

**LEMBAR HASIL PENILAIAN SEJAWAT SEBIDANG ATAU PEER REVIEW  
KARYA ILMIAH : PROSIDING INTERNASIONAL**

Judul Karya Ilmiah : **Implementation of Risk Management and Its Effect on Good Cooperative Governance and Cooperative Performance**

Jumlah Penulis : 2 orang

Status Pengusul : Penulis Pertama

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NUP : 9900981502

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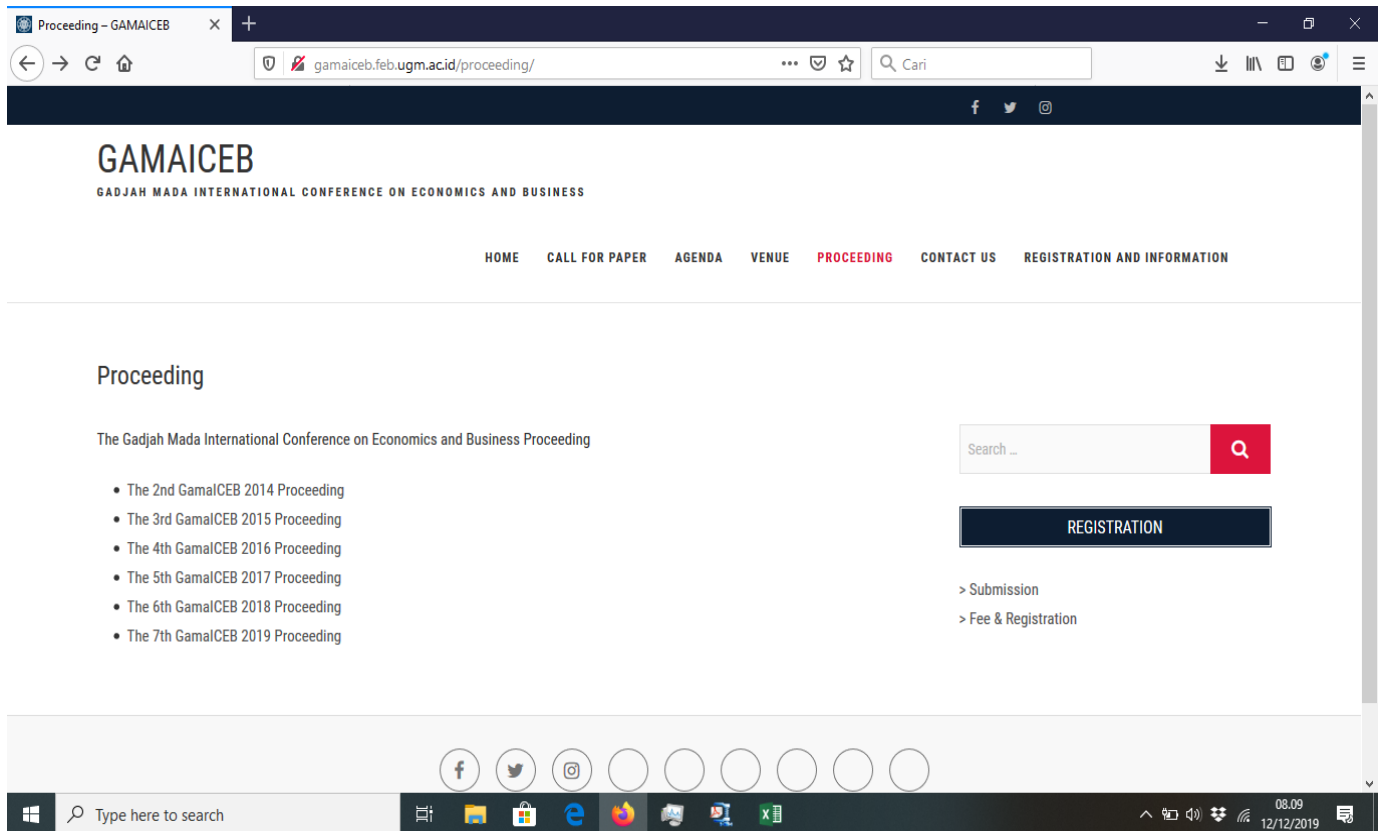
# PROCEEDINGS



## THE 5<sup>th</sup> GADJAH MADA INTERNATIONAL CONFERENCE ON ECONOMICS AND BUSINESS

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## PREFERENCE

Thanks to God, with the almighty grace.

We are really grateful that the 5<sup>th</sup> Gadjah Mada International Conference of Economics and Business 2017 had been held successfully on September 14-15, 2017 by Publication Unit, Faculty of Economics and Business Universitas Gadjah Mada at Master of Science and Doctorate Building Faculty of Economics and Business, Universitas Gadjah Mada, Yogyakarta. Tokens of appreciation should be rendered to our presenters, participants and all of you that made the event could be organized and carried out with the highest quality, comfort, and precision that we could give. Even though there are some mistakes that we did during the event, we apologize deeply for that. These Proceedings are compiled as a collection of all presenter's abstracts. Showing the creativity of ideas that could also be seen as an art inside the field of science.

The theme of this year conference is "Sustainable Development: Challenge and Opportunity in Developing Countries," and this theme is manifested in the presented papers that are compiled in these proceedings, comprised of the scholarly work from this global environment and as well as the honorary speakers.

Therefore, we would like to express our gratitude and credits to Journal of Indonesian Economy and Business, Faculty of Economics and Business, Universitas Gadjah Mada: Professor Juliet Willets, Ph.D. (University of Technology Sydney), Dr. Salmi Mohd. Isa, MBA. (Universiti Sains Malaysia), and Dr. A. Tony Prasertiantono, M.Sc. (Universitas Gadjah Mada) for taking the time to contribute and share their expertise and experiences to the conference that have enriched our knowledge in this field; all the scientists and researchers for contributing their research, ideas, results, and encouraging one another to learn more by sharing, learning, and discussion sessions; PT. Pertamina (Persero), PT. Waskita Karya (Persero), TBK., and PT. Bank Central Asia, TBK. for sponsoring this conference.

There were 60 papers presented in the conference. The best 6 papers were selected for The 5<sup>th</sup> GAMAICEB Best Paper Award. Those papers will be published on *Journal of Indonesian Economy and Business* (JIEB).

We sincerely hope that these proceedings and the conference in particular will grant benefits to all of the participants and also the readers. Especially as a reference for further Economics and Business development in Indonesia and all over the world. We welcome and will receive any suggestions and constructive feedback to improve the organizing strategy for the betterment and development of Gadjah Mada International Conference of Economics and Business conferences and proceedings. We look forward to see you again in our next event.

Yogyakarta, 15 September 2017  
The 5<sup>th</sup> GAMAICEB Committee



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## **ACTIVATING DORMANT SMALL INDUSTRIAL CLUSTERS IN EAST JAVA: AN AHP APPROACH**

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### **ABSTRACT**

*Efforts to activate dormant small industrial clusters have been a priority concern of local governments. In East Java, for instance, the government provided such efforts in the program of “One Village One Product” (OVOP). It has been believed that OVOP program can enhance MSEs working in small industrial clusters to more produce and market their products throughout the region.*

*This research deeply investigated some efforts implemented by the government of East Java in its aim to activate MSEs clusters; especially efforts related to policy factors that influence the dynamics of MSEs activities. The purpose of this research is then to expose how all stakeholders in MSEs clusters perceived main factors for activating the clusters which was based on Sustainable Livelihood Approach (SLA).*

*By taking “Taman Dayu cluster of home appliance in Pasuruan” as research object, this research revealed that innovation, inter-firm linkages, sector reciprocity, and local resources become main factors that influence the advance development of such a dormant MSEs cluster. After suffering from financial crisis in 1998, the Taman Dayu cluster succeeded to grow and develop to be active cluster. Methodologically, this research examined those four factors by employing Analytical Hierarchy Process (AHP). Besides, SWOT analysis was also employed to strengthen such a method in taking strategic actions for policy implementation.*

*The results of this research revealed that innovation obtained the highest score of AHP data processing. In view of local government, innovation was scored with 377 points whereas cluster entrepreneurs scored it with 358 points. Accordingly, inter-firm linkages were ranked in second place. For this, the local government scored inter-firm linkages with 297 points whereas cluster entrepreneurs scored it with 302 points. Sector reciprocity was then ranked in third place in which local government scored it with 225 points and cluster entrepreneurs scored it with 230 points. And finally business resources were ranked in fourth place in which local government scored it with 100 points and cluster entrepreneurs scored it with 110 points.*

*Based on the results, we concluded that both local government and cluster entrepreneurs have same perception when they intended to more develop Taman Dayu cluster to be active MSEs cluster. However, it seems that cluster entrepreneurs more emphasize on promoting innovation and inter-firm linkages equally whereas local government selected innovation as main priority. It means that supported by sector reciprocity and business resources, promoting innovation and inter-firm linkages will contribute to activate dormant clusters in East Java.*

**Keywords:** *small industry, dormant cluster, active cluster*

## **AIR TRANSPORTATION AND THE DIFFERENCES IN HUMAN DEVELOPMENT INDEX PATTERNS ACROSS INDONESIA**

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### **ABSTRACT**

*Every year Indonesian air transport industry has been enjoying an enthusiastic average growth rate of 18 percent in term of total passenger since 2009 and 8.6 percent in term of total airport since 2014. In many provinces, inbound and outbound travel activities ranging from business to leisure activities are increasing every year. These activities may either benefit or pose a threat to the province's standard of living. Efforts have been made to improve the factors that directly affect the standard. However, ignoring the factors that may have an indirect impact may risk the standard. One of the indirect factors is air transportation. Unfortunately, no study has investigated the relationship between air transport and standard of living in Indonesia. This study will examine the impact of air transportation on the standard of living at national and regional levels. We use Human Development Index (HDI) to proxy the standard. This study will use the available data of 164 airports across Indonesia from 2006 to 2015 from Indonesian Ministry of Transportation as well as macroeconomic data of the associated regions and provinces. This study will rely on panel data regression. The findings suggest that air transportation has a significant effect on HDI of each province in average. The effect is still consistent when we conduct the regional analyses. Most results suggest that Sumatera island and regions in Sumatera have the largest effect while Java islands and regions in Java have the lowest effects.*

**Keywords:** *air transport; regional standard of living; provincial and regional levels*

## ANTECEDENTS AND CONSEQUENCES OF CARBON EMISSION DISCLOSURE

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### ABSTRACT

*The purpose of this study is to determine the characteristics of companies that voluntarily disclose carbon emission and to examine the effect of carbon emission disclosure on economic consequences. Economic consequences is the investor behavior arising from the existence of non-financial information, namely the disclosure of the environment contained in the annual report.*

*Companies used as samples are oil, gas and coal companies in non-Annex 1 member countries registered in the Osiris database. The observation period is from the commencement of the Kyoto Protocol's second commitment to date or from 2013 to 2016. Measuring carbon emission disclosure is by using a checklist developed based on an information request sheet from CDP (Carbon Disclosure Project). An assessment of the extent of disclosure is made using the content analysis method.*

*Company characteristics are proxied with profitability, leverage, firm size and firm age, while economic consequences are proxied by using bid-ask spreads, trading volumes and share price volatility. Data analysis method used in this research is Partial Least Square (PLS) method using WarpPLS 4.0 application.*

*Test results show that leverage and firm size have positive and significant affect on carbon emission disclosure, while profitability and firm age does not affect company to disclose carbon emission. Furthermore, the test results show that carbon emission disclosure has a positive and significant effect on trading volume and has a negative and significant effect on bid-ask spreads and share price volatility.*

*The above findings imply that firms with higher leverage positions reveal higher carbon emissions. The larger the size of the company, the more disclosure the information in the carbon emission disclosure. While companies with high profitability use more operating profit to develop business operations rather than to disclose carbon emission. Furthermore, the longer the company's age is increasingly unwilling to disclose carbon emissions. The more information contained in carbon emission disclosure, the more investors are interested in trading transactions on the company's shares and the broader the carbon emission disclosure, the less bid ask spreads and the less volatility of stock prices.*

**Keywords:** *carbon emission disclosure, economic consequence, stock prices*



## **COGNITIVE ABSORPTION AND TASK ENGAGEMENT: HOW LACK OF VARIETY AND MONOTONIC STIMULUS MAKES YOUR DAY SLOWER AND UNPRODUCTIVE**

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### **ABSTRACT**

*In this research, we try to understand why workers are being unproductive in cubicle work environment. Often times, bad work design will affect the performance of the workers, because it cannot induce a cognitive absorption toward the task at hand. We believe that cognitive absorption is a good indicator of workers engagement toward tasks. In this research, we experimented two factors, variety in stimulus form, and monotonic task to see their effects on cognitive absorption. To test these, we presented the participants to four task scenarios based on the combination of the two factors. First, to represent a non-monotonic task in one or two stimulus forms, we asked a group of participants to watch a silent video clip, while the other group watched the same video clip with appropriate background music.*

*Second, to represent a monotonic task in one or two stimulus forms, we asked the first group of participants to watch a silent simulation of TV white noise, while the other group watched the same simulation of TV white noise with the noise sound included. To make sure that no one received bad treatment consecutively, we swapped the order of both groups, the first group would receive a silent video clip, followed by a white noise with sounds, and vice-versa.*

*Since temporal dissociation effects on cognitive absorption are still debated, we also measured how much the perceived time passed in each participant between each group in each task scenario. Lastly, we asked the participants to answer a questionnaire regarding their cognitive absorption at the end of each task and task-engagement.*

*We hypothesized that there was a correlation between cognitive absorption and task engagement, while there were differences in cognitive absorption between each task.*

