 %</td>
<td></td>
</tr>
<tr>
<td>Returns are used</td>
<td></td>
<td>76.7 %</td>
</tr>
</tbody>
</table>

Sources: Primary data is processed (2009).

**Table 3.2**

<table>
<thead>
<tr>
<th>No.</th>
<th>Company location</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Serang</td>
<td>18</td>
</tr>
<tr>
<td>2.</td>
<td>Cilegon</td>
<td>11</td>
</tr>
<tr>
<td>3.</td>
<td>Tangerang</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td>Total Company</td>
<td>46</td>
</tr>
</tbody>
</table>

Sources: Primary data is processed (2009).

**Table 3.3**

<table>
<thead>
<tr>
<th>Type of business</th>
<th>Percentage</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iron and Steel</td>
<td>28.2 %</td>
<td>13</td>
</tr>
<tr>
<td>Chemical material</td>
<td>13.04 %</td>
<td>6</td>
</tr>
<tr>
<td>Food and Drink</td>
<td>10.9 %</td>
<td>5</td>
</tr>
<tr>
<td>Sandals and Shoes</td>
<td>10.9 %</td>
<td>5</td>
</tr>
<tr>
<td>Furniture</td>
<td>8.7 %</td>
<td>4</td>
</tr>
<tr>
<td>Electronic</td>
<td>4.34 %</td>
<td>2</td>
</tr>
<tr>
<td>Clothes</td>
<td>4.34 %</td>
<td>2</td>
</tr>
<tr>
<td>Ceramics</td>
<td>4.34 %</td>
<td>2</td>
</tr>
<tr>
<td>Plastic</td>
<td>2.17 %</td>
<td>1</td>
</tr>
<tr>
<td>Oil</td>
<td>2.17 %</td>
<td>1</td>
</tr>
</tbody>
</table>
Machine | 2.17 % | 1
Car | 2.17 % | 1
Baby gear | 2.17 % | 1
Cable | 2.17 % | 1
Paper | 2.17 % | 1
Total | 100 % | 46

Sources: Primary data is processed (2009).

**Descriptive statistics**
Processing descriptive statistics were used by the author is using SPSS software version 12.0.

**Table. 4**

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>name of Respondent</td>
<td>46</td>
<td>1</td>
<td>46</td>
<td>23.50</td>
<td>13.423</td>
</tr>
<tr>
<td>Gender</td>
<td>46</td>
<td>1</td>
<td>2</td>
<td>1.28</td>
<td>.455</td>
</tr>
<tr>
<td>Respondents age</td>
<td>46</td>
<td>1</td>
<td>4</td>
<td>2.22</td>
<td>.513</td>
</tr>
<tr>
<td>Last education</td>
<td>46</td>
<td>1</td>
<td>3</td>
<td>1.93</td>
<td>.442</td>
</tr>
<tr>
<td>Position Respondents</td>
<td>46</td>
<td>1</td>
<td>3</td>
<td>1.63</td>
<td>.799</td>
</tr>
<tr>
<td>Years of service</td>
<td>46</td>
<td>1</td>
<td>4</td>
<td>2.04</td>
<td>.759</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>46</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: Primary data is processed (2009).

**Data Quality Testing**
1. Test Validity
Testing the validity of the data in this research is to use the Outer Model PLS software that Convergent validity as seen through the square root value of average variance extracted (AVE) of each construct where the value must be greater than 0.5

**Table 5**

<table>
<thead>
<tr>
<th>Average variance extracted (AVE)</th>
<th>√AVE</th>
<th>Keterangan</th>
</tr>
</thead>
<tbody>
<tr>
<td>CC</td>
<td>0.515</td>
<td>0.717</td>
</tr>
<tr>
<td>HC</td>
<td>0.620</td>
<td>0.787</td>
</tr>
<tr>
<td>SC</td>
<td>0.558</td>
<td>0.747</td>
</tr>
<tr>
<td>BP</td>
<td>0.754</td>
<td>0.868</td>
</tr>
</tbody>
</table>

Sources: Output Smart PLS (2009)

**Table 5.1**

<table>
<thead>
<tr>
<th>Average variance extracted (AVE)</th>
<th>√AVE</th>
<th>Keterangan</th>
</tr>
</thead>
<tbody>
<tr>
<td>IC</td>
<td>0.745</td>
<td>0.863</td>
</tr>
<tr>
<td>BP</td>
<td>0.754</td>
<td>0.868</td>
</tr>
</tbody>
</table>

Sources: Output Smart PLS (2009)
Table 5.2
Correlations of Latent Variables

<table>
<thead>
<tr>
<th></th>
<th>CC</th>
<th>HC</th>
<th>SC</th>
<th>BP</th>
</tr>
</thead>
<tbody>
<tr>
<td>CC</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HC</td>
<td>0.618</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SC</td>
<td>0.622</td>
<td>0.779</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>BP</td>
<td>0.669</td>
<td>0.486</td>
<td>0.503</td>
<td>1.000</td>
</tr>
</tbody>
</table>

Sources: Output Smart PLS (2009)

Table 5.3
Correlations of Latent Variables

<table>
<thead>
<tr>
<th></th>
<th>IC</th>
<th>BP</th>
</tr>
</thead>
<tbody>
<tr>
<td>IC</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>BP</td>
<td>0.597</td>
<td>1.000</td>
</tr>
</tbody>
</table>

Sources: Output Smart PLS (2009)

Table 5 and 5.1 explain the value of AVE and AVE root of the construct of Human Capital, Customer Capital, Structural Capital, Intellectual Capital and Business Performance. It can be seen that each constructs (variables) have a value AVE 0.5. Hal above shows that each of these constructs has good validity value of each indicator or the questionnaire used to determine the relationship of Intellectual Capital on Business Performance as valid. Another way that can be used to assess the validity of a construct is by comparing the root of the AVE contained in Table 5 and Table 5.1 which is greater than the correlation of the latent variable, which is contained in Table 5.2 and Table 5.3. The results stated that the root of AVE is greater when compared with the correlation of latent variables, it can be interpreted that the statements in the questionnaire declared invalid

Test Reliability
Similarly, the reliability test, the authors use the Composite software PLS with Reliability. The data is said to be reliable if, composite reliability of more than 0.7

Table 6
Composite Reliability

<table>
<thead>
<tr>
<th></th>
<th>Composite Reliability</th>
<th>Keterangan</th>
</tr>
</thead>
<tbody>
<tr>
<td>CC</td>
<td>0.879</td>
<td>Reliabel</td>
</tr>
<tr>
<td>HC</td>
<td>0.907</td>
<td>Reliabel</td>
</tr>
<tr>
<td>SC</td>
<td>0.881</td>
<td>Reliabel</td>
</tr>
<tr>
<td>BP</td>
<td>0.924</td>
<td>Reliabel</td>
</tr>
</tbody>
</table>

Sources: Output Smart PLS (2009)

Table 6.1
Composite Reliability

<table>
<thead>
<tr>
<th></th>
<th>Composite Reliability</th>
<th>Keterangan</th>
</tr>
</thead>
<tbody>
<tr>
<td>IC</td>
<td>0.897</td>
<td>Reliabel</td>
</tr>
<tr>
<td>BP</td>
<td>0.924</td>
<td>Reliabel</td>
</tr>
</tbody>
</table>
Hypothesis Testing with Inner Model

**Significant Positive Human Capital Associated with Customer Capital**
Based on the data obtained and subsequently processed are presented in tables 7, Human Capital has a positive relationship indicated by the value Original sample estimate for 0.618 and significant as indicated by the value of t-statistic 4.053 was greater than t-table (1.96) against the Customer Capital. Then said first hypothesis is accepted that human capital has a significant positive relationship with the Customer Capital.

In addition to seeing how much influence among construct one with the other constructs can be seen from the R-square value that comes from goodness-fit test is a test model to a structural model (Inner Model). To model of the effect of the Human Capital Customer Capital has R-Square value of 0.381. It can be interpreted that construct Customer Capital variability can be explained by the variability human capital of 38.1% and the rest is explained by other variables outside of the variables studied. This can be seen in table 7.1

<table>
<thead>
<tr>
<th>Variable</th>
<th>original sample estimate</th>
<th>mean of subsamples</th>
<th>Standard deviation</th>
<th>t-statistic</th>
<th>Hipotesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>HC -&gt; CC</td>
<td>0.618</td>
<td>0.601</td>
<td>0.152</td>
<td>4.053</td>
<td>Diterima</td>
</tr>
<tr>
<td>HC -&gt; SC</td>
<td>0.779</td>
<td>0.775</td>
<td>0.098</td>
<td>7.925</td>
<td>Diterima</td>
</tr>
<tr>
<td>CC -&gt; BP</td>
<td>0.581</td>
<td>0.573</td>
<td>0.103</td>
<td>5.664</td>
<td>Diterima</td>
</tr>
<tr>
<td>SC -&gt; BP</td>
<td>0.141</td>
<td>0.150</td>
<td>0.131</td>
<td>1.076</td>
<td>Ditolak</td>
</tr>
</tbody>
</table>

Sources : Output Smart PLS (2009)

**Significant Positive Human Capital Associated with Structural Capital**
Based on the data obtained and subsequently processed are presented in tables 7, Human Capital has a positive relationship indicated by the value Original sample estimate for 0.779 and significant as indicated by the value of t-statistics 7.925 are greater than t-table (1.96) of the Structural Capital. So we can say the second hypothesis is accepted, the Human Capital has a significant positive relationship with Structural Capital.

Moreover, to see how much influence among construct one with the other constructs can be seen from the R-square value that comes from goodness-fit test is a test model to a structural model (Inner Model). To model of the effect of the Structural Capital Human Capital has a value R-Square of 0.607. It can be interpreted that constructs Structural Capital variability can be explained by the variability
konstruk Human Capital amounted to 60.7% and the rest is explained by other variables outside of the study. This can be seen in Table 7.1

- **Customer Capital Associated with Significant Positive Business Performance**

  Based on the data obtained and subsequently processed are presented in the table 7Customer Capital has a positive relationship indicated by the value Original sample estimate for 0581 and significant as indicated by the value of 566 4 t-statistic greater than t-table (1.96) to the Business Performance. Maka the third hypothesis is accepted can be said that Customer Capital has a significant positive relationship with the Business Performance. In addition to seeing how much influence among construct one with the other constructs can be seen from the R-square value that comes from goodness-fit test is a test model to a structural model (Inner Model) . To model of the effect of Customer Capital on Business Performance has a value R - Square at 0.460. It can diinterpetasikan that construct Customer Capital variability can be explained by the variability konstruk Business Performance by 46% and the rest is explained by other variables outside studied. This can be seen in Table 7.1

- **Structural Capital Associated with Significant Positive Business Performance**

  Based on the data obtained and subsequently processed are presented in Table 7 Structural Capital have a positive relationship indicated by the value Original sample estimate for 0141 and not significant as indicated by the value of t-statistic 1,076 which is less than t-table (1.96) to the Business Performance. It is said that the fourth hypothesis is rejected Structural Capital had no significant positive relationship with the Business Performance. In addition to seeing how much influence among construct one with the other constructs can be seen from the R-square value that comes from goodness-fit test is a test model to a structural model (Inner Model) . To model of the effect of Structural Capital on Business Performance has a value R - Square at 0.460. It can diinterpetasikan that constructs Structural Capital variability can be explained by the variability konstruk Business Performance by 46% and the rest is explained by other variables outside studied. This can be seen in Table 7.1

- **Intellectual Capital Associated with Significant Positive Business Performance**

  Based on the data obtained and then processed authors presented in Table 8, Intellectual Capital as a whole has a positive relationship indicated by the value Original sample estimate for 0597 and significant as indicated by the value of t-statistic 5436 ie more than t-table (1.96) to Business Performance. Then said fifth hypothesis is accepted that Intellectual Capital has a significant positive relationship with the Business Performance. In addition to seeing how much influence among construct one with the other constructs can be seen from the R-square value that comes from goodness-fit test is a test model to a structural model (Inner Model) . To model of the effect of Intellectual Capital on Business Performance has a value R - Square of 0357. It can diinterpetasikan that variability Intellectual Capital construct that can dijelasakan by konstruk Business Performance variability of 35.7% and the rest is explained by other variables outside studied. This can be seen in Table 8.1.

<table>
<thead>
<tr>
<th>Variable</th>
<th>original sample estimate</th>
<th>mean of subsamples</th>
<th>Standard deviation</th>
<th>T-Statistic</th>
<th>Hipotesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>IC -&gt; BP</td>
<td>0.597</td>
<td>0.611</td>
<td>0.110</td>
<td>5.436</td>
<td>Diterima</td>
</tr>
</tbody>
</table>

Sources :Output Smart PLS (2009)

<table>
<thead>
<tr>
<th>Table 8.1</th>
</tr>
</thead>
<tbody>
<tr>
<td>R-Square</td>
</tr>
<tr>
<td>IC</td>
</tr>
<tr>
<td>BP 0.357</td>
</tr>
</tbody>
</table>

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CONCLUSION AND DISCUSSION

Based on the discussion that has been done before, it can be summed up as follows:

1. Human Capital significantly positively associated with Customer Capital, as evidenced by the t-statistic is greater than the t-table is 4.053 > 1.96 and sample original estimate shows the mean value of 0.618 which correlates positively. This is due to company managers that include financial managers, personnel managers and marketing managers have always sought to maximize the thought of the image products to customers so that customer loyalty is high and the market share and market oriented companies to be increased. This is also supported by the managers of manufacturing companies in the province of Banten by always trying to improve the intelligence and competence of its employees through training and education training recruitment system comprehensively, so that got employees who have the intelligence and creativity and work experience satisfactory to the company.

2. Human Capital significantly positively associated with Structural Capital, as evidenced by the t-statistic is greater than the t-table is 7925 > 1.96 and original sample estimate shows the value of 0.779 which means correlates positively. It also indicates that manufacturing firms in Banten Province has a good managerial system. With easy access to the needed information, culture and work environment that supports, a good database management, the implementation of a clear job description, the resulting company can make efficiency and support the creation of innovation and good implementation of its employees. Which is also supported by the employees who are smart and creative and competent in the field of each, so that the work undertaken will get good results, and employees feel safe and comfortable in work.

3. Customer Capital has a significant positive relationship with the Business Performance, as evidenced by the t-statistic is greater than the t-table is 5664 > 1.96 and sample original 0581 estimate shows significant value correlates positively. This indicates the company has been managing capital such good customer understand the target market, the profile and desires of customers, building good relationships with customers and suppliers. Through this, the company can continue to increase its market oriented and its market share as well as the image of the company's products to be good so that the customer loyalty will continue to increase. And this can affect the level of benefit in terms of profit and sales growth that can be seen with the success in launching a new product and performance achievement kesuluruhan manufacturing company which is an indicator of the Business Performance.

4. Structural Capital is not significantly positively associated with Business Performance, as evidenced by the t-statistic is less than t-table is 1.075 <1.96, but the original sample estimate still shows positive value of 0141 which means that correlate positively. This is because the manufacturing companies in the province of Banten have not been able optimally to improve the company's routines and procedures and bureaucratic system that is not fully done so in general this can weaken Business Performance which is owned by the company.

5. Intellectual Capital significantly positively associated with Business Performance, as evidenced by the t-statistic is greater than the t-table is 5.436 > 1.96dan original sample estimate shows the value of 0597 which means that correlate positively. This is because in general manufacturing in Banten province has implemented Intellectual Capital on their operations by either consisting of Human Capital, Customer Capital and Structural Capital. With the implementation of intellectual capital then this will affect the level of Business Performance or achievement of better corporate performance. And indirectly will bring benefits in the present and in the future for manufacturing companies in the province of Banten in particular.

As for suggestions that can give them the following authors:

1. For Companies
Companies in general and manufacturing in particular is expected to further implement the Intellectual Capital consists of Human Capital, Structural Capital and Customer Capital is better. Because it was evident from the preceding discussion, by implementing the Intellectual Capital has an influence on the
increase in Business Performance of the company, this is because between Intellectual Capital and Business Performance has a positive relationship.

2. For further study

In further research is expected to expand the scope of the model and used to sample more. So we get a better result and can prove the application of Intellectual Capital in all types of businesses and industries in relation to the Business Performance or the other dependent variables.

REFERENCES

THE ORGANIZATION, ACCOUNTABILITY AND PERFORMANCE OF PUBLIC ORGANIZATION

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ABSTRACT

This study aims to examine the influence of organizational culture, job satisfaction and organizational commitment through public accountability for the performance of public organizations. This study is a replication and development of research conducted by Abdullah and Arisanti Herlin (2010). Object of this study is regional work units (SKPD) in Banten province. This study is an empirical study with purposive sampling techniques in data collection. Data obtained by questionnaire which was distributed to the head of each regional work units Banten province, with a questionnaire return rate reaches 83.90% ie 73 respondents. Data analysis was performed with a Structural Equation Model (SEM) with a program SmartPLS (Partial Least Square). Test results show that the hypothesis of the eight hypotheses proposed six hypotheses are accepted. Accepted hypothesis is the hypothesis 1 (significant positive influence Organizational Culture on Performance of Public Organizations.), Hypothesis 2 (a significant positive influence Job Satisfaction on Performance of Public Organizations.), Hypothesis 3 (Organizational Commitment has a positive effect is not significant to the performance of Public Organizations.) hypothesis 4 (Public Accountability is not a significant negative effect on the performance of the Public Organization.), hypothesis 5 (Cultural Organization significant positive effect on Public Accountability.), hypothesis 6 (Organizational commitment significant positive effect on Public Accountability.) and the hypothesis is rejected is the hypothesis 7 (Cultural Organisation no significant negative effect on performance through the Public Accountability of Public Organizations.), hypothesis (Organizational commitment is not a significant negative effect on performance through the Public Accountability of Public Organizations.).

Keywords: Organizational Culture, Job Satisfaction, Organizational Commitment, Public Accountability, and Performance of Public Organizations.

INTRODUCTION

Accounting developments in Indonesia before the reform era can be considered less rapidly. The building orientation was focused more on the development of the industrial sector (business) and tend to ignore the public sector development. As a result, the public sector is less efficient and backward with the private sector. With the era of reform, there is a demand to increase the performance of public sector organizations to be more oriented towards the creation of good public and corporate governance. Accounting for the public sector has a central role in realizing strategis and good public and corporate governance of the (Mardiasmo, 2009).

In a relatively short period of public sector accounting has been progressing very rapidly. Currently there are a greater concern to the accounting practices conducted by government agencies, companies belonging to the State / Region, and various other public organizations than in previous times. The phenomenon can be observed in the development of the public sector is increasingly strengthening the implementation of the demands of public accountability by public sector organizations. The demands of public sector accountability associated with the need for transparency and provision of information to the public in order to fulfill the rights of the public (Mardiasmo, 2009: 20).
In the context of public organizations, the performance is a measure of achievement/results in managing and running an organization in which relate to everything that will be, is being and has been done of the organization within a certain time. Performance measurement of public organizations is important because it is useful as a reference to improve the performance of the organization will be better again in the future (M. Nur Rizki Kurniawan, 2011). Factors affecting the performance of public organizations among which are organizational commitment, organizational culture, and job satisfaction. This is because for some of these factors can improve employee performance in achieving the objectives of an organization.

One important tool in the management of human resources in an organization is the creation of job satisfaction of members of the organization concerned. Thus the researchers are interested in adding job satisfaction variables in this study are supported by several studies related to job satisfaction which is berpengaruh to organizational performance. Hence the title of which was taken "Influence of organizational culture, job satisfaction and organizational komiten through accountability public on the performance of public organizations".

LITERATURE REVIEW

Organizational culture

In day to day life of society is inseparable from the cultural ties. Cultural ties created by the people concerned, whether in families, organizations, businesses and nations. Culture distinguishes people from one another in the interaction and act complete a job. Culture binds members of the community into one unified view of creating uniformity behave or act. Robert Kreitner and Angelo Kinicki, (2005) in Abdullah and Herlin Arisanti, (2010).

As for Robert Kreitner and Angelo Kinicki, (2005) in Abdullah and Herlin Arisanti, (2010) mentions three definitions of organizational culture are important characteristics. First, the organization with a culture given to new employees through the process of socialization. Second, organizational culture influences our behavior in the workplace. Third, the organizational culture prevailing at two different levels. For example, when a company actually providing high quality service, the employees are more likely to match the behavior of consumers quickly responded to the protests. Employees can provide high quality service because of his experience when they interact with customers.

Robbins (1998) and Fuad Mas'ud (2004) to measure organizational culture with the following eight indicators:

1. Devoting all ability
2. Organize the work itself
3. Friendly
4. Initiative (initiative)
5. Meetings (meetings) on time
6. Noting costs
7. Security with a job
8. Pride and appreciated

Job Satisfaction (Job Satisfaction)

Basically, human needs not only a material but also non material such as pride and job satisfaction that will affect life satisfaction. This satisfaction is abstract, invisible and can only be found to what extent the work meets one’s expectations. Davis (1989) in M. Nur Rizki Kurniawan (2011) defined job satisfaction as an employee of the unpleasant feeling whether or not their work is the result of the perception of the experience during his tenure. Individual assessments of their current position and feel dissatisfied can lead a person to seek employment elsewhere.

