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The 1ˢᵗ International Forum On Business And Economy – IFBE 2019
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FOREWORD

The papers contained in this proceeding are taken from the "**The 1st International Forum On Business And Economy – IFBE 2019**". Keynote speakers and authors of selected oral were invited to submit a manuscript for publication. The manuscripts were reviewed by the blind reviewers, and members of the editorial boards. The papers fulfill acceptable standard of scientific publication. The Steering Committee appreciates the contributions of all editors and reviewers in improving the quality of this proceeding.

In particular, I wish to express my warmest appreciation to the following people: Our distinguished keynote speaker, Dr. Arlyana Abubakar as Director, Bank of Indonesia. Prof. Dr. Raja Rasiah (University of Malaya), Abdy Taminsyah (President of MonsoonSIM) and Prof. Dr. M. Handry Imansyah, MAM (Regional Economist).

Banjarmasin, November 2019
Chairman,

Prof. Dr. M. Handry Imansyah, MAM

CONTENT

THE RICE FIELD LAND PRODUCTIVITY IN FULFILLMENT OF RICE POPULATION IN THE DISTRICT WONOSOBO, CENTRAL JAVA

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Abstract: This study aims to determine the amount of rice production in Wonosobo Regency year 2010- 2017, and to find out the level of productivity of rice fields. The initial idea of this study is due to the increasing population in Wonosobo District from 2010-2017 which led to the conversion of rice fields to village. This issue will reduce the resources of agricultural land for rice production. This study uses a descriptive method with a quantitative approach. Moreover, the data in this study is secondary data which are obtained from BPS Wonosobo Regency. The data are analyzed by using Microsoft Excel in a way of comparing the demand and the supply. To find out the level of productivity of rice fields, this study uses the carrying capacity of agricultural land formula. Based on the results of analysis, it is found that there are two things can be calculated. From side of demand, the rice needs in 2017 can be calculated based on the population and physical consumption figures of 97939,61223 tons. Meanwhile, the results of calculations in terms of availability or production of rice in the Wonosobo Regency in 2017 amounted to 11197.69707 tons. Therefore, if we compare the needs with availability, Wonosobo Regency has a deficit which means that the number of rice needs in the Wonosobo Regency in 2017 is below the demand or demand rate. Furthermore, from the productivity level of rice fields in 2017 based on rice production or availability, it shows that Wonosobo Regency has a deficit with availability of 0.014279007 tons. This figure is below the minimum physical consumption figure of Wonosobo Regency population of 0.124 or equivalent to 342 gr/person/day. The productivity based on the carrying capacity of agricultural land also experiences deficit. The indication value of 0.0000001458, less than 1 (a <1) which means that the Wonosobo Regency is no longer capable of food self-sufficiency.

Keywords: *Productivity, Rice Fields, Rice Production, Rice Needs*

THE IMPLEMENTATION OF INVESTMENT DECISION IN CAPITAL MARKET TO THE LABORATORY OF FINANCIAL AND THE STUDY PROGRAM MANAGEMENT OF CAPITAL MARKET

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Abstract: This research is conducted to look back at investment decisions made by the academic community includes lecturers, employees, and students within the Management Study Program UPN "Veteran" Yogyakarta. The existence of the Financial and Capital Market Laboratory is expected to make it easier for lecturers, employees and students to invest in the form of share ownership. The test is conducted by multiple regression test. It was done by testing the factors of *Neutral Information, Accounting Information, Classic, Social Relevance, Advocate Recommendation, Personal Financial Need.*

Keyword: *The Financial And Capital Market Laboratory, Conducted By Lecturers, Employees And Students*

THE CONTINGENCY BASED ON TOURISM VILLAGE MANAGERIAL: THE PROPOSED DEVELOPMENT OF *ECO-VILLAGE TOURISM* IN BANTUL REGENCY

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Abstract: This research aims to review the theoretical study of contingency theory and the concept of entrepreneurship, in the context of submitting research prepositions about antecedent factors and the consequences of management patterns of *eco-village tourism.* The observation is planned to be carried out using a sample of 11 tourist villages in Bantul Regency. Moreover, the data collection is carried out by in-depth interview techniques with 25 research participants including community leaders, business people and government officials who manage Small and Medium Enterprises (SME). This paper explores more detailed about the external and internal environmental factors which have significant influence on the managerial pattern of eco-friendly tourism villages. The managerial pattern dimensions include the intensity of innovation, pro-active behavior and business agility. These dimensions are also predicted to determine the success of the management of environmentally friendly tourism villages.

Keywords: *Managerial Pattern, Eco-Village Tourism, External and internal environment, The Success of eco-village tourism, Bantul Regency*.

SCHOOL CHARACTERISTICS, SKILL COMPETENCY, SCHOOL IMAGES, AND PARENTS' SOCIAL CLASSES IN AFFECTING STUDENT'S DECISIONS TO CHOOSE MIDDLE VOCATIONAL SCHOOLS IN PALANGKA RAYA, CENTRAL KALIMANTAN

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Abstract: This study aims to measure and analyze the effects of school characteristics, skill competences, vocational school images, and parents' sosial classes on the students' preference in selecting the Vocational Middle Schools in in Palangka Raya. This study uses a descriptive quantitative method. The population of this study is the Tenth Graders of Vocational Middle Schools in Palangka Raya, specifically in SMK Negeri 1 Palangka Raya, SMK Negeri 2 Palangka Raya, and SMK Negeri 3 Palangka Raya. To determine the number of samples, Slovin Formula is applied. The data collection methods are obtained by interviewing the entitled and authorized parties. These parties provided the data in the way of giving and distributing the questioners to the respondents (acted as the samples). The respondents are people who answered those questions. The documentation is conducted by collecting and studying the data relating to this study. The data verify the assumptions, and that data were analyzed with Descriptive Analysis, Factor Analysis, and Multiple Regression Analysis.
From the result of the Descriptive Analysis, it has been concluded that the variables of the school characteristics, the vocational skills offered, the school image, and the parents' social classes are the important factors in students' preference to continue their study in the vocational high school in Palangka Raya, Central Kalimantan. Thus, based on analyzing the confirmatory factors, each question indicator of variables is valid and reliable. Indicators of of each factor are accurate to measure those variables. The Multiple Regression Analysis indicates that the school characteristics, the vocational skills offered, the school images, and the parents' social classes affect simultaneously on the students' preference in selecting the Vocational High School. This result are taken from the F-test. Futhermore, the value of the determination coefficient shows that about 54.50% of total variation of students' preference can be accounted by four variables. Moreover, the *t*-test result indicates partially that the variables of the school images and the vocational skills are significantly positive to influence the

students' preference in selecting the vocational school. In this term, the variable of the school image is more dominant. However, the school characteristics and the parents's social classes do not significantly affect on the students' preference to select the vocational school in Palangka Raya, Central Kalimantan.

Keywords: *School Characteristics, Skill Competency, School Image, Parents' Social Classes and Students' Preference*

INTELLECTUAL CAPITAL AND BUSINESS PERFORMANCE (STUDY IN SASIRANGAN SME)

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Abstract: This study aims to analyze the effect of *Intellectual Capital* on business performance of Sasirangan SME in Banjarmasin City. The *Intellectual Capital* in this study consists of *Human Capital*, *Structural Capital, and Customer Capital* contained in a business company. This study is a type of causal research that aims to get evidence about causal relationships. Also, this study is carried out by using a quantitative approach. The population in this study is all Sasirangan SMEs in Banjarmasin City. According to Roscoe (1975) in Uma Sekaran (2006) the minimum number of samples in correlational research to obtain good results is between 30 to 500. Thus, the number of samples which are used in this study are 40 Sasirangan SMEs in Banjarmasin. The sampling is done based on purposive sampling with the criteria of Sasirangan SMEs which has been older than one year. The result shows that Human Capital and Structural Capital have positive effect on the performance of Sasirangan SMEs in Banjarmasin. On the other hand, Customer Capital does not have effect on Sasirangan SMEs.

Keywords: *Small and Medium Enterprises, Intellectual Capital, Human Capital, Structural Capital and Customer Capital.*

THE DEVELOPMENT OF VILLAGE ECONOMIC POTENTIAL: VILLAGE COOPERATIVE VERSUS VILLAGE BUSINESS UNIT (BUMDES)

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**Abstract*:* The independent village has become an ideal village for people living in the village. The Village Law No.6 in 2014 has brought a breath of fresh air to the village. The development of an independent village not only can be realized by using the budget from APBD, but also the budget from Ministry of Village (APBN). Creating a good village governance is a must for villages to realize autonomous, accountable and transparent management of village funds. The use of village funds is realized by creating a village business unit in the form of a Village Cooperative (Koperasi) and Village Business Unit (Bumdes). It aims to improve the welfare of the village community; thus, the village independence can be achieved. The formation of village cooperatives and community service units as business units are expected to increase the economic resources of the community in the village. This research uses the method of literature study and discussion. These method were conducted by describing the topic in a related way with Village Business Units (Village Cooperatives and Bumdes). The results of this study indicate that village cooperatives have not maximized the benefits for village development. It is because only the members of cooperatives who take benefit from the existence of cooperative. To reduce the weaknesses of village cooperatives, there are

alternatives to establish Village Unit Business Entities (BUMDes) as a place for various business units of villages. They are: diminishing business units, village markets, village tourism. Moreover, it is also can be done by merging Village Cooperatives and BUMDes. However, the success of BUMDes requires the participation of all village communities, so that the economy of the community in the village can improve and become an independent village.

Keywords*: village cooperatives (Koperasi), village unit business entities (BUMDes), independent village*

THE EFFECT OF INFORMATION SHARING ON SUPPLY CHAIN PERFORMANCE MEDIATED BY COMPANY RELATIONSHIP (Study at Batik SMEs in Yogyakarta City)

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Abstract: Entering the era of globalization, economic shifts and market trends are increasingly fast and difficult to predict. The role of information as the main ingredient of decision making in companies becomes important. This study aims to determine the effect of information sharing (IS) on supply chain performance (SCP) which is mediated by the company relationship (CR). The survey was conducted through distributing questionnaires to 48 samples of batik SMEs in Yogyakarta city selected by simple random sampling method. Then, the data were analyzed using path analysis with SPSS 15. The results of the study found a significant positive effect of IS on SCP indicated by the correlation coefficient (R) of 0.374 and t count> t table at a significance level of 5% (4,976> 2,014). The significant positive effect of IS on CR is shown by the value of the correlation coefficient (R) of 0.453 and the value of t count> t table at the significance level of 5% (4.540> 2.014). The significant positive effect of CR on SCP is shown by the value of the correlation coefficient (R) of 0.360 and the value of t count> t table at the significance level of 5% (3.896> 2.014). Finally, the significant positive effect of IS on the SCP which is mediated by CR is shown by the sum of the coefficients of 0.537 then tested using the sobel test and produces z count> t table at a significance level of 5% (3.078> 2.014). This research contributes to the development and theoretical application, especially in the field of operational management.

Keywords: *Information Sharing, Supply Chain Performance, and Company relationship*

ASSESSING READINESS TO DEVELOP HALAL TOURISM IN SOUTH KALIMANTAN, INDONESIA

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Abstract: The halal tourism industry has grown rapidly in recent years throughout the world. This motivates many countries to develop their potential to attract as many tourists as possible. Being the biggest Muslim country worldwide, Indonesia has great potential for this halal tourism industry. Unfortunately, this potential has not been developed evenly in many provinces of the country. Therefore, the purpose of this study is to assess readiness to develop the province of South Kalimantan as a favorite halal tourism destination in Indonesia. The study was conducted with qualitative and quantitative approaches using observation and survey methods. The findings show that South Kalimantan has great potential and promising prospects for developing the halal tourism industry and attracting domestic and foreign visitors. It is because South Kalimantan has Muslim

population, strong Islamic heritage and rich cultural traditions as well as beautiful natural panorama. However, this province has several shortcomings in developing halal tourism mainly due to the limited facilities and the infrastructure to support tourism and a lack of cleanliness, tourism innovation, and promotion.

Keywords: *halal tourism, readiness, tourist destination, Islamic heritage, visitor*

THE EFFECT OF INFLATION, BANK INDONESIA INTEREST RATE AND RUPIAH EXCHANGE RATE ON MARGIN MURABAHAH REVENUE AT BNI SYARIAH

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Abstract: This study aims to explain the effect of inflation, Bank Indonesia interest rates and the Rupiah exchange rate on murabahah margin income at BNI Syariah. The data used in this study are secondary data which are accessed directly from the BNI Syariah official website, namely monthly financial statements from the span of April 2015 to December 2018. The analysis technique used is multiple linear regression analysis. Simultaneous test results show that inflation, Bank Indonesia interest rates and the Rupiah exchange rate affect murabahah margin income. As for the partial test results (T-Test), the inflation variable does not significantly influence murabahah margin income. Meanwhile, Bank Indonesia interest rates and Rupiah exchange rates have significant effects on murabahah margin income.

Keywords: *inflation, Bank Indonesia interest rates, Rupiah exchange rates, murabahah margin income, BNI Syariah*

KALIMANTAN MAJOR AIRPORT FOOD & BEVERAGE OUTLETS: PROFIT-DRIVEN OR PUBLIC SERVICE-DRIVEN?

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Abstract: This research embarks on the authors experience and public grievance on costly food and beverage sold by Food and Beverage outlets in Kalimantan Major (KM) Airport. Even for urbanites, price offered by the outlets is noticeably expensive than those sold in the down-town outlets. Moreover, the price is more expensive for countryside people. The research aims to know and understand the reason of rent cost determination as the main contributor which causes Food and Beverage to become expensive. The qualitative approach is used to understand this case more clearly with the strategy of case study research. On-site observation revealed that most tenants won the bidding of food and beverage outlets are established entrepreneurs. They have strategic information on business prospects in KM Airport, chain business entities who have nationally and internationally network. Ordinary entrepreneurs who become the tenants of food and beverage outlets is rare because of the high cost rent offered. It is not surprise that the tenants will give the high cost on customers. These circumstances have caused KM Airport, owned by state, seems loses its direction to maintain the equilibrium between the public-service entity and profit-oriented entity. For example, the absence of drinking fountain has forced the airport users to buy water in the outlet which have double pricce. KM Airport also does not set the structure or the percentage of the tenants, from categories: micro / small, established, national chain and international chain entities. It is hardly to find a balanced model

of profit driven business without affirmative policy. Meanwhile, at the same time it has strong commitment to serve its customers with public service standards and affordable prices of food and beverage. The contribution of this study is to offer a balanced model of business in the context of airports operated in developing countries where its users come from multiple strata.

Keywords: *airport, public service, profit driven, balanced model*

THE EFFECT OF PERCEIVED WORK VALUE, PERCEIVED WORK ENVIRONMENT AND PAY SATISFACTION ON TURNOVER INTENTION (STUDY AT MILLENNIALS GENERATION IN PT ADARO INDONESIA TANJUNG TABALONG KALIMANTAN SELATAN)

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Abstract: This research aims to analyze the effect of perceived work value, perceived work environment and pay satisfaction on turnover intention. The research can be considered as an explanatory causality study. The population in this study is 328 permanent employees at the staff level who were born in 1980-2000. The stratified random sampling is used as a sampling technique in this research. The sample size is 180 employees which is distributed by proportional sampling. Descriptive statistic and multiple regression are used as data analysis technique. T- Test is used to test the hypothesis at 95% confidence level. This research concluds that there are negative significant partial effects of perceived work value, perceived work environment and pay satisfaction on turnover intention.

Keywords: *perceived, work value, work environment, pay satisfaction, turnover intention*

THE EFFECT ORIGINAL LOCAL REVENUE (PAD) AND GENERAL ALLOCATION FUND (DAU) ON LOCAL EXPENDITURE (BD) AND FLYPAPER EFFECT PHENOMENON IN REGENCIES / CITIES IN SOUTH KALIMANTAN PROVINCE.

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Abstract: The background of this research is the implementation of fiscal decentralization by giving authority to manage the regions and manage regional finances independently. This implementation will make the regions be more independent to look for regional revenue resources and reduce dependence on the allocation of funds from the center of government. There two objectives in this research. First, to find out the effect of Original Local Revenue (PAD) and the General Allocation Fund (DAU) on Local Expenditure (BD) which are obtained simultaneously or partially in the Regency / City of South Kalimantan Province. Second objective is to test and analyze whether the flypaper effect occurs in the Regencies / Cities of South Kalimantan Province. This study uses panel data covering 13 districts / cities in South Kalimantan and the observation period of 2004 - 2017. The data analysis techniques uses panel data regression. Meanwhile, the Chow test and Hausman test aim to determine the best model. The result of this research shows that the best model is Random Effect Model (REM). It is based on the Chow test and the Hausman test. The first hypothesis of REM model states that the General Allocation Funds have effects on Local Expenditures.. Furthermore, partially the Local Original Revenue and General Allocation Funds significantly influences Local Expenditures can be received. The flypaper effect occurs in the Regency / City of South Kalimantan Province. It can be seen from the magnitude of the coefficient of the General Allocation Fund which is compared

to the Original Local Revenue. Thus, it detects waste due to the fact that the General Allocation Fund is sourced from the central allocation, which means the region is not independent.

THE ANALYSIS OF SINGLE CURRENCY IMPLEMENTATION IN ASEAN+3

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Abstract: The objective of this research is to analyse the feasibility of implementing single currency policy in ASEAN+3 countries based on annual data from 1993 to 2017. In this research, the panel data is analysed using Pooled Least Square regression model. Moving Average forecasting method is used to predict optimum currency area indices of ASEAN+3 in the period of 2018 to 2022. The result shows that (1) ASEAN+3 region is not ready to implement single currency policy because of an increasing trend of asymmetric shock, lack of business cycle synchronization, and differences in production structure, trade relations, and economy size among ASEAN+3 countries. (2) There are four converged country pairs which mean higher feasibility of forming optimum currency area for the four country pairs; Brunei Darussalam and Singapore have the most symmetrical foreign exchange volatility among the other country pairs.

*Keywords***:** *single currency*, *optimum currency area, ASEAN+3*
(JEL: E00, F30, O53)

BACKGROUND

Optimum currency area is one last step towards regional economic integration in financial sector, after the integration in both trade and labor. The formation of common union and free trade area can help to strengthen and encourage countries in moving towards optimum currency area in the future. This form of financial integration is the result of liberalization of both goods market and capital market (Kusuma and Putranto, 2010).

Optimum currency area (OCA) was discussed for the first time by Mundell (1961) who explained that crisis in balance of payment will increase the international economic system facilities as long as the exchange rate, wages, and price level. They are all fixed to prevent the fulfillment of Terms of Trade in the process of readjusting. In his research, Mundell stated that flexible exchange rate is the correct regime to adopt in modern economies. It is because some aspects of modern economy were developed based on flexible exchange rate regime such as price system, exchange rate, speculation, creditor and debtor protection, and wages), but flexible exchange rate can only work in regional currencies which are part of national sovereignty. It can be said that stability issues in regards of labor movements and capital can only be solved with fixed exchange rate. Moreover, Rose (2000) stated that countries which adopted fixed exchange rate regime are three times more likely to trade with each other compared to the countries which adopted flexible exchange rate. Therefore, if ASEAN satisfy the conditions to form a currency union, we can expect a growth in the economies of all the member.

LITERATURE REVIEW

The formation of Optimum currency area has been done by several European countries which are the members of European Union (EU). European Union initiated a monetary union called European Monetary System (EMS) in 1979. It has become part of the highest monetary integration within the members of the EU. Furthermore, the EU has successfully established European Economic Community (EEC) in 1 January 1958, with 28 member countries. This step became an important step towards establishing a currency area with Euro as the single currency, and European Central Bank (ECB) as the common central bank for the member countries. Rose (2000) stated that a pair of countries which are part of a currency union have one hundred percent higher trade flows compared to the countries which are not members of the currency union. Therefore, the results of this study

support that the adoption of Euro can stimulate trade between currency union members. This triggered the formation of other currency areas, such as East African Community, West African Monetary Zone, Bolivarian Alliance for the American (Latin America), Cooperation Council for the Arab State of the Gulf, SAFTA (South Asia), and ASEAN+3 (ASEAN and East Asia).

The 1997 exchange rate crisis and the Asian monetary crisis were the beginning of strengthening and expanding cooperation in finance in ASEAN and East Asia. Then, it opens up the greater desires and opportunities for Asia to carry out monetary integration in forming a currency area to increase the stability of the regional exchange rate (Kusuma et al, 2013). Before the Asian crisis in 1997-1998, ASEAN economic performance was quite good. GDP growth of ASEAN countries (Indonesia, Malaysia, the Philippines, Singapore, and Thailand) has been growing annually reaching an average of 8 percent in a period of 10 years (Siswanto, 2007: 156). Economic growth in ASEAN+3 countries has decreased and decelerated until the crisis occurred. Indonesia, Thailand and Malaysia are the countries that experienced a decline: up to 13 percent for Indonesia, 10.51 percent for Thailand, and 7.35 percent for Malaysia. Meanwhile, for developing countries such Singapore and East Asia, they also experienced a decline. South Korea and Singapore experienced negative economic growth, although it is not as big as Indonesia, Thailand and Malaysia.

The formation of OCA and the establishment of a single currency can be concluded as the next step in completing the integration of ASEAN+3 economies. It is a form of strategic framework to encourage economic growth in the ASEAN region and East Asia, so that it can face the challenges of economic globalization and subsequent crises.

Therefore, the main objective of this research is to find out whether it is feasible to establish a common currency in ASEAN+3 countries.

DATA AND METHOD

This study uses a quantitative approach by performing mathematical and econometric calculations. The results of calculation will be be interpreted as explanation and support for the conclusions of this study. The type of data used in this study is secondary data from ASEAN+3 member countries (Indonesia, Singapore, Malaysia, Thailand, Philippines, Myanmar, Laos, Cambodia, Brunei Darussalam, Vietnam, China, South Korea, and Japan) with sample periods of the Year 1993-2017.

The data were analyzed by using the optimum currency area index equation based on Bayoumi and Eichengreen (1996) minus DISSIM variables. The equation can be seen as follows:

$$SD(e)_{ij} = \beta 0 + \beta 1 SD(\Delta Y_i - \Delta Y_j) + \beta 2 TRADE + \beta 3 SIZE$$

$SD(e)_{ij}$ is the standard deviation of changes in the logarithm of the exchange rate between country i and country j. This variable measures the volatility of the nominal bilateral exchange rate between two pairs of countries.

$$SD(e)_{ij} = SDlog\ e^{t}_{ij}$$

In calculating this variable, author faced several obstacles in obtaining bilateral exchange rate data between several countries. To meet the data requirements for this research, the triangular arbitrage technique is used. Triangular arbitrage technique is a technique that utilizes the opportunity of arbitrage generated by the price difference between the three currencies in the exchange rate market. The following formula is used in calculating triangular arbitrage:

$$Sa/\$ = Sa/b\ Sb/\$$$

Sa/$ is the exchange rate between the US dollar and the currency of country a.
Sa/b is the exchange rate between the currency of country a and the currency of country b.

Sb/$ is the exchange rate between the US dollar and the currency of country b.

SD(ΔYi - ΔYj) is the standard deviation of the difference between the real output logarithm between state i and state j. This variable describes asymmetric shocks at the national level.

$$SD(\Delta yi - \Delta yj) = \| SDlog \frac{GDP^t_i}{GDPt-_1} - SDlog \frac{GDP^t_j}{GDPtj-_1} \|$$

TRADEij is the average of the ratio of bilateral exports to domestic GDP between country i and country j. This variable is a proxy for the intensity of trade relations between two pairs of countries.

$$TRADEij = (\frac{EXP^{tj}i + EXP^{tj}j}{NGDP^t_i})$$

SIZEij is the average of the logarithm of the ratio of GDP between country i and country j measured in US Dollars. This variable measures the size of the economy and assesses the utility of maintaining the national currency.

$$SIZEij = Average \left(\frac{GDP^t_i}{GDP^t_j} \right)$$

The countries that experience high symmetric shocks or trade relations tend to have stable exchange rates. In other words, the more OCA criteria are met among member countries, the lower the exchange rate variability between these countries should be.

Then, data from the dependent variable in this study is projected by using Moving Average forecasting techniques. This techniques has function to find out the possibility of convergence of ASEAN+3 countries for the 2018-2022 time period.

RESULTS AND DISCUSSIONS

In this study, there are four OCA criterion proxy variables. They are SD (eij) which illustrates the volatility of bilateral nominal exchange rates, SD(yi- yj) which describes asymmetric shocks at the national level, TRADEij is a proxy of the intensity of trade relations between countries i and country j, and SIZEij which describes the economic size of the two pairs of countries and measure the states' utility in maintaining their national currencies.

Table 4.1 illustrates the exchange rate volatility of ASEAN+3 member countries per 5-year period. From the following table, it can be seen that the volatility of the ASEAN+3 exchange rates is generally high, especially when it is compared to the volatility of the exchange rate in the eurozone. This result can be seen in Table 4.2.

The volatility of ASEAN+3 exchange rates is 0.385 in Period 4 (2008-2012). It is particularly high because of the impact of the 2007-2008 international monetary crisis. This crisis continued until 2012 and impacts the various countries experiencing recession. Although ASEAN+3 countries still experienced GDP growth during this crisis period generally, the impact of the crisis can still be seen in Asian countries, resulting in lower GDP growth, low equity prices in Asia, increased national debt of Asian countries, and increased volatility in value exchange rates in the region (Filardo, 2011).

Moreover, there was a slight increase in the volatility of ASEAN+3 exchange rates in Period 2 (1998-2002) of 0,124 compared to the previous period (0,103). Similar to the increase in exchange rate volatility in Period 4, the increase in Period 2 can also be explained by the 1997-1998 Asian crisis phenomenon. According to Binhadi and Firmansyah (2007), the 1997-1998 crisis had a major impact on the situation and stability of countries in Asia. It includes the weak exchange rates of ASEAN+3 countries against the US Dollar which subsequently resulted in changes in exchange rate regimes in several ASEAN countries +3. Indonesia, Thailand, Singapore, the Philippines, and South Korea changed their respective currency policy to floating exchange rate. Malaysia changed its currency to be directly pegged with US Dollar, while others adopt independent or regulated currencies. It explains the volatility of currencies in Period 2.

Table 4.1
Volatility of ASEAN+3 Exchange Rates based on Annual Data

Volatility of ASEAN+3 Exchange Rate	
Period 1 (1993-1997)	0,103
Period 2 (1998-2002)	0,124
Period 3 (2003-2007)	0,056
Period 4 (2008-2012)	0,385
Period 5 (2013-2017)	0,064

Note: "Volatility" in this table is the average of the standard deviation of changes in the logarithm of bilateral exchange rates which is based on annual data.
Source: Own calculations based on exchange rate data

Table 4.2
Exchange Rates Volatility of Euro's Based on Annual Data

Volatility Exchange Rates of Euro's European Countries	
1989-1993	0,082
1994-1998	0,048

Note: "Volatility" in this table is the average of the standard deviation of changes in the logarithm of bilateral exchange rates which is based on annual data.
Source: Komarek et al (2003)

One of the OCA criteria is symmetry of shocks as illustrated in Table 4.3. If the business cycle between the two countries is fully synchronized, then the value of this variable is zero (0). It can be seen that the shock symmetry between the pairs of ASEAN+3 countries is quite symmetrical. The pairing of Brunei Darussalam-Indonesia and Malaysia-Indonesia has the most symmetrical symmetry of shock.

OCA Index

The optimum currency area index (OCA Index) illustrates the logarithmic changes of the exchange rates of two countries in pairs (bilateral exchange rates). Bangake (2007) explains that the currency volatility positively impacts the business cycles and differences in export structure. It is in accordance with the requirements for the formation of an optimum currency area, where there is a need for common business cycles. If the countries in the region have the same business cycle, it can form a currency area due to the same policy in resolving the problem of imbalance.

OCA theory also tries to provide an answer to the question of which exchange rate regime is appropriate for a pair of countries to use. The exchange rate which will be chosen is based on their individual economic characteristics. Even though OCA theory only distinguishes between pure floating exchange rates and fixed exchange rates without considering economic characteristics, it

looks like a country adopts something that is between the spectrum of the two exchange rate regimes. It indicates that OCA theory does not actually have operational precision for short-term decision making. It is more likely to be a theory for the long term. Goldberg (1999) argues that OCA theory is not really suitable for use in analyzing countries with transition economies, due to factors of stabilization and transition problems. In analyzing countries with transition economies, people need to consider the specific characteristics of these countries.

However, OCA theory can be used to monitor the fulfillment of OCA criteria over time. It is also used to understand how OCA criteria significantly influence exchange rate volatility. Here are the results of the regression estimation using the Common Effect or Pooled Least Square OCA index equation:

$$SD(e)_{ij} = 0.254 - 0.57\ SD(\Delta Y_i - \Delta Y_j) + 0.003\ TRADE_{ij} - 0.002\ SIZE_{ij}$$
$$(0.396) \quad (0.128) \qquad\qquad (0.702) \qquad\quad (0.000)$$

This study had total of 377 observations with R-squared model of 0.25, standard error of regression of 0.32, and the probability of F test of 0.0000. The estimation results show that the OCA Index model for ASEAN+3 can explain changes in the dependent variable by 25 percent. In this study, there is only one of three independent variables which has significant effect on the dependent variable, namely TRADE (the ratio of bilateral exports to GDP). The other two variables which do not significantly affect the dependent variable are SD (ΔY_i - ΔY_j) and SIZE variables. This is in a line with Goldberg's (1999) argument said that the OCA index is considered to be unsuitable for analyzing countries with a transition economy. The insignificance of these two variables is caused by the varying economic levels of ASEAN+3 countries. Some of them are developing (transition) countries, and the others are developed countries (Japan, South Korea, Singapore). The large economic disparity between ASEAN+3 countries has caused these two proxy variables to be insignificant.

A positive value of 0.254 in the regression result shows that asymmetric shocks in the ASEAN+3 region are increasing. In the research of Bayoumi and Eichengreen (1996), it is explained that integration must increase its symmetrical shocks to become a support the formation of a single currency. This is an indication that increasing asymmetric shocks in the ASEAN+3 region could pose a threat to the formation of a single currency in the region.

Table 4.3
Symmetry of Shocks between ASEAN+3 Countries (1993-2017)

	BRN	CHN	IDN	JPN	KHM	KOR	LAO	MMR	MYS	PHL	SGP	THA	VNM
BRN		0,26	0,05	0,45	0,24	0,42	0,64	0,27	0,27	0,32	0,19	0,38	0,36
CHN			0,62	0,19	0,36	0,18	0,07	0,33	0,34	0,28	0,42	0,21	0,27
IDN				0,24	0,10	0,19	0,41	0,07	0,05	0,10	0,08	0,17	0,48
JPN					0,26	0,44	0,66	0,29	0,28	0,34	0,21	0,41	0,24
KHM						0,11	0,21	0,21	0,21	0,17	0,28	0,13	0,19
KOR							0,40	0,06	0,08	0,09	0,08	0,15	0,23
LAO								0,16	0,16	0,11	0,25	0,06	0,37
MMR									0,39	0,33	0,46	0,26	0,04
MYS										0,06	0,10	0,12	0,08
PHL											0,09	0,14	0,14
SGP												0,08	0,21
THA													0,21
VNM													

Source: Own calculations
Note: "Symmetry of shocks" in this table is the average of the standard deviation changes in bilateral logarithmic exchange rates based on annual data.

A negative value on output disruption or business cycle (SD (ΔYi - ΔYj)) shows that ASEAN+3 has less synchronous business cycle. It can be an obstacle in implementing a single currency for the ASEAN+3 region. A synchronous business cycle means that each country's business cycle is the same as the region, and it continues to be sustainable until it has a large business cycle correlation. This issue encourages the formation of financial integration. According to Alvarado (2014), a negative value in this case indicates the existence of asymmetric structure of production within the member countries. Therefore, the business cycle correlation is small, and it will hamper the process of establishing an optimum currency area for ASEAN+3 countries.

A positive value on the TRADE variable (trade relations) in the ASEAN+3 region indicates that there is a specialization of production among countries in the ASEAN+3 region. It gives improvement to the potential for asymmetrical shocks and greater differences in exchange rates. If the trade relationship is negative, it indicates an increase in trade is more homogeneous;thus, the business cycle is more harmonious, and the nominal exchange rate becomes more stable (Spanikova, 2006).

The SIZE variable which describes the economic size in this study shows a negative value. It indicates that the size of a country in the ASEAN+3 region will not matter in regards to receiving greater benefits from the payment system and storage system of a single currency (Spanikova, 2006).

By using Bayoumi and Eichengreen's (1996) model of testing, the formation of optimum currency areas through index values is tested. Then, the index value is determined by changing the value of the domestic currencies of two countries. By using forecasting methods, if the result shows a minimum value, the country can be ready to form currency area. Index values are further grouped into three types, namely convergence (already in a convergent state), convergence (towards convergent stages), and non-convergence (do not have exchange rate closeness and are not ready to form the optimum currency area).

Table 4.4
ASEAN+3 OCA Index (2018-2022)

	BRN	CHN	IDN	JPN	KHM	KOR	LAO	MMR	MYS	PHL	SGP	THA	VNM
BRN		0,03	0,05	0,05	0,05	0,04	0,03	1,14	0,05	0,03	0,00	0,02	0,1
CHN			0,07	0,08	0,04	0,05	0,2	1,14	0,07	0,03	0,03	0,03	0,09
IDN				0,07	0,08	0,07	0,07	1,04	0,04	0,06	0,05	0,04	0,12
JPN					0,09	0,09	0,07	1,15	0,09	0,08	0,05	0,06	0,14
KHM						0,04	0,02	1,14	0,11	0,05	0,05	0,05	0,07
KOR							0,05	1,13	0,08	0,04	0,04	0,04	0,08
LAO								1,14	0,08	0,04	0,04	0,03	0,08
MMR									1,1	1,12	1,14	1,13	1,19
MYS										0,05	0,06	0,05	0,14
PHL											0,04	0,04	0,09
SGP												0,02	0,1
THA													0,09
VNM													

Source: Own calculations, 2019
Note: BRN-Brunei Darussalam, CHN-China, JPN-Japan, KHM-Cambodia, KOR-South Korea, LAO-Laos, MMR-Myanmar, MYS-Malaysia, PHL-Philippines, SGP-Singapore, THA-Thailand, VNM-Vietnam Calculated using Moving Average forecasting from the standard deviation of the logarithm of bilateral exchange rates (Bayoumi, 1996)

Table 4.4 shows the results of OCA index calculation of ASEAN+3 regions by using Moving Average forecasting. Based on these forecasts, it is found that there are several pairs of countries which have been converged shown by the minimum index value. Thus, it can be concluded that they are ready to form the optimum currency area. The pairs of countries are Brunei Darussalam and Singapore, Brunei Darussalam and Thailand, Cambodia and Laos, and Singapore and Thailand. From the four pairs of countries, Brunei Darussalam and Singapore pair has the lowest OCA index value of 0.00, which means that the movements of Brunei Darussalam and Singapore Dollar currencies are very symmetrical. It shows that the two countries are ready to form an optimum currency area (Alvarado, 2014). The symmetry of Brunei Darussalam and Singapore currencies can be explained by bilateral agreements between the two countries, namely the Currency Interchangeability Agreement. Ahmad (2005) explained that under the Currency Interchangeability Agreement, Central Banks of Brunei Darussalam and Singapore accept the currencies of these two countries. They have the same exchange rate (B $ 1 = SG $ 1). All banks in both countries also accept public and business deposits in each country by using the currencies of Brunei Darussalam or Singapore. This unique bilateral monetary relationship shows that the step towards economic integration supports the formation of an optimum currency area between Brunei Darussalam and Singapore.

This finding becomes different when it is compared to the research by Alvarado (2014) and Falianty (2006). They found that the pairs of countries with minimum values and ready to form the optimum currency area in ASEAN5 + 3 countries are Malaysia and Thailand. The difference between the findings of this study and the two studies before is due to the selection of slightly different research subjects. In this study, there are five countries included, but they were omitted in previous

studies. In this study, although Indonesia does not have an OCA index value and it is not symmetrical with any country, the value of Indonesian OCA index illustrates that Indonesia is heading towards symmetrical currency movements with other ASEAN+3 member countries.

In this study, only 4 percent of partner countries are converged in ASEAN+3, 70.5 percent of partner countries are converging, and 24.9 percent of partner countries are not converged. It means the pairs of countries are not ready to form the optimum currency area, because they do not have symmetrical currency movements. In the Alvarado study (2014), there is only 1 percent of converged partner countries in ASEAN+3, 49 percent of convergent partner countries, and 50 percent of non-convergent partner countries. The countries which are not converged are the Philippines, Vietnam, Myanmar, China and Japan.

Although overall the ASEAN+3 region is not ready to form an optimum currency area, there are some possibilities to establish policies which encourage the formation of OCA in some converged ASEAN+3 countries. The formation of a partial single-currency region within the ASEAN+3 regions can be done by following in the footsteps of the European Union in forming the eurozone. As it is known that there are only some members of European Union which directly adopt the single-currency Euro. This is an alternative for the ASEAN+3 regions to start steps towards establishing a single currency.

CONCLUSION

This research is intended to find out whether the implementation of a single currency in ASEAN+3 countries is possible. Based on the results of this study, it can be concluded that the ASEAN+3 region is not ready to form a single regional currency. It is indicated by the presence and increase of asymmetric shocks, lack of synchronization of the business cycle, and differences in production structure, trade relations, and economic size. The benefits of establishing a single currency for ASEAN+3 countries also do not have large impacts, despite of the economic size of big or small country.

By using the optimum currency area index, it is seen the changes in bilateral exchange rates between pairs of countries. There are four countries which are converged and have the possibility to form an optimum currency area, namely Brunei Darussalam and Singapore, Brunei Darussalam and Thailand, Cambodia and Laos, and Singapore and Thailand. The Brunei Darussalam and Singapore Pairs have the most symmetrical currency movements among the other countries. It because of the Currency Interchangeability Agreement adopted by the two Central Banks of Brunei Darussalam and Singapore as first step in integrating the economy.

In general, Indonesia is not ready to form an optimum currency area with any ASEAN+3 member countries. It is indicated by Indonesian OCA index value which has not shown that Indonesia is converged with any other countries. The movement of the Indonesian currency with other pair countries is low enough. As a conclusin, Indonesia is still in the process of convergence.

SUGGESTIONS

Several suggestions in regards to this research:

1. In order to help monetary integration and regional economic integration which can implement a single currency in ASEAN+3 countries, ASEAN+3 member countries need to look at the example of the European Union. European Union began the formation of an optimum currency area through politics, namely the alignment of monetary policy and fiscal policy). ASEAN+3 countries must strive to harmonize monetary and fiscal policies in order to create the same policy in dealing with shocks to fulfill the criteria of an optimum currency area.

2. The researchers ommit one variable in the OCA criteria equation, namely the DISSIM variable. It is because the data is difficult to obtain and process. The following studies are expected to be able to include the DISSIM variable in the regression equation; thus, its application becomes more effective, and it will provide more comprehensive picture for the case of the ASEAN+3 regions.

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STUDENT ENTREPRENEURIAL INTEREST
IN THE BUSINESS ADMINISTRATION DEPARTMENT AS A RESULT OF
MANAGEMENT AND ENTREPRENEURSHIP LEARNING ACHIEVEMENT

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Abstract: The purpose of this study is to determine the effect of Management Learning Achievement (Introduction to Business, Basic of Marketing, Financial Management, Production Management, Human Resources Management, Sales Management) and Entrepreneurship Learning Achievement on the interests of entrepreneurial students in the Business Administration Department of Politeknik Negeri Banjarmasin. This research is descriptive with a quantitative approach. The data analysis techniques using multiple linear regression analysis. The result shows that Introduction to Business, Basic of Marketing, Financial Management, Production Management, Human Resource Management, Sales Management, and Entrepreneurship have significant influence on entrepreneurial interest by 41.9%; meanwhile, the remaining 58.1% is explained by other variables outside the research model. Learning achievement in Management and Entrepreneurship partially does not significantly influence the Students' entrepreneurial interest.

Keywords: *Learning Achievement, Management, Entrepreneurship, Student Entrepreneur Interests*

BACKGROUND

The era of digital transformation resulting in changes of the labor market structure. These changes will threaten low-skilled labor, encourage the emergence of new types of work, and eliminate some of existing work. Moreover, the changes automatically lead to labor market demands which require college graduates to be ready to work or to be able to create jobs in the era of disruption.

On the other hand, there are more graduates become job seekers than job creators. A solution is needed to overcome this problem. Organizing management and entrepreneurship learning in college are expected to be solutions to prepare students to be job creators.

To improve the students' ability to create jobs after graduation, management and entrepreneurship education is essential. Management and Entrepreneurship courses are intended to broaden students' insights into the world of entrepreneurship. It also motivates them to be directly involved in the world of entrepreneurship as strong young entrepreneurs. It is essential to have the ability to solve complex problems, to think critically and creatively, to coordinate and manage people, and to have good emotional intelligence.

Entrepreneurship can be initiated and developed from many factors, such as learning about enterpreneurship. Through entrepreneurship learning, it is expected to be able to generate interest and increase students' curiosity to entrepreneurs. So that they will form entrepreneurial attitudes in order to create new entrepreneurs. (Christianingrum and Rosalina, 2017).

Emerging the entrepreneurial spirit of students is believed to be an alternative way to reduce the unemployment rate. It is because the educated young entrepreneurs will be able to start their own businesses. (Suharti and Sirine, 2011).

Students' interest in entrepreneurship needs to be acknowledged by the lecturers and students considering this interest can lead students to make choices in determining their goals. The goals are the embodiment of interest and the outreach relationship for students to plan and make choices about their desired education, position or occupation in the future.

Interest in entrepreneurship is characterized by the presence of entrepreneurial attitudes and insights. Students who are interested in entrepreneurship will be interested in the knowledge related to

enterpreneurship. The greater the interest of students to be attracted to enterpreneurship, the greater effort and desire of students to make it happen (Januardi and Zubaimari, 2018).

Based on the background above, the writers are interested to conduct the research on Student Entrepreneurial Interest in the Business Administration Department as a Result of Management and Entrepreneurship Learning Achievement.

Problem Identification

Problem identification of this research are:

1. Does the Management Learning Achievement (Introduction to Business, Basic of Marketing, Financial Management, Production Management, Human Resource Management, and Sales Management) have simultaneously effects on students' entrepreneurial interest in Business Administration Department?
2. Does the Management Learning Achievement (Introduction to Business, Basic of Marketing, Financial Management, Production Management, Human Resource Management, and Sales Management) and the entrepreneurship have effects partially on the interest of entrepreneurial students in Business Administration Department?
3. Does Entrepreneurship Learning Achievements have effects on entrepreneurial student interest in Business Administration Department?

Research Objectives

Research objective of this research are:

1. To know the Management Learning Achievement (Introduction to Business, Basic of Marketing, Financial Management, Production Management, Human Resource Management and Sales Management) effects simultaneously on the interest of entrepreneurial students in Business Administration Department?
2. To know the Management Learning Achievement (Introduction to Business, Basic of Marketing, Financial Management, Production Management, Human Resource Management, and Sales Management) and entrepreneurship effect partially on the interest of entrepreneurial students in the Business Administration Department?
3. To know Entrepreneurship Learning Achievements effects on entrepreneurial student interest in the Business Administration Department

LITERATURE REVIEW

Management And Entrepreneurship Learning Achievement

Management in general is a series of activities including planning, directing, organizing and controlling to achieve goals effectively and efficiently. In the curriculum of the Politeknik Negeri Banjarmasin of Business Administration Department, a management course consists of: Introduction to Business, Basic of Marketing, Financial Management, Production Management, Human Resource Management, Sales Management. The following is the scope of material for each subject:

1. **Business Introduction**. Business introduction underlies the concept of strategy and formulation in the determination of direction. This conceept is in the form of vision, mission, values and goals of various business issues and the company's perspective.
2. **Basics of Marketing**. Some components included in the basics of marketing management are extracting information from the market both potential and actual, designing marketing programs and evaluating the company's marketing programs
3. **Financial Management**. Financial management is related to the process of good cashflows and investments, production funds and other sources of funds
4. **Production Management**. Product is the output of a company or business which involves customer satisfaction, both in the form of goods and services. Production management is planned, managed and controlled based on the viewpoint of consumer desire and satisfaction
5. **Human Resource Management**. Human resources need to be planned and managed properly to fulfill the quantity and quality of Human Resources. In a business or a company, there are three

components which play roles in managing human resources, namely personnel, human resource development (HRD) and human resource management (HRM).

6. **Sales Management**. Sales Management have function to achieve the results of planned business development. It is conducted by motivating sales group members to carry out their duties to the best of their ability.

According to Suryana (2013), entrepreneurship is the study of values, abilities, behavior of a person in facing life's challenges. Also, enterpreneurship obtains opportunities with the various risks which need to be faced. According to Soeharto Prawirokusumo in Suryana (2013: 2), he stated that entrepreneurship is an independent scientific discipline which has been taught as a separate scientific discipline. This discpline contains the field of knowledge which is intact and real; they are: theories, concepts, and complete scientific methods.

According to Daryanto (2013:5), entrepreneurship is way of thinking and attitude which are always actively trying to improve the results of work in the sense of increasing income. This is similar to Basrowi's opinion (2014:2), he stated that the humanitarian processes related to creativity and innovation in understanding opportunities, organize the sources, and manage them; so that the opportunity is realized into profit-driven business.

As conclusion from definition stated above, it can be said that entrepreneurial knowledge is all information which is known by humans through their five senses and minds about an effort to build a value with ability, courage, determination and creativity. Moreover, it is also a dare to take risks for success opportunities by trying to do business in various opportunities. This courage should be known by understanding the basic factors of success.

The roles of entrepreneurship science in entrepreneurship development (Ramadhani and Nurnida, 2017) includes:
1. Motivating someone to do business.
2. Directing someone to work systematically and focus in realizing dreams.
3. Inspiring everyone that every problem will gives opportunities to be developed.
4. Entrepreneurship will reduce unemployment.

According to Suryabrata (2006), and Asmadiyanto (2013), learning achievement is a value which is the last formulation of the progress/student achievement during a certain period

According to Syah (2008), learning achievement is the whole domain of psychology changes as result of students' learning experiences and processes. According Sukmadinata (2004), learning achievement is the realization of a person's potential skills, in the form of mastery of knowledge, thinking skills and motoric skills.

From the various meanings above, it is concluded that learning achievement is evidence of the effort of students which has been achieved after participating in learning activities within a certain time in the form of changes in behavior, skills and knowledge.

Entrepreneurial Interest

Slameto in Tisa and Anggadwita (2018:1862) stated that the interest is feeling of preferability and sense of will in a thing or an activity, without anyone asking. Djamarah defines the interest as a settled tendency to pay attention and remember some activities. According to Sadirman, the interest is a condition of someone to see the characteristics or meanings of a situation which is associated with their needs or desires. Furthermore, Mahesa and Rahardja also said that the interest in entrepreneurship is the tendency in subject to be interested in creating a business; moreover, he/she will organize, bear the risk and develop the business which is created by him/herself.

According to Yuliyaningsih in (Ruswati, 2014: 43), the interest in entrepreneurship is the desire, interest, and willingness of person to work hard in fulfilling the needs without fear of risks.

According to Fu'adi (2009), the interest in entrepreneurship is the desire, interest, and willingness to work hard or have a strong will to be independent or try to fulfill the needs without feeling afraid of risks. Also, the interest is a strong will to learn from failure (Ramadhani and Nurnida, 2017).

Prior Research

There is a positive influence on income expectations, family environment and entrepreneurship education to entrepreneurial interest (Adhitama, 2014).

Entrepreneurship education, business experience, parents' work and ethnic origins have significant effects on students' interest in entrepreneurship which is mediated by *entrepreneurial self efficacy (ESE)* (Ariffin and Ziyad, 2018).

Entrepreneurship education has significant effects on students' interest in entrepreneurship at Universitas Samawa Sumbawa Besar (Merdekawaty and Ismawati, 2016).

Entrepreneurship learning has positive effects on interest in entrepreneurship (Christianingrum and Rosalina, 2017).

Learning achievement in entrepreneurship and the implementation of industrial work practices influence the interest in entrepreneurship (Yuliyanti, 2012).

Entrepreneurial learning outcomes affect the interest in entrepreneurship by 28,8%.(Sari and Syabrus, 2016).

Entrepreneurship learning affects the interest in entrepreneurship. Entrepreneurship learning influences students of SMKN 1 Selong entrepreneurship motivation (Jailani, Fahrurrozi and Rizqi, 2017).

The achievement of entrepreneurship subjects influences the interest of entrepreneurship (Abidin, 2016).

Entrepreneurship subjects contribute to changes in students' entrepreneurial interest. Elective Expertise Subjects influences the students' interest in entrepreneurship. Entrepreneurship Subjects and Elective Expertise Courses jointly influence entrepreneurial interest. (Fadilah, 2016)

Entrepreneurship learning supports the students' interest in becoming entrepreneurs as big as 91% (Hanum, 2015).

Entrepreneurship, Introduction to Business, and Motivation has positive and significant influences on students' entrepreneurial interest. It proves that the subject of entrepreneurship and introductory business are needed at colleges to stimulate students to think creatively and innovatively in seeing business opportunities. It will make the be motivated to create a business their own, and become an entrepreneur (Suwarso, 2018).

Research Framework

Based on the background, objectives and theoretical basis, the framework for this research can be described as follows:
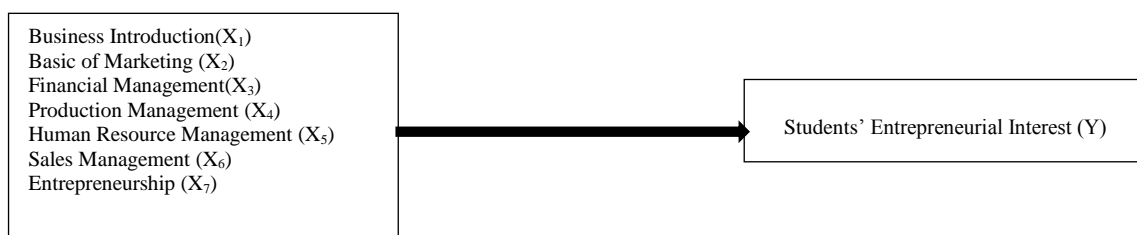
Picture 2.1 Research Framework

Based on the framework above, this research was carried out on the effect of Management and Entrepreneurship Learning Achievements on the interest of entrepreneurship of students in Business Administration Department.

Research Hypothesis:

1. There is influence of Management Learning Achievement (Introduction to Business, Basic of Marketing, Financial Management, Production Management, Human Resource Management, Sales Management) simultaneously on the Entrepreneurial Interest of Students in Business Administration Department

2. There is influence of Entrepreneurship Learning Achievement on Student Entrepreneurial Interest in Business Administration Department
3. There is influence of Learning Achievement in Management and Entrepreneurship courses on Student Entrepreneurial Interest in Business Administration Department.

DATA AND METHOD

This research method uses a quantitative approach. The data collection techniques uses documentation and questionnaire. The data analysis techniques uses Multiple Linear Regression Analysis.
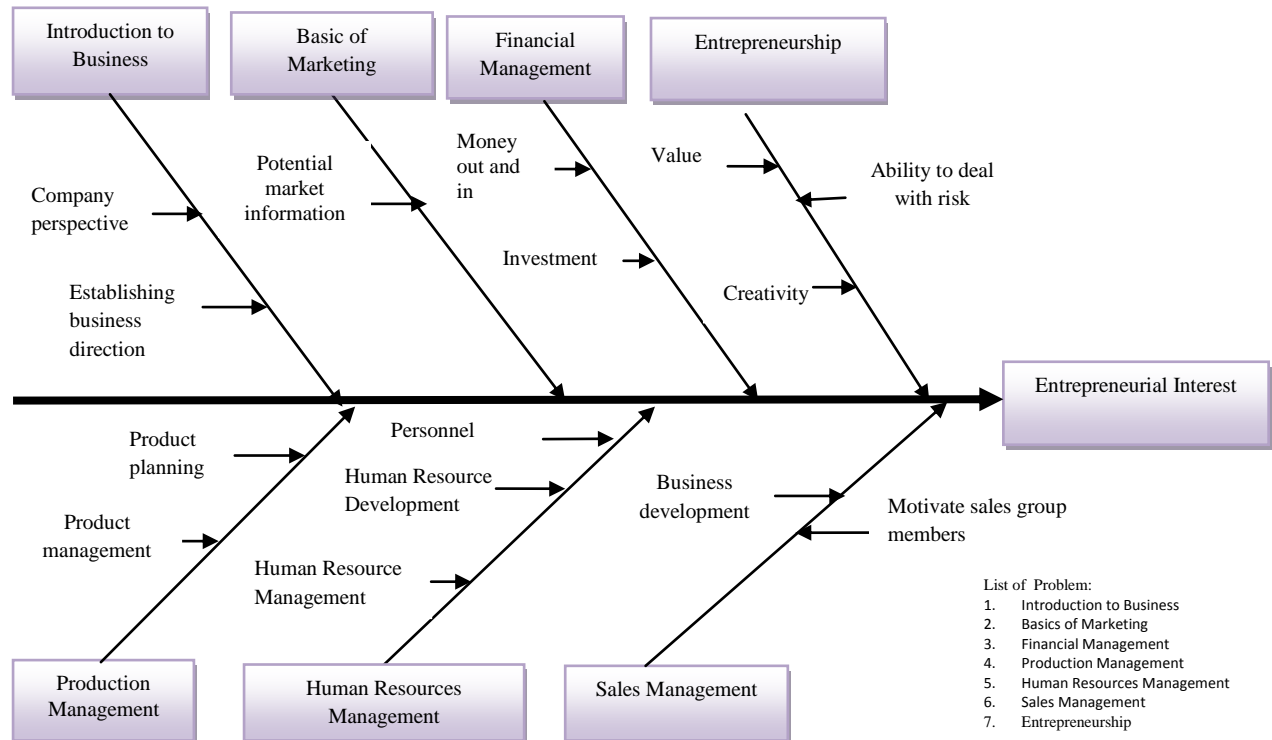
Picture 3.1 *Fishbone Diagram Model*

RESULT AND DISCUSSION

To find out the validity level of an item, r-count value> r-table. All items in this study are declared valid because they fulfill the value of r-count> r-table. Item reliability can be seen from the Cronbach alpha value> 0.05. This research obtains an α value of 0.955> 0.05. Thus, all items are declared reliable.

The regression model fulfills the normality assumption. The value of tolerance for the variables of Introduction to Business, Basic of Marketing, Financial Management, Production Management, Human Resource Management, Sales Management, and Entrepreneurship > 0.10 or tolerance values above 10%, while the VIF value <10 or VIF is smaller than 10. It shows that there is no multicollinearity between independent variables.

Hypothesis Testing

Hypothesis testing is conducted by using multiple regression analysis techniques. As a criterion of acceptance and rejection, in this test the level of significance is used 5%.

F Test (Simultaneously Test)

Table 5.1 ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	135845060,655	7	19406437,236	2,881	,021[b]
	Residual	188625332,345	28	6736619,012		
	Total	324470393,000	35			

Source: processed primary data, 2019

Based on Table 5.1, this research obtains a significant F value of 0.021 which is smaller than 0.05. It shows that the variables of Introduction to Business, Basic of Marketing, Financial Management, Production Management, Human Resource Management, Sales Management, and Entrepreneurship have significant influences on entrepreneurial interest.

Table 5.2 Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,647[a]	0,419	0,273	2595,500

Source: processed primary data, 2019

Based on table 5.2 that R^2 (R Square) is 0.419 or 41.9%. It shows that the variables of Introduction to Business, Basic of Marketing, Financial Management, Production Management, Human Resource Management, Sales Management, and Entrepreneurship have influences of 41.9%, while the remaining 58.1% is explained by other variables outside this research model.

Table 5.3 *Coefficients[a]*

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	34461,209	11193,066		3,079	0,005
	Introduction to Business	-1,193	1,386	-0,157	-0,860	0,397
	Basic of Marketing	0,197	0,327	0,106	0,602	0,552
	Financial Management	-0,837	0,617	-0,255	-1,355	0,186
	Production Management	-1,366	0,682	-0,332	-2,004	0,055
	Human and Resources Management	-0,532	0,273	-0,350	-1,947	0,062
	Sales Management	-0,075	1,651	-0,009	-0,045	0,964
	Entrepreneurship	-0,040	1,581	-0,005	-0,025	0,980

Source: processed primary data, 2019

Multiple Linear Regression Equations ie:

$$Y = 34461,209 - 1,193X1 + 0,197X2 - 0,837X3 - 1,366X4 - 0,532X5 - 0,075X6 - 0,040X7$$

T Test (Partially Testing)
1. The effect results of Management Learning Achievement (Introduction to Business, Basic of Marketing, Financial Management, Production Management, Human Resource Management, Sales Management) on Student Entrepreneurial Interest.
    a. The Entrepreneurial Interest with a regression coefficient of -1,193.
    b. The effect of learning outcomes on Basic of Marketing in Entrepreneurial Students' Interest with a regression coefficient of 0,197.

c. The effect of Financial Management Learning Achievements on the interest of entrepreneurial students with a regression coefficient of -0,837.
d. The effect of Learning Achievement of Production Management on the Entrepreneurial Students' Interest with a regression coefficient of -1,366.
e. The influence of Learning Achievements of Human Resource Management on Entrepreneurial Students' Interest with a regression coefficient of -0,532.
f. The effect of Sales Management Learning Achievement on Entrepreneurial Students' Interest with a regression coefficient of -0,075.
2. The Effect of Entrepreneurship Learning Achievement on Entrepreneurial Students' Interest. Entrepreneurship variable has negative effects on entrepreneurial interest with a regression coefficient of -0,040.

CONCLUSION
Based on the previous discussion, the following conclusions can be drawn as follows:
1. Introduction to Business, Basic of Marketing, Financial Management, Production Management, Human Resource Management, Sales Management, and Entrepreneurship have significant influences on entrepreneurial interest. R Square is obtained at 0.419 (41.9%). It shows that the variables of Introduction to Business, Basic of Marketing, Financial Management, Production Management, Human Resource Management, Sales Management, and Entrepreneurship have influences of 41.9%, while the remaining 58.1% is explained by other variables outside the model.

Model of Multiple Linear Regression Equations:
$$Y = 34461,209 - 1,193X1 + 0,197X2 - 0,837X3 - 1,366X4 - 0,532X5 - 0,075X6 - 0,040X7$$

2. The Influence of Management Learning Achievement on Students Entrepreneurial Interest.
a. The influence of Learning Achievement Introduction to Business on Students Entrepreneurial Interest with a regression coefficient of -1,193.
b. The effect of learning outcomes on Basic of Marketing on Students Entrepreneurial Interest with a regression coefficient of 0,197.
c. The effect of Financial Management Learning Achievements on student entrepreneurial interest with a regression coefficient of -0,837.
d. The effect of Learning Achievement of Production Management on Student Entrepreneurial Student with a regression coefficient of -1,366.
e. The influence of Learning Achievements of Human Resource Management on Student Entrepreneurial Interest with a regression coefficient of -0,532.
f. The effect of Sales Management Learning Achievement on Student Entrepreneurial Interest with a regression coefficient of -0,075.
3. The effect of Entrepreneurship Learning Achievement on Student Entrepreneurial Interest: Entrepreneurship variable has negative effect on entrepreneurial interest with a regression coefficient of -0,040.

Suggestions
Based on the conclusion, the following suggestions can be drawn as follow:
1. The further research needs to be carried out consisting other variables outside this research model.
2. It is necessary to develop learning methods, so that they can create creative entrepreneurial learning to attract students' interest in entrepreneurship.

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THE PERCEIVED DESTINATION COMPETITIVENESS OF BANJARMASIN URBAN TOURISM

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Abstract: A successful tourist destination must offer an integrated component of tourism system and competitive destinations. Nowadays, the destination finally competes on the quality of tourist experience which is offered to visitors. This study aims to measure the influence of experience and involvement of tourists on the perceived competitiveness of destinations. The survey was conducted to 200 tourists who visited Siring Banjarmasin on weekends. The results of analysis using Structural Equation Modeling show that the stages in the quality of experience and tourism involvement do not have significant effects on the perceived competitiveness of destinations. It is because most of Siring Banjarmasin tourists are local people.

Keywords : *Quality of Tourist Experienced, Perceived Destination Competitiveness, Involvement*

BACKGROUND

Tourism has turned out to be a universal relaxation activity. It contributes complete growth and development of a country: first, giving numerous economic value & benefits; and, second, helping in building country's brand value, image & identity (Cucculelli & Goffi, 2016). Tourism industry goes beyond attractive destinations, and be an important economic growth contributor (Armenski et al, 2017)

The main component of tourism program is tourist destination. The competitiveness has increasingly been regarded as a vital influence on the quality of tourism destinations in tourism market. There is a growing body of literature on the advertising, management and competitiveness of tourism destinations. A good tourism destination needs to embrace an integrated approach to many tourism system components (Ritchie & Crouch, 2003; Jones & Haven-Tang, 2005; Abreu-Novais, 2016). The major players in the tourism system— government, tourism firms, visitors, and local communities — may have very different approaches to compete in term of tourism object. This time, most studies have assessed the competitiveness of destinations from the perspective of industry practitioners. Generally, it considered an approach to the terms of supply. The existing literature rarely examined tourism destination's competitiveness from the terms of demand.

The purposes of this research are: to identify the factors which influence destination competitiveness in Banjarmasin City from tourist perception, and to find out the relationship between the quality of tourism experience and tourists' perception of destination competitiveness with tourist involvement as moderating variable

LITERATURE REVIEW
Quality of Tourism Experience

According to Mendes et al (2016), the process when the tourist experience, consume and remember anything in visiting tourist destinations is very complex and diverse. It because there are large number of actors involved in providing experiences. As a consequence, tourist's experience in tourism object comes from a piece of memory which divided by time and space, from the initial experience of departure to the experience of returning home.

In this study, the quality of tourist experiences is seen from a chronological perspective and a temporal perspective. It is defined as a multiphase phenomenon associated with the pre-trip planning experience, en-route (travel to the destination and on the way home travel) experience, on-site experience, and after-trip reflection (Jennings & Weiler, 2006; Vitterso et al., 2000; Clawson & Knetsch, 1966; Killion, 1992; Laws, 1995; Arnould & Price, 1993; Craig-Smith & French, 1994; Hull & Michael, 1995; Hull, Stewart, & Yi, 1992; Neal, 2000; Neal, Sirgy, & Uysal, 2004).

Perceived Destination Competitiveness

Nowadays, in the competitive world tourism market, maintaining competitiveness is a major challenge for many destinations. The competitiveness of tourist destinations has been claimed as the "holy grail of tourism" (Ritchie & Crouch, 2000); however, research in this area is limited and has only emerged since the 1990s.

According to Ritchie and Crouch (2003), the competitiveness of tourism destinations is determined by five main components:

1. Main resources and attractors

   Core resources and attractors are the main elements of the attractiveness of tourist destinations. There are seven categories of main elements which include physiography and climate, culture and history, market ties, a mix of activities, special events, and entertainment and the tourism superstructure. By ommitting the market ties, these factors are consistent with studies of tourist destination attractiveness (Kim, 1998).

2. Supporting factors and resources

   This component includes factors of a successful tourism industry basics such as general infrastructure of tourist destinations, companies, various resources facility in tourist destinations. Moreover, it also includes the factors which affect the accessibility of tourist destinations (Vengesayi, 2013; Prideaux & Cooper, 2002, Ridderstaat & Nijkamp, 2015)

3. Policies on tourist destinations, planning and development

   It includes philosophy / values, vision, positioning / branding, development, competitive / collaborative analysis, monitoring and evaluation, and auditing. All of these components must be formulated as an integrated system. Thus, overall competitiveness and sustainability goals can be achieved (Ritchie & Crouch, 2003).

4. Destination management

   It includes activities which consist of: Implementing policies and planning frameworks to increase the attractiveness of core and attracting resources, strengthening the quality and effectiveness of supporting factors, and adapting to the constraints which are caused by "qualifying and amplifying determinants". These include services, organization and maintenance of resources and the main draw of tourism (Dwyer et al, 2009; Webster & Ivanov, 2014)

5. Qualifying and amplifying determinants

   It includes factors such as location, overall costs, and safety, which are beyond the control of the tourism sector. These components play a major role in destination competitiveness (Ritchie & Crouch, 2003).

Involvement

Sherif and Cantril (1947) conducted preliminary research on consumer engagement and behavior. Their research is followed by Brunswik (1956) and Sherif and Hovland (1961) who developed the theory of social valuation.

Sherif and Cantril (1947) also explained that engagement is usually seen as a motivating variable. It exists when social objects are related by person feelings as domain. Whereas, Havitz & Dimanche (1990) explained that the involvement has potential effect on people's attitudes toward an activity or product, how they respond to promotional stimuli, and their behavior.

Jang et al. (2000) used Laurent and Kapferer Consumer Involvement Profile / CIP (1985) and used it to measure the level of consumer engagement involvement in the Black Hawk casino, Colorado. From this research, there are three domains of involvement which can be identified in the context of casino gamblers, namely: self-identity/self-expression, pleasure/interest, and centrality. The study shows that the amount of participation in casinos is positively correlated with the three engagement domains.

Gursoy and Gavcar (2003) also used the CIP scale for international leisure tourists. This study shows that there are three underlying dimensions of involvement which include pleasure / interest, risk probability, and important risk.