*The results were, there was a significant negative correlation between temporal dissociation and cognitive absorption only in non-monotonic task with audio-visual scenario ( $r = -.517, p = .048$ ), which means cognitive absorption increased temporal overestimation in participants only if the task is non-monotonic and delivered audio-visually. There was also a significant positive correlation between cognitive absorption and task engagement in non-monotonic task delivered audio-visually ( $r = .583, p = .023$ ), thus confirming our hypothesis, but only in non-monotonic task with the stimulus delivered audio-visually.*

*On the other hand, a very significant difference was found in cognitive absorption in white noise task, between the visual-only and audio-visual settings ( $F = 13.251, p = .001$ ), showing that in uncomfortable task, the variety of stimulus form affect cognitive absorption. A significant difference was also found in cognitive absorption between silent white noise and silent video clip tasks ( $F = 48.75, p = .001$ ), showing that whether or not a task is monotonous affect cognitive absorption in visual only task. Predictably, cognitive absorption in audio-visual white noise task significantly differ from the sound-enabled video clip task ( $F = 68.078, p < .001$ ). Results then, were further explored in the discussions.*

**Keywords:** *cognitive absorption, monotonous task, variety of stimulus forms*

## **CORPORATE GOVERNANCE, RISK MANAGEMENT, RISK LEVEL AND STRONG PERFORMANCE IN BANKING INDUSTRY**

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### **ABSTRACT**

*The uncertainty in business environment and complexity of business activities raise the importance of corporate governance and risk management. Corporate governance should ensure that risks are managed and communicated appropriately. More accurate risk identification and measures will enhance the effectiveness of risk management. Consolidated risk management systems need to obtain an accurate picture of different risks types to manage those risks in a more accurate aggregate basis. The banks need to manage areas of risk that exceed acceptance levels to reduce mitigation efforts. This paper contributes to the governance and risk management literature by utilizing agency, management entrenchment, and stakeholder theories to explain how bank governance, risk management, and risk level could affect performance in the heavily regulated and strictly supervised banking sector. This paper investigates the direct and joint effects of bank governance, risk management, and risk level from three major risk types on the performance of ASEAN banks in the fiscal year 2013, 2014, and 2015, as proxied for by ROAA and Tobin Q in ASEAN banks. A panel study is used to analyze the significance of bank governance, risk management, and risk level from different risk types on the performance in European banking sectors for the period 2015-2016 using an OLS regression. I use corporate governance and risk management index from previous research to measure corporate governance and risk management. Orbis Bank Focus database provide the risks level from a different type of banks risks. I find that banks with a higher governance and risk level as well as better risk management, have higher performance than their peers. The higher operational risk level indicates the discretionary decision of bank management to provide risk disclosures information that is unique to the disclosing bank in the annual reports and risk reports. The banks which have a higher level of operational risk aim to assure the market that operational risks are well managed. Although, this study provides the empirical evidence of the significance of risks level, governance, and risk management on the performance of ASEAN banks. Nevertheless, investors, banks, and regulators still need to weigh carefully the benefits as well as the costs when deciding the appropriate level of risk, governance, and risk management. Further, these findings provide insights into the practical implementation of BASEL regulation and COSO framework that inform banking stakeholders including regulators and other relevant parties that the high and appropriate level of governance, risk management, and risk level could enhance performance and market efficiency.*

**Keywords:** corporate governance, risk management, risk level, COSO, Basel

## **DEFINING MARKET BIAS BY USING GROWTH AND VALUE STOCK UNDER PRICE MOMENTUM**

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### **ABSTRACT**

*The objective of this paper is to know what behavioral biases might occur on growth and value stocks traders regarding its price momentum in Indonesia Stock Market. By knowing the market bias, investors can practically learn how market trading decisions are made especially for growth and value stocks. Therefore this research could help investor's portfolio management. Theoretically this research can help to increase the knowledge over investment and behavioral finance in Indonesia. Rather than using investor's type, price momentum is used to define investors biases widely based on stock characteristics. In this research, the stocks characteristics are defined as growth and value stocks.*

*To define which stocks categorized as growth and value stocks, Price-to-book ratio of each company in Indonesia Stock Exchange is ranked. Ranked companies are divide into five quintiles. The top quintile as growth stocks and the bottom quintile as value stocks (Capaul, 1993). Next, first step time series regression is conducted by using market stock volume turnover as the independent variable and company stock volume turnover as the dependent variable. The residual value of first regression will become second panel data regression's dependent variables. Here the moment of company stocks price hitting the highest and the lowest point are the independent variables that used (Kaustia, 2004). Market bias could be seen through price momentum and its effect on the change of company stock volume turnover.*

*The results is growth stocks and value stocks are both exhibit disposition effect. The results indicate growth stocks and values stocks investors are reacting to high stock price by trading aggressively. In contrast, investors are doing less trading in low price momentum. Interestingly there was no certain condition of investors to be rational regarding the price momentum. High price momentum is the most liquid momentum for both stocks. Another indication found is high price momentum give bigger impact to growth stocks rather than low price momentum. It contrary to value stocks volume turnover that more affected by low price momentum. This implicate that investors of growth stocks are pay more attention to high price momentum, meanwhile value stocks investors are sensitive to low price momentum. It showing growth stocks investors are optimist and values socks investors are pessimist.*

*In conclusion, Indonesian growth and value stock investors are exhibit disposition effect in making investment decision. Growth and value stocks specifications did not give a different impact on investment decision. Indonesia investors indicate on preference over short return portfolio performance.*

**Keywords:** *growth stocks, value stocks, price momentum, behavioral biases*

## **DETERMINANT OF CORRUPTION ANALYSIS IN INDONESIA 2006 – 2015**

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### **ABSTRACT**

*Corruption is very complex and multi-dimensional concept that can be defined as the abuse of public power or authority for personal benefit. Corruption has been embedded deeply in the economical, political, social, cultural, and Indonesian law structure. It also endangers the life of the nation and can reduce the level of public confidence in the decentralized systems in this country. Initially, decentralization is expected to reduce corruption in the government, in fact even more enrich corrupt practices to the regions. The purpose of this study is to empirically test a model that links several economic factors, such as inflation and the GDP per capita, non-economic factor using the Human Development Index, and fiscal decentralization factors: local taxes, government expenditures, and region's autonomy against corruption with cross-section data on 25 cities in Indonesia using the average rate during 2006–2015 period with Tobit regression models. Empirically, Human Development Index have significant and positive effect on corruption. Meanwhile, fiscal decentralization variables such as local taxes, government expenditures on goods and services, and the level of financial autonomy, and percapita GDP and inflation as economic indicators are not statistically significant effect on corruption.*

**Keywords:** *corruption, fiscal decentralization, economic and non-economic factors, Tobit regression model*

## DO ISLAMIC SCHOOL MAKE DIFFERENCE?

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### **ABSTRACT**

*The development of Islamic schools, especially private Islamic school, what so call Integrated Islamic School (Sekolah Islam Terpadu =Sekolah IT) have increased recently. The Integrated Islamic School is school that incorporates an additional curriculum of Islamic religious in addition to mandatory education curriculum. Students are provided a more comprehensive Islamic religious material. Islamic schools have a final goal to educate children more on student's character by using Islamic values as one of the basic curriculum. It creates Islamic school uniqueness than general school. Therefore, it is interesting to observe whether additional Islamic contents will enable students to perform better than other schools. This study tries to see whether there is a significant difference in the long-term outcomes of students who attend school in Islamic Schools and Non-Islamic Schools. The outcomes will be measured by the size of the income received (return to schooling) by the individual, the smoking behavior, and other students' habits. This research employs probit estimation and Instrumental Variable Regression and uses Indonesian Family Life Survey (IFLS) data. The finding shows that there is no different return between students who went to Islamic school and non-Islamic school, but for smoking behaviour, students who went to Islamic school have a smaller probability to smoke than students who did not go to Islamic school.*

**Keywords:** *Islamic school, return to schooling, smoking behaviour*

## **DOES EXTERNAL MECHANISM OF CORPORATE GOVERNANCE AND CAPITAL STRUCTURE INFLUENCE STOCK PRICE? AN EMPIRICAL EXAMINATION OF SELECTED FIRM IN INDONESIA STOCK EXCHANGE**

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### **ABSTRACT**

*This paper aims to investigate the short and long run behavior of corporate governance external mechanism, capital structure and Indonesian Stock Price over the period from 2007 to 2016. Managerial ownership, institutional ownership and public ownership was used as external mechanism of corporate governance. Meanwhile, capital structure was measured by debt to equity ratio and earnings per share. To capture the long run relationships, we used the panel cointegration by Pedroni (1999, 2000, 2004), while the short run relationship are measured by Vector Error Correction Model (VECM). We also applied variance decomposition and impulse response to establish the most important variables for Stock Price in Indonesia. The main findings are as follows. First, the result of most results of Pedroni's panel cointegration tests, suggest the null hypothesis of no cointegration is rejected. In consequence, this result suggests that there is a cointegration between stock price, managerial ownership, institutional ownership, public ownership, debt to equity ratio and earnings per share. Gregoriou, et al. (2015) stated that capital structure has only effect the stock price. According to the agency theory, it can be concluded that institutional, public and managerial ownership act as principal which have a task to did a oversight function in corporate governance. A common finding of previous studies using linear regression model is that the earning per share is positively related to the stock price (Munifah, 2005; Aang, 2007; and Taratanika, 2009). This indicates no occurrence of deviations from the generally accepted theory of earnings changes having a positive effect on stock price developments. This reflects that earnings per share able to increase level of investor prosperity. Second, the results of VECM indicate that in the short run, only managerial ownership that will influence the stock price. This finding is in line with Jelinek and Stuerke, (2009); Kamardin (2014) Santanu et al. (2017). Managerial ownership had a higher controlling in stock price. Based on agency theory by Jensen and Meckling (1976), managerial ownership has a unique function. The aims of this function is to decrease opportunistic action so the company goal to prospering the shareholders can be achieved. The managers, actually does not want lost their firm and they wants to defend their power. Finally, the result of variance decomposition and impulse response show that stock price variation explain the biggest part of its self, followed by managerial ownership, earnings per share, debt to equity ratio, public ownership, and institutional ownership as the least important component of stock price over ten years ahead.*

**Keywords:** stock price, ownership, capital structure, corporate governance

## **DYNAMISM OF CAPITAL STRUCTURE: EVIDENCE FROM INDONESIA PUBLIC LISTED FIRMS**

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### **ABSTRACT**

*The study empirically examines the financing behaviour for public listed companies in Indonesia using the partial adjustment model for the period of 2000-2015. Using panel data under the dynamic framework (Generalized Method of Moments approach), the study indicate that the financing behaviour of Indonesian firms are significantly and consistently characterized not only by firms specific factors, but also country specific. The findings indicate there are nine significant variables that influence the Indonesia non-financial public listed companies' capital structure and consistent with the previous studies, such variable are non-debt tax shield, tangibility, profitability, size of firms, growth opportunities, share price performance, stock market development, bond market development and economic growth. The study also reveals that the relationships between the variables and leverage for the firms in Indonesia can be explained by the domineering capital structure theories. The company in Indonesia does not seem to engage to long term financing. These firms need to consider the long term funding because it can increase the value of firms. By employing the dynamic framework, this study allows to identify the determinants of capital structure, gives a better assessment on the existence of target capital structure among firms in Indonesia and to find out whether the company is at their optimal capital structure or not. To conclude, one capital structure cannot stand alone to explain the financing behaviour of the Indonesia firms, and this study reported that capital structure on Indonesia public listed firm's support several capital structure theories, and also being influenced by the firm's characteristics, country influences and also corporate governance in which the firms operates. From the findings and analysis, the study offers some significant contributions particularly to the management board in deriving into optimal capital structure decisions, whereby effective decisions resulting in lower cost for the firms (cost of capital), thus increasing the value of the firms.*

**Keywords:** *dynamic framework, optimal capital structure, GMM*



## **EARNINGS QUALITY, CORPORATE CASH HOLDINGS, MANAGERIAL OWNERSHIP, AND FIRM VALUE**

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### **ASBTRACT**

*Cash and cash equivalents are an important component of a company. This slush of cash has the potential to aggravate the managerial agency problem. Companies in Asia also rose sharply enough cash holdings of 6.6% in 1996 to 12.1% in 2006. The cash holdings in 672 companies non-financial companies in Indonesia in 2010 and 2011 set the level of cash holdings exceed normal levels. In the other hand, there are two effects that may explain the relationship between managerial ownership and possession of the cash that is alignment effect and entrenchment effect.*

*The objective of this research are to examine whether earnings quality will affect corporate cash holdings and firm value. Second, to examine whether managerial ownership can moderate the association between earnings quality and corporate cash holdings. Third, to examine whether corporate cash holdings will affect firm value. Agency theory and free cash flow hypothesis are used to explain the association between earnings quality, corporate cash holdings, managerial ownership, and firm value.*

*Sampling method for this research is purposive sampling in Indonesia. There are 5 criteria in the sample selection. The data for this research was obtained from database BVD OSIRIS and annual report from the company. Observation for this research is 231 firm years. Hypotheses were tested by using Structural Equation Model (SEM) with PLS software. The results show that earnings quality negatively affects corporate cash holdings. Managerial ownership will weaken the associate between earnings quality and corporate cash holdings. The results are consistent with agency theory and the convergence-of-interest hypothesis. The results show that earnings quality and corporate cash holdings did not affect firm value. This is because the reported earnings of the company may not reflect actual company conditions, so investors do not use the quality of earnings in assessing a company. In addition, the shareholder does not value the company's additional cash.*