Mernurut Meyer et al, (1993) and Fuad Mas'ud (2004) job satisfaction can be measured by the eight indicators as follows:

1. Working exceeded the target
2. Boasts organization to others
3. Receive all tasks
4. Shared values
5. Proud to be part of the Organization
Organizational commitment

According to Robinson, (1996) in Sri Anik & Arifuddin, (2003) organizational commitment is said to be a state or degree of the extent to which an employee in favor of a particular organization with its goals, and maintain membership in the organization. Construction of the organization's commitment to focus on the faithfulness of individuals or employees of the organization or company. It is a psychological condition or orientation of the employee or the individual to the organization, where individuals or employees happy without compulsion to release the extra energy in the interests of an organization or a company.

One well-known measurement of organizational commitment is the Organizational Commitment Questionnaire (OCQ) developed by Porter and Smith in 1970. This questionnaire measures the affective commitment through the 15 questions in the form of Likert scale consisting of seven digits, ranging from strongly disagree to strongly agree the statement. To measure organizational commitment consists of three components, Allen and Meyer has several times revised the measurement tools that have been developed. The last revision done Meyer and Allen in 1997. It consists of 18 items, where each component is represented by 6 items. The scale of the commitment this organization has a score ranging from 1 (strongly disagree with the statement) up to a value of 6 (strongly agree with the statement).

According to Fuad Mas'ud (2004) organizational commitment can be measured by six indicators as follows:
1. The job itself
2. Salary / honorarium
3. promotion opportunities
4. Supervision
5. working conditions
6. Co-workers

Public Accountability

One of the principles in the application of good governance are accountability. Accountability is the responsibility of the trust or mandate attached to an institution. With these premises, Performance Accountability Report of the State Ministry of PAN (LAKIP) 2006 is organized. This LAKIP presents the gains of the State Ministry of PAN during 2006 which is an implementation of the mandate is carried out by the organization. Although Presidential Directive 7 of 1999 is requiring each government agency to compile an accountability report, but LAKIP is also a need for us to do the analysis and evaluation of performance in order to improve overall organizational performance.

Mahmudi (2005) says that the concept of public accountability also means an obligation to account for what has been done or not done by someone, while responsibility is accountability with regard to the obligation to explain to people, and others with authority. The demands of public accountability requires public sector agencies to put more emphasis on horizontal accountability not only vertical accountability. Demands that then arises is the need of external financial reports be prepared to describe the performance of public sector institutions.

Ellwood (1993) in Mardiasmo, (2009) explains there are four dimensions of accountability that must be met by the public sector organizations, namely:

1. Accountability honesty and legal accountability (Accountability for probity and legality)
2. Accountability process (Process Accountability)
3. Accountability program (program Accountability)
4. Accountability Policy (Policy accountability)
According to Hopwood and Tomkins, (1984) in Abdullah and Herlin Arisanti, (2010) there are five dimensions of accountability, which is the fifth of financial accountability \((Financial\;Accountability)\). According Mardiasmo (2009) public accountability can be measured by the following indicators:

- Legal Accountability and honesty
  1. Strict adherence to existing regulations
  2. Honesty
  3. Avoidance / malfeasance
- Managerial Accountability
  1. Performance achieved
  2. Processes within the organization
- Accountability program
  1. Achievement program
  2. alternative program
  3. Quality program
- Accountability Policy
  1. Measures taken by the
  2. The policy will be achieved
  3. The policy goal
  4. policy goals
  5. Stakeholder influential
- Financial Accountability
  1. The use of financial
  2. Use of the budget
  3. Financial statements

Public Organization Performance

In today's era of development, a lot of people's demands concerning improvement of services provided by the government can be realized satisfactorily. To realize the desire is certainly improving the performance of civil servants is needed. The better performance of employees will be better the service to the community (Nur Muhammad Rizki Kurniawan, 2011). In the context of this assessment, which is defined as the performance is to see to what extent the achievements in the implementation of the tasks at SKPD in achieving the goals that have been set. So the level of achievement of the implementation of a program of activities and in realizing the goals, objectives, mission and vision of the organization as stated in the formulation of strategic schemes \((strategic\;planning)\) an organization can be achieved. In general it can be said that the performance of an effort to reach an achievement by the organization in a given period (& Muhammad Ikhsan, 2005).

Stages of performance in government agencies at the start of planning, determination and performance measurement. Performance planning is the process of elaboration of objectives and programs that have been established in the strategic plan \((strategic\;plan)\). The annual performance plan describes the activities that will be implemented with performance indicators along with targets based programs, policies, and objectives set in the strategic plan (Abdullah and Herlin Arisanti, 2010). Menurur Ferry, 1980 (M.Rizki NK, 2011) the performance of public organizations can be measured by the following indicators:

1. The achievement of performance targets of a program of activities
2. Accuracy (accuracy and suitability) results
3. The level of achievement of the program
4. Impact of activities on people’s lives
5. Suitability of budget realization by budget
6. Achievement of operational efficiency
7. employee behavior
Framework

Based on the description above hypothesis development, the framework can be described as follows:

Figure 2.1 Framework

(Prasetyono and Kompyurini, 2008)

**Hypothesis Research**

H1 : There is the influence of organizational culture on the performance of public organizations.
H2 : There is the influence of job satisfaction on the performance of public organizations.
H3 : There is the influence of the organization's commitment to the performance of public organizations.
H4 : There is the influence of public accountability on the performance of public organizations.
H5 : There is the influence of organizational culture on public accountability.
H6 : There is the influence of the organization's commitment to public accountability.
H7 : There is the influence of organizational culture on organizational performance public through public accountability.
H8 : There is the influence of the organization's commitment to the performance of public organizations through public accountability.

**RESEARCH METHODOLOGY**

**Population and Sampling Design**

The population in this study is an employee / employees working units (SKPD) in Banten Province (Provincial). The reason for choosing these locations because of the population and by LAKIP 2010 and 2011 government of Banten province one of the provinces that have been able to assess the performance of the organization even if the predicate C (somewhat less). The sample in this study is an employee / employees working in regional work units (SKPD) Banten Province. While the respondents in this study is the official / employee who served as section chief in Banten Provincial SKPD to present and describe the performance of the Banten Provincial Government each SKPD units they lead.

**Research Procedure**
The type of data used in this study are primary data obtained from the questionnaire answers of respondents. As for the respondents in the study was the chief part of each unit (SKPD) Banten Provincial Government. The sampling technique in this research is sampling saturated. Because the population and sample in this research is SKPD Banten Province. A total of 42 SKPD residing in Banten (Banten Post, 2012).

Sample criteria proposed in this study are as follows:
1. Officials / employees working units (SKPD) Provincial Government who served as head of a part of each unit SKPD Banten Province.
2. Officials / employees SKPD Banten province who have a minimum working period of 2-5 years. Karen increasingly long work experience they have the more it will know how far the process of improving the organization's performance to achieve.
3. Officials / employees are educated minimal S1. Because the science they have will affect the knowledge they have.

**DATA ANALYSIS**

**Hypothesis Testing Tools**

Test the quality of the data in this research include tests of reliability and validity test software Partial Least Square (PLS). Reasons for using PLS as the number of respondents is less than 100, the researchers used the test as a tool PLS. Reliability test is intended to measure the internal consistency of a questionnaire which is an indicator of variables or constructs. Measuring reliability tests conducted by the test criteria Composite Reliability. Indicators can be said to be valid if the number of calculations if the data is greater than or equal to 0.70 (Ghozali, 2006: 43).

**Structural Equation Modelling (SEM) through Partial Least Square (PLS)**

The data collection is done with the approach of Structural Equation Model (SEM) using software Partial Least Square (PLS). The statistical methods Partial Least Squares (PLS) is used for profit organizations to take all the relationships of interdependence into account simultaneously in the estimation procedure single model (Chin, 1998).

Structural equation model is the equation technique multivariate analysis that allows researchers to examine the relationship between variables are complex both recursive and non recursive to obtain a comprehensive picture of the overall models. Unlike the multivariate models usual (factor analysis regression) SEM can be tested together, namely :
- a. Structural models: the relationship between independent and dependent constructs
- b. Model measurement: relationships (loading value) between the indicator with the constructs (latent variables).

Combined with the structural model testing with the measurement model allows for :
- a. Test measurement error (measurement error) as an integral part of SEM.
- b. Perform a factor analysis in conjunction with hypothesis testing.

**Hypothesis testing through the Outer Model**

In assessing the outer model in PLS, there are three criteria, one of which is viewed Convergent Validity while for the other two criteria, namely Discriminant Validity in the form of square root of average variance extracted (AVE) and the Composite Reliability been discussed earlier at the time of testing the quality of the data. For Convergent validity of the measurement model with a reflexive indicators were assessed based on the correlation between the item score / component score is estimated by PLS software. The size of individual reflexive said to be high if more than 0.7 correlates with constructs (latent variables) were measured. But according to Chin in Ghozali (2006; 24), to study the early stages of development, the scale of measurement loading value of 0.5 to 0.6 is considered adequate.

In the subsequent discussion will discuss the correlation of each independent variable and the dependent variable and indirect relationships between the independent variables and the dependent variable mediated by intervening variables.
Sources: Primary data is processed by Smart PLS (2011)

Information:
BO: Organizational Culture
KO: Organizational Commitment
KK: Job Satisfaction
AP: Public Accountability
KOP: Public Organization Performance

Variable Model Outer Cultural Organization (BO)

Variable Organizational Culture explained by 8 indicators questions consisting of BO1 until BO8. Test against the outer loading aims to see the correlation between the scores of items or indicators with a scorekonstruksinya. Indicators are considered reliable if it has a correlation value above 0.7

Table 4.1
Loadings Outer Variable Value Organizational Culture

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Original Sample Estimate</th>
<th>Mean Of Sub Sample</th>
<th>Standard Deviation</th>
<th>T-Statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>BO1</td>
<td>0.849</td>
<td>0.840</td>
<td>0.059</td>
<td>14.374</td>
</tr>
</tbody>
</table>
Results of processing by using Smart PLS, where the value of the indicator Formal outer loadings MCS no indicators were under 0.5 and shows the value of outer model or correlation with the overall variable already meet Convergent validity. D IMANA value of t-statistic of indicators KO1, KO2, KO3, KO4, KO5, KO6, KO7 and KO8 is greater than the t-test (1.96). So it can be deduced that the variables Organizational Commitment has been qualified on the adequacy of the model or Discriminant validity.

**Outer Variable Model Organizational Commitment**

Variable Organizational Commitment is described by 8 indicators comprising KO1 question until KO8. Test against the outer loading aims to see the correlation between the scores of items or indicators with a score konstruknya. Indicators are considered reliable if it has a correlation value above 0.7

<table>
<thead>
<tr>
<th>Indicator Organizational culture</th>
<th>Original Sample Estimate</th>
<th>Mean Of Sub Sample</th>
<th>Standard Deviation</th>
<th>T-Statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>KO1</td>
<td>0.859</td>
<td>0.853</td>
<td>0.044</td>
<td>19.477</td>
</tr>
<tr>
<td>KO2</td>
<td>0.879</td>
<td>0.879</td>
<td>0.021</td>
<td>41.494</td>
</tr>
<tr>
<td>KO3</td>
<td>0.905</td>
<td>0.908</td>
<td>0.024</td>
<td>38.450</td>
</tr>
<tr>
<td>KO4</td>
<td>0.876</td>
<td>0.880</td>
<td>0.056</td>
<td>15.644</td>
</tr>
<tr>
<td>KO5</td>
<td>0.792</td>
<td>0.790</td>
<td>0.063</td>
<td>12.611</td>
</tr>
<tr>
<td>KO6</td>
<td>0.904</td>
<td>0.905</td>
<td>0.026</td>
<td>35.15</td>
</tr>
<tr>
<td>KO7</td>
<td>0.828</td>
<td>0.818</td>
<td>0.060</td>
<td>13.789</td>
</tr>
<tr>
<td>KO8</td>
<td>0.816</td>
<td>0.809</td>
<td>0.048</td>
<td>17.065</td>
</tr>
</tbody>
</table>

Results of processing by using Smart PLS, where the value of the indicator Formal outer loadings MCS no indicators were under 0.5 and shows the value of outer model or correlation with the overall variable already meet Convergent validity. D IMANA value of t-statistic of indicators KO1, KO2, KO3, KO4, KO5, KO6, KO7 and KO8 is greater than the t-test (1.96). So it can be deduced that the variables Organizational commitment has been qualified on the adequacy of the model or Discriminant validity.

**Outer Variable Model Job Satisfaction**

Variables Job Satisfaction described by six indicators comprising KK1 question until KK6. Test against the outer loading aims to see the correlation between the scores of items or indicators with a score konstruknya. Indicators are considered reliable if it has a correlation value above 0.7

<table>
<thead>
<tr>
<th>Indicator Job satisfaction</th>
<th>Original Sample Estimate</th>
<th>Mean Of Sub Sample</th>
<th>Standard Deviation</th>
<th>T-Statistic</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Indicator Organizational culture</th>
<th>Original Sample Estimate</th>
<th>Mean Of Sub Sample</th>
<th>Standard Deviation</th>
<th>T-Statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>KO1</td>
<td>0.859</td>
<td>0.853</td>
<td>0.044</td>
<td>19.477</td>
</tr>
<tr>
<td>KO2</td>
<td>0.879</td>
<td>0.879</td>
<td>0.021</td>
<td>41.494</td>
</tr>
<tr>
<td>KO3</td>
<td>0.905</td>
<td>0.908</td>
<td>0.024</td>
<td>38.450</td>
</tr>
<tr>
<td>KO4</td>
<td>0.876</td>
<td>0.880</td>
<td>0.056</td>
<td>15.644</td>
</tr>
<tr>
<td>KO5</td>
<td>0.792</td>
<td>0.790</td>
<td>0.063</td>
<td>12.611</td>
</tr>
<tr>
<td>KO6</td>
<td>0.904</td>
<td>0.905</td>
<td>0.026</td>
<td>35.15</td>
</tr>
<tr>
<td>KO7</td>
<td>0.828</td>
<td>0.818</td>
<td>0.060</td>
<td>13.789</td>
</tr>
<tr>
<td>KO8</td>
<td>0.816</td>
<td>0.809</td>
<td>0.048</td>
<td>17.065</td>
</tr>
</tbody>
</table>
Sources: Primary data is processed by Smart PLS (2012)
Results of processing by using Smart PLS, where the value of outer loadings of job satisfaction indicators no indicators were under 0.5 and shows the value of outer model or correlation with the overall variable already meet Convergent validity. D IMAN value of t-statistic of indicators KK1, KK2, KK3, KK4, KK5 and KK6 is greater than the t-test (1.96). So it can be concluded that the variables of job satisfaction has been qualified on the adequacy of the model or Discriminant validity.

Outer Variable Model Public Accountability

Public Accountability variable is explained by the 13 indicators questions consisting of AP1 to the AP13. Test against the outer loading aims to see the correlation between the scores of items or indicators with a scorekonstruksinya. Indicators are considered reliable if it has a correlation value above 0.7.

<table>
<thead>
<tr>
<th>Public Accountability Indicators</th>
<th>Original Sample Estimate</th>
<th>Mean Of Sub Sample</th>
<th>Standard Deviation</th>
<th>T-Statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>AP1</td>
<td>0.921</td>
<td>0.921</td>
<td>0.022</td>
<td>41.026</td>
</tr>
<tr>
<td>AP2</td>
<td>0.821</td>
<td>0.820</td>
<td>0.052</td>
<td>15.864</td>
</tr>
<tr>
<td>AP3</td>
<td>0.826</td>
<td>0.814</td>
<td>0.043</td>
<td>19.207</td>
</tr>
<tr>
<td>AP4</td>
<td>0.841</td>
<td>0.836</td>
<td>0.060</td>
<td>14.116</td>
</tr>
<tr>
<td>AP5</td>
<td>0.876</td>
<td>0.878</td>
<td>0.049</td>
<td>17.975</td>
</tr>
<tr>
<td>AP6</td>
<td>0.881</td>
<td>0.884</td>
<td>0.028</td>
<td>31.620</td>
</tr>
<tr>
<td>AP7</td>
<td>0.851</td>
<td>0.855</td>
<td>0.029</td>
<td>29.372</td>
</tr>
<tr>
<td>AP8</td>
<td>0.900</td>
<td>0.893</td>
<td>0.036</td>
<td>24.949</td>
</tr>
<tr>
<td>AP9</td>
<td>0.894</td>
<td>0.891</td>
<td>0.026</td>
<td>34.676</td>
</tr>
<tr>
<td>AP10</td>
<td>0.873</td>
<td>0.873</td>
<td>0.025</td>
<td>35.634</td>
</tr>
<tr>
<td>AP11</td>
<td>0.917</td>
<td>0.922</td>
<td>0.021</td>
<td>44.698</td>
</tr>
<tr>
<td>AP12</td>
<td>0.893</td>
<td>0.896</td>
<td>0.027</td>
<td>33.470</td>
</tr>
<tr>
<td>AP13</td>
<td>0.803</td>
<td>0.798</td>
<td>0.056</td>
<td>14.416</td>
</tr>
</tbody>
</table>

Sources: Primary data is processed by Smart PLS (2012)
Results of processing by using Smart PLS, where the value of outer loadings of Non-Financial Performance indicators no indicators were under 0.5 and shows the value of outer model or correlation with the overall variable already meet Convergent validity. D IMAN value of t-statistic of indicators AP1, AP2, AP3, AP4, AP5, AP6, AP7, AP8, AP9, AP10, AP11, AP12 and AP13 is larger than t-test (1.96). So it can be concluded that the variable Public Accountability has been qualified on the adequacy of the model or Discriminant validity.

Outer Variable Model of Public Organization Performance

Variable Performance Public Organizations explained by seven indicators comprising KOP1 question until KOP7. Test against the outer loading aims to see the correlation between the scores of items or indicators with ascore konstruksinya. Indicators are considered reliable if it has a correlation value above 0.7. However, during the development phase correlation of 0.5 would be acceptable Ghozali (2006: 24).

<table>
<thead>
<tr>
<th>Loadings Outer Variable Value Performance Public Organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>PP1</td>
</tr>
<tr>
<td>PP2</td>
</tr>
<tr>
<td>PP3</td>
</tr>
<tr>
<td>PP4</td>
</tr>
<tr>
<td>PP5</td>
</tr>
<tr>
<td>PP6</td>
</tr>
<tr>
<td>PP7</td>
</tr>
<tr>
<td>PP8</td>
</tr>
<tr>
<td>PP9</td>
</tr>
<tr>
<td>PP10</td>
</tr>
<tr>
<td>PP11</td>
</tr>
<tr>
<td>PP12</td>
</tr>
<tr>
<td>PP13</td>
</tr>
</tbody>
</table>

Sources: Primary data is processed by Smart PLS (2012)
### Indikator Kinerja Organisasi Publik

<table>
<thead>
<tr>
<th>Indikator</th>
<th>Original Sample Estimate</th>
<th>Mean Of Sub Sample</th>
<th>Standard Deviation</th>
<th>T-Statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>KOP1</td>
<td>0.911</td>
<td>0.905</td>
<td>0.028</td>
<td>32.434</td>
</tr>
<tr>
<td>KOP2</td>
<td>0.897</td>
<td>0.894</td>
<td>0.036</td>
<td>24.754</td>
</tr>
<tr>
<td>KOP3</td>
<td>0.893</td>
<td>0.892</td>
<td>0.038</td>
<td>23.507</td>
</tr>
<tr>
<td>KOP4</td>
<td>0.865</td>
<td>0.859</td>
<td>0.044</td>
<td>19.578</td>
</tr>
<tr>
<td>KOP5</td>
<td>0.903</td>
<td>0.901</td>
<td>0.019</td>
<td>48.516</td>
</tr>
<tr>
<td>KOP6</td>
<td>0.913</td>
<td>0.913</td>
<td>0.017</td>
<td>53.893</td>
</tr>
<tr>
<td>KOP7</td>
<td>0.897</td>
<td>0.891</td>
<td>0.033</td>
<td>26.987</td>
</tr>
</tbody>
</table>

Sources: Primary data is processed by Smart PLS (2012)

Results of processing by using Smart PLS, where the value of outer loadings of Public Organization Performance indicators no indicators were under 0.5 and shows the value of outer model or correlation with the overall variable already meet Convergent validity. D IMANA value of t-statistic of indicators KOP1, KOP2, KOP3, KOP4, KOP5, KOP6 and KOP7 is greater than the t-test (1.96). So it can be concluded that the variables of financial performance has been qualified on the adequacy of the model or Discriminant validity.