DATA AND METHOD

Methodology

This research was conducted in Siring City of Banjarmasin as the selected location under several considerations (1) Siring Banjarmasin is the center of tourism in Banjarmasin City, (2) Banjarmasin as the capital city of South Kalimantan has high needs for urban tourism, while Siring Banjarmasin is a tourist destination which has enormous potential to be developed as local, national, or international tourist destination.

Siring Banjarmasin provides several typical Banjar attractions such as floating markets, Panting Traditional Music, and Dayaks Attraction. Siring Banjarmasin is also often used as a choice location for small-sized events in Banjarmasin such as the Tamiya car race etc. In Siring Banjarmasin, you can also find many sellers of souvenir items and food vendors. Unfortunately, it is not coordinated as promotion of Banjar culture.

The sampling technique used in this study is accidental sampling. The sampling is the tourists who were met by chance at several attractions in Siring Banjarmasin. The survey was conducted by distributing questionnaires to 200 tourists who were in vacation around Siring Banjarmasin. The tourists were asked to fill in an existing questionnaire using a Likert scale.

Furthermore, the dependent variable in this study is Perceived Destination Competitiveness (Meng, 2006), and the independent variables are Quality of Tourism Experience (Laws, 1995) and Tourist Involvement (Laurent & Kapferer, 1985) as moderating variables. The data obtained were analyzed using Structural Equation Modeling.

The model which is proposed by the researcher can be seen in Figure 1 below.

Figure 1. Proposed Model
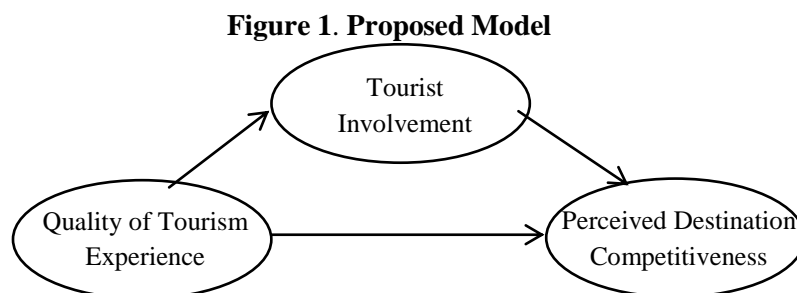
Data Analysis

Respondence

In this survey, there are 72 males and 128 females of the 200 respondents. In terms of age, 75.5% are in the age range of 18-25 years, 4.5% are less than 18 years and the remaining 24% are more than 26 years old. Whereas the origin of tourists, 92% of the tourists in this survey come from local residents of Banjarmasin, the remaining 8% are local Indonesian, and there is no foreign tourist.

Research Findings

The Quality of Tourism Experience consists of 4 phases experienced by tourists which includes the pre-trip planning experience, en-route experience, on-site experience, and after-trip reflection.

In the phase of pre-trip planning experience, there are 4 question items which are declared to be valid. The items include the easy access to information related to destination, the abundant information related to destination, the receiving high quality services from professionals when planning the vacation and the making problem-free vacation arrangements. The item of the time to trip plan is invalid.

In the phase of en-route experience, all items were declared valid. The item includes the easy access to destination from home, the safe transportation to and from the destination, the comfortable

transportation to and from the destination, the receiving clear direction and guidance and having problem-free travel to and from the destination.

In the on-site experience phase, six items were declared valid. It includes the unique tourism resources, the high quality of accommodation at destination, the good facilities at destination, having various activities/entertainment to choose at destination, the overall reasonable prices at destination, the pleasant interaction / communication with the local people at destination.

In the after-trip reflection, the are five items are declare valid. It includes having memorable items to bring back home, having a sense of freedom during the vacation, feeling relaxed and refreshed after vacation, having spent quality time with family and friends, feeling a sense of personal reward after vacation.

On Perceived Destination Competitiveness, there are twelve items were declared valid. It includes the unique tourism resources, the high quality tourism infrastructure, the user-friendly guidance/information at destination, the reasonable price of food at destination, the clean environment at destination, having various activities/entertainment to choose at destination, friendliness and hospitality of local people, high quality tourism infrastructure, the destination's commitment to provide safe and secure environment, the overall destination experience offered "fits" the needs of visitors, the destination's continuous commitment to the ongoing improvement and development of a high-quality destination, the destination's overall favorable image in the community.

In the tourism involvement, four items were declared valid, including "I attach great importance to vacation", "The vacation tells something about me", "It gives me pleasure to purchase a vacation", "A vacation is somewhat of a pleasure to me".

Of the four phases, the on-site experience factor could not be entered into the analysis due to the high multicollinearity between these variables and perceived destination competitiveness

The adjustment indicators of obtained model are shown in Table 1. It is based on the relationships between the acceptable variables model which can be affirmed. Since all the adjustment indicators comply with the established parameters for the GFI (0.825) in which permissible value (> 0.80) and the RMSEA (0.065), the behavior which is rated as moderate (0.05 - 0.10) is achieved.

Table 1. Goodness of Fit

Goodness of Fit Indices	Reached Value
X² Chi Square	655,648
CMIN/DF	1,847
RMSEA	0,065
GFI	0,825
AGFI	0,786
TLI	0,858
CFI	0,876

Figure 2 below shows that the direct effect of Quality of Tourism Experience on Perceived Destination Competitiveness is 0.32. Meanwhile, the indirect effect (through the involvement variable) is 0.064 (0.32 * 0.20). Therefore, the Total Effect of Quality Tourism Experience on Perceived Destination Competitiveness is 0.384.

Figure 2. **Final Model**
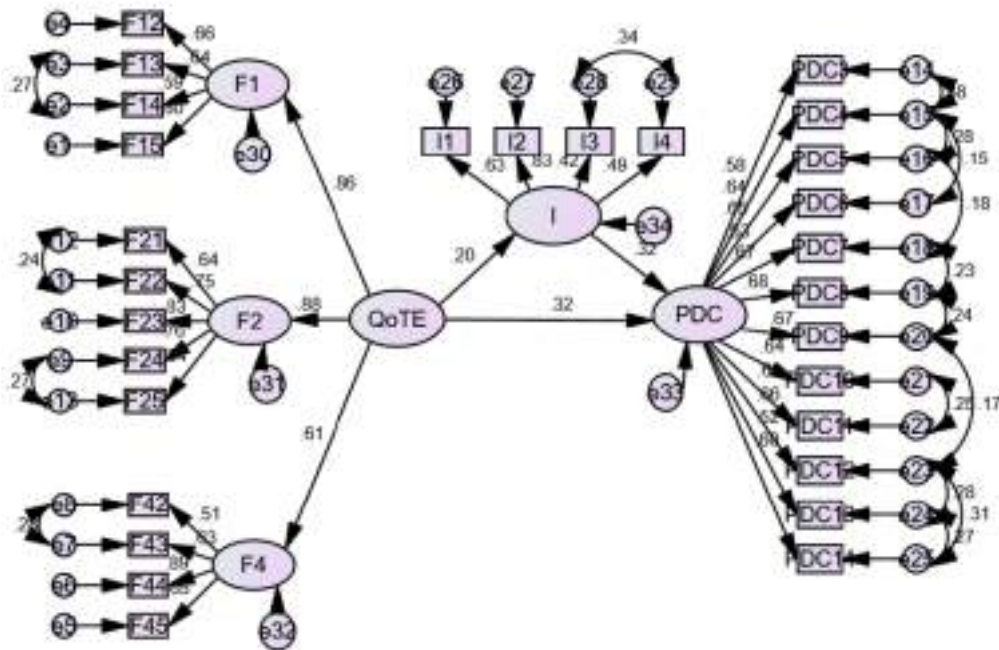
DISCUSSION

Until now, Siring Banjarmasin seems to be only a destination for local tourists (Banjarmasin). Foreign tourists or local tourists from outside the Borneo island are still rarely found in this tourist spot. Siring Banjarmasin is considered to be able to show the uniqueness of South Kalimantan optimally although there are many attempts of government to beautify this tourist spot. Thus, the majority of tourists usually visit the Lok Baintan floating market (local Indonesia) and Loksado (foreign countries). Unfortunately, it still has minimal management from the government.

In this research model, most of tourists visiting Siring Banjarmasin are local residents of Banjarmasin. The variable of Tourism Experience Quality does not have significant influence on the perception of tourists to Siring Banjarmasin competitiveness. Banjarmasin local tourists do not experience the phase of pre-trip planning, en route experience, and after trip reflection. Even traveling to Siring Banjarmasin is as easy as going to the supermarket. Local tourists who visited for many times are not even impressed with the attractions in this tourism object. Because Banjarmasin City itself has very limited choice of tourist attractions (Siring Banjarmasin is the only tourist place which is well managed by the local government), the local tourists do not have any other options but to visit these tourist attractions.

In this study, it is found that the level of tourist involvement also has low influence on perceived destination competitiveness. It is because the majority of local tourists already know the quality of attractions displayed at this tourist spot. In addition, ease of access also makes the majority of tourists who have low involvement in this tourist spot.

For this reason, according to researchers, the local government needs to focus on improving tourist destinations' quality and competitiveness, building sufficient facilities and offering a varied selection of tourist attractions. The concept of tourism is supposed to make a paradigm shift. So far, the government has always been thinking about bringing as many foreign tourists as possible. Yet Banjarmasin is still limited in recreational areas as a city with dense population and heavy economic activity. The citizens will be busy with any event. This situation gives the city of Banjarmasin the exciting opportunities to develop.

The visiting to the local tourist has very strong multiplier effects. We must sustain this momentum. Tourism take important roles in reducing poverty and unemployment. The growth of tourism must be improved in order to strengthen the local economy. Tourism is not only to serve the

interests of global capital or to fulfill the desires of foreign tourists. It must also be built and oriented towards people's welfare and engage in the conservation of environment.

Tourism sector provides employment for many local people, from working in hotels to selling souvenirs. The developed countries will have greater unemployment problems without tourism industry. Money from tourism industry can be used to improve regional infrastructure, such as roads, airports and facilities. The infrastructure are intended to increase the number of tourists, and it can give benefit to the local residents.

In addition, tourism indyustry also help to preserve the culture and wisdom of local community, because they become tourist attractions. It is certainly the case with several Masai tribes in Kenya and Maori in New Zealand. Their culture becomes tourist attraction for foreign tourists who learn their lives.

CONCLUSION

The Quality of Tourism Experience and Involvement has significant influence on perceived destination competitiveness. However, the impact magnitude of these two variables are low. It is because the majority of tourists are local residents, and the limited choice of tourist destinations in Banjarmasin city. The government needs to focus on managing local tourists by creating attractions and providing an unforgettable experience for local tourists

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THE VALUATION OF 'BEDAH MENOREH' RURAL TOURISM PROGRAM IN SIDOHARJO VILLAGE, KULON PROGO, INDONESIA

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Abstract: *Rural tourism is an important engine for rural development. On the other side, it brings* environmental problems. Bedah Menoreh program is one of rural tourism which has connectivity between tourism destination on Menoreh hills. Sidoharjo and Gerbosari are two villages which are projected as rural tourism. The economy aspect and sustainability are two aspects to be balanced and critical in rural areas in developing countries.

This study aims to evaluate rural tourism in the village. We use the contingent valuation method (CVM) to analyze the tourist's willingness to conserve the tourism area in two villages.

The result of the research is all tourists concern about the sustainability of rural tourism areas.

Keywords: *rural tourism area, Bedah Menoreh Program, contingent valuation method, sustainability, Kulonprogo-Indonesia.*

BACKGROUND

In the Regional Medium-Term Development Plan (RPJMD) program of Kulon Progo district in 2017-2022, there is vision and mission which are the second five-year translation of the vision and mission of the Regional Long-Term Development Plan (RPJPD) of Kulon Progo district in 2005-2025. To realize the dreams and ideals in the vision of people in Kulon Progo district, several missions are formulated. One of the missions in the RPJMD is to realize regional economic independence based on agriculture in a broad sense, industry, and tourism that are competitive, sustainable and relying on community empowerment.

Kulon Progo local government plans to negotiate the independence of the regional economy which is based on the tourism sector, namely the 'Bedah Menoreh' Program. The Bedah Menoreh Program aims to unite connections between attractions in the hills. Besides, the program will also target the optimization of the area on the north side of Kulon Progo district, which is mostly in the form of hills. The targeted areas in Bedah Menoreh include four sub-districts such as Kalibawang, Samigaluh, Girimulyo, and Kokap.

Samigaluh sub-district is one of the villages which is located in the Menoreh hill region. This village is a Sidoharjo tourist village which is intensively developing several tourist destinations, including Curug Sidoharjo, Madigondo coffee cuisine, the summit of Mount Kendil and Tanggulangsi Park. The potential of Sidoharjo tourism village is based on the view of natural fortress and cultural riches. It possesses such as karawitan music, hadroh, kethoprak, and jathilan. From year to year, the development of tourist villages in the Sidoharjo region is increasingly encouraging. This condition is shown by the increasing number of tourist arrivals in tourist village of Sidoharjo in 2017. In this year, there were 16,563 domestic tourists and no foreign tourists. In 2018, domestic tourist arrivals decreased to 10,246 people, but there will be an increase in foreign tourist visits by 68 tourists (Statistik Kepariwisataan, 2018).

In line with the development of tourism village in Kulon Progo and several regions in Indonesia, it is inseparable from the government's support for the development of rural areas. The fact shows that villages in Indonesia have tremendous potential tourism based on natural, cultural and social characteristics. It is undeniable. The efforts to develop rural tourism sector will have positive and negative multiplier effect on the village community. The positive impacts of the development of rural tourism include: the increasing economic growth in the village, the employment, the reducing unemployment, and the increasing income as well as the welfare of rural communities. On the other

hand, there are some negative impacts, especially on environmental aspects such as; to increase waste and damage the surrounding environment. Therefore, this research will examine the sustainability of village tourism development in the future and maintain a balance between improving economic aspects and environmental conservation.

LITERATURE REVIEW

2.1. Rural Tourism

Rural tourism is defined as the movement of people from their residence to rural areas for a minimum period of twenty-four hours to a maximum of six months, for the sole purpose of leisure and pleasure. The concept of rural tourism is still have much interpretation. Fleischer and Pizam associate the rural tourism with the 'country vacation'. In this place, the tourist spends the vast proportion of his/her vacation period engaging in recreational activities on a farm, ranch, country home, or the surrounding areas.

OECD defines the rural area as, " at the local level, a population density of 150 people per square kilometer is the preferred criterion. At the regional level, geographic units are grouped by the share of rural population into the following three types: predominantly rural (50%), significantly rural (15-50%) and predominantly urbanized regions (15%).

The Council of Europe stated the term of 'rural area' will be described in the following characteristics:
A stretch of inland or coastal countryside, including small towns and villages, where the main part of the area is used for:

1. Agriculture, forestry, aquaculture, and fisheries.
2. Economic and cultural activities of country-dwellers.
3. Non-urban recreation and leisure areas or nature reserves.
4. Other purposes such as housing.

According to Dernoi, rural tourism might be conceived as tourism activities in a 'non-urban territory. In this area, people's activities (land-related economic) are going on, primarily agriculture: native inhabitants seems a qualifying requirement'.

The OECD stated rural tourism should be:

- Located in rural areas.
- Functionally rural, built upon the rural special features; small-scale enterprises, opened space, contact with nature, heritage, traditional societies, and traditional practices.
- Rural in scale – both in terms of building and settlements – and therefore, small scale.
- Traditional in character, growing slowly, organically, and connected with local families.
- Sustainable – in the sense that its development should help sustain the special rural character of area and its use of resources.
- Representing the complex pattern of the rural environment, economy, and history.

2.2. Environmental Conservation

Anonymous (2018) Conservation works in two ways. It is meant to protect nature by protecting vital resources. It is also a way of living which works against the irresponsible practices of businesses and large corporations. Green living takes away the power from those who have no interest in using their influence to promote the good of earth, and emerge the problem instead. The more money we keep out of the pockets of nonenviromental-friendly business, the more we can do for the earth.

The environmental conservation comes in many forms and reminds us to be mindful of daily choices. No matter how busy your life, it remains easy to make small but necessary changes for the good of Earth. If we all took little steps, we would make our way towards major progress. It can be achieved by paying more attention to what we buy and not use unnecessary resources. We must also remember to recycle and dispose of chemicals properly, so that the land and water are not poisoned.

Conservation is an attempt by humans to preserve or protect nature. Substantially, conservation means preservation or protection (Christanto, 2014). Conservation also means maintain or keep what we have but in a wise use. The concept of conservation is put by Theodore Roosevelt for

the first time. Conservation in the current sense is often translated as the wise use of natural resources (Fathurrohman, 2013).

2.3. Economics Valuation

Economics Valuation is a method to measure natural resources output quantitatively based on market value and non-market value. The root of this valuation is The Neoclassical economic theory that focuses on consumer utility. Based on neoclassical theory, individual measurement on goods and services is equal to a willingness to pay (WTP), as supply cost (Samuelson and Nordhaus, 1990; in Tazkia, 2012).

Willingness to pay is an economic concept to measure certain money which would be paid by the consumer for the supply of goods and services. According to Altaf and Whittington (1992), the benefit of consumer WTP is the ability to estimate future consumers and the amount of feasibility cost. This is important in the *WTP* concept since we have to consider both utility and profit.

There are some factors which are estimated to affect WTP. Those factors are respondent characteristic or family member, and their ability to pay (Altaf and Whittington, 1992 on Muhammad Randy), characteristic of settlement, characteristic of facility and characteristic of facility offered.

This research uses works of a literature review from Saraswaty (2003), Veldhuizena (2011), Lestari (2014), and Pramastiwi (2011). Saraswaty (2003) and Lestari (2014). This literature contains about use willingness to pay on PDAM water supply and improvement on PDAM service. Meanwhile, Veldhuizena (2011) uses it on drought mitigation management and Pramastiwi (2011) use it on coffee farmers towards environmental improvement.

DATA AND METHOD

This research was conducted in the village of Sidoharjo in Samigaluh sub-district. This area is part of the Bedah Menoreh Program in Kulon Progo. This research uses primary and secondary data. Primary data is collected by conducting an interview with tourists. Secondary data is gathered from The Tourism Department and The Statistical Bureau. The number of samples is determined randomly, by 100 respondents.

Multiple linear regression method is used to analyze determinant factors of tourist's willingness to pay (WTP) for conservation. Systematically, the model could be written as follows:

$$Y = \alpha + \beta_{1\,X_1} + \beta_{2\,X_2} + \beta_{3\,X_3} + \beta_{4\,X_4} + \beta_{5X_5} + \beta_{6X_6} + \varepsilon \tag{1}$$

Where:

WTP = Tourists' Willingness to Pay for conservation on rural tourism, the payment vehicle is shown on the entrance ticket

X_1 = Sex (1= Male; 2= Female)

X_2 = Education (1= < Bachelor degree ; 2= postgraduate)

X_3 = Age (1= < 29; 2 = > 30)

X_4 = Income (1= until 2.000.000; 2 = > 2.000.000)

X_5 = Facilities (accessibility, amenity), dummy variable 1=good quality, 0= others

X_6 = Perception on rural tourism (scenery), dummy variable, 1=good quality, 0 = others

Another analysis which is used in this research is Willingness to Pay (WTP). This method aims to measure the average amount which are able to be paid by respondents Walpole (in Suprihatiningsih, 2014). Systematically, the model could be written as follows:

$$EWTP = \frac{\sum_{i=1}^{n} Wi}{n}$$

(2)

Where:

EWTP = Estimated average Willingness to Pay

Wi = Value of -i WTP

n = Total respondents

i   = respondent

The outline will be described about the framework of thought in this study that will connect between concepts and variables, so that the research is structured systematically.
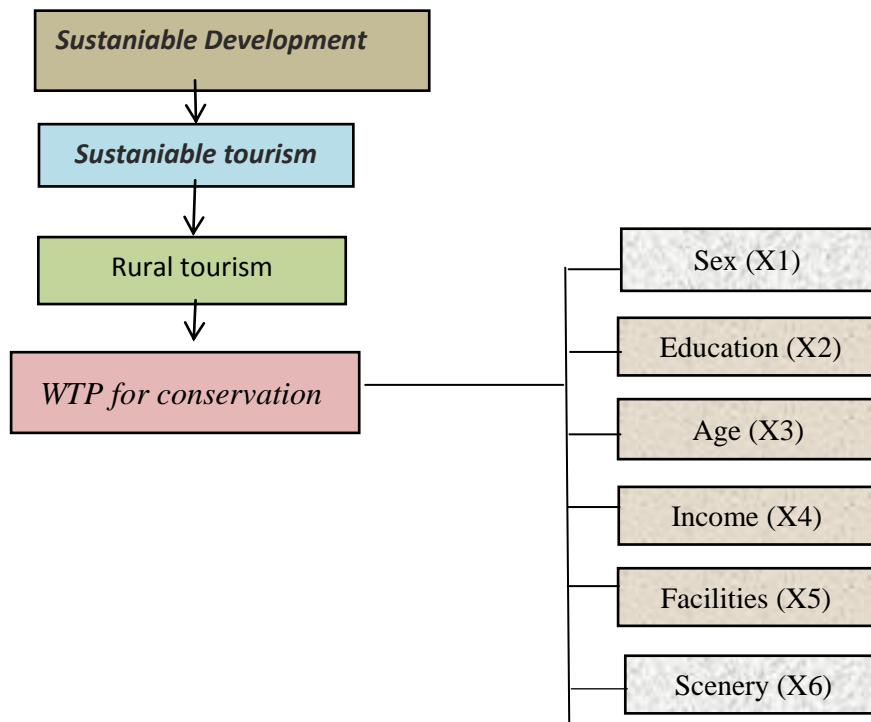
Figure 1. Research Framework

RESULT AND DISCUSSION

The estimated result of the relationship between social-economic factors, especially tourists' sex, education, age, income, and 2 perception factors to the willingness to pay for conservation on Bedah Menoreh Program in the village of Sidoharjo Samigaluh Kulon Progo could be explained as follows:

The first step in interpreting the results of binomial regression model is analyzing the goodness of fit (GOF) of logistic regression model equation. The three indicators used in the GOF are the omnibus tests, the model summary, and Hosmer Lemeshow. With these indicators, it will be determined that the model is good for interpreting the role of independent variables on the dependent. It is conducted to determine the value of the dependent variable (WTP) as a form of respondents' willingness to support conservation.

Table 1 Omnibus Tests of Model Coefficients

		Chi-square	df	Sig.
Step 1	Step	27,80	6	,000
	Block	27,80	6	,000
	Model	27,80	6	,000

The omnibus tests are used to detect the influence of independent variables (sex, education, age, income, facilities, scenery) which simultaneously influence the dependent variable (WTP conservation). The significance value of omnibus tests must be below 0.05 using a degree of freedom

of 95%. Based on table 1, the significance value of the model is 0.000. Because this value is less than 5%, so it can be concluded that the variables used affect the WTP conservation.

Table 2 Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	58,126[a]	,61	,82

a. Estimation terminated at iteration number 4 because parameter estimates changed by less than ,001.

In the Summary model mainly the Nagelkerke R square value shows the variation of the independent variables in explaining the dependent variable. In table 2, the independent variables (X1 - X6) are able to explain the dependent variable by 82 percent. While the remaining 18 percent is explained by other variables outside the model.

Tabel 3 Hosmer and Lemeshow Test

Step	Chi-square	Df	Sig.
1	4,590	8	,800

The Hosmer and Lemeshow Test is conducted to determine whether there is a difference between the observations and the possible results of model predictions. The value of the Hosmer and Lemeshow test will be significant if the value is above 0.05. Table 3 shows the results of the Hosmer and Lemeshow Test value of 0, 80 which means it is a greater value than 0.05. It interprets that the binomial logistic regression model is able to explain the relationship of the independent variable (X1 - X6) to the dependent variable (WTP conservation).

Tabel 4 Contingency Table for Hosmer and Lemeshow Test

		WTP = 1,00		WTP = 2,00		
		Observed	Expected	Observed	Expected	Total
Step 1	1	3	2,871	1	1,129	4
	2	2	1,421	0	,579	2
	3	4	3,347	1	1,653	5
	4	1	2,392	3	1,608	4
	5	2	2,167	2	1,833	4
	6	2	2,544	3	2,456	5
	7	2	1,492	1	1,508	3
	8	2	1,930	2	2,070	4
	9	1	1,642	3	2,358	4
	10	4	3,194	5	5,806	9

Table 4 shows the frequency of observations and expectations from the data. Willing To Pay 10,000 tickets (WTP = 10,000) for environmental conservation in the first observation. Based on observations, the observed of 3 and the expected of 2.8. It can be concluded that the differences between the two is not too far away. Thus, the model can be said to be appropriate. Furthermore, Willing To Pay 20,000 tickets (WTP = 20,000) for environmental conservation in the first observation. Based on observations, the observed of 1 and the expected of 1.129. The difference between the two was not too far away, so it is concluded that the model is appropriate.

Tabel 5 Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1[a]	AGE	,333	,670	,247	1	,620	,717
	SEX	,735	,639	1,320	1	,251	,480
	EDUC	,532	,754	,499	1	,480	,587
	INC	,338	,700	,232	1	,630	,713

FAS	,008	,742	,000	1	,991	1,008
SCEN	,131	1,160	,013	1	,910	,877
Constant	2,760	2,664	1,074	1	,300	15,803

a. Variable(s) entered on step 1: AGE, SEX, EDUC, INC, FAS, SCEN.

The next explanation about the interpretation of the parameter coefficients in the form of odds ratios. Based on table 5, the response variables for opportunities which influence tourists to pay for conservation costs are on the facility variable. It has the greatest value, 1,008.

After a series of tests which have been carried out, a binary logistic regression model or equation is obtained as follows:

g (x) = 2, 760 + 0,333 age + **0,735 sex + 0,532 educ** + 0,338 inc + 0,008 fas + 0,131 scen and the binary logistic regression model is:

$$
n(x) = \frac{e^{2,760 + 0,333\,\text{age} + \mathbf{0,735\,sex} + \mathbf{0,532\,educ} + 0,338\,\text{inc} + 0,008\,\text{fas} + 0,131\,\text{scen}}}{1 + e^{2,760 + 0,333\,\text{age} + \mathbf{0,735\,sex} + \mathbf{0,532\,educ} + 0,338\,\text{inc} + 0,008\,\text{fas} + 0,131\,\text{scen}}}
$$

Based on the binary logistic regression equation above, it can be concluded that the opportunity for tourists to be willing to pay for tickets with conservation goals is influenced by age factors is 0.333, gender of 0.753, education level of 0.532, income level of 0.338, facility perception of 0.008 and view perception of 0.131.

CONCLUSION

Based on the analysis and discussion above, the result of this paper is as follows:
The higher the level of tourist education, the tendency and attention of tourists to pay (WTP) environmental conservation in the village area of Sidoharjo Samigaluh Kulon Progo for the purpose of village tourism sustainability and the success of Bedah Menoreh program will be better.

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THE REINFORCEMENT OF DIGITAL-BASED RISK MANAGEMENT IN ISLAMIC BANK FINANCING IN THE DISRUPTION ERA

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Abstract: The existence of Islamic banks in the disruption era should be reinforced by accelerating financing process through an easier, more efficient and more effective application of risk management based on Islamic principles. This legal research aims to explore the regulation's power of Islamic bank financing risk management and its application in BNI Syariah. The data was qualitatively analyzed using a systemic interpretation method. The results are; first, some regulations related to digital-based risk management of Islamic bank financing haven't regulated credit scoring system. In addition, there is no fatwa from DSN-MUI concerning risk management guidelines of Islamic financing. Second, BNI Syariah financing starts applying digital-based risk management by screening process using Intranet LAN-based EFO (Electronic Financing Origination) application. By using this application, the history data of customer transaction connected to Financial Information Service System which (FISS/SLIK) managed by Financial Services Authority (FSA/OJK) will be easily recognized. Once the financing is given, the risk mitigation is operated in BNI Syariah through ICONS (Integrated and Centralized Online System) application using Intranet LAN for checking customers' funds and debt transactions. Financing submission services are provided in offline, while the payment is provided in both offline and online (ATM, auto debit, mobile banking, and internet banking).

Keywords: *Risk management, Islamic bank financing, digital*

BACKGROUND

The dominance of innovative digital-based facilities have massively occured in order to fulfill the needs of modern humans who have high mobility. The mobility demands the efficiency of time, energy, facilities, and costs, in which everything can be closely related to the financial. Many digital services innovations independently evolve and openly compete each other to grab market share of all industrial areas with the goal of "winning" or "beating" so-called disruption era.(Prawirasasra, 2018)

Islamic bank as an Islamic-based intermediative financial institution, in this case, is faced with great threats and challenges to the presence of non-bank financial technology (fintech) industry. Financial technology (fintech) is a financial services innovation by using technology, so that people can easily access financial products and services as well as weaken the barrier to entry (Mlanga, 2019). Fintech provides digital-based financial services such as payment channel system (Au & Kauffman, 2008), digital banking, online digital insurance, Peer to Peer (P2P) Lending (Hariyana, 2019; Hendriyani & Raharja, 2019), and crowdfunding (Chang, 2018; Ferrarini, 2017). Then, it becomes a threat for Islamic banks when they are not able to transform into a digital-based bank like fintech. In terms of financing, fintech serves Peer to Peer (P2P) Lending by providing the convenience of efficient time and uncomplicated procedures for the application and disbursement of the loan. It is just done through online access without going to the office (*Indonesia's Fintech Lending: Driving Economic Growth through Financial Inclusion—Executive Summary*, 2019; Yunus, 2019).

The opportunities and challenges show that fintech can be a bank partner. For example, in credit distribution, especially to the sector of Micro and Small Medium Enterprises (MSME). Also, it can improve the existence of Islamic banking in order to be more able to compete in financial markets

either by accelerating the process of financing through an easier, more efficient and more effective application with a wider access by customer and Islamic bank. The process of financing is expected to be faster and more measurable by risk mitigation which can be initially done with fintech system.

The risks which require attention in the management of Islamic banking nowadays are in the aspect of financing. Some research results conclude that the financing of Islamic banks have more risks (Non Performing Financing/NPF) as compared with the credit of conventional banks (Non Performing Loan/NPL).(Iqbal, 2017) The reason lies in approval process of financing in the bank's internal or after the financing was granted by a different system between the NPF and the NPL. Islamic banks do not focus their business on making profit of credits. However, on a social sense which involves the NPL/NPF, Islamic banks tend to be higher than the conventional banks.(Ramlan et al., 2018) The use of digitization of financing through fintech will probably encounter the risks with the regulative supports of FSA and BI, and resources on Islamic bank itself as the reinforcer.(Yundi & Sudarsono, 2018)

FSA's commitment to running a grand strategy for the financial markets development of Islamic banking. It seeks to its new imaging which includes aspects of positioning, differentiation, and branding. Differentiation aspect has competitive advantage with various, transparent products and schemes, competent and ethical in finance, up-to-date and user friendly information technology, as well as the experts of Islamic finance investment. Service quality improvement program is also done by producing competent human resources and providing information technology to fulfill customers' needs and satisfaction. This program also aims to communicate the products and services of Islamic banks to them clearly and correctly while still fulfilling the Islamic principles (*Tentang Syariah*, n.d.). Several regulations have been defined by the FSA and BI. However, the coverage should be examined to the development of inclusive finance of Islamic banking in Indonesia, especially on the financing aspect which is expected to have minimal risk and adhere to the Islamic principles.

One of Islamic banks which has already used digital instrument for its services is Bank Negara Indonesia Syariah (BNI Syariah). This bank has won two awards from Infobank Award 2018 in the category of the Best Bank Syariah for five consecutive years with the assets above IDR 25 trillion, and the Best Bank Syariah with a very good performance in 2017 with the assets above IDR 25 trillion. Some indicators of the assessment are such on the aspects of asset quality, funding expansion, financing expansion, and the ratio of bad financing or non-performing financing (NPF). BNI Syariah is committed to improve the quality of financing, broadening customer-based transaction, and cooperating with the stakeholders to keep conducting Islamic financial literacy and inclusion, and developing technology through digital application (*BNI Syariah Raih Bank Syariah Terbaik dari Infobank | Republika Online*, n.d.). In accordance with the effort to reinforce financing risk management, BNI Syariah is interested to be the role model in the application and navigation areas of regulation's power in digital-based risk management of Islamic bank financing in Indonesia. It becomes the focus of this study.

LITERATURE REVIEW

2.1. Risk Management for Islamic Banking

Islamic Banking as one part of the state's economic system is expected to support economic development through the collection and distribution functions of public funds. To create a strong banking industry which has high competitiveness, it requires resilience in dealing with various risks. The ebb and flow of banking industry in Indonesia mainly occur during the global crisis in Asia in 1998, the impact of the crisis in America in 2008, and in the Europian region in 2011. Those crises give very valuable lesson to improve and reinforce the banking industry either by implementing the system of risk management (Ikatan Bankir Indonesia, 2018, p. 3-4).

The risk management, according to Arifin, is a series of procedures and methodologies used to identify, measure, monitor, and control the risks arising from banking operations(Arifin, 2009, p. 272). Risk management aims to: (1) provide information about the risks to the regulator; (2) ensure that the bank does not experience unacceptable losses; (3) minimize the loss of various

uncontrolled risks; (4) measure the risks exposure and concentration; (5) allocate the capital and limit the risks (Karim, 2013, p. 255).

There are some regulations considered as the primary law and reference in the application of risk management, especially in Islamic banking industry occuring today, they are:

a. Law Number 21 of 2008 concerning Islamic Banking in Article 38;
b. Regulation of the Financial Services Authority No. 31/POJK.05/2014 concerning the Implementation of Islamic Financing Business; and
c. Regulation of the Financial Services Authority (POJK No. 65/POJK.03/2016) concerning the Application of Risk Management for Islamic Commercial Banks (ICB/BUS) and Sharia Business Unit (SBU/UUS).

Regulation of Islamic banking risk management in Indonesia adopts some rules contained in international standards which is Basel Committee on Banking Supervision (Basel) and Islamic Finance Services Board (IFSB).(Hidayati et al., 2018) Basel accord consists of Basel I (1988), Basel II (2004), Basel 2,5 (2010), and Basel III (2011), in which everything is related to setting standard of minimum capital which should be maintained by the bank. This efforts is done to preserve people's interest who keep their money in the bank (Ikatan Bankir Indonesia, 2018, p. 16-22). IFSB creates specific standards for Islamic financial industry in the world. The IFSB-1 has classified six risks to be managed by Islamic banking such as credit risk, investment risk, market risk, liquidity risk, rate of return risk and operational risk(Handayani, 2016).

Risk management is a series of procedures and methodologies used to identify, measure, monitor, and control the risks arising from overall banking operations (Article 1 Section (6) POJK 65/POJK.03/2016). The term 'risk' means the loss potency resulting from a particular case. The risk is uncertain, when there occurs an undesirable situation which can lead to a mismatch of the expected results that potentially cause a loss. The risks to be anticipated by Islamic banking either BUS or UUS as stated in the Article 5 of POJK include credit risk; market risk; liquidity risk; operational risk; legal risk; reputation risk; strategic risk; compliance risk; yield risk (rate of return risk); and investment risk (equity investment risk).

The scope of risk management of Islamic banking industry in Indonesia is conducted internally and externally. Internally, the implementation of risk management for BUS is conducted individually or by consolidation with its subsidiaries. UUS is conducted to all its business activities which is an integral part of risk management implementation in Conventional Banks (CB) (Article 2 Section (2) and (3)). For that, Islamic banks are required to establish supervisory agencies, they are: Risk Management Committee and Risk Management Unit (Article 18). Risk Management Committee of BUS consists of: 1. The majority of members of Directors. One of them is the director who is in charge of the compliance function; and 2. the corresponding executive officer, while UUS itself can establish the Risk Management Committee at least consist of: 1. The Director of UUS; 2. The director who is in charge of the compliance function of Conventional Banks (CB); and 3. the corresponding executive officer.

The external supervision is conducted by the Financial Services Authority since December 31, 2013. It was the duty of Bank Indonesia (BI) as the central national banking before the date. The supervision is conducted to ensure that the banks are rightly and carefully managed in accordance with the principles of risk management and good corporate governance (GCG), and to comply with the legislation and regulations applied, including compliance with Islamic principles. The supervision/inspection of a bank is focused on the inherent risks of the functional activity of banks and KPMR. Inherent risk is the risk inherent in bank's business activities, whether quantifiable or not and potentially affect financial position of the bank, including: 1) Financing Risk; 2) Market Risk; 3) Liquidity Risk; 4) Operational Risk; 5) Legal Risk; 6) Strategic Risk; 7) Compliance Risk; and 8) Reputational Risk. The risks are categorized into five ranks, namely 1 (*Low*), 2 (*Low to Moderate*) 3 (*Moderate*), 4 (*Moderate to High*), and 5 (*High*). By regarding to the risk, financing in Islamic banks is analyzed based on the quality of assets with 5 (five) categories: 1) current, 2) special concern, 3) less current, 4) doubtful, and 5) jammed.

2.2. Characteristics of Disruption Era

Etymologically, the term 'disrupsi' is derived from an English word *disruption*. In Indonesian language, it is basically defined as things being uprooted. Disruption is a term popularized by Clayton Christensen as a continuation of the tradition of thinking "must compete" aiming to win and beat others. In the dynamic and sustainable current development, we have arrived and entered to the era of disruption. This era is characterized by the use of real objects into the virtual object with the aid of technology such as computers, cell phones and robots. This digitization process happens due to the evolution of technology which is based on communication and information accompanying our daily life. Eventually, sooner or later, this may change the life order and lifestyles of people. In fact, disruption era reaps different responses; some companies regard it as a threat, but others see it as a great opportunity (2019, p. 9).

Disruption is when a fundamental or basic change happens. One of things that causes the fundamental change is the changes in technology targeting a gap in human life. Digitization is the result of technology changes that alters almost any order of life, including the order in doing business. Disruption era occurs when a new innovation comes into the market and creates a strong enough effect of disruption that changes the prior market structure. Disruption era gives the birth of industrial revolution 4.0 that we currently feel it as a big change in various aspects compared to the previous generation. Industrial revolution 4.0 is marked by the advancement of connectivity, interaction, limitations between people, machines and other resources which are increasingly being convergent through information and communication technologies (ICT). The ICT should be optimally utilized not only for the production process, but also for the whole industrial links; so that, it could generate a digital-based new model of business.

The phases of industrial revolution can be described as follows:
a. 1.0: the late 18th century, the mechanization of production with hydro and steam power;
b. 2.0: the late 19th and early 20th century with electrical technology; mass production through assembly line;
c. 3.0: the early 1970s, the automation of production through information technology;
d. 4.0: in 2018, it's marked by cyber-physical and virtual-connectivity, human, machine, and E-society; smart data (internet of things)-genetic editing, artificial intelligence, big data mining, and self-drive vehicles. By the industrial revolution 4.0 and E-Society, cyber technology integration occurs for the reproduction of science and technology with the internet of things; social skills are increasingly needed. (Azra, 2019)

There are two main characteristics of disruption. First, it is a very fundamental change related to business model. In fact, market leader company continuously innovates, but the innovation is more intended to maintain the growth and the market. Conversely, the new companies offer a new business model different from the previous ones. Second, disruption always begins at the lower market (low-end) by offering much cheaper prices. Since it initially serves the lower market, the company is not detected by market leaders which get more focused on the upper market (high-end). Sooner or later, when the company has a strong market foundation, they will improve their quality and lead to the upper market. Here is when the theory of disruption then predicts that a market leader company is going to lose (Christensen, 2006).

2.3. The Impact of Disruption for Banking

Deputy Commissioner of the Financial Services Authority (FSA/OJK) Institute, Sukarela Batunanggar, addresses the issues faced by banks if they do not make any changes in the era of technology disruption. Sooner or later, they will be affected if they just stay the same. Globally, almost 60 percent of banking portfolios later will be at risk, that is likely to decline if they do not consistently change. By digital transaction, digital business process will improve the efficiency. By digital services, the banks become more efficient, the customers feel more comfortable, and operating costs get (*Ini Dampak Disrupsi Teknologi ke Industri Perbankan—Bisnis Tempo.co*, n.d.). Professor of Management at UI, Prof. Dr. Rhenald Kasali, acknowledges the rapid

technology disruption which is currently felt will have an impact on the sector of banking. It is because one of things mostly affected by industrial revolution 4.0 is the financial sector. The banking industry, according to him, is expected to adapt the technological developments which are now growing more rapidly (*Dampak Disrupsi Teknologi*, n.d.).

The flow of times which moves dynamically requires us not to deny the existence of technological advancement. Nowadays, people either personal or collective compete to create media that can simplify their jobs or can be used to ease what first looks difficult to do. Digital economy is one of results of disruption era. Economy with internet as the medium for various activities like communication, collaboration, and cooperation between companies or individuals can bring benefits and advantages for the economy itself. It includes the sectors of modern economy and financial institution which has been established among wide community Digitization demands for all sectors to move dynamically for the global competition with the high competitiveness of products and financial services. The competition between banks and financial institutions has got into the new stage of application technology which is the implication of banking business development in the era of digital economy.

In the era of digitization and automation, many office works can be more efficiently produced at lower costs. Digitization can be seen as an opportunity to improve customer relationship, business process, and to create and adapt new business models. In the financial sector, digitization is a development of work methods, scope of work and work environment. The advancement of information technology and computerization system which are developed into digitization can make the jobs more efficient and faster. The general consensus is that due to digitization, customers will become more independent and work environment turns into a more digital environment which may change the entire environment of the organization. Telecommuting and working remotely from the office will be more used as work methods of today and future; so that, digital competence becomes more important and becomes the need of peoplepowers.(Nurfalah & Rusydiana, 2019)

Islamic banking as one of the economic sectors which becomes a revolving wheel of funds in a country should evolve and follow the market needs. Islamic banking should always be the first choice of individuals in conducting the payments and other economic activities. To achieve that kind of targets and objectives, bankings must endlessly innovate in accordance with the needs, and make customers easier to carry out all their economic activities. Application technology in a banking is called by digital banking. It is a banking service by utilizing digital technology to meet customers' needs in order to actualize the digital economy as aspired. Digital bankings which have grown until today are like ATM, internet banking, mobile banking, video banking, phone banking and SMS banking. Several banks have already launched branchless financial services (branchless banking) which are mainly intended for people who have not the access to banking (unbanked).(Dz, 2018)

The transformation of digitizing Islamic banking services is a necessity. The anticipation is a legacy to survive. Business institutions may choose whether to be the player of the change or just to be the spectator of it. If the choice falls on being the player of the changes, they must be ready for mindset, role, and responsibility changes of a new job as well as to be ready to face new competitions and sciences. The high intensity of socialization by the Islamic banking can affect society in general. The functions contained get the attention and be able to attract new prospective customers while maintaining public trust to the Islamic banking. Internet facilities and various social media (Facebook, Twitter, Instagram, and others) can be utilized for the benefits of education and socialization of Islamic economy, especially Islamic banks. As it is known that Islamic bankc have different system and products from the conventional banks. In today's digital era, the forms of media have already switched to the online format because it is easily accessible by anyone who needs the information. People easily share informations about their social account as well.(Dz, 2018)

In addition to revolutionizing the approach taken by banking industries, the rapid growth of technology has also changed people's lifestyle, especially in complying their financial needs.

This results in the emergence of new businesses in the field of technology-based financial services. These financial services companies are often well-known as fintech companies. BI defines financial technology as the result of a combination between financial services and technology, in which then it changes the conventional business model to be moderate. At first, the customer should have a face-to-face transaction, but now it can be remotely done by making a payment.

2.4. Inclusive Islamic Finance Through Banking Digitization

The Consultative Group to Assist the Poor (CGAP-GPFI) defines inclusive finance as a condition in which all working age people are able to gain effective access to credit, savings, payment systems and insurance from all financial services providers. The effective access also includes the convenient and responsible services at an affordable price for the public and sustainable for the provider. It is expected that in the end, people can take more advantages of formal financial services than informal financial services (Nurfalah & Rusydiana, 2019) (anshori, 2016). Financial inclusion, based on the Presidential Decree (Perpres), is a condition in which every society member has the access to many quality, timely, streamlined, and safe formal financial services with an affordable price according to one's needs and capabilities (Attachment of Presidential Decree Number 82 of 2016 concerning the National Strategy for Inclusive Finance). Concurrently, in FSA regulation, financial inclusion is defined as the availability of the access to various institutions, financial products and services according to the needs and capabilities of people in order to improve their prosperity (Article 1 Paragraph 7 of the Financial Services Authority Regulation No. 76/POJK.07/2016 Concerning the Enhancement of Literacy and Financial Inclusion in Financial Services Sector for Consumers and/or Community).

Basically, inclusive financial policy is a form of financial services deepening addressed to the public "in the bottom of the pyramid" to take advantage of formal financial products and services as a safe means of keeping money, transfers, savings or loans and insurance. It's done not only by supplying products in an appropriate manner but also combining it with various aspects (*Program Keuangan Inklusif—Bank Sentral Republik Indonesia*, n.d.).

Inclusive finance is an important component in the process of social inclusion and economic inclusion which contribute to foster economic growth, create the stability of financial system, support the poverty reduction program, as well as to reduce the gap between individuals and between regions. Inclusive financial system is actualized through people's access to financial services that it can improve the economic capability and eventually pave the way to escape from poverty and reduce economic disparities. Wider access to financial services is essential in the effort to increase the participation of the whole society in economy.

The effort should be made to actualize and improve the inclusive Islamic financial by the digitization of Islamic banking industry (Megargel et al., 2018). Most of banking industry players have already switched to a digital strategy as a strategy implemented at the level of corporate strategy in Indonesia. According to the data from BI, recorded growth of the number of electronic money transaction nominal has increased by approximately 290% or 29 times since 2012 until the end of 2018. It happens unseparatedly from customers tendency who start enjoying electronic-based banking services. It can be seen from the increasing number of electronic transactions conducted by bank customers in Indonesia. According to the Price Water Cooper Survey, 44% of respondents from banking industry say that digital strategy has an ultimate goal to enrich customers and employees experience in doing a better process of banking. It is expected that they can conduct banking activities more easily because of the vary rapid technological development (Indira & Ertambang Nahartyo, 2018; Rapitasari, 2016) Digitization is based on big data and data analysis technology. The big data is used to create (1) the efficiency of risk management through credit scoring and the quality of decision; (2) protection of froud (deviation), that may lead to cyber security attack, with a data driven which can read anomaly patterns in a real time; (3) faster merchant assessment for the quality partners who are in need of funds (Dicuonzo et al., 2019).

2.5. Previous Studies

The previous studies closely related to this study are quite a lot and very helpful in mapping out the headings of this research; thus, it certainly has a difference from studies as below:

The study entitled *"Analisis SWOT Financial Technology (Fintech) Pembiayaan Perbankan Syariah Di Indonesia (Studi Kasus 4 Bank Syariah Di Kota Medan)"* is written by Ridwan Muchlis in At-Tawassuth Journal, Vol. III, No. 2, 2018.(Muchlis, 2018). This study examined the application development created by Islamic banking to take advantage of FinTech in efforts to accelerate the financing process; thus, it could ease the service to customers. However, the development of fintech application is proved to have some disadvantages. Such as, it needs an internet network supporting for the efficiency of financing activities in Islamic banks. In addition, they are cyber crime activities which reduce customers' interest to use the application. Based on the research analysis, it is suggested to prepare the regulations related to the financing of FinTech earlier. Therefore, the risks can be minimized, and customers can improve their knowledge and understanding for the transactions comfort and safety in Islamic banking.

The study entitled *"Analisis Perbandingan Risiko Kredit Antara Bank Syariah dan Bank Konvensional"* is written by Siti Ruwaida Ramlan, Silcyljeova Moniharapon, and Joy Elly in EMBA Journal Vol. 6 No. 1 January 2018.(Ramlan et al., 2018). This study examined whether there are differences in credit risk between Islamic banks and conventional banks. Based on the conclusions drawn in the research, it is mentioned that there are significant difference between the Conventional Banks and Islamic Banks, in which the value of NPL/NPF of Islamic Banks have a greater average than Conventional Banks.

The study entitled *"Risiko Kredit, Stabilitas, dan Kebijakan Pembiayaan Bank Syariah di Indonesia"* is written by Ahmad Syatiri and Yulia Hamdaini in the Journal of Management and Business Sriwijaya Vol. 15 (3), 2017 (Syatiri & Hamdaini, 2017). This study examined the relationship between credit risk, bank stability, and financing policy. The study found that the stability variable has significant relationship with the financing variable to deposit ratio. External variable in the form of inflation has significant relationship with stability, while BI Rate variable has significant relationship with *murabahah* financing (MBAF). However, credit risk variable have no significant relationship with all variables.

The study entitled *"Perbankan Era Baru Digital"* is written by Nurkholis in *Economicus* Journal Vol. 9 No. 1 June 2018 (Kholis, 2018). This study aims to determine the continuation of human resources who have been working in banking services such as customer service, teller and others. If the function has been replaced by a digital application, and then how is the security of customer transactions? In this transaction, services are done digitally without having the physical presence of customer in the bank branch office involved. In adddition, if the function has been replaced by digital application, how the regulations determined by Bank Indonesia and the FSA toward digital banking services. Based on this research, it could be inferred that technological development is unstoppable. The progress is directly proportional to human desires to get easy in every activity. For instance, in financial activities which daily interact with banking services directly. Conventional banking services do require a high cost, a substantial investment. However, with the development of technology, everything can be trimmed with FinTech. Initially, many perceived that FinTech will replace the position of bank in economic world. Somehow, today, instead of replacing the position of bank, the presence of FinTech can even walk side by side; so that, the progress of the economy can be done together. It is clear and unequivocal regulation which is the Financial Services Authority Regulation No. 77/POJK.01/2016 concerning Information Technology-Based Loaning Money Services regulates everything to protect community interests both as loaner or borrower. In addition, Bank Indonesia issued Governor Board Member Regulation No. 19/14/PADG/2017 concerning Financial Technology Regulatory Sandbox. In this regulation, the regulatory sandbox is defined as a safe limited test room to examine Financial Technology Administrator along with the products, services, technologies and/or its business model.

The study entitled *"Digitalisasi Keuangan Syariah Menuju Keuangan Inklusif: Kerangka Maqashid Syariah"* is written by Irfan Nurfalah and Aam Slamet Rusydiana in *Expansion: Journal of Economics, Finance, Banking and Accounting* Vol. 11, No. 1 May, 2019 (Nurfalah & Rusydiana, 2019). This study aimed to determine the solutions to improve the low levels of literacy and Islamic financial inclusion in Indonesia, the solutions are in accordance with the concept of *maqashid syariah,* and the implications toward Islamic finance. The study concluded: (1) the author provided solutions of digital innovation to increase the level of literacy and Islamic financial inclusion in Indonesia by creating the application "Connected, One Stop Solution". This application facilitated people with 20 features including: saving (plain tubes, gold tubes and Umrah Hajj tubes), investment (Islamic insurance, Islamic mutual funds and Islamic stocks) as well as to fulfill the obligation and donate (Zakat, Infaq, Sadaqah and Waqf); (2) Suitability of the 20 features of Connected with the concept of *maqashid sharia* (*dharuriyyah, hajiyat dan tahsiniyat*). *Maslahah dharuriyyah* was divided into 5 categories: a) Religion, b) Soul, c) Descendant, d) Mind, and e) Wealth. The features included in *maslahah dharuriyyah* were: a) Religion: Zakat, Waqf and Umrah Hajj tubes, b) Soul: Health Insurance, c) Descendant: Future Tubes, d) Mind: Educational Insurance and Future Tubes, and e) Wealth: Mutual, Stocks, Gold Tubes, Vehicle Insurance, Accident Insurance and Property Insurance. The features including *maslahah hajiyat* are Pay, Purchase, Cash WIthdrawal, Loan, Installment, Pawn, Resto, Travel, Scan QR and NFC as well as features including *maslahah tahsiniyat* are Add Friends, Chat and Rahma; (3) The implications of Connected application toward Islamic finance are to: a) Support Increasing Islamic Financial Inclusion, b) Improve the Literacy of Finance with the Digitization of Islamic Financial Services and Products, c) Improve Market Share of Islamic Finance, d) Support Government Program "Non-cash National Movement" and e) support halal needs in accordance with the *Maqashid Syariah.*

RESEARCH METHOD

This study was conducted in qualitative method by the form of empirical and normative juridical approach. The primary data were obtained from the interviews and the documentation from BNI Syariah. The secondary data were in the form of risk management regulation for Islamic banking and other supporting data. Both types of data were analyzed qualitatively using a systemic interpretation method.

RESULT

4.1. Regulatory Reinforcement of Digital-Based Risk Management of Islamic Bank Financing

Indonesia is a country with a large Muslim population with the composition of more than 85 percent of the whole population. Since the first time Islamic banking existed in Indonesia through Bank Muamalat in 1991, the penetration of Islamic financial assets is still around 5,9 percent of total national banking assets. Meanwhile, when it is combined with the non-bank Islamic financial industry, the total Islamic assets only reached 8 percent. If the economic activities, trade and people transactions which are rapidly growing has already been connected to the Islamic values, the Islamic financial will also grow stronger. One of many reasons for the slow growth of Islamic finance and economy is because of nonoptimal use of digital aspects. In the ecosystem of Islamic digital, there are Islamic banking, Islamic investment institutions, Islamic financing institutions, Islamic capital markets, Islamic insurance, E-Money, financial technology and any other digital services as a separate ecosystem in Islamic finance.

This year, the government has launched Indonesian Islamic Economy Masterplan (MEKSI) 2019-2024 as a continuation of Indonesian Islamic Financial Architecture Masterplan (MAKSI) by the Ministry of PPN/Bappenas starting from 2015. One of the points mentioned is about digitization of the financial sector. MEKSI recommended four major steps and strategies. First, strengthening the halal value chain by focusing on sectors which are considered potential and high competitiveness. Second, strengthening Islamic financial sector with a master plan outlined in previous Indonesian Islamic Financial Architecture Masterplan (MAKSI) and improving into

this master plan. Then, the third sector is strengthening Micro and Small Medium Enterprises (MSME) as the main driver of halal value chain. The fourth, the reinforcement in the field of digital economy, mainly trade (e-commerce, market place) and finance (financial technology), so that it can support and accelerate the achievement of other strategies. MEKSI 2019-2024 is expected to boost the ranking of Indonesia in the Global Islamic Economy Index. Currently, Indonesia is in the top 10. Indonesia is still below Malaysia, United Arab Emirates, Bahrain, Saudi Arabia, Oman, Jordan, Qatar, Pakistan, and Kuwait (Kementerian Perencanaan Pembangunan Nasional/ & Badan Perencanaan Pembangunan Nasional, 2018).

The encouragement for developing digital banking has always been strived by the regulator involved. Besides the government through MEKSI 2019-2024, both Bank Indonesia (BI) as well as the Financial Services Authority (FSA) are also working on it by setting up the guidelines and policies to form a special task force. BI and the FSA also encourage and pursue the development of digital banking in this country.

BI has an important role in commanding the stability of the digital-based banking industry through fintech (*Financial Technology—Bank Sentral Republik Indonesia*, n.d.). Some effort has been in terms of payment, investment and risk management. In keeping the traffic order of payments related to FinTech settlement and clearing, BI ensures the protection of consumers, particularly regarding the confidentiality of consumers' data and information through cyber security network. Bank Indonesia guarantees the security and the traffic order of payment by acting as the facilitator, intelligent business analyst, assessment, coordinator, and communicator. BI becomes a facilitator in terms of land provision for payment traffic. Through cooperation with the authorities and international agencies, BI becomes an analyst for the businessmen related to FinTech. BI provides insight and guidance on how to create a safe and orderly payment system. BI also conducts monitoring and assessment toward any business activities involving FinTech with technological payment system. It is as well as keeping in touch with the authorities to continue supporting the existence of FinTech payment system in Indonesia. BI is also committed to support entrepreneurs in Indonesia by regularly providing guidance about the FinTech. In terms of investment and risk management, Bank Indonesia also requires every businessmen to stick to the macroprudential regulation, deepening of the financial markets, payment systems to support the cyber operations and security to keep consumers' data and information.

Welcoming the disruption era with the industrial revolution 4.0, the FSA has issued several policies and regulations concerning the digitization of banking sector, as in the following table:

Table 2.
Regulations Concerning Digital Banking-Based Risk Management in Indonesia

REGULATIONS	ABOUT
POJK No. 65/POJK.03/2016	Implementation of Risk Management for Islamic Conventional Banks and Islamic Business Unit
POJK No. 23/POJK.03/2018	Implementation of Risk Management for Islamic Rural Bank
POJK No. 38/POJK.03/2016	Implementation of Risk Management in the Use of Information Technology by Commercial Banks
POJK No. 12/POJK.03/2018	Implementation of Digital Banking Services by Commercial Banks
POJK No. 18/POJK.03/2017	Reporting and Requesting Debtor Information Through Financial Information Services System
SE-OJK No. 50/SEOJK.03/2017	Reporting and Requesting Debtor Information Through Financial Information Services System
SE-OJK No. 10/SEOJK.03/2019	Implementation of Risk Management for Islamic Rural Bank

The FSA understands the importance of digital banking for banks. To lead to the digital banking services, banking does require not a slight investment. Banks also need to build

relationships between banking and telecommunications industries as well as to provide information security and harmonizing rules among regulators. The FSA formed a Task Force Digital Banking Team in 2016. Task Force Digital Banking Team of FSA has synergy with the institutions and state institutions, such as banks, the Ministry of Communication and Information, Directorate General of Population and Civil Registration of the Ministry of Home Affairs, as well as the Indonesian Financial Transaction Reports and Analysis Center (INTRAC). In addition, Task Force Digital Banking Team is holding the Criminal Investigation Agency of Indonesian National Police (Bareskrim POLRI), the Board of National Defense (Wantannas), Indonesian Telecommunications Regulatory Body (BRTI), National Desk Information Defense and Security Cyber (DK2ICN), Coordinating Minister for Political, Legal, and Security Affairs (Menkopolhukam), as well as the representatives of telecommunications companies and information security experts. From the results of the joint discussion, the FSA sees that some things need to get more attention to develop the digital banking services such as the importance of using single identity, which is electronic ID card (e-KTP) (Martowadjo, 2016, p.9).

According to the FSA, the use of e-ID card is important as customer's data base. BI also needs to prepare the reliable and capable infrastructure of information technology (IT), implement good risk management (Annaswamy, 2018), and provide business models which suit customers' needs in entering the digital banking businesses. On the other hand, banks also still require standardization and increased discipline of telecommunication implementation. Replacing the SIM card to support digital banking services, enhanced security, and adjustments to a number of regulations which is done by customer should be a concern. (Annaswamy, 2018).

The process of financing in Islamic banks as well as in conventional banks applies the process of screening. Screening in financing is done by customers feasibility analysis. This analysis aims to assess the customers who are eligible to receive financing from banks and the way of banks to minimize the occurrence of non-performing financing/financing problems which will be detrimental for them. The financing customer feasibility analysis is divided into two types by looking at what is being analyzed, they are qualitative analysis (willingness to pay) and quantitative analysis (ability to pay). The analysis of financing as part of the screening process is generally referred to the principle of 5 Cs, they are character, capacity, capital, condition, and collateral.

Besides screening, credit scoring or credit assessment in the credit and financing is also applied. It is a system or method used by banks or other financial institutions which is useful for determining whether a loan applicant is feasible or not to get financing. It is also calculated by using a specific formula (Yu & Cho, 2018). There are various factors which can damage a credit score such as: the late payment of installments (primary and margins) as well as the lack of credit references (Khusumawardani et al., 2016, p.49). Banks are encouraged to utilize the big data to complete the credit scoring or credit value determination process which will be given to the debtor. According to the Head of the Statistics Department of Bank Indonesia, Yati Kurniati, some banks, especially state-owned bank have already implemented big data for credit scoring and fraud detection by using the data and credit cards of the debtor. The utilization of big data to support the process of credit scoring is a complementary. Calculation of credit scoring with big data by banks uses the information such as the behavior of individuals who is not covered by financial informasion service system (FISS/SLIK). SLIK relevant provisions are stipulated in POJK No. 18/POJK.03/2017 and SEOJK No. 50/SEOJK.03/2017 Concerning Debtor Reporting and Information Through the Financial Information Services System ((OJK), 2017).

Credit scoring is used for the needs of internal banks analysis to strengthen the risk management on the behaviors of individual customers. The data in FISS are used to enter the calculation of bank credit risk monitored by the banks and the regulators (FSA or BI). Therefore, the data format of SLIK are arranged according to the needs of the regulators. From the side of Bank Indonesia, big data of banking has been used all this time to identify the vulnerabilities in financial system. It is done by monitoring the behavior of individual banks and analyzing systemic risk potentials arising from the linkages of the interbank payment system. BI also uses

the text mining algorithms by proceesing the news media to do prioritization of the major risks source which can disrupt the financial system. The results of big data analysis are used to support the process of policy making in BI.

The providers of financing, in general, such as Islamic banks, Islamic bank financing institutions, Islamic pawnshops, Islamic micro financial institutions, credit unions and Islamic financing (KSPPS) use credit scoring to evaluate the potential risks in the financing distribution to their customers. It is done to minimize losses due to financing problems. Financing providers use credit scoring to determine who is eligible to receive the financing and how long the tenors are. The use of credit scoring before the approval and granting access to financing is a well-guaranteed system implementation. This is a forward direction in the Risk-Based Management system of Bank Indonesia. Financial credit management is the act of creating economic value to the company by managing the risks faced, especially the financing risk. To implement this act, it needs a recognition to the source of risks, measuring and handling it. The use of credit scoring is not limited to the banking industry. Other organizations such as government agencies and the private sector also conduct these techniques. Credit scoring has many similar methods with the data mining, which basically also uses similar techniques. Either FISS, credit scoring, or 5Cs principle in feasibility analysis of customers are the application forms of prudential banking principle in Islamic banking.

In addition to FISS regulation as a form of digital-based financing risk management, there is a POJK of digital-based risk management namely POJK No. 38/POJK.03/2016 concerning to Implementation of Risk Management in the Use of Information Technology by Commercial Banks. In this POJK, it is required for the banks to have policies, standards, and procedures of use information technology and apply them consistently and continuously. There is also a tolerance for the risk limit to ensure that all aspects of policies, standards, and procedures of using technology run optimally. This POJK also requires the banks to have policies, standards, and procedures on the process of information technology risk management. Besides, banks are also required to conduct the risk management process related to the use of information technology. If the bank uses the service providers of information technology, the banks should ensure that they apply risk management as set out in the regulations of FSA. This POJK mandates that banks effectively implement the internal control systems of all aspects of the use of information technology. The control system is the supervision, the control culture, identification and risk assessment, control activities and functions separation, information systems, accounting and communication systems, monitoring activities and correction of irregularities which are committed by the management, the operational unit, internal auditing unit or any other parties.

Concerning the existing regulations, it seems necessary to formulate the regulation of the FSA in the disruption era related to Credit Scoring System. The implementation might be done internally or involves the third party which is the credit rating evaluation institutions from both government and private institutions. Besides, there should be regulations governing the use of integrated big data. By this regulations, the digital-based risk management will be ideally implemented in juridical, economic and technical aspects.

If it is correlated with the existence of Islamic digital banking ecosystem, there should be a different regulation from conventional banking. It includes in the digital-based financing risk management which must be leaning on the fatwa of DSN MUI. As it is known that fatwa of DSN MUI is ideological foundation in which transaction policies carried out are not contrary to the Islamic principles. DSN-MUI has issued a Fatwa DSN NO: 116/DSN-MUI/IX/2017 concerning Islamic electronic money, but it is still limited to the technical arrangements of financial products. It has not loaded the digital-based risk management. Thus, it is necessary to have Fatwa from DSN MUI related to the general guidelines of Islamic-based risk management and specific provisions on the risks of digital financial products. This fatwa is needed in order to be the fortress in maintaining a comprehensive Islamic financial ecosystem.