**Keywords:** *earnings quality, corporate cash holdings, managerial ownership, firm value*

## **EFFECTS OF REMITTANCE ON POVERTY REDUCTION: CASE OF INDONESIA**

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### **ABSTRACT**

*Remittance has been reported as a tool to fight poverty in some selected countries such as Indonesia. An increase of income through remittance tends to improve the economic status of the migrant's household. Once they get a high salary, they will remit money (remittance) to their household in Indonesia via formal institutions, such as a bank. The migrant's household can fulfil his basic needs and he can use further the remittance for educational investment and productive activities. The education investment aims to educate the children or grandchildren of migrants, which will be beneficial for the future generations of the family, such as getting a more prosperous life. Meanwhile, the productive activity is the additional income that the migrant can earn as backup savings in case of emergency, crisis, or if the migrant returns back to the home country permanently. The poverty rate would be gradually reduced and economic welfare can be achieved.*

*As a mean to alleviate poverty, Indonesia government also has considered sending worker abroad as one strategy. The government has been very pro-active to promote educated workers moving outside their country by providing training. Law No. 39 of the year 2004 is one of the policies that the government created to protect workers abroad. This law aims to increase worker welfare, guarantee worker safety, empower workers, and protect the worker's rights. However, the benefit from this policy is still unclear. Claims that remittance contributes positively to the Indonesia economy are still limited in research. Therefore, in this study, further investigation of the issues would be conducted.*

*The main objectives of this paper are first to estimate the effects of remittance on poverty for Indonesia from 1983 to 2015 and second, to propose several strategic policies related to remittance and poverty reduction. Other variables considered include inflation, exchange rate, income, income inequality and labour force participation rate.*

*OLS method used to explore the econometric result and estimated result. The study found that an increase in remittance led to poverty reduction by 2.56%. Inflation and exchange rate have positive and negative effects on poverty, respectively. The small effect of remittance on poverty reduction could possibly be explained by the low educational background of migrants, low wage job, expensive remittance costs, and migrants not knowing how to remit money through formal financial institutions. Hence, to reduce the poverty level, the government needs to first facilitate skills training for the workers so that they could get a better job and earn more, second, lower the transaction cost of remittance, and lastly, provide agents at Indonesian banks overseas to provide better facilities to Indonesian workers to remit money back to the home country.*

**Keywords:** *remittance, poverty, Indonesia*

## **EFFICIENCY IN ISLAMIC MICRO FINANCE INSTITUTIONS AND ITS IMPACT ON PROFITABILITY: THE CASE OF ISLAMIC RURAL BANKS**

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### **ABSTRACT**

*Indonesian economy relies on different sectors including banking and finance apart from the other prominent ones. Conventional and Islamic banks have important role in that contribution. Conventional ones are already mature if the latter remains in expansion that needs further investigation. The extant literature discusses the more on conventional banks while efficiency and profitability are concerned. Both terms for some extend are used interchangeably. Thus, this study focuses on the profitability of Islamic rural banks in Indonesia. It aims to analyze the relationship between the efficiency in Islamic MFIs (Micro finance institutions) and those banks' profitability.*

*We use dynamic panel data analysis to test the relationship we are concerned with. Our data consist of 164 islamic rural banks from 2010 to 2016. We try to enhance our result by testing multiple equations. For that, different variables are analyzed particularly. For profitability, return on equity (ROE) is considered, but for more evidence, return on asset (ROA) could be necessary as well. We find that efficiency as measured from the ratio from the difference between financial income and financial costs divided by total asset shows positive and significant relationship towards profitability. The more efficient the management of the MFIs the more profitable the rural banks are. Macro economics variables are added to control the equations and we find that gross domestic product (GDP) is positively associated with profitability whereas inflation variable the way round. Surprisingly, we found that exchange rate has no significant values towards profitability. We suggest that for rural banks, since they are not tremendously face international exposure while their daily activities are concerned. Most of their clients are domestic residents. They operate in local transaction for their inflows and outflows (source of funds and credits).*

*Islamic rural banks seems more limited in terms of market shares. The size if compared to the other conventional rural banks are not significantly different though. The competition is tight but the prospect implies a promising future. Apart from the religious advantage (majority of customers), Islamic banks management is perceived well for all citizens. Trust between customer and the institutions increases day after day. The existence of Islamic rural banks which add the numer of rural banks in Indonesia enhances the role of micro economic institution to safeguard its economic development stability. It could respond to the main concern on whether the case of multiple small banks or a limited number of big banks. For further analysis, we might suggest the use of interest rate, Tobin's Q and other important variable to improve the future research.*

**Keywords:** bank efficiency, islamic MFI, bank profitability, islamic rural banks

## **ENVIRONMENTAL MANAGEMENT ACCOUNTING PRACTICES IN MANUFACTURING INDUSTRIES CASE OF PT. BRIDGESTONE TIRE INDONESIA**

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### **ABSTRACT**

*Environmental management accounting (EMA), has been developed significantly during the last two decades. Research, literature review and corporate practices reveal that a range of different perceptions and conceptions of environmental management accounting has been developed.*

*This paper presents a qualitative research by using case study approach and takes PT. Bridgestone Tire Indonesia, one of the biggest tire manufacturers, as a unit of analysis. The purpose of this study is to explore the implementation of Environmental Management Accounting (EMA) in PT. Bridgestone Tire Indonesia and determine role of accountants in implementing it. A comprehensive framework of EMA which links business actors and EMA tools is being used as the base of research framework. The framework integrates the two major components of environmental management accounting – monetary environmental management accounting (MEMA) and physical environmental management accounting (PEMA) – in a systematic way. Furthermore, the obstacles of implementing EMA in the field are also been discussed. Since the company has not fully implemented the EMA framework, an input-output analysis to measure the eco-efficiency of the production process has been undertaken. The paper concludes with a brief discussion about the choice of the follow-up actions for the management.*

**Keywords:** *EMA, PEMA, MEMA, NPO, input-output analysis*

# **ESTIMATION OF DIRECT ECONOMIC IMPACTS OF MANGROVE ECOSYSTEM ON COMMUNITY AS A PRELIMINARY STUDY FOR MORE SUSTAINABLE RESOURCE MANAGEMENT (Case Study in Tanakeke Island, South Sulawesi Province, Indonesia)**

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## **ABSTRACT**

*Revealing both the positive and negative economic impacts directly obtained by community is considered as one important study to provide an overview of the performance of a natural resource management, one of which is mangrove ecosystem. Tanakeke Island in Indonesia is known as one of the important mangrove ecosystems in South Sulawesi Province which is facing serious degradation problem due to the unwise utilization by the local society. As the results, there are losses that must be borne by the community since their mangroves has severely degraded. This study aimed to identify and estimate the benefits and the losses experienced by the Tanakeke Island community as a consequence of existing mangrove utilizations.*

*Primary data were collected through questionnaire interviews to a number of respondents that selected using purposive sampling technique Afterwards, collected data analyzed using economic valuation techniques, namely revenue analysis, market price-based approach, loss of earnings approach, prevention costs approach and replacement costs approach to estimate the positive and negative impacts.*

*The results shown that current main utilizations of mangrove in Tanakeke Island are : aquaculture ponds, charcoal production, firewood, and capture fisheries around mangroves swamp. Each type of the utilizations generate approximately IDR22,286,800 for ponds; IDR17,666,667 for charcoal production; IDR495,000 for firewood and IDR22,255,741 for capture fisheries for each respondent per year. Unfortunately, damaged mangroves allows several undesirable conditions to occur that may lead the community become suffered. The conditions considered to be disadvantageous to the community are abrasion, storm, high tides, loss of aquatic habitat for coastal biota (nursery ground) and sea water intrusion. Estimated losses arising from each of those conditions in the last 12 months were: abrasion of IDR5,625,000; storms of IDR510,000; high tides of IDR4,000,000; loss of nursery ground areas of IDR1,629,688 and sea water intrusion of IDR1,813,214 for each suffered individual or respondent. The existing losses found in this study indicates that mangrove ecosystem management in Tanakeke Island is still less sustainable so that it needs improvement in the future.*

**Keywords:** *economic impact, economic valuation, environmental economic, mangrove management*

## **EXAMINING USER INTENTION TOWARD CLOUD-BASED ACCOUNTING INFORMATION SYSTEM ADOPTION**

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### **ABSTRACT**

*The rapid ongoing advancement in information system and technology (IT) has resulted with the steadily plummeting cost in IT service acquisition bundled with the more flexible options in infrastructure operation. Among the effected changes is the growing awareness and shifts toward cloud computing, in which voluminous operational accounting processes has now become feasible to go cloud. Cloud-based accounting information system at present arguably offers various excellences in form of hassle-free downtime, cost saving, easier access and flexible subscription plans. Despite the benefits, there appears lack of interests for Small Medium Enterprises (SMEs) to adopt the promising technology. It is argued that the application of the system and technology in the SMEs can bring about important role in the growth of the sustainable SMEs themselves.*

*This research therefore aims at finding how users perceive the ease of use usefulness, and risks associated to cloud-based accounting information systems (AIS). It looks at whether there is substantial relationship observable for perceived ease of use and perceived risk to perceived usefulness. This is an empirical research involving 50 SMEs in the Province of West Java serving as the samples. The research was conducted through questionnaires using purposive technique sampling. SmartPLS was employed to perform convergent validity test, discriminant validity test, and reliability test in the outer model. Meanwhile, the inner model in this research was used to test the hypothesis.*

*The result of the research showed that the perceived ease of use influences the intention to use and perceived usefulness of cloud-based accounting information system positively, in which this shows that cloud-based accounting information system is getting easier to use, therefore there will be an increase in the intention to use and shows that the benefit the users feel is getting higher. Meanwhile, perceived usefulness has a positive influence to the intention to use of cloud-based accounting information system, in which this shows that the higher the benefit the users feel, the more the intention to use is. Besides, the perceived risk showed a negative result to intention to use cloud-based accounting information system, in which it means that the users-will be of the cloud-based accounting information system ignored the risk in his or her business to have the intention to use, as the risk was not obvious to them. But the perceived risk in this research had a positive result to the perceived usefulness of cloud-based accounting information system, in other words, the higher the perception of the minimum risks the user holds, the more positive influence the benefit is.*

**Keywords:** *accounting information system, cloud, SMEs*

## **FACTORS INFLUENCING DECISION IN ONLINE SHOPPING**

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### ***ABSTRACT***

*Consumer behavior as purchasers and technology users is interesting to study. The study of e-commerce website is a dynamic study as technology has been developing rapidly in every sector. This study aimed at analyzing factors influencing the process of making decision in online shopping which could inspire suggestions for online marketers in developing either media or infrastructures accordingly.*

*Respondents of this study were consumers having experiences in shopping online through a certain website or social media with age ranged from 18 to 45 years old.. The data were gathered in 10 locations in Jabodetabek from 270 respondents. The consumer process in making decision in online shopping was influenced by several factors, which were controllable variables such as product price, service quality. While, the uncontrollable variables were demographic, social, economic, personal, psychological factors. The method of analysis used multiple regressions.*

*The majority of respondents in this study were female, having age ranged from 16 to 35 years old. The majority of respondents' educational backgrounds were Senior high school and 66% of respondents earned less than 3 million Rupiah per month. Three most frequently accessed sites were Lazada, Tokopedia and Bukalapak with the average of online transaction of 1 to 5 times within the last six months. Beside web, respondents also used Instagram for online shopping.*

*Price and service quality became factors influencing the process of making decision in online shopping. Pricing strategy became important as consumers could compare prices with other competitors in online shopping. Discount and free delivery became a way to make a product price became more attractive. In order to sustain service quality, online communication service with consumers needed to be developed. For instance, providing consumer care which could response consumer inquiries attentively.*

**Keywords:** *consumer behaviour, digital marketing, online shopping, web experience*

## **FACTORS INFLUENCING MANAGERIAL PERFORMANCE: AN EMPIRICAL EVIDENCE IN INDONESIAN HIGHER EDUCATION**

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### **ABSTRACT**

*Most research regarding managerial performance focused on reward and leadership style in non educational industries. This research tried to examine leader behavior of structural officers in higher educational industry. Higher education in Indonesia is very regulated by Indonesian Government under the Ministry Research and Technology of Higher Education. Faculty as part of the university are lead by a Dean with the help of Department Chair. Persons in charge in this structural position are lecturers in that department. Lecturers as profesional with their obligation to fullfil Tri Dharma Perguruan Tinggi and additional role as structural officers will be an interesting research object. This study was designed to give the empirical evidence about the positive influence of reward and leader behavior on managerial performance. This study also examined the positive influence of reward and leader behavior on managerial performance through mediation of organizational commitment. This study uses primary data obtained through the distribution of questionnaires either directly or via email to the respondents. Respondents in this study are structural officials at private universities located in Jakarta and Bandung. This research uses path analysis to test the hypotheses. The result shows that rewards have no influence on managerial performance. Reward is not a factor that can improve managerial performance in higher education in Indonesia. This is a regulated industry where the structural officers, which are the lecturers in the department, are already get use to follow certain regulation that has been set up by the government. The structural officers works under certain date-line per semester, for example they have to prepare mid test after 7 weeks of lecturing. The officers will work sytematically and repeatedly through the semester. The officers have the obligation to work according to the given schedule so all the students will be served. Thus reward does not affected the managerial performance of the officers. On the other hand, this research has succeeded in providing empirical evidence of the positive influence of leader behavior on managerial performance. Leader behavior plays a very important role in enhancing managerial performance. The better the behavior shown by the leader, the higher the managerial performance that can be achieved. The Department Chair works to the direction that has been given by the Dean. The Dean works to the direction as stated by the Rectorate. It is obvious that the behavior of the leader does affect the behavior of the subordinate. In a condition of unclear behavior of the leader will lead to a confusing situation for the subordinate. Thus, leader behavior affected managerial performance. The positive influence of reward on managerial performance through mediation of organizational commitment has not been proven in this research. Structural officers in Indonesian Higher Education who are usually lecturers do not consider reward as driver of organizational commitment and at the end has no influence on managerial performance. Indirect effect of leader behavior on managerial performance through mediation of organizational commitment was not proved. Leader behavior has direct positif influence on managerial performance.*