**Hypothesis testing through Inner Model**

Inner models according Ghozali (2006: 38) is a picture of the relationship between latent variables are based on substantive theory Inner models are sometimes referred to as the inner relation, structural models and substantive theory. The inner model in our study are as follows:

<table>
<thead>
<tr>
<th>Table 4.6</th>
<th>Results for inner weights</th>
</tr>
</thead>
<tbody>
<tr>
<td>BO -&gt; AP</td>
<td>0.152</td>
</tr>
<tr>
<td>KO -&gt; AP</td>
<td>0.845</td>
</tr>
<tr>
<td>BO -&gt; KOP</td>
<td>0.104</td>
</tr>
<tr>
<td>KO -&gt; KOP</td>
<td>0.171</td>
</tr>
<tr>
<td>KK -&gt; KOP</td>
<td>0.836</td>
</tr>
<tr>
<td>AP -&gt; KOP</td>
<td>-0.105</td>
</tr>
</tbody>
</table>

Sources: Primary data is processed by Smart PLS (2012)

In assessing the structural PLS model can be viewed based on the value of R-Square for each latent variable. The value of R-Square on our data processing is as follows:

<table>
<thead>
<tr>
<th>Table 4.7</th>
<th>R-Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational culture</td>
<td></td>
</tr>
<tr>
<td>Organizational commitment</td>
<td></td>
</tr>
<tr>
<td>Job satisfaction</td>
<td></td>
</tr>
<tr>
<td>Public Accountability</td>
<td>0.974</td>
</tr>
<tr>
<td>Public Organization</td>
<td>0.986</td>
</tr>
</tbody>
</table>
This table shows the R-square value constructs of 0974 Public Accountability and Performance construct Public Organization for 0986. The higher the R-square, the greater the independent variables can explain the dependent variable so that the better the structural equation. For variable Public Accountability has the R-square value of 0974 which means 97.40% variance of Organizational Culture and Organizational Commitment is described by the Public Accountability variables while Job Satisfaction explained by the variable performance of Public Organizations, such as the management structure (Nelson and Somers, 2001), business process reengineering (Kuang et al, 2001) and other variables variables outside variables examined in this study (Ghozali, 2006).

Variable Performance Public Organization has R-square value of 0986 which means that 98.60% of variance Cultural Organization, the Organization of job satisfaction and commitment is explained by the variable performance of public organizations, while the rest is explained by other variables such as discipline and Standardisation (Sumner, 1999, in Winahyu 2005), effective communication (Kuang et al, 2001) and variables other than the variables examined in this study (Ghozali, 2006).

### Testing and Discussion Hypothesis 1

<table>
<thead>
<tr>
<th>Culture tions&gt; Public Organization Performance</th>
<th>Original Sample Estimate</th>
<th>Mean Of Subsamples</th>
<th>Standard Deviation</th>
<th>T-Statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.104</td>
<td>0.105</td>
<td>0.042</td>
<td>2.468</td>
</tr>
</tbody>
</table>

Organizational culture has a significant positive effect on the performance of public organizations represented by the sample estimate of the original value and the value of 0. 104 t-count equal to 2,468 bigger than t-table (1.96). Thus it can be said that the H1 that organizational culture has a significant positive correlation with performance variables Public Organizations can diterim a. This shows that the culture of the organization to contribute to organizational performance Work Units (SKPD) Banten Province. Thus greatly dependent on integration, consensus values and individual commitment to the objectives of an organization.

### Testing and Discussion Hypothesis 2

<table>
<thead>
<tr>
<th>Job Satisfaction -&gt; Performance Public Organizations</th>
<th>Original Sample Estimate</th>
<th>Mean Of Subsamples</th>
<th>Standard Deviation</th>
<th>T-Statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.836</td>
<td>0.835</td>
<td>0.033</td>
<td>25.045</td>
</tr>
</tbody>
</table>

Job satisfaction has a significant positive effect on the performance of public organizations showed with the original sample estimate for 0836 and the value of 25 045 t count bigger than t-table (1.96). Thus it can be said that the H2 that job satisfaction has a significant positive effect with variable Public Organization Performance is acceptable.
Testing and Discussion Hypothesis 3

Table 4.10
Testing and Discussion Hypothesis 3

<table>
<thead>
<tr>
<th>Commitment to Public Organization Performance</th>
<th>Original Sample Estimate</th>
<th>Mean Of Subsamples</th>
<th>Standard Deviation</th>
<th>T-Statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.171</td>
<td>0.214</td>
<td>0.189</td>
<td>0.903</td>
</tr>
</tbody>
</table>

Sources: Primary data is processed by Smart PLS (2012)

Organizational Commitment has a positive effect and no significant effect on the performance of public organizations showed with the original sample estimate for 0.171 and the value t count for 0.903 is smaller than the t-table (1.96). Thus it can be said that the H3 is Organizational Commitment has a positive influence, namely 0.171 and insignificant variables Public Organization Performance is acceptable. Organizational Commitment has a positive relationship in the low category of less than 0.5 is 0.171 and not significant, which is smaller than t-Compute is 0.903. This shows that organizational commitment of every employee / employee working units (SKPD) Banten province contributes to the achievement of organizational performance was good with a good commitment from every employee also SKPD province of Banten.

Testing and Discussion Hypothesis 4

Table 4.11
Testing and Discussion Hypothesis 4

<table>
<thead>
<tr>
<th>Public Accountability -&gt; Performance Public Organizations</th>
<th>Original Sample Estimate</th>
<th>Mean Of Subsamples</th>
<th>Standard Deviation</th>
<th>T-Statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-0.105</td>
<td>-0.149</td>
<td>0.182</td>
<td>0.577</td>
</tr>
</tbody>
</table>

Sources: Primary data is processed by Smart PLS (2012)

Public Accountability has no significant negative effect on the performance of public organizations showed with the original sample estimate at -0.105 and the value t count for 0.577 is smaller than t-table (1.96). Thus it can be said that the H4 that public accountability has a negative effect not significant variables Public Organization Performance is acceptable.

It can be concluded that transparency or openness of public and service SKPD Banten Province still lead to organizational performance is not good. This is evidenced by the results of the 2010-2011 reports that LAKIP Banten province always rank C. This means that the public transparency and public services SKPD Banten province is still considered low (somewhat less).

Testing and Discussion Hypothesis 5

Table 4.12
Testing and Discussion Hypothesis 5

<table>
<thead>
<tr>
<th>Culture tions&gt; Public Accountability</th>
<th>Original Sample Estimate</th>
<th>Mean Of Subsamples</th>
<th>Standard Deviation</th>
<th>T-Statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.152</td>
<td>0.158</td>
<td>0.073</td>
<td>2.065</td>
</tr>
</tbody>
</table>

Sources: Primary data is processed by Smart PLS (2012)

Organizational culture has a significant positive effect for Public Accountability indicated by the value of the original sample estimate for 0.152 and the value of t-count equal to 2.065 bigger than t-
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Vol (1) Issue (3) 978–967-13903 –7 -5

Proceeding: The 2nd International Conference on Business Management (ICBM 2016)
Vol (1) Issue (3) 978–967-13903 –7 -5

Thus it can be said that the H5 namely Cultural Organization has a significant positive effect with variable Public Accountability acceptable.

Testing and Discussion Hypothesis 6

<table>
<thead>
<tr>
<th>Commitment &gt; Public Accountability</th>
<th>Original Sample Estimate</th>
<th>Mean Of Subsamples</th>
<th>Standard Deviation</th>
<th>T-Statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.845</td>
<td>0.838</td>
<td>0.071</td>
<td>11.892</td>
</tr>
</tbody>
</table>

Sumber: Data primer diolah dengan Smart PLS (2012)

Organizational commitment has a significant positive effect on public accountability as indicated by the value of the original sample estimate for 0.845 and the value of t-count of 11.892 is greater than t-table (1.96). Thus we can say that the H6 is Organizational commitment has a significant positive effect with variable Public Accountability acceptable.

Testing and Discussion Hypothesis 7

<table>
<thead>
<tr>
<th>Information</th>
<th>Direct Contact BO - AP (A)</th>
<th>Direct Contact AP-KOP (B)</th>
<th>Relations Indirect (AxB)</th>
<th>T-Statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>BO-AP-KOP</td>
<td>0.152</td>
<td>-0.105</td>
<td>-0.016</td>
<td>1.192</td>
</tr>
</tbody>
</table>

Sources: Primary data is processed by Smart PLS (2012)

Public Accountability has no significant negative effect on the performance of public organizations showed with the original sample estimate at -0.016 and the value t-count of 1.192 is smaller than t-table (1.96). Thus it can be said that the H7 that organizational culture has a significant negative relationship with performance variables Public Organization through public accountability can not be accepted (rejected). Dal am meaning that intervening it was rejected because the value of the direct effect compared with the results of intervening better results direct relationship. This means that the organizational culture does not affect the achievement of organizational performance through public accountability.

Testing and Discussion Hypothesis 8

<table>
<thead>
<tr>
<th>Information</th>
<th>Direct Contact BO - AP (A)</th>
<th>Direct Contact AP-KOP (B)</th>
<th>Relations Indirect (AxB)</th>
<th>T-Statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>KO-AP-KOP</td>
<td>0.845</td>
<td>-0.105</td>
<td>-0.088</td>
<td>6.862</td>
</tr>
</tbody>
</table>

Sources: Primary data is processed by Smart PLS (2012)

Public Accountability has no significant negative effect on the performance of public organizations showed with the original sample estimate at -0.0088 and the value of t-count equal to 6.862 bigger than t-table (1.96). Thus it can be said that the H8 organizational commitment had a significant negative effect with variable Public Organization Performance unacceptable (rejected) because the value of the direct relationship in comparison with the value of the intervening better results direct relationship.

Thus the organizational commitment variable has a negative and significant effect on the performance of organizations working through public accountability as a variable intervening. This
means that the organization's commitment and accountability as intervening has a different effect in mediating between organizational commitment to the performance of public organizations.

CONCLUSION AND DISCUSSION

1. Based on statistical analysis, we can conclude that the Cultural Organization significant positive effect on the Public Accountability. This shows that the existing culture within the organization requires employees to be able to work well that will ultimately positive effect on public accountability of an organization.

2. Based on statistical analysis, it can be concluded that the Organizational Commitment significant positive effect on the Public Accountability. It can be concluded that the commitment the organization has an influence on public accountability. This shows that the organization's commitment to Keraja Unit Device Banten Provincial positively to public accountability.

3. Based on statistical analysis, we can conclude that the Cultural Organization significant positive effect on performance Public Organizations. This shows that the culture of the organization to contribute to organizational performance Work Units (SKPD) Banten Province.

4. Based on statistical analysis, it can be concluded that the positive effect Organizational commitment is not significant on the Performance of Public Organizations. This shows that organizational commitment of every employee / employee working units (SKPD) Banten province contributes to the achievement of organizational performance was good with a good commitment from every employee also SKPD province of Banten.

5. Based on statistical analysis, it can be concluded that job satisfaction significant positive effect on performance Public Organizations. If the job satisfaction happen to employees, then the feeling is reflected in the attitude and positive attitude of employees towards work. Employees will carry out its work in earnest, and everything that is faced ataupu assigned to him will do well.

6. Based on statistical analysis, it can be concluded that the Public Accountability significant negative effect on Performance Public Organizations. It can be concluded that transparency or openness of public and service SKPD Banten Province still face lead to organizational performance is not good. This is evidenced by the results of the 2010-2011 reports that LAKIP Banten province always rank C. This means that the public transparency and public services SKPD Banten province is still considered low (somewhat less). So it can be concluded that the hypothesis 6 is rejected.

7. Based on statistical analysis, it can be concluded that the organizational culture significant negative effect on the Performance of Public Organizations through Public Accountability. That is intervening rejected, it means that the organizational culture does not affect the achievement of organizational performance through public accountability. So can be concluded that the hypothesis 7 is rejected.

8. Based on statistical analysis, it can be concluded that the Organizational Commitment significant negative effect on performance through the Public Accountability of Public Organization. This means that the organization's commitment and accountability as intervening has a different effect in mediating between organizational commitment to the performance of public organizations. So can be concluded that the hypothesis 8 is received.

Research limitations

The limitation in this study is the relatively small sample size of 73 respondents composed of 20 SKPD Banten Province. One of the reasons that there are number of smaller sample questionnaire is not possible re questionnaire language is less clear and because the SKPD willing to fill the questionnaire only slightly from 42 SKPD province of Banten. As well as even this study focused only on the public sector so it does not allow other entities to be part of the research.

Suggestion

Based on the results of the study, the authors provide further advice to authors as follows:
1. To increase the number of respondents is small well in future studies add a different public sectors other than on education, such as the state, enterprises.

2. To reduce response bias by making the language clearer questionnaire or even modify the questionnaire used in the earlier study, so it is more easily understood by the respondents as well as the more striking in what will be studied.

3. Test the other variables are thought to have an influence on the appearance of the performance on education as top management support, selection of vendors and consultants, education and training, the selection of software and hardware, and so forth.

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ABSTRACT

This research aims to examine the relationship of competitive strategy, environmental uncertainty, growth strategies, performance measurement system and strategic performance. This research is a following of research conducted by Damon M. Fleming, Chee W. Chow and Gongmeng Chen, (2009). Object of this study was manufacturing firms in Banten Province. This study is an empirical study with purposive sampling techniques in data collection. Data obtained by questionnaire which was distributed to middle managers in manufacturing companies in the province of Banten, the questionnaire return rate of 70% of 70 respondents. Data analysis was performed with a Structural Equation Model (SEM) with a program Smart PLS (Partial Least Square). The result shows that the hypothesis of the four hypothesis proposed by three hypotheses are accepted. Accepted hypothesis is the Hypothesis 1a (there is a significant positive relationship between competitive strategies of growth strategy), hypothesis 2 (there is a significant positive relationship between the growth strategies of the performance measurement system), and hypothesis 3 (there is a significant positive relationship between performance measurement system to strategic performance). Hypothesis is rejected and hypothesis 1b (there is not significant positive relationship between environmental uncertainty on growth strategy).

Keywords: Strategy, Performance measurement system, and Performance Organization.

INTRODUCTION

Manufacturing company in Indonesia in the era of globalization should strive to produce high quality goods at low cost in order to improve competitiveness in both the domestic and global markets thus increasing profits. To achieve the objectives of the company, the company should be able to predict the state, formulate strategies for the right company that has a strategic competitiveness (strategic competitiveness). One grand strategy that can be used is the growth strategy (growth strategy). Growth does not only prepare the ground in order to increase profits in the future, but will imply a new life into a company. The developments of manufacturing industries face barriers, such as the uncertainty of the environment. The uncertainty of the environment is high is defined as a sense of the individual's inability to predict accurately the environment (Miliken, 1987)

The phenomenon can be observed in the development of manufacturing enterprises that can be seen from the results of statistical data in Banten that the manufacturing industry is the biggest contribution of the nine sectors of the economy (BPS Banten), it can be expected of the manager is able to improve the performance of the company (Lane & Pollner, 2008).

This study aims to contribute in the field of management accounting examines the extent of competitive within the company relates to its growth strategy, and the relationship between the uncertainty with its growth strategy and relationship growth strategy performance measurement system and how performance measurement systems are associated with the performance of the company (Damon M. Fleming, Chee W. Chow and Chen Gongmeng 2009). This study draws on research Damon M. Fleming, Chee W. Chow and Chen Gongmeng, (2009) in their study one variable using secondary data strategic performance, but in this study the performance of a strategic variable using primary data.
The difference of this study with previous research is the object of research and testing different tools, as well as all of their data using primary data. So the title of this research is "strategy, system performance measurement and strategic performance".

LITERATURE REVIEW

The strategy focuses on how companies compete and position themselves in relation to its competitors (Fuchs, Mifflin, Miller, & Whitney, 2000; Langfield-Smith, 1997). So that their responsive to competition and the uncertainty of the environment (Damon M. Fleming, Chee W. Chow and Chen Gongmeng 2009).

Strategy can be placed on a continuous growth. Companies that follow the strategy of "pure build" focus on achieving growth by increasing market share and competitive position at the expense of short-term performance (Gupta and Govindarajan, 1984).

So that the performance measurement system can play a key role in the implementation of the strategy by monitoring organizations to explain the strategy into the desired behavior, and be able to communicate well, to monitor progress, provide feedback and motivate employees through performance-based awards (Banker, Potter, & Srinivasan, 2000; Chenhall, 2003; Chenhall & Langfield-Smith, 1998; Ittner, Larcker, & Randall, 2003; Kaplan and Norton, 2001).

Performance strategy emphasizes the importance of the use of performance measures that are consistent with the priorities in the company's competitive strategy (Chow and Chen 2006. Langfield-Smith 2007). There are previous studies (Burns & Stalker, 1961; Porter, 1980) that strategy is the interaction with the environment. It is also in charge that the strategy is a response to the environment, so they can increase the performance of the company.

Hoque and James (2000), found a positive association between increased in the use of performance measurement system (CMS) that integrates with the company's performance.

From the explanation of the theories above and based on previous studies, the framework of this study is as follows:

Figure 1 Framework

Source: Damon M. Fleming, W.Chow and Gongmeng Chee Chen (2009)

The study Theory

Strategy Competitive companies must in accordance with the state of the environment (Child, 1997). The strategy focuses on how companies compete and be able to position themselves in relation to the competition (Fuchs, Mifflin, Miller, & Whitney, 2000; Langfield-Smith, 1997).

Uncertainty is a threat to the environment because of the uncertainty of strategic management could hinder the organization’s ability to develop long-term plans and to make strategic decisions to keep the company balanced with the external environment (David and Thomas, 2003) According Suwarsono (1996), the growth strategy is the competitive strategy which seeks to develop the company in accordance with the size of the amount agreed upon to achieve the company's long-term objectives, such as managed to increase sales volumes, the size of the market share held and the profits obtained.

Performance measurement system also provides information relevant to decision making. Relevant information derived from performance measurement tools that cover all aspects of financial
and non-financial. The unification of the measuring instrument which includes the value chain of an organization is believed to help managers to understand cross-functional relationships that lead to problem solving and decision making better and right (Banker et al., 2002). In this way the performance measurement system can guide the decision-making process and help evaluate decisions in the past (Malina and selto, 2001).

According to Moehrlono (2009), the performance is an overview of the level of achievement of the implementation of a program of activities or policies in realizing the goals, objectives, vision, and mission of the organization that poured through the strategic planning of an organization.

According to William and Lawarence, the strategy is a plan that is united, comprehensive and integrated, which connects the advantages of corporate strategy with environmental challenges and are designed to ensure that the company’s main objectives can be achieved through proper execution by the organization.

According to Daft (1983) strategic performance in the company that is trying to make its resources in order to encourage innovation and create value to improve performance. Performance-based strategies are considered when practitioners made a strategic decision to try to ‘understand and implement strategies that improve the efficiency and effectiveness”.

**RESEARCH METHODOLOGY**

**Population and Sampling Design**

The populations in this study are all managers of manufacturing companies registered in Disperindag Banten Province. Manufacturing company in Banten chosen because companies in these locations have experienced some progress in the field of industry.

According to Sugiyono (2009: 116) sample is part of the number and characteristics possessed by this population. When large populations, and researchers may not learn all that is in the population, for example, because of limited funds, manpower and time, then the researcher can use the sample drawn from that population. What is learned from the sample, the conclusion will be applied to the population. For that samples taken from the population should be rigorously representative (representing).

Sample criteria proposed in this study are as follows:
1. Middle manager at a manufacturing company in Banten Province registered Disperindag Banten Province.
2. Middle Manager who has responsibility for planning, monitoring and decision makers.
3. Middle Manager lowest educated Bachelor

**Research Procedure**

In this study, the data used is Primary data. The primary data used in this study was obtained directly from surveys conducted; the survey was conducted by dividing the questionnaire on middle managers in the manufacturing industry in the province of Banten.

In this study attempted to obtain data and information reasonably sufficient in accordance with the existing problems.

**Descriptive statistics**

Descriptive statistical analysis used in this study is intended to provide an overview of the demographics of the respondents which include gender, education last, position and tenure disclosed to clarify the description of the respondents.

**Quality Test Data**

Test the quality of the data in this research include tests of reliability and validity test. Test the validity aims to look at the accuracy of the measuring instrument in research. This test is to determine the accuracy of an instrument of research in order to provide accurate information about the measure. Validity test is done by comparing the square root of average variance extracted (AVE) of each construct with the correlation between the constructs with other constructs in the model. If the value of the square root of the AVE of each construct is greater than the value of the correlation between the constructs more in the model then each indicator statement is valid Ghozali (2006: 25). The results of
reliability testing are shown in an index that describes how far a measuring instrument can be trusted. Reliability test is intended to measure the internal consistency of a questionnaire which is an indicator of variables or constructs. Measuring reliability tests conducted by test Ghozali Composite reliability $\geq 0.70$ (2006: 43)

Hypothesis Testing Tools

Structural Equation Modelling (SEM) through Partial Least Square (PLS)

Statistical methods Partial Least Squares (PLS) is used because of its advantage to take all the interdependence relationships into account simultaneously within a single model estimation procedure (Chin, 1998)

In the analysis using PLS there are 2 things to do are:

1. Assessing Outer Model or the Measurement Model
   Convergent validity of the measurement model with a reflexive indicators were assessed based on the correlation between the component score is calculated with the PLS. The size of individual reflexive said to be high if more than 0.70 correlated with the construct being measured. However, according to Chin (1998) in Ghozali (2006: 24) to study the early stages of development measurement scale loading value of 0.5 to 0.6 is considered adequate

2. Assessing Inner Model or Structural Model
   Testing inner structural model or models made to look at the relationship between constructs, significance and R-square value of the research model. A structural model been evaluated by using R-square for dependent constructs, Stone-Geisser Q-square test for predictive relevance and significance of the t test and the coefficient parameter Ghozali structural lines (2006: 26). In assessing the model with PLS begins to see R-square for every dependent latent variables. Changes in the value of R-square can be used to assess the effect of certain independent latent variables on the dependent latent variables influence whether substantive. The influence of the amount can be calculated with the following formula:

\[
f^2 = \frac{R^2 \text{ included} - R^2 \text{ excluded}}{1 - R^2 \text{ included}}
\]

Wherein $R^2$ and $R^2$ included excluded is an R-square of the dependent variable when the predictor variable latent used or issued in the structural equation.