4.2. Digitization of Financing in BNI Syariah

BNI Syariah which was originally an Islamic Business Unit of Conventional BNI has very varied and innovative financial products. It is as the influence of the main bank which has longer taken part in the banking industry in Indonesia since 1946. In general, the financing offered by BNI Syariah consists of consumptive financing and productive financing with details as follow:

Table 1.
Products, Akad and BNI Syariah Financing Guarantee

Type of Financing	Product name	Contract
Consumptive	Multipurpose iB Hasanah	Murabahah
	Oto iB Hasanah	Murabahah
	Gold Financing iB Hasanah	Murabahah
	CCF iB Hasanah	Murabahah
	Griya iB Hasanah	Murabahah
	Flexion iB Hasanah Umroh	Multiservice Ijarah
Productive	Micro Rahn	Rahn
	Micro 2 IB Hasanah	Murabahah/Musyarakah/Mudharabah
	Micro 3 IB Hasanah	Murabahah/Musyarakah/Mudharabah
	Entrepreneurial iB Hasanah (WUS)	Murabahah/Musyarakah/Mudharabah
	Currency iB Hasanah	Customized needs of prospective customers
	Marketing cooperation with motor vehicle dealers	For dealers: Mudharabah / For the end user: murabaha
	Smale Enterprises iB Hasanah (TUS)	Murabahah/Musyarakah/Mudharabah
	Small Business iB Hasanah	Murabahah/Musyarakah/Mudharabah
	Linkage Program Cooperation iB Hasanah	For LKS: mudharabah/musyarakah / For the end user: the murabahah/mudharabah/musyarakah/Ijarah
	Multifinace corporate financing	Musyarakah/murabahah
	Export iB Hasanah	Murabahah/Musyarakah/Mudharabah
	Onshore iB Hasanah	Murabahah/Musyarakah/Mudharabah
	Syndication iB Hasanah	Musyarakah/ Mudharabah
	Kopkar Cooperation/Kopeg iB Hasanah	For cooperations: Mudharabah / For the end user: Murabaha

Source:http://www.bnisyariahal.co.id/kategori-produk/produk-pembiayaan accessed on October 5, 2018

Director of Finance and Operations of BNI Syariah, Wahyu Avianto, stated that this year (2019) BNI Syariah is committed to perform digital development for halal ecosystem with several strategic steps. These steps are expected to anticipate the risk of disruption which can potentially lead to a deterioration of business, namely:
1. BNI Syariah is joined as a member of AFSI (Association of Indonesian Islamic Fintech) while supporting the need to use features of bank payment/transfer used by the startup/fintech to support the development of Islamic halal ecosystem.
2. Collaborate with Islamic Fintech such as PT. Ammana Fintech Syariah to deliver solutions of Digital Wakaf. This collaboration aims to encourage public participation toward the productive endowments in order to build a better Indonesia. Dissemination is done to the public about the ease of Ammana platform for doing the endowments through 23 Nadzhir (Endowments Institute) which is joined as a member of the Productive Endowments Forum. (BNI Syariah, 2019)

The quality of BNI Syariah assets until the second quarter of 2019 has experienced a positive growth. In Quarter 1 of 2019, BNI Syariah recorded that the finance distribution is IDR

29,4 trillion or has increased 23,9% compared to the same period in 2018 with IDR 23,7 trillion. The increase reaches double digits in the realization of the non performing financing (NPF) gross maintained in 2,9% or decreased from the same period in 2018 of 3,18%. The dominating financial sector is commercial financing, followed by microfinance, SME, consumer and hasanah card until March 2019 (*Laba Bersih BNI Syariah Triwulan 1 2019 Naik 43,26% yoy*, n.d.). However, this is still a positive performance. In the second quarter, BNI Syariah recorded assets amounting IDR 42,49 trillion, growing for 12,50% and the net income is IDR 315,27 billion, growing for 55,32%. This is, according to the Director of BNI Syariah, Abdullah Firman Wibowo, backed by a good financing expansion and optimal ratio of cheap funds. A commitment to maintain the quality of financing is indicated by the ratio of Non Performing Financing (NPF) of BNI Syariah until June 2019 amounted to 3,03 percent while maintaining the adequate level of financing provisioning with Coverage Ratio at 91,39% (*BNI Syariah Bukukan Kinerja Positif di Triwulan II 2019, Laba Bersih Tumbuh 55,32%*, n.d.).

Credit risk management applied in BNI Syariah is preceded by screening in the way of customer feasibility analysis before financing was provided. It consists of an analysis toward the capacity of potential recipients of financing individually (character) or based on the revenue and its business (capacity, capital, condition), as well as the assessment of the collateral (if it's necessary, although basically guarantee/collateral is only as a complement to the financing agreement). At this stage, BNI Syariah uses the application EFO (Electronic Financing Origination) via intranet LAN connected throughout all BNI Syariah branch offices which is accessible only internally for the manager of finance filing. EFO can know historical data of customer transactions connected with [Financial Information Services System (FISS)](#) managed by the FSA.

The feasibility assessment for financing receiver carried out by BNI Syariah is in accordance with the mandate of Article 23 Section (1) of the Law concerning Islamic Banking. In this mandate, Islamic Banks should have feasibility analysis of funds distribution prior to provide the financing until they have the confidence in willingness and ability of potential customers receiving the facility to repay all obligations on time. The data of debtors may be requested to the FSA through FISS in accordance with the provision of POJK No. 18/POJK.03/2017 and SEOJK No. 50/SEOJK.03/2017 Concerning Reporting and Requesting Debtor Information Through Financial Information Services System. In Article 15 Paragraph 4 POJK No. 18/POJK.03/2017, it is regulated that debtors information can be requested to the FSA by online through FISS. The information should include the debtor's identity; the owners and the managers for the debtor of an enterprise; the facilities of funds provision received by the debtor; collateral; guarantors; quality of the funds provision facilities; and other information (Article 14 Section (2)). The requests for debtors information should be in order to support the smooth process of financing, implement risk management and/or identify the quality of the debtor to fulfill the provisions of the FSA or other authorities.

Financing application process is still done by offline. It's not yet available online services like Feer to Feer Lending which is done by fintech industry. It is done because Islamic banks are bound by the principle of prudence (prudential banking) which insists on the fulfillment of the 5 Cs principle, they are character, capacity, capital, condition, and collateral. Thus, by direct meeting, Islamic banks will be convinced to provide financing to the customers (Interview with Andri Saputra (BNI Syariah Branch Sales Officer in Banjarmasin) and Ahmad Syarifuddin (Sales Asisstant of BNI Syariah Branch in Palangkaraya) on October 17, 2019).

Once financing is granted, risk mitigation is still being conducted in BNI Syariah through ICONS (Integrated and Centralized Online System) application using Intranet LAN for checking funds transactions and debt transactions of the customer. Customers can open an account by online via "e-form hasanah online" in https://bro.bnisyariah.co.id/home as one of requirements of the financing. Credit installment payments can be made by cash deposit through ATM or teller or by being debited through customer account, and digital payments can be made via mobile banking, ATM transfer, and internet banking. According to Syarifuddin, so far, the use of

financing digitization in BNI Syariah run very smoothly and there is no significant obstacle, even he stated that it gets very easier to manage financial risk.

Based on the description above, it can be concluded that BNI Syariah has used digital-based financing system in order to mitigate the risks of financing; so that, it can significantly reduce the NPF, and it keeps the quality of positive assets in the current position as well.

CONCLUSION

Disruption era demands Islamic banking institutions, one of them is BNI Syariah, to inclusively perform the digitization of financing which needs to be reinforced by the FSA regulations regarding Syariah-based risk management leaning on fatwa from DSN-MUI. In this case, fatwa from DSN-MUI needs to be formulated regarding general guidelines of digital-based risk management within the frame of Syariah, especially with regarding to credit scoring. The credit scoring needs to be applied through the product of the FSA regulations. The synergy between the FSA, BI, and DSN-MUI needs to be done and maintained by involving other stakeholders such as the National Committee for Islamic Finance (KNKS) as a board in charge to actualize MEKSI 2019-2024, and also the organizations of Islamic economy drivers such as the Islamic Economy Community (MES), the Indonesian Association of Islamic Economist (IAEI), the Indonesian Association of Islamic Banks (Asbisindo), and any other Islamic economy movement organizations for the advancement of inclusive Islamic banking in Indonesia.

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THE SUSTAINABLE ECONOMIC DEVELOPMENT BASED ON AQUAPONIC TECHNOLOGY IN PEAT AREA WITH ACIDIC WATER IN JEJANGKIT TIMUR

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Abstract: Jejangkit village in South Kalimantan is a peat land area which is mostly used for agriculture. The community in the Jejangkit village has a desire to cultivating fish such as catfish. The problem faced by the community in the local area is the area is very prone to flooding when it rains. Another problem is the level of water acidity in the area. In this condition, the community feel difficult to cultivate the fish.. Therefore, the solution offered to solve this problem is the use of an aquaponics system with a combination of water filtering for the normalization of water PH; so that, in addition the fish cultivation can run properly the agriculture activities can be run even though the area is flooding. The application of aquaponics technology with a combination of water filtering, aquaculture and plantations can be realized which can increase income for residents who want to develop independent businesses both managed by the community and by individuals. Aquaponic system, which is a combination of hydroponics and aquaculture systems that are mutually symbiotic (Rakocy *et al.,* 2006, Diver, 2006). Plantations using the aquaponics system can be done on both narrow and wide land, plants do not need to be watered and fertilized, pool water does not need to be replaced, environmentally friendly and can be done by all members of community. Based on these advantages, the aquaponics system is a suitable solution for plantations and fisheries in swamp and peat areas.

Keywords: *aquaponic, peat land, acidic water*

BACKGROUND

In line with the government program to accelerate the rural economy which focuses on handling rural infrastructure, one solution is provided. This solution aims to strengthen through the application of science and technology, policy models, and research-based social engineering. The socio-economic development of the village will be faster with the construction of infrastructure and opening access. Downstreaming of multidisciplinary research results will accelerate the quality and quantity of village progress in all fields (social, economic, legal, health, culture, education, agriculture, food security, maritime, new and renewable energy, etc.) without leaving superior value or distinctive features owned by the village.

The Barito Kuala Regency area is flanked by two large rivers namely the Barito River and the Kapuas River. It greatly influences the existing water system in this regency. This hydrological situation is strongly influenced by rainfall, wherein the rainy season at high tide the Barito river can flood most of this area and cause the soil surface to be flooded continuously. Tides also affect the existing water system, which always moves up and down following the tidal fluctuations in the Barito River and the Kapuas River. This tidal movement occurs twice in 24 hours and every day is 50 minutes late according to the circulation of the month. The difference in the height of the water level at low tides can reach 2-3 M. This tidal motion is used by farmers to dig a trenches in the area which will be used as rice fields, in general. This area is covered by swampy plants in coastal areas of mangrove forests (Mangroves), and a few sea firs found. In this area, it is also found several species of fauna which live there, including some types of land fish such as cork fish, papuyu, sepat, baung, catfish, flat and others. The fish live in rivers and channels of swamps and rice fields.

Jejangkit District is included into the Barito Kuala area. The average rice planted is once a year, where the harvest period is 8 months. The land in this area is mostly peat and swampland; so that, this area is only suitable for rice cultivation. Based on the existing land contour, it is very rare for people to garden because there are often river tides. When the tidal river water occurs, the flooding also

occurs. Thus, the cultivation of plants other than rice will easily die because of being submerged in water.

Figure 1. Regional Map

To independently increase food security for people in the village of Jejangkit Barito Kuala Regency, South Kalimantan, it can be done by building a water filtering infrastructure. This effort can reduce the acidity of water as a raw material for aquaculture and plantation cultivation using themethod aquaponic. If this effort is properly managed by residents, it is expected that the results of fisheries and plantations using themethod aquaponics can increas the income of residents and open business opportunities. It can be done when this effort is supported by clean water treatment. In addition, the selection of aquaponics technology is expected to be used as a solution for agriculture, plantations and fisheries in areas which often experience flooding. It is because the power plant area has a fairly high tidal river.

The target of this activity is the residents of the Jejangkit village in Barito Kuala and surrounding communities in providing food, increasing income and reducing unemployment. It also can provide alternatives in making business choices in accordance with local area conditions, where the equipment can be adapted to conditions in the field.

LITERATURE REVIEW
Aquaponic

Aquaponics is the rearing of fish and plants in a cultivation system. In this system, the fishes contribute nutrients from impurities which can be fertilizer for plants, while the plants serve to reduce waste from the fish so as to reduce toxic substances into harmless substances (Dewantoro, et al, 2019). Aquaponic can be used to cultivate fish and fresh produce at any scale, from very large commercial systems to very small personal setups (Bernstein, 2011). The application of aquaponics technology with a combination of water filtering, aquaculture and plantations can be realized. This application can increase income for residents who want to develop independent businesses both managed by the community and by individuals. Aquaponic system, which is a combination of hydroponics and aquaculture systems which are mutually symbiotic (Rakocy *et al.,* 2006, Diver, 2006)

DATA AND METHOD
 Problems

To identify the problems of partners, it is necessary to formulate a problem based on a situation. The analysis is based on an explanation of the external and internal conditions.
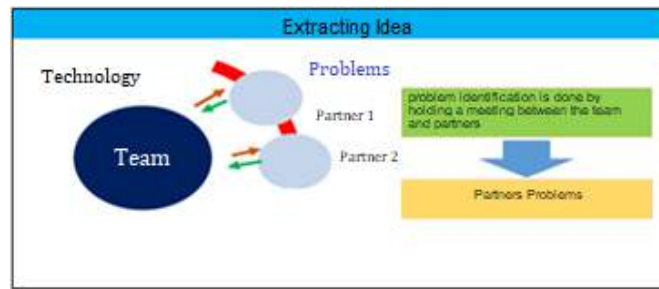
Figure 2. Exploring ideas to look for problems

As the results of the partner's situation analysis, it is illustrated in the SWOT analysis matrix Partner Problems as follows:

Table 1. Matrix of SWOT Analysis

The strength	Weaknesses
1. The productive age community is relatively large 2. The organizational / community spirit to build the village is still high 3. The support from village officials is very good 4. The community life for farming and cultivating fish is very high	1. Peat and swamp soil conditions 2. The levels of water acidity 3. There is a tidal period for river water 4. The low educational level composition
Large opportunities	Threats of unpredictable
1. Land 2. There is a gap period of 4 months after harvest 3. The opportunities of aquaculture and plantations 4. The land management becomes more useful	1. Seasons 2. Frequently flooding

Based on the matrix above, a threat force strategy can be drawn up among others to improve the culture of "*social entrepreneurship*" for the community. It also develops independent businesses which are resistant to the threat of flooding. The strategy for weaknesses and opportunities is: building acid water neutralization infrastructure as raw material for agriculture and fisheries, developing an aquaponic system mechanism as a substitute for agriculture and animal husbandry systems in flood areas, conducting the training of citizens on issues of developing productive businesses.

1. Method of Approach

The method of approach in implementing this program is divided into two stages, namely the stages of making supporting facilities in accordance with the planned model, and the stages of socialization to citizens regarding the program to be implemented. The following are the stages in the activities:
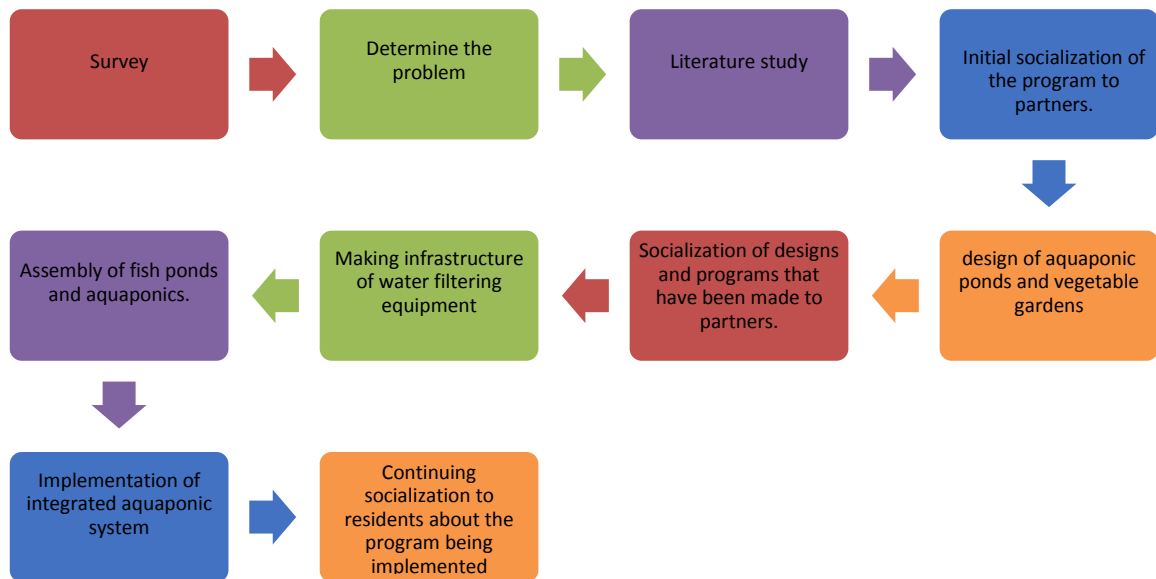
Figure 3. Stages of Activities

2. Description of Technology to be disseminated to the community

The stages of the manufacturing process consist of several general stages, namely:

a. Making clean water treatment equipment
b. Making fish cultivating ponds
c. Making aquaponic system gardens
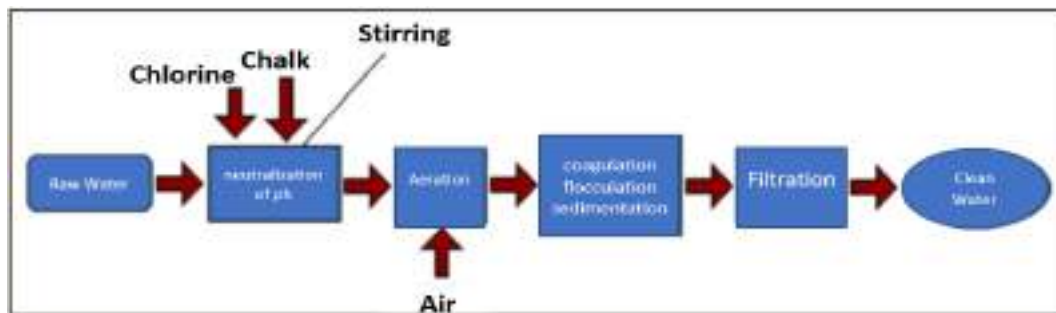
Figure 4. Water Filtration System
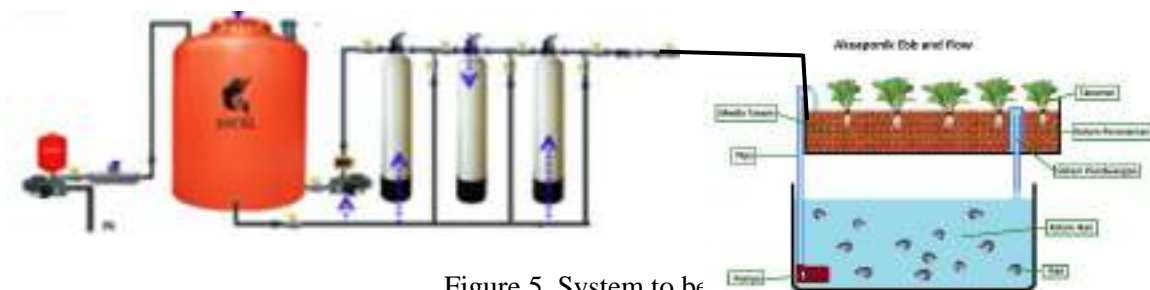
Figure 5. System to be

RESULT AND DISCUSSION
1. **Dissemination of Technology**
   A. Location

   B. Aquaponic Technology Installations at the First Location

   C. Aquaponic Technology Installations at the Second Location

D. Dissemination and Training

E. Distribution of Seeds

F. Results

Table 2. Types of Outputs generated from each solution

Solution	Outputs
1. The development of supporting facility have functions to the development of fisheries and plantations on peatlands by the community	1. The socialization of community assistance in the manufacture of clean water treatment equipment
2. The business management of fisheries and plantations on peatlands	2. The socialization and mentoring for aquaculture and plantations *aquaponic*
3. The improvement of business management in the fields of fisheries and peatland agriculture in order to provide the added value.	3. The dissemination of the management of fish ponds and vegetable gardens as sources of community life in order to provide the added value

2. Benefits

Technology Products Function.
  a. As a water filtering tool for aquaponics which is good for fish and plants.
  b. Providing food security for community
  c. Providing income solutions for = community in the field of fisheries and plantations with unfavorable geographical conditions.

Benefits of Technology Products

a. Teaching the community to develop fisheries and plantation technology which can be applied to unsupportive geographical conditions.
b. As the application of science and technology which can be felt by the community directly.
c. Facilitating the community to make technology choices in accordance with local water source conditions. It is in the form of ponds and aquaponic gardens which can be used as a source of income for the local community. The equipment can be adapted to conditions in the field.

3. Economic and Social Impact.
a. Enhancing the culture of "*Social entrepreneurship*" for the community through the development of BUMDES by managing ponds and aquaponic gardens.
b. As a means of initial venture capital for the development of economic activities related to fisheries and plantations.
c. Improving community welfare through a healthy lifestyle by utilizing hygienic fisheries and plantation products.

4. Contributions to Other Sectors
a. For the livestock sector, it can help improve the quality and quantity of livestock products by helping supply animal feed from unused crops.
b. For the public health sector, it can help improve health by consuming hygienic fisheries and plantation products.

5. Constraints / Obstacles
  The obstacles faced in the implementation of Dissemination activities are:
  a. The low level of community education; therefore, the intensive training is needed.
  b. The geographical position of the village with the level of rising tides can cause flooding in the village area, as well as water drought in certain seasons.

6. Follow-up
  The follow-up which can be done after the program activities of applying appropriate technology to the community in the Jejangkit village, including:
  a. Conducting an evaluation of the final results of the activity,
  b. Utilizing the number of ponds and aquaponic gardens to realize the theme of the Papuyu fish village.
  c. Mapping the area in a tractor or surrounding village which requires the application of similar technology.
  d. Mapping the potential opportunities for activities or businesses which can be applied in the area of Jejangkit Village, South Kalimantan.

CONCLUSION

Based on the results of community service activities in Jejangkit village of South Kalimantan, it can be concluded that Jejangkit is a village which has difficulties in obtaining clean water. The water in the Jejangkit village has a high odor and acidity. In certain seasons, Jejangkit village experiences drought and floods; thus, it becomes an obstacle in carrying out fisheries and plantation activities.

Through the application of aquaponics technology, the community in the village of Jejangkit has alternative technology solutions in the field of fisheries and plantations. The results of these activities can support government programs as well as the Banjarmasin State Polytechnic strategic plan program. This program prepares the technology which can help the community in the field of food security.

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Winda, A., & Fatimatuzzahroh, N. Pemberdayaan Masyarakat dalam Penerapan Teknologi Aquaponik untuk Meningkatkan Kualitas Kesehatan Ibu, Anak, dan Balita di Kecamatan Bangsalsari.

INTER-REGIONAL ECONOMIC DEVELOPMENT IN KALIMANTAN

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Abstract: This study aims to determine the leading sectors, shifts in economic structure, regional grouping based on growth structures, and the abundance paradox that exists in the Kalimantan Region. This study uses secondary data in the form of: Gross Domestic Product, Gross Regional Domestic Product, economic growth, population growth, income per capita, number of poor people and HDI. The analysis tools used in this study are Location Quotient (LQ) analysis, Dynamic Location Quotient (DLQ) analysis, Shift-Share analysis, and Klassen Typology analysis. The results showed that from 17 business sectors from 2013 to 2017, the agriculture, forestry and fisheries sectors; mining and quarrying sector; construction sector; transportation and warehousing sector; government administration, defense and compulsory social security sectors; education service sector; and the health service sector and social activities are the leading sectors in the Kalimantan Region, both now and in the future. During the period 2013-2017 several regions in the Kalimantan Region experienced a shift in economic structure. The area that is classified as advanced is North Kalimantan Province, while the area that is classified as relatively underdeveloped is South Kalimantan Province. Some regions indicated by the paradox of abundance are South Kalimantan and West Kalimantan.

BACKGROUND

Kalimantan Island is the largest island in Indonesia. This region has abundant resources, especially natural resources which makes this region to be one of the country's biggest foreign exchange earners. Its population has only 5.6% of the total population of Indonesia, but this region has a significant contribution to the national GDP when compared to other regions, which is 9.3% generated from natural resources in Kalimantan. But in terms of investment, the portion of Kalimantan is only able to reach 0.6% of the total national investment, very much different from the amount of investment embedded in Java which reaches 72.3% of the total national investment. This indicates that Kalimantan is an economically undeveloped region because this region's income is more brought to Java than to develop its own region (Sosilawati, 2017).

Kalimantan Island has five provinces which consist of West Kalimantan Province where this province has abundant agricultural and plantation potential. Central Kalimantan Province, where the area is dominated by forests up to 80%. South Kalimantan Province, which has various potential sectors that can absorb a lot of labor, one of which is the agricultural sector. East Kalimantan Province, where the economy of the region is supported by mining products such as oil, natural gas and coal. The last province is North Kalimantan Province which was only formed in 2013 as a result of the division of East Kalimantan Province which also has natural resource potential similar to East Kalimantan Province. In terms of quantity within the scope of the Kalimantan Region, East Kalimantan Province is the highest producer of GRDP. This value far exceeds the GDP than other regions. The trend of the East Kalimantan Province's GRDP figure is relatively stagnant, even though the increase or decrease is not too significant. The highest GDP of East Kalimantan Province occurred in 2017, where from the previous year which was only around IDR 439.08 trillion in 2016, but in the following year it increased to IDR 452.84 trillion. Among the 17 GRDP contributors sectors, the mining and quarrying sector was the highest producer of GRDP values of up to Rp 232.66 trillion in 2013 and continued to decline until 2017 to Rp 215.21 trillion.

The previous research only focused in one region, such as districts, provinces, and even countries. Although using the same analysis tools, this study conducted to find out how the regional

economic development in one region in Indonesia, namely the island of Borneo. In contrast to previous research only focused on research in one district area on the island of Sumatra, Maluku, and other regions. This research will discuss and present how economic development among regions in the Kalimantan Region during the period 2013-2017.

Formulation of the problem

The sectors are the base / superior sectors that exist in the Provinces in the Kalimantan Region. During the period of 2013 to 2017, there was a shift in the economic structure of the provinces in the Kalimantan Region. A description of regional group based on the structure of growth, and an indication of the occurrence of abundance paradoxes in each region.

Research purposes

Based on the background and the formulation above, the purpose of this study is to identify which sectors are superior or becoming the basis of the economy, the occurrence of a shift in the economic structure, the grouping of regions based on growth structures and indications of a paradox of abundance in the Kalimantan Region.

Benefits of research

The benefits of this research are thoughtful input to parties who have an interest in the matter of regional economic developmen. Besides, as a reference for further research in a similar field, as well as for the development of science and literature as well as experience for researchers.

LITERATURE REVIEW

Development Planning

Conyer & Hills (in Arsyad, 1999) defines development planning as a continuous process that includes decisions or choices as an alternative to the use of resources to achieve certain goals in the future.

Gross Regional Domestic Product

According to the Central Statistics Agency (2017) Gross Regional Domestic Product is the gross value added of all economic activities in a region (Provincial and Regency / City level) or a region within a certain period.

Location Quotient and Dynamic Location Quotient

According to Hood (in Tonang, 2013) Location Quotient (LQ) is an economic development tool used to identify leading sectors in an area. This technique is a general approach and a first step in understanding the leading sector or activity sector which is the engine driving the regional economy. DLQ analysis according to Hidayat and Supriharjo (2014) is used to analyze the prospects in the future regarding the state of the sector or sub-sectors in the future which are carried out in the form of time series / trends.

Shift-Share

According to Nurhab (2019), a change in economic structure is a process of changing traditional economic activities towards more modern economic activities. Therefore, to analyze changes in the economic activities of a region used Shift-Share Analysis. Shift-Share Analysis is an analysis that aims to analyze the process of economic growth in a region which is related to the economy of the reference region. It is a larger area that can be regional or national in scope.

KlassenTypology

According to Sjafrizal (2008) Klassen Typology is an analytical tool used to determine the grouping of regions (districts / cities or provinces) based on their growth structure. This analysis uses the Klassen Matrix, in which 4 regional groupings are made based on growth rates and per capita income as indicators.

Economic Growth and Regional Economic Growth

According to Boediono (1992) economic growth is a process of increasing per capita output in the long run. There are two sides to consider in economic growth, including output or GDP and population. According to Sjafrizal (2008, p. 85) the main objective of the analysis of regional

economic growth is to explain how an area is able to grow quickly and some are growing slowly. In contrast to the theory of growth in Macroeconomics, the Regional Economic Growth Theory is to include some elements including location and region explicitly so that the conclusions produced are also different.

Previous Research

Srivani (2018) in his research conducted in Lima Puluh Kota District revealed, there are three sectors that are the basis and have an important role in the economy of Lima Puluh Kota based on the results of LQ analysis including agriculture, forestry and fisheries; mining and excavation; and health services and social activities. Sectors that have a very large contribution to GRDP and development in Lima Puluh Kota Regency based on the Shif-Share analysis are the mining and quarrying sector as well as the health service sector and social activities. Based on the results of Klassen's Tipology analysis, the agriculture, forestry and fisheries sector, the mining and quarrying sector, as well as the health service sector and social activities are sectors that will continue to experience growth.

In contrast to Nurhab's research (2019) conducted in Bengkulu City, where based on LQ analysis there were 9 sectors that became leading sectors including the electricity and gas procurement sector, water supply sector, wholesale and retail trade sector, car and motorcycle repair, transportation and warehousing, the provision of accommodation and food and drink, the information and communication sector, the financial services sector, the real estate sector, the corporate services sector, the education service sector, as well as the health services sector and social activities. During the period of 2011-2015 there was a trend of shifting roles from the agricultural sector to the sector of providing accommodation food and drink, the information and communication sector and the real estate sector based on the results of the Shift-Share analysis. Nurlina (2019) also conducted a similar study using LQ and Shift-Share analysis in Eastern Aceh. The agriculture, forestry and fisheries sector as well as the mining and quarrying sector are the leading sectors in East Aceh Regency. In addition to be a leading sector, the agriculture, forestry and fisheries sectors are also the highest contributors to the increase in the GRDP of East Aceh and Aceh Tamiang districts.

Kharisma (2018), also examined similar things in Maluku Province, the difference is only using LQ analysis, Growth Ratio and Overlay Models. The results of his research show that there are 8 leading sectors that support the economy of Maluku Province, with the mining and quarrying sectors having the highest average regional growth rates among the 8 other sectors. Sumayow (2018) only examined the base and non-base sectors in East Boolang Mongondow Regency using LQ and DLQ analysis. The results of his research show that there are 4 sectors which are the basis in East Boolang Mongondow Regency including the electricity and gas procurement sector, the construction sector, the information and communication sector, and other service sectors where the electricity and gas supply sector and the construction sector will also become sectors that will remain become a base sector in the future. Goschin (2014) researched the development patterns in Romania in two time intervals, namely 2007-2008 (economic growth) and 2009-2011 (economic crisis). From the results of the analysis using Shift-Share it was found that the driving effect of national employment growth during 2007-2008 there was a relationship that tended to be negative, both sectorally and regionally. Sectorally, the positive impact only applies to the Bucharest-Ilflov region, which is indicated by the existence of a mutually beneficial sectoral employment mix, while the positive impacts from the region for the Bucharest-Ilfov region and the Southwest region count as high competitiveness areas. So that it can be said that these two regions are as good as the Southeast region where at the same time experienced growth in employment while the other region actually experienced a decline as a result of the negative impact of shifting employment by sector to employment by region. The highest employment growth was recorded in the Bucharest-Ilfov region in the financial, real estate and other services sectors followed by the trade sector.

DATA AND METHOD

The scope of research

This research was conducted to find out how the inter-regional economic development in the Regional Kalimantan. Based on calculations using Location Quotient, it can be seen what are the

leading sectors in the Kalimantan Regional region. Besides looking at how the economic structure shifts between regions in the Kalimantan Region by using the Shift-Share method and grouping each region based on the Klassen Tipology analysis.

Types of research

This type of research conducted in this research is descriptive research with a quantitative approach. Where quantitative research is research that produces findings or results that can be obtained using statistical procedures or other means of quantification (measurement).

Place / Location of Research

This research was conducted in the Regional Region of Kalimantan which consists of five provinces including West Kalimantan Province, Central Kalimantan Province, South Kalimantan Province, East Kalimantan Province and North Kalimantan Province.

Unit of Analysis

The Unit of Analysis in this study is the GRDP according to the business field based on constant prices among regions in the Kalimantan Region, namely the Provinces of West Kalimantan, Central Kalimantan, South Kalimantan, East Kalimantan, North Kalimantan.

Variables and Operational Definitions of Variables

Variables and operational definitions of variables in this study are as follows:

a. Economic growth is growth that occurred at the national level and in each region of the Kalimantan Region at the provincial level in the period 2013-2017 was measured in percent (%).

b. GDP according to business at constant prices

c. GRDP according to business sector (sectoral) based on constant prices is all the results of the production of goods and services which are valued at prices in a certain time period selected as a base year (now using the base year 2010) in units (Rp). In this study, GDP according to business fields based on constant prices for the 2013-2017 period for each region (West Kalimantan, Central Kalimantan, South Kalimantan, East Kalimantan and North Kalimantan), and GDP according to business based on constant prices for the 2013- 2013 period 2017 as the reference area.

d. Per capita income is regional income divided by the number of residents living in the area and is measured in units (Rp).

e. Population Growth is an increase in the number of residents in a certain period of time in units (souls).

Data collection technique

Data collection technique used in this study is documentation, where researchers collect data through publications conducted by parties or related agencies such as the Central Statistics Agency in the form of written or electronic documents.

Data analysis technique

Location Quotient (LQ) and Dynamic Location Quotient (DLQ)

According to Hood (in Tonang (2013)) Location Quotient (LQ) is an economic development tool used to identify leading sectors in an area. The Location Qoutient Analysis (LQ) method is used to identify the base / superior and non-base / non-superior sectors using the GDP of Kalimantan Province (West, Central, South, East and North) on the basis of Constant Prices by Business Field as of 2013-2017 and GDP data National Based on Constant Prices by Field of Business 2013-2017. The similarities in the employment approach are as follows:

$$LQ = \frac{V_i / V_t}{Y_i / Y_t}$$

Information:

V_i = Total GDP of a Province / Regional Sector i (West Kalimantan, Central Kalimantan, South Kalimantan, East Kalimantan and North Kalimantan)

Vt =   Total Provincial / Regional GRDP (West Kalimantan, Central Kalimantan, South Kalimantan, East Kalimantan and North Kalimantan)

Yi = Total GDP of sector i at National

Yt = Total National Sector GDP

If:

1) LQ value> 1, then sector i is the base sector in the area.

2) LQ value <1, then sector i is the non-base sector in the area.

3) the value of LQ = 1, then the sector is said to be self-sufficiency

Research conducted by Hidayat and Supriharjo (2014) regarding the superior sub-sectors in the Districts in Central Lombok Regency also used the Dynamic Location Quotient method. DLQ analysis is used to analyze prospects in the future regarding the state of the sector or sub-sector in the future which is done in the form of time series / trends. Like LQ analysis, DLQ analysis also has the same criteria, including:

1. If DLQ> 1, then sector i has the potential to become a superior sector

2. If DLQ <1 sector i does not have the potential to become a superior sector

The formulation used in the calculation using the DLQ method is as follows:

$$DLQ = \left(\frac{1 + gij / 1 + gj}{1 + Gin / 1 + Mt.} \right) ^ t$$

Information:

Gij   : is the average growth in the value of sector i in j

gj   : represents the growth of the total value of the sector in j

Gin   : is the average growth of sector i in the reference area n

Gn   : represents the average growth of the total sectors in the reference area n

t   : Difference between beginning and end years

Shift-Share

According to Soepono (in Assagaf, 2017) Shift-Share analysis is an analytical tool used to identify changes and shifts in a structure in the economy. This analysis shows how the performance of the sectors in the region when compared to the national economy. More clearly, Soepono explains the calculation method using Shift-Share analysis as follows:

Dij = Yij.rn + Yij (rin - rn) + Yij (rij - rn)

rij = (Yij, t - Yij) / Yij

rin = (Yin, t - Yin) / Yin

rn = (Yn, t - Yn) / Yn

Where :

- Dij is the change in sector i GRDP in the regions / provinces (West Kalimantan, Central Kalimantan, South Kalimantan, East Kalimantan and North Kalimantan) in units (Rp).
- Yij is a regional sector GRDP (West Kalimantan, Central Kalimantan, South Kalimantan, East Kalimantan and North Kalimantan) in the initial year in units (Rp).
- Yin is the national sector i GDP in the initial year in units (Rp).
- Yn is the total national GDP in the initial year in units (Rp).
- Yij, t is regional sector GRDP (West Kalimantan, Central Kalimantan, South Kalimantan, East Kalimantan and North Kalimantan) in the final year in units (Rp).
- Yin, t is the national sector i GDP in the final year in units (Rp).
- Yn, t is the National Total GDP in the final year in units (Rp).

Klassen Typology

According to Sjafrizal (2008) Klassen Typology is an analytical tool used to determine the grouping of regions (districts / cities or provinces) based on their growth structure. This analysis uses the Klassen Matrix, in which 4 regional groupings are made based on growth rates and per capita income as indicators.

Tabel 1

Klassen Typology Matrix

Growth rate / Income Per capita	Above-average Growth Rate	Below-average Growth Rate
Per capita income above average	Advanced Region	Advanced but Depressed Areas
Below average income per capita	Developing Areas	Relatively Backward Regions

Information:
1. Quadrant I Advanced region, is an area where growth rates and income per capita are above average.
2. Quadrant II Advanced But Depressed Regions, are regions that have below average growth rates, but on one hand have per capita income above average.
3. Quadrant III Developing Daera, is an area that has a growth rate above the average, but at the same time has a per capita income below the average.
4. Quadrant IV Relatively Underdeveloped Region, is an area that has a growth rate and income per capita below average.

RESULT AND DISCUSSION
Kalimantan Regional Economic Overview
East Kalimantan Province is the biggest contributor to the GRDP value through the mining and quarrying sector which in 2017 reached Rp 452.84 Trillion. This is also illustrated by the per capita income of the Province of East Kalimantan in 2013 reaching Rp 133.86 million. Population growth in this region also tends to be stable until 2017 reaching 3.57 million people. But behind all of this increase, it is inversely proportional to the economic growth of this region, which in 2015 was the worst year for East Kalimantan Province which reached -1.2%.

The provinces of South Kalimantan and West Kalimantan have characteristics of GRDP values that tend to be similar. In 2017 both had the highest GRDP, namely West Kalimantan Province amounting to Rp 124.30 Trillion and South Kalimantan Province amounting to Rp 121.85 Trillion. The value of West Kalimantan's GRDP is supported by the agriculture, forestry and fisheries sectors, where in 2017 the value reached Rp. 28, 35 trillion. While the Province of South Kalimantan has similar GDP characteristics to East Kalimantan. Where the biggest contributor to the value of GRDP is the mining and quarrying sector. Has a trend that continues to increase, although not too significant, where in 2017 reached Rp 31.64 trillion. The average population growth of the two regions is also not much different, ranging between 66,327 people per year for the Province of South Kalimantan and 72,776 inhabitants in the province of West Kalimantan. Likewise, the per capita income of the two regions tends to increase each year, which ranges from Rp. 26.42 million to Rp. 29.57 million for the Province of South Kalimantan and Rp. 21.97 million to Rp. 25.20 million for the province of West Kalimantan. Central Kalimantan Province which tends to have a smaller population compared to West Kalimantan and South Kalimantan Provinces. The average population growth in this region is around 55,135 people annually. However, per capita income in this region is higher when compared to the provinces of South Kalimantan and West Kalimantan, which ranged from Rp. 29.10 million to Rp. 34.37 million during the period 2013 to 2017. Central Kalimantan Province achieved the highest PDRB in 2017 of Rp 89.56 trillion. Central Kalimantan's GRDP has the same characteristics as West Kalimantan's GRDP. Where the largest PDRB value is produced by the agriculture, forestry and

fisheries sectors. North Kalimantan Province has similar characteristics to East Kalimantan's GRDP and South Kalimantan. Where the largest PDRB value is produced by the mining and quarrying sector. Where the largest value generated in 2017 is Rp 15.44 trillion. This province is classified as a newly formed province from last 2012, so that the total population recorded is still relatively small. The average population growth in North Kalimantan Province is 24,021 people per year. Even though the population is still relatively small, the second largest per capita income after East Kalimantan Province, which ranges from Rp. 74.10 million to Rp. 78.91 million during the 2013-2017 period.

Location Quotient (LQ) and Dynamic Location Quotient (DLQ)

To find out the leading sectors that are supporting the economy between regions, a calculation is done through the Location Quotient and Dynamic Location Quotient analysis to determine which sectors are still potential to be the leading sectors in sustaining the economy of each region in the Regional Kalimantan. This analysis uses GRDP according to the business field at the constant price of each region and the National GDP according to the business field at the constant price. Based on the results of calculations using the LQ and DLQ methods it can be seen that there are 7 sectors that have the potential to become leading sectors both now and in the future. These sectors include agriculture, forestry and fisheries with LQ> 1 and DLQ> 1. Provinces that have LQ and DLQ values> 1 for this sector include South Kalimantan Province (LQ = 1.08; DLQ = 1,004), West Kalimantan Province (LQ = 1.72; DLQ = 1.02) and North Kalimantan Province (LQ = 1.28; DLQ = 1.03). Sectors that also have the potential to become leading sectors in the present and in the future are the mining and quarrying sector. There are 3 provinces where the mining and quarrying sector has the potential to become a leading sector both now and in the future. Among them are East Kalimantan Province as the largest contributor to the country's foreign exchange value through the mining and quarrying sector, especially oil and coal products (LQ = 5.59; DLQ = 9.37), Central Kalimantan Province where coal and lignite are the largest contributors to the formation of sector values mining and excavation in the GRDP (LQ = 1.87; DLQ = 1.37), and South Kalimantan Province which is also famous for its coal mines (LQ = 3.06; DLQ = 1.13).

Another sector that also has the potential to become a leading sector in the present and the future is the construction sector. West Kalimantan Province is a province with sectors that have this potential, because each has a LQ value and DLQ> 1 respectively (LQ = 1.10; DLQ = 1.03). The transportation and warehousing sector also has the potential to become a leading sector in the present and future in the Kalimantan Region, but only in the Province of South Kalimantan because it has LQ and DLQ values> 1 (LQ = 1.42; DLQ = 1.002). The government administration, defense and social security sectors also have the potential to become leading sectors in the present and in the future in the 4 Provinces in Kalimantan Region because they have LQ and DLQ values> 1. These provinces are South Kalimantan Province (LQ = 1.49; DLQ = 1.09), Central Kalimantan Province (LQ = 1.65; DLQ = 1.11), West Kalimantan Province (LQ = 1.36; DLQ = 1.03) and North Kalimantan Province (LQ = 1.40; DLQ = 1.10). In addition, the education service sector also has the potential to become a leading sector in the present and future, which is only in the Province of South Kalimantan, because it has a value of LQ and DLQ> 1 (LQ = 1.29; DLQ = 1.07). Other sectors that also have the potential to become leading sectors in the present and in the future are the health service sector and social activities because they have LQ and DLQ values> 1. South Kalimantan Province has potential in this sector, because the value of LQ and DLQ of this sector> 1, namely (LQ = 1.54; DLQ = 1.04).

Overall, South Kalimantan Province dominates the number of sectors which have the potential to become leading sectors in the present and the future. During the period 2013-2017 there were three main sectors that contributed the greatest value to the formation of the South Kalimantan Province GRDP. The highest sectors are mainly the mining and quarrying sector. The most dominant sub-sectors are coal mining and lignite. The second sector that has the second largest contribution value after the mining and quarrying sector is the agriculture, forestry and fisheries sectors. The development of this sector is also quite good, which every year during the 2013-2017 period continues to increase. The manufacturing industry sector is the third largest contributor to the GRDP of South Kalimantan Province. The biggest sub-sector that contributed to the formation value for the manufacturing industry sector is the food and beverage industry sub-sector. The development of its

value throughout 2013 to 2017 continues to increase. Even though it was hit by a drop in international commodity prices and a weakening rupiah exchange rate in 2014 and 2015, it did not affect the development of this sub-sector or manufacturing industry sector.

Shift-Share

Shifts in economic structure between each region in the Kalimantan Region are measured using Shift-Share analysis. This analysis is used to determine whether there is a shift in the structure of the economy between each region which was initially still struggling or supported by the primary sector shifted to the secondary sector or even to the tertiary sector. Based on the results of the Shift-Share calculation the Province of West Kalimantan did not experience a shift in the economic structure. Because from 2013 to 2017 the support of this regional economy is still dominated by the tertiary sector. Although there was a phenomenon of coal reference prices that had declined and had an impact on the economies of several regions in the Kalimantan Region, but this did not affect the economy of West Kalimantan Province directly. Since 2013 the value of changes in the contribution of the West Kalimantan Province's GRDP has reached Rp 2.66 Trillion and continues to increase to Rp 2.83 Trillion in 2017. In addition, among the three sector groups, the tertiary sector group indeed has an upward trend throughout the 2013-2017 period based on the GDP figure West Kalimantan Province. The biggest change in contribution was generated by the wholesale and retail trade sector, vehicle and car repairs during the period 2013 to 2016, in 2017 the information and communication sector as a contributor to the change in the GDP contribution. Unlike the Province of Central Kalimantan which experienced a shift in economic structure. In 2013, the primary sector dominated changes in contributions and contributed positively to the GRDP, with a total value of change of Rp 2.25 trillion. The sectors that have the highest value change in contributions in the primary sector and contribute positively to GRDP are the mining and quarrying sector. from 2014 to 2017 there began to be a shift in the structure of the economy towards the tertiary sector. Although the value of changes in its contribution fluctuated throughout 2014 to 2017 (Rp 1.83 Trillion to Rp 2.57 Trillion), the tertiary sector group still dominates the economy of Central Kalimantan Province with wholesale and retail trade sectors, vehicle and car repairs as contributors to changes in value the biggest contribution.

In line with the Province of West Kalimantan, South Kalimantan Province also did not experience a shift in economic structure throughout 2013-2017. Tertiary sector groups dominate the change in the value of contributions to the formation of the GRDP of South Kalimantan Province. Although from 2013 to 2017 the value of changes in the contribution of the tertiary sector experienced fluctuations from Rp 2.61 Trillion to Rp 2.80 Trillion, but the movement was not too significant although it had been affected by the decline in coal reference prices in 2014 to 2016. Sectors with the largest contribution in the tertiary sector group is the wholesale and retail trade sector, vehicle and car repair. In 2016, it was the largest contribution value for this sector, because it increased to Rp 695.05 billion or around 14.24% of the total proportion of GRDP. The sector that had the largest contribution change in the primary sector in East Kalimantan Province was produced by the mining and quarrying sector. this sector contributed positively, with the value of the change in contribution of around Rp 4.21 trillion or around 43.67% of the total change in the GRDP. The shift in the economic structure of East Kalimantan Province was strongly influenced by the decline in the world coal reference price that occurred from 2014 to 2016. So, which was initially supported by the primary sector in 2013 until the change in the value of its PDRB contribution reached Rp 5.76 trillion, began to experience a shift towards the sector tertiary in 2014 (Rp. 4.43 trillion) to 2015 (Rp. 2.67 trillion), although the figure in 2015 decreased due to the world coal reference price which is currently experiencing a decline. The wholesale and retail trade sector, vehicle and car repair, and the education service sector are the sectors with the largest contribution in the tertiary sector group. Entering 2016 towards 2017, a shift in economic structure towards the secondary sector has occurred with a change in contribution value of Rp 3.83 trillion and Rp. 5 , 46 Trillion. The manufacturing industry sector is a sector with the largest contribution to the change in value of the contribution to the GRDP in the tertiary sector group with the change in contribution from this sector reaching Rp. 3.24 trillion or around 23.61%.

Similar to the Province of East Kalimantan, the shift in the economic structure of the Province of North Kalimantan was also influenced by the decline in the world coal reference price especially in

2014 to 2016. From 2013 to 2014, the economic structure of the Province of North Kalimantan was supported by the primary sector, in which the mining and quarrying sector became the largest contributor to the change in the value of contributions in the primary sector group during this period to reach Rp 1.94 Trillion in 2013 and Rp 1.87 Trillion in 2014. Entering 2015 to 2017, its economic structure began to shift towards the tertiary sector due to being affected from the decline in the world coal reference price so that the contribution of the mining and quarrying sector has declined, although not very significantly. From the primary sector began to shift towards the tertiary sector with the value of changes in contributions in a row is Rp. 0.99 Trillion in 2015, Rp. 1.04 Trillion in 2016, and Rp 1.38 Trillion in 2017. The large and retail trade sector , vehicle and car repair as well as the transportation and warehousing sector are the sectors that contributed the most change in the value of contributions in the tertiary sector during the 2015 to 2017 period.

Klassen Typology

Klassen Typology Analysis is used to group regions according to their growth structure. There are several indicators that can group these regions into 4 categories based on growth structures, including the growth rate and per capita income of each region. In this analysis, to classify each region several variables used include comparing the GRDP per capita of each region with the economic growth of each region against GDP per capita and national economic growth over the 2013-2017 period. Based on Table 3 it can be seen that the highest Per capita GRDP is owned by the Province of East Kalimantan. Throughout 2013 to 2017, the East Kalimantan Province's per capita GRDP value at the same time was the highest during the period of IDR 133.87 Million in 2013. This is supported by the revenue obtained from the most dominant sector in the Province, namely the mining and quarrying sector before it occurred. the phenomenon of the decline in the world coal reference price. If there is the highest, then there is the lowest. The GRDP per capita of South Kalimantan Province is the lowest in the Kalimantan Region. The GRDP per capita value throughout 2013 to 2017 continued to increase, from the figure of IDR 26.24 million in 2013 to IDR 29.58 million in 2017. If seen an increase in the GRDP value per capita of South Kalimantan Province throughout the period 2013 to 2017. Although the same -same is supported by the mining and quarrying sector as the biggest contributor in the formation of GRDP value, but the effect of the decline in coal reference value does not significantly affect the GRDP value per capita.

Table 2

Comparison of the Average Value of Growth and Regional Per capita GRDP of Kalimantan to National Per 2013-2017

Regional Kalimantan	Average Growth (%)	Average GDP per capita (Rp)	Category
West Kalimantan	5,47	23.530.722,62	Developing Areas
North Kalimantan	6,01	76.756.359,98	Advanced Region
Central Kalimantan	6,74	31.644.777,89	Developing Areas
East Kalimantan	1,11	129.524.412,80	Advanced but Depressed Areas
South Kalimantan	4,73	27.909.779,37	Relatively underdeveloped area
Indonesia	**5,11**	**34.139.226,01**	

Source: Data processed by researchers

Based on Table 2, it can be seen the comparison of average growth and Regional GDP per capita of Kalimantan to National, there are 2 provinces that have a smaller value. These provinces include East Kalimantan Province with an average growth rate of 1.11% and South Kalimantan Province, with an average growth value of 4.73%, much smaller when compared to the national average growth rate of 5, 11%. The other three provinces have a higher average growth rate when compared to the national average growth rate. These provinces include West Kalimantan Province with an average growth rate of 5.47%, North Kalimantan Province of 6.01%, and Central Kalimantan

Province being the province with the highest average growth in the Kalimantan Region, with a value of 6.74% and greater than the average national growth of 5.11%. Conversely, when comparing with the provincial GDP per capita in the Kalimantan Region with the National GDP per capita, East Kalimantan Province is the province with the highest PDRB per capita value in the Kalimantan Region with a value of Rp 129,524,412.80. This value is far greater when compared to the National GDP per capita of Rp 34,139,226.01. Followed by North Kalimantan Province, with a value of Rp. 76,756,359.98. Conversely, there are provinces with a lower GDP per capita compared to the National GDP per capita, including West Kalimantan Province with a value of Rp 23,530,722.62; South Kalimantan Province, with a per capita GRDP value of Rp. 27,909,779.37; and Central Kalimantan Province Rp. 31,644,777.89. So if the average growth with GRDP per capita is compared by region, it can be seen in the Graph 1 below.
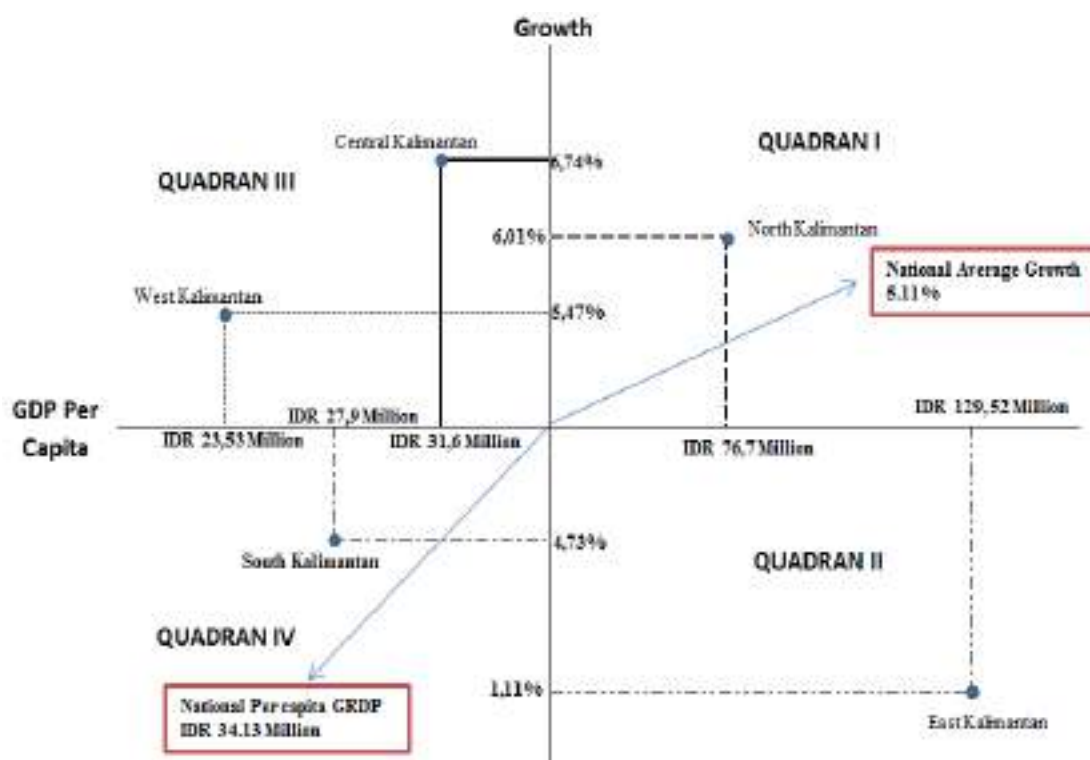
Graph 1
The Relative Position Of The Province In The Kalimantan Region
Based On The Klassen Typology

It can be seen based on Table 2 and graph 1 that North Kalimantan Province is a developed region (Quadrant I), because it has a higher average growth and GRDP per capita compared to the average growth and GDP per capita. East Kalimantan Province is categorized as a developed but depressed region (Quadrant II), because the average growth of East Kalimantan Province is much smaller when compared to the average national growth in addition to the GDP per capita which is greater when compared to the National GDP per capita. In quadrant III there are West Kalimantan and Central Kalimantan Provinces, which means these two provinces are in the developing regional category. Where these two provinces both have a greater average value of growth when compared to the average national growth, besides these two provinces have a smaller GDP per capita value when compared to the National GDP per capita. In quadrant IV there is the South Kalimantan Province, which means that this province is classified as a relatively backward region. This is because the Province of South Kalimantan has an average value of growth and GRDP per capita is smaller when compared to the national average growth and GDP per capita.

The Paradox of Abundance

The Paradox of Abundance or can be called the curse of natural resources is a condition where a country or region has abundant natural resources, but instead it has a poor economic performance. Wheeler (1984) (Siburian, 2012) states that countries or regions that have abundant natural resources tend to have slow economic growth when compared to countries or regions that are not rich in natural resources (Sholikin, 2018). This analysis also compares with regions outside the Kalimantan Region.

Region	Average Poverty Percentage (%)	Human Development Index	Growth Rate Percentage (%)	Average Length of School (Years)
South Sumatera	13,59	67,49	5,01	7,76
East Java	12,07	68,93	5,68	7,13
West Kalimantan	8,22	65,38	5,27	6,90
Central Kalimantan	5,77	68,53	6,73	8,01
South Kalimantan	4,70	68,38	4,73	7,77
East Kalimantan	6,17	74,18	1,20	9,13
North Kalimantan	6,76	68,89	5,48	8,38
Papua	28,78	57,48	6,67	5,98
Indonesia	**10,86**	**69,55**	**5,48**	**7,85**

Source: Statistics Indonesia

Overall, it can be concluded that there are 2 provinces in the Kalimantan Region that are indicated by the abundance paradox, because they have a relatively low growth rate, a low HDI level, a high percentage of the poor population and a relatively small number of old school years. Provinces that are indicated to be abundant paradoxes are West Kalimantan and South Kalimantan, where both regions meet 3 of the 4 criteria for indications of abundance paradoxes including having a small average length of schooling, a relatively low percentage of growth, and a Human Development Index relatively low when compared to the National average and regions or Provinces that also have relatively large natural resources such as East Kalimantan, North Kalimantan and Central Kalimantan. Whereas the comparison regions outside the Kalimantan Region, South Sumatra Province, East Java Province and Papua Province are also indicated by the paradox of abundance. Especially in the Province of South Sumatra where conditions meet the indicative abundance paradox criteria, including having a relatively low growth rate, a low HDI level, a high percentage of the poor population and a relatively small number of old school years. Whereas East Java and Papua Provinces only fulfill 3 out of 4 indications, including the low HDI level, the high percentage of poor population and the small number of old school years.

CONCLUSION

1. There are 7 sectors that have the potential to become leading sectors, both now and in the future. Among them are agriculture, forestry and fisheries sectors; mining and quarrying sector; water supply sector; construction sector; transportation and warehousing sector; government administration, defense and social security sectors; the education service sector and the health service sector and social activities.

2. During 2013 to 2017, the Province of West Kalimantan and South Kalimantan Province did not experience a shift in the economic structure and remained dominated by the tertiary sector. Whereas Central Kalimantan Province experienced a shift in economic structure from the primary sector to the tertiary sector. In addition, the Province of East Kalimantan experienced a shift in its economic structure from the primary sector to the tertiary sector and then shifted to the secondary sector. While the Province of North Kalimantan also experienced a shift in its economic structure from the primary sector to the tertiary sector.

3. Quadrant I Typology Klassen is the Province of North Kalimantan, which means it is classified as a developed area. Quadrant II is a developed but depressed area, with East

Kalimantan Province. Quadrant III is a developing area, where the Province of West Kalimantan and Central Kalimantan Province Quadrant IV is a relatively backward area, where there is the Province of Kalimantan.
4. There are 3 Provinces that are indicated by the abundance paradox including the Province of West Kalimantan and South Kalimantan Province. Three comparative provinces outside the Kalimantan region are also indicated by the paradox of abundance, namely East Java, South Sumatra and Papua.

Suggestion
1. Downstreaming the raw material product industry in areas that are still dependent on the primary sector as a whole needs to be optimized, so that it can create an added value for the product itself, especially for the primary sector. With the occurrence of industrial downstreaming, a lot of new jobs will be opened so as to be able to increase regional income and the welfare of the people in the area. Overall, in the Kalimantan region, Kalimantan is in dire need of optimization of regional policies regarding the downstreaming of primary sector products in general, and not limited to the mining sector. This is due to the fact that the primary sector is still a leading sector in the Kalimantan Region, especially in Provinces where the value of the mining sector still dominates the formation of the GRDP, such as East Kalimantan, North Kalimantan and South Kalimantan. Moreover, East Kalimantan Province which is a developed area but is depressed because it has a low growth rate and South Kalimantan Province which is classified as a region that is relatively underdeveloped because it has a low level of income per capita and growth.
2. Optimizing regional development policies towards productive services in addition to improving the quality of existing human resources. Especially for areas such as Central Kalimantan Province, East Kalimantan Province, and North Kalimantan Province. Although succeeded in carrying out structural economic transformation towards the secondary and tertiary sectors, in the period of 2013-2017 the shift occurred not because of an increase in the sector, but rather the occurrence of the phenomenon of coal reference prices which declined so that the impact on the decline in the value of changes in contributions to the primary sector
.
3. Especially for regions that are classified as developing to underdeveloped regions such as West Kalimantan Province, Central Kalimantan Province and South Kalimantan Province, the need to optimally develop the tourism sector which is classified as productive services. The tourism sector is very cheap and environmentally friendly in its development, so the government needs to focus on developing this sector to increase income and economic growth in this area, especially for South Kalimantan Province which has low income and economic growth.

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GREEN VILLAGE FOR A SUSTAINABLE TOURISM ON SRIMULYO VILLAGE, PIYUNGAN, BANTUL

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Abstract: Green tourism is one form of ecotourism, emphasis on the national park or protected area as a tourism destination. Green tourism can be a part of a green lifestyle as a green mind. The aim of this study is the implementation of Green Village management in Srimulyo, Piyungan, Bantul, Yogyakarta and reform Srimulyo to be one of the tourism destinations.

Based on a process of action research, this paper explores the economic and social attitudes, perceptions towards sustainability and how they influenced the people's engagement. We demonstrate that the partnership was effective in enabling the villagers engaged in the project to take control of the process. Behavior changes were reported by the villagers actively engaged with the initiative. The Green Village did not "snowball" to the entire community; however, many of those who chose not to engage associated with the word "Green" with traits that they did not identify with.

Keywords: *green village, sustainable tourism, Srimulyo Village, Bantul*

BACKGROUND

The village development paradigm has undergone a shift after the issuance of Village Law No. 6 of 2014. In the previous era, villages did not receive serious attention, but instead, they were only underestimated and as objects of development. As a result, the development of rural areas did not experience significant progress, which was even known as a backward village. However, when President Joko Widodo took over the role of the government, the village became the prima donna and development priority so that the implementation of development adopted a bottom-up model that positioned the village as the subject of development (Widarto, 2018). The massive form of attention from the central government is also reflected in increasing funding support for the development of rural areas sourced from the state budget. Even cumulatively, funding support for villages is getting bigger every year.

In line with the increasing support of the central government for the development of rural areas, the community and village-level government are also enthusiastic to welcome it. One form of the excitement of the government and village communities is the increasingly widespread development of the rural tourism sector. It is undeniable that villages throughout Indonesia have tremendous village tourism potential for this type of tourism based on natural, cultural and social characteristics. Efforts to develop the rural tourism sector will have a broad multiplier effect on rural communities. Some positive impacts including contributions to the economic growth of the village, employment, reduction of the unemployment rate, increased income as well as the welfare of the village community.

The stretching of rural-based development will also be related to the concept of sustainable development. At present, the concept has become a global agenda in every development process. Therefore, all stakeholders including the government in various development sectors must apply the principles of sustainable development in every policy and development plan that will be implemented (Mutaqin, 2017). The development of tourism in rural areas is one of the implementations of the concept of sustainable development which can realize sustainable tourism development in the future.

Conceptually, the development of tourism village is to make the village as a tourism destination by combining natural and cultural tourism attractions, public tourism service facilities, adequate accessibility, as well as the procedures and traditions of village community life. The main principle in

the tourism village is a development village, which focuses on empowering the community to be able to build their village independently. The development of a tourism village is the government's mission to improve the welfare of the community through the development of productive businesses in the tourism sector by following local potential and resources.

Srimulyo Village is one part of the Bantul district which is currently very aggressively developing its village tourism potential. Of the 22 hamlets in Srimulyo village, there are 17 growing destinations. The growth categories of each tourism village are varied. Some tourist village destinations are well established and well developed. But on the other hand, several tourist destinations are still categorized as for beginners (embryos). Related to this research, the destination used as a sample is combination between an established destination and an embryo (initial). The concept developed by the tourism village in Srimulyo is community-based tourism, where tourists can enjoy the natural beauty of the countryside, the rich culture of the village, explore the hills and rivers, but on the other hand also to continue to seek conservation including environmental conservation and the community as a the main controller is in its development (Tanaya, 2014). Using a qualitative and quantitative approach, this study was conducted to formulate the management/tourism village management (green village) with the full involvement of the community as managers so that it would increase employment opportunities and income of the village community.

LITERATURE REVIEW

The term perception is a process of someone's activity in giving impression, judgment, opinion, feeling and interpreting something based on information displayed from other sources (perceived). Through perception we can recognize the world around us, that is, the whole world consisting of matter and man with all its events (Meider, 1958). Humans as social creatures as well as individual creatures have differences between individuals with one another (Wolberg, 1967). The existence of these differences among others causes why someone likes an object, while others are not happy even hating the object. It depends on how the individual responds to the object with his perception. Most attitudes, behavior, and adjustments are determined by their perception. According to Young (1956), perception is an activity of sense, integrating and providing an assessment of physical objects and social objects, and sense depends on physical stimuli and social stimuli in the environment. Sensations from the environment will be processed together with things that have been learned before in the form of expectations, values, attitudes, memories, and others. Perception as a result of human interaction understands and values the environment by capturing objects through the sense organs, such as vision, hearing, smell, and taste. It starts because there is a stimulus, then the individual experiences the sensing process and coordinates it in the higher nerve center (brain) so that humans can assess and provide these responses (Sarwono, 1992). Furthermore, this opinion was developed into a theory of perception "SOR" (Stimulate – Organism – Response). According to this theory, the effect that occurs on the recipient is a certain reaction from a certain stimulus.

Attitude In general, the notion of attitude (attitude) is the feelings, thoughts, and tendencies of someone who is more or less permanent in knowing certain aspects of their environment. La Pierre (in Azwar, 2013) defines attitude as a pattern of behavior, tendency or anticipatory readiness, predisposition to adjust to social situations, or simply, attitude is a response to social stimuli that have been conditioned. According to Fishbein & Ajzen, attitude as a predisposition is learned to respond consistently in certain ways regarding certain objects. Sherif & Sherif stated that attitude determines the singularity and peculiarities of a person's behavior about to with to human stimuli or certain events. Attitude is a condition that allows an action or behavior to emerge (Dayakisni & Hudaniah, 2012).

Rahayuningsih (2008) argues that the attitude is:

1. Response-oriented: an attitude is a form of feeling, which is a feeling of support or partiality (favorable) or a feeling of not supporting (unfavorable) on an object.

2. Oriented to the readiness of response: attitude is the readiness to react to an object in certain ways when faced with a stimulus that requires a response or a pattern of behavior, tendencies or readiness to adapt to social conditions that have been conditioned.

Factors That Affect Attitudes

According to Azwar (2013), 6 things that affect a person's attitude, namely:

1. Personal experience

Personal experiences can be the basis for forming attitudes if they leave a strong impression. Attitudes will be more easily formed if personal experiences occur in situations involving emotional factors.