**Keywords:** *reward, leader behavior, organizational commitment, managerial performance, indonesian higher education*



## **HOW DOES THE SHIFTING OF MARKETING STRATEGY IN THE HOSPITALITY INDUSTRY CONTRIBUTE TO THE SUSTAINABILITY COMPANY GROWTH**

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### **ABSTRACT**

*Tourism is the driving force of Balinese people's economy. The development of technology and information systems has been influencing the marketing strategies undertaken by the tourism and hospitality industry in Bali. The purpose of this study is to analyze the shifting of the implementation of marketing strategies undertaken by the hospitality business enterprises in Bali and their contribution to the sustainability of the corporation growth. The respondents are 40 people, consisting of general manager, sales and marketing managers and public relation managers of 3, 4, and 5-star hotels in Bali. The variables of this research are the implementation of X1 – the horizontal marketing, X2 – the marketing 3.0 and X3 – the digital marketing and their contribution to Y – the sustainability of corporation growth. The analytical technique used is a descriptive quantitative approach, making linier regression. The finding shows that the implementation of horizontal marketing strategy and digital marketing were shifting and contribute positively to the sustainability of the corporation growth, but marketing 3.0 is not significantly impact to sustainability of the corporation growth. The implications of this study is expected to give guidance to marketing managers in applying the right marketing strategy in the hospitality industry.*

**Keywords:** horizontal, 3.0, digital marketing, company growth

## **HOW SERVICESCAPE AND IMAGE PERCEPTION OF CUSTOMERS GIVE IMPACTS ON BEHAVIORAL INTENTIONS: A STUDY OF CAFÉ INDUSTRY IN BANDUNG**

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### **ABSTRACT**

*Café industry in Bandung is now rapidly facing strong competition among its business players as the number of cafés in Bandung is significantly increased above 40% in two latest years time by time. Being sustainable in those business competition then becomes very important for every business practitioners in café industry of Bandung. This condition requires café businesses to strategically manage their business in order to attract customer by their differentiation and survive on the industry. One of aspects that can be maximized also for differentiation is the environment dimensions as known as the servicescape. However, it is still questioned if managing servicescape really give positive impacts toward overall business image perceived by the customers that may lead them to behavioral intentions, especially revisit intention and word of mouth, as managing servicescape needs extra effort, cost, and time. Based on that facts, the purpose of this study is to explore how servicescape and business image perception of customers affect behavioral intentions by taking study of café industry in Bandung.*

*This exploratory research is done by gathering primary data through questionnaire and the total number of respondents data used in this study is 150 data by judgemental sampling method. All of the respondents' data are performed and analyzed using Partial Least Square – Structural Equation Modeling (PLS-SEM) algorithm based on conceptual framework designed by the researcher. Bootstrapping testing is also performed to see structural path significance of the conceptual model used.*

*This study found that all of the variables, which is statistically proved as reliable and valid, are significantly related one to another. Servicescape, which consist of substantive and communicative staging, positively affects overall business image perceived by customers. The strongest indicator that explains Communicative staging is Employee Image instead of Employee Behavior dan Cultural Atmospheric. Meanwhile Substantive staging is mostly explained by indicator of Ambient Condition. Compared to substantive staging of servicescape, communicative staging of servicescape becomes stronger variable to reach overall business image. Moreover, positive business image perception of customers plays crucial roles in creating positive behavioral intentions, which are revisit intention and word of mouth. It proves that servicescape and image perception of customers give beneficial impacts to create customers' revisit intention and positive word of mouth. To be added, overall business image perceived by customers plays role as mediator in the conceptual framework, as it can be seen as important variable that relates the impactful relationship between servicescape and behavioral intentions of customers. The result of this study can be beneficial consideration for café business practitioners in managing their business strategy.*

**Keywords:** *servicescape, overall business image, revisit intention, word of mouth, café industry*

## HOW TO ERADICATING INCOME INEQUALITY IN LOWER MIDDLE INCOME COUNTRIES

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### ABSTRACT

*Many researchers have tried to investigate the reasons for growing income inequalities from various perspectives. The purpose of this paper is to look for important variables that have an effect on income inequality. Studying the distribution of income is an important issue to know what factors which have effect to make income distribution more equitable, what factors can be the key to resolving the problem of income inequality, and shortening the distance between the poor and the rich. This paper studies the relationship of human capital, inflation rate, unemployment rate, physical capital, fiscal expenditure, gross domestic product growth, and urbanization on income inequality in 52 Lower Middle Income Countries over period of 1990-2014. In this study the writers used percentage of gross school enrollment tertiary as human capital, consumer price index inflation rate as inflation rate, percentage of unemployment per total labor force as unemployment rate, percentage of gross capital formation per gross domestic product as physical capital, percentage of general government final consumption expenditure per gross domestic product as fiscal expenditure, gross domestic product growth, percentage of urban population per total population as urbanization on Gini coefficient as income inequality. The authors estimate impact of some variables on income inequality using Prais-Winsten model comprising seven independent variables on income inequality as dependent variable over period 1990-2014 at 52 Lower Middle Income Countries (Armenia, Bangladesh, Bhutan, Bolivia, Cabo Verde, Cambodia, Cameroon Congo Rep., Cote d'Ivoire, Djibouti, Egypt Arab Rep., El Salvador, Ghana, Guatemala, Honduras, India, Indonesia, Kenya, Kiribati, Kosovo, Kyrgyz Republic, Lao PDR, Lesotho, Mauritania, Micronesia Fed. Sts., Moldova, Mongolia, Morocco, Myanmar, Nicaragua, Nigeria, Pakistan, Papua New Guinea, Philippines, Samoa, Sao Tome and Principe, Solomon Island, Sri Lanka, Sudan, Swaziland, Syrian Arab Republic, Tajikistan, Timor-Leste, Tonga, Tunisia, Ukraine, Uzbekistan, Vanuatu, Vietnam, West Bank and Gaza, Yemen Rep., and Zambia). The writers using Prais-Winsten regression, the empirical result is there is significant and negative relationship between human capital and income inequality. The results indicate an increase in human capital (gross school enrollment tertiary) can make the income distribution more even in long run. Therefore, increased education can be a way to achieve better income distribution. The writers conclude that increasing in human capital can reduce Gini coefficient and hence make income distribution fairer. Education reform aimed at human capital should be improved to help reducing income inequality in Lower Middle Income Countries.*

**Keywords:** school enrollment tertiary, income inequality, gini coefficient, human capital, income distribution

## **IMPACT OF INFLATION TARGETING FRAMEWORK AND THE PRESENCE OF THE REGIONAL INFLATION CONTROL TEAM (TPID) ON THE INFLATION CONVERGENCE BETWEEN PROVINCES IN INDONESIA**

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### **ABSTRACT**

*Bank Indonesia began to conduct inflation targeting in 2005. This policy was conducted in order to maintain inflation stability in all Indonesia's provinces. However, inflation between provinces in Indonesia have different behaviors. So, often the actual inflation is not in accordance with the target. This study aims to examine inflation convergence between provinces and to determine the effect of inflation targeting framework and the Regional Inflation Control Team (TPID) on the inflation convergence over the period 1999- 2013. By using Vector Auto Regression (VAR) method and using panel data 27 province in Indonesia, the results indicate the existence of inflation convergence between provinces in Indonesia. Inflation Targeting policy and TPID proven effect on inflation convergence in Indonesia. However, impact of TPID greater than ITF. Inflation convergence that occurred in between provinces is strongly influenced by the presence of TPID. This suggests that inflation in Indonesia is not only a monetary phenomenon. Rather, it caused by the riel sector shock such as the availability of basic materials including volatile food. The existence of TPID will strengthen inter-agency cooperation to ensure the availability and sufficiency of staple food so that inflation can be controlled. Gross regional domestic product have no impact on inflation convergence in Indonesia. This suggest that provinces with high income levels may not necessarily have high inflation rates and vice versa. The occurrence of income disparities between regions has no impact on inflation convergence.*

*The conclusion of this research is that inflation in Indonesia is more influenced by the supply-side rather than demand side. Therefore the policy implication to maintain national inflation stability is by optimizing the role of Regional Inflation Control Team (TPID) in order to guarantee the availability of supply. So it can minimize the occurrence of output gap which is one of the causes of inflation*

**Keywords:** *inflation convergence, inflation targeting framework , regional inflation control team*

## **IMPLEMENTATION OF RISK MANAGEMENT AND ITS EFFECT ON GOOD COOPERATIVE GOVERNANCE AND COOPERATIVE PERFORMANCE**

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### **ABSTRACT**

*Risk management in Indonesia's cooperative organization is still rarely implemented, and most of cooperative managers still view that risk management is only implemented for large-scale enterprises. As a form of responsibility of cooperative management (agent) to members as an owner of cooperative organization (principle), cooperative management must be operated by good cooperative governance and cooperative performance.*

*The purposes of this study are to implement and identify risk management especially in saving and loan cooperative, and the final study to test and prove empirically about the directly and indirectly effect of implementation of risk management in cooperative organization on good cooperative governance and cooperative performance.*

*The research method of this study use descriptive quantitative analysis, population in this study is smaller than 100, so saturation sampling technique used in this study, the size of population are 73 persons consist of board of directors, supervisors, manager, administrators, and members of the cooperative, primary data needed in this study by using survey method conducting questionnaires and structured interviews. This study uses a statistical approach by using path analysis so that it can be known the amount of direct and indirect effect between independent variables and dependent variable.*

*The result of this study shows that it can be identified two categories of risks that are minor and insignificant risks. Minor risk includes credit risk and strategic risk, and insignificant risks remaining of six risks include market risk, liquidity risk, operational risk, legal risk, reputation risk and compliance risk. Result of this study based on statistical analysis indicate that the magnitude directly effect of implementation of risk management on cooperative performance by correlation coefficient ( $r$ ) = 0,053 insignificant effect, the effect of implementation of risk management on good cooperative governance by correlation coefficient ( $r$ ) = 0,209, significant, and the effect of good cooperative governance on cooperative performance by correlation coefficient ( $r$ ) = 0,576, significant. Indirectly, implementation of risk management effect on cooperative performance through good cooperative governance as an intervening variable by correlation coefficient ( $r$ ) = 0,346, significant.*

*The conclusions of the study indicate that directly there is not effect of implementation of risk management on cooperative performance, but there is effect of implementation of risk management on good cooperative governance and good cooperative governance has effect on cooperative performance. Indirectly, Cooperative performance is not influenced by implementation of risk management, but influenced by implementation of risk management through good cooperative governance as an intervening variable.*

**Keywords:** *implementation of risk management, good cooperative governance, cooperative performance*

## **IMPLEMENTATION OF STRATEGIC PRICING MODEL IN FASHION-BASED CREATIVE INDUSTRY**

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### **ABSTRACT**

*This study aims to obtain empirical evidence of cost structure and implementation of competitive strategy in order to determine the selling price using strategic pricing model for fashion-based creative industry. The research method used was a survey using questionnaires with respondents from practitioners of Small and Medium Enterprises (SME) in East Java. Questions in the questionnaire are: cost structures along the downstream, upstream, and production costs, as well as policies related to the implementation of competitive strategies; tend to low cost or differentiation. Data analysis is descriptive quantitative, and for the separation of SMEs which is implement Low Cost or Differentiation strategy using model developed by Jermias and Ghani (2005). A total of 78 questionnaires returned and were eligible for further process. The results of this study show that most of SMEs (60%) have been exporting their products, and they consider the products from China is the main competitors. SMEs that have used social media for promotion and sales are 57%. The downstream cost structure of most SMEs are design and model development cost. Production costs includes the cost of raw materials, labor costs and other costs. While, upstream costs includes: marketing costs, product returns, and compensation costs. A 40% of SMEs implement competitive strategy tend to differentiation, and the rest uses strategy tend to Low Cost. With this results, the using the traditional model to set the selling price that has been applied by SMEs based on fashion need to be improved. It is suggested to use strategic price model, especially for SMEs which are implementing differentiation strategy. This means, the selling price strategy implemented by SMEs have to consider the strategy and its position in the product life cycle (Blocher et al, 2010: 566). This because theoretically, strategic pricing model is considered more appropriate for companies which are implementing differentiation strategies. While, SMEs which are implementing Low Cost strategy, using traditional selling price model is still considered appropriate. The results of this study is useful for development of pricing theory, in particular for SMEs. This result is also useful for the development of SMEs in order to improve competitive advantage from the aspect of price, so, the SME's product will be able to compete with imported products.*

**Keywords:** *differentiation, low cost, strategic pricing, competitive advantage*

## **INFLUENCE OF LEADERSHIP AND LECTURER MOTIVATION ON LECTURER'S PERFORMANCE IN CONDUCTING RESEARCH AND COMMUNITY SERVICE IN UNIVERSITY OF SINGAPERBANGSA KARAWANG (UNSIKA) WEST JAVA INDONESIA**

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### **ABSTRACT**

*The quality of educational institutions is strongly influenced by inputs to the education system such as students, lecturers and facilities supporting the teaching and learning processes. These three factors are interdependent and influence each other in creating a successful teaching and learning process. Lecturers are people who are based on their education and expertise appointed by a college organizer with the main task of teaching. They are professional educators of scientists whose main task at a college is to transform, develop and disseminate science, technology and the arts through education, research and community service.<sup>1</sup>*