DATA ANALYSIS

Descriptive statistics

Descriptive statistics which used by the author is SPSS software version 16.0. With the results of 70 respondents; 47 people (67.1%) were male and 23 people (32.9%) were female. Position held by respondents, 28 people (40%) from financial manager, 11 people (15.7%) from production manager, 12 people (17.1%) from marketing manager, 8 people (11.4%) from sales manager and 11 persons (15.7%) from personnel manager. The respondents who have been graduated from undergraduate programs are 36 people (51.4%), master programs are 29 people (41.4%), and doctoral programs are 5 people (7.1%). The respondents by the length period of working divided by 36 people (51.4%) for 1-5 years, 25 people (35.7%) for 6-10 years, and 9 people (12.9%) for 10 years. The following tables are presented depicting descriptive statistics respondents.
1. Gender

<table>
<thead>
<tr>
<th></th>
<th>Gender</th>
<th>valid</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>frequency</td>
<td>Percentage</td>
<td>Percentage</td>
</tr>
<tr>
<td>valid man</td>
<td>47</td>
<td>67.1</td>
<td>67.1</td>
</tr>
<tr>
<td>female</td>
<td>23</td>
<td>32.9</td>
<td>32.9</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Primary data were processed

2. Office

<table>
<thead>
<tr>
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<th>Office</th>
<th>valid</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>frequency</td>
<td>Percent</td>
<td>valid Percent</td>
</tr>
<tr>
<td>valid finance</td>
<td>28</td>
<td>40.0</td>
<td>40.0</td>
</tr>
<tr>
<td>Marketing</td>
<td>12</td>
<td>17.1</td>
<td>17.1</td>
</tr>
<tr>
<td>sale</td>
<td>8</td>
<td>11.4</td>
<td>11.4</td>
</tr>
<tr>
<td>Personnel</td>
<td>11</td>
<td>15.7</td>
<td>15.7</td>
</tr>
<tr>
<td>Production</td>
<td>11</td>
<td>15.7</td>
<td>15.7</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Primary data were processed

3. Education

<table>
<thead>
<tr>
<th></th>
<th>Education</th>
<th>valid</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>frequency</td>
<td>Percentage</td>
<td>valid Percentage</td>
</tr>
<tr>
<td>valid S1</td>
<td>36</td>
<td>51.4</td>
<td>51.4</td>
</tr>
<tr>
<td>S2</td>
<td>29</td>
<td>41.4</td>
<td>41.4</td>
</tr>
<tr>
<td>S3</td>
<td>5</td>
<td>7.1</td>
<td>7.1</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Primary data were processed

4. Length Period of working

<table>
<thead>
<tr>
<th></th>
<th>Respondents Work Period</th>
<th>valid</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>frequency</td>
<td>Percentage</td>
<td>valid Percentage</td>
</tr>
<tr>
<td>valid 1 to 5 years</td>
<td>36</td>
<td>51.4</td>
<td>51.4</td>
</tr>
<tr>
<td>6 to 10 years</td>
<td>25</td>
<td>35.7</td>
<td>35.7</td>
</tr>
<tr>
<td>over 10 years</td>
<td>9</td>
<td>12.9</td>
<td>12.9</td>
</tr>
</tbody>
</table>
Respondents Work Period

<table>
<thead>
<tr>
<th></th>
<th>frequency</th>
<th>valid percentage</th>
<th>Cumulative Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>valid 1 to 5 years</td>
<td>36</td>
<td>51.4</td>
<td>51.4</td>
</tr>
<tr>
<td>6 to 10 years</td>
<td>25</td>
<td>35.7</td>
<td>87.1</td>
</tr>
<tr>
<td>over 10 years</td>
<td>9</td>
<td>12.9</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Primary data were processed

Quality data Testing
Validity Test
Testing the validity of the data in this research used software PLS with Outer Model is Convergent validity seen the value of the square root of average variance extracted (AVE) by Chin in Ghozali (2006; 24) of each construct where the value must be greater than 0.5. Another way is by comparing the value of the square root of average variance extracted (AVE) of each constructs (latent variables) with a correlation between the construct with other constructs in the model. If the value of the square root of AVE of each construct is greater than the value of the correlation between the construct with other constructs in the model, then it is said to have good grades discriminant validity (Ghozali, 2006; 24).

Table 2.5 Average Variance Extracted (AVE)

<table>
<thead>
<tr>
<th></th>
<th>Average variance extracted (AVE)</th>
<th>√AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competitive strategy</td>
<td>0.605</td>
<td>0.778</td>
</tr>
<tr>
<td>Environmental uncertainty</td>
<td>0.471</td>
<td>0.686</td>
</tr>
<tr>
<td>Growth strategy</td>
<td>0.770</td>
<td>0.877</td>
</tr>
<tr>
<td>Performance Measurement System</td>
<td>0.594</td>
<td>0.771</td>
</tr>
<tr>
<td>Strategic performance</td>
<td>0.711</td>
<td>0.843</td>
</tr>
</tbody>
</table>

Sources: Primary data is processed by Smart PLS

Table 2.6 Correlations of Latent Variables

<table>
<thead>
<tr>
<th></th>
<th>SK</th>
<th>KL</th>
<th>SP</th>
<th>SPK</th>
<th>KS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competitive strategy (SK)</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Uncertainty Environment (KL)</td>
<td>0.860</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategy Growth (SP)</td>
<td>0.895</td>
<td>0.809</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance Measurement System (SPK)</td>
<td>0.911</td>
<td>0.841</td>
<td>0.723</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>Strategic Performance (KS)</td>
<td>0.906</td>
<td>0.898</td>
<td>0.810</td>
<td>0.902</td>
<td>1.00</td>
</tr>
</tbody>
</table>

Sources: Primary data is processed by Smart PLS

Table 2.5 explains the value of AVE and AVE root of the construct of competitive strategy, uncertainty environment, growth strategies, performance measurement and strategic performance. It can be seen that each constructs (variables) have a value above 0.5 AVE. This suggests that each construct, has a good validity of every indicator or the questionnaire used to determine the relationship.
of competitive strategy against the growth strategy, the uncertainty of the environment on the growth strategy, the growth strategy of the performance measurement system and performance measurement to performance strategies are valid.

Reliability Test

In a reliability test, the authors used the Composite software PLS with Reliability. Chin in Ghozali (2006; 24), a data is said to be reliable if composite reliability is more than 0.7.

<table>
<thead>
<tr>
<th>Table 2.7</th>
<th>Composite Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competitive strategy</td>
<td>0.902</td>
</tr>
<tr>
<td>Environmental uncertainty</td>
<td>0.838</td>
</tr>
<tr>
<td>Growth strategy</td>
<td>0.870</td>
</tr>
<tr>
<td>Performance Measurement System</td>
<td>0.897</td>
</tr>
<tr>
<td>Strategic performance</td>
<td>0.908</td>
</tr>
</tbody>
</table>

Sources: Primary data is processed by Smart PLS

From table 2.6 it can be seen every constructs or latent variables that have a composite value reliability above 0.7 indicating that the internal consistency of between variables have good reliability.

Data analysis

1. Hypothesis testing through the Outer Model

Convergent validity of the measurement model with a reflexive indicators were assessed based on the correlation between the component score is estimated by PLS software. The size of individual reflexive said to be high if more than 0.7 correlates with constructs (latent variables) were measured. But according to Chin in Ghozali (2006; 24), to study the early stages of development, the scale of measurement loading value of 0.5 to 0.6 is considered adequate.

The following can be seen as a whole correlation to each of the variables in Figure 3.1 which is a drawing representing the relationship between the competitive strategy of the growth strategy, the uncertainty of the environment on the growth strategy, the growth strategy of the performance measurement system and performance measurement to Strategic performance. Where the model in Figure 3.1 carried elimination it is because there is a correlation constructs that are less than 0.5 so that one of the indicators of a competitive strategy should be eliminated. For the model in Figure 3.2 no longer do this elimination as there is no correlation constructs less than 0.5 so that each of the variables meet the criteria of convergent validity.
Figure 3.1 Structural Model before Elimination
Partial Least Square

Sources: Primary data is processed by Smart PLS

Information:
SK : Competitive strategy
KL : Environmental uncertainty
SP : Growth strategy
SPK : Performance Measurement System
KS : Strategic performance

Figure 3.1 correlation constructs that are less than 0.5 so that one of the indicators of a competitive strategy should be eliminated, then the result of the elimination contained in figure 3.2.
a. **Outer Variable Model Competitive Strategy (SK)**

Variable competitive strategies described by 7 indicators of questions consisting of SK1 until SK7, but the elimination of the indicators of competitive strategies that are in use variable competitive strategy can be explained six indicators comprising SK1 until SK6. Test against the outer loading aims to see the correlation between the scores of items or indicators with a score constructs. Indicators are considered reliable if it has a correlation value above 0.7. However, during the development phase correlation of 0.5 would be acceptable Ghozali (2006: 24).

b. **Outer Model Uncertainty Environment Variables**

Variable environmental uncertainties are described by six indicators comprising KL1 question until KL6. Test against the outer loading aims to see the correlation between the scores of items or indicators with a score constructs. Indicators are considered reliable if it has a correlation value above 0.7. However, during the development phase correlation of 0.5 would be acceptable Ghozali (2006: 24).

c. **Outer Model Variable Growth Strategy**

Variable growth strategies described are described by two indicators comprising SP1 question until SP2. Test against the outer loading aims to see the correlation between the scores of items or indicators with a score constructs. Indicators are considered reliable if it has a correlation value above 0.7. However, during the development phase correlation of 0.5 would be acceptable Ghozali (2006: 24).
d. Outer Variable Model Performance Measurement System

Variable performance measurement system is described by six indicators comprising SPK1 question until SPK6. Test against the outer loading aims to see the correlation between the scores of items or indicators with a score constructs. Indicators are considered reliable if it has a correlation value above 0.7. However, during the development phase correlation of 0.5 would be acceptable Ghozali (2006: 24).

e. Outer Variable Model Performance Strategic

Variable strategic performance is explained by the four indicators of questions consisting of KS1 through to KS4. Test against the outer loading aims to see the correlation between the scores of items or indicators with a score constructs. Indicators are considered reliable if it has a correlation value above 0.7. However, during the development phase correlation of 0.5 would be acceptable Ghozali (2006: 24).

2. Hypothesis testing through Inner Model

Inner models according Ghozali (2006: 38) is pictures of the relationship between latent variables are based on substantive theory Inner models are sometimes referred to as the inner relation, structural models and substantive theory. The inner models in our study are as follows:

<table>
<thead>
<tr>
<th>Table 3.3 Results for inner weights</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Sample Original Estimate</th>
<th>Mean Of subsamples</th>
<th>Standard Deviation</th>
<th>T-Statistic</th>
<th>conclusion hypothesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>SK-&gt; SP</td>
<td>0,764</td>
<td>0,714</td>
<td>0,204</td>
<td>3,755</td>
</tr>
<tr>
<td>KL-&gt; SP</td>
<td>0,152</td>
<td>0,209</td>
<td>0,203</td>
<td>0,747</td>
</tr>
<tr>
<td>SP-&gt; SPK</td>
<td>0,723</td>
<td>0,745</td>
<td>0,064</td>
<td>11,342</td>
</tr>
<tr>
<td>SPK-&gt; KS</td>
<td>0,902</td>
<td>0,908</td>
<td>0,024</td>
<td>38,354</td>
</tr>
</tbody>
</table>

Sources: Primary data is processed by Smart PLS

In assessing the structural PLS model can be viewed based on the value of R-Square for each latent variable. The value of R-Square on our data processing is as follows:

<table>
<thead>
<tr>
<th>Table 3.4 / 4:16 R-Square</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>R-square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competitive strategy</td>
</tr>
<tr>
<td>Environmental uncertainty</td>
</tr>
<tr>
<td>Growth strategy 0,807</td>
</tr>
<tr>
<td>Performance Measurement System 0,523</td>
</tr>
<tr>
<td>Strategic performance 0,813</td>
</tr>
</tbody>
</table>

Sources: Primary data is processed by Smart PLS
This table shows the R-square value constructs growth strategy for 0.807, constructs a performance measurement system for 0.523 and 0.813 amounted to construct strategic performance. The higher the R-square, the greater the independent variables can explain the dependent variable so that the better the structural equation. For variable growth strategy has the R-square value of 0.807 which means 80.70% variance competitive strategy and environmental uncertainty is explained by the variable growth strategy while the rest is explained by other variables, such as management structure (Nelson and Somers, 2001), business process reengineering (Kuang et al, 2001) and other variables outside variables studied in this research (Ghozali, 2006).

Variable performance measurement system has the R-square value of 0.523 which means 52.30% variance competitive strategy and environmental uncertainty is explained by the variable growth strategy, while the rest is explained by other variables such as discipline and Standardization (Sumner, 1999, in Winahyu 2005), effective communication (Kuang et al, 2001) and other variables outside variables studied in this research (Ghozali, 2006).

While the strategic performance variable has a value of R-square of 0.813 which means 81.30% variance competitive strategy and environmental uncertainty is explained by the variable growth strategy while the rest is explained by other variables, such as top management support (Trimble, 2000 in Winahyu 2005), external expertise (Nelson and Somers, 2001) and other variables outside variables studied in this research (Ghozali, 2006).

Hypothesis Testing and Discussion

1. Examination Discussion Hypothesis 1a

<table>
<thead>
<tr>
<th>Sample Original Estimate</th>
<th>Mean Of subsamples</th>
<th>Standard Deviation</th>
<th>T-Statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>SK&gt; SP</td>
<td>0.764</td>
<td>0.714</td>
<td>0.204</td>
</tr>
</tbody>
</table>

Based on the data obtained and then processed by the authors are presented in Table 3.5 competitive strategies have a significant positive relationship indicated by the value of the original sample estimate for 0.764 and the value of t-count equal to 3,755 bigger than t-table (1.96). Thus it can be said that H1 is a competitive strategy has a significant positive correlation with variable growth strategy is acceptable.

The results of this study confirm previous research conducted by Damon M. Fleming, Chee W. Chow and Gongmeng Chen (2009) which states that competitive strategy has a significant positive correlation to growth strategies.

2. Testing and Discussion Hypothesis 1b

<table>
<thead>
<tr>
<th>Sample Original Estimate</th>
<th>Mean Of subsamples</th>
<th>Standard Deviation</th>
<th>T-Statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>KL-&gt; SP</td>
<td>0152</td>
<td>0209</td>
<td>0203</td>
</tr>
</tbody>
</table>

Based on the data obtained and then processed by the authors are presented in Table 3.6 environmental uncertainty has a positive influence and not significant to the growth strategy indicated by the value of the original sample estimate for 0.152 and the value t count for 0.747 is smaller than the t-table (1.96 ). Thus it can be said that the H1b namely environmental uncertainty has a positive effect, namely 0.152 and no significant variable growth strategy is acceptable. Environmental uncertainty has a positive relationship in the low category of less than 0.5 is 0.152 and not significant, which is smaller than the t-test, namely 0.747.

The results of this study do not confirm an earlier study conducted by Damon M. Fleming, Chee W. Chow and Gongmeng Chen (2009). However, this finding is supported by research Chong and Chong (1997) also found a positive relationship between environmental uncertainty and the tendency of companies to pursue growth-oriented strategy.
3. Testing and Discussion Hypothesis 2

Table 3.7

<table>
<thead>
<tr>
<th>Sample Original Estimate</th>
<th>Mean Of subsamples</th>
<th>Standard Deviation</th>
<th>T-Statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>SP-&gt; SPK</td>
<td>0.723</td>
<td>0.745</td>
<td>0.064</td>
</tr>
</tbody>
</table>

Sources: Primary data is processed by Smart PLS

Based on the data obtained and then processed by the authors are presented in Table 3.7 growth strategy has shown significant positive relationship with the original value of the sample estimate for 0.723 and the value of 11.342 t count bigger than t-table (1.96). Thus it can be said that the H2 is a growth strategy has a significant positive correlation with the variable performance measurement system is acceptable.

The results of this study confirm previous research conducted by Damon M. Fleming, Chee W. Chow and Gongmeng Chen (2009) which states that the growth strategy has a significant positive correlation to the performance measurement system.

4. Testing and Discussion Hypothesis 3

Table 3.8

<table>
<thead>
<tr>
<th>Sample Original Estimate</th>
<th>Mean Of subsamples</th>
<th>Standard Deviation</th>
<th>T-Statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>SPK-&gt; KS</td>
<td>0902</td>
<td>0908</td>
<td>0024</td>
</tr>
</tbody>
</table>

Sources: Primary data is processed by Smart PLS

Based on the data obtained and then processed by the authors are presented in Table 3.8 performance measurement system has a significant positive relationship indicated by the value of the original sample estimate for 0.902 and the value of 38.354 t count bigger than t-table (1.96). Thus it can be said that the H3 is a performance measurement system has a significant positive correlation with variable strategic performance is acceptable.

The results of this study confirm previous research conducted by Damon M. Fleming, Chee W. Chow and Gongmeng Chen (2009) which states that the performance measurement system has a significant positive relationship to strategic performance.

CONCLUSION AND DISCUSSION

Based on the research and discussion of the previous chapter about the study of Strategy, Performance Measurement System Performance and Strategy, has some conclusions, as following:

1. Based on the statistical analysis, it can be concluded that there is a significant positive relationship between competitive strategies against the growth strategy. The results of this study confirmed previous research conducted by Damon M. Fleming, Chee W. Chow and Gongmeng Chen (2009). And supported by Oliver (1991) who states Strategy shows that the competitive conditions of the company stressed that adopting the orientation of growth to exploit critical resources and achieve a competitive advantage and is supported by other researchers such as Baines and Langfield-Smith (2003), Child (1997) and Fuchs, Mifflin, Miller, & Whitney (2000), Langfield-Smith (1997).

2. Based on the statistical analysis, it can be concluded that there are no significant positive relationship between environmental uncertainties on growth strategies. The results of this study do not confirm the previous study conducted by Damon M. Fleming, Chee W. Chow and Gongmeng Chen (2009). However, this invention is supported by Chong (1997) and he also found a positive relationship between environmental uncertainty and the tendency of companies to pursue growth-oriented strategy. Head (2005) showed the same results and explains that the environmental uncertainty makes it difficult for managers to predict the future;
the company has found a positive relationship between environmental uncertainty and the company's emphasis on growth.


4. Based on the statistical analysis, it can be concluded that there is a positive relationship between the significant performance measurement systems to strategic performance. The results of this study confirm previous research conducted by Damon M. Fleming, Chee W. Chow and Gongmeng Chen (2009).

Based on the conclusions that have been made and the limitations of research, the suggestions that can be given are:

1. To avoid the least respondents expected the further study took samples from a variety of other business entities outside the manufacturing sector such as the services sector, trade and state enterprises.

2. In a subsequent study, is expected to add the variable of how cultural differences affect the strategic and operational managers response to environmental forces and how managers react to the choices that have been made (Damon M. Fleming, Chee W. Chow and Chen Gongmeng, 2009)

REFERENCES


Faisal. 2006. Analisis pengaruh intensitas persaingan dan variabel kontekstual terhadap penggunaan informasi sistem akuntansi manajemen dan kinerja unit bisnis dengan pendekatan partial least square. SNA IX. Agustus.


THE STRATEGY OF BUSINESS, EXTERNAL ENVIRONMENT AND MANAGEMENT CONTROL SYSTEM

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ABSTRACT

This study aims to examine the effect of business strategy and external environmental on management control system. This study is a replication of research and development conducted by Sofiah Auzair (2011). Object of this study in Hotel Banten province.

The research is an empirical study with purposive sampling techniques in data collection. Data Obtained by questionnaire which was distributed to the hotel manager in Banten province, with a questionnaire return rate Reaches 61.11% ie 55 respondents. Data analysis was performed with a SPSS (Statistical Package For Social Science) version 16.00.

Test results show that the hypothesis of the three hypotheses proposed two hypotheses are accepted. Accepted hypothesis is the hypothesis 1 (significant positive influence on bureaucratic Cost Leadership Management Control system.), Hypothesis 2 (a significant positive differentiation Strategy on bureaucratic Management Control system.) Because is not accepted hypotheses is not negative significant, Hypothesis 3 (a significant positive Environmental Perception Uncertainty.)

Keywords: Cost Leadership, Differentiation Strategy, Perception Environmental Uncertainty, Management Control system.