2. The influence of others who are considered importantly

Individuals generally tend to have a conformist attitude or in line with the attitude of someone who is considered importantly. This tendency is motivated, among others, by the desire to be affiliated and to avoid conflicts with people who are considered importantly.

3. Cultural influences

Culture can provide features of individual experiences of the community in which they care. As a result, culture unwittingly implements a line of influence on our attitudes toward various problems.

4. Mass media

In the news coverage of newspapers and radio or other communication media, news that should be factually delivered objectively influences the attitudes of consumers.

5. Educational institutions and religious institutions

The moral concepts and teachings of educational institutions and religious institutions largely determine the belief system. It is not surprising if in turn, the concept influences attitude.

6. Emotional factors

Sometimes, a form of attitude is a statement based on emotion that functions as a sort of channeling of frustration or the transfer of a form of ego defense mechanism.

Tourism

According to Law Number 10 of 2009 concerning tourism, what is meant by tourism is a travel activity carried out by a person or group of people by visiting a particular place for recreational purposes, personal development, or learning the uniqueness of the tourist attraction visited in a temporary period. As for tourism, it is described as a tourism activity and is supported by various facilities and services provided by the community, entrepreneurs, government, and local government.

Tourist attraction

Tourist attractions are a place of recreation or tourism. This can be in the form of natural attractions such as mountains, lakes, rivers, beaches, sea, or in the form of buildings such as museums, fortresses, historical heritage sites, and others (Pendit, 2002). The argument of Damanik and Weber (2006) tourism is a phenomenon of the movement of people, goods and services, which is very complex. It is closely related to organizations, institutional and individual relations, service needs, service provision needs, and so on.

DATA AND METHOD

This research was conducted descriptively quantitative using survey methods as a way of systematically gathering information carried out on respondents with the intent to understand and or predict some aspects observed from respondents (Rangkuti, 2007). Survey methods pay more attention to sampling, questionnaire design, administering questionnaires and data analysis.

The research variables consist of the environment aspects (SEA), economic attitudes (ECOA) and social attitudes (SOCA), and unit of measurement indicators with a Likert scale. This research will be conducted from September to October 2019 in the village of Srimulyo, Piyungan, Bantul Regency as a research location with the consideration that there are 17 growing destinations in Srimulyo village. This research will be conducted from September to October 2019 in the village of Srimulyo, Piyungan, Bantul Regency as a research location with the consideration that there are 17 growing destinations in Srimulyo village. But on the other hand, several tourist destinations are still categorized beginners (embryos).

Related to this research, the destination used as a sample is a combination of an established destination and still an (initial) embryo. The concept developed by the tourism village in Srimulyo is

community-based ecotourism, that the tourists can enjoy the natural beauty of the countryside, the rich culture of the village, explore the hills and explore rivers but on the other hand continue to seek conservation including environmental conservation and the community as the main controller in its development (Tanaya, 2014).

The sampling technique is done purposively. The population in this study was distributed to the number of visitors and residents of The Srimulyo village community. To obtain the data needed in this study, the authors used several data collection methods as follows:

Questionnaire (e-questionnaire), the method of collecting data by distributing (online) a list of structured questions addressed to tourists visiting tourist destinations in the village of Srimulyo and the community of Srimulyo.

Besides that, interviews are also conducted, namely the method carried out by conducting interviews or questions and answers directly to the community and tourists who are in the village area of Srimulyo.

Observation, the method of collecting data is done by direct observation of tourist destinations and activities that exist in the tourist destination area in Srimulyo Village.

Literature Review, the process of collecting data is done by using scientific references or references that are relevant to the object of research as secondary data.

RESULT AND DISCUSSION
Results

The results of the study will be systematically described based on a general description of the research location, description of the respondent's characteristics, variables, and the results of statistical calculations as follows:

Identity of Respondents

Respondents in this study were residents of the village of Srimulyo and the general public who had visited several tourist destinations in the village of Srimulyo. Based on the recapitulation and tabulation of the questionnaire, 80 questionnaires can be declared as eligible for analysis in this study.

Referring to gender, 42 respondents or 52.5% were male and 38 respondents or 47.5% were female. From the aspect of age, 71.3% or 57 respondents aged 17 years to 25 years, 11.3% aged between 46 years to 55 years, 8.8% aged between 36 years to 45 years. And 6.3% aged between 26 years to 35 years. This condition indicates that 97.7% or 78 respondents who visited the Srimulyo tourist village were of productive age.

Based on the level of education 47.5% or 38 respondents had a high school education, then 33.8% or 27 respondents had a college education (S1), and 11.3% had postgraduate education. This fact shows that the destination of Srimulyo tourism village is a favorite destination for millennial youth, in which approximately 92.6% of respondents are dominated by high school and bachelor degree graduates.

Based on the level of income, the respondents in the study mostly earned between Rp. 1,100,000 up to Rp. 2,000,000, which is 30%, then 26.3% of respondents earn Rp. 2,100,000 up to Rp. 4,000,000 and 21.3% or 17 respondents earning more than Rp. 4,000,000.

Based on information sources, the majority of respondents obtained information about Srimulyo tourism villages from social media (Instagram, Twitter, and Facebook), which amounted to 52.5% or 42 respondents, then 17.5% or 14 respondents know the existence of Srimulyo village as an ecotourism village sourced from word of mouth information. Print media (newspapers and so on) is the smallest source of information on the existence of Srimulyo village as a tourist village, which is 3.8%.

Respondents Attitude

1) Respondents' attitudes and support towards the Srimulyo ecotourism village environment

Respondents express their support for the establishment of a community-based tourism village environment. This is evident from the respondents' answers related to environmental aspects. 83.7% of respondents stated strongly agree and 16.3% agreed to the statement that the diversity of nature in the Srimulyo tourist village must be protected and valued. Furthermore, related to the statement that

the environment of the residents of the Srimulyo tourism village community must always be maintained, 97.5% of respondents agreed and strongly agreed.

On the question that the village of Srimulyo became a community-based ecotourism village, the majority of respondents stated their agreement, with 51.3% of respondents agreement and strongly agreement.

2) Respondents' attitudes toward economic activities in the Srimulyo ecotourism village

In connection with economic activities to support the making of Srimulyo village as a destination for community-based ecotourism objects, the majority of 63.8% of respondents agreed with their statement to visit the Srimulyo ecotourism village area should be levied. Besides, the respondent also stated his agreement of 68.8%, to the statement that each visitor must contribute to the conservation of plant and plant habitats in the Srimulyo ecotourism village. Contributions to conservation, in this case, can be in the form of actions that do not damage nature in ecotourism destinations or participating in planting plant seeds needed in the ecotourism village of Srimulyo, and also help maintain the cleanliness of river that crosses Srimulyo village.

3) Respondents' attitudes towards social activities in the Srimulyo ecotourism village

Regarding the respondent's attitude towards social activities, to support Srimulyo village as an ecotourism-based tourism village, 65.1% of respondents agreed and strongly agreed with the statement that it is needed to control over tourism development in the Srimulyo village area. Besides, 90% of respondents agreed and strongly agreed to the holding of various regulations aimed at reducing the negative impact of tourism in the village of Srimulyo.

Discussion

From the results of multiple linear regression analysis, the following results are obtained:

a. Regression equation

The multiple regression equation in this study is as follows:

The general form of the regression model is:

$$SEA = \beta_0 + \beta_1 ECOA + \beta_2 SOCA + \varepsilon \tag{1}$$

Specifically the model in this study can be expressed in the following equation;

$$SEA = 4,550 + 0,302 ECOA + 0,248 SOCA \tag{2}$$

Where:

SEA = support for environmental aspects

ECOA = economic activity

SOCA = social activities

Based on the regression equation, it can be interpreted that the variables of economic activity and social activity have a positive effect on supporting the environmental aspects. Of the two variables, economic activity is more dominantly affecting the support of environmental aspects, compared to social activities.

b. F test results

F test results show that the variable economic aspects and social aspects simultaneously have a significant effect on environmental aspects. The evidence is based on the results of the probability significance value (Sig.) in the ANOVA table of 0.004, where the value of Sig = 0.004 <0.05.

c.T-Test result

T-test result shows that both variables (economic activities and social activities) partially have a significant effect on environmental aspects. The evidence is shown on the probability significance value each independent variable less than 5%. The Probability value Sig on economic aspects 0,013 < 0,05 and probability value sig on social aspects 0,016 < 0,0.

CONCLUSION

1. Conclusions

Based on the discussion, it can be concluded:

a. Simultaneously, economic and social aspects have a positive and significant impact on environmental support for ecotourism destinations in Srimulyo Village

b. Partially, economic and social aspects have a positive and significant impact on environmental support for ecotourism destinations in Srimulyo Village

2. Suggestions

In the further studies, it is necessary to add other variables that influence the environment of a community-based tourist area, because from the results of this study, economic and social aspects only contribute to the extent of 11.3% (less than 50%) to the environmental aspects of Srimulyo ecotourism village.

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THE EFFECT OF THE EASE OF USE PERCEPTION AND PERCEPTION OF USE ON THE IMPLEMENTATION OF FINANCIAL ACCOUNTING STANDARDS OF MEDIUM SMALL MEDIUM ENTITIES (SAK EMKM) IN UMKM IN BANJARMASIN CITY

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Abstract: This study examines the effect of the easa of use perception and perception of use on the implementation of SAK EMKM at MSMEs in Banjarmasin City. The sample of this study is employees of accounting and MSMEs leaders who have to make financial reports but they have never made financial reports before based on SAK EMKM. They are 50 respondents in total.
The research method which is used by the researchers in this study is a case study. The analysis in this study uses multiple linear regression analysis. The hypothesis test indicates that the ease of use perception and Perception of use have positive effects on the Implementation of Accounting Standards for Micro, Small and Medium Enterprises (SAK EMKM).

Keywords: *Ease of use perception, Perception of Use, SAK EMKM*

BACKGROUND

MSMEs have very important roles in helping the government to overcome poverty by providing new jobs. It also becomes a source of government revenue through tax payments. According to the Ministry of MSMEs (2012) Most of number of MSMEs in Indonesia are dominated by businesses in the micro sector, which is 98.77% of the total number of MSMEs. It shows that the sizeable contribution is given by micro entities, especially in the absorption of labor.

In its development, MSMEs have several obstacles. One of them is financial statements which are not in accordance with accounting standards in Indonesia. Previously, DSAK IAI has issued SAK ETAP for the guidance of MSMEs financial statements. However, a lot of research on the application of SAK ETAP in MSMEs has given results that the majority of MSMEs in Indonesia have not implemented SAK ETAP. It is because some SAK ETAP MSMEs are considered complicated. SAK EMKM is designed as a simple accounting standard which can be used for small and medium micro entities, so that MSEs can prepare financial statements for accountability and decision making purposes. The financial statements can also be used by entities to obtain funding from other parties as well as tax reporting attachments. Then DSAK IAI issued SAK EMKM on December 8, 2016 with a simpler concept compared to SAK ETAP. It intends for use by entities which have not been able to fulfill the accounting requirements. This requirements were set out in SAK ETAP and issued to help MSMEs; thus, MSMEs could fulfill their financial reporting needs which took effects on January 1, 2018.

SAK EMKM is a new system which is applied to small and medium-sized businesses to optimize the performance of MSMEs. A new system will usually be considered as complicated way. Moreover, it will not often be used by its users even though the benchmark of system acceptance is rated by its use. A system which is often used shows that the system is better known, easier to use and operate. (Pradipta and Supadmi, 2015).

The main problem which is the focus of the development of MSMEs is the management of financial statements. The special SAK needs for SMEs is given that the majority of businesses in Indonesia are still in the scale of Small Enterprises of MSMEs. Many MSMEs assume that financial management is easy and simple. In reality, the financial management at MSMEs requires good accounting skills by MSMEs businesses. Benjamin (1990) in Pradipta and Supadmi (2015) argued that the weaknesses of MSMEs in preparing financial statements are partly due to the lack of education and the lack of understanding of Financial Accounting Standards (SAK).

In accordance with the development of MSMEs in reporting their financial statements, after the issuance of Financial Standards for Micro, Small and Medium Enterprises (SAK EMKM), it is expected to provide an overview of the performance of MSMEs management in the past and future prospects. Hence, the financial statements which are produced can be trusted and relied upon by the management, the members of the MSMEs, and the external parties who have other interests associated with MSMEs. Since the enactment of SAK EMKM, the perceptions from various parties emerged in response to the level of effectiveness, efficiency, level of ease and usefulness of the new standard. Basically, when a system change is able to provide usefulness to its users, the system will be well received and vice versa. But when the system is not useful or difficult to be used, it will be abandoned by the user (Robbins, 2002). Wibowo (2006) said that the perception of ease of use of a technology is defined as a measure. This measurement proves that people believes an information can be easily understood and used.

Fitakurokhmah (2013) in her research stated that the perception of use and perception of ease of use have positive effects on the use of SAK ETAP by BPR in Malang Raya. In the research of Kusumawati (2014), the results shows that the perception of ease of use does not have significant effect on the application of Financial Accounting Standards for Entities without Public Accountability (SAK ETAP), and the perception of use to the application of Financial Accounting Standards for Entities Without Public Accountability (SAK ETAP) is Significantly applied to the Rural Bank (BPR) in Sleman. The result of the reserach whis is conducted by Pradipta and Supadmi (2015) shows that there is positive and significant influence on the Perception of Ease of Use and Use in the Implementation of SAK ETAP.

The research results of Anggraeni (2016) shows that the perception of ease of use has positive and significant effect on intention to use; meanwhile, the preception of use has positive and significant effect on intention to use. Ermawati, and Pomegranate (2016) research shows that the variables of the perception of the use have significant positive effect on the use of *E-banking*. The variable of use perception has significant positive effect on the use of *E-banking*. Oktabriantono, *et.all* (2017) research shows that the variable of use perception has significant positive effect on the use of *E-banking*, and the perception of ease of use has significant positive effect on the use of *E-banking*,

Because SAK EMKM is effective on January 1, 2018, there are still not many researches related to the perception of use and the perception of ease of use in the use of SAK EMKM. Thus, the researchers use similar research journals as a theoretical basis as the background of this research.

The Research Problem Formulation

The number of MSMEs is very large and spread in each region, according to the Ministry of MSMEs (2012). It is mostly dominated by businesses in the micro sector which amounted to 98.77% of the total number of MSMEs. In its development, MSMEs have several obstacles, one of them is the financial statements which are not in accordance with accounting standards in Indonesia. Previously, DSAK IAI had issued SAK ETAP for the guidance of MSMEs financial statements. However, a lot of research on the application of SAK ETAP in MSMEs has given results. The results show that the majority of MSMEs in Indonesia have not implemented SAK ETAP. It is because some SAK ETAP MSMEs are considered to be complicated. From the results of previous studies, it indicates that the perception of use and the perception of ease of use have influence in implementing financial statement standards.

The research problems are formulated as follows:
1. Does the perception of ease of use affects the implementation of SAK EMKM?
2. Does the perception of use affects the implementation of SAK EMKM?

The Research purposes

The research objectives to be achieved are as follows:
1. To determine the effect of the perception of ease of use on the implementation of SAK EMKM.
2. To determine the effect of the perception of use on the implementation of SAK EMKM.

The Research Urgency

As far as researchers' observations are concerned, the empirical studies which discuss the implementation of SAK EMKM are still inadequate. It is because this system has just been implemented in January 1, 2018 . This research is directed to be able to contribute both theoretically, practically. The formulation of policies as described below:

1. The contribution to theoretical aspects, it is expected to be useful for the development of knowledge related to Financial Accounting Standards for Micro, Small and Medium Enterprises (SAK EMKM).
2. The contributions to practical aspects, it is expected to be a reference for the business owner / entities who apply IFRSs EMKM in recording financial statements .

LITERATURE REVIEW

Understanding EMKM

In determining in which entities are included in the MSMEs definition and criteria, they can apply SAK EMKM. According to IAI in SAK EMKM (2016: 1) Micro, Small and Medium Enterprises (MSMEs) are entities without significant public accountability, which fulfill the definitions and criteria of micro, small and medium businesses as stipulated in the legislation in force in Indonesia, for at least two years in a row. On July 4, 2008 Law No. 20 of 2008 concerning Micro, Small and Medium Enterprises.

According to MSMEs regulations in Indonesia, the definition of Micro Business is productive business owned by individuals and/or individual business entities which fulfill the criteria for Micro Business. Small Business is a productive economic business which stand-alone,a dn it is carried out by individuals. This kind of business is not carried out by business entities which are subsidiaries or a branch of the company or a part either directly or indirectly of medium businesses or large businesses. Medium Business is a stand-alone productive economic business which is carried out by individuals. This kind of business are not subsidiaries or branch companies of Small Business or large business with a net worth or annual sales proceeds as regulated in this Law.

In general, the characteristics of MSMEs are stand-alone management, self-provided capital, local marketing areas, small company assets, and limited number of employees. The principles of MSMEs implementation are togetherness, a democratic economy, independence, balance of progress, sustainability, efficiency of justice, and national economic unity. The MSMEs asset and turnover value limits according to MSMEs regulations are as follows: Micro Businesses have maximum net worth of IDR 50,000,000.00 , excluding the land and the buildings for business premises; or have annual sales results of at most Rp. 300,000,000.00. Whereas the limitation for Small Business is having a net asset of more than Rp 50,000,000.00 up to a maximum of Rp 500,000,000.00 excluding the land and the business premises or having annual sales of more than Rp 300,000,000.00 to with a maximum of Rp 2,500,000,000.00. (Law No. 20, 2008) .

Definition of Perception

According to Kamus Besar Bahasa Indonesia (2008: 674), the perception is interpreted as a response (acceptance) directly from something. It is a process of someone knows several things through the five senses. According to Ikhsan and Ishak (2005: 57), the perception is how people see or interpret events, objects, and humans. In fact, each person has his/her own perception of an event which is different from one another. The formal definition of perception is the process in which a person chooses, tries, and interprets stimuli into an integrated and meaningful picture. Every individual's perception of an object or event is very dependent on different time and space frameworks. The difference is caused by two factors, namely factors within oneself (cognitive aspects) and external factors (aspects of visual stimulus) (Robins, 2002).

Understanding Ease Perception

The perception of ease is the level where someone believes that technology is easy to understand (Davis, 1989: 320). The definition is also supported by Wibowo (2006) which stated that

the perception of ease of use of a technology is defined as a measure in which someone believes that the technology can be easily understood and used. According to Jogiyanto (2007: 114) ease of use is defined as the extent to which a person believes that using a technology will be free of effort. From its definition, it is known that the construct of the perception of eae of use is also a belief about the decision making process. If someone feels that the information system is easy to use, he/she will use it. Conversely, if someone feels that the information system is not easy to use then he/she will not use it.

Definition of Perception of Use

Perception of Use is a level where a person believes that a certain use of technology will improve the work performance of that person (Davis 1989: 320). Adamson and Shine (2003) defined the Perception of Use as a construct of one's belief that the use of a particular technology will be able to improve their performance.

Conceptual and Research Hypotheses
Conceptual Research

Conceptual Framework is a model which explains how a theory relates to important factors that are known in a particular problem. Framework of conceptual will connect theoretically between the variables of this research. It is between the independent variables with the dependent variable. Sekaran (2006)

Based on the conceptual framework above, a concept developed later explain the relationship of each variable to be studied. The relationship will be the concept of the studied variables can be explained in the following Table :
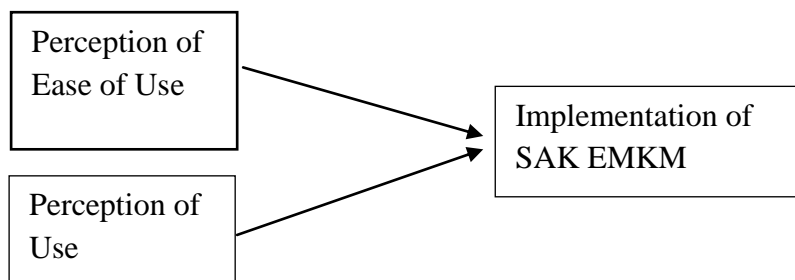
Table 1
Research Conceptual Framework
Effects of Perception on Ease and Perception of Use
to the implementation of SAK EMKM

Research

Based on the description above, the theory in accordance with the objectives and issues raised, then the submission of the following hypotheses:

Perception of Ease of Use in the Implementation of Accounting Standards for Micro, Small and Medium Enterprises (SAK EMKM)

Fitakurokhmah (2013) in her research stated that the perception of use and perception of ease of use have positive effects on the use of SAK ETAP by BPR in Malang Raya. In the research of Kusumawati (2014), the results shows that the perception of ease of use does not have significant effect on the application of Financial Accounting Standards for Entities without Public Accountability (SAK ETAP), and the perception of use to the application of Financial Accounting Standards for Entities Without Public Accountability (SAK ETAP) is Significantly applied to the Rural Bank (BPR) in Sleman. The result of the reserach whis is conducted by Pradipta

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Anggraeni (2016) in her research concluded that the perception of ease of use has significant positive to the intention of use. Ermawati and Pomegranate (2016) research showed that the variables of the perception of ease of use has positive effect significantly to the use of *E-banking*. The variable of use perception has significant positive effect on the use of *E-banking*. Oktabriantono, *et.all* (2017) research shows that the variable of use perception has significant positive effect on the use of *E-banking*, and the perception of ease of use has significant positive effect on the use of *E-banking*.

Based on the theoretical basis, it can be concluded that MSMEs measure that SAK EMKM can be used easily and can affect the implementation of accounting standards for small and medium micro entities (SAK EMKM) at MSMEs in Banjarmasin. The hypothesis proposed in this study is as follows:

H1: The perception of ease of use has positive effect on implementation to
    small and medium micro entity accounting standards (SAK EMKM).

The Perception of Use in Implementing Accounting Standards for Small and Medium Enterprises (SAK EMKM)

Fitakurokhmah (2013) in her research stated that the perception of use and perception of ease of use have positive effects on the use of SAK ETAP by BPR in Malang Raya. In the research of Kusumawati (2014), the results shows that the perception of ease of use does not have significant effect on the application of Financial Accounting Standards for Entities without Public Accountability (SAK ETAP), and the perception of use to the application of Financial Accounting Standards for Entities Without Public Accountability (SAK ETAP) is Significantly applied to the Rural Bank (BPR) in Sleman. The result of the reserach whis is conducted by Pradipta and Supadmi (2015) shows that there is positive and significant influence on the Perception of Ease of Use and Use in the Implementation of SAK ETAP.

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Based on the theoretical basis, it can be concluded that MSMEs measure that SAK EMKM has many uses, and it influences the MSMEs to implement accounting standards for micro small and medium entities (SAK EMKM). The researchers propose the following hypothesis:

H2: The perception of use has positive effect on the use of standards
    accounting for small and medium micro entities (SAK EMKM) .

DATA AND METHOD
Types and Sources of Data

This research uses a quantitative approach. This approach emphasizes the test of theories or concepts through measurement variables as a metric or number, and performs the data analysis procedures with equipment statistics to test the hypotheses (Indriantono and Supomo, 2002). Based on the type, this research is classified as explanatory research (explanatory research). Explanation research is used to analyze the relationships between one variable with another variable or how a variable affects other variables through hypothesis test (Sugiyono, 2009). The respondents in this study are the employees of accounting department and the leaders/owners of MSMEs in the city of Banjarmasin. The data in this type of research are primary and secondary data. Primary data is obtained from respondents' answers to questionnaires which are submitted by the researchers. Secondary data in this study includes books, articles, data from internet search results, archives and relevant supporting material.

Population and Samples

The population in this study are employees of accounting and the leader or owner of MSMEs in the city of Banjarmasin. The sampling method used in this study is convenience sampling. Convenience sampling is a sampling method where samples are taken at random according to the researcher (Sugiyono 2009). The sample of this study are employees of the accounting department and the leaders/owners of MSMEs who will make the financial reports but they have never made financial reports before. Based on SAK EMKM, they are 50 respondents.

Research Variables and Indicators
Research variables

Based on the formulation of the hypothesis, the variables used to conduct the test are dependent variable and independent variables. The independent variables in this study the variables of the perception of ease of use (X1) and the perception of use (X2). The dependent variable in this study is the implementation of financial accounting standards for small and medium micro entities (SAK EMKM) (Y).

Operational definition

The operational definitions and indicator variables in this study are presented in Table 2 below:

Variable	Sub Variable	Indicator	Source
Independent	Perception of Ease of Use	1. Easy to learn, namely users quickly understand about SAK EMKM. 2. Easy to operate, is the user does not have significant problems using the SAK EMKM. 3. Flexible in use, namely SAK EMKM easily adjusted in making MSMEs financial statements. 4. The display is clear and understandable, is users easily understand the appearance of SAK EMKM.	Fred D.Davis (1989)
	Perception of Use	1. Making work easier, namely with the SAK EMKM the work of use becomes easier. 2. Useful, namely SAK EMKM is useful in the work of user. 3. Adding Productivity, namely SAK EMKM increases user's productivity 4. Increase effectiveness, namely SAK EMKM increases the effectiveness of user. 5. Improve Work Performance, namely SAK EMKM improve performance.	Fred D.Davis (1989)
Dependent	Implementation of SAK EMKM	1. Recognize all assets and liabilities in accordance with SAK EMKM. 2. Not recognize assets and liabilities if not permitted by SAK EMKM. 3. Reclassify posts that previously used SAK ETAP to SAK EMKM. 4. Implement measurements of assets and liabilities recognized in accordance with SAK EMKM. 5. SAK EMKM helps control the cashflow of corporate finances. 6. SAK EMKM provides convenience in the presentation of the company's financial statements.	IAI, 2006.

Variable Measurement

The measurement scale used in this study is the Likert scale. Likert scale is a method which measures attitudes by expressing their agreement or disagreement with a particular subject, object or

event (Indriantoro and Supomo, 2002). Measurement criteria based on Likert scale as follows: SD (Strongly disagree) weighted 1, D (Disagree) weighted 2, DO (Doubtful) weighted 3, A (Agreed) weighted 4, and SA (Strongly Agree) weighted 5.

Research Data Analysis Methods and Methods

The research method which is used by researchers in this research is a case study. The technique is used by distributing questionnaires to the respondents, then the respondents will read and answer the questions. The questionnaires which are used in this study are delivered directly by the researchers to respondents. Also, the researchers entrusted several parties to be distributed to respondents who fulfille the research criteria. The data analysis in this study uses multiple linear regression to determine the effect of each variable. The models used in this study are:

M odel: $I = a - \beta1X1 + \beta 1X2 + e$

Note: I = Implementation of SAK EMKM

a   = Constant

b1 = Regression Coefficient

X1 = Presence Then of Use

X2 = Perception of Use

E = confounding variable

Instrument Testing and Test Feasibility of Research Models.

The research instruments test which are used in this study are the validity test and the reliability test. The validity test is used to measure the validity of a questionnaire. The questionnaire is said to be valid if the questions on the questionnaire are able to reveal something that will be measured by the questionnaire. The reliability test is used to measure whether the data collected through research instruments shows adequate internal consistency(Ghazali, 2016). The validity test in this study uses the product moment correlation formula, and the reliability test uses Alpha Cronbach formula to measure the level of reliability of respondents' answers.

The determination test is performed to test the Goodness-Fit of the regression model. The feasibility test in this reseach is needed to see whether the regression equation will be used to test the " fit " hypothesis or is feasible to use. To find the fit or absence of a regression equation, it can be seen from the value of the F test, t test value, and the test of the coefficient of determination ($R2$).

RESULT AND DISCUSSION

Reliability Test and Validity Test

The reliability test is intended to determine the minimum level of confidence which can be given to the sincerity of the answers received. This test is carried out by looking at the consistency of the Cronbach Alpha coefficient for all variables. The reliability test results can be seen in table 3. It shows that a Cronbach Alpha value is greater than 0.6. It means that the research instrument is declared reliable. It also means the consistency of respondents in answering questions can be trusted for the value of the Cronbach Alpha .

The validity test is done by testing the correlation between the score of the question items with the total score (Pearson Correlation). Each question item must be positively correlated to the total score at the 5% significance level. The test results show the value of the correlation coefficient between the questions items statistically. It is at a significant when the value is less than 0.05. The value is 0,000, and it shows the instrument is valid. These results are presented in table 3.

Table 3
The Results of The Reliability Test and The Validity Test

	Cronbachs Alpha	Sig
Implementation of SAK EMKM	0.73 4	0,000
Perception of Ease of Use	0.784	0 , 000
Perception of Use	0.794	0,000

Classic assumption test
Multicollinearity Test

Multicollinearity Test is intended to test whether there is a linear relationship between the independent variables or the other. It can be seen from the value of VIF (Varian Inflatation Factor) which is less than 10 and tolerance rates more than 0.1. The results of the Multicollinearity test in table 4, show that the value of VIF does not exceed to 10 and the Tolerance Value is nothing less than 0.10 (Ghozali, 2011). VIF and Tolerance indicate that there is no serious multicollinearity. This is also reaffirmed from the results of correlation between independent variables. It shows that there is no correlation.

Table 4
Multicollinearity Test

Model	*Tolerance*	VIP	Information
Y = a + β1X1 + β2X2 + e	0.877	1,141	Be accepted
	0.877	1,141	Be accepted

Heteroscedasticity Test

A way to test the presence or absence of heteroscedasticity in the regression model, can be analyzed through the Glejser Test. It is done by seeing the level of significance is above 0.05 then the regression model is free from the problem of heteroscedasticity. Based on the heteroscedasticity test in table 5, it is concluded that there is no heteroscedasticity in the regression model. Heteroscedasticity test results are presented in table 5.

Table 5
Heteroscedasticity Test

Model	*T*	*Sig*	Information
Abress = a + β1X1 + β2X2 + e	1,330	0.190	Be accepted
	0.868	0.390	Be accepted

Normality Test

A way to find out data normality is using the Kolmogrov - Smirnov statistics. The results of the normality test are presented in table 6.

Table 6
Normality Test

Model	Kolmogrov - Smirnov	Asymp. Sig. (2-tailed)	Information
Y = a + β1X1 + β2X2 + e	0.466	.982	Be accepted

Based on the table 6, the normality test for Kolmogrov-Smirnov value is 0.466, with a significance of 0.982. It is known that Asymp. Sig. (2-tailed) in the regression equation model has a

value which is greater than 0.05. It shows that the regression equation model fulfills the morality assumptions of the data.

Multiple linear regression results

Multiple Linear Regression Analysis is used to test the direct interaction between the independent variable (Perception of Ease) with other independent variable (Perception of Use). By using the SPSS 18 program, the data is processed and the results of the equation can be found in Table 7.

Table 7
Multiple linear regression

Variable	Unstandardized coefficient		Standardized coefficient	T	Sig	Ket
	B	Std. Error	Beta			
Constant	9,803	2,960		3,312	0.002	
X1	0.545	.163	0.417	3,354	0.002	Be accepted
X2	.282	1,113	0.312	2,505	0.016	Be accepted
F			13,361			
Sig. F			0,000			
R Square			.362			
Adjusted R Square			0.335			

Based on table 7, the regression equation can be arranged as follows:
$Y = a + \beta1X1 + \beta2X2 + e$
$Y = 9.803 + 0.545\ X1 + 0,282\ X2 + e$

Goodness of Fit **Test**
Determination Test (*R Square*)

Determination test is performed to test the Goodness-Fit of the regression model. The value of R Square of 0, 362 (attached in table 7) which means that the variability of the dependent variable that can be explained by the independent variable by 36.2 %, while the remaining 63.8 % is explained by other variables which are not included in the regression model.

F Test (F Test)

Test F (F test) is used to determine the effect of independent variables to the dependent variable. If the F-test results are significant, it means that the model is feasible to use; so that, the hypothesis test can proceed. Table 7 shows the value of the F test of 13.361 and significant in 0000, so it can be concluded that Perception of Ease and Perception of Use affect the implementation of IFRSs EMKM. It means that the model used in this study feasible.

T test (t test)

T test (t test) is used to determine the effect of one independent variable individually on the dependent variable. Based on the results of the *t test* which is attached in table 7, it shows the t value of the perception of ease variable at 3.354 with a significance value of 0.002 and the perception of use variable of 2.505 with a significance value of 0.016. The two independent variables which are included in the regression model are all significant because they do not exceed 0.05. It can be concluded that the Perception of Ease influences the Implementation of SAK EMKM in the City of Banjarmasin and the Perception of Use influences the Implementation of SAK EMKM in the City of Banjarmasin.

Hypothesis Test Results
The Effect of Perception of Ease on the Implementation of SAK EMKM

The first hypothesis (H1) which states Perception of Ease of Use has positive effect on the Implementation of Accounting Standards for Micro, Small and Medium Enterprises (SAK EMKM). The result shows that H1 is accepted. Based on the results of the t-test significance of the perception of ease of use variable has significance of 0.002. The empirical evidence shows that the perception of ease of use has positive effect on the Implementation of Accounting Standards for Micro, Small and Medium Enterprises (SAK EMKM). It is viewed from the direction of the regression coefficient of 3.354. So, it can be concluded that this study successfully tested the effect of perception of ease of use on the Implementation of Accounting Standards for Micro, Small and Medium Enterprises (SAK EMKM) at SMEs in Banjarmasin.

The results of this study are in line with the research on the researches about the perception ease of use which are examined by Fitakurokhmah (2013), Setijawan and Permatasari (2014), Pradipta and Supadmi (2015), Anggraeni (2016), Ermawati and Delima (2016), and Oktabriantono, et.all (2014). 2017). The results of this study conclude that MSMEs which assume that SAK EMKM can be used easily can affect the implementation of accounting standards for small and medium micro entities (SAK EMKM) at MSMEs in Banjarmasin. MSMEs will prefer to use or implement it if it is easy to use. However, if it gives a difficult effect to its users, then these users will tend to be reluctant to implement SAK EMKM.

The Influence of The Perception of Use on the Implementation of SAK EMKM

The second hypothesis (H2) stating Perception of Use has positive effect on the Implementation of Accounting Standards for Micro, Small and Medium Enterprises (SAK EMKM). The result shows that H2 is accepted. Based on the result of the t-test the significance of the perception of use variable is 0.016, and the empirical evidence shows that the perception of use has positive effect on the Implementation of Accounting Standards for Micro, Small and Medium Enterprises (SAK EMKM). It is viewed from the direction of the regression coefficient of 2.505. Thus, it can be concluded that this study successfully tested the effect of Perception of Use on the Implementation of Accounting Standards for Micro, Small and Medium Enterprises (SAK EMKM) at SMEs in Banjarmasin.

The results are consistent with researcha about the perception of use which is studied by Fitakurokhmah (2013), Setijawan and Permatasari (2014), Pradipta and Supadmi (2015), Anggraeni (2016), Ermawati and Pomegranate (2016), and Oktabriantono, *et. all* (2017). The results of this study concluded that MSMEs assume that the SAK EMKM is very great usability. It affects the MSMEs for implementing the entity's accounting standards micro small to medium (SAK EMKM). So that, the perception of use affect the interest of MSMEs in using or implementing SAK EMKM. The MSMEs feel helped by the existence of SAK EMKM .

CONCLUSION

The main objective of this study was to examine the effect of ethe perception of ease and the perception of use on the implementation of SAK EMKM at MSMEs in Banjarmasin city. The hypothesis test results indicate that the perception of ease of use and the perception of use have positive effect on the Implementation of Accounting Standards for Micro, Small and Medium Enterprises (SAK EMKM). The determination Test (R Square) shows the value of the dependent variable which can be explained by the independent variable is 36.2%, while the remaining 63.8% is explained by other variables. Hence, it is suggested in further research to add to the other variables.

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FACTORS AFFECTING DECISIONS INVEST IN CAPITAL MARKETS

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Abstract: This study aims to review the theory of financial behavior and the concept of behavioral motivation in the form of research propositions regarding the factors that influence investment decisions in the capital market. Observations are planned for students who are actively engaged in capital market activities or students who have conducted transactions in the capital market. This study in detail seeks to determine the effect of knowledge and learning factors in the process of selecting economic factors and behavioral motivations that will influence the investment decision-making process. Economic factors include neutral information, accounting information and classic. Whereas, behavior motivation includes Self Image / Firm Image Coincidence, Social Relevance, Advocate Recommendation, and Personal Financial Need.

Keyword: *the theory of financial behavior and the concept of behavioral motivation, economic factors and behavioral motivations*

BACKGROUND

Investment is a form of capital investment which is made by investors to get profits. In general, investors make the investments with the aim of improving the quality and welfare of life through the benefits obtained. During its development, the public interest to investment in Indonesia is still very low, especially to invest in the capital market. As of the end of March 2016, 64% of the proportion of share ownership in Indonesia capital market is still dominated by the foreign investors (PT Kustidian Sentral Efek Indonesia, 2016). The lack of interest from domestic investors can be caused by the low understanding and knowledge of the public regarding the investment in Indonesia capital market.

The basic understanding about investment is very important for investors, especially for novice investors. The sufficient understading of investment will prevent the investors from the risk of loss. It also can avoid irrational investment practices; thus the purpose of investment in the capital market will be achieved. The investors will also be able to analyze which securities will be purchased by adequate understanding of investment;so that, the securities are in accordance with the expected returns of investors.

To increase the investor's interest in investing in the capital market, the government through Indonesia Stock Exchange conducts various programs to attract new investors, including the "Let's Save Stock" campaign program. This campaign aims to motivate, educate and develop the capital market industry, as well as adding new investors which lead to young generation groups such as students and young employees (Rizki, 2017). The Indonesia Stock Exchange also increase the cooperation with universities by establishing an Investment Gallery at the University. It is expected to make it easier for students and young investors in general to get to know and conduct transactions in the capital market.

The students have considerable potential to become new investors in the capital market. Although they do not have their own income, the interest of students to invest in the capital market is quite high. To support this thing, Indonesia Stock Exchange also issued a regulation which the public can open a stock account with a minimum deposit of Rp 100,000.00 at a securities company. It can be done by registering at the Investment Gallery. The investors can obtain 1 lot of shares at a price of Rp. 1,000 per sheet with Rp 100,000.00 funds. The investment offered is in the

form of shares and mutual funds. In this way, it is hoped that the students can more easily invest, and they will have the perception that investment in the capital market does not require large capital.

The encouragement for students to get involved as investors in the capital market, is basically supported by the University. The students get a lot of education (learning) which is provided in lecture activities. In addition to compulsory courses in Investment Management and Financial Management for students majoring in Management, the various activities are also held in collaboration with the securities companies and Indonesia Stock Exchange. It includes the establishment of an exchange corner as a learning medium, various investment motivational seminars, as well as investment classes for students. However, the various obstacles still often arise which make students less motivated in investing in the capital market even though they have adequate basic knowledge about the capital market.

This study seeks to determine the factors which influence student investment decisions in the capital market. This aims to further explore what factors are the basis of student investment decisions. As it is explaine before that the sufficient knowledge and education for students often do not provide the motivation for students to become investors in the capital market.

LITERATURE REVIEW

Investment and Investment Decisions

Investment is an activity of placing a number of funds in one or more assets during a certain period in the hope of earning income or increasing the value of investment in a future period. The purpose of investors is to obtain a profit or rate of return. Return of shares can be either capital gains (the difference between the selling price and the purchase price) and the dividend yield. The return is an indicator of the success or failure of an investment, if it is successful, it will increase the welfare of investors. Therefore, investors need to set the expected returns by considerating various information for investment decision making.

Investment decision is an important factor in the financial function, that the value of the company is solely determined by investment decision. The statement implies that the investment decision is important. Related to the importance of investment, the decision making of investment must be managed; so that, it produces optimal investment decisions. An optimal investment decision can be reached if the investor makes the right decision. The right decision is a decision which is in accordance with the effect of events on the company's value. One of components which shapes a company's value (reflected in its share price) is investor sentiment. It is an investor confidence in the company's cash flow in the future which is not supported by accounting information (fundamental).

Financial Knowledge

Financial knowledge or often referred to financial literacy is a process or activity to enhance the knowledge, trust and skills of consumers and the wider community; so that, they are able to manage their finances better (Otoritas Jasa Keuangan, 2013). According to Kim (2001), financial literacy is the basic knowledge which is needed by a person. It includes knowledge and understanding of the principles of savings and investment. Lusardi and Mitchell (2007) describe that the financial literacy as the knowledge about financial instruments, including one's knowledge of savings, insurance, investment, and other financial instruments. In this case, financial literacy can be interpreted as financial knowledge with the aim of achieving prosperity.

Hypothesis 1: Financial knowledge has positive effect on investment decisions

Investment Benefits

In investing, someone will be very concerned about the benefits of investment. Investment can provide benefits such as the fixed income, the value which exceeds inflation and the potential to provide long-term income. In addition, in investing, there are many choices which can be made in accordance with the funds, and it is adjusted for changing needs. (Umar, 2019)

Riyadi's research (2016) found that the investment benefits affect the investment interests of students in the capital market. It is because the students know the importance of investment for life in the future with data, such as the pension, the need for urgent funds, and the reduced inflationary pressures on the wealth of investment returns. The invested assets will increase in value if the investment returns received.

Hypothesis 2 : The benefits of investment have positive effect on investment decisions

Minimum Investment Capital

Investment capital is one of the factors which is highly considered by someone before investing. The less funds needed, the more attractive it is for someone to invest. The latest regulations issued by Indonesia Stock Exchange (BEI) as capital market managers in Indonesia in Decree Number: Kep-00071 / BEI / 11-2013 concerning the changes in trading units and price fractions, are intended to attract the interest of new investors who have limited capital. The decree changed the stock trading unit where previously 1 lot consisted of 500 shares to 1 lot = 100 shares with a minimum share price traded at Rp 50 per share to 100 with a minimum price of shares traded on the IDX.

In addition, the minimum capital which must be deposited to open an account is only IDR 100,000. This capital does not have to be spent entirely. After the account opening process, the capital can be transferred again, and only a few number will be invested (Rizal, 2017). It is expected that with this regulation the interest to invest will be even greater.

Riyadi's research (2016) proves that minimal investment capital influences the investment interest of students in the capital market. For students, this minimal capital is quite affordable to start an investment. While Crhystianti and Ariany (2011) found that the investors in the age range of 25-29 years and 50-54 years thought of many factors before making investments, including personal financial needs. The minimum investment capital will be an important consideration before making investment decision.

Hypothesis 3 : The Minimum Investment Capital positively influences investment decision

Return on Investment

According to Brigham, et al. (1999), the rate of return of shares is an instrument to measure the financial performance of companies which is based on the company's shares. According to Corrado and Jordan (2000), the rate of return of shares is the profit gained by investors from investment in shares and securities. These benefits can be in the form of dividends or profits in the form of capital gains /losses.

According Jogiyanto (2010), the rate of return of shares can be divided into two categories, namely the rate of return requested (*realized return*) and the expected rate of return (*expected return*). The requested rate of return is the rate of return which has already been calculated using the historical data. This rate of return is very useful as a basis for determining the rate of return which is expected in the future.

The expected rate of return is the rate of return which has not yet occurred, and it is expected to occur in the future. This rate of return is used as a decision making tool. Raditya's research (2013) shows that the perceptions of returns and risks have significant positive effects on investment decision making.

Hypothesis 4 : Return has positive effect on investment decision making

Education (Learning)

Investment decision making by individual investors is often based on personal factors such as education (learning). Education is one of the factors which is considered in investment decision making (Lubis, et al., 2013). Individual investors have different levels of education, so they have different levels of understanding in investment decision. The higher the level of

education of a person, this investor will have better understandings in choosing stocks of investment which will produce optimal returns and avoid risk. The higher the level of education of a person, the more tolerant this investor will be to the risk of investment decision (Schooley and Wooden, 1999)

Hypothesis 5 : Investment education (learning) has positive effect on investment decision making

RESEARCH METHODS
Population and Sample

The population in this study are all students who have invested in the capital market. The sample in this study is a portion of the population that fulfills the criteria for students who have invested, and who are still actively investing through Investment Gallery of various universities in Yogyakarta

Research variable

1. Dependent Variable

The dependent variable in this study is the Investment Decision. Investment measurement is done by measuring the reasons of students to make investments in the capital market

2. Independent Variable

a. Knowledge

Investment knowledge is the basic knowledge which possessed by an investor related to investment. This variable is measured by how much knowledge a person has about investments, such as an understanding of investment products, company profile, and economic conditions which need to be considered

b. Education (learning)

Education is any planned effort to influence other people either individuals, groups, or community; so that, they do what is expected by the actors of education (Notoadmojo, 2003). Investment education or learning is basic knowledge in investing. Education is measured by looking at students' perceptions about various activities which can provide learning related to investment in the capital market

c. Investment Benefits

Investment benefits are the benefits to be obtained by an investor when making investments. Investment benefits are measured by using indicators of welfare benefits, economic development benefits, future benefits, and fixed income benefits

d. Minimum Investment Capital

Minimum investment capital is capital for opening initial accounts before investing in the capital market (Raditya, 2014). The measurements is done by looking at students' perceptions of the nominal set in making investments

e. Return

Return is the expected rate of return of an investment. Returns are measured by using indicators of student's perceptions regarding the benefits to be gained from investment

Analysis Method

To test the factors which influence the student investment decisions, the following regression equation is used:

$Kep\_Invest = \alpha_0 + \alpha_1 Knowledge + \alpha_2 Education + \alpha_3 Benefits + \alpha_4 Minimum\ Capital + \alpha_5 Return + \varepsilon$

To prove hypotheses 1, 2, 3, 4, and 5 it is expected that the regression coefficients $\alpha_1, \alpha_2, \alpha_3, \alpha_4$ and α_5 are significant at the specified significance level (1%, 5%, or 10%).

RESEARCH RESULT
Characteristics of Respondents

From the questionnaire distribution, 229 respondents were obtained. The characteristics of research respondents are presented in the following table

Table 1
The Characteristics of The Research Respondents

Characteristics	Number of Respondents (people)	Percentage (%)
1. Gender		
Male	12 0	52 %
Girl	109	48 %
2. Age		
17 years	12	5.2%
18 years old	101	44 %
19 years old	80	35 %
20 years old	21	9.2 %
> 20 years	15	6.6%
3 . Semester		
I-II	1 66	72 %
III-IV	48	21.6 %
V-VI	10	4.3 %
VII-VIII	4	1.7 %
> VIII	1	0.4 %
4. Faculty		
Economics and Business	135	59.2 %
Industrial Engineering	92	40 %
Law	1	0.4 %
Communication	1	0.4 %

The characteristics of research respondents which are shown in table 1 can be explained as follows. The majority of respondents are male (52%) with a majority age between 18 years (44%). The majority of respondents are first and second semester students (72%) consisting of Economics and Business Faculty students (59.2% 0, Industrial Engineering Faculty students (40%), Law Faculty students (0.4%), and Faculty of Science students Communication (0.4%).

The Results of Multiple Regression Analysis

The results of testing the influence of financial knowledge, investment benefits, minimum investment capital requirements, returns and education (learning) on student investment decision making are shown in table 2.

Table 2. Results of Multiple Regression Analysis

Variable	Unstandardized Coffisient	t	Sign
(Constant)	1,355	5,135	, 000
Knowledge	, 254	5,246	, 000 *
The benefits	, 094	1,515	, 131
Minimal capital	, 022	, 317	, 752
Return	, 178	2,470	, 014 *
Education	, 076	1,268	, 206
F count		21,860	, 000 *
R Square		0.314	

Note: * significant at $\alpha = 5\%$

The test results show that the investment knowledge variable has a regression coefficient of 0.254 (sign = 0,000), and the return variable has a regression coefficient of 0.178 (sign = 0.014) and has a significance level <0.05. It shows that investment knowledge and return have positive influences on student investment decisions in the capital market. Meanwhile, the variable of investment benefits has regression coefficient of 0.094 (sign = 0.131), the variable of minimum capital has a coefficient of regression of 0.022 (sign = 0.752), and the variable of education (learning) with a regression coefficient of 0.076 (sign = 0.206) has significance level > 0.05. These mean that the of variable investment benefits, minimum investment capital and education (learning) do not affect student investment decision. Therefore, it can be concluded that hypotheses 1 and 4 are supported.

DISCUSSION

The testing to the influence of financial knowledge on investment decisions shows the positive influence of financial knowledge on student investment decisions. It shows that the better one's financial knowledge, the better investment decisions will be taken. Someone who has sufficient financial knowledge will better understand the possible risks will be faced in making an investment. The losses which have been experienced by them will be a valuable lessons which will affect them in making further investment decisions. Someone who has enough financial knowledge will make an investor inclined to be more confident in making an investment. According to Graham (2009), when investors tend to feel confident, investors will more often conduct stock transactions.

Financial knowledge provides stock to investors regarding the availability of financial information which is needed in considering an investment decision. The availability of financial information including the company's financial statements, general information about price movements, company reputation, the status of the company in the capital market, the company's previous stock performance, and company performance which is expected to be achieved in the future become important parts in making investment decision (Chong and Lal) , 2011). .

Almenberg and Widmark's research (2011) found that financial knowledge has a strong relationship with stock investment decision. Mahfudh (2014) found that a person's financial knowledge is a good indicator in diversifying his/her portfolio. Muller and Weber (2010) found a positive influence between financial knowledge and investment decisions on low-cost investment. Likewise, the research shows the positive influence of financial knowledge on investment decisions. It indicates that the higher one's financial knowledge will greatly affect one's ability to make an investment decision.

Testing the effect of return on investment decisions shows the positive influence of returns on student investment decisions. Return (return rate) is the profit received by investors from investment in shares and securities. In making an investment, investors have the expectation that the investment made can provide benefits in the future. In this case, the return becomes an important part which is taken into consideration in making investment decisions. However, the higher the return obtained, the greater the risk which may be faced.

According to Hoffmann, Eije, and Jager (2006), in meeting the need for financial satisfaction, an investor will make maximum efforts to be able to fulfill his/her needs. Therefore, an investor will view profit as something important from an investment. According to Khan et.al (2015) the investment returns are used by investors as an important criterion in choosing stocks and other investment instruments. The expected return is the basis for investors to choose investment instruments which suit their needs and desires. Investors will seriously consider options regarding past returns or options which meet the expected return to make the best investment decisions.

Testing the effect of investment benefits, minimum investment capital and education (learning) on investment decisions shows that these variables do not have effect on student investment decision making. The result which shows that education (learning) do not affect student investment decisions is in line with research by Kiran and Rao (2004) and Christanti and Mahastanti (2011).

CONCLUSION

In making investment decision, the students are influenced by financial knowledge and return factors. It shows that financial knowledge which is obtained by students in college also plays a role in student decision making for investment. In addition, the return (expected rate of return) is also taken into consideration for students in making investment decisions. Basically, in making an investment, a person must expect the benefits obtained in the future which can guarantee the welfare of his/her life.

While the benefits of investment, minimum investment capital and education (learning) do not effect in student investment decision making. In this case, the students still rely on financial knowledge obtained in college in making investment decisions. They do not try to join the training or seminars in making investment decisions. Regarding the minimum investment capital which is determined by the IDX, for students whose finances are still dependent on parents, the minimum capital amount is still too high. It is because there are still other needs of students which must be prioritized.

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THE EFFECT OF KNOWLEDGE MANAGEMENT ON MARKETING PERFORMANCE THROUGH COMPETITIVE ADVANTAGES OF MSMES FOOD PROCESSING IN PURWOREJO REGENCY, CENTRAL JAVA

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Abstract: When MSMEs is confronted with a global market with a high level of competition, the MSMEs problem becomes even more complicated. Consumer behavior is increasingly critical to demand any business has an advantage in market competition. The era of the industrial revolution 4.0, there are three main challenges that must be understood by MSMEs, namely technology, automation, and disruption. Application of marketing strategies through the use of digital technology is one of the efforts to scale up for MSMEs to have competitive value. This study aims to determine the effect of knowledge management on marketing performance through the competitive advantage of food processing SMEs in Purworejo Regency. This study uses data from a questionnaire distributed to 100 Micro, Small and Medium Enterprises (MSMEs) entrepreneurs engaged in food processing. Data were analyzed by qualitative research methods with the type of exploratory research. The results showed that knowledge management had a significant effect on marketing performance through the competitive advantage of food processing MSMEs in Purworejo Regency.

Keywords: *Knowledge Management, Competitive advantage, Marketing Performance, MSMEs*

BACKGROUND

Micro, Small and Medium Enterprises (MSMEs) is one of the drivers of economic progress in Indonesia. Data from the Coordinating Ministry for Economic Affairs shows that 93.4% of MSMEs, 5.1 are middle class businesses, and 1% is corporations. Therefore, MSMEs actors must be able to scale up the managed businesses. The application of marketing strategies through the use of digital technology is one of the efforts to scale up for MSMEs. However, one of the obstacles for MSMEs to develop in this digitalization era is that only 9% of MSMEs managers understand digital issues (PWC Indonesia; 2019)

In this competitive environment, marketing effectiveness and efficiency are needed to achieve business objectives, namely market expansion and profit growth. Marketing activities undertaken can be known to be effective and efficient when performance evaluations are carried out. Performance is a measure of success or achievement achieved by a company. Organizational performance in general can be measured by one or more measurements including: 1) the success of new products, 2) profitability, 3) market share growth, 4) Return On Assets (Wei et al, 2014), 5) sales growth (davis et al , 2010; Wei et al, 2014), 5) Effectiveness, 6) Efficiency, 7) adaptability (Bargava et al., 1994). Performance can be measured using financial terms or using non-financial criteria. Marketing performance is a non-financial performance measure that can be used to measure organizational performance. An important element of general company performance is marketing performance because marketing performance can show the company's performance so far. Marketing performance is a concept to measure a company's marketing achievements. Every company has an interest to know its achievements as a mirror of the success of its business in market competition. The company's success in market competition is reflected in its achievements in market competition which is the implementation of the strategy. Multidimensia in performance can be evaluated in various ways or using other means, there is no unique measure of performance. Effectiveness, efficiency and adaptability operate the term performance according to Bargava et al. (1994).

The competitive advantage according to Song & Perry (1997) is the company's ability to create more effective competition in the market. Ehmke (2008) defines competitive advantage as an

advantage gained over competitors by offering customers greater value or lower prices. This variable is measured by three indicators namely product uniqueness, product quality and competitive prices. First, the uniqueness of the product is the uniqueness of the company's products so that they can distinguish them from competing products or general products on the market. Second is product quality, namely the quality of products that have been successfully created by the company. And third, competitive prices, namely the ability of companies to produce products at prices that are able to compete in the market. (Song and Parry, 1997). Product excellence is the variables that are believed to be able to improve marketing performance, especially for micro small and medium enterprises (MSMEs). Yuniarti et al., (2018) resulted in the finding that MSMEs competitive advantage has a positive value and a significant influence on marketing performance. According to Ejrami et al (2015) there are three benchmarks to find out whether a company has a competitive advantage.

Knowledge management is needed since the creation of knowledge and then shared with others. The empirical evidence presented in Syed & Lin's (2013) research is knowledge sharing, building consistent processes and managing core competencies that is the most important knowledge management practice. Research Syed & Lin (2013) found that knowledge management has a significant impact on company performance. Whereas Nuryanti, et al (2017) produced findings that knowledge management affects competitive advantage. This means that the better Knowledge Management, the competitive advantage will increase.

If it is reviewed from previous research, there is a research gap in knowledge management on competitive advantage and business performance. As research conducted byDjodjobo & Tawas (2017); Indarto & Ariefiantoro (2015) that knowledge management does not show a significant relationship to competitive advantage and business performance. Previous research as presented by Gatignonand Robertson (1993); and Carneiro (2000) who produced findings that Knowledge management provided efficient support for innovation and the company's competitive advantage, while Byukusenge and Munene (2011); Nawab, Nasir, Zahid, Fawad (2015) that good knowledge management will improve innovation and organizational performance, while this research innovation and knowledge management become exogenous variables that will influence competitive advantage and marketing performance.

When MSMEs is confronted with a global market in a high level of competition, the MSMEs problem becomes even more complicated. Consumer behavior is increasingly critical to demand any business which has an advantage in market competition. MSMEs still face fundamental difficulties, for example capital, low managerial ability followed by low product quality, and underdeveloped information and technology. On the other hand, the free trade system influences not only large-scale businesses, but also MSMEs products. Therefore, it is necessary to prepare for the strengthening of MSMEs nationally followed by more concrete and integrated action measures, so that MSMEs can have adequate competitiveness. The purpose of this study is to examine the effect of knowledge management on competitive advantage and business marketing performance

LITERATURE REVIEW
Relationship of Knowledge Management to Competitive Advantage
Drucker (1995) produces findings that knowledge is the most vital economic source for achieving competitive advantage. According to Rahimli (2012), knowledge is a strategic asset which is a capability and resource that is very difficult to copy and commercialize because they are scarce. This research supports the research of Ling Tan (2011) which produced Knowledge Management (KM) findings, which are seen as a source of sustainable competitive advantage, which has attracted the attention of various companies throughout the business world, including Small and Medium Enterprises (SMEs) in Malaysia. With the establishment of KM, systematic management of organizational knowledge - strategic corporate assets cannot be taken lightly; can thus be created, transferred, shared, and used, in encouraging greater organizational competitiveness, innovation and productivity.

Research by Nuryanti et al (2017) produced findings that knowledge management influences competitive advantage. This means that the better Knowledge Management, the competitive

advantage will increase. This means that knowledge of goods and disseminating them to others such as employees and responding to any development of knowledge will increase competitive advantage for the company. Business performance is influenced by competitive advantage. It means that the better the performance, the better the competitiveness of SMEs.
H1: Knowledge management influences competitive advantage

Relationship between Knowledge Management and Marketing Performance
Muchtar et al's research (2018) produced findings that entrepreneurial orientation, knowledge management, competitive advantage had a positive and significant effect on business performance. According to Daud & Wan Yusuf (2008) that the Knowledge Management process has a significant relationship with organizational performance, where knowledge acquisition is the main process that contributes to organizational performance. Knowledge acquisition consists of gathering, creating, obtaining, producing, capturing and collaborating new knowledge activities. Because of their small size, SMEs have the opportunity to gain direct and faster knowledge about the actions of competitors, market trends and other developments. In research Syed & Lin (2013) said that knowledge management is needed from the start of knowledge created and then shared. The empirical evidence presented here shows that sharing knowledge, building consistent processes and managing core competencies are the most important knowledge management practices, in this research, knowledge management has a significant impact on company performance. Companies that facilitate good knowledge management and promote effective knowledge practices will have competitive advantages in the future, thereby increasing company performance.
H2: Knowledge management influences marketing performance

The Relationship between Competitive Advantage and Marketing Performance
Findings from the research of Zou et al. (2008) show that if a company considers its customers as valuing services, the company is more likely to adopt a customer and competitor orientation; if the company thinks that its customers are more price sensitive, then the company carries out competitor-oriented development efforts. In addition, the greater customer orientation of the company, the more companies are able to develop competitive advantage based on innovation and market differentiation. Conversely, a competitor's orientation has a negative effect on the superiority of a company's market differentiation. Finally, innovation and market differentiation of excellence lead to greater market performance (for example, perceived quality, customer satisfaction) and in turn, higher financial performance (for example, profits, market share). The results of research conducted by Li (2000; 313) managed to find a positive influence between competitive advantage and performance as measured through sales volume, profitability, market share, and return on investment. Competitive advantage can be obtained from the company's ability to process and utilize its resources and capital.

Research Ejrami et al. (2015) explained that marketing potential affects the competitive advantage of importing companies and at the same time marketing capabilities have an impact on the performance of imported companies while competitive advantage can affect the performance of imported companies. Other research that support is according to Yuniarti et al. (2018) which results in the finding that positive market orientation and significant influence on competitive advantage, internationalization and marketing performance. Competitive advantage has a positive value and a significant influence on internationalization and marketing performance. Competitive advantage can mediate the influence of market orientation on internationalization and marketing performance. Studies conducted by several figures produce findings that performance is influenced by Knowledge management. Research results from Nuryanti et al. (2017) shows that knowledge management influences business performance which means better knowledge management in a company, then business performance will increase. Research from Pardi et al (2014) reinforces the finding that competitive advantage significantly influences marketing performance. This means that competitive advantage has a significant positive effect on marketing performance in Batik UKM. Products making customers interested are the company's strength to be able to compete with other companies.

Therefore, competitive advantage has an influence on improving the company's marketing performance.

H3: Competitive advantage influences marketing performance

Figure 1: Research Framework
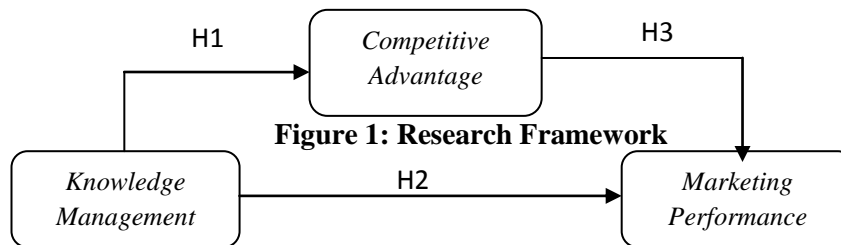
DATA AND METHOD

This research uses primary data types. Primary data uses data directly obtained by dividing and collecting questionnaires from respondents. The location of this research is in Purworejo Regency, Central Java Province. The population in this study is the Micro Small and Medium Enterprises (MSMEs) from the field of food / beverage processing. The criteria used are producing the same food for more than three years, having employees outside of nuclear family members of more than two and less than 15 people, already having licenses according to MSMEs standards, and joining in the community / association in the exchange of knowledge related to business. Based on data collected research population of 100 people is to meet the research criteria. The sampling technique used is proportionate stratified random sampling, which is a technique to determine the number of samples if the population is proportionally stranded (Sugiyono, 2003; 75). In this study 100 people were divided into 16 (sixteen) districts. The formula used to allocate each level of the Feasibility Test Results uses the Exogenous Construction Model and the hypothesis testing technique uses SEM-Amos.

RESULT AND DISCUSSION

This research is primary data processing collected from the distribution of 100 respondents. Based on 100 questionnaires distributed, 100 questionnaires were declared eligible for research. The result of this confirmatory factor analysis is the measurement of the dimensions that form latent constructs and their relationship with other latent constructs. The exogenous construct of the relationship in this study is knowledge management with 4 indicators. The results of data processing for confirmatory factor analysis of exogenous constructs are shown in the following table.

Table 1. Feasibility Model Exogenous Model Testing Results

Goodness of Fit Index	*Cut Off Value*	**Result**	**Information**
Chi-Square	<46,194	45,737	Fit
Probability	≥ 0,05	0,055	Fit
CMIN/DF	≤ 2,00	1,429	Fit
GFI	≥ 0,90	0,924	Fit
AGFI	≥ 0,90	0,870	Marginal
RMSEA	≤ 0,08	0,066	Fit
CFI	≥ 0,95	0,963	Fit
TLI	≥ 0,95	0,948	Fit

Source: Primary data processed, 2019

Table 1 shows that the constructs that were built can be processed using the full model. The results show that the model can be analyzed without the need for modification.

The results of Regression Weight Structural Equation Modeling (SEM) can be seen in table 2 below

Table 2. *Regression Weight Structural Equation Modelling* (SEM) Model Empiris

Causal Relations	Estimate	SE	CR	P	Information
KM→CA	0,715	0,140	5,096	***	Siginifikan
KM→MP	-0,307	0,156	-1,972	0,049	Siginifikan
CA→MP	0,745	0,190	3,913	***	Siginifikan

Source: Primary data processed, 2019

Table 2 shows the results that the estimated parameter value is 0.715, with a standard error of 0.140, with a probability value of the error rate of 0.000. By using an alpha significance level of 0.05, it can be concluded that the first hypothesis which states that knowledge management affects competitive advantage is accepted. This means that the higher the knowledge management, the higher the competitive advantage. Knowledge for SMEs is an important resource to be disclosed, shared, stored and transferred into a real context, so that processed food products have competitiveness in the future.

The results of statistical tests on the second hypothesis show an estimated parameter value of -0.307, a standard error of 0.140, a critical ratio value of -1.972, with an error rate probability of 0, 156. By using an alpha significance level of 0.05, the second hypothesis can be concluded which states that knowledge management affects the marketing performance received. This means that the higher the knowledge management, the higher the marketing performance. Good knowledge management will streamline the marketing performance of MSMEs.

The results of statistical tests on the third hypothesis show an estimated parameter value of 0.745 with an estimated parameter error standard of 0.190, a critical ratio value of 3.913, with a probability value of an error rate of 0,000. By using an alpha significance level of 0.05, it can be concluded that the third hypothesis which states that the higher the competitive advantage, the higher the marketing performance can be accepted. This shows that the competitive advantage variable can improve marketing performance in Micro, Small and Medium Enterprises (MSMEs). Table 3 shows the direct and indirect effects and the effect of total knowledge management on marketing performance.

Table 3. Tabel *Direct* dan *Indirect Effect*

	Variabel	*Knowledge Management*	Competitive Advantage
Direct Effect	Competitive Advantage	0,715	0
	Marketing Performance	-0,307	0,745
Indirect Effect	Competitive Advantage	0	0
	Marketing Performance	0,533	0
Total Effect	Competitive Advantage	0,715	0
	Marketing Performance	0,226	0

Source: Primary data processed, 2019

Based on table 3 it can be seen that the magnitude of the total direct effect of each variable is greater when compared to the magnitude of the direct effect between each variable. Therefore this study produces findings that there is an influence between knowledge management variables on marketing performance through the competitive advantage of MSMEs in Purworejo Regency, then the fourth hypothesis is accepted. This condition actually shows that MSME managers in Purworejo district especially MSMEs engaged in food processing need to improve knowledge management to be ready to join the competition. MSMEs readiness shows that MSMEs marketing performance is getting better.