*The main factor causing the low quality of higher education is the condition of the lecturers. Either the lecturers' qualification does not meet the qualification needed or the teaching tasks do not meet their appropriate expertise. Challenges related to the quality of educators cover personal challenges, competencies, as well as the skills in performing their duties. The success of giving lectures is measured on the basis of the lecturers' workload including the activities of planning, implementing the learning process, conducting learning evaluation, guiding, training, conducting research, and performing community service, as well as performing additional tasks to improve the quality.<sup>8</sup>*

*The research design used in this research is descriptive analytical method. Results of questionnaires distributed to 100 lecturers show that the performance of lecturers is still not optimum. It is a research method that tries to explore how and why a phenomenon happens then does analysis of correlation dynamics between the phenomenon.<sup>9</sup> This research uses cross sectional design with quantitative research type. Cross sectional study is a study that explores the dynamics of correlation between factors or independent variables with the effects or dependent variables which data is observed or collected the same time. Independent variables are leadership and motivation such as rewards, responsibilities and awards, while the dependent variable is the performance of lecturers in conducting research and community service.*

*Leadership variables directly and indirectly influence the performance of lecturers. Result of test to coefficient of parameter between leadership to lecturer performance indicate there is direct influence equal to 46.4%, while for indirect influence of leadership to lecturer performance through work motivation of lecturer equal to 7.82%*

*According to researchers, humans basically have various needs such as the need for achievement, affiliation and power. If the need is met then the concerned will be motivated to perform high. Likewise with a lecturer, concerned will perform professionally if the needs are met.*

**Keywords:** *leadership, work motivation, lecturers' performance, research, community service*

# **INNOVATION ON FINANCIAL SCHEMING OF REGIONAL ROAD DEVELOPMENT FOR SUSTAINABLE INFRASTRUCTURE CASE STUDY: PILOT PROJECT PROVINCIAL ROAD MAINTENANCE AND IMPROVEMENTS, NUSA TENGGARA BARAT**

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## **ABSTRACT**

*After the decentralization era began in the 2000s, the responsibility for the implementation of regional roads was given to their respective local governments, both for the financing and constructing but the central government still give support through Dana Alokasi Umum (DAU), Dana Alokasi Khusus (DAK), and Grant. However, the results of the system is not yet meet the expectations even after the central government had increase the amount of DAK up to three times. In 2016 the provincial road stability only amounted to 69.81% and kabupaten / city roads only 58.85%. This figure is still far from the target of 2019, namely 75% for provincial roads and 65% for kabupaten / city roads, especially when compared with national roads whose stability has reached 90%. Whereas 90% of the total length of the road network, which amounted to 464,417.93 km, is a regional road (province / district / city). This paper will describe about the innovation of Ministry of Public Works and Housing in the financing systems for the execution of local road. Ministry of Public Works and Housing with Australia Government through Indonesia Infrastructure Initiative make a new program called Provincial Road Improvements & Maintenance (PRIM) in Nusa Tenggara Barat. This program is delivered through pre-financing by APBD/local budget and reimbursement grant scheme maximum 40% by central government with incentives around 10% from total program. PRIM involves the road authorities (central and local road authorities), service provider, and road user through FLLAJ in its implementation and need synergy between sectors, strong commitment from the local government, transparency, and quality assurance during the implementation. There are 4 phase in the mechanism of PRIM program, which are Grant process, proposing the grant program, verification, request for disbursement and distribution of grant, and the last phase is report, monitoring, and evaluation of grant. Since 2012, PRIM program successfully improve the stability of the NTB roads up to 10%, from 61,20% (2012) to 72,10% (2016) and reducing level of road defect to 5%, comparing to level of road defect before PRIM which is around 13%. And PRIM program can reduce the budget for the road in Nusa Tenggara Barat. It means reduction on the funds for the road routine maintenance and period maintenance and increase the value-for-money/cost efficiency of the road budget lead to reduction of logistic cost.*

*So the conclusion is, the PRIM program can increase the sustainability of roads through its financing system. The PRIM program can improve the road service but with the optimum budget. After looking the results of PRIM program in Nusa Tenggara Barat, Bappenas with the Ministry of Public Works and Housing and Ministry of Finance plan to replicate this program for the broader coverage in 2018.*

**Keywords:** *Indonesia, Ministry of Public Works and Housing, PRIM, regional road, road infrastructure*



## **MACRO AND MICRO ECONOMIC FACTORS AFFECTING NON PERFORMING FINANCING (CASE STUDY AT SHARIA COMMERCIAL BANK 2010 - 2016)**

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### **ABSTRACT**

*Banks, especially Commercial Banks are at the core of the financial system of a State. In anticipating the needs of the community as well as providing a sense of security, comfortable in banking transactions, the presence of Bank Syariah is one solution to increase confidence in banking activities, especially in Indonesia. Non-performing financing (NPF) is a potential source of loss for banks. Problem financing is caused by many factors, including macro and micro economic factors. Average NPF of Sharia Commercial Bank from January 2015 - December 2016 was 5.28%. This value exceeds the maximum limit set by Bank Indonesia at 5%.*

*This study aims to determine the effect of macro and micro factors on NPF in sharia banking. The independent variables used in this study are Capital Adequacy Ratio (CAR), inflation, SWBI / SBIS (Bank Indonesia Wadiah Certificates / Bank Indonesia Sharia Certificates) and rupiah exchange rate against US Dollar. While Non Performing Financing (NPF) which is the dependent variable.*

*The sample of this research is 11 Sharia Commercial Banks in Indonesia. Research. Test data obtained in the period 2010 - 2016, using panel data regression analysis. Data processing is done by using eviews 9.*

*Based on the research result, it is known that inflation and exchange rate have significant influence to NPF. While SWBI proved to have NPF influence, but not significant. For microeconomic variables ie CAR proved to have a significant influence on NPF, but not significant. Simultaneously there is Influence Inflation, Exchange Rate, CAR, and SWBI, to NPF at Sharia Commercial Bank Period 2010 - 2016 amounted to 67.5979%.*

*Based on the results of the research, Islamic banks should continue to increase the growth of third party funds in order to increase the distribution of financing to the real sector compared with saving funds under management at Bank Indonesia. Banks are also expected to strengthen the risk management system.*

**Keywords:** syariah bank, macro economic, micro economic and non performing financing (NPF)

## **MODERATING EFFECTS OF VARIABLE HETEROGENEITY TOP MANAGEMENT TEAM (TMT) ON ASSOCIATION OF STRATEGY TO ORGANIZATIONS PERFORMANCE**

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### **ABSTRACT**

*This paper to investigated moderating effect of variable heterogeneity of Top Management Team (TMT) on the influenced of strategy to organization performance by Using 73 listed companies in BEI for period from 2010 to 2015 as research sample. This research took out high regulated industry in order to maintained analysis comparability high. High regulated company such as: banking, insurance, healthcare and financial institutions, investment company, and services agency.*

*Research model is a regression with data panel, by using three variables, there are variable organizations performance as dependent variable, variable strategy as independent variable and Heterogeneity Top Management (TMT) as moderating variable. To analyzed the result, it used estimated generalized least square model and the methods was fixed effect (FE) model.*

*This paper found that significant influenced variabel strategy to Earning Pershare and contrastly, there were insignificant influenced of strategy to Market to Book. There were no moderating effect of Heterogeneity TMT on association of strategy to Earnings per share and Market to Book Value.*

*This paper concluded firstly, strategy has significant influenced to organization performance if the proxy to measured it was Earnings Per Share, secondly, there are no moderating effect of variable heterogeneity TMT on the influenced of strategy to organization performance. Thirdly, Insignificant influenced on association of variable strategy to Market to Book as proxy to measured organization performance. Fourthly, the third conclusion was a signal of ineffisient market hypothesis. In this paper, there were some limitation and would be an opportunity for the future research such as, extension of period and industry, and also modification of measurement for TMT heterogeneity variable.*

**Keywords:** *strategy, heterogeneity TMT, organization performance, innovation*

## **OWNERSHIP STRUCTURE AND PROFITABILITY OF ISLAMIC MICROFINANCE INSTITUTIONS: EVIDENCE FROM INDONESIAN ISLAMIC RURAL BANKS**

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### **ABSTRACT**

*Islamic finance has been growing rapidly in the world, especially in Indonesia. Indonesia is in the ninth rank as the world's largest Islamic financial assets. Islamic microfinance industry in Indonesia is experiencing a rapid growth, but research related to Islamic financial institutions in Indonesia is still limited. This study aims to examine the effect of ownership structure on profitability of Islamic microfinance institutions (IMFIs). We use an unbalanced panel dataset of 2,726 quarterly observations for 153 Islamic rural banks (BPRSs) spread across 22 provinces in Indonesia from quarter one of 2011 to quarter three of 2016.*

*We regress the ownership concentration and the identity of large owners (government and private) on IMFI profitability as measured using return on assets (ROA), return on equity (ROE) and net profit-and-loss sharing margin (NPLSM). In measuring ownership concentration, we use three measures of concentration, namely the percentage of shares held by the largest shareholder (C1), the percentage of the first three largest shareholders (C3) and the percentage of the first five largest shareholders (C5). We also employ IMFI characteristics and macroeconomic factors as control variables. Besides the ownership concentration, we use two dummy variables for government ownership (GOV) and private ownership (PRIV).*

*For the ownership concentration, results show that C1 has a negative and significant effect on ROA, but has no effect on ROE and NPLSM. Moreover, C3 and C5 do not significantly affect the profitability. The results also indicate that government ownership has a negative and significant effect on all profitability measures. Private ownership also has a negative and significant effect on ROE, but has no effect on ROA and NPLSM.*

*This study contributes to the understanding of the effect of ownership structure on profitability of BPRS in Indonesia, a country with the biggest Moeslems population in the world. Whilst the topic is important but it is overlooked in the literature. This research also has given an insight on corporate governance and IMFI profitability using BPRS data, an example of fully commercialized microfinance. The findings provide useful information to managers, investors and policy makers. Based on this study, profitability can be improved by identifying practices associated with ownership structure.*

**Keywords:** *islamic microfinance institution (IMFI), islamic rural bank (BPRS), profitability, ownership structure, panel data*

## **OWNERSHIP STRUCTURE, CORPORATE GOVERNANCE, AND WHISTLE BLOWER IN INDONESIA**

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### **ABSTRACT**

*As we know to be a whistle blower is difficult, because they will expose any kind of information or activity that is deemed illegal, unethical, or not correct within the company. The whistle blower system is a system that will be help the company to detect the fraud. That is why this system will help them easier to convey the problems.*

*In Indonesia this system fully function on some of the listed company and most in the public government. Most of the company make it as online so people will easy to get through. Since the research of whistle blower is rare in Indonesia and not all of the research see it from finance perspective. Based on previous research we try to fill this gap. We examine whether ownership structure and boardroom characteristics have an effect on whistle blower in Indonesia.*

*This study use data from annual financial report and data stream from Thomson Reuters. The data consist of the company who has whistle blower system to determine the whistle blower. Then we took around 4 years from 2013 until 2016 to compare between the company who make regulation for whistle blower using whistle blower system. To test the hypothesis of this research we use a multivariate probit regression. This estimation based on a choice-based sample where half the firms have whistle blower system and half have not.*

*The result shows that the boardroom characteristics boardroom do not have significant impact for the company when they choose to use WBS or not. Except for Meeting variable from boardroom characteristic has significant impact after the company use the whistle blower system. The result for ownership structures have significant impact after the company use whistle blower system. Especially for variable the percentage of ownership in the company (TOP and TOP10) Then for auditor does not have significant impact. For variables growth and loss have significant impact for the company who use whistle blower system so the company with financial trouble are more likely to be examined for financial statement fraud.*

*Transition of the technology has great impact in economy. By using online the company will detect fraud faster by using whistle blower system. This system will help the company to make a good corporate governance so they will more transparent and will help to make decision for investor whether to invest or take any financial decision.*

**Keywords:** *ownership, corporate governance, whistle blower, whistle blower system*

## **PAYMENTS FOR ECOSYSTEM SERVICES AND POVERTY ALLEVIATION: AN OVERVIEW OF CONCEPTS, ISSUES AND DESIGNS**

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### **ABSTRACT**

*Dependency of human beings on the environment for their survival is inevitable. As part of an environment, an ecosystem plays important roles to harmonise of all the living and non-living things within an ideal cycle. Ecosystem services (ES), as benefits of people obtain from ecosystem, are not free to provide. Therefore, paying for provision of environmental benefits has become most recently innovative policy and attracted attentions some scholars to conduct this kind of research in both developed and developing countries. This innovation is referred as payments for ecosystem services (PES) which concern how “users” of environmental goods pay in particular amount to providers of such goods. PES has become non-market mechanism to transfer non-market values of the environment into real financial benefits for local parties to supply ES. As one of policy instruments that create incentive in public or private group, PES expected to assist conservation of environment and to make ES markets which target biodiversity, water quality, water quantity, air quality, climate regulation, and open-access fisheries. The purposes of this paper is to discuss and point out concepts and issues of PES, while design characteristics of one are reviewed to the distributional and effectiveness implications both as mechanism of environmental protection and for poverty alleviation. The method of this paper started with a discussion of PES definition and scope through reviewing some of principal dimensions how PES implicitly recognise unequal distribution of costs-benefits preserving ES. There are four essential dimensions how the PES is applied in: realistic; voluntary; conditional; and pro-poor which lead to commoditised environmental services (CES), compensating for opportunities skipped (COS), and co-investments in landscape stewardship (CLS). Those kind of dimensions are not static, but they maintenance dynamically developing steps from CLS in which the high trust is generated to CES in evolving framework. Using monetary compensations from benefactors to beneficiaries which might affect poverty alleviation programme are assessed to ensure PES as one of suitable economic policy tools. This approach also identifies and addresses trade-off between different ES and aggregative humans and their well-being which can ignore essential issues on poverty problems. The nexus of PES and poverty reduction depends both on context specific circumstances and program designs which affect directly or indirectly, and the barriers affecting in implementation. These views revealed the evidence of PES and poverty reduction programme are linked for some reasons of optimism: locations and situations where the poor are likely to benefit; types of programme designs to facilitate the poor’s capacity to benefit; and the poor do participate in, and benefit from. Some governments have made political stabilities to surround in. From these views, it is concluded that the poor participations on PES programme have contributed to reduce poverty rate in some communities and attracted political support of governments for preserving sustainability in the long-term.*