INTRODUCTION

Banten is a province on the island of Java, this province was once part of West Java province, but broke away in 2000. Its location off the western tip of Java island has a strategic location and also has an excellent economic potential, locally, nationally and international transport sector because it has the land, sea and air. Three sectors that play an important role in economic development in the province of Banten. Of the sectors of tourism Banten has several tourist destination visited by both local and foreign tourists among which the National Park Ujung Kulon, Tanjung Lesung, Natural Park Sangiang, Anyer Beach. Hotel-hotel facing huge competition in an effort to attract and retain customers, The viability and success of such a business hotel, will depend on the efforts of managers in meeting customer expectations and there are a lot of influence business strategy to management control system, therefore, is expected top managers actually use planning and control systems to assist in achieving the goals. A system in the right information can help managers satisfy customer expectations in achieving organizational goals.

Research conducted in the field of strategic management wanted to see how much influence the cost leadership strategy and differentiation strategy in improving performance, both strategies are complementary. However contradictory premises n cost leadership strategy and differentiation strategy stands alone and is not complementary. Thus the management control system should be tailored explicitly to support business strategies that generate superior performance and critical for managers in the hospitality industry to understand the business strategy in order to achieve a competitive advantage.

In addition to business strategy, as manager of an organization that is constantly in touch with customers and competitors design of management control systems in hotels should consider the external environment in which the hotel operates. In fact he believes that service organizations such as hotels, may be more sensitive to the environment due to four factors, ease the transfer of
innovation, size, ease of competitive entry and the inability to buffer the core of high-productive tasks and information. Thus the company is required to make adjustments to the environmental conditions that have to do with strategy and management control system better. Motivated by economic development and the lack of research in the literature of management control systems hotel, this study aims to determine the accounting practices of management and control in the hotel industry. The study was a replication of an earlier study conducted by Sofiah Auzair (2011). The Effect Of Business Strategy And External Environment On Management Control Systems: A Study Of Malaysian Hotels, which distinguishes it from previous research regarding where the object of his research (Studies on hotels in Banten province) ". So the title of this research is "The Influence Business Strategy and External Environment of the Management Control System"

LITERATURE REVIEW

Management Control Systems (Samryn, 2002)
Management control system is a data collection tool to assist and coordinate the decision-making process within the organization. Management control system mainly relate to the way that can be done by managers in designing and using planning and control systems to implement the strategy.

Business strategy
Strategy is the pattern of the main actions chosen to realize the organization's vision through the mission. Competitive business strategy or strategies are usually developed in a managerial level and emphasizes on the improvement of the competitive position of product and services companies in the industry (Sugiyanto, 2003).

Two general strategies suggested by Porter (1980) to keep the business level is Cost leadership. Cost leadership strategy is a series of integrated actions that are designed to produce or deliver goods or services at the lowest cost relative to competitors with features that can be accepted by the customers. Cost leadership strategy is a strategy in which the company surpassed the competitors in producing goods or services at the lowest cost (Blocher et al, 2009).

2. Differentiation strategy
Porter, (1985) stated that in the differentiation strategy, the company must create a product that has a more unique qualities that have broader value. Companies choose one or more attributes of the products that are considered important and attractive to customers. Differentiation can be based on their own products, delivery systems, marketing approach and other factors.

External environment
In general, the environment of an enterprise consists of groups linked to one another that plays an important role in determining the opportunities, challenges, obstacles faced by the company. Ingga, (2011) defines the external environment are all factors that are beyond the company both macro and operational environment with specific conditions that occur in the environment can be a source of opportunities or threats for the company. Hitt, et al. (2001: 50) explains that the external environment is the arrangement of the elements of the wider community who influence the industry and within the company that they categorize these elements into six environments segment: demographic, economic, political / legal, social culture, technology, and globalization. Various empirical studies conducted by (Khandwalla, 1972; Gordon and Narayanan, 1984; Chenhall and Morris, 1986) have shown that the external environment or perceived environmental uncertainty has an effect on the nature of the design of management control systems in an organization. Environmental uncertainties interpreted as external environmental conditions that may affect the company's operations (Olley, 1980).

Environmental uncertainty is defined as the individual's perception on the uncertainty that comes from the environment (Gregson et al. 1994). According Milliken (1987) basically, the uncertainty of the environment is a top management's inability to predict accurately the external environment and Milliken have identified three types of PEU: state of uncertainty, the uncertainty of the effects and the uncertainty of the response. Uncertainty state refers to the uncertainty created by the external environment, as described earlier, namely the uncertainty of the macro environment and micro an environmental uncertainty. Uncertainty effect is uncertainty about the impact of external uncertainties.
internal to the organization. Uncertainty response is the uncertainty regarding the impact of external and internal uncertainty on organizational strategy will be applied. Tymon, et al., (1998) identifies an environmental uncertainty into three elements men: envy uncertainty of the environment as a strategic concept.

1. The organization's external environment is a source of uncertainty, made possible by market and regulatory agencies. Specifics such as price competitiveness, promotion, distribution, product quality.
2. The inability of top managers to determine how the elements of this right will interact with the company's internal processes.
3. De Facto is the perception of the external elements that influence the strategic decision making in the context of the changing structure of the organization's information. Thus the perception of the relevant environmental uncertainties faced by the company comes from top managers that have to fix orientation of the strategy in the top of the organization.

Conceptual Framework

The Strategy of Business, External Environment and Management Control System

Hypothesis development

Effect of Cost Leadership Strategy on the Management Control System

Based on research Auzair (2011) found a significant positive relationship between the cost leadership strategy with management control system more bureaucratic, emphasis on tightening cost to produce products with lower cost levels of competitors.

It is suggested that at one end of the continuum is the control of management control system more bureaucratic action, formal, strict, restriction, control impersonal, and financial information.

From the above explanation, the hypothesis formulated is:

H₁: Cost leadership strategies affect the form of management control system more bureaucratic.

Influence of Differentiation Strategy on the Management Control System

Auzair study (2011) found a significant positive relationship between the differentiation strategy with a control system that is less bureaucratic management, which emphasizes the power of marketing, research and development, technology leadership and creativity, technology leadership and creativity.

According to previous research Auzair and Langfield-Smith (2005), is expected to conduct throughout the continuum of dimensional control management control system at the hotel. It is suggested that at one end of the continuum is the control of management control system less bureaucratic control results, informal controls, the controls are loose, flexible, interpersonal, and non-financial. So as to obtain a competitive advantage on the basis of the uniqueness offered and result in a quality product.

From the above explanation, the hypothesis formulated is:
H2: Strategies differentiation effect on the form of management control system less bureaucratic.

Effect of Perceived Environmental Uncertainty on management control systems were more bureaucratic.

Auzair study (2011) found a significant positive relationship between the perception of environmental uncertainty with management control system more bureaucratic, because the hotel management control system design should take into account the external environment in which the hotel is located, as well as the adaptation of the service organization. For that managers are required to make adjustments to the perception of uncertainty of the external environment by pursuing a strategy and management control system more bureaucratic. From the above explanation, the hypothesis formulated is:

H3: Perception of environmental uncertainty effect on the form of management control system more bureaucratic.

Based on previous studies and frame of mind, here is the hypothesis of a previous study conducted by Auzair, (2011) which will be re-examined:

H1: cost leadership strategies affect the form of management control system more bureaucratic.

H2: Strategies differentiation effect on the form of management control system less bureaucratic.

H3: Perception of environmental uncertainty effect on the form of management control system more bureaucratic.

RESEARCH METHODOLOGY

Population and Sampling Design
The population in this study is the manager pada hotel in the province of Banten. The sampling technique in this research is purposive sampling method (sample selection aims). Sample criteria proposed in this study are as follows:

1. Hotels in Banten start of a one star hotel.
2. The manager has worked at least one year.
3. Managers educated minimal S1

Research Procedure
The data used in this research pen is the primary data. The primary data used were obtained directly from a survey conducted by distributing questionnaires to hotel managers in the province of Banten.

DATA ANALYSIS

Methods of data analysis used in this study are two kinds of tests that test the validity (test of validity) and reliability testing or reliability (test of reliability), to test the sincerity of the answers of the respondents. Testing data using tools SPSS (Statistical Package For Social Science) version 16:00. Respondents were used in this study is the marketing manager, finance, personnel, public relation, front office at the hotel in Provincial Banten. Type respondents were selected by using purposive sampling already described in the previous chapter. The data in this study using a program statistical package for the social sciences (SPSS) version 1 6:00. The processed data is associated with the respondent’s answer Cost Leadership Strategies (SKB), Differentiation Strategy (SD) and the perception of environmental uncertainty (PKL) influence on Control Systems Management (SPM). Here is a list of hotels that a sample of this research.
The data collection was conducted using questionnaires, the seriousness of respondents in answering the questions is very important in the study. Tests using the validity test (test of validity) and reliability testing or reliability (test of reliability), to test the sincerity of the answers of the respondents. Testing data using tools SPSS (Statistical Package For Social Science) version 16:00.

Distributing questionnaires as much as 90 questionnaires. Of these questionnaires were returned questionnaires totaled 55 or only 55 respondents returns. The questionnaire is not returned the questionnaire amounted to 35 or 33.34%. Calculate the number of questionnaires distributed to the 45 collected contained in the following table:

Table 4.1
Name and Address Hotel

<table>
<thead>
<tr>
<th>NO</th>
<th>NAME OF HOTEL</th>
<th>ADDRESS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Sol Elite Marbella *****</td>
<td>Jl. Raya Karang Bolong KM. 133.5 Anyer.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Phone: (0254) 602345</td>
</tr>
<tr>
<td>2</td>
<td>Abadi Hotel *</td>
<td>Jl. Sudirman No. 36. Phone: (0254) 200 641</td>
</tr>
<tr>
<td>3</td>
<td>Mahadria Hotel *</td>
<td>Jl. Mas Ki Jong No. 12. Phone: (0254) 200 527</td>
</tr>
<tr>
<td>4</td>
<td>Ferry M Erak Hotel **</td>
<td>Jl. Raya Merak No. 30. Phone: (0254) 571 529</td>
</tr>
<tr>
<td>5</td>
<td>Peacock Beach Hotel **</td>
<td>Jl. Raya Merak. Phone: (0254) 571015</td>
</tr>
<tr>
<td>6</td>
<td>Merpati Hotel **</td>
<td>Jl. Raya Merak KM. 119. Phone: (0254) 570 234</td>
</tr>
<tr>
<td>7</td>
<td>Permata Krakatau Hotel ***</td>
<td>Jl. KH Yasin BEJi No. 4. Phone: (0254) 396 807</td>
</tr>
<tr>
<td>8</td>
<td>Ratu Hotel Bidakara ****</td>
<td>Jl. KH Abdul Hadi No. 66 Serang - Banten</td>
</tr>
<tr>
<td>9</td>
<td>Istana Nelayan Hotel ***</td>
<td>Jl. Gatot Subroto No. KM.5 21. Phone: (021) 55,654,377</td>
</tr>
<tr>
<td>10</td>
<td>FM 3 Transit Hotel ***</td>
<td>Jl. MH Thamrin Cikokol. Phone: (021) 5531633</td>
</tr>
<tr>
<td>11</td>
<td>Jayakarta Hotel ****</td>
<td>Jl. Raya Karang Bolong KM 17/135 Anyer. Phone: (0254) 601781</td>
</tr>
<tr>
<td>12</td>
<td>Mambruk Hotel ****</td>
<td>Jl. Raya Karang Bolong, Anyer. Phone: (0254) 601602</td>
</tr>
<tr>
<td>13</td>
<td>Nuance Bali Hotel **</td>
<td>Jl. Raya Karang Bolong KM. 133.5. Phone: (0254) 602236</td>
</tr>
<tr>
<td>14</td>
<td>Krakatau charm Hotel **</td>
<td>Jl. Raya Karang Bolong KM. 144 Anyer. Phone: (0254) 651333</td>
</tr>
<tr>
<td>15</td>
<td>Lippo Carita Hotel ***</td>
<td>Jl. Carita Raya Labuan. Phone: (0253) 801919</td>
</tr>
<tr>
<td>16</td>
<td>The Bay Village Hotel ****</td>
<td>Panimbang. Phone: (0253) 802890</td>
</tr>
<tr>
<td>17</td>
<td>Grand M Angku P utra Hotel ***</td>
<td>J I. C ilegon eastern motorway access. Phone: (0254) 378291</td>
</tr>
<tr>
<td>18</td>
<td>Cilegon City Hotel **</td>
<td>Jl. KH. Yasin JSX No. 19. Phone: (0254) 393 325</td>
</tr>
<tr>
<td>19</td>
<td>Imperial Aryaduta *****</td>
<td>Jl. Sudirman, Lippo Karawaci Cikarang. Phone: (021) 802345</td>
</tr>
<tr>
<td>20</td>
<td>Nuance Bali Beach Hotel II **</td>
<td>Jl. Anyer Cikoneng. Phone: (0254) 602236</td>
</tr>
</tbody>
</table>

Sources: Primary data are processed, 2012
Table 4.2

<table>
<thead>
<tr>
<th>No.</th>
<th>Information</th>
<th>amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Questionnaires distributed</td>
<td>90</td>
<td>100%</td>
</tr>
<tr>
<td>2</td>
<td>Questionnaires were returned</td>
<td>55</td>
<td>6 1.11%</td>
</tr>
<tr>
<td>3</td>
<td>Questionnaires were not returned</td>
<td>35</td>
<td>38.89%</td>
</tr>
<tr>
<td>4</td>
<td>Questionnaire Incomplete</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>5</td>
<td>Questionnaires which can be processed</td>
<td>55</td>
<td>61.66%</td>
</tr>
</tbody>
</table>

*source: Primary data are processed (2012)*

Gender

Table 4.3

<table>
<thead>
<tr>
<th>Information</th>
<th>amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Man</td>
<td>38</td>
<td>69.09%</td>
</tr>
<tr>
<td>Woman</td>
<td>17</td>
<td>30.91%</td>
</tr>
</tbody>
</table>

*source: Primary data are processed (2012)*

Of the total questionnaires returned in this study, the number of respondents who sex Men are 38 people (69.09%) and the remaining 17 (30.91%) is a woman. From Table 4.3 can be concluded that the number of men who worked as a manager more than the woman that is numbered 38 people or 69.09%.

Age

Table 4.4

<table>
<thead>
<tr>
<th>Information</th>
<th>amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>21-30</td>
<td>13</td>
<td>23.63%</td>
</tr>
<tr>
<td>31-40</td>
<td>15</td>
<td>27.27%</td>
</tr>
<tr>
<td>41-50</td>
<td>16</td>
<td>29.09%</td>
</tr>
<tr>
<td>51-60</td>
<td>11</td>
<td>20%</td>
</tr>
</tbody>
</table>

*source: Primary data are processed (2012)*

Of the total questionnaires returned in this study, the number of respondents aged between 21-30 is 13 people (23.63%). Then aged between 31-40 of 15 people (27.27%), aged between 41-50 is 16 people (29.09%) and the rest for ages above 51 is 11 people (20%). From table 4.4 it can be concluded that managers are most on average at age 41-50 is numbered 16 people or 29.09%.

Education

Table 4.5

<table>
<thead>
<tr>
<th>Information</th>
<th>amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>D3</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>S1</td>
<td>45</td>
<td>81.81%</td>
</tr>
<tr>
<td>S2</td>
<td>9</td>
<td>16.36%</td>
</tr>
<tr>
<td>S3</td>
<td>1</td>
<td>1.88%</td>
</tr>
</tbody>
</table>

*source: Primary data are processed (2012)*
Of the total questionnaires returned in this study, the number of respondents who educated graduates S1 is 45 (81.81%), then the number of respondents who educated graduates S2 is 9 people (16.36%) and the remaining respondents were educated S3 is 1 (1.88%). It can be concluded that the average manager with S1, the highest number is 45 people or 81.81%.

4. From table 5 it can be concluded that the number of respondents who educated S1 is more dominating than the educated S2 and Everything Else. This shows that the positions manager, as low as educated S1. Due to the high educated S1 education level of their knowledge will increase.

Of the total questionnaires returned in this study, the number of respondents who have positions as Marketing Manager is 20 people (36.36%), then the number of respondents who have positions as Manager of Public relation is 8 (14.54%), the number of respondents who have positions as Front Office Manager is 9 people (16.36%), the number of respondents who have positions as Manager finance is 9 people (16.36%), and the number of respondents who have positions as Manager personnel was 11 (20%). It can be concluded that the number of marketing managers more than other managers are numbered 20 people or 36.36%. This is because the hotel hopes to have excessive marketing manager will positively affect hotel revenues for the marketing manager is assigned to find and attract consumers.

Of the total questionnaires returned in this study, the number of respondents who have 2-5 years of experience working as many as 25 people (45.45%), 5-10 years old worked as many as 20 people (36.36%) and those with experience work> 10 years as many as 10 people (18.18%). 4. From table 7 it can be concluded that the work of 2-5 years is very dominating. This shows that the hotel offered an opportunity for the highly productive age to occupy a tan jab as manager, whereas for a long tenure managers showed very little amount.

Data Quality Testing
The data collection was conducted using questionnaires, the seriousness of respondents in answering the questions is very important in the study. The validity of research results is largely determined by the measuring instruments used. If the measuring instrument obtained invalid or unreliable, then the results will be obtained will not reflect the real condition. To overcome this requires two kinds of tests.

<table>
<thead>
<tr>
<th>Information</th>
<th>amount</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing manager</td>
<td>20</td>
<td>36.36%</td>
</tr>
<tr>
<td>Manager Public real</td>
<td>8</td>
<td>14.54%</td>
</tr>
<tr>
<td>Front Office Manager</td>
<td>9</td>
<td>16.36%</td>
</tr>
<tr>
<td>Finance manager</td>
<td>9</td>
<td>16.36%</td>
</tr>
<tr>
<td>Personnel manager</td>
<td>11</td>
<td>20%</td>
</tr>
</tbody>
</table>

source: Primary data are processed (2012)
that test the validity (test of validity) and reliability testing or reliability (test of reliability), to test the sincerity of the answers of the respondents (Ghozali, 2006: 41).

The approach taken to the reliability test is the approach of internal consistency reliability. The technique used to measure the internal consistency is Cronbach’s Alpha of each instrument in one variable. Instruments used in these variables is said to be reliably reliable if it has a Cronbach alpha 0.60 (Ghozali, 2006).

<table>
<thead>
<tr>
<th>variable</th>
<th>Cronbach’s Alpha</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>SPM</td>
<td>0.854</td>
<td>Reliable</td>
</tr>
<tr>
<td>SKB</td>
<td>0.800</td>
<td>Reliable</td>
</tr>
<tr>
<td>SD</td>
<td>0.808</td>
<td>Reliable</td>
</tr>
<tr>
<td>PKL</td>
<td>0.737</td>
<td>Reliable</td>
</tr>
</tbody>
</table>

Source: SPSS output that is processed, 2012

Based on the calculation shown in the above table for the SPM variable (Y) had a Cronbach Alpha value 0.854> 0.60 so that it can be concluded that the grains have a question on the SPM variable (Y) otherwise reliable (reliably) and can be processed. For variable LCS (X) had a Cronbach Alpha value of 0.800> 0.60 so that it can be concluded that the grains have a question on variable LCS (X) otherwise reliable (reliably) and can be processed. Variable SD (X) had a Cronbach Alpha value of 0.808> 0.60 so that it can be concluded that the grains have a question on the primary variable (X) otherwise reliable (reliably). And the latter for PKL variable (X) had a Cronbach Alpha value of 0.737> 0.60 so that it can be concluded that the grains have a question on PKL variable (X) otherwise reliable (reliably).

The results of the uji validity of the data from this study can be seen as follows:

<table>
<thead>
<tr>
<th>variable</th>
<th>Kaiser’s MSA</th>
<th>Loading factor</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>SPM</td>
<td>0.783</td>
<td>0.619 to 0.658</td>
<td>valid</td>
</tr>
<tr>
<td>SKB</td>
<td>0.780</td>
<td>0.597 to 0.672</td>
<td>valid</td>
</tr>
<tr>
<td>SD</td>
<td>0.792</td>
<td>0.552 to 0.741</td>
<td>valid</td>
</tr>
<tr>
<td>PKL</td>
<td>0.661</td>
<td>0.551 to 0.772</td>
<td>valid</td>
</tr>
</tbody>
</table>

Source: SPSS output that is processed, 2012

Based on the above table it can be seen that the SPM variable (Y) has a value of Kaiser’s MSA 0783> 0.5 and a minimum factor loading 0.619> 0.40 so that it can be concluded that the data on the questions for SPM variable (Y) is valid. For variable LCS (X) has a value of Kaiser’s MSA 0780> 0.5 and minimum loading factor 0.597> 0.40 so that it can be concluded that the data on the questions for the variable LCS (X) is valid. Variable SD (X) has a value of Kaiser’s MSA 0792> 0.5 and minimum loading factor 0.552> 0.40 so that it can be concluded that the data on the questions for the primary variable (X) is valid. And the latter for PKL variable (X) has a value of Kaiser’s MSA 0661> 0.5 and minimum loading factor 0.551> 0.40 so that it can be concluded that the data on the questions for PKL variable (X) is valid.