This research resulted in the finding that knowledge management carried out by SMEs engaged in food processing has a significant effect on marketing performance through competitive advantage. This shows that processed food products produced by MSMEs in Purworejo Regency from the results of increasing the capacity of MSME entrepreneurs are able to improve their marketing performance through competitive advantage. The product has an advantage with a unique, good quality product at a competitive price on the market. The results of this study empirically prove that MSMEs engaged in food processing in Purworejo Regency already have quality knowledge and human resources. Most respondents have a high school education. In the context of increasing competitiveness, mastery of knowledge is an important factor to boost competitiveness. This is where the excellence of food processing SMEs. SMEs have the awareness that improving the quality of human resources is needed especially in the areas of HR competencies such as knowledge, skills and abilities and attitude in entrepreneurship. HR development must be carried out not only for MSMEs as business owners, but also their workers. The spirit of entrepreneurship and increased productivity supported by technology development becomes important in the focus of strengthening human resources.

The results of this study support the research of Carneiro (2000) which results in the finding that Knowledge management provides efficient support for innovation and competitive advantage of companies. According to Ling Tan (2011); Nuryanti, et al (2017) Syed & Lin (2013) produce findings that knowledge management has a significant effect on competitive advantage. In addition this study strengthens the results of research from Muchtar et al (2018) ;; Gatignonand Robertson (1993); while Byukusenge and Munene (2011); Nawab, Nasir, Zahid, Fawad (2015) that good knowledge management will improve innovation and organizational performance.

However, the results of this study do not support the research of Arshad et al (2014), Valdez-juárez et al. (2016), Arend & Wisner (2005), Djodjobo & Tawas (2017), Chuang (2004) and Indarto & Ariefiantoro (2015), that knowledge management does not show a significant relationship to competitive advantage and business performance.

CONCLUSION

This study produces findings that competitive advantage mediates the effect of knowledge management on marketing performance. This condition actually shows that MSMEs managers need to improve knowledge management to be ready to join the competition. MSMEs readiness shows that MSMEs marketing performance is getting better. Therefore, to improve competitive advantage and marketing performance, Micro, Small and Medium Enterprises need to make efforts including: actively participating in training the capacity building of MSMEs, especially in the field of information technology; MSMEs must be disciplined in recording every business activity including financial administration as an effort to protect knowledge; a culture of exchanging ideas and good coordination needs to be improved between owners and employees, so that to minimize difficulties and obstacles in the business; In addition, MSMEs should periodically conduct market surveys so that the price set is truly in accordance with the quality of the product, in accordance with the purchasing power of the community and more affordable than the prices of competitors

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THE INFLUENCE OF TRANSFORMATIONAL LEADERSHIP, POWER DISTANCE, AND FOLLOWERSHIP ON THE CAPABILITY OF MAKING A FIRST DECISION IN KOSTRAD

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Abstract : The purpose of the study is to analyze the influences of Transformational Leadership, Power Distance and Followership on the Capability of Officers' Decision Making in Kostrad. The research method used is the survey method which is taken from 293 respondents and associative research explanations using the quantitative research. The writer uses path analysis as the data analysis techniques. The results of the study shows that (1) Transformational Leadership has a direct positive effect in Decision Making Capabilities, (2) Power Distance has a direct positive effect in Decision Making Capabilities, (3) Followership has a direct positive effect in Decision Making Capabilities, (4) Transformational leadership has a direct positive in Followership, (5) Power Distance has a direct positive effect in Followership, (6) Transformational leadership has a direct positive effect in Decision Making Capabilities that has a direct positive effect in Power Distance, (7) Transformational leadership is influential not through the Power Distance mediation variable, (8) Transformational leadership has a positive indirect effect in Decision Making Capabilities through mediation in Followership variables. (9) Power Distance has an indirect positive effect in Decision Making Capabilities through mediation in Followership variables.

Keywords : *Transformational Leadership, Power Distance, Followership, Decision Making Ability of Kostrad Officers.*

INTRODUCTION

In accordance to Law No. 34 of 2004 concerning about the Indonesian Armed Forces which explains that the TNI plays an important role and as an instrument of the state in the field of defense by carrying out tasks based on state policy and political decisions. Therefore, the main task of the TNI is to uphold the national sovereignty, maintain the territorial integrity of the Unitary State of the Republic of Indonesia based on Pancasila and the 1945 Constitution, and protect the entire nation to all of Indonesia's blood spills from threats and disturbances to the integrity of the state and nation. Furthermore, the TNI as a national defense functions such as: (1) an antidote to any form of military threat and armed threats from outside and within the country against sovereignty, territorial integrity, and national security, (2) an action against any form of threat and (3) the recovery of state security conditions that are disturbed by turmoil security.

The Army Strategic Command (Kostrad), which is part of the Army, has the main task of organizing the OMP and or OMSP in order to support the basic tasks of the Indonesian Army. Management is the science associated with an organization, especially in achieving organizational goals under the certain conditions. For achieving that goal, the organization must behave as effectively and efficiently as possible by carrying out the functions of planning, organization, implementation and supervision. The implementation of management in the country defense is called the defense management. According to Supriyatno, it is explained that defense management is a process of managing national resources into the potential resources, fostering strength / ability to use them effectively and efficiently to enhance national defense, (Supriyatno, 2014).

A leader in a national defense organization is indeed very necessary. According to Yukl, it is a process to influence followers (Montgomery, 2011). Leaders have various types of leadership based on the type of leader who carries out an organization. One of them is transformational leadership, in which the perspective is continually being expanded. Transformational leadership is a picture of charismatic and inspirational leaders. The leader intellectually stimulates all followers thereby promoting rationality and problem solving skills. The leader also provides individual consideration to followers and expects to attend and provide the growth and development of an organization. There are a number of theoretical statements that show that transformational leadership increases the influence of organizational behavior created by these leaders to followers.

At this time, when the Indonesian Armed Forces (TNI) leaders are in a confronted condition which is not fighting, the current conditions of providing organizational change demands to continue to keep up with the changing times. The organizational change requires a leader to be able to transform, but a leader who has a decision making must have a distance power, it is a Power Distribution meaning according to Kirkman et al. , Chen, Farh, Chen, & Lowe, 2009). According to Lee, leaders usually understand the right to allocate the resources, rewards and give punishment. With this condition, subordinates must be more sensitive. The mismatches power must be careful when leaders interact with superiors, (Lee Choong Y, 2012). According to Bochner and Hesketh, leaders with high power distance orientation are more task-oriented and less people-oriented than leaders with lower power orientation, (Bochner & Hesketh, 1994). Thus, according to Madlock, the superior-subordinate relationship is limited to their daily work, which is caused a lack of outside communication. So, leaders with a low power orientation can emphasize shared equality, but ignore the power differences, which is good for active supervisor-subordinate communication and have good relations. As a result, subordinates will not worry about the potential negative effects derived from seeking help from their superiors, (Madlock, 2012). In addition to a leader who has a distance power, the condition of the organization in the TNI that does not have a battle has an impact on leadership style that can affect to Followership.

THEORETICAL REVIEW

The meaning of ability according to Robbins and Judge means that the capacity of the individual to perform various tasks in a job, (Robbins & Judge, 2008a). While the meaning of ability according to Kreitner and Kinicki is the broad characteristics and stable

characteristics of responsibility at the maximum level of achievement which is contrary with the ability to physically and mentally work (Kreitner & Kinicki, 2014).

Decision making is always related to a problem or difficulty. Through a decision and its application, people expect that something will be achieved to resolve the problem or the conflict. Literally, decision making meaning according to Terry is "cutting" (deciding or practically reaching a conclusion). Then, formally the meaning of decision making can be defined as follows: "Decision making is the selection based on criteria from two or more possible alternatives" ("as a choice based on certain criteria regarding to certain behavioral alternatives rather than two or more alternatives") (Terry, 2006a).

Terry explains the basics of decision making that can be applied as follows: (1) Intuition is a decision made based on intuition or feelings that are more subjective, which means it is easily subjected to suggestion, outside influences, and other mental factors. (2) Experience, in this case, experience can be indeed used as a guide in solving problems. (3) Facts, decisions based on a number of facts, data or information that is sufficient and indeed a good and solid decision. (4) Authority, decisions based on more authority which will lead to routine nature. (5) Rational, rational decisions relating to usability, (Terry, 2006a). Thus, the basics needed in decision making are Intuition, Experience, Facts, Authority and Rational.

According to Robbins and Judge transformational leadership is leadership that inspires followers to put aside their personal interests and has an extraordinary ability to influence (Robbins & Judge, 2008b). Thus, transformational leadership can inspire members or followers. Furthermore, the characteristics of transformational leadership according to Bass in Robbins and Judge are: (1) The ideal influence: giving vision and mission, instilling pride, and gaining respect and trust, (2) Inspirational motivation: high expectations communication, such as using symbols to focus efforts and stating important goals simply.

(3) Intellectual stimulation: increasing intelligence, rationality and careful problem solving and (4) Individualized consideration: giving personal attention, such as treating each employee individually, training and giving advice, (Bass, 2008).

Transformational leadership has exceptional and impressive advantages with high productivity and greater employee's satisfaction and service. According to Bass's formulation in Yukl, said that the characteristics of transformational leadership are, (1) Ideal Influence (Charisma), such as giving vision and mission, instilling pride, gaining trust, (2) Inspiration, such as communicating high expectations using symbols and focus to efforts, expressing important purposes in simple ways, (3) Intellectual stimulation, such as promoting intelligence, rationality and careful problem solving, (4) Individual considerations, such as giving personal attention, treating each employee individually, training and advising (Bass, 2007). Based on the expert opinion above, it can be concluded that transformational leadership is leadership that can inspire followers in achieving goals. Transformational leader characteristics include that ideal influence, such as inspirational motivation, intellectual stimulation and individualized consideration.

Furthermore, the meaning of power distance according to Hofstede et.al (2010) is the level of acceptance of less powerful institutional members and organizations in a country for expecting and receiving power to be distributed unevenly. One dimension of national culture (from small to large). Thus, power distance can be defined as the level of existence of institutions and organizations members that are less strong in a country by expecting and receiving unevenly power distribution. Institutions are basic elements of society, such

as families, schools and communities. Organization is a place where people work. (Hofstede, Hostede., & Michael Minkov, 2010).

The cultural dimension according to Hofstede which supports the low power distance (Small Power Distance) expects and accepts the consultative or democratic power relations. People relate to each other regardless of their formality position. Subordinates feel more comfortable and demand the right to contribute the decision making. Such as in countries with large power distances, they tend to use power relations that are more autocratic and paternalistic. Subordinates recognize the power of others only based on which they are in a formal structure or a certain hierarchical position. Thus, the power distance index which is defined by Hofstede does not reflect to objective differences in power distribution, but rather to the way people perceive difference power. (Hofstede, 2010)

Based on the description above, it can be concluded that power distance is the level of members who can be able to receive unequal power distribution in an organization with dimensions, which means (1) that support the low power distance (Small Power Distance) for expecting and accepting power relations more consultatively or democratically and (2) by high power distances which tend to use more autocratic power relations.

Although Gardner and others have recognized the importance of leaders and followers who are working together in order to realize the vision, the literature usually pays little attention to the concept of followership, and there is no "theory" of followership. One of the initial discussions of followership was delivered by (Pittman, Rosenbach, Potter), which outlined four types, namely:

a. Subordinates: Similar like "sheep", do what they told, but they are not actively involved.

b. Contributors: "Yes" people, supportive, engaging, doing good work, but they do not have a willing to challenge ideas from leaders.

c. Politicians: Willing to give honest and supportive feedback to leaders, but they may neglect work and have poor performance levels.

d. Partners: High level involved, performed at a high level, promoted positive relationships in groups, seen as 'leaders in waiting,' (Gardner, 2007).

So, the types of followership among them are subordinates, contributors, politicians and partners. Based on the description above, it can be concluded that followership is an act of someone who has a subordinate role and cooperates with the leader in supporting organizational goals which have several types of followers including such as subordinates, contributors, politicians and partners.

RESEARCH METHOD

The applied research method uses is a survey method from 293 respondents combined with the associative research explanations through the quantitative research. The collecting data technique is using the questionnaires the primary data and observational studies and documentation from the Kostrad as the secondary data. First, the writer conducts the direct observations research in the Kostrad environment in Java. Second, the writer interviews the informants who are related to the research variables. Third, the writer spread the research questionnaire to respondents to obtain results. Furthermore, the writer uses the path analysis as the data analysis technique. Based on the description and constellation research scheme model above, the hypothesis research proposed, namely: H1:

Transformational leadership has a direct positive effect on the Kostrad Officers decision making abilities. H2: Power distance has a direct negative effect on the Kostrad Officers decision-making ability. H3: Followership has a direct positive effect on the Kostrad Officers decision-making ability. H4: Transformational leadership has a direct positive effect on Kostrad Officers followership. H5: Power distance has a direct negative effect on Kostrad Officers followership. H6: Transformational leadership has a direct positive effect on Kostrad Officers Power Distance. H7: Transformational leadership has a direct positive effect on the Kostrad Officers Decision Making Ability through Power Distance. H8: Transformational leadership has a direct positive effect on the Kostrad Officers Decision Making Ability through Followership. H9: Power Distance has a direct negative effect on the Kostrad Officers Decision Making Ability through Followership.
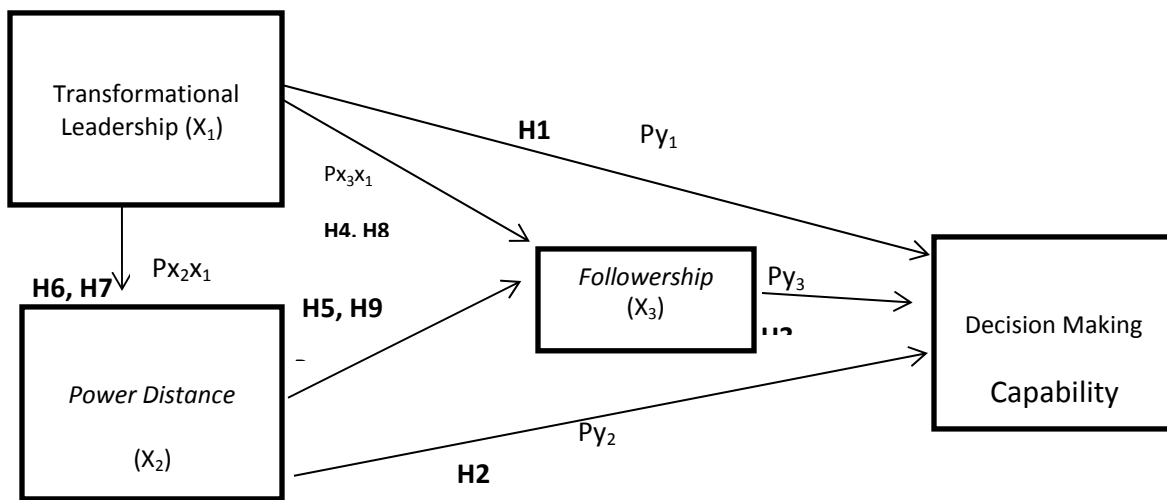
Picture 1. Constellation Research Method Schemes
RESULT AND DISCUSSION

Based on the results of data processing, the results of the data analysis requirements are obtained as follows:

Tabel 1. Data Analysis Requirement Test Result

Variable Relation	Normality		Linearity	
	Liliefors.Sig	Conclusion	Anova.Sig	Conclusion
Y atas X_1	$0,0745 < 0,0760$	Normal	$0,000 < 0,05$	Linear
Y atas X_2	$0,0745 < 0,0760$	Normal	$0,000 < 0,05$	Linear
Y atas X_3	$0,0745 < 0,0760$	Normal	$0,000 < 0,05$	Linear
X_2 atas X_1	$0,0557 < 0,0760$	Normal	$0,000 < 0,05$	Linear
X_2 atas X_3	$0,0623 < 0,0760$	Normal	$0,000 < 0,05$	Linear
X_3 atas X_1	$0,0557 < 0,0760$	Normal	$0,000 < 0,05$	Linear

Source: Data Process Result

Based on the calculation results obtained, the highest L-value <L-table (0.0760), then the relationship model between variables comes from the normal distribution population. The calculation result, shows that F is calculated by a significance < 0.05. Thus, it can be concluded that the direction coefficient of regression from each model of relationship between variables is linear and very significant, so that the requirements of data analysis can produce validity in the research model.

1. Descriptive Statistics

Based on the results of the calculation of validity for the Decision Making Ability variable obtained 21 items that were declared valid. The lowest score is 69 and the highest score is 105, the range / range of the score is 36. The average score of decision making ability is 89.8942, modes is 105, median is 90.00, standard deviation or standard deviation is 9,46799 and the variance is 89,643. The results of the calculation of validity for the Transformational Leadership variable obtained 24 items that were declared valid. The lowest score is 62 and the highest score is 120, the range / range of the score is 58. The average value of the Transformational Leadership score is 98.22218, modes is 120, the median is 97.00, the standard deviation is 13.66560 and variance is 186,749. The results of the calculation of validity for the Power Distance variable obtained 20 items that were declared valid. The lowest score is 65 and the highest score is 100, the range / range of the score is 35. The average score of Power Distance score is 85.9727, modes is 80, median is 85.00, standard deviation or standard deviation is 8,38741 and the variance of 70,349.

The results of the calculation of validity for the Followership variable found 19 items that were declared valid. The lowest score is 57 and the highest score is 98, then range of the score is 41. The average score of Followership score is 80.4232, modes is 80, median is 80.00, standard deviation is 8.90504 and variance is 79,300.

2. Path Coefficient Results

A correlation matrix between research variables is needed in the path analysis structure model.

Table 2. Correlation Matrix of Research Variables

No.	Variables Correlation	Result	Conclusion
	Substruktural Model 1		
1	X1 – Y	0,504	Positive and Significant
2	X2 – Y	0,514	Positive and Significant
3	X3 – Y	0,683	Positive and Significant
	Substruktural Model 2		
4	X1 – X3	0,411	Positive and Significant
5	X2 – X3	0,564	Positive and Significant
	Substruktural Model 1		
6	X1 – X2	0,449	Positive and Significant

Source: Data Process Result

Based on Table 2 above, it shows that all correlation coefficients between variables are positive. This shows that there is a positive relationship between variables contained in the structural model with significant namely α = 0.01. In addition, the results of the correlation coefficient can obtain 6

(six) direct effects and 3 (three) indirect effects in the path analysis coefficient. t-test results for the path coefficient of the substructural model 1 is the direct effect of Transformational Leadership, Power Distance and Followership on Decision Making Capabilities which can be presented in Table 3 as follows:

Table 3. t-Test Results and Path Structural Model Substructures 1
Direct Effects of Transformational Leadership, Power Distance and Followership on Decision Making Capabilities

	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	18,138	4,264		4,254	,000
1	X1	,166	,032	,240	5,217	,000
	X2	,126	,057	,112	2,198	,029
	X3	,555	,053	,522	10,485	,000

a. Dependent Variable: Y

Source: Data Process Result

Based on Table 3, it shows that the results of the Transformational Leadership path coefficient on the Decision Making Capability are obtained py1= 0.240, then the coefficient of path Power Distance to the Decision Making ability is obtained py2= 0.112, then the results of the calculation of the Followership path coefficient on the Decision Making Capability obtained py3= 0.522.

T-test results for the path coefficient of the substructural model 2 is the direct influence of Transformational Leadership and Power Distance on Followership that can be presented in Table 4 as follows:

Table 4. t-Test Results for Substructural Model Coefficients 2

	Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
	(Constant)	24,341	4,511		5,396	,000
1	X1	,129	,035	,198	3,732	,000
	X2	,505	,056	,476	8,981	,000

a. Dependent Variable: X3

Source: Data Process Result

Based on Table 4, it shows that the results of the path coefficient of Transformational Leadership to Followership is p13 = 0.198 and the Power Distance path coefficient to Followership is p23 = 0.476.

t-test results for the path coefficient for substructural model 3, namely the direct influence of Transformational Leadership on Power Improvement can be presented in Table 5.

Table 5. t-Test Results for Substructural Model Coefficients 3 Direct Effects of Transformational Leadership and Power Distance towards Followership

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	58,935	3,189		18,481	,000
	X1	,275	,032	,449	8,560	,000

a. Dependent Variable: X2

Source: Data Process Result

Based on Table 5, it shows that the results of the calculation of the path coefficient of Transformational Leadership to Power Distribution obtained p21 = 0.449. Thus, the path diagram of the direct influence of Transformational Leadership on Power Distance is as follows:

Table 6. Direct Influence, Indirect Influence and Total Influence Against the Decision Making Capability

Variable Correlation	Path Coefficient	Direct Influence	Indirect Influence			Total Influence
			Transformational Leadership	Power Distance	Followership	
Transformational Leadership	0,240	0,0576		0,0121	0,0515	0,1212
Power Distance	0,112	0,0125	0,0121		0,0330	0,0576
Followership	0,522	0,2725	0,0515	0,0330		0,3569
Total Influence						0,5357

Source : Modification from Riduwan and Kuncoro (2012 :152-153)

Based on Table 6, it shows that the path coefficient of the indirect influence of Transformational Leadership on Decision Making Capability through Power Distance variable mediation is ☐y21 0,0121, then the path coefficient of indirect influence on Transformational Leadership on Decision Capability through mediation of Followership variables is ☐$_{y13}$ 0,0515. Furthermore, the path coefficient of the indirect influence of Power Distance on Decision Making Capability through mediation of the Followership variable is ☐$_{y23}$ 0,0330.

3. Hypothesis Testing
Hypothesis-1 (H1) the result shows that t-stat = 5.217 while the value = 1.960 (α = 0.05), because t-stat> t-table (α = 0.05), and py1 = 0.240> 0 so H0 is rejected, which means that Transformational Leadership has a positive and significant direct effect on Decision Making Capabilities. **Hypothesis-2 (H2),** the results of t-stat = 2.198 while the value = 1.960 (α = 0.05), because t-stat> t-table (α = 0.05), and py2 = 0.112> 0 so H0 is rejected, which means that Power Distance has a positive and significant direct effect on Decision Making Capabilities. **Hypothesis-3 (H3),** the results of t-stat = 10.485 while the value = 1.960 (α = 0.05), because t-stat> t-table (α = 0.05), and py3 = 0.522> 0 so H0 is rejected, which means that Followership has a positive and significant

direct effect on Decision Making Capability. **Hypothesis-4 (H4),** that t-stat = 3,732 while value = 1,960 (α = 0.05), because t-stat> t-table (α = 0.05), and p13 = 0.198> 0 so H0 is rejected, which means that Transformational Leadership has a positive and significant direct effect on Followership. **Hypothesis-5 (H5),** Based on result shows that t-stat = 8.981 while value = 1.960 (α = 0.05), because t-stat> t-table (α = 0.05), and p23 = 0.476> 0 so H0 is rejected, which means that Power Distance has a positive and significant direct effect towards Followership. **Hypothesis-6 (H6),** the result shows that t-stat = 8.560 while value = 1.960 (α = 0.05), because t-stat> t-table (α = 0.05), and p21 = 0.321> 0 so H0 is rejected, which means that Transformational Leadership has a positive and significant direct effect against Power Distance. **Hypothesis-7 (H7),** Based on the result analysis which is used the Sobel Test for the hypothesis of indirect effect using the value of z The value of z = 2.140> 1.96, then H0 is rejected, thus it can be concluded that Transformational leadership has a direct

positive effect on the Kostrad Officers Decision Making Ability through Power Distance. **Hipotesis-8 (H8),** Based on result analysis which is using the Sobel Test, The value of z = 3.476> 1.96, then H0 is rejected, thus it can be concluded that Transformational Leadership has an indirect, positive and significant effect on Decision Making Capability through Followership. **Hipotesis-9 (H9),** Based on result analysis which is using the Sobel Test, The value of z = 6.833> 1.96, then H0 is rejected, thus it can be concluded that Power Distance has an indirect and positive significant effect on Decision Making Capability through Followership.

CONCLUSION

Based on the results of the research and discussion above, we can conclude that (1) Transformational Leadership has a direct positive effect on Decision Making Capability. It means that effective transformational leadership will lead to an increase in Kostrad Officer decision-making abilities. (2) Power Distance has a direct positive effect on Decision Making Capability. This means that high Power Distance will lead to an increase of Kostrad Officers decision-making ability. (3) Followership has a direct positive effect on Decision Making Capability. It means that high Followership will lead to an increase of the Kostrad Officers decision-making ability. (4) Transformational leadership has a direct positive effect on Followership. It means that effective transformational leadership will lead to an increase of Kostrad Officer Followership. (5) Power Distance has a direct positive effect on Followership. It means that high Power Distance will cause an increase of Kostrad Officer Followership. (6) Transformational leadership has a direct positive effect on Power Distance. It means that effective transformational leadership will lead to an increase of Power Distance. (7) Transformational leadership has a positive indirect effect on Decision Making Capability through the mediation of Power Distance variables. It means that effective Transformational Leadership will lead to an increase on Decision Making Capability through the mediation of Kostrad Officers Power Distance. (8) Transformational leadership has a positive indirect effect on Decision Making Capability through mediation of Followership variables. It means that effective Transformational Leadership will lead to an increase in Decision Making Capability through mediation of the Kostrad Officer Followership and (9) Power Distance has an indirect positive effect on Decision Making Capability through mediation of Followership variables. It means that high Power Distance will lead to an increase in Decision Making Capability through mediation by the Kostrad Officer Followership.

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THE EFFECT OF CORPORATE REPUTATION AND CUSTOMER VALUE CREATION ON CUSTOMER SATISFACTION PROVIDER INTERNET INDI HOME IN CENTRAL JAVA

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Abstract: The purpose of this study is to determine the effect of company reputation and customer value creation on indihome customer satisfaction in central java. The sample is taken in this study is 100 respondents. The analyzing method of this research is regression analysis. The conclusion finding in this study is the corporate reputation and customer value creation have positive and significant influence on customer satisfaction.

Keywords: *corporate reputation, customer value, customer satisfaction*

BACKGROUND

Facing the Industrial Revolution era 4.0 The Indonesian government seeks to encourage various sectors to improve Indonesia's competitiveness position in the world, among others, which are recorded in the Global Competitiveness Report. To achieve this goal, one solution which is being pushed by the government is to spur domestic industries to continue to innovate in the face of the industrial revolution 4.0 era. Innovations and changes to business models are demanded to be more efficient and effective, such innovations include the application of Information Communication Technology (ICT). The progress of Information Communication Technology (ICT) also penetrated the Indonesian telecommunications industry. Seeing the fact that Indonesia is the sixths largest internet user in the world, it looks lame compared to the speed of the internet in Indonesia, which is ranked 106th in the world. The Penetration of internet users in Indonesia is 54.7 percent, equivalent to 143.26 million people out of a total population of 262 million. According to the customer satisfaction survey by Telkom Indihome (2018), it was found that 86.7% of customers felt satisfaction. This result led to reviewing factors or things which cause satisfaction. Customer satisfaction has attracted the interest of academic researchers and practitioners to study. Kotler (2012) argued that customer satisfaction is a feeling of pleasure or disappointment which appears after comparing the performance of the results of products or services received with the expected results of consumers. Asimova's research (2013), describes the results of research that the corporate reputation acts as a critical predictor of customer satisfaction. There are three components of consumer value (functional, emotional, symbolic) which are found to be critical and consistent predictors of customer satisfaction. Helm research (2009) about corporate reputation affects customer satisfaction, by conducting two experiments, showing significant effects of customer satisfaction on corporate reputation as perceived by consumers. However, there is no significant impact for the coorporate in customer satisfaction. In another study, it is found that customer satisfaction influences the corporate reputation and service innovation in telecommunications companies of India (Ganesan, 2016). Following the aspect of customer value, the quality of the internet in Indonesia is still minimum. It is indicated by the order of the speed Indonesia's internet which is compared to neighboring countries such as Singapore, Korea, Malaysia. Indonesia ranks 106th in the entire world with an average speed of 9.73 Mbps. Therefore, internet providers in Indonesia must improve the quality of speed, so that they are not left behind from other countries. From the customer's perspective, customer value is what consumers get to what is sacrificed (Zeithaml, 1988). The are several things which occur in the phenomenon of the telecommunications business, especially the internet, include new providers, data tarif wars between

providers, the challenges of digital transformation in the telecommunications industry, the development of e-commerce, start-up and financial technology (fintech). The importance of paying attention to the factors which build customer satisfaction in a company that is through customer value creation and corporate reputation. So far, the research on customer satisfaction is still limited. This study aims to fill the existing research gaps, namely discussing customer satisfaction. This study covers the factors which influence customer satisfaction through corporate and customer value creation.

LITERATURE REVIEW
Customer Satisfaction

Every businessman is responsible for customer or customer satisfaction. The companies must strive to satisfy customer needs. If customers are satisfied, it is impact to corporate business in the future. Therefore, the customers will be loyal, the income will increase, the business continuity guaranteed, and the company will be high quality in the midst of competition when measuring satisfaction. The customers will compare between what they receive and what they expect when using business products or services. Of course, it is not easy to satisfy every customer, because the subjectivity of each person's assessment is different. Customers will be satisfied if the product they use is a high quality. They will ask to provide quality products based on the sacrifices they have done to get the products. For this reason, the companies must continually improve the quality of their products or services. Some customers feel emotionally satisfied after using a product or service. The customers feel that other people will feel amazed at them. This satisfaction related to social values which make the customers proud and satisfied with a particular brand. According to Kotler et al. (2004) customer satisfaction is feeling happy or disappointed which appears after comparing perceptions or impressions of performance of products and services. When the products or services are below their expectations, the will not be satisfied and dissapointed. However, if performanceof products or service exceeds their expectations, they will be very satisfied and happy. Nguyen (2001) observed that customer satisfaction can be predicted better by corporate reputation through the service production process.

Corporate Reputation

Corporate reputation is valuable asset to the company. Besides, being able to influence the trust of stakeholders, the public, consumers, and customers, the reputation can be used as an investment for companies to deal with unexpected crises. The corporate reputation is often described as an image and pride. It is an award obtained because of the advantages possessed by the company. In addition to, a good reputation can affect customer satisfaction with the company and give pride to customers. According to Fombrun (1996), corporate reputation is a manifestation of someone's experience with the product or the service which they get. Good reputation will increase credibility, and it makes consumers believe that they will get what they have promised. Reputation is a guarantee that the consumers will get the products beyond their expectations. A good reputation will increase the profits because it attracts consumers' attention to the products which are produced by companies. It also attracts the investors to invest to the companies, and the job seekers who need job in these companies. The corporate reputation affects consumers in choosing products and services which will be bought by consumers. The public certainly prefers to do business with someone who has a good reputation in the eyes of customers. According to Chun (2005), another way to measure corporate reputation is the method of America's Most Admired Company (AMAC). This method is conducted by Fortune magazine since 1983. Periodically, it has measured the corporate reputation through the evaluation of eight variables: Innovation, Quality management, the corporate long-term investment value, the corporate responsibility to the community and the environment, the corporate ability to manage employees well, the quality of products or services, the financial stabilizing of the company, the utilization of company assets.

Customer Value Creation

The relationship between customer value and customer satisfaction has been supported by various studies (Jones and Sasser, 1995; Woodruff and Gardial, 1996; Woodruff, 1997; Parasuraman, 1997;

Brand, Cronin and Routledge, 1997; Sinha and DeSarbo, 1998). Good reputation will increase the profits because it attracts consumers' attention to the products which are produced by companies. It also attracts the investors to invest to the companies, and the job seekers who need job in these companies. The corporate reputation affects consumers in choosing products and services which will be bought by consumers. The public certainly prefers to do business with someone who has a good reputation in the eyes of customers. According to Woodruff (1997), customer value is perceptual preference and customer evaluation of product attributes, performance attributes, and consequences of product usage, which facilitates or inhibits the achievement of customer goals and objectives. Holbrook defined that customer value can be identified into three meanings, namely: (1) value is a low price, (2) value is what someone wants in a product, (3) value is the quality which is received by consumers from the company gives. according to Rambat Lupiyoadi, customer value is the difference between the total benefits perceived by customers (Total Customer Value) and the total cost (Total Customer Cost) which must be spent by customers to buy products. This value will produce a measure of profit or loss that will be received by the customer or company. The basis of marketing is creating the customer value which is greater than the value created by competitors. Customer satisfaction occurs when marketing performance has fulfilled customer expectations. Customers will be disappointed if the marketing performance below expectations or the value which is given by a company to customers is very low. Customers will be happy if their marketing performance exceeds expectations or provides more value than the competitors.

Literature Review

Based on Pool (2016), he said that corporate reputation can increase customer satisfaction, and perceived value can increase customer satisfaction. Tsai (2012) stated that Service Innovation and customer value have positive influences on customer satisfaction simultaneously. Mahmoud (2017) said that service innovation can increase customer value creation, and customer value creation can improve customer satisfaction. Therefore, it can be concluded that service innovation can improve customer satisfaction. Ganesan (2016) described that corporate reputation and service innovation can increase customer satisfaction. Thus, innovation and reputation can improve financial performance. Weng (2015) also stated that Service innovation and customer value can improve customer satisfaction. The reseach shows that service innovation has significant intervening influence on the relationship between customer value and customer satisfaction.

Hypothesis

H1 Corporate reputation has positive effect on customer satisfaction of Indihome Provider.

H2. Customer value creation has positive effect on customer satisfaction of Indihome Provider.
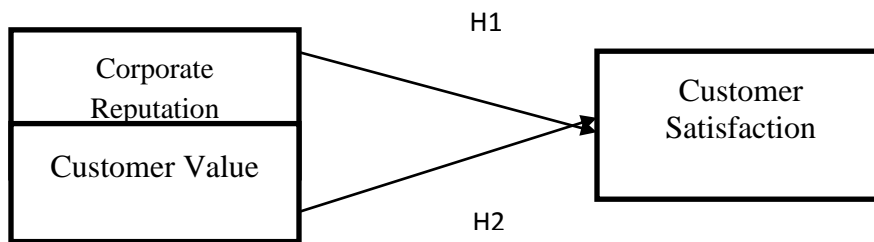
Conceptual Framework

DATA AND METHOD

The technique sample uses simple random method. The data collected through the questionnaires, with the criteria of subscribing to Indihome providers for at least 2 years, and located in the Central Java region. The items used in sampling are based on considerations about the company's reputation, customer

value creation, and customer satisfaction. The data collected and can be processed as many as 100 respondents have been obtained. This research uses descriptive analysis and Regression Analysis.

RESULT AND DISCUSSION
Regression Analysis

Table 5.1

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.642	1.265		2.878	.005
	Corporate Reputation	.214	.102	.196	2.092	.029
	Customer Value Creation	.607	.098	.479	6.194	.000

a. Dependent Variable: Customer Satisfaction

Table 5.2

Model Summary

Model	R	R Square	Adjusted R Square	Std. The error of the Estimate
1	.716[a]	.513	.502	1.88872

a. Predictors: (Constant), Corporate Reputation, Customer Value Creation

Based on table 5.1, it shows that the t value of 2.092 with a path value of 0.196 and a significance value of 0.029 <0.05. It means that there is a direct positive effect of reputation on satisfaction. So, the hypothesis which states there is a direct influence of reputation on customer satisfaction is accepted. T value of 6.194 with a path value of 0.479 and a significance value of 0.000 <0.05. It means that there is direct positive effect of customer value creation on customer satisfaction. Thus, the second hypothesis stating there is direct influence on customer value creation towards the customer satisfaction is received.
Based on table 5.2, R 0.716 is obtained, it shows a very strong relationship between corporate reputation and customer value to customer satisfaction.

CONCLUSION
The results show that the corporate reputation have positive and significant effect on customer satisfaction of Indihome Provider customers in Central Java. If the corporate reputation improves, customer satisfaction will increase. There are three factors which build the corporate reputation, namely assets, awareness, valuation. The rating factor is the most dominant in influencing customer satisfaction. The empirical data from supported previous studies are the results of Hu and Bentler (1999), Ganesan (2016), Su (2016). They stated that the corporate reputation has positive and significant effect on customer satisfaction. Indicators of customer value creation are measured by functional, experience, cost. The most dominant factor influencing is cost. Internet provider Indihome can offer more economic value for

customer satisfaction. Furthermore, the functional factors also play a role in Indihome indicators that create useful products. The results of this study support and strengthen previous researches which are conducted by Tsai (2012), Mahmoud (2017), Pool (2016). They proved that customer value can influence customer satisfaction

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THE EFFECT OF SMOG FACT TOWARDS THE ECONOMIC REVENUE OF SMALL TRADERS IN THE CITY OF PEKANBARU

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Abstrack: The smog that occurred in Riau Province has seriously disrupted the activities of residents, especially in the fields of education, transportation and economy. One of them is the city of Pekanbaru which is quite severe experiencing smog so that it also disrupts the economic income of small traders who rely on life from selling. For this reason, it is necessary to see how big the impact of decreasing income experienced by small traders and how the solution to overcome them. This research uses descriptive method by taking 100 samples of small traders in the city of Pekanbaru. Of the 100 traders sampled, not all traders experience a decrease in income, about 70 percent of the sample has decreased income while another 30 percent has no income decrease. For those who experience a decline in opinion ranging from 10 percent to 15 percent in one night because of the weakness they have that is dependence on the weather, lack of flexibility and minimal creation in the business. As for those who did not experience serious impacts in their business when the smog occurred, they were already using online applications such as go-food and grab-food in running their businesses.

Keywords*: income, small traders, applications*

INTRODUCTION

The smog disaster occurred in Riau Province since the beginning of September 2019 because the existing land was burned or burned by irresponsible parties. The most severe smog occurred from September 13 to 23, 2019 which was at a dangerous level that disrupted educational activities, transportation and also the community's economy

In education, it disrupts teaching and learning activities so that school students ranging from elementary to high school level must be closed for two weeks. Including teaching and learning activities in universities are also closed because the smog is getting thicker and dangerous for students so it must be closed more or less in two weeks.

For the transportation sector, it also experienced interference, visibility is increasingly limited between fifty meters to one hundred meters, making vehicles on the highway must be careful to reduce vehicle speed to avoid accidents. Including the persistence of transportation in transporting the economic needs of the community from West Sumatra to Riau Province, as it is known that most of the needs of the people of Riau come from West Sumatra (Widayat, 2017) such as Rice, Chillies, Onions and Vegetables are also affected by the smog this.

In addition, for the economic sector, it is also felt by people who are engaged in the lower economic sectors such as foot vendors, food and beverage traders who sell from afternoon to night. These traders number in the hundreds in the city of Pekanbaru scattered in several points such as Sudirman street, HR Soebrantas Panam street, Rumbai area, Marpoyan area, Pasir Putih and Arifin Ahmad.

Most of consumers come from adolescents and young people and some consumers who are married. Pekanbaru city people really like the culinary presented by the traders in some of these regions, it's no wonder we encounter such a lively atmosphere at night by gathering at favorite places. Various communities also have favorite places to gather such as motorcycle communities, four-wheeled vehicle communities, hobby communities, professional communities and others.

Not surprisingly, the economic life at night in the city of Pekanbaru brings a fortune for traders who support their families from the business that is run (Widayat and Pahlawan, 2018: 491 - 498). But

since the occurrence of the most severe smog disaster than in 2015 ago, where air quality that is at a dangerous level makes people reduce activities outside the home. Activities outside the home are mostly done for those who go to work and go home in the afternoon, while those who come out at night to just look for food and then wrapped to take home, the gathering places alongside the road also look more quiet when compared to the conditions in August 2019.

The people who used to trade alongside in Sudirman street, Marpoyan, Panam, Rumbai also seemed to be less enthusiastic because the lack of visitors and even some traders chose not to sell for a few days because of smog that disturb their health and also not too much trade. Cafes that are usually crowded as young people's gathering places are also not too crowded, visitors are indeed not drastically reduced but still experience a decline so that it also impacts on the income earned.

LITERATURE REVIEW

Partomo (2004: 20-21) where MSMEs have an important role in Indonesia, especially for people with low education, with strength from below, MSMEs are stronger in dealing with crises as evidenced in 1998 when many large businessmen diverted their funds abroad due to the crisis. It is different from Micro, Small and Medium Enterprises (MSMEs) which remain strong despite the crisis so that it can sustain the Indonesian economy.

1. The use of technology

According to Widayat (2019: 85) technology can not be separated in the business world, especially now the digital era where trade transaction movements are only minutes or seconds, the use of technology in supporting business growth absolutely must be followed, we see Alibaba companies originating from China at first also a small company and now transformed into a business giant that controls the market in China which has even penetrated almost all countries in the world. The country's small businesses are plagued by technological problems for several reasons:

1. Rapid technological progress
    Not all small businesses are able to keep up with technological developments, especially in the digital world, because they are just grateful to be able to survive, not to mention the cost of implementing technology is also quite high
2. Poor mastery due to lack of learning opportunities
    Never mind the limited ability to meet technological needs, plus also the lack of learning opportunities. Sometimes technical guidance in the area of technology mastery also does not reach small businesses because it is indeed hampered by data collection on the number of businesses that are in an area.

An entrepreneur is able to innovate (Muhammad, 1992: 166-168) by looking at the situation, especially in the current technological era, all are completely open so that to demand to be creative, the products we make today will not necessarily be able to survive in the market for a long time because new products will emerge . Do not always say that to try it must have big capital because to start a business can be with small capital (Adicipta, 2006: 63-73).

2. Small and Medium Enterprises (SMEs)

According to the Ministry of Cooperatives and SMEs that what is said to be Small Business (UK) including Micro Business (UMI) is a business entity that has a net worth of up to Rp. 200 Million, excluding land and building businesses and has annual sales of at most Rp. 1 billion. While medium-sized businesses (UM) owned by Indonesian citizens who have a net worth of between Rp 200 million to Rp 10 billion, excluding land and buildings, with a maximum turnover of Rp 50 billion per year.

Meanwhile, according to the Ministry of Finance, small businesses are individual businesses or business entities that have carried out business activities having a maximum sales / turnover of Rp. 600

million per year, with assets of a maximum of Rp. 600 million outside of land and buildings, consisting of (1) Fa Business Entity, CV, PT and Cooperatives. (2) Individuals (craftsmen, home industries, farmers, breeders, fishermen, traders and services). This includes traders / sellers of fried rice, grilled meatballs, martabak, satay and the like which are categorized as small businesses.

According to the MSME world bank, it can be grouped into 3 (three) types of businesses, as follows:
1. Micro Business with a maximum number of employees of 10 people.
2. Small Business with a maximum number of employees of 30 people.
3. Medium-sized businesses with a maximum number of employees of 300 people.

Sumodiningrat (2015: 93-106) states that if each individual wants to try, working with the maximum to get benefits in a way that is reasonable can save and invest. Then this condition will contribute to improve people's economy and national economy.

3. Weaknesses of SMEs
Low quality of human resources
Most MSMEs in Indonesian society still have poor human resources quality, MSMEs sometimes stand on the initiative of someone who has never received adequate training and education. Like hawkers, street vendors start a business with only desperate capital and the most important thing is that they can survive by selling. The low quality of human resources is sometimes influenced by several factors, namely:
1. Not knowing the purpose of the business because the important thing is to survive.
2. Lack of motivation because they sell only to make ends meet and there are no plans to develop a business.
3. Lack of education because the average is still educated high school down and even if there are college graduates, they are only a small part, in addition it also lacks of training because of laziness.
4. The environment is not supportive because it considers civil servants an established job and looks down on those who are entrepreneurs.
5. Not appropriate expertise because of the low wage in the MSME environment.

Feel enough if the business continues
In general, this MSME is an individual business with a small capital, because of the low ability of human resources, it makes MSME feel enough when the business is running. So the innovations made are also rarely seen as in the city of Pekanbaru when the Thai Tea business was booming, so the company opened the Thai Tea business, when there was a booming shake-up then a shake-up business appeared in almost every corner of Pekanbaru because they only saw the business of people running and then they opened the same business. This condition occurs because:

1. Wrong resigned attitude
2. Lack of correct knowledge about business
3. Family labor is often not counted
4. Do not calculate the financing and profit appropriately
5. Lack of motivation to move forward

Weak management
It is very rare to find MSMEs that make business records or neat records of their business, whether it's daily capital, daily expenses, daily profits neatly recorded so that their financial records can be seen

weekly or monthly and up to a year. Even household and business expenses are often mixed, weak management is caused by:

1. Lack of adequate training
2. Laziness of HR to change for the better

In addition, management is also related to the culture or character inherent in a small business, cannot be equated with a large business (Yew, 2004: 44-61) because by having their own identity, they will have their own management characteristics that distinguish them from others .

In this case fostering an entrepreneurial spirit must be started early, arouse their enthusiasm to dare to be entrepreneurs (Saroni, 2012: 94-96) so that they will grow into creative personalities that ultimately produce a simple product. Giving appreciation for what they produce and then direct and train until they get used to it.

Lack of marketing

Today's business competition has relied on networks, both starting from raw materials to product distribution networks, the weaknesses of MSMEs are in the network because they are caused by:

1. Lack of promotion tools,
   It's very rare to find MSME products in the promotion of print and electronic media because indeed the cost of advertising is very expensive, so the promotion of your mouth is your choice.
2. There is no exhibition access,
   Not all MSMEs have access to international exhibitions or local exhibitions. MSMEs that participate in exhibitions are those who have attractive packaged products and have completed all permits, even though only a small number of MSMEs have standard and licensed packaging, most of them still packaged simply and does not meet the standards or have not had a complete permit such as BPOM, Halal from the MUI, the Health Office, PIRT and others.

Small businesses are less able to market their products, which means they are spoiled wanting to be helped continuously because it costs a lot to promote print and electronic media, while they are limited in terms of capital. So this is where the role of the government helps to promote (Kleinknecht, 2000: 169-186), so that it fosters economic growth, job creation and ecological sustainability.

MATERIAL AND ANALYSIS METHOD

This research is a qualitative study describing and understanding the meaning behind the data that appear. The type of data used is primary data by collecting directly through field interviews with business actors, where the data collection techniques used in this study are field research techniques (Field Research) to obtain data related to this research.

The population in this study are traders in the city of Pekanbaru where they are spread on Jendral Sudirman Street, HR Soebrantas Panam Street, Rumbai Area, Marpoyan Area, Pasir Putih, Arifin Ahmad and others. With a random sampling method on 100 respondents. This research used descriptive method to see how much the decrease in income experienced by traders due to smog. The questionnaires and interviews were done with traders.

RESULT AND DISCUSSION
Result

From the results of the research to 100 traders in the city of Pekanbaru, the result could be seen in the following:

Table 1. Trader Income Before Smog

Income	Respondents	Percentace
Rp 0 – Rp 999.999	12	12%
Rp 1.000.000 – Rp 1.999.999	20	20%
Rp 2.000.000 – Rp 2.999.999	25	25%
Rp 3.000.000 – Rp 3.999.999	30	30%
Rp 4.000.000 – Rp 4.999.999	10	10%
Lebih dari Rp 5.000.000	3	3%
Total	100	100%

From the table 1 above, it can be seen that the average trader income is between Rp. 3,000,000 and Rp. 3,999,999 every night, this is an overnight turnover and the profit has not yet been calculated, the average profit earned by traders ranges from 30 percent to 50 percent of total income every night. This will increase on weekends such as on Saturdays and Sundays, where their profits will increase from 40 percent to 60 percent overnight because of the increase in turnover that they get.

Table 2. Trader Income After Smog

Income	Respondents	Percentace
Rp 0 – Rp 999.999	19	19%
Rp 1.000.000 – Rp 1.999.999	30	30%
Rp 2.000.000 – Rp 2.999.999	27	27%
Rp 3.000.000 – Rp 3.999.999	20	20%
Rp 4.000.000 – Rp 4.999.999	3	3%
Lebih dari Rp 5.000.000	1	1%
Total	100	100%

From table 2, it can be seen that after the occurrence of the smog disaster that struck in Pekanbaru City, it also had an impact on the income earned by traders. Although it does not have very significant impact on their income in one night but when viewed from the time of the most severe smog disaster for 10 days and traders experienced a turnover in which the average overnight income was most dominant in the range of Rp 2,000,000 to Rp 2,999. 999.

Table 3. Type of Small Trader Business

No	Effort	Amount	Percentace
1	Martabak	12	12%
2	Sate	6	6%
3	Bandrek & Skoteng	11	11%
4	Roti Bakar	6	6%
5	Angkringan	5	5%
6	Gorengan & sejenisnya	12	12%
7	Mpek-mpek Palembang	5	5%
8	Ampera malam	10	10%
9	Pecel lele	12	12%
10	Bakso bakar	5	5%
11	Aneka Minuman & Jus	5	5%
12	Nasi goreng	11	11%
	Total	100	100%

From the table 3, it can be seen that the types of businesses run by small traders are mostly in the form of martabak, pecel catfish, fried rice, bandrek, scoteng and night ampera because most of the people are looking for night food.

Table 4. The Use of Online and Traditional Applications

Online	Traditional	Amount
30	70	100

From table 4 we can see that there are still 30 percent of traders who use online applications in marketing their products, so the traders who still use traditional sales (Sumarti, 2017: 173-192) namely visitors come directly shopping as much as 70 percent so that when there is a smog disaster , the amount of their income has decreased. Whereas those who have already used applications such as go-food and grab-food have no effect because visitors do not have to come and simply order with the available applications.

Table 5. Business of Using Online Applications

No	Effort	Amount	Percentace
1	Martabak	10	10%
2	Sate	2	2%
3	Bandrek & Skoteng	2	2%
4	Mpek-mpek Palembang	2	2%
5	Pecel lele	6	6%
6	Aneka Minuman & Jus	4	4%
7	Nasi goreng	4	4%
	Total	30	30%

From table 5, it can be seen the number of business that have used online applications utilizing go-food and grab food are mostly martabak business that have quite a lot of flavor variants, then the pecel catfish business that sells a variety of menus, then the beverage and juice business with a variety of flavors as well as fried rice traders who also have various dishes.

Table 6. The Analysis of Business Weakness Factors

No	Weakness	Value	Bobot	N x B
1	Tergantung Cuaca	3	0,03	0,09
2	Kurang Fleksibel	3	0,08	0,24
3	Minim Kreasi	3	0,05	0,15
	Total			0,49

From the table 6, it provides an illustration that businesses face the decrease income since smog have weaknesses. It happends because they are very dependent on weather conditions. if it is rain or smog, they do not sell, then they are not flexible in terms of consumer reach, means they only rely on consumers who come directly to the location while traders others are already using online applications. As well as the lack of creation in trading such as one example because it does not provide bonuses such as buying 10 times, then free 1 portion with a record of collecting purchase coupons and later exchanged if it reaches 10 coupons.

DISCUSSION

Based on the results obtained previously, it is necessary to explain that the presence of this smog had an impact on the existing small business actors in Pekanbaru. Although the impact felt different for each trader because they also have steps in marketing their merchandise such as utilizing sales through

online applications available in go-food and grab-food applications. With this application, it makes easy for them to reach consumers to various places because traders are not restricted in selling like a socialist country (Fitzpatrick, 1986: 187-233).

1. Income before and after the occurrence of smog

In table 1 and table 2, it can be compared that if prior to the occurrence of smog in Pekanbaru City these small traders earned Rp. 3,000,000 to Rp. 3,999,999 every night, but when there was smog, their income had decreased to Rp. 2,000. 000 up to Rp 2,999,999 every night. This means a decrease of 10 percent to 15 percent in one night. Indeed, not all of them experienced a decrease in income due to the occurrence of this smog because some of them actually remained normal like normal days. The small business actors must be able to overcome the existing problems in accordance with their abilities (Hornsby, 1990). They are at the same time as investors of their business (Malmendier, 2007: 457-489) so they are looking for a strategic position (Wang, 2002: 427-450) and cheap in terms of the cost of renting a place (Wamukota, 2015: 959-974) to run a business. Though they can apply for a loan at the bank (Kartikawati, 2018) to enlarge the business that is run but they do not want to take risks.

2. The Use of aplication online

Cukup menarik dari hasil pantauan dilapangan bahwa sebanyak 30 persen pedagang ini sudah memasarkan produknya melalui aplikasi *go-food* dan *grab-food* sehingga mereka tidak terlalu kuatir jika pembeli tidak datang langsung kelokasi mereka berjualan akibat terjadinya kabut asap karena konsumen mereka bisa melakukan pemesanan melalui aplikasi dan petugas dari *go-food* dan *grab-food* yang datang membeli dan diantarkan langsung kepada konsumen. Mereka yang belum memasarkan melalui aplikasi ini yang rata-rata mengalami penurunan pendapatan karena konsumen sedikit untuk datang langsung karena kabut asap yang terjadi selama 10 hari di Kota Pekanbaru.

It is quite interesting from the results of observations that as much as 30 percent of the traders have marketed their products through the go-food and grab-food applications so that they are not too worried if buyers do not come directly to their locations for selling due to smog because their consumers can order through the application and officers from go-food and grab-food who come to buy and are delivered directly to consumers. The traders who have not tradeed through this application, most of them get decrease in income because only little consumers would come directly due to the smog that occurred for 10 days in the city of Pekanbaru.

People who use the application are martabak seller because they have some menus to be served, it is between 15 and 25 menus for one trader so consumers who order online can see martabak form from the menu, then the catfish pecel trader is also aggressive in marketing their products in the application because pecel catfish provides a menu of chicken pecel, liver, various noodles and other menus, amounting to 10 to 15 types of food. Then drinks and juice traders who serve more than 15 flavors of juices from various fruits. As well as fried rice traders who also offer a variety of fried rice menus such as kampung fried rice, petai fried rice, fried rice noodles and others which are also more than 10 kinds of menus. With the application, it is very helpful for the tradersto market their wares and there is no need to worry if there is a smog because consumers simply look at it from their mobile phones and select the menu, then go-food and grab-food officers will go among addresses.

The use of applications that are support the tradersshould be used by (Lehmann, 2000:18-33) a tools for distribution in selling (Watson, 1999: 600-605), and the ability to see the opportunity (Gorman, 1997: 56-77).

3. TheWeaknesses Analysis

After doing analysis, it is found the weaknesses of businesses that are run by the small traders, there are three major problems that can be taken. First, dependence on the weather, if the weather is rain or smog that occurs for 10 days in September 2019, it will have an impact on their income in one night,

their business will run smoothly if the weather is sunny so consumers can come directly to the location they sell.

Second, they are less flexible in running a business because they only rely on consumers who come and when consumers decrease, their income will automatically decrease, even though if they are more flexible by marketing through online applications, consumers from anywhere will come through food delivery services. The current digital age level of flexibility must also be a concern (Engle, 1989: 45-62), so traders need to learn from experience (McKelvey, 2008: 225-254). It should also be remembered that most of them do not have a fixed place to try (Horton, 2006: 256-261) and some even only use movable wheelbarrows.

Third, their creativity in running the business is not maximal because of the business competition that constrain them to use various strategies such as by giving bonuses through purchase coupons, where consumers can exchange 10 purchase coupons for 1 portion for free. Open market competition (Khan, 1976: 273-290) carries unexpected risks (Widayat, 2018: 8-10) because it requires creation in trading and will certainly be of interest to consumers to continue buying from the seller. Consumers are more critical in choosing the products that they will buy so traders can also choose their target market (Barber, 2008: 155-165) and provide excellent service (O'Neill, 2002: 342-362) so consumers can be loyal (Kim, 2014 : 140-151). People should help small traders to increase their economics. (Widayat, 2017: 172-175).

CONCLUSION

From the results and discussion that have been explained, the overall impact of the smog makes the income of small traders in the city of Pekanbaru has decreased but not all traders have decreased. As those who experience income decreases by 10 percent to 15 percent due to their dependence on the weather, inflexibility and minimal creation is in trading. While people who did not face decrease in income, the traders who did not depend on the weather such as smog because they had marketed it through the go-food and grab-food applications.

With competitive business competition and technological advances that have reached to remote villages, the small traders should use of existing smart phones to use online applications in trading. So they are no longer relies on consumers that come directly to their locations of trading but enough to order through the application and order directly among addresses via courier services.

The impact of the haze is quite felt by traders or small business actors. It needs strict regulations to take action against forest firesers so that fires do not continue to occur which impacts are quite felt by small businesses in Pekanbaru City and may also be felt by other districts that exist in Riau Province

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EFFECT OF FAIR VALUE ACCOUNTING, AUDITOR PROFESSIONAL SKEPTICISM AND AUDIT FIRM SIZE TO AUDITOR – CLIENT NEGOTIATION RESULTS

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Abstract: This research motivated by the current auditing standards changes caused by adopted fair value in financial reporting standards. This study aims to provide an empirical illustration of the fair value effect, the auditor's professional skepticism, as well as the accounting firm size in auditor-client negotiation. This study used an internet based (website) experimental method that apply asset impairment case. Experimental program designed to accommodate clients as a virtual client that acts consistently. 151 partners and managers auditor are from Big 4 and non-Big 4 in Indonesia as a participant in the experiment. The results showed that all hypothesis supported statistically. The statical analysis describes that the auditor that accept financial statements valuation at fair value will give lower away value from client preferences. The auditor will give a conservative value in auditor-client negotiation than auditor that have financial statements with the historical value case, as hypotheses one.Similarly to the hypothesis two and three showed that the there difference in the final value of auditor-client negotiations between auditor with higher skepticism than auditors with low skepticism. The same also applies to auditors coming from Big 4. This study is expected to provide insight for the next research regarding adoption fair value in the context of the auditor-client negotiation. Using an experimental design that can accommodate dyad negotiation or by using the other fair value cases.

Keywords: *valuation of financial statements, fair value, historical value, asset impairment, auditor's professional skepticism, auditor-client negotiation.*

BACKGROUND

The fair value estimated in financial reporting has a great influence on the changes in auditing standards (PCAOB 2011). Auditing standards change with the financial reporting standards that accommodate the estimated fair value assessment (Christensen et al. 2012). This problem is a challenge for auditors when audit financial reports under IFRS. Where the main problems in financial reporting under IFRS is the subjectivity of determining the estimated fair value (Christensen et al. 2012; PCAOB 2007b, 2011; SEC 2008). Unavailability of actual market prices led to estimated fair value used the "mark of model" that is an estimate based on certain models. For example using the model "replacement value" that can accommodate assumptions of the management (Georgiou and Lisa, 2011). The entry of the assumptions of management in the process of assessing opportunities bias describes the use of more aggressive assumptions by management (Kolev 2009). The aggressive management actions motivated by economic conditions, and competition. This cases put pressure on management to achieve certain financial targets, which ultimately triggered the management to enter their subjectivity assumptions in the financial statements (PCAOB 2012; IAASB2008b).

Griffith et al. (2014) conducted interviews with auditors partners, which shows that they sometimes fail to understand the risks of a model chosen by the client. The auditor failure due to lack of knowledge about the method used. The auditor eventually will misinterpret the crucial assumption underlying the model, in particular, when the market value is not available or not dynamic (Humphrey et al. 2009; SEC 2011).A study conducted by the PCAOB (2008, 2009, 2012) showed that often occurs irregularities auditing practices in fair value associated with the ability of the auditor undertakes a review of the

assumptions used by management. This deviation occurs which caused by the low professional skepticism auditors (PCAOB, 2012).

The importance of professional skepticism has become part of the audit profession (Johnstone et al. 2001). Professional skepticism auditor will direct the auditor to inquire every cue that indicates the possibility of fraud (Louwers et al. 2005). Previous research showed that the auditors with high professional skepticism described as an auditor who can withstand the pressures of management. So that the audit work, the auditors become more conservative (Brown-Liburd et al., 2012).

Previous research also indicates that auditors can withstand the pressure of client and more conservative in giving value to the financial statements. they is derived from the auditor of a large public accounting firm or a public accounting firm that is affiliated with the Big 5 (Chen et al. 2005). Previous DeAngelo (1981) states that the size of the public accounting firm positively related to audit quality. Shockley (1981) also showed that a large public accounting firms is seen as more independent than the public accounting firms smaller. Gul (1991) found that public accounting firms were greater perceived than conflict can be solved about the audit of the company's position. This argument implies that a larger public accounting firm, more resistant to client pressure compared with the public accounting firm that is smaller in negotiations auditor- client issues related to the financial statements.

Negotiations auditor- client is a major issue in the field of auditing, because the audited financial statements is a joint product between auditor and client management (Wang and Tuttle, 2009). Negotiations itself is a process when a joint decision made by two or more parties with different preferences that results have affected the welfare of both sides (Murnighan and Bazerman 1990). Previous studies have shown that the process of preparation of financial statements related to the mechanism of negotiation between the auditor and the client. The negotiation occurs when the method ambiguity of the financial statement items or the absence of a clear standard guidelines (Sanchez et al., 2007; Hatfield et al. 2008; Gibbins et al. 2001; Beattie et al. 2004). Issues in Accounting solved by negotiation between the auditor and the client. Gibbins et al. (2001) found that 67% of Partner (auditor) indicated that they were negotiating with most of their clients. The results of these negotiations affect not only the financial statements, but also the continuation of the relationship between auditors and clients (Geltland and Christakopoulou 1999).

Previous studies show that issues related to the negotiation of the auditor- client arise from thepractical phenomenon. Reveals that in the process of auditing the financial statements, the auditor and the client almost always faced with a situation of negotiating (Trotman et al. 2011). It is possible to happen due to a conflict of interest between the auditor and the client. Auditor portrayed to be in the interests of compliance with standards, while at the other side the client obtain economically pressure to increase the company value (Chen et al., 2012; Sanchez et al., 2007; Hatfield et al., 2008).This study was conducted to test the auditor- clients negotiations based on a theoretical model. The model integrates all aspects of bargaining in the negotiations. The model broadly includes input negotiations (assessment of the financial statements and the estimated fair value, the auditor's professional skepticism and the size).The negotiation process and the outcome of negotiations (agreement on the value of ratings of financial statements).

The purpose of this study was to test the final value preferences in negotiation auditor-client about the use of fair value accounting estimates, the auditor's professional skepticism and size of public accounting firms. Specifically, there are three issues raised in this study. First, the influence of the financial statements using the estimated fair value of the results of negotiations auditor- clients. Second, the auditor's professional skepticism influence the outcome of negotiations auditor- clients. Third, the influence of the size of public accounting firm based on the results of negotiations auditor- clients.

LITERATURE REVIEW
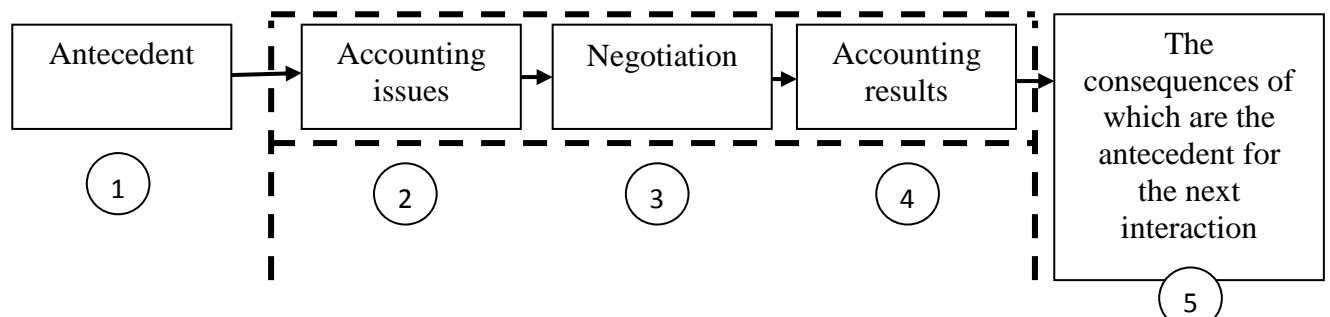### Auditor- Clients Negotiation

In general, the negotiations are a joint decision-making process made by two or more parties with different preferences. Results were agreed upon by the parties that negotiations will affect the well-being of both (Murninghan and Bazerman 1990). Negotiations auditor- client is a topic that is covered by the field of auditing (Nelson et al. 2002; Gibbins et al. 2001. This topic including the resolution of audit adjustments made (Wright and Wright 1996), related to disagreement on accounting policies (Kadous et al. 2003; Salterio 1996), include the disclosure of financial statements (Zang 1999), as well as disagreements between the auditor and management of the values listed in the financial statements (Nelson and Kinney 1997; Church and Zhang 1999). Negotiations also occur when determining the cost and scope of the audit (Beattie et al. 2000), also in regulatory changes in auditing practices (Wang and Tuttle, 2009; Husnatarina and Nahartyo 2012).

Negotiations are going between the auditor and management, they often arise when their subjectivity on some of the accounting methods used by management. The subjectivity trigger difficulty in measuring or estimating (Antle and Nalebuff 1991; DeAngelo 1981). Negotiations itselves are characterized by three stages (Neale and Bazerman 1991), namely: pre-negotiation planning (starting position), negotiation (a strategy used) and results (type of agreement, commitment). Gibbins et al. (2001) show the results of a survey of auditors about the experience of negotiating. They found that 67% of the auditors' partners in the survey stated that they will conduct negotiations on more than half of their clients. Auditor partner believes that negotiation is an important part of their responsibility and as part of the services they provide to clients (Gibbins et al. 2001).