**Keywords:** *payment for ecosystem services, poverty alleviation, programme designs, political supports*

## **ROLE STRESSORS, BURNOUT, AND LECTURER PERFORMANCE: AN EMPIRICAL EVIDENCE FROM INDONESIA**

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### **ABSTRACT**

*This study aims to provide empirical evidence about the negative influence of role stressors on lecturer performance. Role stressors consist of role conflict, role ambiguity, and role overload. Besides testing the direct influence, this study also examining the indirect influence of role stressors on lecturer performance through mediation of burnout. The focus of this research is on educational industry. The research data is the primary data that obtained through the distribution of questionnaires to the respondents. Selected respondents were full time lecturers who work at private universities in West Jakarta, Indonesia. The selection of respondents was based on a number of previous studies that found burnout was typical problem of professions that are related to interpersonal communication or people who work as professional such as lecturers. Lecturers' burnout can affect their job performance by decreasing the quality of teaching. Hypotheses testing in this research uses path analysis. This study revealed the following results. First, role conflict has no influence on lecturer performance. Role conflicts arise when lecturers feel that the new tasks that have been given to them are not compatible with their daily main role. Based on existing results, role conflict has no direct influence on lecturer performance. It means additional new tasks such as become conference chairman and supervising competition team do not affect their performance. Second, role conflict has negative influence on lecturer performance through burnout mediation. Continuous new additional task as a form of role conflict will arise burnout and will ultimately has an impact on performance. Third, role ambiguity directly has negative influence on lecturer performance. Role ambiguity causes inconvenience in performing the given task so that the result of work becomes not optimal. The higher unclear role, the lower lecturer performance. Fourth, role ambiguity has negative influence on lecturer performance through mediation of burnout. Unclear role will be confusing to the lecturer and will cause burnout which at the end will create lower lecturer performance. Fifth, the direct negative effect of role overload on lecturer performance has been proven. The higher the role overload, the lower the performance. Under lack of resources condition such as lack of time with so much work to do will make a person finish the tasks in careless way. They will ignore the quality of their performance. Sixth, this research proved that role overload has negative influence on managerial performance through burnout mediation. Pressure of too many works to be done or too little time to do so many tasks will cause burnout which at the end will cause lower performance.*

**Keywords:** *role conflict, role ambiguity, role overload, burnout, lecturer performance*

## **SCENARIO ANALYSIS OF ENERGY DEMAND FOR CLEAN ENERGY DEVELOPMENT CASE IN YOGYAKARTA REGION, INDONESIA**

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### **ABSTRACT**

*Yogyakarta is one of the provinces in Indonesia that has no fossil energy potential. All economic activities is highly depend on the stability of energy supplies from other regions. Due to the limited energy resources so that energy efficiency becomes very important. This research was conducted to predict the effects of different development alternatives on future energy consumption and carbon emission as a clean energy indicator. Energy demand modeled by sector using intensity approach, that is calculate the amount of energy used per unit of activity. Applying LEAP model was built to analyze the future trends of energy demand, energy structure and carbon emission from the base year 2015 to 2030 under different scenario composition that is Bussines As Usual (BAU), Moderate (MOD), and Optimistic (OPT) scenario.*

*The results shows that energy demand grew an average of 7,63% per year. Transportation sector is the largest energy user with a percentage of over 60% of overall energy demand, as well as the largest contributor to carbon emissions. Total energy demand in Yogyakarta under MOD and OPT scenarios is expected to reach 195.878,1 thousand BOE, and 184.695,1 thousand BOE, lower than those of the BAU scenario, respectively. Based on the MOD and OPT scenario, GHG emissions in 2030 respectively amounted to 6.03 million tons of CO<sub>2</sub> equivalent and 5.75 million tons of CO<sub>2</sub> equivalent. With the implementation of programs that can support the OPT scenario, GHG emissions can be reduced to 12.5% when compared to the GHG emissions generated by the BAU. Overall, this research provides some important insights for Yogyakarta in terms of future energy conservation and highlights possible steps for policy makers to develop a sustainable clean-energy region.*

**Keywords:** Yogyakarta, carbon emission, energy demand, LEAP model

## SEARCHING WIDELY OR DEEPLY? THE IMPACT OF OPEN INNOVATION ON INNOVATION AND INNOVATION PERFORMANCE AMONG INDONESIAN MANUFACTURING FIRMS

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### ABSTRACT

*Since the term open innovation coined by Henry Chesbrough in 2003, the concept has been gained attention extensively from both academia and practitioners. Surprisingly, open innovation insight in the context of Indonesian firms is scarce. Hence, this study attempts to narrow this gap. This study aims to investigate the impact of open innovation performed by Indonesian manufacturing firms on different types of innovation such as product, process, organisation and marketing and on innovation performance. Product and process innovation are grouped into technological innovation or traditional innovation, while organisation and marketing innovation are classified as non-technological or wider innovation. Innovation data derived from the Indonesia Innovation Survey (IIS) 2011 that covers 2009-2010 is used in this study. Following Laursen and Salter (2006), open innovation indicators consist of the firms' effort to search external knowledge widely (BREADTH) and deeply (DEPTH) use in the innovation process. BREADTH refers to 'the number of external sources or search channels that firms really upon in their innovation activities'. DEPTH means 'the extent to which firms draw deeply from the different external sources or search channels'.*

*Descriptive statistic shows that the highest proportion of the Indonesian manufacturing firms source knowledge from market and commercial network i.e. customers. The Indonesian manufacturing firms also tend to perform marketing innovation. Undertaking Logistics and Tobit regression, this study shows that in general, both BREADTH and DEPTH significantly and positively affect technological and non-technological innovation. However, over-search on external knowledge that is measured by BREADTH squared and DEPTH squared negatively and significantly influence innovation and innovation performance. This indicates that too many external knowledge sourced in the innovation process will diminish the return of innovation. This study also finds that complementary relationship exists between internal R&D and external knowledge. Meaning that implementation one knowledge sourcing strategy (either sourcing from internal R&D or external knowledge) increases the marginal returns from another.*

*Important implications for managers from this study may be drawn. The fact that the firms' openness to external knowledge significantly and positively affects innovation and innovation performance, it is recommended for innovative firms to scan and blend a wide range of external knowledge, rather than rely on internal R&D.*

*Lastly, the limitations of this study need to be acknowledged. First, this research is a cross sectional study that portrays open innovation in one period of investigation. Future studies should address this limitation by using panel data from innovation surveys from which the changes and dynamics of open innovation can be detected. Second, the data derived from the IIS 2011 only covers Indonesian manufacturing firms. Future studies should include innovation data from both manufacturing and service firms. Third, the impact of industry sectors on open innovation is absent in this study. Future studies should address this issue because different industry sectors may perceive open innovation differently.*

**Keywords:** open innovation, manufacturing firms, Indonesia



## SHOPPING EXPERIENCE AND SUBJECTIVE WELL-BEING: AN EMPIRICAL STUDY

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### ABSTRACT

*While traditional marketer aims to enhance customer loyalty, social marketer focusses on the creation of individual well-being. To date, some social marketing programs have been launched to enhance individual wellbeing. However, only few studies have been oriented to investigate subjective well-being in the domain of traditional marketing. Previous study indicated that service quality is one of important determinants of subjective well-being for service organization customers. As service quality is only discuss in the attribute level, scholars contended to examine the effect of experience quality. For that reason this study aims to investigate the effect of shopping experience as an important dimension in traditional marketing on subjective well-being. To have a better knowledge about the relationship between these constructs, this study also inserted the notion of customer satisfaction and perceived shopping enjoyment as mediating variables. Upon the completion of this study, both theoretical and practical contributions provided.*

*Two hundred respondents participated in this study. These respondents were recruited in the some department stores in Malang City, East-Java province . Self-administered survey was conducted to collect the data. Covariance based Structural Equation Model (CBSEM) was employed to analyse the data. The results of Confirmatory Factor Analysis (CFA) confirming the model proposed. The structural model showed that shopping experience has significant effects on customer satisfaction, perceived shopping enjoyment and subjective well-being. However this study failed to prove the mediaing effect of customer satisfaction andperceived shopping enjoyment in the relationship between shopping experience and subjective well-being.*

*Theoretically, this study contribute into retail marketing literature by showing an evidence that shopping experience is not only important in affecting customer loyalty as has been showed by many studies. This study showed that providing good shopping experience would also enhance the subjective well-being. For practical standpoint, this study will be the guideline for department store managers in enhancing satisfaction, enjoyment and subjective well-being of customers.*

*While some cotributions provided by this study, some limitations still need to be concerned by future scholaes. First and foremost, this study used self-administered questionnaires. The use of self-administered questionnaires possibly lead into bias in answering the questionnaires. However, to minimize this bias, the items used in this study were designed short and conscise. Second, in predicting subjective well-being, this study study only employed three variables name shopping experience, customer satisfaction and perceived shopping enjoyment. To have more insight, the future study might insert other variables and test these variables in different industrial setting.*

**Keywords:** *shopping experience, customer satisfaction, perceived shopping enjoyment, subjetive well-being, retail*

## **STAGE ANALYSIS AND CONSUMER TYPE THAT DOING TRANSACTION IN ONLINE COMMERCE PLATFORM**

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### **ABSTRACT**

*Information technology, especially internet, is changing consumer behavior, especially in the way they doing transactions. The increasing number of on-line selling sites enables customer to do transaction through online network. Consumers have their own preferences in conducting transactions, especially when transacting online. Transactions can be in the form of buying or selling a product. One of the most widely used media is electronic commerce sites. Every online consumers have different experiences at the time of transactions. The experience experienced will have an impact on satisfaction and dissatisfaction and continue to the next activity. This study aims to analyze and knowing the stages and types of consumers when online.*

*The research methodology used is qualitative descriptive. Informants in the study were consumers who had done online transaction and purchase online. The number of respondent are 50 people and selected at random from several professions. Questions to be asked to informants are their stages in making the process of buying online and their buying behavior. The questions is divided in five stages question. First stage is about background in doing online transaction. Second stage is about information that needed by customer to do online transaction. Third stage is about alternative evaluation in doing online transaction. Fourth stage is about the matching between buying purpose and buying decision. Fifth stage is about behavior after doing online transaction.*

*Customer buying behavior are categorize into four categories. They are Complex Buying Behavior, Buying Behavior to reduce hesitancy (Dissonance Reducing Buying Behavior), Habitual Buying Behavior (Habitual Buying Behavior), and the behavior of buyers seeking diversity (Variety Seeking Buying Behavior)*

*Our results show consistency with the way consumers perform transactions as proposed by Philip Kotler and Gary Armstrong (Philip Kotler, Gary Armstrong, 2008). Our finding found that consumer who doing online transaction have more Dissonance Reducing Buying Behavior*

**Keywords:** *consumer behavior, online transaction, phases and type of consumer*

## SUSTAINABILITY REPORTING DISCLOSURE IN INDONESIA

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### **ABSTRACT**

*Sustainability reporting is a tool to communicate related to corporate sustainability. Sustainability reporting is forced by internal and external motivation especially from stakeholders. Sustainability reporting is compulsory based on the law No 40 2007. Most companies listed in Indonesian Stock Exchange attempt to prepare sustainability reporting. The sustainability reporting prepare based on Global Reporting Initiative (GRI-G4). The aim of this study is to examine the board size, company size, leverage to organizational performance through sustainability reporting. Indonesia has a National Center for Sustainability Reporting (NCSR). This study uses secondary data from annual report and sustainability reporting. The research method is related to archival. The secondary data were collected from company's websites and idx. The sample of this study is companies which got the awards from Indonesia Sustainability Reporting Award (ISRA) in 2016. The companies as samples including the financial sector, mining sector and manufacturing sector and others. This study uses stakeholder theory. The concept of stakeholders is a framework of policy and business planning, and framework of corporate social responsibility not only management but also stakeholders. The stakeholder consist of company, government, customers, suppliers, investors and community. Nowadays, community is very concerned about sustainability reporting for instance related environment. The result of this study shows the sustainability and organizational performance is significant. The relationship between company size, and leverage to sustainability reporting are significant. However, the relationship between board size and sustainability reporting is not significant in. The limitation of this study focuses on companies got the award from ISRA. Thus, it cannot generalize to all companies in Indonesia. Another limitation is the framework not yet the best framework. Several Suggestions for future research. The first suggestion is to research for one sector based on Indonesian Stock Exchange. The last suggestion is to examine another variable related to factors with sustainability reporting.*

**Keywords:** board size, company size, leverage, sustainability reporting, organizational performance

## **NETWORKING SYNERGIZING CAPABILITY TO INCREASE SALESPERSON PERFORMANCE (AN EMPIRICAL STUDY ON THE SOFT DRINK INDUSTRY)**

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### **ABSTRACT**

*This study aims to investigate and build a new concept to synergize network to overcome a research gap of the influence of the adaptive sales on the salesperson performance. The research model was tested in the soft drink industry in the Special Region of Yogyakarta which is currently experiencing a decrease in sales. The uniqueness of this research is on the development of the sales strategy model in the soft drink industry in order to increase its sales performance.*