Table 4.11
Normality Test Result Data

<table>
<thead>
<tr>
<th>One-Sample Kolmogorov-Smirnov Test</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residual unstandardized</td>
</tr>
<tr>
<td>N</td>
</tr>
<tr>
<td>Normal mean</td>
</tr>
<tr>
<td>Parameters * Std. deviation</td>
</tr>
<tr>
<td>Most Extreme Absolute</td>
</tr>
</tbody>
</table>
Differences  positive  .076  
negative  -.061
Kolmogorov-Smirnov Z  .560
Asymp. Sig. (2-tailed)  .912

a. Test distribution is Normal.

Source: SPSS output that is processed, 2012

Normality test results using Kolmogorov-Smirnov test is to see the value kolmogorov-Smirnov and significant of the data have been processed. From the table above, it can be seen that the value kolmogorov-Smirnov was 0.560 and significant at 0, 912, or 91.2%, this means that residual data is normally distributed because the significance is above 0.05 or 5%.

The results of the test P-Plot This research can be seen as follows:

Table 4.11
Normality Test Results

Histogram

Normal P-P Plot of Regression Standardized Residual
Source: SPSS output that is processed, 2012

From the output above, it appears that the histogram graph showing a normal distribution pattern, the data spread around the diagonal line and follow the direction of the diagonal line, the regression model to meet the assumption of normality.

Testing Multicollinearity

The results of the test Multicollinearity of this research can be seen as follows:

<table>
<thead>
<tr>
<th>Model</th>
<th>collinearity Statistics</th>
<th>tolerance</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 SKB</td>
<td>.999</td>
<td>1.001</td>
<td></td>
</tr>
<tr>
<td>SD</td>
<td>.908</td>
<td>11.02</td>
<td></td>
</tr>
<tr>
<td>PKL</td>
<td>.909</td>
<td>1.100</td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: SPM

From the table above it can be seen that for the variable LCS (X) has a tolerance value of 0.999 > 0.10 and VIF 1.001 < 10 so that it can be concluded there is no multicollinearity between the independent variables in the regression model. For variable SD (X) has a tolerance value of 0.908 > 0.10 and VIF 1.102 < 10 so that it can be concluded there is no multicollinearity between the independent variables in the regression model. Then PKL variable (X) has a tolerance value of 0.909 > 0.10 and VIF 1.100 < 10 so that it can be concluded there is no multicollinearity between the independent variables in the regression model.

Testing autocorrelation

Testing of autocorrelation in this study, obtained the following results:

<table>
<thead>
<tr>
<th>Model Summary b</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>1</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), PKL, SKB, SD
b. Dependent Variable: SPM

Source: SPSS output that is processed, 2012

SPSS output display shows that the value of DW in regression models by 2,048 this indicates that the regression model auto correlation not happen, because the value of DW is between -2 to +2
Testing Heteroscedasticity
The test results of this study heteroscedasticity can be seen as follows:

Table 4.14
Test Results Heteroscedasticity

| Source: SPSS output that is processed, 2012 |

Based on the above chart scatterplot the results show that the points spread at random and scattered either above or below the number 0 on the Y axis, it can be concluded that there is no heteroscedasticity in regression models, so the regression model proper to be used to predict the variable SPM (Y) based on the input of independent variables LCS (X), SD (X) and PKL (X).

Goodness Test Model (Goodness of Fit Model)
Goodness of fit test is a test a match or goodness of fit between the observations (observation frequency) with a certain frequency is obtained based on the value of hope (theoretical frequency).

Test F
Of testing the model goodness, can be seen from the table ANOVA, the results are as follows:

Table 4.15
Test results F ANOVA

<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>424116</td>
<td>3</td>
<td>141372</td>
<td>23903</td>
<td>.000</td>
</tr>
<tr>
<td>residual</td>
<td>301629</td>
<td>51</td>
<td>5914</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>725745</td>
<td>54</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), PKL, SKB, SD
b. Dependent Variable: SPM

Source: SPSS output that is processed, 2012
The results of data processing is seen that the value of $F = 23,903$ with significant $0,000 < 0,05$. The value of the test significantly smaller than $\alpha = 0.05$ indicates that the regression model can be said to be good, so that it can proceed to test the hypothesis.

The coefficient of determination (Adjusted R-Square)

The following test results The coefficient of determination (Adjusted R-Square) from this study, obtained the following results:

<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>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.764</td>
<td>.584</td>
<td>.560</td>
<td>2432</td>
<td>2048</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), PKL, SKB, SD
b. Dependent Variable: SPM

Source: SPSS output that is processed, 2012

The above table shows that the coefficient of determination that indicates the value of adjusted $R^2$ at 0, 560. This means that 56% of the management control system variable variation can be explained by variable cost leadership strategy, differentiation strategy and perception of environmental uncertainty, while 44% of management control systems can be explained by other variables him.

Rated $R = 0, 764$ shows that the correlation coefficient of 76.4%. From this value we can conclude that the relationship between the cost leadership strategy, differentiation strategy and the perception of environmental uncertainty with management control system has a strong position.

Hypothesis testing

Testing the hypothesis in this research is as follows:

First Hypothesis Testing

$H_1$: cost leadership strategy significant positive effect on the form of management control system more bureaucratic.

From the first hypothesis testing in this study, obtained the following results:

<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>17 885</td>
<td>2.730</td>
<td>6.551</td>
</tr>
<tr>
<td></td>
<td>SKB</td>
<td>.427</td>
<td>.131</td>
<td>.410</td>
</tr>
</tbody>
</table>

Based on research Auzair (2011) and Langfield and Auzair (2005) assumed that there is an equation is run separately for management control system more bureaucratic and less management control systems bureaucratic. Coefficient Significant positive then it would indicate support for management control system more bureaucratic, while no significant negative coefficient would show support for management control system less bureaucratic.

The regression analysis of the first hypothesis can be seen in the table above cost leadership strategy has positive effect (0,427) to form a management control system which is more bureaucratic with a level of significance of 0,002 <0,05, this shows that the cost leadership strategy significant positive effect on the control system management more bureaucracy, so that the results of the study received...
the first hypothesis which states that "cost leadership strategy has positive influence on the form of management control system more bureaucratic".

The results of this study confirm previous research conducted by Auzair (2011) and supported by Auzair and Langfield (2005) with the results of the air influence significant positive between the cost leadership strategy with management control system more bureaucratic. The study is consistent with previous studies conducted by Chenhall and Langfield-Smith (1998), Kumar and Subramaniam (1997), Simons (1987), (Miller, 1988) and Haryanto (2007).

**Hypothesis Testing Second**

$H_2$: Strategic differentiation significant positive effect on the form of management control system less bureaucratic.

From testing the second hypothesis in this study, obtained the following results

**Table 4.18**

<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>11.440</td>
<td>2.880</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>.408</td>
<td>.076</td>
<td>.592</td>
<td>.000</td>
</tr>
<tr>
<td>2</td>
<td>.000</td>
<td>.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SD</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Dependent Variable: SPM

Source: Output SPSS processed, 2012

The regression analysis of the second hypothesis can be seen in the table above. Differentiation strategy has positive effect (0.408) against this form of management control system more bureaucratic with a level of significance of 0.000 < 0.05. This shows that the positive effect on the differentiation strategy management control system more bureaucratic, while management control system less bureaucratic less emphasized. So the results of this study reject the second hypothesis which states that "Differentiation strategy has positive influence on the form of management control system less bureaucratic".

Based on the research Auzair (2011) found a significant positive relationship between the differentiation strategy and control management system that is less bureaucratic. But in this study found that the positive effect on the differentiation strategy management control system more bureaucratic. This finding is consistent with the strategy of generic Porter (1985) studied by Hill (1988) states that the differentiation strategy it will generate cost leadership on the condition that it happens in the long term. Companies that adopt a differentiation strategy in the long term can reduce costs through learning effects, economies of scale and economies of scope. Conclusions Hill is based on a comparison or a study of the various theories and concepts. This article presents a generic application Porter, the strategy of differentiation and cost leadership as well as reinforce the notion Hill based on empirical studies conducted by Calori and Ardisson (1988). Setting research Calori and Ardisson is research on industrial companies stalemate in France, Germany and the UK during the month of May - June 1985. Cost reduction or lowering costs is one component of the management control system more bureaucratic, namely the tightening of costs or also called cost control. It can be concluded that the effect on the differentiation strategy management control system more bureaucratic.

**Hypothesis Testing Third**

$H_3$: Perception of environmental uncertainty significant positive effect on the form of management control system more bureaucratic.

From testing the third hypothesis in this study, obtained the following results
Table 4.19
Third Hypothesis Test Results
coefficients a

<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>16.575</td>
<td>2772</td>
<td>5979</td>
</tr>
<tr>
<td>PKL</td>
<td>.627</td>
<td>.170</td>
<td>.453</td>
<td>3697</td>
</tr>
</tbody>
</table>

a. Dependent Variable: SPM

Source: Output SPSS processed, 2012

The regression analysis of the first hypothesis can be seen positively influence perception of environmental uncertainty (0.627) against this form of management control system more bureaucratic with a significance value of 0.01 < 0.05, this shows uncertainty perceptions influence the management control system more bureaucratic, so the results this study received the third hypothesis which states that “the perception of environmental uncertainty has positive influence on the form of management control system more bureaucratic.”

The results of this study confirm previous research conducted by Auzair (2011) who found a significant positive relationship between the perception of environmental uncertainty with management control system more bureaucratic. The study’s findings are consistent with previous research studies conducted Miller (1988), Dahlan (2007), Ezzamel (1990), Auzair (2011), and Florence (2007).

CONCLUSION AND DISCUSSION

Based on the research and discussion of the previous chapter of a study on the effect of business strategy and external environment of the Management Control Systems, has some conclusions, namely:

1. Cost leadership strategy has positive effect significant to management control system more bureaucratic. This means that the hotel is doing a cost leadership strategy then requires an emphasis on management control system more bureaucratic. The results of this study confirm previous research conducted by Auzair (2011) found a positive relationship significantly between the cost leadership strategy with system management control over bureaucratic, emphasizing on tightening cost so as to produce services with a level lower cost than competitors. So it can take the conclusion that the hypothesis is first accepted and the study is consistent with previous studies conducted by Auzair and Langfield (2005), Chenhall and Langfield-Smith.

2. Differentiation strategy has positive influence significantly the management control system more bureaucratic. This means that the hotel is doing a differentiation strategy then requires an emphasis on management control system more bureaucratic. The results of this study are not consistent with studies previously conducted Auzair (2011) who found a positive relationship significant between differentiation strategy with management control system less bureaucratic. So that can take the conclusion that the hypothesis both rejected, which means differentiation strategy does not affect the management control system less bureaucratic. But the results of this research was supported by the generic strategy Porter (1985) studied by Hill (1988) and in accordance with previous studies conducted by Hopwood (1972) and Kenis (1979), Stedry (1960) and Simons (1988).

3. Perception of environmental uncertainty positive influence significantly on management control system more bureaucratic. It can be concluded that the perception of environmental uncertainty emphasis on management control system more bureaucratic. The results of this study confirm previous research conducted by Auzair (2011) who found a positive effect on the environment of uncertainty signifikan perception management control system more bureaucratic. This study is consistent with the findings of previous studies conducted by Auzair and Langfield (2005), Miller (1988), Dahlan (2007), Ezzamel (1990), and Florence (2007).
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http://www.bsmi.co.id
http://www.banksyariahmandiri.co.id
THE INSTITUTIONAL OWNERSHIP AND VOLUNTARY DISCLOSURE TO COST OF DEBT

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wuland1903@gmail.com

Abstract
This study aimed to examine the effect of institutional ownership and voluntary disclosure to Cost of Debt manufacturing companies listed in Indonesia Stock Exchange (BEI) 2006-2010. voluntary disclosure is measured by using a scoring method on criteria established voluntary disclosure. The total sample of 23 companies, selected using purposive sampling method. This study uses secondary data from the Capital Market Reference Center in the form of annual financial statements from 2006 to 2010. The statistical tests using multiple regression analysis. This study uses firm size as a control variable. Research shows that institutional ownership and voluntary disclosure of significant negative effect on the cost of debt. While the variable control of the company size does not affect the cost of debt.

Keywords: Institutional Ownership, Voluntary Disclosure, Cost of Debt.

INTRODUCTION

The global financial crisis that occurred in the past few years in various countries led to economic weakening. Likewise, the manufacturing industry is a sector that is getting the most severe pressure due to the global crisis (Indonesian Commercial Newsletter). The failure of a large-scale manufacturing enterprises, and economic crises in many countries require companies in the sector to carry out the policy, such a policy in funding companies through loans or issuance of new shares.

Cost of debt is the cost incurred for the company financing in the form of debt (debt). Fabozzi (2007) in Juniarti and Agnes (2009) stated cost of debt as rates to be received from the investment to achieve the rate of return (yield rate) required by the creditor or in other words, is the rate of return required by lenders when making pendaaan in a company.

The actual cost of this particular agency cost of debt can be minimized. One of the ways used to minimize agency costs is by entering an important element of corporate governance in the companies it finances such as institutional ownership (Koesnadi, 2010). Another way to minimize agency costs, especially cost of debt is by applying the principles of disclosure as voluntary disclosure optimally.

The motivation of this study is to analyze the conditions of a manufacturing company in Indonesia that hit in recent years due to economic pressure (Wibowo, 2009). These economic pressures make it possible for manufacturing companies to obtain funding from external sources (debt) that can lead to cost of debt. In addition to testing back to the influence of institutional ownership and voluntary disclosure by high and low cost of debt on companies listed in Indonesia Stock Exchange in 2006-2010.
LITERATURE REVIEW

Agency Theory

Agency theory assumes that humans put their individual interests, so that all the decisions and actions will always be to the benefit of himself (Bapepam, 2006) in Tampubolon (2011). This theory implies the existence of information asymmetry between the shareholders as a principle and as an agent manager. Information asymmetry arises when managers are more aware of internal information and the company's prospects in the future compared to shareholders and other stakeholders. Therefore, managers and stakeholders usually have different views about the risks (Sitanggang, 2002).

Signaling Theory

Signaling theory states that firms with high performance (the company financially healthy condition) using financial information to send a signal to the market (Spence, 1973) in (Suhardjanto, 2010). Signaling Theory also explains why companies have an incentive to provide information on external financial reports

Institutional ownership

Institutional ownership is the percentage of the company's shares owned by institutional investors such as government, investment firms, banks or insurance companies and other companies holdings agencies

According Bushee (1998) institutional ownership has the ability to reduce the incentives of managers selfish through intense level of scrutiny. Institutional ownership can suppress the inclination to utilize discretionary management in the financial statements so as to provide the quality of reported earnings.

Voluntary disclosure

according Koesnadi (2010) is a kind of voluntary disclosure of information voluntarily disclosed in the financial statements with the aim to increase the usefulness of information for users of financial statements. Voluntary disclosure of information is this role is to complement the information that is mandatory disclosure.

Cost of Debt


Fabozzi (2007) in Juniarti and Agnes (2009) provides a definition Cost of debt as follows:

"Cost of debt is the level that should be received from the investment to achieve the rate of return (yield rate) required by the creditor or in other words, is the rate of return required by lenders when making pendaaan in a company."

Variable Research Institutional Ownership and Cost of Debt

Bhojraj and Sengupta (2003) examines the institutional ownership and the presence of external directors to the bond yield on the company issuing the bond in the United States. The results of their study found an association proportion greater institutional ownership and stronger external controls will result in a lower yield and better ratings.

Robert and Yuan (2006) examined the effect of institutional ownership as one important component of corporate governance, the borrowing costs on companies listed in the Syndicated Loan Database United States. Research done Robert and Yuan (2006) found strong evidence that institutional ownership may reduce borrowing costs. This study indicates that institutional ownership
can reduce the cost of bank loans due to the large institutional ownership made outside the company do more stringent monitoring of the management, so that management is encouraged to improve company performance. The increased performance of the company making the company's risk is also small so that lenders ask for a lower return.

Piot and missionary-Piera (2007) examined the effect of the ratio of independent directors, remuneration committee and institutional ownership of the borrowing costs on companies listed in the SBF 120 Index France. The results of their study proved that the ratio of independent directors, remuneration committee and institutional ownership has an impact on reduction in borrowing costs are calculated with the average interest rate paid by the company.

Juniarti and Agnes (2009) examined the effect of good corporate governance and voluntary disclosure of the cost of debt (cost of debt) at manufacturing companies listed in Indonesia Stock Exchange. Good Corporate Governance in proksikan with managerial ownership, institutional ownership, independent commissioner and audit quality. The results of this study is only a proxy for institutional ownership and audit quality affect the cost of debt. That is, the better the institutional ownership and audit quality in a company, the cost of debt will be low.

Elyasiani, Jia and Mao (2010) investigated the effect of institutional ownership on the cost of debt on companies listed in Lehman Brothers Bond Database (LBBD) United States. The results of these studies found an important role of institutional ownership on the cost of debt. The role earned for institutional owners are in a good position to study the condition of the company and they also get greater benefits. So, when the attention given institutional owners may lead to a better reputation in the debt markets it will get lower borrowing costs.

Research Variables Voluntary Disclosure and the Cost of Debt

<table>
<thead>
<tr>
<th>No</th>
<th>Researcher</th>
<th>Year</th>
<th>Method</th>
<th>Research result</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Sengupta</td>
<td>1998</td>
<td>Multiple Regression Analysis</td>
<td>The level of disclosure breadth negative effect on the cost of debt (cost of debt).</td>
</tr>
<tr>
<td>2</td>
<td>Mardiyah</td>
<td>2001</td>
<td>Multiple Regression Analysis</td>
<td>A high level of voluntary disclosure will reduce the level of information asymmetry occurs so that in the end cost of debt equity is also lower.</td>
</tr>
<tr>
<td>3</td>
<td>Bhojraj dan Sengupta</td>
<td>2003</td>
<td>Multiple regression</td>
<td>Researchers found a link proportion of institutional ownership bigger and stronger external control will result in a lower yield.</td>
</tr>
<tr>
<td>4</td>
<td>Robert dan Yuan</td>
<td>2006</td>
<td>Multiple regression</td>
<td>Institutional ownership can reduce the cost of bank loans due to the large institutional ownership made outside the company do more stringent monitoring of the management, so that management is encouraged to improve company performance.</td>
</tr>
<tr>
<td>5</td>
<td>Piot dan Missioner-Piera</td>
<td>2007</td>
<td>multivariate analysis</td>
<td>The results of their study proved that the ratio of independent directors, remuneration committee and institutional ownership has an impact on reduction in borrowing costs are calculated with the average interest rate paid by the company.</td>
</tr>
<tr>
<td>6</td>
<td>Kurnia</td>
<td>2009</td>
<td>Multiple Regression</td>
<td>The results of this study prove that there is a negative relationship between the</td>
</tr>
</tbody>
</table>
Analysis completeness of the disclosure of the annual report with the cost of debt.

<table>
<thead>
<tr>
<th></th>
<th>Juniarti dan Agnes</th>
<th>2009</th>
<th>Multiple Regression Analysis</th>
<th>The results of this study is only a proxy for institutional ownership and audit quality affect the cost of debt. That is, the better the institutional ownership and audit quality in a company, the cost of debt will be low.</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>Elyasiani, Jia dan Mao</td>
<td>2010</td>
<td>Multiple Regression Analysis</td>
<td>Institutional ownership may lead to a better performance in the debt market, it will get lower borrowing costs.</td>
</tr>
</tbody>
</table>

**Figure 2.1**

Framework

Effect of Institutional Ownership and Voluntary Disclosure of the Cost of Debt

**Effect of Institutional Ownership on the Cost of Debt**

Crutchley et al (1999) suggest that institutional ownership can lower the cost of debt. Additionally, Robets and Yuan (2006) and Piot and missionary-Pierra (2007) found strong evidence that institutional ownership can significantly reduce the cost of borrowing. This is supported by the results of research Bhojraj and Sengupta (2003) who found the proportion of institutional ownership relations bigger and stronger external control with a lower yield and better ratings.

Elyasiani study, Jia and Mao (2010) found an important role of institutional ownership on the cost of debt and a strong negative relationship between the cost of debt to the stability of institutional ownership. Stability of institutional ownership contributes to the determination of the cost of debt and the effect is more pronounced in companies that have a chance of more severe information asymmetry as well as the cost of debt and cost of equity is greater. Based on the study results above, it can formulate hypotheses as follows:

H1: institutional ownership negatively affect the cost of debt

**Influence of Voluntary Disclosure of the Cost of Debt**
Sengupta (1998) showed that the asymmetry of information would result in higher interest payments and vice versa firms with quality disclosure will be charged a lower risk premium. The study also found evidence that the level of disclosure breadth negative effect on the cost of debt.

Then, Mardiyah (2001) also found that a high level of voluntary disclosure will reduce the level of information asymmetry occurs so that in the end cost of debt equity is also lower. Based on the results of the above studies, the hypothesis can be formulated as follows:

H2: Voluntary Disclosure negatively affect the cost of debt

RESEARCH METHODOLOGY

Population and Sampling Design

The population in this study are all manufacturing companies that are already listed on the Jakarta Stock Exchange period 2006-2010. But not all members of this population will be the object of research so that the sampling is necessary.