Gibbin- Salterio (GS) Auditor- Client Negotiations Model

Gibbin and Salterio (2011) developed a model of dynamic interaction in negotiations auditor-clients a more comprehensive manner, which known as Dynamic Negotiation Model GS. The GS model describes the flow of auditor- client negotiations starting early antecedent conditions until the last part of the consequences received by each of the parties agreed the outcome of the negotiations. In the GS model, the auditor provides a response to the client's initial position, which is base on understanding the context adopted by the client, the client's business context, and incentives. Auditor and client preferences modeled in terms of the client company's financial statements. The auditor position determined by a set of draft financial statements, including the disclosures in the financial statements or restricted in some parts of the financial statements of the issue. Dynamic Negotiation Model GS has five fundamental parts of negotiations related to client auditor- client's financial statements, which describedin figure 1:

Figure 1
Gibbin- Salterio Dynamic Negotiation Model

Source: Salterio, S.E. (2011). Fifteen years in the trenches: Auditor -client negotiations exposed and explored. *Working Paper*. Queen's University.

Fair Value of Financial Statements

Paragraph 13 IFRS 9, the definition of fair value is the "fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction among markets of participants at the measurement date". IFRS 13 explains that the fair value measurement requires to determine the following matters: (a) assets or liabilities to be measured. (b) for non-financial assets, the most important use of the asset and the best and whether the assets are used collectively together with other assets or used alone. (c) the market in which the transactionoccurs well for the asset or liability. (d) Adequate assessment techniques to use when measuring fair value. Valuation techniques used should maximize the use of inputs (variables) that are relevant observable and otherwise minimize the use of unobservable inputs. Inputs used are consistent with the inputs that will be used by market participants when assessing an asset or liability.

Assuming fair value measurement uncertainty is high, it refers to the ambiguity in the assessment (Kolev 2008). The ambiguity of assessment usually occurs towards several items of financial statements (e.g., financial instruments). Fair value has the characteristics of high subjectivity that is difficult to achieve agreement on an assessment by the same method though. This disagreement appears especially on items that are illiquid or no market value. On some items, prices observed from market transactions and on the other side of the estimate with the "assumption of the model" which will consider the assumptions about the future (Kolev 2008).

Several previous studies provide evidence that a subjective standard would lead to a subjective decision auditor (Kadous et al. 2003; Ng and Tan 2003; Brown and Johnstone 2009). Some previous argument also shows that the use of fair value accounting and other accounting standard changes will provide opportunities for the emergence of negotiations (Wang and Tuttle, 2009; Wang, 2010).

Auditor Professional Skepticism

Professional skepticism auditor is the auditor of individual characteristics that are fundamental to an effective audit work (Hurtt 2010). IAASB (2011) revealed that the auditor's professional skepticism is high, it is very important in auditing financial statements using the estimated fair value, especially when the indicated value is uncertain and the necessary supporting evidence does not exist. Previous PCAOB (2009) to investigate auditors' partners shows that most auditors' partners do not have a high professional skepticism when faced specifically in auditing and the estimated fair value. Lack of knowledge or expertise auditor will lead auditor failed to (1) evaluate adequately the assumptions used by management, (2) adequate testing controls related to valuation models, (3) evaluate the existing evidence is not consistent with the estimates, (4) the difficulty of testing for the assessment of securities, and (5) the difficulty to test work performed by specialists.

Johnstone et al. (2002) found that the auditors who have less knowledge about accounting issues less produce alternative in professional judgment. Other accounting research also showed that the uncertainty regarding the reporting of financial statement items also negatively affect the auditor's judgment, directly or indirectly (Kadous et al. 2003; Martin et al., 2006; Griffith et al. 2012). Hurtt study (2010) showed that professional skepticism is an individual characteristic multi-dimensional, so that professional skepticism can attachedto a relatively stable individual characteristics. Hurtt develops professional skepticism measurement scale designed to measure the level of professional skepticism individuals based on characteristics auditing standards, psychology, philosophy and the study of consumer behavior.

Professional skepticism is an important concept in auditing practices, and a major part of the audit practice demonstrated through auditing standards. Hurtt (2010) showed that professional skepticism is an individual characteristic multi-dimensional. As an individual characteristics, professional skepticism may be the nature of the individual. Hurtt (2010) developed a model that is designed to measure the level of

professional skepticism individuals based on characteristics derived from auditing standards, psychology, philosophy and the study of consumer behavior.

Public Accounting Firm Size

Firm size is an important variable related research on audit quality, as evidenced by the majority of previous research which revealed that the four labeled KAP is the replacement of audit quality, the reason is that KAP labeled big four have greater resources, and audit standards KAP is more structured than the big four are not labeled. In particular the study of Chen et al. (2005) which conducted investigations on auditor independence in the negotiations related to client auditor- client's financial statements and disclosures. The results show that the auditors were found to originate from KAP Big 5 more able to withstand the pressure of clients in negotiations auditor- clients, compared auditor of KAP non-Big 5 in Taiwan.

Previous research also revealed similar things, one of which is carried out by DeAngelo (1981states that the size of the public accounting firm positively related to audit quality. Shockley (1981) demonstrated that a large public accounting firms seen as more independent than the public accounting firms smaller. Gul (1991) found that public accounting firms greater perceived conflict can solved audit in relation to the position of the company, indicated that the protection of reputation capital is another reason the public accounting firm that bigger is independent. The argument implies that a public accounting firm that is larger, more resistant to pressure client management compared with the public accounting firm that is smaller in negotiations auditor- client issues related to the financial statements.

Bargaining Theory in Auditor-Client Negotiations

Bargaining theory formally as a framework of the axiomatic approach to the negotiations.The definition of "bargaining situation" is a situation where (1) the individual (players) have put forward the possibility of a deal that benefits both parties, (2) there is a conflict of interest on which the agreement will filed, and (3) there is no agreement will be charged to the individual without the consent of the individual (Nash 1996).

The conceptual negotiation itself is within the scope of the game theory, the general assessment focused on the interests underlying the negotiating parties and describe alternatives negotiated an agreement (Sebenius, 2007). Negotiations are not only regarding the realization of cooperation and coordination, but also gives the bargaining theory scenario assumptions about losing/winning. The adoption of the negotiations to make the perpetrators careful in the choice (Kuhn 1962; Chatterjee 1996; Hausken 1997; Binmore and Vulkan 1999). More specifically Rasmusen (2007) describes the "bargaining issues" related to the negotiations as a set of utilities that can drive an agreement and disagreement, as illustrated in figure 2 below:

Figure 2
Bargaining problem– agreement zone
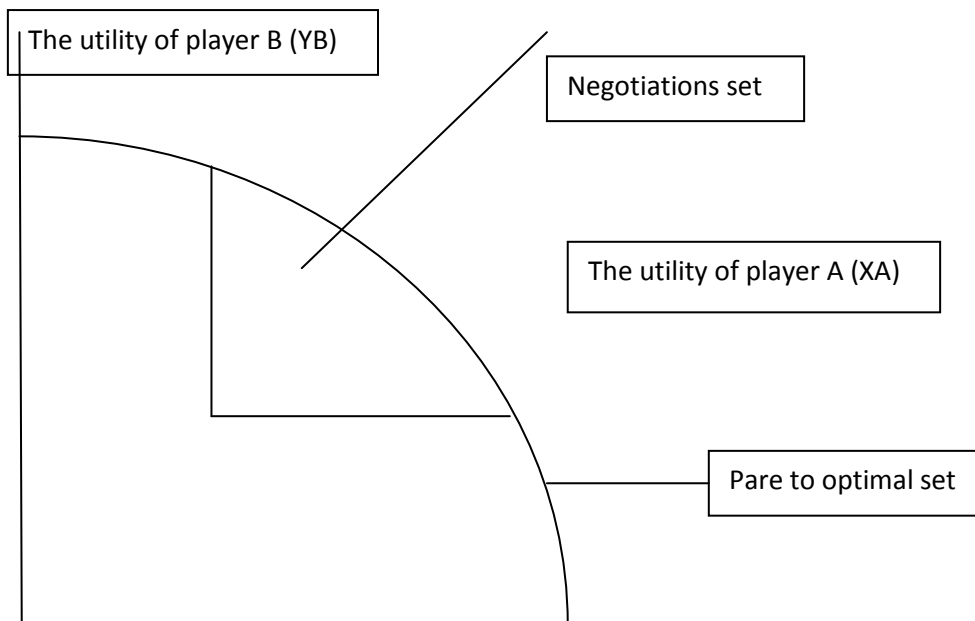
Source: Rasmusen, E. (2007). 4 Edition. *Games and Information: An Introductional to Game.* Blackwell
     Publishing.

Fair Value Effect on Auditor-client Negotiations
Subjectivity is fair value of the high, open space for each party (auditor and client) to discuss interests and
their respective positions in the negotiations. In particular, bargaining theory used to explain the
negotiation process predicts that individuals will maximize the utility and the choices made in a rational
way are the best option related interests and bargaining power of each (Rasmusen 2007). In the conditions
of use of the estimated fair value in the financial statements, the auditor has an interest to (1) maintain
conformity with the standard practice is for the auditor. Specifically in Indonesia, International Standards
on Auditing (SPA) requires the auditor to conduct in-depth study in accordance SPA 330 and SPA 540 on
the estimated fair value and a single reporting is the responsibility of the auditor, which auditors will be
more cautious undertakes a review of the value of the report financial clients (auditors become more
conservative). (2) Maintain the reputation and independence the pressure of the management, so for that
reason the auditors will be more critical to the interests of the management. In conditions of the financial
statements at fair value, which requires auditors to be more careful of the benefit of clients, auditors
become more conservative (Brown-Liburd et al. 2012). Thus the hypothesis can be formulated as follows:
H1:   The auditor will give value lower away from client preferences at the financial statements using fair
       value as compared historical value.

Auditor Professional Skepticism Effect on Auditor- Client Negotiation
Auditor's professional skepticism causes the auditor to have an interest in the high-quality audit, where
the auditor will critically seek audit evidence needed to convince his opinion.The auditor will be in a
position preference value less persuaded by the client (Hurtt 2010). Auditor maintains the independence
related to the relationship with the client, in which the auditor will be independent of the client's interests.
Auditor becomes more conservative in making areview of the financial statements (Brown-Liburd et al.
2012).Based on bargaining theory, the conditions for the auditor's professional skepticism, the auditor

utility will be maximum at the position maintaining high independence and more away from the client interests. Thus can be formulated the hypothesis two as follows:

H2: Auditor who showed a high professional skepticism give negotiation result lower away from client preferences compare to the low professional skepticism auditors.

Public Accounting Firm Size Effect on Auditor- Client Negotiation
Based on the bargaining theory, the auditor comes from public accounting firms labeled big four have an interest to maximize the utility related to (1) maintain their reputation, because reputation of a KAP will be strongly related to the trust clients to provide audits (Simunic and Stein 1987), (2) maintaining audit quality and maintain standards that have been structured audit of the firm where they work (DeAngelo 1981), (3) maintain the independence to avoid litigation costs, because large KAP will face penalty concluded that the auditor utility derived from big four would maximize at a position more away from the interests of the client. That the three hypotheses can formulate as follows:

H3: Auditor derived from big four give negotiation results lower away from client preferences compare the auditor non-Big four.

DATA AND METHOD
Data Collection
This study uses a virtual experiment using the experimental program based websites, where the client conditioned as a virtual client. This study did not examine the process of negotiating a two-way, the client is part of the experimental program designed consistently use competitive negotiation strategy (Brown-Liburd et al. 2012). This study used an experimental procedure that involves participants auditors at the level of partner and manager at KAP labeled four large and four unlabeled large in Indonesia. Participants act as auditor to audit the financial statements of the client company (PT. LINTAS JAYA Tbk) which the financial statements used the fair value assessment and the assessment of financial statements used the historical value. This study research design as follow:

Table 1
Research Design

		Financial Statements Valuation			
		Fair Value		Historical Value	
		Big 4	non-Big 4	Big 4	non-Big 4
Skepticism	High	Cell 1	Cell 2	Cell 5	Cell 6
	Low	Cell 3	Cell 4	Cell 7	Cell 8

Experiments Design
This research used experimental design with three independent variables. Each of these independent variables was categorized into two categories, the financial statements (fair value vs. historical value), auditor skepticism (high skepticism vs low skepticism), the audit firm size (big four vs. not big four). Financial statements of valuation variable were given treatment while two other variables, in this study, measured. The auditor's professional skepticism was measured using a skepticism scale by Hurtt (2010), with 30 items of questions. While the variable size of the firm was measured by stuffing items in the demographics of the respondents whether it came from the four large KAP labeled or not labeled KAP.

Participants were randomized to receive cases of financial statements at fair value and financial statements with historical value.

Experiment Instruments

This research experiment instrument includes a list of questions questionnaire skepticism auditors, company information, financial statements, checking the manipulation and measurement of the dependent variable. Overall instrument material used in this study through several processes, through interviews with practitioners (partnerauditor) with individual discussions, focus group discussions as well as through pilot test.

The first step of the respondents was asked to access the website http://fitriahusna.com, where the experiments conducted. Respondents received an introductory statement in conducting experiments and filled the demographic data. Furthermore, respondents were given 30 questions that measured the auditor skepticism. Choice answers were given to these questionson a scale of 1 (strongly disagree) to 6 scales (strongly agree), then on average. If respondents had an average score of 120 upwards (> 120), the respondents identified as high skepticism, on the contrary, if the respondent had an average score of 120, down (<120) respondents identified low skepticism.

The next stage, respondents were given information PT. LINTAS JAYA Tbk. PT. LINTAS JAYA Tbk that is a large bus rental companies and excels in Indonesia. The company has operated since 1985 with operations spread across Indonesia and has had a fleet of buses that much. Company information as well as the financial information, PT. LINTAS JAYA Tbk will be used as a basis for the respondent to get an overview of the business and financial condition of the client. After receiving information about the company and the financial PT. LINTAS JAYA Tbk, respondents would receive a check question manipulation to ensure respondents understand that the client company was already using the financial statements at fair value or using the historical financial statements. Selection of respondents' answers to these questions was "Yes" and "No".

Statistical Analysis

To test the hypothesis of this study used analysis Independent- Samples t-Test. Independent samples t-test was used to test differences (comparative test) to see the difference in mean treatment group and the control group (Spatz and Kardas 2008), which modeled as follows:

$$t = \frac{M_1 - M_2}{\sqrt{(SE_{M1})^2 + (SE_{M2})^2}}$$

$SE_M = \frac{SD}{\sqrt{N}}$

$d = \frac{M_1 - M_2}{SD}$

$SD = \sqrt{\frac{SD_1{}^2(df_1) + SD_2{}^2 (df_2)}{df_1 + df_2}}$

$df = N - 1$

RESULT AND DISCUSSION

Characteristics of Participants

This study used 151 partner and manager auditoras respondentsas shown in Table 2 below:

Table 2
DemographicCharacteristics ofRespondents

Characteristics (N=151)	Financial Statement Valuation	
	Fair Value (subject)	Historical Value (subject)
Gender		
• Male (N= 94	37	57
• Female (N= 57)	22	35
Education		
• Bachelor (N= 44)	20	24
• Master (N= 65)	25	40
• Doctoral (N= 42)	19	23
Position		
• Manager (N= 91)	41	50
• Partner (N=60)	25	35
Work Periodinthe currentKAP		
• < 5 Year (N= 34)	17	19
• 5 s/d 10 Year (N= 75)	32	43
• > 10 Year (N= 42)	20	22

Source: Database

Hypothesis Testing

Results of the hypothesis testing are shown in Table 3 below:

Table 3
Hypothesis Testing
Panel A

Financial Statement Valuation	*Mean*	*Std. Deviation*	*Std. Error Mean*
Fair Value (N=74)	250,3243	3,616	0,41213
Historical Value (N=77)	256,9740	1,562	0,18163
T-test			t = 14,765 Sig. = 0,000**

Panel B

Auditor Skepticism	*Mean*	*Std. Deviation*	*Std. Error Mean*
High (N=72)	252,4583	3,752	0,51329
Low (N=79)	254,8608	4,562	0,44226
T-test			t = 3,514 Sig. = 0,003**

Panel C

Size	*Mean*	*Std. Deviation*	*Std. Error Mean*
Big 4 (N=68)	252,2647	3,505	0,50812
Non-Big 4 (N=83)	254,9036	4,629	0,42508
T-test			t = 14,765 Sig. = 0,000**

** significantat 0,05

Results of hypothesis one in Panel A showed that the significance level of 0.000 ($p<0.05$) and with t value = 14.765. The result showed that there was a difference in the value of negotiation between respondents who received case assessment of financial statements at fair value and respondents who received case assessment of financial statements with historical value. The testing also showed that mean value of the respondents with the valuation at fair value (250.3243) lower away from the client preference (260) compared with financial statements with historical value (256.9740). According the hypothesized that the auditors who received ratings of financial statements at fair value would give the value of the lower away from the client preference than the auditor who received an assessment of financial statements with historical value. It can conclude that the hypothesis is supported.

Results of hypothesis two in Panel B showed the significance 0.003 <p value (0.05) and with t = 3.514. These results indicated that there was a difference of negotiations between the auditors who had skepticism higher than the auditors with skepticism low. The statistical results also showed that there were differences in the mean value of the negotiation group of respondents auditors with high skepticism (252.4583) which was away from the value of client preferences (260) compared with the group of auditors with skepticism low (254.8608). This is consistent with the hypothesis of two hypothesized that auditors with high skepticism would give a lower end of the negotiations away from the preferences of clients compared to auditors with skepticism low, so it can conclude that the hypothesis of two is supported.

Results of hypothesis testing three in Panel C showed that the significance of the 0,000 with p-value = 0.05 which means that 0,000 <p value. The test results also showed that the value of t = 3.887, which means that there were differences between respondents auditor negotiation value derived from four major labeled KAP and respondents coming from KAP auditors were not labeled four. Statistical results also showed that the mean value of the respondents negotiations auditor coming from the big four labeled KAP (252.2647) was lower than the auditor from the value of the clients who came from the four large unlabeled KAP (254.9036) thus consistent with the hypothesis that the three auditors derived from four major labeled KAP would give a lower end of the negotiations away from the client preference than the auditor who came from non-Big 4.

Results of hypothesis testing one in Panel A showed that the significance level of 0.000 (p <0.05) and with a value of t = 14.765, which means that there was a difference in the value of negotiation between respondents who received case assessment of financial statements at fair value and respondents who received case assessment of financial statements with historical value. The testing also showed that the mean value of the respondents auditor negotiations with the assessment of financial statements at fair value (250.3243) lower away from the preference value clients (260) compared with the group mean ratings of financial statements with historical value (256.9740). According as it is hypothesized that the auditors who received ratings of financial statements at fair value would give the value of the lower end of the negotiations away from the client preference than the auditor who received assessment of financial statements with historical value. It can conclude that the hypothesis is supported.

Results of hypothesis testing two in Panel B showed the significance 0.003 <p value (0.05) and with t = 3.514. These results indicated that there was a difference of negotiations between the group of auditors who had skepticism was higher than the group of auditors with skepticism low. The statistical results also showed that there were differences in the mean value of the negotiation group of respondents auditors with high skepticism (252.4583) which was away from the value of client preferences (260) compared with the group of auditors with skepticism low (254.8608). This is consistent with the hypothesis of two hypothesized that auditors with high skepticism would give a lower end of the negotiations away from the preferences of clients compared to auditors with skepticism low, so it can conclude that the hypothesis of two is supported.

Results of hypothesis testing three in Panel C showed that the significance of the 0,000 with p-value = 0.05 which means that 0,000 <p value. The test results also showed that the value of t = 3.887, which means that there were differences between respondents auditor negotiation value derived from Big

4 and respondents coming from non-Big 4. Statistical results also showed that the mean value of the respondents negotiations auditor coming from the big four labeled KAP (252.2647) was lower than the auditor from the value of the clients who came from non-Big 4 (254.9036) thus consistent with the hypothesis three that auditors derived from Big 4 would give a lower away from the client preference than the auditor who came from non-Big 4.

CONCLUSION
Results of the study provide empirical evidence that the auditor will give a lower value of the negotiations on the conditions of the fair value assessment compared with historical financial statements. Auditors that were an informed assessment of financial statements using a fair value would more act more conservatively. The auditor will give recommendations to the appraisal value of the financial statements using a fair value more than the auditor's client preferences away from the receiving ratings of financial statements with historical value. The argument for this result is that the auditor acted more carefully; this is because these conditions require the auditor to feel a lot more information to understand the client's condition.

Results of this study also suggest that the auditor skepticism influential in the auditor-client negotiation. An auditor who has high skepticism will be more careful in giving recommendations related to the value of the client's financial statements. Auditors who have high professional skepticism require more evidence, both in quantity and quality to provide confidence to the client's financial statements.

Results of this study also argue that the auditors derived from four major labeled KAP can withstand the pressure of clients in cases related to negotiated client's financial statements. The result evidenced by the recommendations given by the auditor from the Big 4 was lower away from client preference compared to the auditor that came from non-Big 4. This result is consistent with previous research. The auditor is derived from Big 4 better maintain independence and quality in the audit assignment (Chen et al. 2005; Bugeja, 2013; Mo et al. 2015).

First, future research may be done when the auditors are not in the busy season. The research period in which the auditor is very busy periods will allow the response received from the auditors become more numerous.Second, further research is important to be driven using other methods. Observation of qualitative methods to ensure the involvement of the respondents, as well as patterns of actual interaction of auditor- client.Third, future research on negotiations related to the fair value can use other instruments, as well as the manipulation of various attributes of information and knowledge and experience of the auditor and the client. There should auditing decisions also be given more collective decisions or group, and then the next study might consider the use of the group as a subject who makes the decision. Fourth, the case material used in this experiment did not include broadly "the world's wealth of auditing" specific but related to asset impairment. It is, therefore, necessary to consider using a material other cases, such as earnings management. Negotiations auditor -client a complex context in which the actual arrangement is not as simple as what done in the case of the experiment. Future studies should look at how the perception of management (client) as factors that affect the negotiations with the auditor. It is also important to conduct this research in the form of dyad negotiations.

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THE EFFECT OF BUDGET PLANNING, BUDGET CHANGE, AND PROCUREMENT OF GOODS AND SERVICES TO THE APPLICATION OF BUDGET

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Abstract: The objectives of this study are: 1). measuring and analyzing the effect of Budget Planning on Budget Absorption; 2). measuring and analyzing the effect of Budget Changes on Budget Absorption; 3). measuring and analyzing the effect of Procurement on Budget Absorption; 4) measuring and analyzing the Effects of Budget Planning, Budget Changes, and Procurement simultaneously on Budget Absorption. The population in this study is all employees who occupy positions in sections related to budget, namely the Budget User (PA), PPK (Financial Administration Officer), PPTK (Technical Implementation Activities Officer) and Expenditure Treasurer at 36 SKPD in the City Government of Palangka Raya with research samples as many as 99 respondents. Primary and secondary data are utilized as sources. The data collection methods use documentation and questionnaires. The analytical tool which is used in this study is Smart PLS (Partial Least Square) version 3. The results of this study indicate that: 1). Budget Planning has positive and significant effects on Budget Absorption; 2). Budget Changes has negative and insignificant effect on Budget Absorption; 3). Procurement has positive and significant effect on Budget Absorption; 4) Budget Planning, Budget Changes, and Procurement simultaneously have significant effects on Budget Absorption.

Keywords: *budget planning, budget changes, procurement, budget absorption*.

BACKGROUND

The economic crisis and trust that hit Indonesia have both positive and negative impacts on efforts to improve the welfare of all Indonesian people. On one hand, the crisis has had a tremendous impact on poverty levels, but on the other hand, the crisis can also provide a "blessing in disguise" for efforts to improve the living standards of people throughout Indonesia in the future. It is because the economic crisis and the experienced trust have paved the way for the emergence of total reform in Indonesian people aspects of life. One element of the total reforms is the demand for broad autonomy to be given to regencies and cities. Such demands are reasonable, with at least two reasons. First, the intervention of the Central Government which was too large in the past has caused the problem of the low capability and effectiveness of regional governments in encouraging the process of development and democratic life in the region (Mardiasmo, 1999). The directives and statutory requirements which are too large from the central government cause local initiatives tend to die. Thus, the regional governments often make the fulfillment of regulations as a goal, and not as a tool to improve services to the community (Mardiasmo, 2002). The central government still directs the regional goverments because of two main reasons. First, the central goverment has task to ensure national stability. Second, the conditions of regional human resources are still relatively weak.

According to the Law Number 32 Year 2004 article 1 paragraph 5, Regional Autonomy is the right, the authority and the obligation of autonomous regions to regulate and manage their own government affairs and the interests of local communities in accordance with statutory regulations. Based on this matter, the Regional Government is given the authority to regulate and manage its own government affairs according to the principle of autonomy. Moreover, the supporting duties which are be regulated by the regional goverment are in accordance with Law Number 23 of 2014 concerning Regional Government in lieu of Law Number 32 of 2004 and Law Number 33 of 2004 concerning Financial Balance between the Central and Regional Governments in lieu of Law Number 25 of 1999.

The implementation of regional autonomy is essentially an effort to improve the welfare of community by carrying out the development activities in accordance with the wishes and interests of the community.

Theoretically, this decentralization is expected to produce tangible benefits. First, it encourages increased participation, initiatives and creativity of community in development. It also encourages the distribution of development outcomes (justice) in all regions by utilizing the resources and potential available in each region. Second, it improves the allocation of productive resources through shifting the role of public decision making to the lowest level of government which has the most complete information (Mardiasmo, 2002).

Indirectly, the implementation of regional autonomy has forced the regions to make important and fundamental changes in an effort to accommodate the various demands and aspirations which develop in society. One of the changes in regional financial management is the issue of budgeting (Law No. 33 of 2004).

The autonomy granted to the regency and city regions is carried out by giving proportional, broad and real authority to the regional government. It means that the transfer of responsibility will be followed by equitable distribution arrangements, and utilization the national resources, as well as central and regional financial balances.

LITERATURE REVIEW
Budget Planning
In an effort to empower the regional government, the perspective of the desired changes in regional financial management and budget is as follows:
1. Regional financial management must rely on public interests (public oriented).
2. Clarity regarding the mission of regional financial management in general and the regional budget in particular.
3. Decentralized financial management and clarity of the roles of the participants involved in budget management, such as the DPRD, KDH, Regional Secretary and other regional apparatus.
4. Legal and administrative framework for financing, investment, and regional money management based on the rules of the market mechanism, value of money, transparency and accountability.
5. Clarity about the financial position of the DPRD, KDH, and Regional Civil Servants, both the ratio and the basis for consideration.
6. Provisions regarding the form of budget structure, performance budget and multi-annual budget.
7. The principle of procurement and management of the more professional regional goods.
8. Local government accounting principles, financial reports, the role of DPRD, and public accountants in monitoring, providing opinions and rating performance of the budget, and transparency of budget information to the public.
9. The aspects of coaching and supervision include the limits of coaching, the role of associations, and the role of community members for the professional development of local government officials.
10. Development of regional financial information systems to provide accurate budget information and develop regional commitment to the dissemination of information so as to facilitate reporting and control, as well as facilitate obtaining information.

The Regional Government in the management of regional finances need to make a financial plan annually. It is contained in the Regional Revenue and Expenditure Budget (APBD) which has been approved by the Regional Representative Council (DPRD). According to Government Regulation of the Republic of Indonesia Number 12 of 2019 concerning Regional Financial Management, the Regional Revenue and Expenditure Budget (APBD) is an annual financial plan which is stipulated by a Regional Regulation. APBD fiscal year covers a period of 1 (one) year, starting from January 1 to December 31. Thus, the management, the control, and the supervision of regional finances can be carried out based on this time frame (Regulation of the Minister of Home Affairs Number 13 of 2006).

Another aspect of budget reform is the change in the regional budget paradigm. It needs to be done to produce local budgets which truly reflect the interests and expectations of the local community towards economic, efficient and effective management of regional finances. The regional budget paradigm is needed for the following:

1. The regional budget must rely on the public interest,
2. The regional budget must be managed with good results and low costs (work better and cost less),
3. The regional budget must be able to provide transparency and accountability nationally for the entire budget cycle,
4. The regional budget must be managed with a performance approach (performance oriented) for all types of expenditure and revenue,
5. Local budgets must be able to foster professionalism in all related organizations,
6. The regional budget must be able to foster flexibility for the implementers to maximize the management of their funds by taking into account the principle of value for money.

According to the Law Number 17 of 2003 concerning State Finances, the process flow scheme and schedule for preparing the Regional Revenue and Expenditure Budget (APBD) starts from the Head of the Regional Apparatus Unit (SKPD) as the user of the budget who compile a work plan and SKPD budget based on Renja (Work Plan) SKPD. The budget of work plan and SKPD of work plan are submitted to the DPRD as consideration material for the preparation of the APBD Draft (RAPBD) to be approved as the APBD. The approved budget is expected to be absorbed by the Regional Government.

It cannot be denied that the budget absorption is one indicator which can show the success of programs or policies implemented by regional governments. The low level of budget absorption will pose a risk of the economic growth target which is not achieved in the area. The low absorption of the budget at the beginning of the year will lead to a tendency to accumulate budget absorption at the end of the year. According to Kuswoyo (2011), economic growth is hampered because it is not balanced with maximum budget absorption.

Budget Absorption

The tendency of budget absorption which accumulates at the end of the year is a problem. This problem always arises in almost every region in Indonesia. The budget absorption at the beginning of the year is low, but it experiences significant increase at the end of the year. It certainly has an impact on the realization of the programs and activities implementation of government. The realization of the programs is very slow. This phenomenon also occurs in Palangka Raya.

The maximum budget absorption in several Palangkaraya City SKPDs is done simultaneously. It is because the budget planning which is made by the SKPD is still inadequate, so it does not suit to the needs. It can be seen when the implementation of programs and activities is delayed because the Budget Implementation Document (DPA) has been revised. The revision in this term is that the shift in activities from the original plan has another cause.

According to Hasni (2015) in addition to budget planning, budget absorption is also influenced by the procurement of goods and services. But, with the procurement of goods and services, the government can more easily do public services.

Based on this description, the authors are interested in conducting research by taking the title "The Effect of Budget Planning, Budget Changes and Procurement of Goods and Services Against the Absorption of the SKPD Budget in Palangkaraya City Government".

DATA AND METHOD
Research Scope
The scope is the limit to make a research and observation more targeted, in terms of variables studied, population or subject of research, and the location of the study. In other words, the scope is a limitation which makes it easier for research to be more effective and efficient in separating certain aspects of an

object. This scope will greatly help the effectiveness of running a study. Without a clear scope of research, the research will not run properly and risk bias. The scope of this study is the employees who occupy positions in the fields related to the budget in the Regional Work Unit (SKPD) of of Palangka Raya City Government.

Population

Population is a generalization area consisting of objects or subjects which have certain qualities and characteristics. It is determined by the researchers to be studied and to be drawn the conclusions (Sugiyono. 2005). In accordance with the Regional Regulation of Palangka Raya City Number 11 of 2016 concerning the Formation and Composition of the Palangka Raya Regional Apparatus, for the Organization of the Palangka Raya Regional Apparatus consists of 2 Secretariats, 20 Offices, 7 Agencies, 1 Inspectorate and 1 Unit, and 5 Districts. The population in this study are all employees who occupy positions in the field related to the budget, namely the Budget User (PA), PPK (Financial Administration Officer), PPTK (Technical Implementation Activities Officer) and the Treasurer of Expenditures in each SKPD.

Research Samples

The sample is a part to be taken from the whole object studied and is considered to represent the entire population (Soekidjo. 2005: 79). The sample is a portion of the population whose characteristics are to be studied (Djarwanto, 1994). Determination of the number of respondent samples according to Hair et al (1995 in Kiswati 2010) dependes on the number of indicators multiplied by 5 to 10. Hair.et al (2006) said that the research to be processed uses multiple regressions with a minimum sample size of 50 respondents, and more than 100 respondents are recommended for most studies. In this study, the sample is a maximum of 99 respondents because it uses a SMART PLS 3.0 analysis tool.

Operational Definition and Variable Measurement

Based on the conceptual framework of research and prior theory mapping, the variable indicators can be produced. The variable indicators are adopted from previous studies, as well as some modifications to these indicators; so that, operational variables can be defined as follows:

1. Budget planning (X1)

Budget planning is the process of determining the main programs to be carried out by an organization in the context of strategic implementation and estimating, activities or projects. Budget planning is carried out by an organization, and determining the amount of allocation of resources in budget planning will be needed. Budget planning variables can be measured through indicators including:

a. Preparation of budget planning documents includes the planning of work programs and activities which are integrated with the budget planning. Hence, the planned program activities are in accordance with the available financial capabilities.

b. Commitment from SKPD is a form of agreement made by parties within an organization or agency to jointly carry out their duties and functions properly. It is done in order to realize the vision, mission, goals and objectives of the organization.

c. Work unit performance shows the level achieved from the implementation of activities and programs to realize the vision, mission, goals and objectives of public sector organizations.

2. Changes to the budget (X2)

Budget change is a revision process which is carried out by the government in renewing its budget in the fiscal year of its implementation; thus, it has a major effect on expenditure allocation. Indicators on the variable budget changes are the budget adjustments and the program implementation.

3. Procurement of goods and services (X3)

Procurement of goods and services is an activity which is carried out by the government to provide goods and services as a form of providing services to the public. The variables of goods and services procurement can be measured through indicators as follows:

a. Procurement document

Procurement documents are the documents which are established by Procurement Service Units (ULP) / Procurement Officers. They make information and provisions which must be obeyed by the parties in the procurement process of goods and services. This document is the main guideline used during the tender process, which regulates starting from the procedure for selecting service providers, instructions to bidders, procedures for making bid documents, auction schedule up to the draft contract form to be signed by the winner.

b.   The auction process

The process of conducting auctions is a series of activities to provide goods and services which fulfill the requirements based on certain methods and procedures. These procedures have been determined and followed by relevant parties, so that the best provider is selected. That provider has competence in its fields.

c.   Procurement officers

Procurement officers are personnel who have certificates of expertise in the procurement of goods and services. They are appointed to carry out the procurement of goods and services.

4.   Budget absorption (Y)

Budget absorption is the ability of each SKPD to absorb the projected regional revenue and expenditure budget from the budget realization of each SKPD.

Indicators for measuring budget absorption are:

a.   Participation of all elements

Participation of all elements is the involvement and participation of all elements in the process of identifying problems and the potential which exists in certain situations. Participation of all elements also includes voting and decision-making about alternative solutions to deal with problems, implementing efforts to overcome problems. In this participation, the process of evaluating changes occurs specifically in the level of budget absorption.

b.   On time

On time here is the process of carrying out activities/work programs that are directed, integrated, and systematic; so that, the activities carried out in accordance with the agreed time.

c.   Budget realization achievements

Achievement of budget realization is the level of achievement of targets which has been planned for all budget execution activities. It includes analysis and evaluation of budget implementation activities to provide feedback and follow up. Therefore, it can run better in subsequent periods.

Research Instruments

The instrument in research is very important and must be considered. It is because the instrument serves as a tool to collect the necessary data. The research instrument is a tool used to collect data or information which is useful to answer research problems.

The various forms in research instruments are: a). Questionnaire, this questionnaire study is identical to quantitative research. It is because the data given to informants is data of opened and closed answers. The types of questions in the questionnaire are the types of questions needed in the research report. B). Documentation, another way which can be used to obtain data and respondents information is using documentation. With documentation, researchers obtain information and various sources.

Data Analysis Techniques

This research uses a quantitative descriptive design. The type of data in this study is quantitative data in the form of data on the number of respondents who answer the questionnaire. The answers of respondents to questionnaire are measured using the Smart PLS (Partial Least Squares) method. Smart PLS is a powerful analysis method because it can be applied at all data scales. It does not require a lot of assumptions, and the sample size does not have to be large.

RESULT AND DISCUSSION

Research Scope

Based on the Regional Regulation of Palangka Raya City Number 11 Year 2016 concerning the Establishment and Composition of the Regional Palangkaraya Regional Apparatus consisting of 2 Secretariat, 20 Offices, 7 Agencies, 1 Inspectorate, 1 Unit, and 5 Districts. It is expected that each SKPD can make a real contribution to the achievement of government and development performance in the City of Palangka Raya. Due to the optimally division of tasks, functions, and workload.

Table 1
Regional Budget Revenue and Expenditure Structure

No	Discription	2017	2018
I	**Regional Revenue**	**1.089.443.513.338,92**	**1.179.037.387.346,60**
I.1	Locally-generated revenue	132.742.908.363,31	175.166.320.609,99
I.2	Balance Funds	844.875.440.740,00	890.362.880.000,00
I.3	Other Legal income	111.825.164.235,61	113.508.186.735,61
II	**Regional expenditure**	**1.139.567.896.977,91**	**1.222.847.731.894,38**
II.1	Indirect expenditure	532.465.661.995,26	604.552.497.997,58
II.1.1	- Employee expenditure	492.806.656.984,13	542.349.473.478,45
II.1.2	- Interest expenditure	1.520.000.000,00	1.520.000.000,00
II.1.3	- Grants expenditure	26.324.698.267,00	45.868.717.775,00
II.1.4	- Social Assistance expenditure	9.565.262.000,00	9.565.262.000,00
II.1.5	- Financial Aid expenditure	1.249.044.744,13	1.249.044.744,13
II.1.6	- Unexpected expenditure	1.000.000.000,00	4.000.000.000,00
II.2	**Direct expenditure**	**607.102.234.982,65**	**618.295.233.896,80**
II.2.1	- Employee expenditure	72.226.372.248,58	93.243.637.486,20
II.2.2	- Goods and Services expenditure	265.180.871.683,72	246.809.576.979,60
II.2.2	- Capital expenditures	269.694.991.050,35	278.242.019.431,00
	Surplus / (Deficit)	**(50.124.383.638,99)**	**(43.810.344.548,78)**
III	**Regional Financing**		
III.1	Regional Financing Receipts	71.967.579.001,52	55.653.539.911,31
III.2	Regional Financing Spending	21.843.195.362,53	11.843.195.362,53
		50.124.383.638,99	43.810.344.548,78
	Remaining Over Financing Year		
	Regarding	**(0,00)**	**0,00**

Based on Table 1 above, it can be seen that the Regional Budget of Revenue and Expenditure (APBD) of Palangkaraya City has increased every year. Within two years, the budget composition can be seen that in the 2018 Palangkaraya Regional Budget, regional expenditure is set at Rp. 1,222,847,731,894.38. This amount is higher than Rp. 83,279,834,916.47 of the regional budget expenditure of the City of Palangka Raya in 2017 which amounted to Rp. 1,139,567,896,977.91. As for the composition of the budget in the Palangkaraya City Budget for 2018, the revenue increased by Rp. 89,593,874,006.68 of revenues in 2017 of Rp. 1,089,443,513,338.92 to Rp. 1,179,037,387,345.60 for 2018.

The budget allocation for regional income is smaller each year compared to the budget allocation for regional expenditure. It means that the local government of Palangka Raya has more expenditure than revenue. It has caused the regional government to experience a budget deficit every year. Therefore, regional governments need to make a breakthrough to overcome the deficit. One of the ways to overcome it by increasing regional revenue. However, the researcher did not discuss regional income, so it is hoped

that further research can add the regional income variable as a moderating variable. It is done to see the extent to which regional income can strengthen or weaken the level of budget absorption.

Descriptive Analysis

Data analysis technique is a way to process data from research into information which is easily understood. Later, it can be used to draw conclusions and solutions to problems in research. This descriptive analysis is calculated based on the percentage of respondents' answers to the research questions by looking at the mean value of each indicator proposed. It is conducted to describe the perception of all respondents. Based on these averages, further interpretation of respondents' perceptions is conducted and refers to the three-box method criteria (Ferdinan, 2011) namely, 1.0-2.3 = low; 2,4-3,7 = moderate; and 3.8-5.0 = high. Furthermore, based on the above criteria, the respondents' perception index of the research variables is determined, namely budget planning (X1), budget changes (X2), procurement of goods and services (X3), and budget absorption (Y). The answers presented in this study are a general description of the acquisition of questionnaire data to 99 respondents. Based on the statement items in the questionnaire obtained from respondents for each variable, the criteria of the answers which are used are: Disagree strongly (STS), Disagree (TS), Neutral (N), Agree (S) and Strongly Agree (SS).

Outer Model Testing

Outer models are used to test the relationship of indicators with latent variables. This test is conducted to ensure the appropriateness of each indicator. The indicator must be valid and reliable. The outer model test results are presented as follows:

Figure 1: Testing to 1 outer model
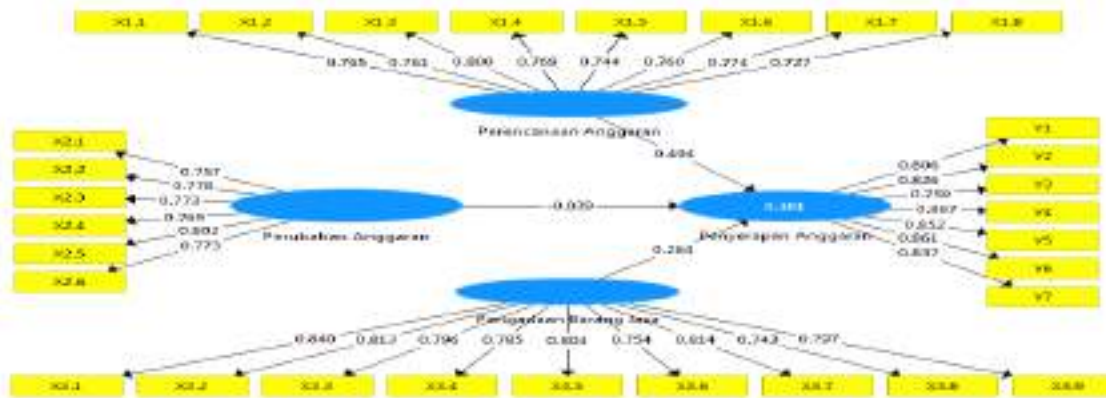
The results in Figure 1 above shows that all indicators have all loading factors> 0.6. It means that all indicators in this study are feasible to be used in research.

Inner Model Testing

The inner model test results in this research are shown in Figure 5.2. The inner model testing is run by bootstrapping using the SMART-PLS software. This test aims to determine the relationship between exogenous constructs (independent variables) and endogenous (dependent variables).

Figure 2. The inner model testing
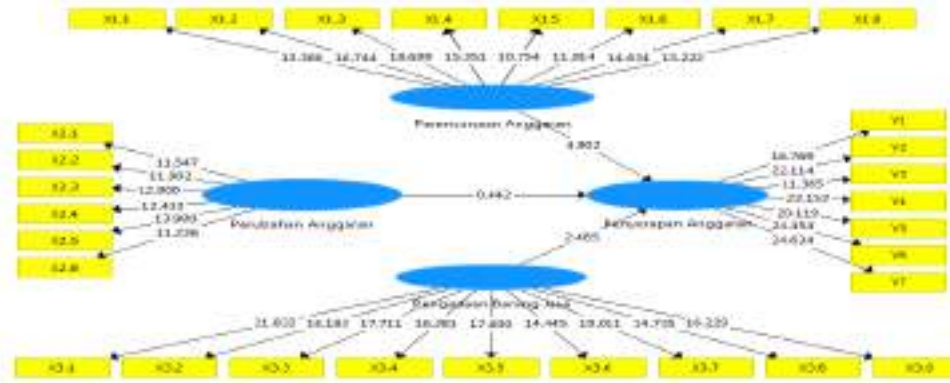
Testing of Goodness of Fit

This test is used to determine the ability of exogenous constructs (independent variables) in explaining variations in endogenous constructs (dependent variables). This test uses the R-squared adjusted value because the independent variable in the model is more than one variable. The model in this study examines the budget planning variables (X1), budget changes (X2), and procurement of goods and services (X3) as independent variables. Furthermore, the budget absorption variable (Y) is the dependent variable.

Table 3: R-squared Adjusted

Model	R-square	R-square Adjusted
The budget absorption (Y)	0,481	0,465

In table 3, the R-squared Adjusted value at PLS output is 0.465. These results indicate that changes in budget planning (X1), budget changes (X2), and procurement of goods and services (X3), are able to explain changes from budget absorption (Y) of only 46.5%. While the remaining 53.5%, cannot be predicted from the independent variables in this model. It can only be explained by other variables outside this research model.

Hypothesis Test

The significance value on the P-value is a recommendation to identify the effect of the independent variable on the dependent variable. Based on a 95% confidence level, the significance level of 5% and the recommended P-value must be <0.05. Table 5.10 is the output path coefficient which presents empirical evidence of the significance of the independent variables influence on the dependent variable.

Table 4: Hypothesis Testing Results

No	Variabel	Coefficient	t-statistics	F-test	*p-value*	Explanation
1	Budget planning (X1) -> Absorption of budget (Y)	0,494	4,902	-	0,000	Significant
2	Budget changes (X2) -> Budget absorption (Y)	-0,039	0,442	-	0,288	Not significant
3	Procurement of goods and services (X3) -> Absorption of budget (Y)	0,264	2,485	-	0,015	Significant
4	Budget planning (X1), Budget changes (X2), and Procurement of goods and services (X3) -> Budget absorption (Y)			14,448	0,000	Significant

1. **Testing Hypothesis 1: Effect of budget planning (X1) on budget absorption (Y)**

In Table 4, it is known that the coefficient value is 0.494 with a positive direction. It means that the better the budget planning, the better the budget absorption. The analysis shows that the t value of the budget planning variable is 4.902> t table (1.984) and the significance value is 0.000 <0.05 which means that there is an influence of budget planning on the level of budget absorption. So, the first hypothesis in this study states that budget planning has positive and significant effect on the level of budget absorption

2. **Testing Hypothesis 2: Effect of Budget Changes (X2) on Budget Absorption (Y)**

Table 5.10 number 2 provides evidence that there is no effect of changes in the Budget on budget absorption. This is evidenced by the t value of the budget absorption variable of 0.442 <t table (1.984) and a significance value of 0.288> 0.05. In addition, the results of the study also show a coefficient value of 0.039 with a negative direction. So, it can be concluded that the budget change has negative effect of 0.039 on budget absorption, but it is not significant. So the second hypothesis in this study is not accepted by the empirical research.

3. **Testing Hypothesis 3: Effect of Procurement of Goods and Services (X3) To Budget Absorption (Y)**

The results in Table 5.10 note that the coefficient value is 0.264 with a positive direction. It means that the better the procurement of goods and services, the better the budget absorption. The analysis shows that the t value of the variable procurement of goods and services is 2,485> t table (1,984) and a significance value of 0.015 <0.05 which means that there is influence of procurement of goods and services on the level of budget absorption. So, the third hypothesis in this study which states that the procurement of goods and services has positive and significant effect on the level of budget absorption is accepted by the results of empirical research.

4. **Testing Hypothesis 4: The Effect of Budget Planning (X1), Budget Changes (X2) and Procurement of Goods and Services (X3) Simultaneously Against Budget Absorption (Y)**

Table 5.10 number 4 shows that there is influence of budget planning, budget changes and simultaneous procurement of goods and services on budget absorption. It is evidenced by the calculated F value of 14.484 which is greater than the F table (2.70). So, the fourth hypothesis in this study which states that planning, budget changes and procurement of goods and services simultaneously affect the level of budget absorption is accepted by the results of empirical research.

DISCUSSION

Based on the results of research and testing of hypotheses, a discussion of each variable is based on the causal relationship of each latent variable. The discussion is carried out by considering various theoretical studies and empirical research. The following are presented in a table to explain and compare the results of outer loading and the average answers of respondents. It is intended to describe each indicator which makes significant contribution as forming variables. The average value reflects the respondents' perceptions of the research indicators, while the outer loading illustrates the contribution of the indicators to the forming variables.

1.   The Effect of budget planning on budget absorption

The analysis shows that the determination of DPA in the institution is on November; so that, the available funds to conduct the program / activity have the highest score in all SKPDs in the City Government of Palangka Raya, with an outer loading value of 0.800 (X1.3). this condition shows that the DPA on that time shows good budget planning statistically. The results of hypothesis testing indicate that budget planning has positive and significant effect on budget absorption. This result proves that the Budget Planning which is reflected with the budget planning document, the commitment of the SKPD, and the performance of the work unit influences the budget absorption. Budget planning is the process of determining the main programs to be carried out by an organization in the context of strategic implementation and estimating, activities or projects. It is also the process of determining the amount of allocation of resources which will be needed. Good planning is needed; so that, the implementation of the program activities which have been prepared do not encounter obstacles. Thus, the budget absorption will run on time.

The results of this study are in line with the research by Malayati (2015), Zarinah (2017), and Ramdhani (2017) which show that the budget planning influences budget absorption. For the public sector such as the government, the budget is not only an annual plan but also an accountability for the management of public funds. A budget is a statement of the estimated performance which an organization will achieve in a certain period, and it is expressed in monetary terms. In public sector organizations, the budget is an instrument of accountability for the management of public funds, and the implementation of programs financed with public funds.

2.   The Effect of Budget Changes on Budget Absorption

The analysis results in Table 5.11 show that the shifts between organizational units, between activities carried out when budget changes have the highest score in reflecting budget changes. It is stated by the high outer loading value of 0.802 (X2.5) with an average value of 4.32. Statistically, this condition states that if there is a shift in activities, the budget changes will result in budget absorption. However, this reason is not strong enough. Based on hypothesis test shows that Budget Changes have no effect on budget absorption. Judging from the coefficient value of budget change, a negative effect of 0.039 on budget absorption. Thus, changes in the regional budget are made for the purpose of adjusting the current budget to the latest changes. It is the efforts of the regional government to adjust its financial plan to the development of the situation and conditions. The changes of the regional budget cannot explain the variation of budget absorption (Y) with a significance value of 0.288> 0.05. It shows that the average respondent felt that the budget changes which implemented by each SKPD will not interfere with the program. In other words, the budget changes are indeed necessary. Because of the little remaining time since the DPA was approved by the DPRD, there was still less optimal for influencing budget changes.

The results of this study contrast with the previous researches which are conducted by Kiranda (2016), Putri (2015), Kaban (2016). Those researches prove that variable changes in the budget can affect changes in budget absorption. Changes in the regional budget are made for the purpose of adjusting the current budget to the latest changes, including changes in the legislation and policies of the Central Government. APBD changes can be interpreted as an effort by regional governments to adjust their financial plans with the development of the situation and conditions. The development of these situations and conditions can have implications for increased revenue and expenditure budgets, or vice versa.

However, it can also accommodate the shifts in SKPD. So, the revised APBD does not always mean adding to the budget (Permendagri No. 13 of 2006).

If you look at the data in Table 5.1 for 2 (two) consecutive years, the Government of Palangka Raya City has budget deficit. For 2018, the Regional Revenue will be Rp. 1,179,037,387,346.60 while the Regional Expenditure of Rp. 1,222,847,731,894.38. It means that there was a budget deficit of Rp. 43,810,344,547.78. Which also resulted in changes in the APBD PAGU from Quarter III amounting to Rp. 1,251,086,991,590.38 down to Rp. 1,172,278,567,358.63 in Quarter IV. The decrease in the APBD PAGU resulted in increased budget absorption in the Palangkaraya City Government. Related to Hypothesis 2, it is stated that budget changes have negative and not significant effect on budget absorption. It is because the budget changes due to budget deficits. So, it can be concluded that if there is a decrease in the budget, it will result in an increase in budget absorption.

3.   The Effect of Procurement of Goods and Services on Budget Absorption

The results of the analysis from the Table in Table 5.11 stated that the agency where I worked so far had no difficulty in determining the HPS. It has the highest value in reflecting the procurement of goods and services, with an outer loading value of 0.840 (X3.1). It can be said that with no difficulties in determining HPS, the process of procurement of goods and services can take place properly.

Hypothesis test results prove that the procurement of goods and services has positive and significant effect on budget absorption in the Palangkaraya City Government, with a significance level of 0.015 <0.05. This finding identifies that budget absorption can clearly be encouraged through indicators of procurement documents, procurement processes and procurement officials. Procurement of goods and services is an activity which is carried out by the government to provide goods and services as a form of providing services to the public.

This empirical evidence is in line with the findings of Widianingrum (2017), Anfujatin (2016) and Dian Juliani, et al (2014) which show that the procurement of goods and services has an effect on budget absorption. Budget absorption, especially barriers and services, has significant influence in driving economic growth. For this reason, each government agency must regulate every expenditure; so that, it runs smoothly and can support the successful achievement of national development goals. Government regulations of the procurement of goods and services need to be revised with the aim of accelerating the absorption of the budget. It can be done by simplifying the implementation of the procurement of goods and services.

During 2018, the implementation of the tender packages exist through the Service / Procurement Service Unit (ULP) of the Palangka Raya City Regional Secretariat. There are 178 packages which have finished the auction of 181 packages proposed by the SKPD, and there are still 3 packages which have canceled the auction. One of them has canceled the auction because there are no tender participants who registered. It resulted that in the absorption of the budget in the City Government of Palangka Raya is also less than the maximum.

4.   The Effect of Budget Planning, Budget Changes and Procurement of Goods and Services Simultaneously Against Budget Absorption

The results show that budget planning, budget changes, and the simultaneous procurement of goods and services have an effect on budget absorption in the Palangkaraya City Government, with a contribution of 46.5% while the remaining 53.5% is influenced by other factors. Budget absorption is one indicator which can show the success of programs or policies implemented by the government. According to Noviwijaya and Rohman (2013) the absorption of work unit budget is the proportion of work unit budget which has been disbursed or realized in one fiscal year. The absorption of an accountable budget which meets the principle of value of money is one of the applications of good governance practices. It is also a measure of government performance.

The results of this study support the previous research which is conducted by Widianingrum, Desika (2017). In her research, she stated that "Planning and procurement of goods / services affects budget absorption". Absorption of the budget has an important meaning in the achievement of national

objectives, namely the improvement and maintenance of people's welfare. Kuncoro (2013) stated that budget absorption is one of the stages of the budget cycle. It starts from budget planning, budgeting and endorsement of the budget by the House of Representatives (DPR) where the absorption phase of the budget begins when the Budget Act of the State Revenue and Expenditure (Law) APBN) endorsed by the DPR.

The researchers also admit that in this study there are still many shortcomings. If you look at Table 5.9 where the R-square Adjusted value is only able to explain the remaining 46.5% 53.5% can not be predicted from the independent variable. So, the researchers hope that the next researcher who is interested in researching budget absorption can develop this research. Thus, 53.5% of other variables can be answered. Likewise for the budget change variable, the second hypothesis proposed cannot be generalized to other regions. It only applies to Palangkaraya City, bearing in mind that this hypothesis is proposed because Palangkaraya City experienced a budget deficit.

CONCLUSION

Based on the empirical evidence of statistical testing and discussion, several conclusions from this study can be drawn as follows: Hypothesis testing shows that budget planning (X1) has positive and significant effect on budget absorption (Y). This is evidenced by the t value of the calculated budget planning variable of 4.902> t table (1.984) and a significance value of 0.000 <0.05 and a coefficient of 0.494 with a positive direction. Budget planning is a determinant of the activity programs which will be carried out by an organization in the context of strategic implementation and estimating, activities or projects. It also determines the amount of allocation of resources which will be needed. The results of the study prove that Budget Changes (X2) have a negative and not significant effect on Budget Absorption (Y). This is evidenced by the t value of the budget absorption variable of 0.442 <t table (1.984) and a significance value of 0.288> 0.05 and a coefficient of 0.039 with a negative direction. The trigger was due to changes in the budget of the City Government of Palangka Raya during the period of 2 years namely 2017 and 2018 experiencing a budget deficit. For 2018, the budget change made is reducing the value of the APBD Ceiling from Rp. 1,251,086,991,590.38 in Quarter III decreased to Rp. 1,172,278,567,358.63 in Quarter IV. Of course, this budget reduction affects budget absorption. So that, the conclusions can be drawn: if the budget reduction is made at the time of the APBD Amendment, then the budget absorption will be increased. But this cannot be generalized to all regions, and this research is limited to the City Government of Palangka Raya. The results of the study prove that the Procurement of Badang and Services (X3) has a positive and significant impact on Budget Absorption (Y). This is evidenced by the t value of the variable procurement of goods and services of 2.485> t table (1.984) and a significance value of 0.015 <0.05 and a coefficient of 0.264 with a positive direction. Each procurement of goods and services is able to explain the changes in budget absorption in each SKPD. So, the more timely the process of implementing the procurement of goods and services carried out by the work unit, the more it will increase the absorption of the work unit's budget. The results of the study prove that the Budget Planning, Budget Changes and Procurement of Goods and Services simultaneously influence the absorption of the budget. This is evidenced by the calculated F value of 14.484 which is greater than the F table (2.70)

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THE EFFECTS OF ASSET MANAGEMENT STAGE TOWARDS OPTIMIZATION OF ASSETS

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Abstract: The provision of facilities and infrastructures (assets) that is often carried out by LPMP in Central Kalimantan Province. In supporting the main tasks and functions as quality assurance institutions for primary and secondary education makes the value of its assets quite significant. For this reason, good asset managements and standards are needed. This research is conducted in order to obtain empirical evidence related to the effect of asset management consisting of aspects of inventory, legal audit, valuation, and supervision and control of assets towards the optimization of assets in the Central Kalimantan Provincial Education Quality Assurance Institute (LPMP). The population of this research is all authorized parties and involved in asset management. In this case, it consists of the State Property User Authority, namely the Head of the LPMP, the Head of the General Subdivision as an official who has the task and function in managing assets in the LPMP, and all employees of the General Subdivision, totaling 55 people. The entire population becomes the sample of the study. The analytical tool in this study is the SEM (Structure Equation Model) based on PLS (Partial Least Square) with the help of the computer software SmartPLS v.3.2.8 2019. The results of this study indicate that the Inventory, Legal Audit and Valuation variables have positive and significant for Asset Optimization, while the Asset Oversight and Control variable has a positive but not significant effect on Asset Optimization.

Keywords: *assets management, assets optimalization, legal audit, inventory.*

BACKGROUND

Reformations in the financial sector are marked by the issuance of Law Number 17 of 2003 concerning State Finance, with the enactment of these laws the demands on the management of state finances in an orderly, efficient, economical, effective, transparant and responsible manner with due regard for a sense of fairness and propriety in the implementation. This is no exception in managing assets, in accordance with article 1 of the law it is explained that state finances are all rights and obligations of the state that can be valued in money, as well as everything in the form of money or in the form of goods that can be made the property of the state in connection with the implementation these rights and obligations. From this explanation, it is clear that assets as goods belonging to the state. Assets also known as an inseparable part of state finances, so that responsibility for the management of state assets is also included in the scope of accountability of state finances through the value of assets considered sufficiently material in the government balance sheet.

Educational Quality Assurance Institution (LPMP) of Central Kalimantan Province is a Central Technical Implementation Unit (UPT) located in the area under the Directorate General of Primary and Secondary Education (Ditjen Dikdasmen) Ministry of Education and Culture of the Republic of Indonesia. LPMP has the task of "carrying out quality assurance basic and secondary education in the province based on the policy of the Minister of Education and Culture ".

Bearing in mind above heavy task of carrying out quality assurance, the Central Kalimantan Province LPMP needs to make new innovations in order to improve services in the education field quality assurance for stakeholders consisting of educators (teachers), education staff (School Supervisors, School Principals, School Administration, etc.) and other educational organizations. In carring out this quality task, LPMP needs to be supported by adequate facilities and infrastructures. Facilities and infrastructures are assets (assets) owned by LPMP in Central Kalimantan Province are classified in the form of: land; equipment and machinery; buildings and buildings; roads, irrigation and networks; other fixed assets; construction in progress; intangible assets; and other assets.

The asset inventory in Central Kalimantan LPMP has been carried out regularly. Especially for fixed assets are generally good, but what is difficult is movable assets / objects such as cars, laptops, cameras, projectors and other items that are easy to carry anywhere. The problem that often occurs is that the goods are damaged or lost. And then, it is difficult to find out the evidence of goods damaging because there is no report to the manager of the goods. Meanwhile, the person concerned is not willing to replace damaged or missing items.

In addition of the inventory process, legal audit is one of the steps taken to optimize the using of assets. The legal audit process that has been carried out by LPMP in Central Kalimantan is to conduct an asset ownership document in the form of a land asset certificate that was previously in the Central Kalimantan Provincial Education Office. Arrangement of Proof of Ownership of Motorized Vehicles (BPKB) for assets of machine tools especially four-wheeled motor vehicles has also been carried out. While the management of Building Permit (IMB) for building assets has not been done. For BMN in the form of buildings, the BMN User Status Determination (PSP) has been arranged. Legal audits are carried out to solve various legal problems related to control or transfer of assets (Siregar, 2018).

LPMP's BMN assessment has been carried out, such as for the preparation of the Central Kalimantan LPMP BMN balance sheet, the elimination of BMN and the use of BMN in the form of BMN rental rates. The assessment was conducted by the Palangka Raya State Assets and Auction Service Office (KPKNL) which is a vertical office under the Regional Office of the Directorate General of State Assets of South and Central Kalimantan Ministry of Finance of the Republic of Indonesia.

Supervision and control assets are the next stage of asset management undertaken to optimize assets. According to Siregar (2018) one of the effective means to improve the performance of the aspects of supervision and 'controlling assets of Local Governments is to develop SIMA (Asset Management Information System). Through SIMA, work transparency in asset management is guaranteed without the need for fears of weak supervision and control.

The development of the Management and Accounting Information System for State Property (SIMAK-BMN) carried out by the central government is an effort to facilitate reporting on the implementation of the APBN in the form of a balance sheet on government agencies, including LPMP. SIMAK-BMN aims to support the preparation of the accountability reports of the State Ministries / Institutions, provide various information in the framework of BMN management, also provides benefits to Property Users and Property User Authorities in their managerial tasks, including the task of monitoring and controlling BMN. In the reality of Central Kalimantan LPMP, it has been reported on the results of the SIMAK-BMN which has not been maximally utilized in the management of BMN (assets), especially in the supervision and control of BMN that should be carried out by the Property User Authority as the leader of the Institution.

The positive side of the large number of assets owned by LPMP in Central Kalimantan is that LPMP has great potential to become one of the "money making machines" for sources of state revenue, namely by optimally utilizing assets by leasing them to third parties. LPMP has several teacher training building assets that can be rented outside the training schedule. The main task and function of LPMP which has a building with lodging facilities, halls, classrooms and computer laboratories along with its facilities all of which have the potential to be commercialized so that they can contribute and increase state income. It can be also used to cover operational costs and maintenance of these assets, because so far the state budget for that is very large.

Based on the description above, the writers are interested in conducting further research related to the effect of the asset management stages on asset optimization, in this case the work stages of the asset management studied include: asset inventory, asset audit, asset valuation, asset supervision and control, and optimization assets in the Central Kalimantan Province Educational Quality Assurance Institute (LPMP). The existing problems arise research questions that are limited as follows: whether there is an effect of inventory, legal audit, assessment, and supervision and control of the optimization of assets in the LPMP of Central Kalimantan Province.

LITERATURE REVIEW

In connection with the enactment of Government Regulation No. 38/2008 concerning Management of State / Regional Property which has been amended by Government Regulation No. 27/2014, management of state assets is not merely administrative, but is more advanced thinking in handling state assets, how to improve efficiency, effectiveness and creating added value in managing assets. Therefore, the scope of the management of state assets includes the planning of needs and budgeting, procurement, use, utilization, security and maintenance, assessment, deletion, transfer, administration, guidance, supervision and control.

According to Siregar (2018: 179) states that Assets are part of state assets or state assets (HKN) consisting of movable or immovable property owned, controlled by government agencies, which are partially or wholly purchased at the expense of the State Budget. (APBN) as well as from legal acquisition, not including separated state assets (managed by BUMN) and Regional Government Assets. Briefly referred to as "state property / state property".

Based on PSAP No. 07 Government Regulation No. 71 of 2010, the definition of assets in the government sector is economic resources that are controlled and / or owned by the government as a result of past events and from which future economic and / or social benefits are expected to be obtained, both by the government and the community, and can be measured in monetary terms, including non-financial resources needed to provide services to the general public and resources maintained for historical and cultural reasons. Whereas fixed assets are defined as tangible assets that have a useful life of more than 12 (twelve) months to be used, or intended to be used, in government activities or utilized by the general public.

There are some of the main reasons why governments must pay attention to the management of their country's assets. First, because it fixed assets have a long life. Second, fixed assets have a material value to government resources. Third, because fixed assets are noncurrent. In addition, because assets remain vulnerable to rapid depreciation if not well maintained during their life cycle, and maintenance operations of fixed assets throughout their life cycle spend a much larger amount of funds than the initial expenditure for ownership of these fixed assets (Lu, 2011) .

Siregar (2018) states that asset management itself can be divided into five stages of work, namely asset inventory, legal audit, asset valuation, asset optimization and development of Asset Management Information Systems (SIMA). Asset inventory consists of two aspects, namely physical and legal / legal inventory. Physical aspects consist of shape, area, location, volume or number, type, address and others. Juridical / legal aspects are the status of mastery, legal problems that are owned, the deadline of mastery and others. The work process undertaken is data collection, codification / labeling, grouping, and accounting / administration in accordance with the objectives of asset management.

Based on Government Regulation No. 27 of 2014 concerning Management of State / Regional Property (BMN / D) states that inventory is an activity to collect data, record and report the results of BMN data collection. The purpose of the inventory is to find out the number and value and the actual condition of BMN, both those in the possession of the Property User and those in the administration of the Property Manager. What is meant by Property User is an official holding the authority to Use State / Regional Property. While the Property Manager is the official who is authorized and responsible for setting policies and guidelines as well as managing State / Regional Property.

Siregar (2018: 519) states that legal audit is an asset management scope of work in the form of an inventory of the status of asset control, systems and procedures for controlling or transferring assets, identifying and finding solutions to legal problems related to control or transfer of assets. Legal problems are often encountered include weak tenure rights, assets controlled by other parties, transfer of assets that are not monitored, and others.