*The data were collected by distributing questionnaires to 300 respondents of the salespeople of the soft drink industry in the five districts of Yogyakarta, namely the city of Yogyakarta, Sleman, Bantul, Kulonprogo and Gunungkidul. Sampling method was done by applying a purposive sampling technique. The structural equation model used AMOS 21 software to test the proposed research model. Additionally, SPSS software v. 20 was used for data test and Sobelt test.*

*The result of the research shows that the adaptive selling has a significant positive effect on the salesperson performance and synergized customer networking. Additionally, the customer order quality has a significant positive effect on the synergized customer networking and customer retention. The customer retention also has a significant positive effect on the salesperson performance. The quality of communication has significant positive effect on the synergized customer networking and salesperson performance.*

*The conclusion of the study found that the higher the quality of the salespeople to communicate with customers and the higher the quality of the customer ordering, therefore the higher the ability of the salespeople to synergize the network. The study also found that the higher the ability of the salespeople to adapt when interacting with customers could improve salesperson performance, but it did not increase the ability of the salesperson to synergize customer networks.*

**Keywords:** *adaptive selling, synergize networking capability, communication quality, customer ordering quality, customer retention and salesperson performance*

## **TAX AVOIDANCE, RELATED PARTY TRANSACTION, CORPORATE GOVERNANCE AND CORPORATE CASH DIVIDEND POLICY**

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### **ABSTRACT**

*This study aims to investigate the relationship between tax avoidance, related party transaction and corporate dividend policy. Furthermore, this study will also investigate the moderating effects of corporate governance (CG) implementation on the relationship between tax avoidance, related party transaction (RPT) and corporate dividend policies. This study has three contributions. First, this study shows an indirect relationship between tax avoidance and cash dividend payments mediated by RPT. Second, this study tries to examine the effect of CG moderation on the relationship between tax avoidance and RPT, as well as the effect of CG moderation on the relationship between tax avoidance and cash dividend payments, mediated by RPT. Third, this study developed RPT measurements by looking at the RPT component more specifically (looking at components of transactions outside of the main business of the company - the "others" component). Our sample covers listed companies at Indonesian Stock Exchange during 2011-2014. Financial data obtained from [www.idx.co.id](http://www.idx.co.id) or taken directly from the company's website. And for CG data, this study use CG scorecard data issued by the Indonesian Institute for Corporate Directorship.*

*The results provide moderate support for the proposed hypothesis. First, the higher the tax avoidance that company makes will increase the size of the firm's RPT. Secondly, the higher the company's RPT will lower the company's cash dividend payout rate. Third, the higher tax avoidance will lower the company's cash dividend payout rate, and this is done through a related party transaction. Fourth, the impact of strong CG implementation will weaken the positive relationship between corporate tax avoidance and company's RPT size, strengthen the negative relationship between the RPT size and the cash dividend payout policy of the firm, and strengthen the negative relationship between the company's tax avoidance and the company's cash dividend payout policy which mediating by the company's RPT.*

**Keywords:** *tax avoidance, related party transaction, corporate governance, cash dividend policy*

## **TEENS AND HANGOUT LIFESTYLE: WHAT DRIVES TEENS SATISFACTION AND LOYALTY?**

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### **ABSTRACT**

*Indonesia with over 260 million people, fourth largest population in the world, consists of teenagers who sets new trends in the country such as lifestyle. One trend brought by teens is hanging out at cafe. This trend can be seen in many cafes mushroom in Indonesia. Hanging out at cafes is not just about drinking and eating foods and beverages. Teens hang out at cafes because cafes are where teens release stress and socialize with others. Most reasons to hang out at cafe are motivated also by hedonic and symbolic pleasure as opposed to utility.*

*Competition within cafes heats up since the number of cafes in Indonesia has doubled in the past five years. To win the competition, cafes must create customers satisfaction. By building satisfaction, cafes can also generate the benefits of satisfied customers and lead them to be a loyal customer. At marketing perspective, customer experiences (especially, good experiences) will create satisfaction and intention to be loyal (repeat purchasing, and giving recommendation to others). In order to attract teens, cafes (national and international cafes) complete their services with various facilities such as mini theater, instragammable spots, and good environment.*

*This study investigates the relationship between customer experiences, hedonic quality, satisfaction and loyalty. Population of this study is Indonesian Teens who like hanging out at cafe. Two hundred respondents participated in this study. In order to achieve the aim of this study, SPSS 23 and Partial Least Square (PLS) 3 were used. Out of the ten hypotheses proposed, seven are supported. As predicted three dimensions of customer experiences (staff interaction, guest interaction and physical environment) significantly have a significant effect on satisfaction, but only one dimension of customers experience (physical environment) has a significant effect on loyalty. This findings also confirmed the effect of dimensions of hedonic quality toward satisfaction (except hedonic emotional has no effect on satisfaction). Additionally, the path coefficient result proved the effect of satisfaction to loyalty.*

*Upon the completion of this study, both theoretical and practical contributions were provided. Some findings of this study support prior theory. In contrast, some findings showed different condition to theory and need more studies to explain those findings. It is obvious that to create customer satisfaction, cafes must create good experiences by provide good facilities, and humble and professional staffs. Hedonic quality as one of determinants of satisfaction, become critical information for cafes in arrange strategies that there are factors (dimensions of hedonic quality) make teens satisfied.*

**Keywords:** *customer experiences, hedonic quality, satisfaction, loyalty*

## **THE APPLICATION OF BUSSINESS MODEL CANVAS (BMC) TO PUSH THE ENTREPRENEURIAL MINDSET AMONG COLLEGE STUDENTS IN UNIVERSITY OF ISLAM MALANG**

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### **ABSTRACT**

*Unemployment in productive age is a big challenge to Indonesia in entering the global and free market. The creation of young entrepreneur is the solution to accomplish and multiply economic growth. Indonesia create 700 thousand collage graduate every year, but still many of them not interested in entrepreneurship. Lack of entrepreneurship understanding makes this college students have a mindset as job seeker rather than job creator.*

*This research means to give the understanding to college students the importance of entrepreneurship and push the growth of entrepreneurial mindset among college students by introducing and learning Business Model Canvas (BMC), so these college graduate of Unisma Malang has able to run a bussiness and become a job creator.*

*Research done in qualitative and quantitative. BMC will be introduced to college student who attending the advanced entrepreneurship course. For 3 month (once a week) these college students will be taught BMC and it's application. Then it will be measured quantitatively to know the efect of BMC application to the entrepreneurial mindset on college students. Respondents in this research are 5th semester of the economic faculty students of UNISMA who has received advanced entrepreneur course wich has not been introduced to BMC before. Sampel based on simple random sampling on 88 college student. Multiple linear regresion has been used in data analysis using SPSS.*

*The result shows that BMC significantly influent the college student's entrepreneurial mindset on method (running bussiness), bussiness element (knowing the component that required in bussiness), and strategy (utilize modified opportunity to reduce risk). The visualisation model that presented by BMC make the college student easy in bussiness mapping, innovating and creating, simple thinking, collaborate all the element that needed in running bussiness, and utilize opportunities.*

*BMC is higly effective in used as bussiness model tool that simplify the student's comprehension in running bussiness, so BMC need to be introduced and inserted in entrepreneurship course material in Universitas Islam Malang to increase entrepreneurial mindset among college students.*

**Keywords:** *bussiness model canvas (BMC), entrepreneurial mindset, bussiness model*

## THE EFFECT OF FOREIGN DIRECT INVESTMENT TO INCOME INEQUALITY AND UNEMPLOYMENT

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### ABSTRACT

*Currently, the government is vigorous in increasing foreign direct investment in Indonesia. The existence of foreign direct investment is expected to reduce income inequality and unemployment in Indonesia. However, it turns out that overseas research shows that in some countries, foreign direct investment can increase income inequality in a country, although in other countries the research result shows that foreign direct investment gives positive influence to the state by decreasing the level of inequality. Other studies have also shown that income inequality has no effect on unemployment in a country. The existence of such researches raises the question of whether this FDI being promoted by the government can effectively reduce the income gap and the unemployment rate? This question is reinforced by the fact that many Foreign Investment firms have been losing for several years in a row. As reported by Liputan 6 (2016), Director General of Taxes, Ken Dwijugiastadi, states that as many as 2000 PMA has been losing for 10 years. Mekar Satria Utama, Director of Counseling, Services, and Public Relations, Directorate General of Taxes, as quoted by CNN Indonesia (2016), added that 2000 PMA losers average using the transfer pricing scheme. This raises the question of whether the government should promote FDI if it is not able to give added value to Indonesia? The existence of these questions, the authors are interested to conduct research on the effect of FDI on the unemployment rate and income inequality.*

*This study aims to find the effect of Foreign Direct Investment on Income Inequality and Unemployment in Indonesia. This research is a time-series research between 2002-2015 which is processed by using ordinary least square regression method. Regression results in the first model shows that foreign direct investment has a positive effect on income inequality which means that the greater the foreign direct investment will increase income inequality in Indonesia. Regression results in the second model shows that foreign direct investment has no effect on unemployment in Indonesia.*

**Keywords:** *foreign direct investment, income inequality, unemployment*



## THE EFFECT OF SOCIAL CAPITAL ON WELFARE IN INDONESIA

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### ABSTRACT

*Studies on the impact of social capital on welfare currently are growing. However, the studies for the case developing countries, including Indonesia, is still very rare. Therefore, this paper aims to analyze the impact of social capital on welfare in Indonesia. In this study, social capital is measured from three indicators, namely, trust, cooperativeness and social network (participation in community activities). Welfare is measured from household expenditures for food and non-food. The data is acquired from Indonesian Family Life Survey year 2007 (IFLS4) and 2014 (IFLS5). This research use instrumental variables to address the endogeneity issue on social network (participation in community activities), which is a potential two ways causal relationship. It means that individuals with higher welfare (income) have a higher possibility to participate in community activities, since a participation in community activities is one of leasures activities and the utilization of leisure is higher for higher income people. Using Instrumental Variables (IV) method and marital status as an instrument, the study found that social capital has a significant impact on welfare. An increase of a participation in community activities, will improve the welfare by 11.7 percent. Moreover, an increase of cooperativeness by one percent, would increase the welfare by 0.2 percent. On the other side, trust has a negative relationship with welfare. It means that an increase of trust among individuals by one percent will cause household expenditure for food and nonfood dropped by 0.3 percent. It may imply that higher trust will cause lower transaction costs that will reduce the expense of individuals on food and no-food expenditure. Since the coefficient of IV is larger than the coefficient in OLS estimation, it indicates the absence of reversed causality. The results of this study give an implication for policy decision making which suggests that the policy decision makers should consider the impact of social capital on welfare and support the improvement of individuals in participating in community activities.*

**Keywords:** social capital, welfare , instrumental variable (IV), endogeneity, IFLS

**THE EFFECTS OF FINANCIAL PERFORMANCE AND EARNING  
MANAGEMENT TOWARDS STOCK RETURN  
WITH AUDIT QUALITY AS MODERATING VARIABLE AND  
IMPACTS ON STOCK LIQUIDITY  
(AN EMPIRICAL STUDY IN PROPERTY AND REAL ESTATE  
SECTOR, YEAR 2011-2015)**

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**ABSTRACT**

*The aim of this research is used to determine, first, the effect of corporate financial performance on stock return. Second, the effect of earning management on stock return. Third, the effect of earning management on stock return with audit quality as moderating variable. Fourth, is also to test the impact of stock return on stock liquidity in property and real estate sector. The indicators of financial performance used in this research are return on asset (ROA), debt equity ratio (DER), current asset (CR), total asset turnover (TAT), earning per share (EPS), and price earning ratio (PER). The indicator of earning management, used is discretionary accrual, while the indicators for the audit quality is the size of public accounting firms. And the last, indicators for the impact of stock return and stock liquidity used are stock price and trading volume activity respectively.*

*The design of this research is quantitative method using all companies listed in IDX as the population. The sampling technique used in this study is purposive sampling with some specific criteria. The company that be used as sample of research is property and real estate sector, year 2011-2015. The total companies meet the criteria are 40 companies, by observing five-year period, the total are 200. The analyze data are secondary data, where data are obtained the had been audited on IDX (Indonesian Stock Exchange). Then, the data analyze using SEM-AMOS program version 22.*

*Based on the result of this study, it indicates that first, financial performance has no effect on stock return. Second, earnings management has no effect on stock return. Third, earnings management with audit quality as moderating variable has no effect on stock return. Fourth, stock return has no impact on stock market liquidity capital in property and real estate sector, year 2011-2015.*

*The latest finding can be a signal for investors to invest, but unfortunately, it does not occur for all sectors, particularly, in property and real estate sector from 2011 to 2015. It dues to investment decisions not only from financial performance, but also discretionary earnings management (application accounting policies), and audit quality. However, there are many other considerations that are reviewed by investors and other stakeholders. These consideration are namely the types and the risks of investment, the type of investors, the company sectors to invest, and some others.*

**Keywords:** investment, financial performance, earnings management, audit quality, and stock return

## **THE EFFECTS OF LEADERSHIP STYLES AND USE OF PERFORMANCE MEASURES ON SUBORDINATES ATTITUDES**

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### **ABSTRACT**

*Diagnostic control systems and interactive control systems proven to improve employee performance when combined with the use of objective performance measurement and subjective performance measurement. However, the analysis has not been studied in the construct supervisory style. So, this study aimed to examine the relationship effect of leadership styles (IS-leadership and C-leadership) on the attitudes of subordinates (goal clarity and evaluation fairness). This study also examines the effect of leadership styles (IS-leadership and C-leadership) on the attitudes of subordinates (goal clarity and evaluation fairness) mediated by the use of objective performance measures and subjective performance measures combined with diagnostic control system and interactive control system.*