The sampling technique is purposive sampling, i.e. sampling technique with a certain considerations (Sugiyono, 2004: 78) or the sample taken from a population deliberately provided based on specific criteria in accordance with the purpose of research. Sampling is done by using purposive sampling with the following criteria:

1. The company is listed on the Stock Exchange in 2006-2010.
2. Companies that publishes financial statements and annual reports from 2006 to 2010 to complete.
3. The Company has interest expense 2006-2010.
4. Companies that do not have a negative equity value.

The data used in this research is secondary data, i.e. data derived from third parties or other sampled in a study. The data in the form of financial reports and annual reports which are listed in the Indonesia Stock Exchange from 2006 until 2010. Sources of data in this study were obtained through sites owned by BEI, i.e. www.idx.co.id. Study literature or literature through textbooks, scientific journals, articles, and magazines, and other written sources related to the information required, it is also used as a source of data collection.

In this study attempted to obtain data and information reasonably sufficient in accordance with the existing problems. The data collection method used is the method of documentation study, by getting the data in the form of annual reports that have been issued by the manufacturing company in the period 2006-2010. The data obtained through the Capital Market Reference Center (PRPM) at the Indonesian Stock Exchange and sites owned by the Indonesia Stock Exchange, namely www.idx.co.id. This research is also done by reading and studying reference books and journals to obtain secondary data as the theoretical foundation that is appropriate to the issues raised.

The independent variables in this study are institutional ownership (X1) and voluntary disclosure (X2). While variebel dependent is cost of debt (Y). In addition, firm size used in this study as a control variebel

<table>
<thead>
<tr>
<th>variable</th>
<th>researcher earlier</th>
<th>variable concept</th>
<th>Size</th>
<th>Scale</th>
</tr>
</thead>
</table>

Table 3.1. variable operationalization
### Institutional Ownership

<table>
<thead>
<tr>
<th>Institution Authors</th>
<th>Definition</th>
<th>Formula</th>
<th>Ratios</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bhojraj and Sengupta (2003), Robert and Yuan (2006), Piot and missionary-Piera (2007), Juniarti and Agnes (2009) Elyasiani, Jia and Mao (2010).</td>
<td>Institutional ownership is the percentage of the company's shares owned by institutional investors such as governments, investment companies, banks and insurance companies possession of institutions and other companies.</td>
<td>The percentage of institutional ownership in the structure of the company's shares. = Number of shares owned divided by number of shares entirely institutions.</td>
<td></td>
</tr>
</tbody>
</table>

### Voluntary Disclosure

<table>
<thead>
<tr>
<th>Institution Authors</th>
<th>Definition</th>
<th>Formulas</th>
<th>Ratios</th>
</tr>
</thead>
</table>
| Sengupta (1998), Mardiyah (2001), Kurnia (2009). | Voluntary disclosure is a disclosure exceeds the (outside) that are required by GAAP and Bapepam. Voluntary disclosure provide accounting information and other information that is deemed relevant for decision-making by users of the annual report. | Voluntary disclosure will be obtained by the method of scoring, the scoring for each criteria that have been set. Total score of voluntary disclosure will be divided by the maximum total score to obtain an index of voluntary disclosure. The formula used to do the calculation is: \[
\text{VDISC} = \frac{\sum \text{Score}}{\text{Total Maximum Score}}
\] |        |

### Cost of Debt

<table>
<thead>
<tr>
<th>Institution Authors</th>
<th>Definition</th>
<th>Formulas</th>
<th>Ratios</th>
</tr>
</thead>
</table>
| Robert and Yuan (2006), Pilot and Missionary-Piera (2007), Juniarti and Agnes (2009). | Borrowing costs are costs incurred when the company obtained financing from sources outside the company. | Cost of debt is calculated from the amount of interest expense paid by Companies within one year divided by the average number of loans that generate interest. The. The formula used to calculate the cost of debt (COD) is: \[
\text{COD} = \frac{\text{interest expense}}{\text{average interest bearing debt}}
\] |        |

### Firm Size

<table>
<thead>
<tr>
<th>Institution Authors</th>
<th>Definition</th>
<th>Formulas</th>
<th>Ratios</th>
</tr>
</thead>
<tbody>
<tr>
<td>Juniarti and Agnes (2009), Elyasiani, Jia and Mao (2010)</td>
<td>The size of the company is the scale at which the size of the company can be classified.</td>
<td>Total assets of the company at the end of the year.</td>
<td></td>
</tr>
</tbody>
</table>
DATA ANALYSIS

According Sugiyono (2004; 142), descriptive statistics are statistics used to analyze data in ways that describe or depict the data that has been collected as it is without intending to apply to general conclusions or generalizations. The measures used in the description include: frequency, central tendency (mean, mode and median), dispersion (standard deviation and variance) and the correlation coefficient between the study variables. The measures used in descriptive statistics depends on the level of measurement constructs used in the study (Ghozali, 2005). Descriptive statistical analysis is used to describe the practice of institutional ownership, voluntary disclosure and the cost of debt in the manufacturing companies terdaftar in the Indonesia Stock Exchange.

In this study used multiple linear regression analysis. Regression analysis was used by researchers when intend predict how the situation (rise and fall) the dependent variable, and if two or more independent variables as predictors manipulated or dinaik lower value. Thus, multiple regression analysis will be performed when the number of independent variables more than 2 (Sugiyono, 2005: 210). Model of multiple regression analysis in this study are as follows:

\[
\text{COD}_{it} = \alpha_0 + \alpha_1 \text{KINS}_{it} + \alpha_2 \text{VDIS}_{it} + \alpha_3 \text{FSIZ}_{it} + \alpha_4 E_{it}
\]

Where:
- COD = cost of debt companies
- \(\alpha_0\) = Constant
- \(\alpha_1, \alpha_2, \alpha_3, \alpha_4\) = Coefficient
- KINS = institutional ownership companies
- VDIS = voluntary disclosure of companies
- FSIZ = size companies
- \(E\) = Standard error

Prior to the calculation of multiple regression analysis to determine the effect of independent variables on the dependent variable together, eating will be held the classical assumption test. Classic assumption test carried out in order to meet the nature of regression estimation that is BLUES (Best Linear Unbiased Estimation). According Ghozali (2005), the classic assumption test consisting of: (1) test for normality; (2) test multikolinearitas; (3) heteroscedasticity test; and (4) test autokolerasi.

This study used a sample of manufacturing companies listed in Indonesia Stock Exchange (BEI) 2006-2010. Sample screening results are as follows:

<table>
<thead>
<tr>
<th>Table. 4.1 Sample Screening Company</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Information</strong></td>
</tr>
<tr>
<td>Companies listed on the Stock Exchange in 2006-2010</td>
</tr>
<tr>
<td>Companies that do not publish financial statements and annual report 2006-2010 with full</td>
</tr>
<tr>
<td>Companies that do not have the interest expense of 2006-2010</td>
</tr>
<tr>
<td>Companies that have negative equity book value</td>
</tr>
<tr>
<td><strong>The samples used in the study</strong></td>
</tr>
</tbody>
</table>

Source: Capital Market Reference Center BEI (2011)
From the results of screening samples according to predetermined criteria, obtained the number of samples used in this study are 23 companies. Here's a list of names of 23 manufacturing companies sampled in this study:

<table>
<thead>
<tr>
<th>No</th>
<th>Company Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>PT Arwana Citra Mulia Tbk</td>
</tr>
<tr>
<td>2</td>
<td>PT Astra Graphia Tbk</td>
</tr>
<tr>
<td>3</td>
<td>PT Astra Internasional Tbk</td>
</tr>
<tr>
<td>4</td>
<td>PT Astra Otoparts Tbk</td>
</tr>
<tr>
<td>5</td>
<td>PT Sepatu Bata Tbk</td>
</tr>
<tr>
<td>6</td>
<td>PT Fajar Surya Wisesa Tbk</td>
</tr>
<tr>
<td>7</td>
<td>PT Gajah Tunggal Tbk</td>
</tr>
<tr>
<td>8</td>
<td>PT Indofood Sukses Makmur Tbk</td>
</tr>
<tr>
<td>9</td>
<td>PT Indocement Tunggal Prakarsa Tbk</td>
</tr>
<tr>
<td>10</td>
<td>PT Kimia Farma (Persero) Tbk</td>
</tr>
<tr>
<td>11</td>
<td>PT Kalbe Farma Tbk</td>
</tr>
<tr>
<td>12</td>
<td>PT Perdana Bangun Pusaka Tbk</td>
</tr>
<tr>
<td>13</td>
<td>PT Lionmesh Prima Tbk</td>
</tr>
<tr>
<td>14</td>
<td>PT Lautan Luas Tbk</td>
</tr>
<tr>
<td>15</td>
<td>PT Multipolar Corporation Tbk</td>
</tr>
<tr>
<td>16</td>
<td>PT Mustika Ratu Tbk</td>
</tr>
<tr>
<td>17</td>
<td>PT Selamat Sempurna Tbk</td>
</tr>
<tr>
<td>18</td>
<td>PT Siantar Top Tbk</td>
</tr>
<tr>
<td>19</td>
<td>PT Semen Gresik (Persero) Tbk</td>
</tr>
<tr>
<td>20</td>
<td>PT Surya Toto Indonesia Tbk</td>
</tr>
<tr>
<td>21</td>
<td>PT Tunas Ridean Tbk</td>
</tr>
<tr>
<td>22</td>
<td>PT United Tractors Tbk</td>
</tr>
<tr>
<td>23</td>
<td>PT Modern Internasional Tbk</td>
</tr>
</tbody>
</table>

Source: Capital Market Reference Center BEI (2011)

On all data above do descriptive statistical tests showed the following results:

<table>
<thead>
<tr>
<th>Descriptive Statistics</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>KINS</td>
<td>115</td>
<td>.32</td>
<td>.97</td>
<td>.7392</td>
<td>.15866</td>
</tr>
<tr>
<td>VDIS</td>
<td>115</td>
<td>.31</td>
<td>.88</td>
<td>.6530</td>
<td>.14537</td>
</tr>
<tr>
<td>FSIZ</td>
<td>115</td>
<td>43.60</td>
<td>6E+007</td>
<td>1063871</td>
<td>7980470.114</td>
</tr>
<tr>
<td>COD</td>
<td>115</td>
<td>.01</td>
<td>.27</td>
<td>.0957</td>
<td>.04834</td>
</tr>
</tbody>
</table>

Source: Secondary data were processed (2011)

Number of statistical data (N) is the amount of data entered and processed in the study. This study uses 115 statistical data taken from the financial statements and annual reports of companies manufacturing the research sample. From the table above it can be seen that the variable Cost of Debt has a minimum value of 32%, the maximum value of 97% and an average value of 73.92%. Table 4.3 shows the institutional ownership has an average value of 73.92%, which means an average company into the sample percentage of institutional ownership is quite large because the average score above 50%.
Based on Table 4.3 also shows variable voluntary disclosure has a minimum value of 31\% and a maximum value of 88\%, meaning that voluntary disclosure meets the highest criteria as much as 28 and the lowest was 10 of 32 voluntary items that have been determined. The average value of the voluntary disclosure amounted to 65.30\%, which means that the sample of firms manufacturing used in this study has had a voluntary disclosure level that is good enough. In the table the results of descriptive statistics can be seen that the average firm size using the proxy total assets have an average value of 1,063,871.

Before testing the hypothesis with multiple regression tested against four classic assumption test beforehand.

Normality test aims to test whether the regression model, the independent variables and the dependent variable both have a normal distribution or not (Ghozali, 2005)

Figure 4.1

Normality Test Results

Normal P-P Plot of Regression Standardized Residual

Source: Secondary data were processed (2011)

See the chart above, dots spread around the diagonal line, and its distribution follows the direction of the diagonal line. This regression model was feasible in use to predict the cost of debt based on input variables of institutional ownership and voluntary disclosure because the data was normally distributed. Thus, this regression model to meet the assumptions of normality.

In addition to viewing the data distribution, normal or not the model can be seen by seeing the value of Kolmogorov-Smirnov test the significance of the regression residuals. Kolmogorov-Smirnov test results appear below.

Table 4.4

Kolmogorov-Smirnov Test Results

<table>
<thead>
<tr>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Absolute</th>
<th>Positive</th>
<th>Negative</th>
<th>Kolmogorov-Smirnov Z</th>
<th>Asymp. Sig. (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>115</td>
<td>.0000000</td>
<td>.04657964</td>
<td>.062</td>
<td>.062</td>
<td>-.037</td>
<td>.660</td>
<td>.776</td>
</tr>
</tbody>
</table>

\*a. Test distribution is Normal. 
\*b. Calculated from data.
Kolmogorov-Smirnov value of 0.660 and is not significant at 0.05 (for p = 0.776 > 0.05). So we can not reject Ho as saying that the residuals are normally distributed, or in other words the residual normal distribution.

Multicolinearity test aims to test whether the regression model found a correlation between the variables free (independent). To determine the presence or absence of symptoms multikolinieritas on multiple linear regression model produced by calculating the value of Variance Inflation Factor (VIF) of each independent variable in the regression model. A good regression model should not happen correlation between the independent variables.

table 4.5
Test Results Multicolinearity

Coeficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>-10.203</td>
</tr>
<tr>
<td></td>
<td>KINS</td>
<td>2.266</td>
</tr>
<tr>
<td></td>
<td>VDIS</td>
<td>1.861</td>
</tr>
<tr>
<td></td>
<td>FSIZ</td>
<td>-3.1E-008</td>
</tr>
</tbody>
</table>

Source: Secondary data were processed (2011)

Based on the above table it can be concluded that tolerance and VIF approached one of 1.116, 1.158, and 1.045 this means that all independent variables and control variables in this study are free of multikolinearitas as has VIF smaller than 10.

Heteroskedastisitas test aims to test whether the regression model did not occur in common variant of the residuals of the observations to other observations. A good regression model is that homoskedastisitas or did not happen heteroskedastisitas. In this study, the method used to detect the presence or absence of heteroscedasticity using test park. Test Park done by regressing the independent variable on the logarithm of the absolute value of unstandardized residuals of the regression model. So that the regression equation is as follows:

\[ \ln U2i = b0 + b1 + b2 + b3 \times \ln VDISit \times FSIZit \]

The regression model was declared free of symptoms heteroskedastisitas if parameter beta coefficient of the regression equation was not statistically significant (Ghozali, 2005: 108).

table 4.6
Test Results Heteroskedastisitas

Coeficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>-10.203</td>
</tr>
<tr>
<td></td>
<td>KINS</td>
<td>2.266</td>
</tr>
<tr>
<td></td>
<td>VDIS</td>
<td>1.861</td>
</tr>
<tr>
<td></td>
<td>FSIZ</td>
<td>-3.1E-008</td>
</tr>
</tbody>
</table>

Source: Secondary data were processed (2011)
The results of the above analysis shows parameter coefficients for the independent variables and control variables nothing significant, it can be concluded that there is no heteroscedasticity regression model.

Autocorrelation test aims to test whether a linear regression model was no correlation between bullies errors (error term) in period t with an error in the previous period (t-1), which usually occurs because using time series data. Autocorrelation test is done by calculating the value of Durbin Watson (DW). According to Lestari (2010: 86) The decision whether or not the autocorrelation is as follows:

a. When the value of Durbin Watson below -2, meaning there is positive autocorrelation.
b. When the Durbin Watson values between -2 and +2, meaning no autocorrelation.
c. When the value of Durbin Watson +2 above, there is a negative autocorrelation.

<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>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.268a</td>
<td>.072</td>
<td>.047</td>
<td>.04720</td>
<td>1.286</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), KINS, VDIS, FSIZ
b. Dependent Variable: COD

Source: Secondary data were processed (2011)

Autocorrelation test is done by calculating the value of Durbin Waston (DW). From the table, obtained Durbin Waston test value of 1.286. By looking at the DW numbers are in the range (-2) to (+2) it can be said that in this study there is no autocorrelation.

To determine the influence of institutional ownership and voluntary disclosure of the cost of debt, used multiple regression analysis. Multiple Regression aimed to study the association of more than two variables. regrei equation regression.

<table>
<thead>
<tr>
<th>Model</th>
<th>Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unstandardized</td>
</tr>
<tr>
<td></td>
<td>Coefficients</td>
</tr>
<tr>
<td></td>
<td>B</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
</tr>
<tr>
<td></td>
<td>KINS</td>
</tr>
<tr>
<td></td>
<td>VDIS</td>
</tr>
<tr>
<td></td>
<td>FSIZ</td>
</tr>
</tbody>
</table>

a. Dependent Variable: COD

Source: Secondary data were processed (2011)
Based on the above results of regression testing is known to be formed an equation as follows:

\[ Y = 0.196 - 0.074 \text{KINS} - 6.84 \times 10^{-12} \text{FSIZ} + e \]

From the calculation above, it means that the variable Cost of Debt (Y) will be reduced by 1 point if institutional ownership variable (X1) fell as much as 0.074 points, the voluntary disclosure (X2) fell as much as 0.071 and variable control of total assets (X3) fell by 6.84E-012 point.

F test aims to show whether all the independent variables in the model has meant the simultaneous effect on the dependent variable.

**table 4.9**

**Test results F**

<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>.019</td>
<td>3</td>
<td>.006</td>
<td>2.855</td>
<td>.040 a</td>
</tr>
<tr>
<td>Residual</td>
<td>.247</td>
<td>111</td>
<td>.002</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>.266</td>
<td>114</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), KINS, VDIS, FSIZ
b. Dependent Variable: COD

Source: Secondary data were processed (2011)

From the F test in the test can be calculated F value of 2.855 with a probability of 0.040. Since the probability is much smaller than 0.05, it can be said that the Institutional Ownership, Voluntary Disclosure and Firm Size jointly affect the Cost of Debt.

Coefficient determination test is a test used to determine the amount in percent overall effect of independent variables on the dependent variable. The result of determination test produces output as in the following table.

**table 4.10**

**Coefficient Determination Test Results**

<table>
<thead>
<tr>
<th>Model Summary</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>.268 a</td>
<td>.072</td>
<td>.047</td>
<td>.04720</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), KINS, VDIS, FSIZ
b. Dependent Variable: COD

Source: Secondary data were processed (2011)

Based on the result of determination is known that the adjusted R-square of 0.047 which means that 4.7% of the variation in cost of debt can be explained by the institutional ownership and voluntary disclosure. While the remaining 95.3% (100% - 4.7%) is explained by factors other than research.
T test aims to demonstrate how far the influence of the independent variables individually in explaining the dependent variable. Based on table 4.8 above it can be seen that the institutional ownership and voluntary disclosure has a significance level of 0.014 and 0.032 <0.05 indicating that Hypothesis 1 and Hypothesis 2 is accepted, meaning that institutional ownership and voluntary disclosure of significant negative effect on cost of debt. While the control variables that total assets have significance level of 0.99> 0.05, which indicates that the control variable is total assets has no effect on cost of debt.

Based on the results of research on hypothesis testing 1 shows that institutional ownership has a significant negative effect on the cost of debt. The results are consistent with research conducted by Bhojraj and Sengupta (2003), Robert and Yuan (2006), Piot and missionary-Piera (2007), Juniarti and Agnes (2009), and Elyasiani, Jia and Mao (2010). This suggests that the presence of institutional ownership a significant impact as the monitoring is done to the management. The greater the stake by the institution, the more effective the control mechanisms of management performance. Bushee (1998) stated the institutional ownership is a sophisticated investor (investor savvy) that has a role in oversight to reduce management behavior that can lead to information asymmetry. The lower the level of information asymmetry in a company (agent) then the less the level of risk will be borne by the investor. So that lenders look at the company's risk is low and this has an impact on the cost of debt incurred by the company as the return demanded by creditors.

Furthermore, according to the results of research on hypothesis testing 2 shows that the voluntary disclosure of a significant negative effect on the cost of debt. The results are consistent with research conducted by Sengupta (1998), Mardiyah (2001), and Kurnia (2009). This shows that the average voluntary disclosure of companies sampled relatively high. In line with Signaling theory states that a company with high performance using the information contained in the financial statements and annual reports to send a signal to the market (Spence, 1973) in (Suhardjanto, 2010). Voluntary disclosure can also be a signal to the value of the company in the future. Where companies disclose information more transparent will benefit with a lower cost of borrowing compared with a company that disclosure of the information is less transparent because the company's lack of transparency is seen as more risky than a company that is more transparent (Nikolaev and Lent, 2005; Chen and Jian, 2007) in Juniarti and Agnes (2009). Thus, the higher the disclosure made by the company, it will suppress the asymmetry of information thus reducing the risk will be borne by the investor, which eventually lowers the cost of debt.

Meanwhile, for the control variables in this study are firm size showed no significant effect on the cost of debt. The results are consistent with research Juniarti and Santosa (2009) and Koesnadi (2010). This suggests that large firm size does not necessarily provide a guarantee to the lender for the loan they have given because a company can manipulate its financial statements to avoid high taxes, so that the lender less attention to firm size in determining the cost of debt.

CONCLUSION AND DISCUSSION

The results of tests performed in this study found a significant effect of institutional ownership on the cost of debt. Statistical tests support the hypothesis which states that institutional ownership negatively affect the cost of debt. The results support the results of research conducted by Bhojraj and Sengupta (2003), Robert and Yuan (2006), Piot and missionary-Piera (2007), Juniarti and Agnes (2009), and Elyasiani, Jia and Mao (2010) who found strong evidence that institutional ownership can reduce the cost of debt significantly.