Based on Government Regulation No. 27 of 2014 concerning Management of State / Regional Property, a legal audit is also an act of security or control, control in an effort to administer state / regional

property physically, administratively and legal actions. These safeguards are physically, administratively and legally carried out so that BMN / D can be used / utilized optimally and can avoid seizure, expropriation or claims from other parties. Physical security of fixed assets (land and buildings) can be done by fencing, installing signboards of ownership and guarding. Administrative safeguards can be carried out by means of settlement of proof of ownership such as certificates, IMB, minutes of handover, agreement letters, sale and purchase certificates and other supporting documents.

Asset valuation is a work proces of evaluating assets held / owned. Usually, it is done by an independent appraisal consultant. The results of these values will be used to determine the value of wealth and information for the determination of assets to be sold (Siregar, 2018: 519).

Based on the Regulation of the Minister of Finance of the Republic of Indonesia Number 111 / PMK.06 / 2017 concerning the Assessment of State Property. The definition of BMN assessment is the process of activities to provide an opinion value on an object of valuation in the form of State Property at a certain time. BMN assessment is carried out for: (1) central government balance sheet preparation; (2) utilization; (3) alienation; or (4) implementation of other activities in accordance with the provisions of the legislation, including State Sharia Securities.

Siregar (2018: 519) states that supervision and control of asset utilization is an issue that is often blasphemous to the current Regional Government. One effective means to improve the performance aspects of the supervision and control of regional government assets is the development of SIMA (Asset Management Information System). Through SIMA, it is expected that work transparency in asset management is guaranteed without the need for fears of weak supervision and control. In this SIMA all four aspects of asset management (asset inventory, legal audit, asset valuation and asset optimization) are accommodated in the system by adding aspects of supervision and control. Every handling of a monitored asset is clear starting from the scope of handling up to who is responsible for handling the asset, this is expected to minimize KKN (collusion, corruption and nepotism) within the Regional Government.

Siregar (2018: 519) explains that asset optimization is a work process in asset management that aims to optimize the physical, location, value, amount / volume, legal and economic potential of the asset. In this stage, assets controlled by the Regional Government are identified and classified on assets that have potential and do not have potential. Assets that have the potential can be classified according to the leading sectors that are the foundation of the national economic development strategy, both in the short, medium and long term. The criteria for determining the leading sectors must be measurable and transparent. Assets that cannot be optimized must be searched for, whether factors are legal, physical, low economic value or other factors. Local governments usually have assets that are under control. However, there are quite a lot of assets that have not been optimized in order to increase the revenue of the Regional Government.

State / Regional Government Property or assets of the Central / Regional Government that have not been utilized need to be utilized optimally so that it will not burden the State / Regional Expenditure Budget, especially maintenance costs and the possibility of seizure from irresponsible third parties. Optimal use of goods / assets belonging to the state / region will create a source of State Revenue / Regional Original Revenue. Based on the Minister of Finance Regulation No. 78 / PMK.06 / 2014 concerning Procedures for the Use of State Property, utilization is the utilization of BMN that is not used to carry out the duties and functions of Ministries / Institutions and / or optimization of BMN by not changing ownership status.

Based on the literature review described above, the hypothesis of this study are:
H1: Asset Inventory has a positive and significant effect on asset optimization.
H2: Asset Legal Audit has a positive and significant effect on asset optimization.
H3: Asset Valuation has a positive and significant effect on asset optimization.
H4: Asset Monitoring and Control has a positive and significant effect on asset optimization.

DATA AND METHOD
Population and Sample
Population is a generalization area consisting of objects or subjects that have certain qualities and characteristics determined by researchers to be studied and drawn conclusions (Sugiyono, 2014). The population of this research is the authorities and involved in asset management. In this case consists of the Proxy of Users of State Property in the Central Kalimantan Province LPMP, namely the Head of the LPMP, the Head of General Subdivision as an official who has duties and functions in BMN management, and all employees of the General Sub Division. All populations number 55 people with the composition as contained in the following table:

Table 1. Composition of Research Population in LPMP Central Kalimantan

No.	Description	Number of Employees
1	Head of Central Kalimantan Province LPMP	1
2	Head of General Sub Division	1
3	Sub Division General	35
4	General Sub Division	18
Total		**55**

Source: LPMP (2019)

The sample is part of the number and characteristics possessed by the population (Sugiyono, 2014). The sample is a subset of the population, consisting of several members of the population (Ferdinand, 2014). What is learned from the sample, the conclusion can be applied to the population. For this reason, samples taken from the population must be truly representative (representative) (Sugiyono, 2010).

According to Arikunto (2012), if the total population is less than 100 people, then the total sample is taken, but if the population is greater than 100 people, then the sample can be taken between 10-15% or 20-25% or more than the total population.

This study because the population is not greater than 100 respondents, the authors take 100% of the population in the Central Sub-Section of LPMP Central Kalimantan, which is 55 respondents. Thus, the using of entire population without having to draw research samples as observation units is called census techniques.

Definition of Variable Operations
Based on the concepts that have been formulated and explained above, the operational definition of the variables used in this study as a whole can be explained as follows:
1. Inventory (X1) is an activity to collect data, record and report the results of BMN data collection.
2. Legal audit (X2) is a scope of work in asset management in the form of an inventory of the ownership status of assets, systems and procedures. And then, control or transfer of assets, identification and finding solutions to legal problems related to the control or transfer of assets.
3. Asset valuation (X3) is a work process for evaluating assets held / owned.
4. Supervision and control of assets (X4) is a serie of activities that must be carried out by the user of goods against State / Regional Property which is under his control through monitoring and control.
5. Optimization of assets (Y) is a work process in asset management that aims to optimize the physical potential, location, value, amount / volume, legal and economic assets of the asset.

Data Collection Techniques

Data collection techniques used in this study using the following methods:

1. Questionnaire. Data collection techniques in this study using quantitative data collection with a questionnaire (questionnaire). In filling out the questionnaire, the respondents measured the extent of the implementation of asset management in the LPMP of Central Kalimantan Province by implementing several variables, namely: inventory, legal audit, valuation, supervision and control and optimization of assets. The implementation of these variables can be measured on a Likert scale using a scoring method from 1 to 5 (strongly disagree, agree, to, strongly agree).
2. Documentation and Observation. Documentation of study is looking for data about things or variables. It includes the form of notes, documents, books, and other written data.
3. Test Research Instruments. Furthermore, the use of instruments to collect data or information that is appropriate and valid in research must be relevant to the variables and research problems. Quality data is data that meets two important requirements valid (valid) and reliable (reliable).

RESULT AND DISCUSSION

Characteristics of Respondents

This section will explain the description of the characteristics of respondents as many as 55 people consisting of: Head of LPMP, Head of General Subdivision, and employees of the General Subdivision of LPMP in Central Kalimantan Province, based on sex and age, and employee and education classes. As seen in the tables below:

Table 1. Characteristics of Respondents by Gender and Age

No.	Description	Subject	Gender		Age			
			L	P	21-30	31-40	41-50	>51
1	Head of Central Kalimantan Province LPMP	1		1				1
2	Head of General Sub Division	1	1				1	
3	Sub Division General	35	21	14		12	18	5
4	General Sub Division	18	15	3	7	10	1	
Total		**55**	**37**	**18**	**7**	**22**	**20**	**6**

In table 2. it appears that based on the sex of 55 respondents there were 37 male respondents or 67.27% and 18 people or 32.73% were women. While based on age, it can be seen that the highest number of respondents is in the age range of 31-40 years, namely as many as 22 people or 40%, followed by 41-50 years of age as many as 20 people or as much as 36.36%, then as many as 21-30 years of age 7 people or 12.73%, and the least number of respondents were respondents with an age group over 51 years (> 51 years) of 6 people or 10.9%.

**Table 2. Characteristics of Respondents by Employee Group and Education**

No	Description	Subject	Level				Education				
			IV	III	II	No	Junior High School	Senior High School	D3	S1	S2
1	Head of Central Kalimantan Province LPMP	1	1								1
2	Head of General Sub Division	1		1							1
3	Sub Division General	35	1	26	8			7	2	20	6
4	General Sub Division	18				18	4	7		7	
Total		**55**	**2**	**27**	**8**	**18**	**4**	**14**	**2**	**27**	**8**

Table 3. shows the respondents have a diverse group of employees namely, consisting of group IV as many as 2 people or 3.64%, group III as many as 27 people or 49.09%, group II as many as 8 people or 14.55%, and as many as 18 people or 32.73% do not have a class because they are still temporary employees. Based on the level of education shows that the number of respondents who have the highest education or Masters (S2) as many as 8 people or 14.55%, and Bachelor education (S1) is the most numbered as many as 27 people or 49.09% of all existing respondents . Furthermore, the smallest number of respondents were respondents with the last education Diploma (D3) of 2 people or 3.64% and SLTP as many as 4 people or 7.27%. While respondents who have the last high school education are 14 people or 25.45%.

Evaluation of the Inner Model (Structural Model)

Figure 1. is an inner test result in this research model. The inner model is tested using the Partial Least Square (PLS) method. PLS is an alternative method of analysis with Structural Equation Modeling (SEM) based on variance. This test is done by running bootstrapping and is used to determine the relationship between exogenous constructs (independent variables) and endogenous (dependent variables).

Figure 1. Diagram of Inner Model Evaluation Results
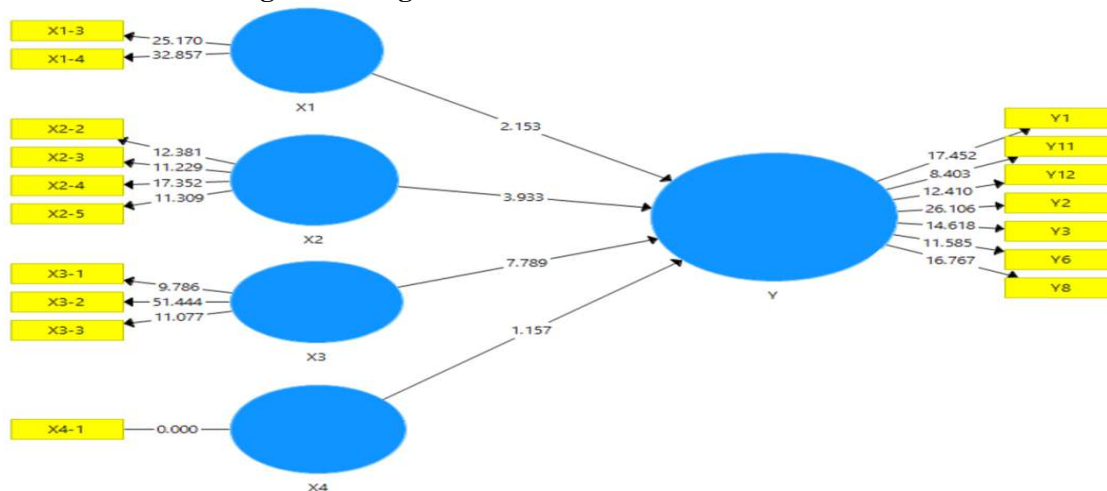
Information :

X1 = Inventory Variable
X2 = Legal audit variable
X3 = Rating Variables
X4 = Control and Control Variables
Y = Variable Optimization of fixed assets

The figure above shows that the path diagram only consists of a substructure (which is also a complete structure), which contains four dependent variables X1, X2, X3, X4 and an independent variable, namely Y, the structural equation for the path diagram above is:

$$Y = \rho YX1X1 + \rho YX2X2 + \rho YX3X3 + \rho YX4X4 + \varepsilon$$

Testing the Goodness of Fit on the Model

This test is used to determine the ability of exogenous constructs (independent variables) in explaining variations in endogenous constructs (dependent variables). This test uses the R Square Adjusted value because there are more than one independent variables in the model. Following are the R-Square values in the construct:

Figure 2. R-Square Value

R Square

	Matriks	R Square	Adjusted R Square
		R Square	Adjusted R Sq...
Y		0.947	0.943

In this study the value of R Square Adjusted for Asset Optimization (Y) 0.947 (94.7% rounded 95%). This means that the ability of the independent variable to explain the dependent variable Asset Optimization (Y) is 95% and the rest is explained by other independent variables that are not in the research model formulated in this study.

Hypothesis Testing

Based on the results of the analysis process using SmartPLS v.3.2.8 2019 by eliminating invalid data, the results in the path coefficient shown in Figure 6. are as follows.

Figure 3. SmartPLS Path coefficient Results v.3.2.8 2019

Koefisien Jalur

	Mean, STDEV, T-Values, P-Valu...	Keyakinan Interval	Keyakinan Interval Bias-Dikor...	Sampel	Sali
	Sampel Asli (O)	Rata-rata Sam...	Standar Devias...	T Statistik (| O/STDEV |)	P Values
X1 -> Y	0.143	0.151	0.066	2.153	0.032
X2 -> Y	0.271	0.261	0.069	3.933	0.000
X3 -> Y	0.567	0.572	0.073	7.789	0.000
X4 -> Y	0.072	0.072	0.062	1.157	0.248

Rule of tumbs of the support of a research hypothesis are: (1) if the coefficient or direction of the variable relationship (indicated by the original sample value) is in line with what is hypothesized, and (2) if the statistical t-value is more than 1.64 (two-tiled) or 1.96 (one-tiled) and probability value (p-value) of less than 0.05 or 5%.

In this case, referring to the results presented in the Path Coefficients menu, there are four supported hypotheses, namely: (1) X1-> Y, (2) X2-> Y, (3) X3-> Y and X4-> Y with each p-value of 0.032; 0,000, 0,000 and 0,248. From these results it can be concluded that Asset Optimization (Y) has a

positive effect on Inventory (X1), Legal Audit (X2), Rating (X3), whereas the Supervision and Control variable (X4) does not show any influence.

The summary of the results of the hypothesis test can be seen in the following table.

Table 4. Summary of Hypothesis Test Results

No	Research Hypothesis	coefficient	t statistics	P value
1	H1	0,143	2,153	0,032
2	H2	0,271	3,933	0,000
3	H3	0,567	7,789	0,000
4	H4	0,072	1,157	0,248

RESEARCH RESULTS

Based on the results of the analysis and hypothesis testing, the proposed research shows that all independent variables have a positive and significant effect on the dependent variable. The results of this study is related to the theories that have been stated previously and the results of existing studies indicate a positive correlation. It means that the results of this study support the theory and the previous studies. In order to obtain a more detailed picture, the research results are explained for each hypothesis in the following discussion.

The Effect of Inventory on Asset Optimization

Based on the results of analysis and statistical calculations the effect of inventory on asset optimization is obtained; path coefficient of 0.032; tstatistik value of 2.153 which is greater than ttable (α = 0.05) of 2.00. These results indicate that the inventory has a positive and significant effect on asset optimization.

The results of this study justify the existing theory, the greater increases in the asset inventory process, it will cause an increase in asset optimization, this is in accordance with research conducted by Endang Widayanti (2010) in Sragen Regency. From the inventorying activities produced BMN Inventory Results Report or BMD Inventory Book which shows all state / regional assets that are material, both movable and immovable. In order to have an inventory book to be used in accordance with its function and role, its implementation must be more orderly and sustainable, based on the fact, complete, and accurate data so that it can provide the right information. Similar research was also stated by Hasanuddin (2016) at the Department of Agriculture and Animal Husbandry of West Sulawesi Province. The results of the inventory research had a positive and significant effect on optimizing assets, meaning that the increase in asset inventory led to an increase in asset optimization in the Agriculture and Animal Husbandry Office of West Sulawesi Province. Erlini Nasution, et al (2015) at the North Sumatra Regional Mental Hospital with the results of the inventory research having a positive and significant effect on asset optimization.

The Effect of Legal Audit on Asset Optimization

Based on the analysis and calculation of the effect of legal audit on the optimization of the path coefficient assets of 0,000; tstatistik value of 3.933 which is greater than ttable (α = 0.05) of 2.00; then it can be stated that the path coefficient is significant. These results indicate that legal audit has a positive and significant effect on asset optimization.

The statement was reinforced by the findings of Erlini Nasution, et al (2015), it was about the effect of asset management on the optimization of the mental hospital assets in North Sumatra Province, the legal audit of assets proved to have a positive and significant effect on asset optimization. Specificly, if

legal audit factors were better then optimization health equipment in the North Sumatra Regional Mental Hospital will also be better. Furthermore Agustina Ester Antoh's research (2017) in Paniai Regency, the results of the analysis conducted prove that the existence of a good legal audit will provide a prediction of a good asset optimization, legal audit activities that include systems and procedures for the control or transfer of assets, identification of solutions to problems or security measures, control, control and legal actions that are getting better will strengthen the position of the asset legally and will certainly support the implementation of asset optimization. The same thing was also found by Pamfilia Ferdinanda M., et al (2016) at the Boven Digoel District Financial and Asset Management Agency (BPKAD) showing that legal audit has a positive effect on optimizing the management and utilization of fixed assets, it means that if legal audit increases or the better the level of optimization of management and utilization of fixed assets in the Boven Digoel Regency will also be better. Muhammad Rizky P. and Bill Pangayow (2016) conducted research on the Jayapura City Government. The results of the study showed that the application of a good legal audit can guarantee the optimization of asset management in the Local Government sector, it happens because the Jayapura City Government has implemented a system related to control and use of assets. In line with research conducted by Hasanuddin (2016) at the Department of Agriculture and Animal Husbandry of West Sulawesi Province, where the results of his study said that legal audit has a positive and significant effect on optimizing fixed assets.

The Effect of Rating on Asset Optimization

Based on the results of the analysis and calculation of the effect of valuation on the optimization of assets above, it obtains a path coefficient of 0,000; tstatistik value of 7.789 which is greater than ttable (α = 0.05) of 2.00, it can be stated that the path coefficient is significant. These results indicate that valuation has a positive and significant effect on asset optimization.

This was reinforced in the research conducted by Endang Widayanti (2010), regarding the effect of asset management on optimizing the fixed assets of the Sragen Regency Government, the asset valuation has proven to have an effect on optimizing the assets of the Sragen Regency Government. In another similar study, it also carried out by Erlini Nasution, et al (2015) at a mental hospital in North Sumatra Province, proves that asset valuation has a significant effect on asset optimization, meaning that if the asset valuation factor is better, the optimization of health equipment in the Sumatran mental hospital North will also be better. Another study conducted by Moses Demetouw, et al (2017) that with a good assessment in this case conducted by an independent appraiser (who is certified) by including the value of these assets in rupiah units, will provide predictions of a good level of asset optimality. The same study conducted by Jamaludin (2017) at the Regional Government of the NTB Province, showed that the Regional Government of the NTB Province with a good asset valuation will provide predictions of optimizing management and good asset management. Research on the effect of asset valuation on asset optimization was also carried out by Hasanuddin (2016) at the Agriculture and Animal Husbandry Office of West Sulawesi Province, Pamfilia Ferdinanda M., et al (2016) at the Regional Financial and Asset Management Agency (BPKAD) of Boven Digoel Regency, and Sherly Pauweni , et al (2017) in the Regional Government of Bone Bolango District, all of whom show the results of the analysis that the valuation has a positive and significant effect on the optimization of assets. In other word, if the valuation of assets increases or gets better, the level of optimization of management and utilization of assets will also get better or the impetus for improvement asset valuation will also increase the level of optimization of management and utilization of assets.

The Effect of Supervision and Control of Asset Optimization

Based on the results of analysis and statistical calculations, the effect of supervision and control on asset optimization obtained path coefficient of 0.248; tstatistik value of 1.157 which is smaller than ttable (α = 0.05) of 2.00. These results indicate that supervision and control have a positive, but there is no significance effect on asset optimization.

This research does not prove the significance and positive influence of control and supervision. It does not prove the existing theory. There are several factors that cause unsupported control and supervision. Then, the method of control and supervision at this time has become more careful and no longer easy, partly due to the using of computers in data processing. The researcher realizes that overly strict control and supervision will be detrimental to both the institution and the individuals within the institution. Control and supervision that forces the agency's employees to immerse in official procedures or to limit too much behavior will turn off motivation, impede creativity and ultimately damage the performance of tasks in the organization. It can affect control and supervision by finding an adequate balance between effective institution control, supervision and individual freedom. A lot of control and supervision will make the institution as a workplace becomes oppressive, impedes, and which cannot influence the optimization of assets. Controls and oversights are too loose, the institution becomes chaotic, inefficient, and ineffective in achieving its objectives in optimizing assets.

CONCLUSION

Based on the results of data analysis, the research conclusions can be conveyed as follows:

1. Inventory has a positive and significant effect on asset optimization in the LPMP of Central Kalimantan Province. It means that the level of optimization of assets is influenced by the level of inventory. The higher level of inventory will also increase the optimization of assets. Conversely, if asset inventory is low, so the optimization of assets will be low too.

2. Legal audit has a positive and significant effect on asset optimization in LPMP Central Kalimantan Province. It means that the level of optimization of assets will be influenced by legal audit. The higher level of legal audit will also increase the optimization of assets. Therfore, with a low legal audit, the optimization of assets will be low as well.

3. The assessment has a positive and significant effect on the optimization of assets in the Central Kalimantan Province LPMP. It means that the level of asset optimization will be influenced by the level of asset valuation. The higher level of asset valuation will also increase the optimization of assets. When asset valuation is low so the optimization of assets will be low too.

4. Supervision and control does not have a positive and significant effect on the optimization of assets in the Central Kalimantan Province LPMP. It means that supervision and control do not improve asset optimization.

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ARE THERE CONTINGENT FACTORS THAT AFFECT AND NOT AFFECT TOWARDS CORRUPTION LEVELS ? (EVIDENCE FROM THE INDONESIAN PROVINCE GOVERNMENT)

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Abstract: This research was conducted to know the effect of contingent factors, such: audit opinion, audit findings, follow-up on audit, and the rank of Local Government Implementation Report (LGIR) towards the level of corruption of the provincial government in Indonesia. The population of this research is local governments who have mandate to enhance good governance. Population target of this research is 34 Provinces in Indonesia, data that can be used for research are 30 Provinces witih 60 sampel. This research is an associative quantitative study to explain the effect of contingent factors of 4 (four) variables independent on dependent variable by using a statistical test the regression model. The results of this study indicate that audit opinion, audit findings, and follow-up on audit results do not affect towards the level of corruption in Provincial governments in Indonesia. Meanwhile, empirical fact, rank of the Local Government Implementation Report (LGIR), shows that it has a positive effect on the level of corruption in the provincial government in Indonesia. This proves that the Provincial government which obtained the Unqualified Opinion with audit findings and follow-up on audits by the Supreme Audit Board (BPK) did not contribute to the level of corruption of the provincial government in Indonesia. This is identified even though the formal performance of the provincial government is good but it does not mean that the level of corruption is decreasing. As additional finding, because corruption is a form of human failure type, it violates the rules, as part of fraud that can be identified, and can be identified as culture. Therefore, it requires combating corruption that is not only based on compliance for regulations, but it needs with fulfil ethical intelligence (reactive intelligence with values). As human development manner for the controlling of Individuals in organization from influence environment, implementation that more remain certain for accountability culture. It depends on contingent factors, such as, culture (power distance and individualism for ethical intelligence link with organizational intelligence) as trigger corruption (appear as artifact-culture). These aspects as contingent seem to be more decisive than the reserach variables that have been discussed.

Keywords: *Corruption level, audit opinion, audit findings, follow-up on audit results, Local Government Implementation Report.*

INTRODUCTION

Corruption is a world wide problem that disproportionately affects those with the fewest personal and economic resources. Hence, proposition is stated that human development with moral development (see McLeod, 2013) restricts corruption (Minkova, 2018) and the magnitude such an effect is contingent

upon the condition of national culture (Segon, 2010; Sims, et al, 2011). Refers to Corruption Perceptions Index (CPI) 2018, it showed the index of list 180 countries and territories by their perceived levels of public sector corruption according to experts and business people by using a scale of 0 to 100, where 0 is highly corrupt and 100 is very clean. Described, that, more than two-thirds, of countries score below 50 on this year's CPI, with an average score of just 43. Therefore, It reveals that the continued failure of most countries to significantly control corruption is contributing to a crisis in democracy the whole world. As described Rubio (2018) that "Corruption is much more likely to flourish where democratic foundations are weak and as we have seen in many countries, where undemocratic and populist politicians can use it to their advantage (TI, 2018). In recent years, when we refer for Transparency International which releases a Corruption Perceptions Index (CPI). As in 2018, showing Indonesia is in the 89th position with a score of 38. This results are up seven levels compared to year of 2017 which is in the 96th position out of 180 countries with a score of 37. Although there are exceptions, the data show some progress, but most countries are failing to make serious fight against corruption. This phenomenon is very important to watch for, because the high level of corruption will suppress good governance, such also for Indonesia (see TI, 2018).

The phenomenon of corruption in governmental sector occurs because there are opportunities from the government apparatus. Along with the journey of Local autonomy, the links between decentralization and corruption is still complex. Meanwhile, the role of decentralized governance in combating corruption remains uncertain. A country that isn't able to control and eliminate this problem suffers important losses of economic and social wellness (see Ulman, 2014). Moreover, although differing among countries, a common factor has underpinned much of the outpouring of outrage for corruption and financial mismanagement by governments. Corruption cases are often carried out by apparatus that managing all sectors of government (see Kelly, 2017; TI, 2019). Although efforts to prevent and crack down with punishment for corruptors continue to be institutionalized, such with the role of the "Corruption Eradication Commission", as well as the support of anti-corruption activists. Until this time being still appear "human failure types" in behavioral in form corruption, and continues to grow.

Corruption as one form of fraud (Kelly, 2017) can be explained by the theoretical framework of the fraud triangle or its in development as GONE theory (see Wolfe and Hermanson, 2004). In the context of governance, fraud practices often occur as misuse of interests, bribery, illegal acceptance and corruption (see Bologna, Lindquist, & Wells, 1993; Tuanakotta, 2010). Corruption occurs because it meets the elements of violating laws and regulations. Acts of corruption that occur in the central government or Localgovernment is a failure of government management assessed by the community and has entered the category of prosecution in court. There is a fact that corruption grows because the influence of opportunity, and exposure aspects, in relations with the organization as a result of the impact of general factors (Priantara, 2013). It is related to the low moral individual (see Lokanan, 2015) which is in financial crimes due to greed (greed) associated with actions that have been repeatedly so it is considered normal and not an act that is wrong on the basis of human needs. It was stated that there are many organizations that are considered negligent in providing investing the time and resources to get in front of the risk of fraud (Priantra, 2013; Moritz, 2016).

The theoretical framework of the diamond fraud model and GONE theory with its constituent elements can be a reference in explaining contingent theory (Chenhall, 2003;2007; Berry, et al, 2009) and behavioral factors (see Hofstede, & Hofstede, 2005; Ismail, 2010), such as contextual factors, culture, that may affect the organization's structure, and with ethical intelligence towards the route to managing fraud and corruption risks (see Belohlavek, 2007; Schein, 2004; Moritz, 2016). Necessary explanatory and for controlling directions and predictions according to the theoretical function in the prevention of corruption. Therefore, it is needed role of behavioral aspect, such as individual and organizational ethical intelligence, within human with moral development (Belohlavek, 2007; Sims, 2011; McLeod, 2013), to change level accountability formally (Jeppesen, 2018) to cultural accountability substantially (see Khan, 2006, Kelly, 2017). Accountability Culture as effort to prevent in

increasing of level of corruption significantly because individu has been supported by organizational development in terms of administrative, technical, strategic, and social (Albrecht, 1983; 2002; Sims, et al, 2011). Therefore, through by level of accountability in term of the overall public sector audit process would increase transparency and accountability and help prevent corruption due to the method and behavioral perspective (see Bologna, and Lindquist 1995; Bologna and Shaw, 1996; Albrecht, et al, 2004; Ramamoorti, 2008; Dwiputrianti, 2008; Albrecht, et al, 2012; Musa, et al, 2012).

In general, although administratively, technically, social relationship with strategically manner, such as through the activities of various types of auditing to guarantee on the fairness of presentation of financial statements in describing the actual economic activity (Albrecht, 1983, 2002; Sparberg, 2000; Khan, 2006; Vovchenko et al, 2017). Also, with helpful to regulators considering the more explicit role of external auditors in fraud risk- corruption risk assessment, which based the prior research on political corruption, and the client risk management strategies which are used by external auditor to enhance role of auditing as level of accountability (see Mihret, 2014; Jeppesen, 2018). Even, with last manner, such with monitoring performance as prevention manner and various methods an approach others which has been applied to reduce corruption, has included with the law enforcement manner to avoid fraud practices related to the corruption, in fact, all these efforts does not really give yet deterrent effect, where the level corruption is still high (see Minkova, 2016; Kelly, 2017; Isgiyata, et al, 2018; AFA, 2018; Jeppesen, 2018). In fact, existing indicators shows the size of losses caused by this fraud that has increased. Described, that organizations lose 5 percent of their income each year due to fraud. The association also estimates a global economic loss of US $ 3.5 trillion. In addition, the level of dishonesty in society tends to increase (KPMG, 2010; Wilson, 2013; Mihret, 2014).

A number of previous studies related to the contingency factors of the role of financial audits and the role of auditors at the level of accountability. They show the results that have not been concluded. A number of studies have shown aspects of accountability such as audit opinions, audit findings and follow-up on audits. They does not have effect in reducing the level of corruption (Heriningsih and Rusherlistyani, 2013, Heriningsih and Mahrita, 2013, Husna, et al (2015); Azhar and Setyaningrum (2015). Din, et al, (2017), describes, that follow-up of financial investigation reduces the level of financial losses, thereby increasing the accountability of local government financial reporting. Meanwhile, other research shows a positive relationship of audit opinion that can exert an influence on the level of corruption. Related to facts, they show that irregularities found by BPKP fraud audits affect the level of corruption in the Indonesian provinces (Rosyadi and Budding, 2017). Also, research by Utomo, et al (2018) shows a significant audit opinion on the level of corruption. The results of this study indicate that an "unqualified opinion" represents the good governance of an organization. Referring to various previous studies, it can be stated, for conditions that cannot be concluded from some research intended, that is an unqualified opinion, does not necessarily guarantee that the institution is free from potential corruption. The reason is that the "Supreme Audit Body" audit was not designed to detect corruption, but rather to determine "the fairness" of the information presented in the financial statements. The results of quantitative testing conducted during the study also confirm the results of qualitative testing, and thus it can be affirmed that an unqualified opinion is not significantly related to the level of corruption (Tehupuring, 2018). Other empirical fact shows positive effect between auditor quality and follow-up of audit recommendation. This indicates that high quality auditor is able to produce appropriate recommendations, that can be easily followed up by the auditee (Setyaningrum, et al, 2013).

various studies have been carried out with various variables as level of accountability towards the level of corruption in Indonesia, we continue this scientific tradition. First, our scientific tradition in this study contrast to some studies, such as the GONE theory directly as an explanatory tool for Fraud events (Isgiyata, et al, 2018). This study uses GONE theory only as grand theory, while for application theory uses contingent factors from role of auditing as level of accountability (Bastian, 2009; 2014; Jeppesen, 2018) with culture accountabilty (Khan, 2006) in behavioral perspective. Different from the study of Tehupuring (2018) that examines specifically for the relationship between audit opinion and level of

corruption in Indonesia that measured as total corruption cases in Local Gov. X 100%. as total population (10,000) . Also, different with Masyitoh et al (2015), that uses 3 (three) contingent variables. Further, this study was approached by continuing to asses the contingent factors that have an un-concluded, or still as research gap, namely audit opinion, audit findings, follow-up the audit findings, but with adding variable for rank of Local Government Implementation Report (LGIR). For dependent variable level of corruption, this reasearch uses number of handling cases of corruption in the Indonesian Attorney General's Office as level of corruption.

This research uses contingent factors in context of accountability culture, with ethical intelligence, human development-moral development approach, within organizational development manner for strategic, socio, technic, and administrative (Albrecht, 1983; 2002; Chenhall, 2003; 2008; Hofstede and Hofstede, 2005; Khan, 2006; Belohlavek, 2007; Schein, 2014; Lokanan, 2015; Kelly, 2017). Through this research, we distinguish the substance of existing studies previously by adding contingent variables , and then, it uses the results to build academic ideas by modeling the formal side of accountability into the behavioral model (from the level of accountability to the culture of accountability).

Therefore, based on the background of research, we have stated the aims of research are:
(1) To measure contingent factors of ccountability culture in accounting and auditing facet, namely, audit opinon, audit findings, follow-up on audit, and rank of Local Government Implementation Report towards the levels of corruption in Indonesian Province Government;
(2) To describe contingent factors from accountability culture, ethical intelligence, human-moral development and organizational development to strengthen the model of prevention for corruption with behavioral approach.

LITERATURE REVIEW
Fraud Triangle and GONE Theory

Fraud phenomena and corruption that are one form of fraud was explained through "fraud triangle" with background of actions , namely, pressure (motivation or incentive to commit fraud), opportunity (the knowledge and ability to carry out fraud), and rationalization (justification of dishonest actions). Such GONE theory is developed from the previous model, as the triangle fraud theory. Fraud Triangle explains the three factors that are present in every situation of fraud which include Pressure, Opportunity, Rationalization. Elemen GONE can be corresponded with perspective how the corruption as a world wide problem that disproportionately affects those with the fewest personal, and economic resources appear. Refer to the theoritical perspective, that the fraud triangle is considered inadequate to explain the fraudulent behavior occur. Fraud is a multifaceted phenomenon, whose contextual factors may not fit into a particular framework. Therefore, the fraud triangle should not be seen as a sufficiently reliable model for antifraud's professionals (Lokanan, 2015). Further perspective extends the fraud Triangle concept to GONE theory. Hence, for the fraud diamond model has been added with aspect "capability" as the fourth element to complement the existing three elements, namely, pressure, opportunity, and rationalization (Wolfe and Hermanson, 2004; Albrecht, et al, 2012). Fraud diamond model as explanatory model also has been developed (see Bologna, 1993) with GONE theory. In accordance with this theory, the elements that cause fraud are stated, consits of, Greed, Opportunities, Needs and Exposure (GONE)..

Human – Organizational Development: Ethical Intelligence

Human development to limit its corruption, and where the magnitude of such an effect of corruption that appear is determined by contingent factors upon the conditions of national culture (see Chenhall, 2004; Hofstede and Hofstede, 2005; Sims, et al, 2011; McLeod, 2013). Human development and organizational development with ethical intelligence as coherence of concepts refers to post-conventional level as Kohlberg's stages moral development model (McLeod, 2013). This level consists of first, as stages 5 of model, namely "social-contract orientation" since the world is viewed as holding different opinions, rights, and values. This perspectives should be mutually respected as uniqueness and

harmony to each person, or with community, in line with organizational development with strategic, technic, socio, and administrative (Albrecht, 1983;2002). Therefore, Laws are regarded as social contracts rather than rigid edicts. Second, as stages 6, "universal ethical principal orientation", which moral reasoning is based on abstract reasoning using universal ethical principles. Generally, the chosen principles are abstract rather than concrete and focus on ideas such as equality, dignity, or respect. Laws are valid only insofar as they are grounded in justice, and a commitment to justice carries with it an obligation to disobey unjust laws. People choose the ethical principles that they want to follow, and if they violate those principles, they feel guilty (see Belohlavek, 2007; McLeod, 2013). This level as the ultimate of complex stages of moral development. Based on stages of post-conventional individuals, would elevate their own moral evaluation of a situation over social conventions, their behavior, especially at stage universal ethical principal orientation. Although, some theorists have speculated that many people may never reach this level of abstract moral reasoning. The theoretical framework approach can be put forward through human development with ethical intelligence (Belohlavek, 2007; McLeod, 2013), in the context of organizational development (Albrecht, 1983; 2002). This is also in accordance with the culture of accountability in building anti fraud, corruption policy and contingency plans of organization (see Kelly, 2017).

Relation between human development and corruption is moderated by power distance and individualism (Sims, et al, 2012). Hence, implication for policy making to reduce corruption can use ethics as an intelligence that supports the capacity to adapt to the environment. As the research of human evolution made by The Unicist Research Institute (Belohlavek, 2007), this concept describes, for the results that can be applied to future, to forecast in the individual, institutional and social fields. Ethical intelligence is the basis for Individuals influence on the environment. As Human development with intelligence levels, intelligence works, showed the use of 3 (three) layers to support human adaptive behavior. These three layers can be described as: 1) Reactive Intelligence which has direct contact with the environment. 2) Active Intelligence which sustains reactive intelligence when there is a need for a planning process. 3) Ontointelligence which sustains active intelligence when the "apprehension" of the essence of a certain reality is required (see Belohlavek, 2007). Such of types of ethical intelligence that is used to enhance the integrity plans and integrity management systems in implement corruption prevention (see Minkova, 2018). The role of individual ethical intelligence and organizational ethical intelligence can be linked to prevent levels of corruption, be stated, consists of (i) individual ethical intelligence which is formed by key attributes, such: social intelligence, emotional intelligence, cognitive intelligence, and ethical maturity, and, (ii) organizational ethical intelligence is formed by attributes, such as: organizational infrastructure, Human Resources Management, strategy, policies and procedures, ethical climate (O'Donohue and Wickham, 2010, Weinstein, 2011). All of concept in ethical intelligence perspective can be used as responsible of individual as member of organization for preventing, and compliance of policies and to avoid fraud in form corruption (see AFA, 2018).

Perspective of Accountability Culture

According to Ismail (2010), this aspect is related to contextual factors with external environment, and culture, that may affect personal and organizational effort to implement corruption prevention an local levels (Minkova, 2018). Human development to restricts corruption, hence, can be explained through by the level of culture (Schein, 2014). The magnitude of such an effect is contingent upon the underlying assumption. It can be justified within relationships between ultimate senses, of values and action, and espoused beliefs and values, to create socio-technical control artefacts as financial control structures and process to produce finanancial reports. Transform, from accountability level (Jeppesen, 2018) headed for culture accountability (see Khan, 2006) is needed to prevent condition of corruption behavior that appear, and which impressed to have become culture refers the organization in national culture (see Berry, 2009; Sims, et al, 2011; Schein, 2014).

We can theorize and view that different countries and different organisations will cause different cultural characteristics. Culture can be grouped either as national or organisational culture. Therefore, through this research we use contingency theory basic assumption that there is no universally appropriate system applying equally to all organisations in all circumstances. Different cultural values may influence the choice of system in organisations. Therefore, for taking the best manner to manage fraud and corruption risks for country (Moritz, 2016), there is a need to examine the effectiveness of these practices in different countries, including Indonesia and develop accountability culture (see Sousa and Voss, 2008). As described, Hofstede and Hofstede (2005), the defined of culture as "the collective programming of the mind which distinguishes the members of one category of people to those of another". Culture is classified into four categories, namely: power distance, individualism, masculinity, and uncertainty avoidance. It was in line with proposition of levels of culture, as Schein (2014) has described within relationships between underlying assumption, unconscious taken for granted beliefs, perceptions, thoughts and feelings with level of espoused beliefs and values towards artifacts, as something that visible in appearance but hard to be deciphed. Therefore, culture has meaning for context of contingent, that if we can not enhancement for level of accountability headed for the culture for accountability, it possible, that corruption as phenomenon would be appear to become the culture strongly. Further, that culture represent as artifacts which can be viewed, and be argued. Finally, it can help to explain some of the more seemingly incomprehensible and irrational aspects of what goes in groups and organizations (Schein, 2014; Moritz, 2016; Kelly, 2017). Hence, as theoritical view, culture is in line with ethical intelligence (Belohlavek, 2007) for human being context which has relation with moral development (McLeod, 2013), refers to anti fraud and corruption policy, culture were formed based on espoused values (Schein, 2014;) that refer in fundamental public service values, which include, accountability, integrity, efficiency, impartiality, honesty, loyalty, equity and delivering values (see Kelly, 2017).

Contingent Theory: Level of Accountability Headed to Culture Accountability

Proposition of "level accountability" with financial reporting and financial audit as mechanism for public sectors (see Mahsun, 2006; Bourn, 2007, Bastian, 2009; 2014; Jeppesen, 2018) headed to form accountability culture (see Khan, 2006; Kelly, 2017), can be explained through by the agency theory (Jensen and Meckling, 1976). It means that local government as agent has responsibilty to communicate a mandate that is managed to stakeholders as the principals which are more than only compliance for laws and regulations. This relationship explains the main thoughts related to "agency relationships". This theory confirms the social contractual, universal ethics in moral development (Mc Leod, 2013) in relationship between agent and principals, conflicts within the organization, and information of economic value. This concept describes the attitude tendencies of behavior in specific actions to meet their own interests such as Managerial opportunism (see GONE theory, with opportunity) which hinders the prosperity of society on the main goals to be achieved by the organization.

Theoretical implications are used through the needs of organizations in implementing reforms from upstream to downstream which includes reforms in the fields of planning and budgeting, budget execution, treasury, revenue and payment systems, cash management, receivables, state property, government obligations, accounting, reporting and accountability, inspection and control systems (Manao, 2009). Local government implementation report realizing refers to the accounting regulations (GAS, 2010) directed, which requires to achieve the level of usefulness of information in the decisions of users (users) and reduce the imbalance of information or information asymmetry, conflicts in the form of moral hazard and adverse selection, maintaining management and principal alignment, and a good governance approach (Smith and Bushman, 2001; Scott, 2006; Bastian, 2009; Linda and Nuraini, 2011).

A level of accountability towards a culture of accountability is needed to meet the objectives of good governance, such socio technical control artifact (Berry, et al, 2009). Also for the development of human being in line within the organizational development, which they will deal with

stages of different levels of moral development (McLeod, 2013). It can be interpreted, with contingency theory (Chenhall, 2003; 2008), that ethical intelligence (Belohlavek, 2007) and implementation contingent factors, upon the contextual factors, such as human development with moral development stages (McLeod, 2013), is to built pattern of organizational culture (Schein, 2014), and national culture (see Sims , 2011), that will explain the accountability culture, and if this manner does not appear, it would be related to tend corruption (seeSvensson, 2005; Kelly, 2017). Hence, contingent factors can be linked with behavioral aspects to the affect of level of corruption which may well be accepted at the adoption stage as antecedent, but they are not guaranteed to be relevant as explaining tool at the implementation stage (Minkova, 2018). Furthermore, if applying only contingency theory, it may not be adequate to fulfil explaination tool. This is because the implementation stage to enhance good government governance with implement corruption prevention manner is more affected by organizational factors rather than contextual factors. Moreover, in the current competitive environment, the relationships between organizational culture and organizational and individual behavior are more complicated than assumed by contingency theory. For review the theorizing of contingencies (Chenhall, 2008) in research, as stated, there has been relatively little research on control and risk or upon control and culture. The Contingency theory perspective explains how phenomena, such complexity of state financial control structure and proccess are present at different times and places (see Chenhall, 2003; 2008;Berry, et al, 2009). Therefore, the nature of universality is needed present in line with the perspective of this theory. Like a culture of accountability, with human and organizational development, with ethical intelligence, which it depends on situational and conditional, at least for a country's culture (Segon, 2010; Sims, 2011). As Chenhall (2003;2007) asserted that there is no such "contingency theory", but 'rather a variety of theories may be used to explain and predict the conditions', in which a particular system or technique may increase the performance of the organization. Based on theories, this design of research model is designed to fulfil requirement of contingent theories or of other existing theories with accountability culture, although it is not to fulfil of all of the elements for the application for level of accountability.

Framework to Thought Process and Research Model

Based on the description in the introduction and review of the literature which consists of a review of theories and references to previous research, the framework for thought process is proposed. The framework for thought process is as a theoretical and empirical review and its synthesis determine variables of research and the basis developing hypotheses and analyze the discussion of research results. Framework for thought process (see Imenda, 2014) which links theory with phenomena and uses application theories, as contingent factors to fulfill design and implement corruption prevention model for Indonesia Provinces Government, is presented in the following figure.
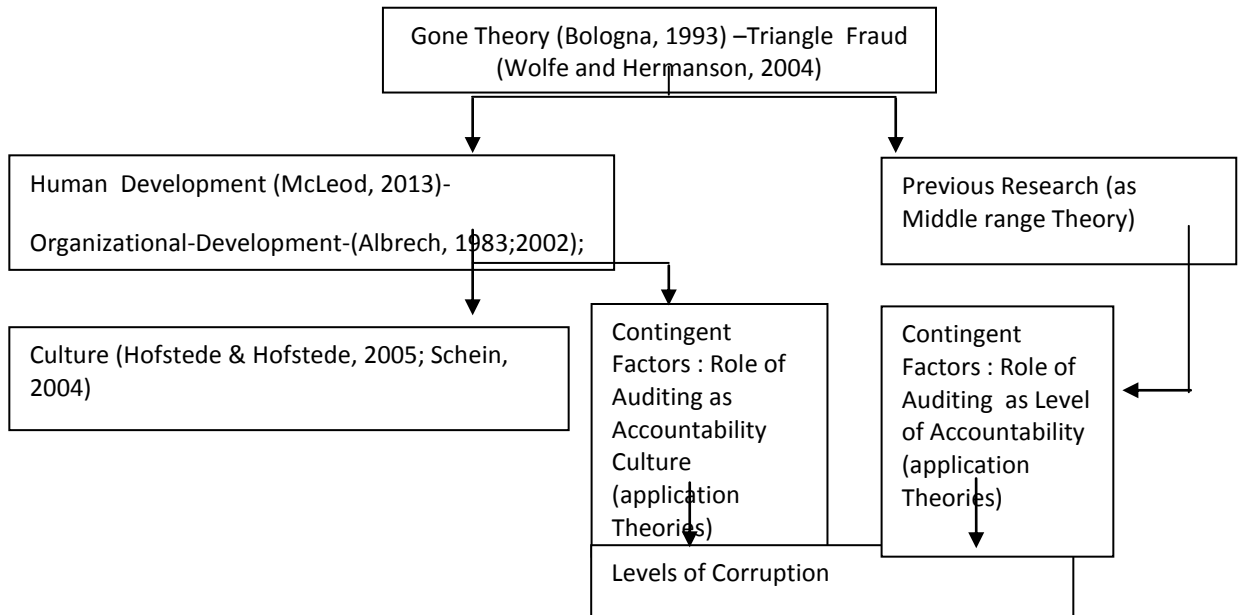
Figure 1: Thought Process Framework for Research Model

The research model uses contingent factors-behavioral perspectivewith accountability culture and level of accountability as in the following figure:

Figure 2: Research Model
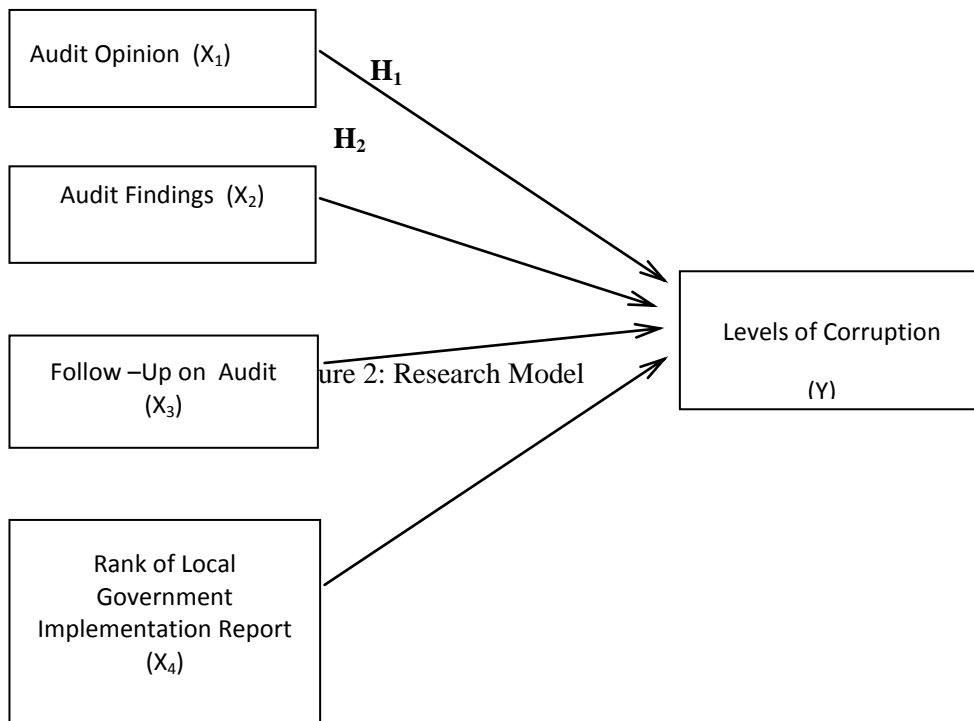
This research models consists of the following variables: X1 = Audit Opinion (indicators, (1) Disclaimer opinion, (2) Adverse opinion, (3) Qualified Opinion, (4) Unqualified Opinion with Explanation Paragraph, and (5) Unqualified Opinion); X2 = Audit Findings (indicators, number of

findings on SPI weaknesses and non-compliance with regulations and by law), X3 = Follow-up on Audit (indicators, Number of recommendations that have been followed up in accordance with recommendations / total number of recommendations); X4 = Local Government Implementation Report (indicators, Ranking of Local Government Implementation Reports for Provincial governments); Y = Level of Corruption, the research hypothesis is proposed (indicators, Number of handling cases of corruption in the Indonesian Attorney General).

Hypothesis Development

Based on the theoretical view, the though process framework <IR> and research model, supported by previous related studies, the following hypotheses (Ho $_1$- Ho $_4$) are presented, as follows:

An audit opinion on the level of corruption in local government

Research Rini &Liska (2017) examination of financial statements conducted to provide an opinion opinion / opinion on the fairness of financial information presented in the financial statements. Research by Masyitoh, et al (2015), Husna, et al (2017) shows that audit opinion has a negative effect on the perception of corruption. The better the audit opinion obtained shows the lower the potential for corruption in the local government environment (Rai, 2010). Empirical fact that the audit opinion variable negatively influences the perception of corruption (Afif, 2014; Tehupuring, 2018). In contrast to previous research by Utomo, et al (2018), that partially audit opinion variables have a positive effect on the level of corruption that occurs in institutions / ministries in Indonesia.Therefore, the hypothesis in this study was formulated as follows:H01: Audit opinion has no affect towards the level of corruption.

Audit findings on the level of corruption in local government

Audit findings are important (material) problems that were discovered during the audit and these issues are appropriate to be raised and communicated with the entity being audited because they have an impact on the improvement and improvement of work-economy, efficiency, and effectiveness of the audited entity (Rai, 2010). Some previous research which has coherence with hypothesis (H02), such as: Masyitoh, et al, (2015); Rini and Liska (2017), give empirical fatcs, that audit findings do not affect the level of corruption. Meanwhile, empirical fact (Rosyadi and Budding, 2017) that shows irregularities found by BPKP fraud audit influences the level of corruption in the Indonesia Provinces. Therefore, the hypothesis in this study was formulated as follows:
H02: Audit findings do not have affect towards the level of corruption

Follow-up on audit of the level of corruption in local government

The importance of the follow-up to the audit is mentioned in articles 20 and 21 of Law Number 15 Year 2015 concerning the Audit of State Financial Management and Responsibility. Both articles regulate penalties and fines for parties who do not follow up on the auditor's recommendation. Follow-up audit is the step that must be taken by the auditor after the audit report submitted by the auditee. Audit follow-up is an activity to identify and document the progress of the auditee in implementing audit recommendations (Rai, 2010). The previous research which has coherence with hypothesis (H3), such as empiric fact that the next action for the result of audit influences negative to the level of corruption (Masyitoh, et al, 2015; Rini and Liska,2017). Therefore, the hypothesis in this study was formulated as follows:H03: Follow-up on audits do not have affect to the level of corruption.

Rank of Local Government Implementation Report on the level of corruption in local government

Previous research Heriningsih (2015) assessed that the high IKK index indicates the effective and efficient performance of local government (LPPD) which associated with corruption. If the IKK index results are good, the level of corruption will be low. The evaluation of LPPD is in the form of score, rank and performance status. Therefore, the hypothesis in this study is formulated as follows:

H04: Rank of Local Government Implementation Report does not have influences towards levels of corruption.

METHOD

Research Design

This research is a quantitative research, as Quantitative Approach to Social Research (Neuman, 2014). Contingent factors are derived from the behavior approach, as measurers by cross sectional of the phenomenon for the levels of corruption, by using multiple linear regression model to analyze the measurement data, with secondary data to analyze the effect of audit opinion, audit findings, follow-up on audits, and rank of local government implementation report towards the level of corruption in Indonesia for the 2014 and 2015 as observation periods. The research also used qualitative approaches, and amethodical manner with interpretation results of research in using logic intervention of behavioral aspects to develop the role model of behavior approaches in preventing corruption.

Unit of analysis

The unit of analysis used in this study is the Summary of Semester Examination Results (IHPS) from the Indonesian Supreme Audit Board and list of the recapitulation of provincial government corruption cases in Indonesia by the Attorney General's Office of the Republic of Indonesia nationally for 2014 and 2015.

Population and Sample

Population of Provincial governments in Indonesia for the period of 2014 and 2015 with a total of 34 provinces is 60 samples because 4 provinces are still new that they have not been able to report opinions and assessments. The population in this study is based on the number of provinces according to observations. Sampling refers to Masyitoh, et al (2015), namely purposive sampling with sample selection criteria, as follows:a. Provincial governments that received opinions from BPK RI in 2014 and 2015; b. The provincial government which has audit findings data in the form of weaknesses in the internal control system and non-compliance with regulations in 2014 and 2015; c. Provincial governments that have "inspection Reports" are follow-up reports on audit results in the form of auditor recommendations in 2014 and 2015; d. The provincial government is included in the list of ratings / scores of regional government implementation determined by the Ministry of Home Affairs in 2014 and 2015; e. Provincial governments included in the ranking list of recapitulation of corruption cases by the Indonesian Attorney General's Office in 2014 and 2015.

Table 1.
Sampling Criteria

No	Description	Amount
1	Amount of Provincial Governments in Indonesia	34
2	**Multiplied by number of years (2)**	68
3	Provincial Governments that cannot obtain for LGIR (2 Years)	8
4	Number of cases to be sampled	60

Source: Data processed (2019)

Samples that have data completeness criteria used in this study are 34 provinces with research data in 2014 and 2015. Because there are 4 (four) provinces that do not get opinions from BPK and new provinces that have not been recorded in 2014 and 2015. Samples will be grouped into the part of the province that receives Unqualified opinions, Qualified opinions, Disclaimer, and Adverse opinions. Then they are added to the sample level of corruption in the province in the form of the number of cases that occur.

Data collection technique

Data collection techniques in this study are secondary data obtained from the Summary of Semester Examination Results (IHPS) II in 2014 and 2015. List of audit opinions, audit findings and audit follow-up. Report refers to regulation from Ministry of Domestic Affair Kepmendagri (Number 800-35 year of 2016) concerning The Ranking and Status of Performance of the Organization in year 2014, and Number 150–10421 year of 2016 concerning The ranking and status of the performance of the organization in year 2015. Data form the 2014 and 2015 annual reports are in the form of data on corruption cases from Indonesian Attorney General's Office (Attorney General's Office L. T., 2016).

Data and Variable Definitions

Table 2
Operating Definition of Variables

No.	Research Variables	Variable Measurement	Scale
1.	**Levels of Corruption** The development of the amount that occurs in one year to the next year from "Abuse of public office for personal gain in contradiction with the law, Improper or un-authorised use of fund and /or assets, the illegal sale of government property, bribery for government projects, and embezzlement of government funds, include leaking of confidential information which may directly or indirectly influence the action of any person (Svenson, 2005; Liu & Lin, 2012, Kelly, 2017).	Number of handling cases of corruption in the Indonesian Attorney General's Office (Developed by Author)	Ratio
2.	**Audit Opinion** As a representation of the statement of the professional auditor rendered by auditors on an entity's financial report, concerning the levels of fairness in presentation of the state's finances or regional's finance in financial statement, categories within Unqualified opinion; Unqualified opinion with explanation paragraph; Qualified opinion; Adverse ; and Disclaimer (Law number 15, 2004; SPKN, 2017)	Unqualified opinion =5;Unqualified opinion with explanation paragraph=4; Qualified opinion =3; Adverse =2, and Disclaimer=1 (Utomo, et al, 2018)	Interval
3.	Audit Findings As Audit evidence in criteria the audit findings that refers to the ineffectiveness of internal control in form Behavior of systems and processes in financial statement, and with non-compliance, fraud, and / or material non-compliance, which does not directly refers to the the purpose, but affects the fairness of the presentation of financial statements that result in state losses, in its linked of the examination (Masyitoh, et al, 2015; SPKN, 2017)	Number of findings on the weaknesses of the Internal control system, and non-compliance with laws and regulations	Ratio
4	Follow up on Audit As the form of follow-up audits which is based on the number of provinces reporting "non-follow-up audit results" by depositing state losses. Follow-up audit results by the provincial government must always be monitored, and monitored by reports, so that the elimination of audit findings by improving the assessment with follow-up audit results (Masyitoh, et al, 2015; SPKN, 2017).	Number of recommendations from the Supreme Audit Agency (BPK) that have been followed up in accordance with recommendations / the total number of	Ratio

recommendations.

| 5 | Rank of Local Government Implementation Report
Rank of the performance of local government administration that refers to the Local Government Implementation Report, which is assessed based on field performance evaluation on the performance of provincial government agencies' performance scores (Adapted, SPKN, 2015) | LGIR ranking is the relevant data issued by the Ministry of Home Affairs every 2 years giving a score, which is 4-3 (very high), value 2 (high), and 1 (low). | Interval |

(Sources, Reproduced, 2019)

Analysis Model

We analyze the independent variables separately and it is needed a testing approach for each of the independent variables towards dependent variable, with some analysis model of classical assumption Ttesting.

-Regression analysis test

Data analyzed with interval scale, and processed follows:

$Y = \alpha + \beta1X1 + \beta2X2 + \beta3X3 + + \beta4X4 + e$

Where: Y '= Dependent variable (predicted value): X1, X2, X3, X4, = Independent variable

a = Constant (value of Y 'if X1, X2, X3, X4, = 0); b = regression coefficient (value increase or decrease); e = disturbance error.Based on:Y = Levels of Corruption; OA = Audit Opinion; TA = Audit Findings; TLHA = Follow-Up on Audit Results, LPPD = Local Government Implementation Report, and Y = Levels of Corruption refer to the model= a + b1 OA + b2TA + b3 TLHA + b4LPPD + e

 (3) Hypothesis testing

Coefficient of Determination (R2)

The coefficient of determination R2 essentially measures how far the model's ability to explain the dependent variables (Ghozali I., 2016).

Partial Test (t test)

The t test was used to see the effect of each independent variable partially on the dependent variable with the following assessment procedure : H0 = partially independent variables or individuals that do not have effect on the dependent variable. Comparing the t value with t table with the following criteria: 1. If t-count <t-table, then the independent variables individually do not have effect on the dependent variable (H0 is accepted); 2. If t-count> t-table, then the independent variables individually affect the dependent variable (H0 is rejected).Test Criteria:1. If the significance level> 0.05 then Ho is rejected and H1 is accepted, it means that there is no influence between the independent variable and the dependent variable, and 2. If the significance level <0.05 then Ho is accepted and H1 is rejected, it means that there is an influence between the independent variable and the dependent variable.

RESULTS AND AND DISCUSSION

4.1. Descriptive Statistics of Research Variables

The independent variables used in this study consisted of audit opinions, audit findings, audit follow-up, and Local Government Implementation Report scores towards the number of

corruption cases in provinces throughout Indonesia. The results of descriptive statistical analysis in this study describe the Minimum, Maximum and Mean values. General description of descriptive statistical analysis results be described according the following table:

Table 3
Descriptive statistics

Statistics

		OA	TA	TLHA	LPPD	TK
N	Valid	60	60	60	60	60
	Missing	0	0	0	0	0
Mean		4.400	50.183	71.850	2.601852	50.517
Mode		5.0	46.0	56.0	1.8534[a]	.0
Std. Deviation		.9242	41.2912	60.9970	.3003551	36.5910
Minimum		1.0	10.0	10.0	1.8534	.0
Maximum		5.0	242.0	328.0	3.1802	154.0

a. Multiple modes exist. The smallest value is shown

Source: Output SPSS, 2019

Table 3 above shows that the mean (average) value of the audit opinion (OA) is 4,400 or close to 5 which is reinforced by the mode (mode) value is 5. This shows that more provinces have a fair audit opinion unqualified opinion (score 5) compared to other opinions (score 1-4). The mean value for audit findings (TA) is 50.183, meaning that on average each province in Indonesia has 50.183 audit findings. While the follow up of audit results in each province in Indonesia has an average of 71,850 cases per year. The average performance of the government in terms of the score of rank of local government implementation report (LPPD) of 2.601852. As well as the average corruption (TK) that occurred as many as 50,517 cases.

Maximum audit opinion value of 5 means the highest score is 5 (unqualified opinion), and minimum 1 which means the lowest score is 1 (no opinion or disclaimer opinion). The maximum value of audit findings (TA) of amount 242 means that the highest audit findings (TA) during 2014-2015 are amount of 242 cases and the lowest (minimum) from 10 audit findings. The maximum value of the follow-up on audit results means that the most audit results were followed up during 2014-2015 with 328 recommendations and the lowest (minimum) of 10 recommendations. The maximum score for rank of local government implementation report (LPPD) is 3.1802, and the minimum is 1.8534. While the highest level of corruption (TK) was 154 cases and the lowest was 0 cases.

Classic assumption test

Before multiple linear regression testing is carried out, the regression equation used must pass the classic assumption test first. Here are the results of the classic assumption test conducted:

(i) Normality Test

Normality test is done to test the normality of the data. The results of the normality test are known through the histogram graph and the normal probability plot.
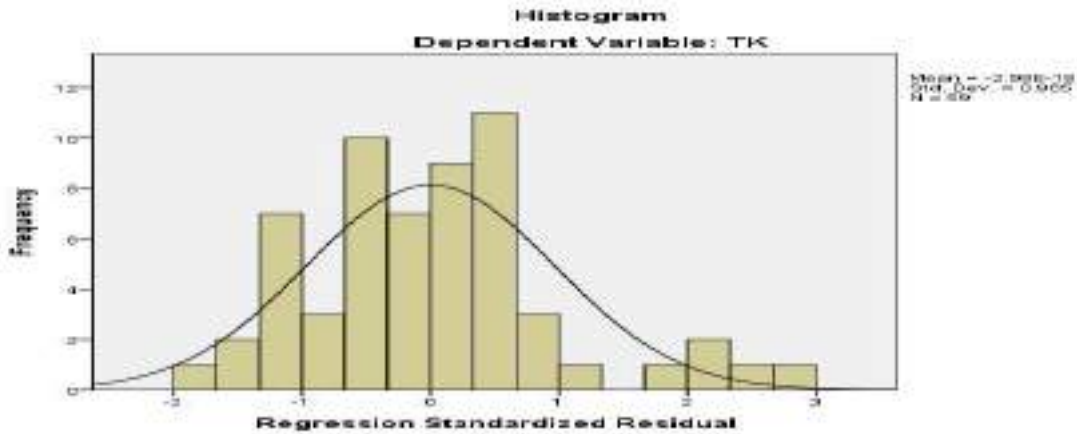
Source: Output SPSS, 2019

Figure 3.Graph Histogram

The graph above shows the curve does not go left or right. This means that the data is normally distributed. This test is also strengthened by the following results of the Normal Probability Plot test:
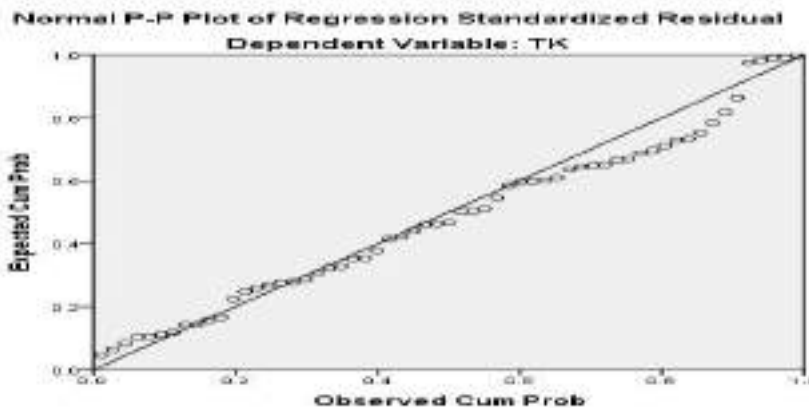

Figure 4. Normal Probability Plot

Source: Output SPSS, 2019

The picture above shows the data distributed around the diagonal line. This means that the data is normally distributed. That is the difference between the predicted value and the actual score or error that will be distributed symmetrically around the means equal to zero. So one manner of detecting normality is through observing residual values. (Ghozali, 2016).

Heteroscedasticity Test

Heteroscedasticity test is performed to test whether the data is heterogeneous or homogeneous. A good regression model is if heteroscedasticity does not occur. The test was carried out using scatterplot. Here are scatterplot graph:
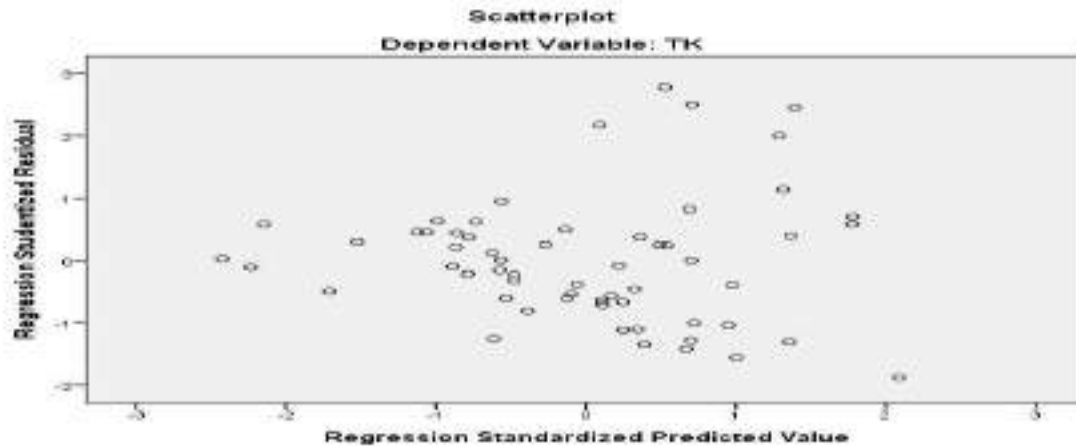
Source: Output SPSS, 2019

Figure 5. Scatterplot Graph

The figure above shows that the data points do not accumulate or form certain patterns. It means that there is no heteroscedasticity. If the variance from one observation to another is the same, it is called heteroscedasticity. A good regression model is homoscedasticity. One way to find out whether there is heteroscedasticity in a simple regression model is to look at a scatterplot graph (Ghozali, 2016).

Autocorrelation Test

Autocorrelation test is done to test whether there are interruptions among years, by looking at the Durbin Watson values. No autocorrelation occurs if Watson's Durbin Value meets the DU <DW <4 - DU requirements. The following autocorrelation test results:

Table 4. Model Summary

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.580^a	.337	.287	31.0500	1.556

a. Predictors: (Constant), Ln_LPPD2, Ln_TA2, Ln_OA2, Ln_TLHA2

b. Dependent Variable: TK

Source: Output SPSS, 2019

The table above shows the value of Durbin Watson of 1.556. Based on the Durbin Watson table with an Alpha level of 0.05, the number of independent variables (k) 4 and sample 60 obtained a DU value of 1.73. This means that autocorrelation occurs because the Durbin Watson value of 1.556 <DU of 1.73 does not meet DU <DW <4-DU. To treat autocorrelation, a Runs Test is performed. Here are the results of Runs Test:

Table 5. Runs Test Result

Runs Test

	Unstandardized Residual
Test Value[a]	-2.57798
Cases < Test Value	29
Cases >= Test Value	30
Total Cases	59
Number of Runs	29
Z	-.392
Asymp. Sig. (2-tailed)	.695

a. Median

Source: Output SPSS, 2019

The test results above show the Asymp value. Sig (2-tailed) of 0.695> 0.05. This shows that autocorrelation did not occur. Autocorrelation Test refers to a good regression model that is a regression model that is free from authentication. The way to detect the presence or absence of autocorrelation is the Run Test.

Multicollinearity Test

Multicollinearity test in testing whether between independent variables influence each other, shown through the value of VIF and tolerance. Multicollinearity does not occur if the VIF value <10 and tolerance> 0.1. The following multicollinearity test results:

Table 6. Multicollinearity Test Results

Coefficients[a]

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.	Collinearity Statistics Tolerance	VIF
1	(Constant)	-47.714	39.866		-1.197	.237		
	Ln_OA2	7.918	27.661	.033	.286	.776	.925	1.081
	Ln_TA2	16.203	44.027	.069	.368	.714	.347	2.880
	Ln_TLHA2	58.929	37.101	.301	1.588	.118	.343	2.915
	Ln_LPPD2	107.166	32.232	.385	3.325	.002	.914	1.094

a. Dependent Variable: TK

Source: Output SPSS, 2019

The table above shows the VIF value of each independent variable <10 and tolerance value> 0.1. This means that there is no multicollinearity and the classical assumption tests which are met. A good regression model may not occur multicollinearity.

Hypothesis testing
Determination Coefficient Test

The coefficient of determination test is used to test how much the independent variable together can explain the dependent variable. The coefficient of determination test is done by looking at the value of R Square. Here are the results of the coefficient of determination test:

Table 7. Determination Coefficient Test Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.580[a]	.337	.287	31.0500	1.556

a. Predictors: (Constant), Ln_LPPD2, Ln_TA2, Ln_OA2, Ln_TLHA2

b. Dependent Variable: TK

Source: Output SPSS, 2019

The table above shows the value of R Square is only 0.337 or 33.7%. This means that the independent variable in this study was only able to explain the dependent variable by 33.7%, while the remaining 67.3% was explained by other variables outside this study. This shows that the ability of the independent variable can only explain the variance of the dependent variable by 33.7%. A small R^2 value means that the ability of the independent variables in explaining the variation of the dependent variable is very limited. A value close to one means that the independent variables provide almost all the information needed to predict variations in the dependent variable (Ghozali , 2016).

Regression Equation

Based on table 6 above can be made a regression equation as follows:

$Y = a + b1X1 + b2X2 + b3X3 + b4X4 + e$

Y = - 47,741 + 7,918 OA + 16,203 TA -58,929 TLHA + 107,166 LPPD + e

The interpretation of the above regression results is as follows: Constants (a), this means that if all independent variables have a constant value, the value of the variable Y will decrease by 47,714. Audit Opinion (X1) on Corruption (Y). The regression coefficient value of the audit opinion variable is 7,918, this means that every 1% increase in audit opinion will increase 7.918% corruption. Audit Findings (X2) Against Corruption (Y). The regression coefficient value of the audit findings variable is 16,203, this means that each addition of the audit findings 1% will reduce corruption by 16.203%. Follow-Up Audit Results (X2) Against Corruption (Y). The regression coefficient value of the audit findings variable is -58,929, this means that every increase in follow-up to the audit result by 1% will reduce corruption by 58.929%. Ranking of Local Government Operations (X2) against Corruption (Y). Regression coefficient of the regional administration ranking variable 107,166 this means that every 1% increase in the regional administration ranking will increase corruption by 107.166%.

Hypothesis Test Results t

Refers to the table 6 above, it shows that the significance value for Audit Opinion (OA) is 0.776> 0.05. This means that hypothesis 1 which states that Audit Opinion influences Corruption (TK) is not proven. The significance value of the Audit Findings (TA) is 0.714> 0.05. This means that hypothesis 2 which states the audit findings (TA) affect the act of corruption (TK) is not proven. The significance value of the Follow-up on Audit Results (TLHA) is 0.118> 0.05. This also means that hypothesis 3 which states that the Follow-Up Audit Results have an effect on Corruption (TK) is also not proven. While the significance value for the Regional Government rating is 0.002 <0.05. This means that hypothesis 4 which states that the ranking of the Regional Government has an effect on Corruption (TK) is supported and can be verified.

Discussion

The Effect of Audit Opinion on the Level of Corruption

The first hypothesis (H01) in this study show, that audit opinion not affect on the level of corruption. Table 6 above shows the significance value for Audit Opinion (OA) of 0.776> 0.05. This

means that hypothesis 1 which states that audit opinion influences the level of corruption is not proven. The results of this study are in line with the research of Afif (2014), Masyitoh, et al (2015), Husna, et al, (2017), and Tehupuring (2018). Meanwhile, this result different with research previously from Heriningsih and Mahrita (2013), Utomo, et al (2018). Differences in the results of studies from previous research with this research and (see Rai 2010; Rini and Liska, 2017) shows an un-concluded of role of the audit opinion in suppressing corrupt behavior.

The results which show the absence of the role of audit opinion in reducing towards level of corruption, although, more provinces have a fair audit opinion unqualified opinion (score 5) compared to other opinions (score 1-4) (see Table 3), shows, still the weak formal role of the state financial audit in Indonesia. Because the unqualified opinion given by the Supreme Audit Board on auditing financial statements is a formal representation of: (i) compliance of local governments in managing state / regional finances that are in line with the legal aspects of state financial laws, (ii) comply with internal controls, (iii) refer to governmental accounting standards , and (iv) transparency (elements of good governance). In fact, according to the SPKN (2017), audit opinions provided from state financial audit activities are also based on relationships with audits directed to be able to find indications of fraud (Jeppesen, 2018). Furthermore, this condition can be explained more substantially, from a behavioral point of view, that it is acceptable, for several reasons, first, the deterrent behavior and effect does not exist, why ?, because the phenomenon of legal action for corruptors is less weight (Isgiyata, 2018) tend to be mild, and even free from punishmen (be explained by revealing "Expose" from GONE theory). Second, it can be seen that the potential for acts of corruption continues to grow in the bureaucracy in accordance with the explanation in "The Fraud Triangle: Pressure, Opportunity, Rationalization) because there has been a high financial burden in obtaining political position in the government, such for position of governor, regent, and mayor in Indonesia.

The Effect of Audit Findings on the Level of Corruption

The second hypothesis (H2) in this study is the audit findings on the level of corruption in the provincial government in Indonesia. According to Table 6 above, it shows that the significance value for the audit findings is 0.714> 0.05. This means that hypothesis 2 which states the audit findings affect the level of corruption is not proven. The results of this study are in line with the research of Heriningsih anh Mahrita (2013), Rini and Liska (2017), Masyitoh, et al, (2015). This findings research is not in line with research conducted by Rosyadi and Budding (2017).

The data shows the mean value for audit findings (TA) is 50.183 meaning that on average, each province in Indonesia has 50.183 audit findings. The results of the descriptive statistical analysis showed the mean (average) value of the provincial government in Indonesia which obtained audit findings showed a value of 50,183. The maximum value is 242.0 and the minimum value is 10.0. The average number of corruption cases was 50,517 cases. Central Kalimantan Province in 2014 with 37 audit was found with 31 corruption cases, then in 2015 there were 17 audit findings but the corruption cases rose to 39 cases. West Java Province in 2014 with 150 audit was found with 106 corruption cases, then in 2015 the number of audit findings was 64 but the corruption cases rose to 110 cases. This means that the audit findings have little effect on the level of corruption in the provincial government in Indonesia.

In terms of behavior, the audit findings are shown by the ineffectiveness of internal control, in the form of behavior of systems and processes in performance of a financial statement. Also, refers to non-compliance, fraud, and / or material non-compliance, which does not directly refer to the purpose, but Affects the fairness of the presentation of financial statements that results in state losses, in its linked of the examination (see Masyitoh, et al, 2015; SPKN, 2017). The absence of a positive relationship from audit findings shows the lack of self-development (McLeod, 2013), with internal control processes in terms of the control environment or process, plan's policies, compliance for the laws, (see KPMG, 2013; AICPA, 2019; GR, No. 6, 2008). Auditee's organization needs good governance according to established criteria, so as not to violate the laws and regulations and the internal control system (SPI) in

matter the audit findings (see Masyitoh, et al, 2015). The audit findings must be followed up by the auditee in accordance with the identification recommended by the auditor (SPKN, 2017). Further, these findings can be classified as fraud in corruption as intended, when there has been caused for violating state financial laws. Although corruption and audit Evidence (Khan, 2006) can be described, the auditors should remain aware of the limitations of their professional work with financial audit.

Audit findings refers to the problem characteristics refers to internal control systems in accounting, and with non-compliance for laws and regulations that affect the fairness of the presentation of financial statements that result in state losses (SPKN,2017; Masyitoh, et al, 2015). It was appeared due to the behavior, in moral development of human with systems and processes, such in internal control or information technology systems or entities in reporting systems (see Musa, et al, 2012; McLeod, 2013). The value of government organizations with bureaucratic control has a typical managerial control in organizations, with characteristics referring to the formal level, standards, khirarki, and legitimate authority (Hifni, 2017). Hence, It needs to fulfil works best manner where tasks are certain for human that are independent with social contract, universal ethics as accountability culture (Khan, 2006; McLeod, 2013).

Effect of Follow-Up on Audit Results Against the Level of Corruption

The third hypothesis (H3) in this study is the follow up on audit findings on the level of corruption in the provincial government in Indonesia. Table 6 above shows that the significance value for the follow-up of audit results is 0.118> 0.05. This means that hypothesis 3 which states that the follow-up of audit results has an effect on the level of corruption is not proven. The results of this study are in line with research by Masyitoh, et al (2015), but they are not in line with research conducted by Heriningsih & Mahrita (2013) and Utomo, et al (2018). The importance of the follow-up to the audit is mentioned in articles 20 and 21 of Law Number 15 Year 2015 concerning the Audit of State Financial Management and Responsibility. Both articles regulate penalties and fines for parties who do not follow up on the auditor's recommendation. Follow-up on audit is the steps that must be taken by the auditor after the audit report submitted by the auditee. Audit follow-up is an activity to identify and document the progress of the auditee in implementing audit recommendations (Rai, 2010). Audit follow-up is the steps that must be taken by the auditor after the audit report is submitted to the auditee with the aim of improving planning and evaluating performance. The communication of audit findings serves as a medium between the auditor and the auditee, namely the agency the government in updating information and explanations to auditors (Rai, 2010).Masyitoh, et al (2015) in implementing the auditor's recommendations. The provincial government has tried to correct mistakes in the accountability of state administration to create public financial accountability.

Refers to the results of the descriptive statistical analysis showed the mean (average) of the provincial government in Indonesia that followed up on the audit results showing a value of 71,850. The maximum value is 328.0 and the minimum value is 10.0. The average number of corruption cases was 50,517 cases. In 2014, DKI Jakarta Province followed up with 326 recommended with 34 cases of corruption, then in 2015 there were 317 followed up but 34 cases of corruption remained. In the province of West Nusa Tenggara in 2014, there were 112 follow-up cases that were recommended with 25 cases of corruption, then in 2015 there were 62 follow-up cases, but the corruption cases rose to 36 cases. This means that even though the audit follow-up has little effect on the level of corruption in the provincial government in Indonesia, it is needed to view Behavioral aspects that are applied in explaining the phenomenon of follow-up on audit findings. First, the form of follow-up audits is based on the number of provinces reporting "non-follow-up audit results" by depositing state losses. Follow-up audit results by the provincial government must always be monitored and monitored by reports, so that the elimination of audit findings is improving the assessment with follow-up audit results (Masyitoh, et al, 2015; SPKN, 2017). Second, for the manager of organizational reporting, it requires a perspective of self-development through post conventional morality to internalize behavior driven by the mind of social order and individual right and to fulfill the values of universal ethics in the form of behavior driven by internal

moral principles (see Belohlavek, 2007; McLeod, 2013). This will provide (in theory) an effort to suppress the Number of recommendations from the Supreme Audit Agency (BPK) that has been followed up in accordance with recommendations / the total number of recommendations.

Effect of Ranking of Local Government Operations on the Level of Corruption

The fourth hypothesis (H4) in this study is Rank of Local Government implementation report (LGIR) on the level of corruption in the Indonesian provincial government. Table 6 above shows that the significance value for the regional administration ranking is 0.002 <0.05. This means that hypothesis 4 which states the ranking of the administration of local government that influences the level of corruption is supported. The results of this study are not in line with research conducted by Heriningsih & Mahrita (2013).

The results of the descriptive statistical analysis showed the mean (average) of the provincial government in Indonesia that got the LGIR score indicating a value of 2.601852. The maximum value is 3.1802 and the minimum value is 1.8534. The average number of corruption cases was 50,517 cases. The performance evaluation of the implementation of local government which received a very high predicate by LGIR. The average occurrence of corruption cases was also high, for example Central Java Province obtained a score in 2014 of 2.9359 with a Very High Performance Score (ST) of corruption cases with 92 cases, and in 2015 a performance score of 3.0539 with a very high performance score (ST) of corruption cases with a total of 154 cases. East Java Province in 2014 with a value of 3.0478 and a very high performance score (ST) got the number of corruption cases 138 and in 2015 with a value of 3.1802 with a very high performance score (ST) a number of corruption cases 113. East Kalimantan Province in 2014 with a value of 2.9055 with very high performance score (ST) the number of corruption cases 34 and in 2015 with a value of 3.1496 with a very high performance score (ST) the number of corruption cases 60.

The Local Government Implementation Report (LGIR) has a positive effect on the level of corruption because the ranking score is measured not only by financial ratios and internal control systems, but also by the number of public services performed by local governments. Consequently, the more public services, the higher the LGIR score and the greater the opportunity for corruption. LGIR is a step taken by the government in assessing the success of the management performance of government administration in the hope of preventing corruption cases as being one of the targets, alhtough we know, the corruption cases that appear do not provide reasons for be linked with a good performance. Based on financial audit, substantially, performance audit also can be carried out by the BPK (SPKN, 2017) with the aim of achieving a structurally significant growth target for local government development.

In the context of good governance, indirectly the implementation of local government organization reporting with local government implementation reports is directed to achieve performance, and also public accountability. This is as the fulfillment and elaboration of agency theory fulfillment (see Jensen and Meckling, 1976). Also, it shows the organizational development from the administrative, social, technical, and strategic aspects, with moral development towards a culture of accountability (Albrecht, 1983; 2002; McLeod, 2013). Organizational ethical reactions (Belohlavek, 2007) and moral development are important as organizational culture in an effort to meet the accountability and performance of organizational reporting.

CONCLUSION

The conclusion that can be stated in the context of this study is how alternative approaches are taken to enable (in terms of theory) to re-building completeness of method, with enhancement accountability culture in government to prevent against corruption. Therefore, need re-building the role of contingent factors, first, to strengthen the level of accountability of the role of the State financial audit, which its factors (audit opinion, audit findings, follow up on audit), has not been able to influence the level of corruption of the provincial government in Indonesia. Second, it presents the implications of the study to design the level of accountability in the accountability culture model supported by organizational

reporting starting with local government implementation report, with performance ranking achievement of local government.

The approach requires strengthening the State's financial audit system with strengthening through by the auditor's side, namely sthrengthen the function of the State financial audit formally that should include the implementation of audit evidence collection and audit reporting within reports of potential fraud or indications of corruption (see Jeppesen, 2018). in other word, in case local government receive unqualified opinion from financial audit, it should guarantee individual in organization that do not do fraud in form corruption. This requires development of the contingent conditions refers more than existing ex ante regulation and ex post for the regulations's factor. Therefore, Formally institutional, organizational development is needed in terms of implementation of the law related to strengthening prevention (AFA, 2018; Kelly, 2017) and the significant penalty action against corruption in Indonesia, which requires the fulfillment of optimal regulation (Atlan, 2013).

Optimal regulation is choosing the manner of governmental intervention best suited for realizing the goal of preventing corruption based on the principle of justice, namely: Clear objective (such to regulate for statement for audit standard, covering, statement for audi method/programme for assessment fraud and its reporting/Detective control (AICPA, 2019) - Balance between advantages and disadvantages - Calculation of the indirect impact - Effective implementation. Also, external behavior is needed, in adaptation, competence and professionalism (Hifni, 2017), such as for the role of the Corruption Eradication Commission which needs to adopt a coercive-authoritarian style in specific conditions, as an 'coercive' approach utilizing the authority it possesses. This is related to the role of judicial legal institutions that still requires an increased role for justice in terms of law for corruptors.

From the auditee side, the need to implement a culture of accountability is formed to meet the harmony of organizational intelligence ethics with individual intelligence ethics (Belohlavek, 2007). Supporting the fulfillment of correspondence between aspects of audit opinion, audit findings, and follow-up on audit findings, which requires strengthening social contract, and with internalize the universal value of ethics as a member of the organization as achievement, in stages of the post-conventional morality (McLeod, 2013). This (in theory), indicates that the organization provides a place of ethical good governance, meanwhile, individuals become parties who can choose on the role of ethical or unethical. Also, this requires reinforcement, with benchmark organizational that has the relevance of an internal control strategy that is strengthened by the relations of internal supervision and external supervision (Hifni, 2017). Therefore, from academics side, the fundamental development direction is needed in moving from a formal level of organizational accountability to a culture of individual accountability.

A thinking as an idea in this conclusion, at least it can be considered to be identified contents and manner from a role model with contingent factors from accountability culture, ethical intelligence, human-moral development and organizational development to strengthen the model of prevention for corruption with behavioral approach. This is as a need for this nation, as Lokanan's (2015) describes that it is needed to present a model that urges authorities to consider persuasive and self-regulatory alternatives to criminal law and deterrence to address financial crimes (such as, the phenomenon of corruption in the Indonesian Provincial Government).

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FIT AND PROPER TEST: A DETERMINANT OF GOOD CORPORATE GOVERNANCE BANKING INDUSTRY IN INDONESIA

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Abstract: The implementation of good corporate governance (GCG) in banking sector is very essential to build the trust of society and international world as an absolute requirement to ensure the health of the financial institutions. Our study aims to identify the determinants and effectiveness of good corporate governance (GCG) practices in Indonesia banks. In this research, we used verification method based on some theories. The analysis technique used the presentation of descriptive statistics and the Structural Equation Model (SEM) for factor analysis and calculation. Our result shows that there were some weaknesses in the enforcement of good corporate governance (GCG) principles in Indonesia banks related with the leadership and business area aspects. Therefore, we suggested the using of fit and proper test as a moderate variable and determinant in enhancement the implementation of good corporate governance (GCG) for Indonesia banking industry.

Keywords: *Good Corporate Governance (GCG), verified theories, Structural Equation Model (SEM), fit and proper test*

BACKGROUND

The financial crisis that hit the United States and Europe in 2008 led to the emergence of legal or bankruptcy issues for several large and well-known financial institutions in America (Lehman Brothers, Bear Stearns, Citigroup, Merrill Lynch) and in Europe (Royal Bank of Scotland, HBOS, Continent Hypo Real Estate, The German State Bank, Dexia, Fortis, and UBS). This condition was caused by some heavy cases like fraud, accounting scandals, and business failures occurring all over the world (Djokic, D., & Duh, M., 2016). Besides that, it showed that there were some weaknesses in the current global system and corporate governance in contributing with sustainable business in the sustainable economy (Lenssen, Nikolay & Roger, 2014).

After the crisis passed, the issue of good corporate governance (GCG) became a major concern in all sectors. Moreover, there were a lot of countries in the world that had been followed the steps of United States and Europe in applying the program of good corporate governance (GCG) in the state level through National Code on Corporate Governance. The forms of practicing of that program could be seen in some countries such as: the Netherland Corporate Governance Report (1997), the Code of Best Practice of Korean Corporate Governance (1999), the Guidance of Corporate Governance for Philippines Banking (2001), and the Guidance of Indonesia Corporate Governance (1999 & 2001). Since then, the practice of good corporate governance (GCG) also applied in banking sector at international level through creating the standards of corporate governance in a country.

In Indonesia, the formation of good corporate governance (GCG) was triggered by the monetary crisis during 1997-1998 whereas also affected the political condition. As additional information, the Asian Corporate Governance Association survey (2016) showed that Indonesia was placed on the last position in the implementing of good corporate governance (GCG). After two years crisis, the issue of good corporate governance (GCG) in banking sector became an important focus for the government. Therefore, that government tried to protect the stakeholders and to improve the compliance with law and

code of conduct by pointing the Indonesia Financial Service Authority (OJK) as an institution that handled regulation relating with banking corporate governance. Based on the regulation number 55/POJK.03/2016 about Commercial Banks Corporate Governance, it stated that the implementation of corporate governance in banking sector must be based on 5 (five) principles: transparency, accountability, responsibility, independency, and fairness.

The implementation of good corporate governance (GCG) in Indonesia banking industries has been tainted by a number of deviations against the banking regulation or it can be called with bank fraud (Tipibank). According to Indonesia Financial Service Authority (OJK) survey, there were six areas (figure 1.1) using for fraud committing namely: credit area, window dressing area, funding area, customer funding area, bank funding area, and bank assets area. Moreover, the perpetrators of that fraud can be seen in figure 1.2. These deviations showed a crucial weakness in banking internal system especially in leadership system and business environment associating with the managing system, controlling system, operational standard procedure (SOP), capability standard, and the integrity.

Figure 1.1
Distribution of Alleged Bank Fraud Cases during 2014-2017
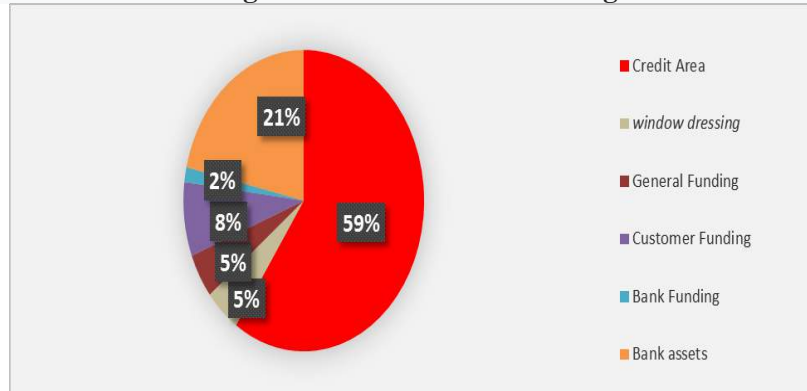
Source: Indonesia Financial Service Authority (OJK),2017

Figure 1.2
The Distribution of Alleged Perpetrators of Bank Fraud during 2014-2017
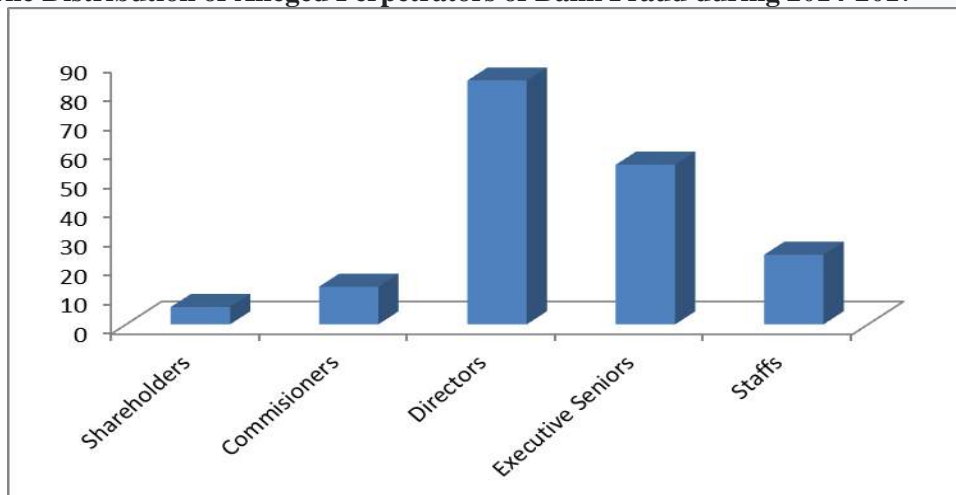
Source: Indonesia Financial Service Authority (OJK),2017

In dealing with the banking fraud (Tipibank) problem, the study about the effectiveness determinants of the good corporate governance (GCG) practice in banking sector is much needed. Besides that, the regulation of Indonesia Financial Service Authority Number 27/POJK.03/2016 (July 25ᵗʰ, 2016) has been arranged the fit and proper test as a tool to measure the ability and feasibility level of every staffs. Therefore, the more in-depth research about fit and proper test as a determinant of good corporate governance in Indonesia banking industries will be discussed in this research.

Research Limitation

The variables used in our current research is only limited to the determining variables that were applied in previous researches. In addition, these will be used as a determinant of the good corporate governance (GCG) quality in banking sector.

LITERATURE REVIEW
Previous Research

In supporting our current research, we used some previous researches both from local and international journals to learn what variables determine the quality of good corporate governance (GCG) for banking sector in Indonesia. At the beginning, Anggiriawan, MG Wirakusuma. (2015) stated that leadership and organizational culture have been considered as determinant variables of good corporate governance (GCG). Second, ElKelish, & Hassan. (2015) declared that the voluntary disclosure of corporate governance greatly affected for the accuracy of stock prices. Third, Karmani, Ajina, & Boussaada. (2015) indicated that every company that has good corporate governance (GCG) in providing the financial transparency will be possible to have the liquid market value. Fourth, Nazliatul et al. (2015) showed that the good implementation of corporate governance will affect the adoption of sustainability risk management program (based on Enron case). Fifth, Shukla et al. (2015) explained that the good corporate governance (GCG) will give a positive impact for the board effectiveness. Sixth, Widjayanti et al. (2015) analyzed that the leadership system will influence the assessment of corporate governance. Seventh, Duh et al. (2016) stated that the quality of good corporate governance (GCG) in Slovenia was affected by formal and informal regulation, recommendation, ethical code, corporate governance standard, and the corporate governance quality. Eighth, Tisna et al. (2016) pointed that good corporate governance (GCG) and company size gave a partial and simultaneous impact for corporate financial performance. Ninth, Triyono et al. (2016) described that institutional ownership gave a positive effect for the quality of good corporate governance, but managerial ownership gave a bad effect. At the end, Segara (2017) stated that morality and reliability can realize good corporate governance (GCG) in creating the clean government motto.

The General Concept of Good Corporate Governance (GCG)

Good corporate governance (GCG) described a mechanism of economic and social resources through the involvement of (Widodo,2001). He also stated that there were 9 (nine) characteristics of good corporate governance (GCG), namely: participation, rule of law, transparency, responsiveness, consensus orientation, equity, effectiveness and efficiency, accountability, and strategic vision. Besides that, the assessment of good corporate governance (GCG) will be evaluated from 4 (four) aspects (Wheelen et al.,2015) : ownership structure and influence, financial stakeholder right and relations, financial transparency and information disclosure, and board structure and process. Furthermore, companies or banks can choose the 5 (five) qualities of good corporate governance (GCG) practice,i.e: a) cost leadership, b) differentiation, c) focused cost leadership, d) focused differentiation, and e) integration cost leadership or differentiation.

The Banking Good Corporate Governance (GCG)

Linunga et al. (2014) argued that good corporate governance (GCG) must be applied in banking sector because of 4 (four) reasons: 1) bank has a dominant position in the state financial system and an important function as a machine for the economical growth, 2) bank become a primary financial source in developing countries for almost all companies, 3) bank is recognized as a primary saving area for economy saving, and 4) there is a lot of developing countries applying liberalization system in order to privatize or disinvestment and to decrease the role of economy regulation. He also measures the banking corporate governance through 3 (three) dimensions: ownership structures, financial transparency and information disclosure, and management process and structures.

The Managing of Good Corporate Governance (GCG) in Indonesia Banking

The managing system of good corporate governance (GCG) in Indonesia banking sector is handled by the Financial Authority Service (OJK). Based on the regulation of this institution number 55/POJK.03/2016, it stated that the good corporate governance (GCG) in all public and conventional banking has been regulated. Moreover, Indonesia Bank has been published the regulation number 11/33/PBI/2009 about the practice of good corporate governance (GCG) in Syariah Commercial Bank and General Unit. On March 17ᵗʰ,2017, the Financial Authority Service (OJK) issued the letter of the good corporate governance (GCG) guidance for public banks. This letter explained the 5 (five) detailed principles which are known as TARIF i.e.: 1) Transparency (information disclosure), 2) Accountability (the clarity of functions and implementation of responsibilities), 3) Responsibility (the compliance of bank with applicable laws and regulations), 4) Independency (the professionalism of Bank management), and 5) Fairness (the justice and equality in fulfillment of shareholder rights and interest).

The Dimensions of Good Corporate Governance (GCG)

There are 8 (eight) dimensions using in the implementation of good corporate governance (GCG) as follows:
1. Company resource dimension
   This dimension focuses on the company resource such as tangible assets, intangible assets, human resources, and organization capability (Omerzel et al,2011; Wheelen et al.,2012; Pearce et al.,2015; and Hitt et al.2015).
2. Leadership dimension
   This dimension lifts up leadership system especially transformational system in order to reach the mission and vision of company. Based on some literatures, this system assess the leaders based on their vision and quality, charismatic, inspiration, decision taking, intellectual stimulation, contingency award, behavior, speaking and language style, and ability to manage a company (Selznick,1984; Bass et al.,1995; Plowman et al.,2007; and Stahl et al.2018).
3. Unique capability dimension
   The pressure of this dimension is a superior and specific ability in optimizing the company resources in producing the best products in winning the market competition. Some researchers stated that this capability can be seen in some factors such as assets, company or organization capability, human resources, characteristic, innovation, location and competencies (Collins et al.,2005; Hit et al.,2007; Simonceska,2010; Wheelen et al.,2015; and Pearce et al.,2015)
4. Organization culture dimension
   The aim of this dimension is directing all human resources to work based on company values, ethical code, and corporate governance. The previous researches showed that there were several things using such as norms, organizational situation, organizational values, philosophy, regulation, trust, behavior, piety, integrity, and knowledge (Lutham, 1998; Triguno,2000; Avicenna et al.,2012; and Pendke, 2013)
5. Business environment dimension

This dimension will give impacts for company. Some researchers stated that there were two types of environment, i.e.: external and internal environment (Kusmayadi, 2008; Hitt et al.2007; Wheelen et al., 2012; and Killeen, 2012)

6. Business partnership dimension

The main point of this dimension is the cooperation system and procedure with other companies which have same vision in creating the high quality of products and services. Based on the adopted literatures, the primary factors of cooperation consisted of: collaboration, competency, coordination, dependency, trust, competitive advantage, capacity, and capability (Doll et al., 1987; Mohr et al., 1994; Liedtka, 1996; and Sulistiyani, 2014)

7. Dynamic capabilities dimension

This dimension emphasizes on the environment characteristic transformation and the ability of company in adapting, integrating, and reconfiguring the internal and external resources for fighting with the dynamic environment. Adopted from previous researches, this capability used for solving problem, constructing, integrating, reconfiguring, learning, coordinating, acquiring the knowledge, creating a knowledge, combining all knowledge, marketing, management altering, innovating, founding, and protecting the resources (Teece,2007; Pavlou et al.,2011; Wang et al.,2011; Zheng et al.,2011; Lin et al.,2012; Mauludin et al.,2013)

8. Fit and proper test dimension

The fit and proper test dimension is an assessment process of the integrity and ability for all management in accordance with the applicable provision. Inside of this test, a company can apply some component based on the previous literatures such as material test, vision test, response test, banking regulation test, the philosophy test of healthy banking, corporate governance test, and integrity and competency test (Barnard et al., 1986; Khalid et al., 2014; Pawana, 2014)

RESEARCH METHODOLOGY

Our current research uses verification research method based on some theories and it will be developed into the hypotheses or temporary answer of our main research questions. That questions are: 1) what factors are contribute in creating the quality of good corporate governance (GCG) for Indonesia banking sector and 2) what type of good corporate governance (GCG) is the most ideal for describing the determinant factors of good corporate governance (GCG) practice in Indonesia public banks. Therefore, we applied some steps to make a conclusion at the end of our research as follows:

1. Determining the operational variables

This first step consists of 9 (nine) variables: seven variables are latent exogen (resources, leadership, unique capability, organization culture, business environment, business partnership, dynamic capability), one variabel is moderate variable (fit and proper test) and one another is as latent endogen (the quality of good corporate governance (GCG) practice)

2. Determining the source and method of data

The source of data used in current research derived from primary and secondary data. Our primary data is taken from the questionnaire distribution through email, face to face, and online form while the secondary data is taken from public banks in Indonesia and The Indonesia Finance Authority Service (OJK) performance indicator reports. Moreover, the research object is all public bank operating in Indonesia.

3. Data Collecting technique

The techniques used in our current research are questionnaires distribution and interviews. Then, the population is all public banks operating in Indonesia and the respondents are every bank coordinators (115 people in total).

4. Designing of analysis and hypotheses test

In this current research, we applied Likert scale in valuing the questionnaires. Every questionnaire was given 6 (six) choices of answers according to the voter's judgment i.e.: 1 ->

strongly disagree, 2 -> disagree, 3 -> not agree, 4 -> quite agree, 5 -> agree, 6-> strongly agree. Besides that, all question faced all indicators based on 8 (eight) dimensions of good corporate governance (GCG). Therefore, the indicators average calculation result of each dimensions will be classified into 3 (three) scales i.e.: not good (1-2.67), good enough (2.67 – 4.33), and good (4.33 – 6.00). Then, the design of analysis and hypotheses can be explained as follows:

1. Data analysis method
   The method using in data analysis is descriptive analysis in order to get the image of voters characteristic.
2. Structural Equation Model (SEM) analysis
   According to hypothesis formulation, we measured the inferential statistic data analysis through using Lisrel 8.80 Software. Moreover, we made a complete model through some steps such as: theoretical model development, path diagram development, the conversion of path diagram into the mathematical equation, the selection of input matrix and model estimation, the identification of structural method, the model compatibility testing, and the evaluation of goodness-of-fit criteria.
3. Structural Method
   This method will explain the relationship between variables and dimensions of good corporate governance.
4. The validity test of questionnaire
   This test will be used as a basis to avoid the data which cannot be proceed because of misunderstanding questions, central tendency answers, and no answers at all questions.
5. Reliability test
   This test will be used to measure the consistency and the accuracy of questions inside of the questionnaire.
6. Moderation effect test
   This test will classify the moderation variables into 4 (four) types i.e.: pure moderation, pseudo moderation, potential moderation, and predictor moderation.
7. Hypothesis test
   This test will be applied in answering all hypotheses related with the 8 (eight) dimensions of good corporate governance (GCG). Then, these hypotheses will be used to design the problem solving.

Based on the result of research and aim of research referring to the problem identification, there are some stages used in designing the problem solving as follows:

a. The formulation of research purpose
b. The strategy mapping
c. The operationalization strategy
d. The action plan
e. The evaluation and controlling plan

RESULT AND DISCUSSION
The Analysis of Current Good Corporate Governance (GCG) Implementation in Indonesia Public Banks

Based on the survey process through questionnaire distributing, the overall implementation of good corporate governance (GCG) in Indonesia public banks at all book bank types has been running well. This valuation has been derived from the measurement of each operational variable (table 4.1) which earns the total average index in determining the criteria score.

Table 4.1
The Average Value of Good Corporate Governance (GCG) Operational Variables

Research Indicators or Variables	The Book Bank Types				Index Total	Criteria
	Book 1	Book 2	Book 3	Book 4		
Latent Endogen Variable :						
Good Corporate Governance	4.47	4.60	4.66	4.90	4.66	Good
Latent Hexogen Variables :						
Company Resources	4.22	4.42	4.57	4.85	4.51	Good
Leadership System	4.40	4.53	4.66	4.97	4.64	Good
Unique Capability	3.87	4.08	4.32	4.80	4.27	Good Enough
Organizational Culture	4.25	4.47	4.59	4.95	4.57	Good
Business Environment	4.29	4.54	4.60	4.72	4.54	Good
Business Partnership	4.15	4.33	4.46	4.87	4.45	Good
Dynamic Capability	3.91	4.18	4.37	4.70	4.29	Good Enough
Moderate Variable :						
Fit and Proper test	4.13	4.37	4.52	4.64	4.41	Good

Source: Proceed Data, 2019

Moreover, the quality assessment of good corporate governance (GCG) practice in all Indonesia public banks was also considered good based on the measurement of average index in compliance with the 5 (five) principles that had been set by Finance Service Authority (OJK) Letter in March 17th, 2017 (Table 4.2).

Table 4.2
The Average Value of Good Corporate Governance (GCG)
Based on OJK Principles

Principles	The Book Bank Types				Total	Criteria
	Book 1	Book 2	Book 3	Book 4		
Transparency	4.57	4.68	4.80	5.00	4.76	Good
Accountability	4.27	4.47	4.63	4.95	4.58	Good
Responsible	4.57	4.70	4.69	4.90	4.71	Good
Independency	4.45	4.61	4.58	4.73	4.59	Good
Fairness	4.49	4.56	4.62	4.93	4.65	Good

Source: Proceed Data, 2019

The Analysis of Current Dimensions of Good Corporate Governance (GCG) In Indonesia Public Banks
Company Resources Dimension

The company resources consist of 2 (two) types i.e.: organizational resources and human resources (Jabbouri et al.,2014). The average value of each type of resources can be seen in table 4.3. Then, the overall average value of company resources in all Indonesia public banks has been good implemented except book bank 1 which needs some improvements in both of resources.

Table 4.3
The Average Value of Company Resources Dimension

The Book Bank Types	Type of Resource		Total Average Value	Criteria
	Human Resources	Organizational Resources		
Book 1	4.21	4.23	4.22	Good enough
Book 2	4.38	4.46	4.42	Good
Book 3	4.58	4.56	4.52	Good
Book 4	4.83	4.87	4.85	Good
Total Average Value			**4.51**	**Good**

Source: Proceed Data, 2019

Leadership System Dimension

Nave (2006) stated that the successful or the failure level of a company is determined by the leadership style. He measures this level through 4 (four) tools i.e.: 1) vision, 2) communication, 3) inspiration, and 4) intellectual stimulation. The average values of each measurement tools can be seen in table 4.4 and the overall value showed that the leadership system has been well applied in all types of book bank in Indonesia public bank except book bank 1 which needs some improvement in inspiration and intellectual stimulation factor.

Table 4.4
The Average Value of Leadership System Dimension

The Book Bank Types	Type of Measurement Tools				Total of Average Value	Criteria
	Vision	Communi-cation	Inspiration	Intelectual Stimulation		
Book 1	4.51	4.43	4.33	4.33	4.40	Good
Book 2	4.68	4.60	4.43	4.41	4.53	Good
Book 3	4.78	4.69	4.57	4.59	4.65	Good
Book 4	5.00	5.00	4.87	5.00	4.96	Good
Total Average Value					**4.64**	**Good**

Source: Proceed Data, 2019

Unique Capability Dimension

The unique capability is defined as a specific resource that must be had by all companies and be implanted in order to increase the effectiveness of productivity of other resources inside of the company (Makadok,2001). Simonceska (2010) also explained that there were 2 (two) types of measurement of this dimension i.e.: characteristic and innovation. Table 4.4 will describe about the average values of each measurement and the overall average values indicated that this dimension is still not well implemented in Indonesia public banks and needs some improvements in book bank 1-3.

Table 4.5
The Average Value of Unique Capability Dimension

The Book Bank Types	Type of Measurement		Total of Average Value	Criteria
	Characteristic	**Innovation**		
Book 1	3.87	3.86	3.87	Good enough
Book 2	4.15	4.02	4.09	Good enough
Book 3	4.36	4.28	4.32	Good enough
Book 4	4.75	4.85	4.80	Good
Total Average Value			**4.27**	**Good enough**

Source: Proceed Data, 2019

Organizational Culture Dimension

There was a strong relationship between organizational culture and the formulation of determinant factors in determining the quality of good corporate governance (GCG) practice and in resulting the sustainable competitive performance (Barney, 1991). He also described this dimension consists of 4 (four) factors i.e.: 1) norms, 2) organizational condition, 3) primary value, and 4) regulation. The average value of each factor can be seen in table 4.6. Besides that, the total of this average value indicated that this dimension has been well applied in Indonesia public banks except book bank 1 needing an improvement.

Table 4.6
The Average Value of Organizational Culture Dimension

The Book Bank Types	Types of Factors				Total of Average Value	Criteria
	Norms	**Organizational Situation**	**Primary Value**	**Regulation**		
Book 1	4.33	4.29	3.94	4.45	4.25	Good enough
Book 2	4.53	4.48	4.26	4.60	4.47	Good
Book 3	4.68	4.63	4.33	4.71	4.59	Good
Book 4	5.00	5.00	4.87	4.95	4.96	Good
Total Average Value					**4.58**	**Good**

Source: Proceed Data, 2019

Business Environment Dimension

Jim (2012) illustrated that this dimension is able to answer some questions such as how do we know the trend development, how the trend will effect on business, and how is the planning for facing the current trends. He measured this dimension from 2 (two) parties i.e.: internal and external environment. The average value of each party can be seen in table 4.7 and the result showed that this dimension has been well implemented in Indonesia public banks except book bank 1.

Table 4.7
The Average Value of Business Environment Dimension

The Book Bank Types	Type of Environment		Total of Average Value	Criteria
	Internal	**External**		
Book 1	4.35	4.23	4.29	Good enough
Book 2	4.60	4.48	4.54	Good
Book 3	4.72	4.47	4.60	Good
Book 4	4.90	4.55	4.73	Good
Total of Average Value			**4.54**	**Good**

Source: Proceed Data, 2019

Business Partnership Dimension

Vonderembse et al. (1999) supported the role of business partnership in stimulating the forming of good corporate governance (GCG) in a company. They also stated that there were 2 (two) components to asses this dimension i.e.: collaboration and cross-competence. The sum of average value concluded that the two components are good implemented except for book bank 1 and 2.

Table 4.8
The Average Value of Business Partnership Dimension

The Book Bank Types	Type of components		Total of Average Value	Criteria
	Collaboration	**Cross-Competence**		
Book 1	3.96	4.35	4.15	Good enough
Book 2	4.13	4.52	4.33	Good enough
Book 3	4.28	4.64	4.46	Good
Book 4	4.87	4.87	4.87	Good
Total of Average Value			**4.46**	**Good**

Source: Proceed Data, 2019

Dynamic Capabilities Dimension

Pisano et al. (2003) studied that the dynamic capabilities have a strong relationship with the practice of good corporate governance (GCG) in facing the business condition with the technology change, the customer change, and the tight competition. They also asses this dimension from two types i.e.: sensitivity capability and management changing capability. The average value of each type can be seen in table 4.9 and the overall value of this dimension showed that all types have not been well implemented in Indonesia public banks especially for book bank 1 and 2.

Table 4.9
The Average Value of Dynamic Capabilities Dimension

The Book Bank Types	Types of assesment		Total of Average Value	Criteria
	Sensitivity	**Management Changing**		
Book 1	3.76	4.06	3.91	Good enough
Book 2	4.03	4.32	4.18	Good enough
Book 3	4.21	4.52	4.37	Good
Book 4	4.60	4.80	4.70	Good
Total of Average Value			**4.29**	**Good enough**

Source: Proceed Data, 2019

Fit and Proper Test Dimension

The primary quality of good corporate governance (GCG) practice is determined by the key criteria inside of the fit and proper test process both in developed and developing countries (Khalid et al., 2004). They applied two keys in looking for good leaders i.e.: integrity and competency. Moreover, the sum of average value indicated that this dimension is still not well implemented in all book bank types especially type 1 and it needs some improvements.

Table 4.10
The Average Value of Fit and Proper Test Dimension

The Book Bank Types	Keys for looking good leader		Total of Average Value	Criteria
	Integrity	Competency		
Book 1	4.25	4.01	4.13	Good enough
Book 2	4.46	4.28	4.37	Good
Book 3	4.60	4.45	4.53	Good
Book 4	4.64	4.63	4.64	Good
Total of Average Value			**4.41**	**Good**

Source: Proceed Data, 2019

The Analysis of Measurement Model

The analysis process of measurement model is divided into 2 (two) parts, there are: 1) validity and reliability test and 2) the matching test of all measurement model. The details of the tests can be seen in table 4.11 and table 4.12. Then, the result of measurement model can be seen in figure 4.1 and figure 4.2.

Table 4.11
The Matching Test of All Measurement Model

Goodness of Fit (GOF)	Goodness of Fit (GOF) Measurement	Value	Remarks
Absolute Fit Measurement			
Chi-square	The smaller the better	108.26	Fit
RMR Standardized	$\leq 0,05$	0.049	Good Fit
RMSEA	$\leq 0,08$	0.000	Good Fit
ECVI	Model of ECVI Value close to ECV1 Saturated	9.26	Good Fit
Incremental Fit Measurement			
NNFI		1	Good Fit
NFI		1	Good Fit
GFI		1	Good Fit
AGFI	Marginal fit $0,8 \geq GOF \leq 0,9$	0.99	Good Fit
RFI		0.99	Good Fit
IFI		1.00	Good Fit
CFI		1.00	Good Fit
Parsimonious Fit Measurement			
AIC Model	Value of AIC Model close to Value of AIC saturated	880.26	Good Fit
AIC Saturated		1056	
AIC Independence		29467	
CAIC Model	Value of CAIC model close to CAIC	2325	Good Fit

| CAIC Saturated	saturated	3033	
CAIC Independence		29587	
Other GOFI Measurement			
Critical "N"	≥ 200	294.87	Good Fit

Source: Proceed Data By Lisrel 8.70, 2019

Table 4.12
The Validity and Reliability Test

Indicators	Remarks	*Standardized Loading Factor*	ei	T calculation	CR	VE
X1.1	Human resource	1,00	0,00	20,41		
X1.2	Organizational Resource	0,94	0,11	18,72		
X2.1	Vision and Mission	0,94	0,12	22,71		
X2.2	Communication	0,89	0,20	23,74		
X2.3	Inspiration	0,88	0,22	22,10		
X2.4	Intellectual Stimulation	0,89	0,20	23,47		
X3.1	Characteristic	0,90	0,19	18,02		
X3.2	Innovation	0,83	0,31	16,14		
X4.1	Norms	0,90	0,20	23,86		
X4.2	Organizational Situation	0,85	0,28	23,36		
X4.3	Primary Value	0,73	0,47	17,21	0,9871	0,79304
X4.4	Regulation	0,94	0,11	23,75		
X5.1	Internal	0,90	0,19	17,36		
X5.2	External	0,84	0,29	13,97		
X6.1	Collaboration	0,89	0,21	14,02		
X6.2	Cross-Competence	1,00	0,00	17,43		
X7.1	Sensitivity Capability	0,82	0,32	15,12		
X7.2	Management Changing Capability	0,88	0,22	15,74		
X8.1	Integrity	0,84	0,29	17,37		
X8.2	Competency	0,89	0,20	18,05		

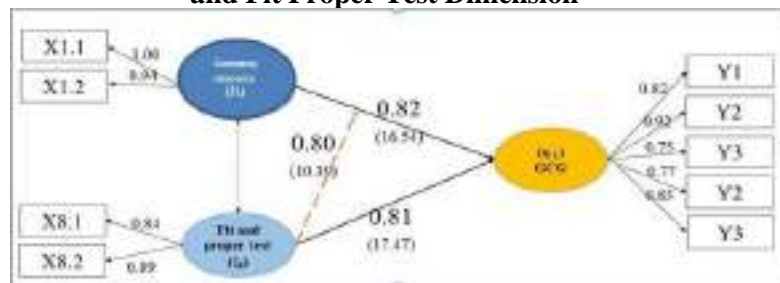**Source: Proceed Data By Lisrel 8.70, 2019**

Figure 4.1
The Standardized Loading Factor and T Calculation
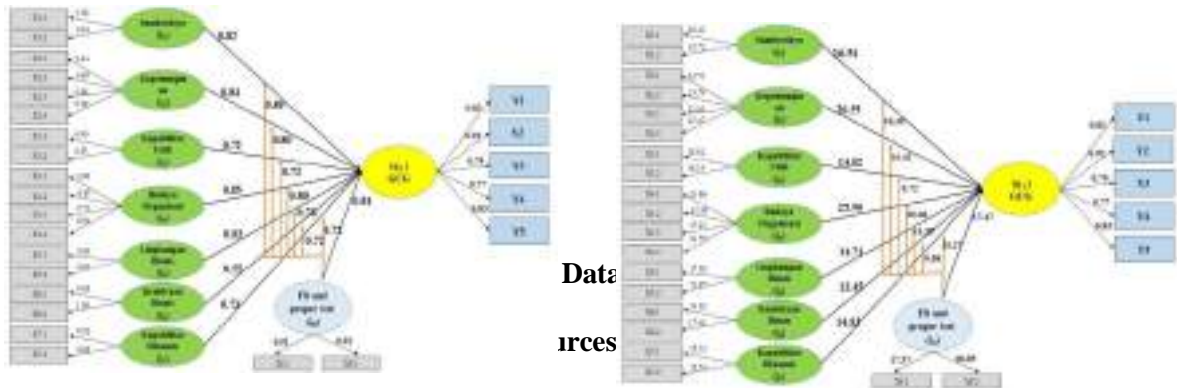
Fit Proper Test Dimension

The first hypothesis is testing the direct effect of company resources with good corporate governance (GCG). Then, this result will be tested with the moderation effect of fit and proper test. Figure 4.2 described about the hypothesis and showed that there are a significant and positive impact between company resources and good corporate governance (GCG). Besides that, the t calculation test also showed that fit and proper test is able to increase the effect of company resources and good corporate governance (GCG).

Figure 4.2
The Relationship Among Company Resources, Good Corporate Governance (GCG)
and Fit Proper Test Dimension

Source: Proceed Data by Lisrel 8.70, 2019

The Effect Test of Leadership System, Good Corporate Governance (GCG) and Fit Proper Test Dimension

The second hypothesis will test the direct effect of leadership system with good corporate governance (GCG). Then, this result will be tested with the moderation effect of fit and proper test. Figure 4.3 described about the hypothesis and showed that there were a significant and positive impact between leadership system and good corporate governance (GCG). Besides that, the t calculation also identified that fit and proper test is able to raise the effect of leadership system and good corporate governance (GCG).

Figure 4.3
The Relationship between Leadership System, Good Corporate Governance (GCG)
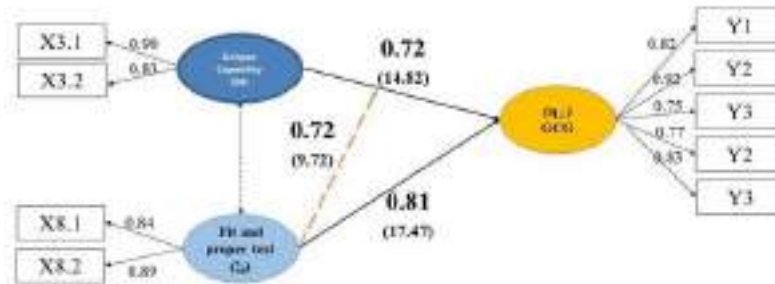**and Fit Proper Test Dimension**

229
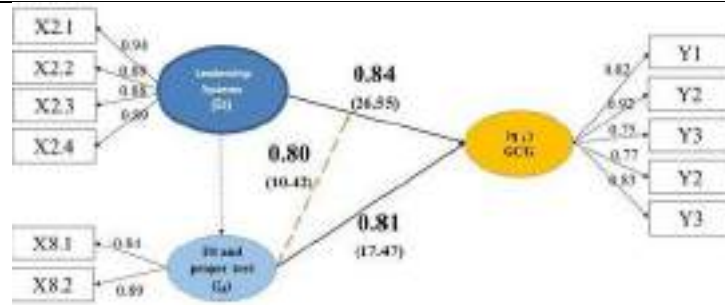
Source: Proceed Data by Lisrel 8.70, 2019

The Effect Test of Unique Capability, Good Corporate Governance (GCG) and Fit Proper Test Dimension

The third hypothesis will test the direct effect of unique capability with good corporate governance (GCG). Then, this result will be tested with the moderation effect of fit and proper test. Figure 4.4 described about the hypothesis and showed that there were a significant and positive impact between unique capability and good corporate governance (GCG). Besides that, the t calculation showed that fit and proper test is able to increase the effect of unique capability and good corporate governance (GCG).

Figure 4.4
The Relationship between Unique Capability, Good Corporate Governance (GCG)
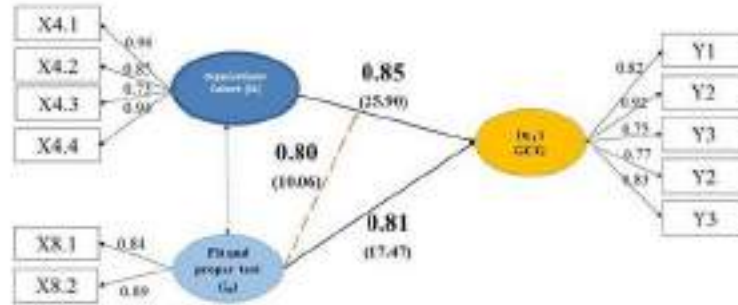**and Fit Proper Test Dimension**

Source: Proceed Data by Lisrel 8.70, 2019

The Effect Test of Organizational Culture, Good Corporate Governance (GCG) and Fit Proper Test Dimension

The fourth hypothesis will test the direct effect of organizational culture with good corporate governance (GCG). Then, this result will be tested with the moderation effect of fit and proper test. Figure 4.5 described about the hypothesis and showed that there were a significant and positive impact between organizational culture and good corporate governance (GCG). Besides that, the t calculation also showed that fit and proper test is able to raise the effect of organizational culture and good corporate governance (GCG).

Figure 4.5
The Relationship between Organizational Culture, Good Corporate Governance
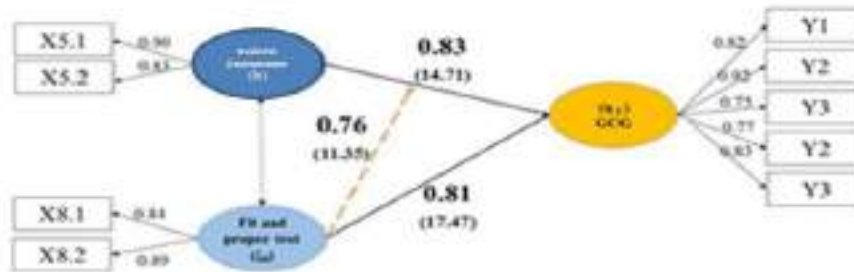**(GCG) and Fit Proper Test Dimension**

Source: Proceed Data by Lisrel 8.70, 2019

The Effect Test of Business Environment, Good Corporate Governance (GCG) and Fit Proper Test Dimension

The fifth hypothesis will test the direct effect of business environment with good corporate governance (GCG). Then, this result will be tested with the moderation effect of fit and proper test. Figure 4.6 described about the hypothesis and showed that there were a significant and positive impact between business environment and good corporate governance (GCG). Besides that, the t calculation also showed that fit and proper test is able to increase the effect of business environment and good corporate governance (GCG).

Figure 4.6
The Relationship Among Business Environment, Good Corporate Governance
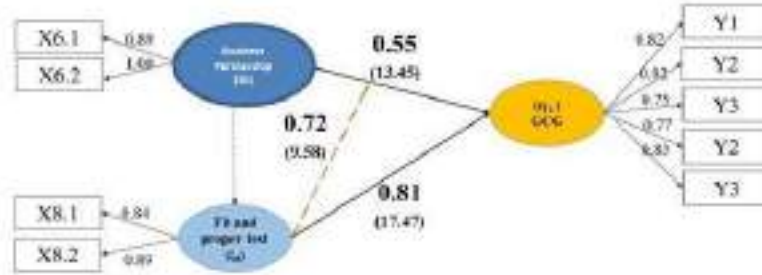**(GCG) and Fit Proper Test Dimension**

Source: Proceed Data by Lisrel 8.70, 2019

The Effect Test of Business Partnership, Good Corporate Governance (GCG) and Fit Proper Test Dimension

The sixth hypothesis will test the direct effect of business partnership with good corporate governance (GCG). Then, this result will be tested with the moderation effect of fit and proper test. Figure 4.7 described about the hypothesis and showed that there were a significant and positive impact between organizational culture and good corporate governance (GCG). Besides that, the t calculation showed that fit and proper test is also able to raise the effect of business partnership and good corporate governance (GCG).

Figure 4.7
The Relationship between Business Partnership, Good Corporate Governance
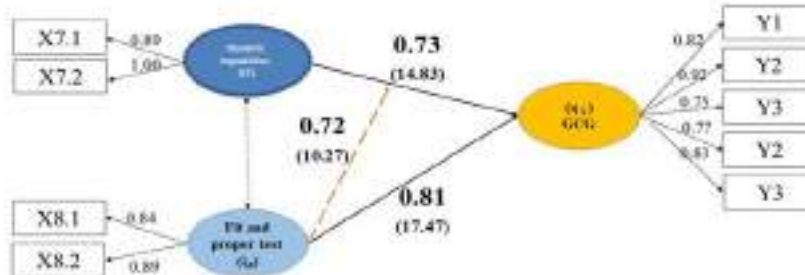**(GCG) and Fit Proper Test Dimension**

Source: Proceed Data by Lisrel 8.70, 2019

The Effect Test of Dynamic Capabilities, Good Corporate Governance (GCG) and Fit Proper Test Dimension

The seventh hypothesis will test the direct effect of dynamic capabilities with good corporate governance (GCG). Then, this result will be tested with the moderation effect of fit and proper test. Figure 4.8 described about the hypothesis and showed that there were a significant and positive impact between dynamic capabilities and good corporate governance (GCG). Besides that, the t calculation also showed that fit and proper test is able to raise the effect of dynamic capabilities and good corporate governance (GCG).

Figure 4.8
The Relationship between Dynamic Capabilities, Good Corporate Governance
**(GCG) and Fit Proper Test Dimension**

Source: Proceed Data by Lisrel 8.70, 2019

The Effect Test of Fit and Proper Test Dimension and Good Corporate Governance (GCG)

The eighth hypothesis will test the direct effect between fit and proper test and good corporate governance (GCG). Figure 4.9 described that fit and proper test had a significant and positive impact for good corporate governance (GCG).

Figure 4.9
The Relationship between Fit and Proper Test Dimension and
Good Corporate Governance (GCG)
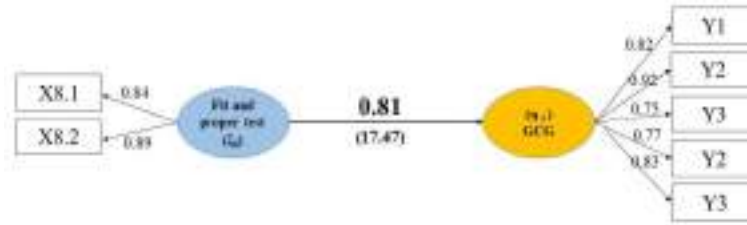
CONCLUSION AND RECOMMENDATION
Conclusion
According to our current research, there are some conclusions can be taken from the analysis process. It can be detailed explain as follows:

1. Company resources dimension is very influential on the practice of good corporate governance (GCG) in Indonesia public banks. It is also caused by the supporting of human resource and organizational resource which have an important role for the sustainability of good corporate governance (GCG) principle application.
2. The quality of good corporate governance (GCG) practice in Indonesia public banks is very determined by the organizational culture dimension. Moreover, the behavior of this dimension is extremely important for anticipate the individualism behavior of bank leaders.
3. The leadership system dimension is very crucial in assessing the quality of good corporate governance (GCG) practice in Indonesia public banks. This dimension is also considered as a major factor in making the rules of good corporate governance (GCG) and it it increases the trust of bank leaders.
4. The determination of good corporate governance (GCG) quality in Indonesia public banks can be analyzed from unique capability dimension. This dimension is able to show the structural relationship among corporate governance, intellectual capital efficiency, and financial performance.
5. Business environment dimension has a great impact for assessing the quality of good corporate governance (GCG) practice in Indonesia public banks. The ability of bank leaders can change the role and function in corporate managing to answer the environment demands and challenges.
6. The assessment of good or bad quality of good corporate governance (GCG) quality practice in Indonesia public banks can be seen from business partnership dimension. This dimension will help to increase the professionalism and competency of bank leaders.
7. Dynamic capability dimension has a strong effect for the implementation of good corporate governance (GCG) in Indonesia public banks.
8. Fit and proper test dimension can be applied as a determinant factor in deciding the quality of good corporate governance (GCG) practice in Indonesia public banks. In addition, this dimension also can be recognized as a primary part of critical success in implementing the 5 (five) principles of good corporate governance (GCG) based on Indonesia Financial Service Authority (OJK).

Recommendation
According to the previous conclusion, there are some recommendations which can be given through this current research as follows:

1. The determinant factors and criteria in selecting the Indonesia public bank leaders must be done through process of fit and proper test. Furthermore, the measurement tools applying in this process must fulfill 7 (seven) factors which can be seen in table 5.1.

Table 5.1
The Measurement Factors of Fit and Proper Test of Bank Leaders

Number	Fit and Proper Test Measurement Size
1	The morality
2	The commitment of obedient with Indonesia public bank regulation
3	The education level
4	The knowledge level of Indonesia public banks managing
5	The skill level of Indonesia public banks managing
6	The previous working experience in public banks
7	The ability level of making banking financial report in accordance with applicable law and regulation

Source: Proceed Data, 2019

2. The bank leaders must learn more about the effect of good corporate governance (GCG) implementation in increasing the working performance of in Indonesia public banks. The level of understanding which is owned by by bank leaders can only be seen from the fit and proper test result. So that, this test must be applied as a determinant variable in reaching the good quality of corporate governance in Indonesia public banks according to the good corporate governance (GCG) measurement factors (table 5.2).

Table 5.2
The Measurement Factors of Good Corporate Governance (GCG) in Indonesia Public Banks

Number	Good Corporate Governance (GCG) Measurement Factors
1	The information completeness for stakeholders
2	The right information for stakeholders
3	The accuracy information for stakeholders
4	The easily access in communication term for stakeholders
5	The clarity of staff responsibility
6	The level of competency in each position
7	Having check and balance system in internal bank managing system
8	Having working measurement tools of all management bank positions
9	The ensuring of caution principle
10	The guarantee of implementing the applicable laws and rules
11	The ensuring of good behavior for every individuals
12	The avoidance of unnatural domination
13	The objectivity level in taking decision
14	The equality principle in fulfill the shareholder needs
15	The fairness principle giving the opinions
16	The openness principle in information access

Source: Proceed Survey Data, 2019

3. The fit and proper test process must be able to see the good behavior of bank leader candidates in helping to press the egoism of bank management. This behavior can be assessed from the ideal leader chracteristics (table 5.3).

Table 5.3
The Characteristic of Ideal Leader

Number	Characteristics of Ideal Leader
1	Having the smart ability in planning and setting the target
2	Having the initiative in reaching the company vision
3	Having the highly responsibility in their tasks
4	Holding the transparency and accuracy principles in every tasks
5	Being a patient communicator in mobilizing all ideas from his/her members

Source: Finansialku.com, 2018

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