Tests in this study proved that the voluntary disclosure negatively affect the cost of debt. The results support the research conducted by Sengupta (1998), Mardiyah (2001), and Kurnia (2009) which can be summed up as findings showed a significant negative correlation between voluntary disclosure to the cost of debt.

For the control variables are firm size was not found significant impact on the cost of debt. That is because the large firm size does not necessarily provide a guarantee to the lender for the loan they have given because a company can manipulate its financial statements to avoid high taxes, so that the lender less attention to firm size in determining the cost of debt.
This research can be developed by taking into account the limitations of the study and following advice that can be a reference for further research. Limitations of the study and suggestions are as follows:

1. Based on the results of statistical tests revealed that only 4.7% cost of debt variation can be explained by the institutional ownership and voluntary disclosure. These values indicate that the ability of independent variables in explaining the dependent variable is very low. Therefore, it is suggested for further research using other than the independent variables of this study.

2. Sample this research uses only manufacturing company alone. Therefore, it is suggested for further research in order to broaden the sample so that research results can be generalized.

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Sari, Maya. (2002). The influence of the level of disclosure of the cost of debt: an empirical study on the bonds listed on the Surabaya Stock Exchange. Faculty of Economics, University of Indonesia.


http://www.idx.co.id
EFFECT OF TRUST, ADS ON TV MEDIA, AND THE QUALITY OF THE WEBSITE TO CONSUMER PURCHASE DECISION ON BUKALAPAK.COM

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ABSTRACT

Along with the improvement of Internet infrastructure in Indonesia, the pattern of people using the Internet are also affected. One is the behavior of the people especially in the upper middle group who started menggandrungi shop online so that contributed to the emergence of a new online store that comes to compete in the online market industry in Indonesia. With the increasing number of online stores in Indonesia, consumers are faced with many options for shopping sites online. So that the owners of these sites are competing to win the hearts of prospective customers and make customers feel satisfaction after spending. Many factors are considered by consumers to determine the sites of confidence among consumers shopping online, ads on TV media and the quality of the website. The purpose of this research is to determine how much influence generated by the trust, ads on TV media and the quality of the website to the consumer's decision to shop online either partially or simultaneously. Metode retrieval of data in this study using questionnaires distributed to 200 respondents in Bandung, then the data obtained in a test using Multiple Regression with the variables tested is Trust (X1), Advertising in Media TV (X2), Quality Website (X3) and Consumer Purchase Decision (Y). The results of this study are the effect of trust, ads on TV media and the quality of the website on consumer purchasing decisions when shopping online either partially or jointly or simultaneously.

Keywords: Trust, ads on TV Media, Quality of the Websites, Consumer Purchase Decision

INTRODUCTION

Along with the improvement of Internet infrastructure in Indonesia, the pattern of people using the Internet are also affected. According to the Indonesian Internet Service Provider Association (APJII), by early 2016 the number of internet users in Indonesia has reached 88.1%, and 48% of them are Internet users daily. Lifestyle shown along with the growing number of Internet users in Indonesia is that they begin to like shopping online, so that e-commerce in Indonesia is growing with the proliferation. According to data released by research firm Frost & Sullivan, along with China, Indonesia is the country with market growth of e-Commerce in the world with an average growth of 17 percent annually (Reza, 2016), making it almost can be ascertained there is intense competition among ecommerce. Website Tekno.liputan6.com (2016) released the five best e-commerce in Indonesia, one of which is Bukalapak.com. Bukalapak.com was launched in early January 2010 and immediately get a response incredible community of netizens. Bukalapak.com originator is a man from Indonesia named Achmad Zaky. Success factors of e-commerce Bukalapak.com as the original from Indonesia to capture the hearts of consumers is among the vision promoted by Bukalapak.com that is more grounded because targeting SMEs and encourage everyone to start a business on their own or be entrepreneur besides their strength lies in the ability to understand and appreciate the character and nature of Indonesian consumers, both the selling and the purchase, payment systems and secure transaction for both parties that the seller and the buyer (Andrew, 2016).

According Pavlou and Geffen in Baskara and Hariyadi (2014), a very important factor that could affect the interests of purchase which can then trigger a purchase decision online by consumers is the trust factor. The trust factor is a key factor in any buying or selling online. Only customers who have confidence going through transactions over the Internet. According Jogiyanto (2007) beliefs have
a profound impact on behavior. Through action and learning process, people will gain confidence and attitude which influence buying behavior.

Success Bukalapak.com become one of the leading online marketplace in Indonesia, can not be separated from them in the way of promotion, one of which is advertising through television media. Based on the results of a survey conducted by Nielsen, Bukalapak.com including the 10 biggest advertisers online services category (Lopez, 2015). Bukalapak.com according to Bayu as Head Of Marketing Bukalapak.com through television advertising is still the right way. Because advertising through this medium can reach a wider audience, especially in regions in Indonesia, besides the TV is also great for content delivery. One ad is interesting enough to be listened to at the time welcomed HARBOLNAS (National Online Shopping Day) in 2015 was CEO Bukalapak.com Achmad Zaky apologize, if it causes the performance of the employees decreased, because the discount offered so great.

In addition to trust, ads on TV media, web Quality will also greatly influence the purchase decision and satisfaction level of users itself. The higher the quality of a website, it will be more and more users are accessing the web (Risyad 2013). This is according to research Tarin (2008) Barnes and Vidgen (2001) by using the concept of the method of measuring a website using the method WebQual with indicators of the quality of web information, quality web design as well as the quality of the use of the e - library to produce that quality of web information, quality web design as well as the quality of use affect the level of user satisfaction. Research Tarin (2008) on e-library with WebQual method also provides that a website in an academic environment will greatly affect user satisfaction when factors - factors on its main website WebQual or quality of the use of good quality.

Based on the above presentation, the researcher is interested to know whether the trust, and the quality of TV ads website at Bukalapak.com able to give effect to purchasing decision. Results from this study is expected to be the data by Bukalapak.com particular and other companies in the same field to assist in the identification of things - things related to the variables to assist in decision making.

LITERATURE REVIEW

E-commerce

E-commerce refers to the use of electronics to trade (sales, purchase, transfer, exchange of goods, services or information, including businesses such as B2B (business to business), B2C (Business to customer interactions. Delivery of products or services can occur outside the Internet (Whinston, Choi, & Stahl, 1997) in Manzoor, amir (2010) Chaffey (2007) define eCommerce as the buying and selling of goods and information through the Internet and other means between the organization and external stakeholders. Media that can be used in eCommerce activity is the world wide web internet. Continuous improvement of the services provided by the eCommerce web system will have a great influence on the level of sales and customer satisfaction (Aberg and Shahmehri, 2000)

Trust

Many experts who define trust, including:

a. Simamora (2008) belief is a descriptive thought that a person about something. Trust can be knowledge, opinions or simply believe.

b. According to Kramer in Ling et al (2010), trust is a complex statement because people do not know the motives and intentions of others.

c. Kimery and McCard in Syriac (2013) defines trust as consumers' willingness to accept vulnerability in conducting online transactions based on positive expectations about the behavior of online shopping in the future.

Dimensions of Faith According to Ling et. al (2010) are as follows:

1. Security is defined as the extent to which customers believe that the Internet is safe for them to send sensitive information to business transactions. Security plays an important role in influencing attitudes and purchase intention as having a risk of transmission of information such as credit card numbers and others.
2. Privacy is defined as keeping everything the consumer behavior during later transactions relating to the performance of the online store.
3. Reliability companies can affect consumer confidence. In the web-shopping environment most consumers assume that large companies have a better ability to enhance their online trust. It is also proposed that a company with a positive reputation boost consumer confidence.

Television ads

Nowadays organizations and companies to invest large amounts in a variety of media such as radio, magazines, newspapers, television and so on. Ansari and Jolouldar (2001) observed that television advertising positive influence on customers. In this study interesting findings came through regression analysis. Aidas models they use to conduct their research. They concluded that television advertising had a positive impact on the company's Avishan. They also revealed that customer satisfaction increased to 56 percent for television advertising. They predicted an optimistic effect on attention to television commercials advertising, favorable interest purchase, intended for the purchase desire, action on purchasing and customer satisfaction with the products purchased. (Ansari & Joloudar, 2011). Dimensional Television Ads in this research together with research conducted by Sulistiono (2012), the appeal of rent as independent variables include Advertising Creativity, Endorser, slogan, phrase rent, and Expression.

Quality Website

According to Barnes and Vidgen (Yaghobi et al., 2011 and NE Prattisy, 2014) there are three-dimensional quality of the website, namely:

a. The quality of Use, consisting of, easy to learn, easy to understand, easy to search, easy to use, very interesting, showing the form of visual fun, have a good competence, provide new experiences that delight the user perception is composed of two parts, namely perceptions about the quality of service perceived (actual) with the level of expectations (ideal).

b. Information Quality The quality of information includes such things as the information is accurate, reliable information, the information is up to date or later, the information conformed to the topic, easily understandable information. Very detailed information, and the information presented in a format appropriate design.

c. Quality Interactions quality of interaction include the ability to provide security when the transaction, has a good reputation, facilitate communication, creating an emotional feeling that is more personalized, have confidence in storing users’ personal information, create communities that are more specific, able to give confidence that the pledge is to be fulfilled

Consumer Purchase Decision

According to Drummond (2003: 68) the purchase decision is a result of a variety of options to find a solution and assess options that exist to systematically and objectively accompanied by a look at the advantages and disadvantages, while Nugroho (2003: 38) argues that the purchase decision is a process intregrasi that combining the attitudes and knowledge to evaluate several alternative options in order to obtain an option.
CONCEPTUAL FRAMEWORK

In Figure 1.1 below, we can see the framework of this study:

Figure 1 Proposed Conceptual Framework

Based on Figure 1 above, then the hypothesis in this study are:

H1: The trust has a positive influence on Consumer Purchase Decision
H2: Television Advertising positively influences on Consumer Purchase Decision
H3: Quality Website positively influences consumer Purchase Decisions.
H4: Trust, Television Advertising, and Quality Website influence Consumer Purchase Decision together

RESEARCH METHODOLOGY

Sampling Design

According to Zikmund et al. (2010: 57), the sample is a part, or parts, of a larger population. When large populations, and researchers may not learn all that there is in the population, the researcher can use samples drawn from the population. Samples from this study are part of the population that has been established by researchers. The determination of the number of samples used in this study is using a technique developed by Rescoe in Sugiyono (2011: 130), i.e., when the study will be to analyze the correlation or regression, then the number of sample members at least 10 times the variables examined in the study there are four variables consists of three independent variables (trust, television advertising and quality website) and one dependent variable (consumer purchase decisions), then the number of members of the sample $10 \times 4 = 40$. And the samples we used in this study was 200 respondents who are users of Bukalapak.com.

While the sampling technique used in this study using purposive sampling. Purposive sampling is a sampling technique with a certain considerations. (Sugiono 2011: 68). Into consideration in the sampling in this study is a prospective respondent netizen ever do shopping in Bukalapak.com.

Research Procedure

The stages of our research consists of:
1. the planning stages, comprising: identifying a problem, problem formulation, preliminary studies, the formulation of hypotheses, and the determination of sample
2. Phase of the study consisted of: gathering data using questionnaires given to respondents, validity test, reliability test and test the effect of using multiple regression and conclusions
DATA ANALYSIS

Validity test

Validity analysis used to determine how closely a test perform measuring function. Valid means the instrument can be used to measure what should be measured (Sugiyono, 2012:121). Validity is indicated by significant correlation between the score of the item in question with which the total score total score is obtained from the sum of all scores of items. The correlation between scores questions should total score significant. This is demonstrated by the size of certain statistics that correlation number. Figures correlation obtained to be greater than the critical value implied. The validity of the measurement techniques that will be used is the technique of Pearson Product Moment. Critical values defined in this study was 0.361 (n = 30). In the table below is a summary of the test results on the validity of each item questionnaire variables X1 (trust), X2 (Television ads), X3 (quality website) and Y (consumer purchase decision).

Table 1
Summary results of the test of validity of variables X1, X2, X3 and Y

<table>
<thead>
<tr>
<th>No</th>
<th>Variable</th>
<th>Question number</th>
<th>r_hitung</th>
<th>r_table</th>
<th>Validity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Trust (X1)</td>
<td>Item 1</td>
<td>0.814</td>
<td>0.361</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item 2</td>
<td>0.806</td>
<td>0.361</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item 3</td>
<td>0.794</td>
<td>0.361</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item 4</td>
<td>0.851</td>
<td>0.361</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item 5</td>
<td>0.778</td>
<td>0.361</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item 6</td>
<td>0.790</td>
<td>0.361</td>
<td>Valid</td>
</tr>
<tr>
<td>2</td>
<td>Television ads (X2)</td>
<td>Item 7</td>
<td>0.875</td>
<td>0.361</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item 8</td>
<td>0.883</td>
<td>0.361</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item 9</td>
<td>0.874</td>
<td>0.361</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item 10</td>
<td>0.881</td>
<td>0.361</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item 11</td>
<td>0.883</td>
<td>0.361</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item 12</td>
<td>0.874</td>
<td>0.361</td>
<td>Valid</td>
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<tr>
<td></td>
<td></td>
<td>Item 13</td>
<td>0.881</td>
<td>0.361</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item 14</td>
<td>0.883</td>
<td>0.361</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item 15</td>
<td>0.880</td>
<td>0.361</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item 16</td>
<td>0.879</td>
<td>0.361</td>
<td>Valid</td>
</tr>
<tr>
<td>3</td>
<td>Quality website (X3)</td>
<td>Item 17</td>
<td>0.873</td>
<td>0.361</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item 18</td>
<td>0.881</td>
<td>0.361</td>
<td>Valid</td>
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<tr>
<td></td>
<td></td>
<td>Item 19</td>
<td>0.888</td>
<td>0.361</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item 20</td>
<td>0.889</td>
<td>0.361</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item 21</td>
<td>0.906</td>
<td>0.361</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item 22</td>
<td>0.867</td>
<td>0.361</td>
<td>Valid</td>
</tr>
<tr>
<td>4</td>
<td>Consumer purchase decisions (Y)</td>
<td>Item 23</td>
<td>0.788</td>
<td>0.361</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item 24</td>
<td>0.790</td>
<td>0.361</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item 25</td>
<td>0.747</td>
<td>0.361</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item 26</td>
<td>0.751</td>
<td>0.361</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item 27</td>
<td>0.755</td>
<td>0.361</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Item 28</td>
<td>0.748</td>
<td>0.361</td>
<td>Valid</td>
</tr>
</tbody>
</table>

Source: SPSS (2016)

Based on table 1 above, it can be concluded that the test results on each item r_{hitung} of value r_{table}. Thus, all the items of the questions used in the questionnaire is valid.
Reliability test

Reliability is actually a measuring instrument for measuring a questionnaire which is an indicator of variables or constructs. A questionnaire said to be reliable or reliable if someone answers the statement is consistent or stable over time. Reliability test in this study using the statistical test Cronbach Alpha (α). According Nunnaly (1994) in Widodo (2016), a construct or a variable value said to be reliable if the Cronbach Alpha > 0.70.

Table 2

<table>
<thead>
<tr>
<th>Variable</th>
<th>Koefisien</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust (X1)</td>
<td>0.840</td>
<td>Reliabel</td>
</tr>
<tr>
<td>Television Ads (X2)</td>
<td>0.895</td>
<td>Reliabel</td>
</tr>
<tr>
<td>Quality Website (X3)</td>
<td>0.903</td>
<td>Reliabel</td>
</tr>
<tr>
<td>Consumer Purchase Decisions (Y)</td>
<td>0.745</td>
<td>Reliabel</td>
</tr>
</tbody>
</table>

Source: SPSS, 2016

Regression analysis

Regression analysis was used to process the data in this study were using multiple regression analysis, as the independent variables (independent) more than one variable. Model of multiple linear regression equation used is as follows:

\[ Y = a + b_1x_1 + b_2x_2 + b_3x_3 \]

Information:
- \( Y \) = dependent variable (the predicted value)
- \( X_1, X_2 \) and \( X_3 \) = independent variable
- \( a \) = constant \( (Y \ value 'if X_1, X_2 \ldots X_n = 0) \)
- \( b \) = regression coefficient (value increase or decrease)

a. Multiple Correlation Analysis (R)

Table 3

<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>.873*</td>
<td>.762</td>
<td>.732</td>
<td>863.80</td>
</tr>
</tbody>
</table>

a. Predictors: (Constanta), Quality website (X3), Television Ads (X2), Trust (X1)

Based on table 3 above, the value of the R of 0.873, this shows that there is a very strong relationship between the independent variables: trust (X1), TV ads (X2), and Quality Website (X3) with the dependent variable is the consumers purchase decision \( Y \).

b. Analysis of determination (R\(^2\))

Based on table 3 above the value of R Square (R\(^2\)) of 0.762 or 76.2%. This suggests that the independent variables consisting of: trust (X1), TV ads (X2), and Quality Website (X3) on dependent variable consumers purchase decisions \( Y \) 76.2%.

c. F test
This test is used to determine whether the independent variables: trust (X1), TV ads (X2), and Quality Website (X3) together significantly influence consumers purchase decisions dependent variable (Y).

Testing criteria: H4 acceptable if $F_{\text{count}} > F_{\text{tabel}}$.

In this study $F_{\text{tabel}}$ obtained amounted to 2.651 with $\alpha = 0.05$. 1.4 In the table below, we can see that the for of $F = 40.791$, it can be concluded that H4 accepted, meaning Confidence, Television Advertising, and Quality Website influence consumer purchase decisions together.

### Table 4

<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>517,450</td>
<td>3</td>
<td>172,483</td>
<td>40.791</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>828,770</td>
<td>196</td>
<td>4,228</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1346,220</td>
<td>199</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Consumers purchase decisions
b. Predictors: (Constant), quality website, trust, Television Ads

d. t test

This test is used to determine whether the independent variables: trust (X1), TV ads (X2), and Quality Website (X3) partially on the dependent variable is the purchase decision (Y).

### Table 5

<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>(Constant)</td>
<td>17,121</td>
<td>1,538</td>
<td>11,134</td>
<td>.000</td>
</tr>
<tr>
<td>Trust</td>
<td>.764</td>
<td>.159</td>
<td>.330</td>
<td>5.457</td>
</tr>
<tr>
<td>Television ads</td>
<td>.544</td>
<td>.102</td>
<td>.398</td>
<td>5.323</td>
</tr>
<tr>
<td>Quality Website</td>
<td>.762</td>
<td>.158</td>
<td>.323</td>
<td>4.809</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Consumer purchase decisions

Testing criteria: H1 accepted if $t_{\text{count}} > t_{\text{table}}$.

In this study $t_{\text{tabel}}$ obtained amounted to 1.972 with $\alpha = 0.05$. 1.5 In the table above, we can see that for $t$ to trust = 5.457, it can be concluded H1 accepted, meaning that trust has a positive influence on consumer purchase decisions.

Testing criteria: H2 acceptable if $t_{\text{count}} > t_{\text{table}}$.

In this study $t_{\text{tabel}}$ obtained amounted to 1.972 with $\alpha = 0.05$. 1.5 In the table above, we can see that for $t$ on television advertising = 5.323, it can be concluded H2 accepted, meaning Television Advertising positively influences consumer purchase decisions.

Testing criteria: H3 acceptable if $t_{\text{count}} > t_{\text{table}}$.

In this study $t_{\text{tabel}}$ obtained amounted to 1.972 with $\alpha = 0.05$. 1.5 In the table above, we can see that for $t$ for quality website = 4.809, it can be concluded H3 accepted, meaning Website Quality positively influences consumer purchase decisions.
DISCUSSION AND CONCLUSIONS

Based on the results of research data processing, variable trust, television ads, and Quality Website may influence consumer purchase decisions Bukalapak.com either simultaneously or together 76.2%. Partially, it means only with confidence, Bukalapak.com consumer can make purchasing decisions on products Bukalapak.com, where the dimensions that became the benchmark is a security which is defined as the extent to which customers believe that the Internet is safe for them to send sensitive information to business transactions. Privacy is defined as keeping everything the consumer behavior during the transaction which is then related to the performance and reliability of the online store Bukalapak.com could affect consumer confidence Bukalapak.com. The next variable, just by looking at the television media Bukalapak.com Ads with indicators of Advertising Creativity, Endorser, slogan, phrase rent, and Expression may also affect consumers Bukalapak.com to make purchases of products, as well only with the quality of the website is able to make a purchase. The quality of the website is seen from the quality of use, which consists of, easy to learn, easy to understand, easy to search, easy to use, very interesting, showing the form of visual fun, have a good competence, providing a new and wonderful experience user perceptions comprises of two parts, namely the perception of service quality perceived (actual) with the level of expectations (ideal). The quality information includes such things as the information is accurate, reliable information, the information is up to date or later, the information conformed to the topic, easily understandable information. Very detailed information, and the information presented in a format appropriate design. Quality Interactions quality of interaction include the ability to provide security when the transaction, has a good reputation, facilitate communication, creating an emotional feeling that is more personalized, have confidence in storing users' personal information, create communities that are more specific, able to give confidence that the pledge is to be fulfilled.

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