*This study is a quantitative research using primary data collected through questionnaire survey. Distributed questionnaires have been conducted pilot test with 56 indicators. Testing was conducted on 152 employees working in 10 companies with purposive sampling method engaged in the service sector, trade and manufacturing located in the city of Jakarta. The hypothesis was tested using SEM-PLS with WarpPLS program version 3.0. The measurement models are tested with validity and reliability testing.*

*Based on the result of this study, found that first, the manager leadership style (both IS-leadership and C-leadership) are able to directly affect the attitudes of subordinates (goal clarity and evaluation fairness) and are able to influence indirectly mediated by diagnostic performance measurement (objective diagnostic and subjective diagnostic) and also interactive performance measurement (subjective interactive). Second, objective diagnostic is able to mediate partially the relationship of IS-leadership to goal clarity. However, objective interactive is not able to mediate IS-leadership to goal clarity. Third, subjective diagnostic and subjective interactive are able to mediate partially the relationship of C-leadership to evaluation fairness.*

*Finally, the overall influence of the dimension of leadership style is positively related to the dimension of performance measurement connected with the levers of control to the attitudes of subordinates. In this study also performed additional analysis tests that found a significant direct and indirect effect.*

**Keywords:** *leadership style, performance measure, diagnostic and interactive control system*

## **THE EFFECTS OF UNPLEASANT WELLBEING ON PHYSICAL HEALTH AND JOB SATISFACTION (EMPIRICAL STUDY IN TEXTILE LABORS IN INDONESIA)**

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### **ABSTRACT**

*Textile industry has become a sector that has the largest contribution in Indonesia export, which has experienced a significant decline in last three years period. One of the causes that responsible to this decline is the low productivity of labors compared to the other countries such as India and China. Job satisfaction and physical health are among the important aspects which play as a key in labors productivity. Job satisfaction and physical health are important aspects which play as a key in labors productivity. Both poor physical health and low job satisfaction may influence productivity through labor's absence or presence which will leads to the inefficiency in job completion. The aim of this research is to asses the impact of affective aspect unpleasant wellbeing on job satisfaction and physical health in order to show the means of encouraging employees to maximize their effort in fulfilling their job responsibility. This paper provides an insight on the importance of happy and productive labors on the job output by analyzing the impact of the unpleasant wellbeing of labor to their physical health through their job satisfaction This study used quantitative method conducted by Better Work Indonesia (2015) which involving of 789 Textile workers in 55 factories in Indonesia. The result of this study shows that labor with low unpleasant wellbeing have better physical health which caused by their perception on how they satisfied on their job's condition. Factory is required not only focus in physical working environment condition but also in the psychological condition. This paper provide a lesson that labor with happy condition lead to better perception on their work and their lifes which make them more productive to work. This paper also showed an insight that nowadays to drive labor motivation not only from extrinsic (i.e. money, pay) but also from intrinsic (i.e. happiness).*

**Keywords:** *unpleasant wellbeing, happiness, physical health, job satisfaction, labors*

**THE EFFECTS OF THE DISTRIBUTIVE JUSTICE AND  
PROCEDURAL JUSTICE ON COUNTERPRODUCTIVE WORK  
BEHAVIOR (CWB) : THE MEDIATING ROLE OF LEADER-MEMBER  
EXCHANGE (LMX) AND JOB SATISFACTION  
(HIERARCHICAL LINEAR MODELLING METHODS)**

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**ABSTRACT**

*Design of this study is aims to offers a model of development organizational justice ( procedural and distributive ) with the level of analysis group , and their influence to the attitude (Leader-Member Exchange / LMX. and Job Satisfaction ) , and behavior ( indicated by ccounterproductive work behavior / CWB ) at the level of individual . This research is relying on the social exchange theory to integrated the theory of justice and the concept of counterproductive work behavior /CWB .This research also involving the social information process theory's, interaction approcah's, and social construction , and also social learning theory's to explain the phenomena of organizational justice.*

*Methods used to analyze a different this level , between justice ( viability level group ) with the counterproductive work behavior ( level of individual ) is testing cross level analysis with Hierarchical Linier Modeling ( HLM ).*

*Results of this research is propositions the viability of justice to counterproductive work behavior mediated by LMX and Job Satisfaction.*

*Research findings is expected to be guidelines to understanding the role of distributive justice and procedural justice, leader member exchange, and job satisfaction for organization to minimize counterproductive work behavior..*

**Keywords:** *procedural justice, distributive justice, leader-member exchange, job satisfaction, counterproductive work behavior, cross level analysis*

## **THE FUTURE IS SO BRIGHT, SO TURN-OFF THE LIGHT : A STUDY ON ENVIRONMENTAL OPTIMISM AND RESPONSIBLE HOUSEHOLD ELECTRICITY CONSUMPTION**

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### **ABSTRACT**

*With a population of over 250 million people, Indonesia is the 11<sup>th</sup> largest CO<sub>2</sub> emitting nations, accounted for 14.8 per cent of world total emission in 2015. With the growth of transportation, industrial sectors, and households' needs; demand for energy is also increasing vis a vis CO<sub>2</sub> emission. Electricity demand grows faster than economic and population growth, at an average of 7 per cent annually, especially in Java and Bali. Indonesia's total power generation capacity is 55.5 GW, fossil fuels use is dominating, 56 per cent of which is coal generated. Reconciling with this ever growing coal consumption and committed to reduce CO<sub>2</sub> emission, Indonesia plan to increase the share of renewable sources in its energy mix and implement clean coal technologies. Meanwhile, if the public can be made more aware and engaged in the real act of saving electricity, it will certainly assist the nation's endeavour.*

*Study of human behaviour sheds lights on how people make choices, in the context of conserving energy, behaviour that reduce the negative impact toward the environment (such as conserving electricity) or improve the quality of our living space is required more. The effect of individual's pro-environmental behaviour may only be minute on reducing the harmful outcome, however when a whole society is engaging in such behaviours, over time they can create a huge positive impact. Pro-environmental behaviours are not only rationally responding to electricity price in maximizing utility but also to psychological factors, including expectations, emotions and moods. Environmental optimism is such cognitive-emotional characteristic, the positive outlook or attitude about the future condition of the environment and a tendency to anticipate a favourable outcome from life. Together with a feeling of control over unfolding events, optimism will lead to favourable behaviour toward the environment, and therefore securing the positive outcome to actually materialise. When the realisation of such encouraging consequence occurs, it will even strengthen the consistencies of the beliefs and lead to the (almost) self-fulfilling behavioural learning equilibria.*

*Therefore, this study focused on establishing the relationship between environmental optimism and responsible use of electricity by conducting a survey among 430 young adults in Jakarta using questionnaire. The result shown that optimism correlates significantly to electricity conserving behaviour with a Spearman's rho of 0.24  $p < 0.01$ . The more optimistic an individual is in his view about the future of the environment, lead to a higher belief that he can also actively contribute to this betterment by consuming electricity responsibly.*

*Furthermore, by separating the participants into two groups, the correlation of optimism to electricity conserving behaviour is more prevalent among those living with parents who are paying the bills. Optimism seems to be a more dominant factor that lead to their electricity saving behaviour, so it is not merely an act out of concern on the benefit of cutting cost by saving electricity. The abovementioned results support the idea that managing environmental optimism is important to maximize the impact of policies designed to promote pro-environmental behaviours, i.e. conserving*

*electricity.*

**Keywords:** *human economic behaviour, optimism, responsible electricity consumption, reducing carbon footprint*

## THE IMPACT OF DISAGREGATION STRATEGY WITH SUPPLEMENTARY DISPLAY TOWARDS BALANCED SCORECARD PERFORMANCE EVALUATION

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### ABSTRACT

*Balanced scorecard had become one of the most popular management tool around the world. In spite of its benefits, Balanced Scorecard created a bias called common measure bias. The bias associated with Balanced scorecard should be eliminated so that the optimal benefits of Balanced scorecard could be obtained. In order to eliminate the bias, disaggregation strategy was suggested. Disaggregation strategy was found as a mitigation strategy to solve common measure bias. However, there was a lack of empirical evidence on the decision quality produced by using disaggregation strategy. Furthermore, in order to increase the decision quality, information display was found to be helpful. Therefore, this study aimed to investigate the effect of disaggregation strategy in Balanced Scorecard context toward the decision quality in regard to Balanced Scorecard performance evaluation with different information display.*

*This study used experiment method with the design of 3x2x2 between subject's factorial design. Randomization method was used in assigning the participants. The participants of this study were 192 students taken from Accounting Postgraduate program and Management Postgraduate program, Universitas Gadjah Mada. Manipulation test were conducted to determine the participants' understanding of the case material. The data from 152 participants were eligible for this study. Participants were given role as a senior executive who rated the performance of two different divisions and allocated bonus to each division based on its performance. Each participant rated and gave bonuses to two divisions using Balanced scorecard with supplementary information display in disaggregation strategy context. This study used Analysis of Variance (ANOVA) to test the hypotheses and Chi-square test to examine the effect given by a number of factors that could affect the study results. Decision quality was measured by consensus, consistency, and task easiness and information display was measured by table, graphic, and traditional display.*

*The results indicated that, decision makers with supplementary table and graphic display would exhibit greater judgement consensus than decision makers who were given traditional separate display. Moreover, those who received supplementary table display exhibit greater judgement consensus and consistency than those who were given graphical display. In conclusion, disaggregation strategy with table and graphic display could improve judgement consensus, traditional display can improve judgement consistency, table display could exhibit greater judgement consensus and consistency than graphic display. This study contributed theoretically and practically. This study was limited to the paper-based usage and the use of students as research participants. Further research could used a computerized system, explore more extraneous variables, and directly examine the Balanced Scorecard practitioners.*

**Keywords:** *balanced scorecard, decision quality, disaggregation strategy, information display, performance evaluation*



## THE INFLUENCE OF EARLY MARRIAGE ON MONETARY POVERTY IN INDONESIA

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### ABSTRACT

*Recent studies on early marriage show that the prevalence of early marriage in Indonesia reached 13.5 percent (Marshan et al., 2013) and that early marriage is exacerbate poverty which causes an increase of economic burden of the family (Djamilah, 2014), an increase of family harassment, divorce and not continuing individuals to schools (Putranti, 2012), and an increase of chances of poverty by 31 percent in the United States (Dahl, 2010). However, most studies are qualitative studies.*

*The aim of this study is, therefore, to analyze the influence of early marriage on monetary poverty in Indonesia. The study uses recent data on Indonesian Family Life Survey (IFLS), year 2014; women who are marriages at age less than 18 years old for their first marriage as a proxy for early marriage; and education, health, and monthly per capita income as a measurement of monetary poverty.*

*From IFLS 2014 data used in this study, it shows that the prevalence of early marriage in Indonesia is reached 16.36 percent, 46.61 percent of the woman who were marry in their teens (before 18 years old) does not pass the nine-years basic education, and 52.35 percent of the early marriage woman does not have a health insurance card.*

*After controlling for some socioeconomic and demographic factors, the binary probit regression model used in this study found that early marriage does not affect the possibility of a woman experiencing monetary poverty. It means that early marriage does not influence the monthly per capita income of the women. The results of this study imply that other measurements of poverty are needed to be concerned. Therefore, the policies that are related to reduce early marriage should consider the impact of other factors on poverty.*

**Keywords:** *early marriage, monetary poverty, probit, Indonesia*

## **THE INFLUENCE OF VILLAGE FUND ALLOCATION (ADD) TO INCOME INEQUALITY IN INDONESIA**

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### **ABSTRACT**

*This study analyzed the effect of the Village Fund Allocation (ADD) to the income inequality as measured by the Gini Ratio in Indonesia. This study used a variable Village Fund Allocation (ADD) as the main variable, also involving the control variables such as economic growth, poverty, capital expenditures and the population of each province. The purpose of this study was to analyze the effect of the amount of Village Fund Allocation (ADD) of income inequality.*

*Data are obtained from the Ministry of Finance through the Directorate General of Fiscal Balance, Indonesian Statistics Board (BPS) during the period 2015-2016, the unit of analysis is the 33 provinces in Indonesia. Estimates made by the method of least squares (and AR) with Random Effects Model (REM).*

*Based on the research result that (i) the amount of the alokasi dana desa disbursed by the central government through the state budget has been decreased to the distribution of incomes. Enhancement of Village Fund Allocation (ADD) succeed reducing the income inequality as measured by the Gini ratio (ii) variable economic growth is not a good thing for the improvement of income distribution. High economic growth raising the income inequality. (iii) poverty is positively correlated with income inequality. The increasing in the percentage of poverty can increase the income inequality. (iv) government capital expenditure is not as expected, where capital expenditure can not provide a good influence on income distribution. (v) the amount of the population does not have a positive influence in order to support more equitable distribution of income, it causes income inequality rises. However, population growth has the potential to develop a Human Resources (HR) more open so it can accumulate capital as drivers of economic growth.*

**Keywords:** *village fund allocation (ADD), income inequality, random effect model (REM)*

## THE INTERDEPENDENCE BETWEEN FINANCIAL SECTOR AND BUSINESS SECTOR IN ASEAN-4 COUNTRIES

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### ABSTRACT

*Sustainable growth can only be reached if there is a conducive situation in financial and business sector of an economy. Thus, the interaction between these sectors will determine how well the economy can work. In this study, we examine the dynamic interactions between financial sector and business sector in ASEAN-4 Countries (Indonesia, Malaysia, Thailand and Singapore). Regard to this concern, we try to develop the previous studies in several ways. First, we prefer to use time-varying analyses to understand the dynamics and the interaction between both sectors. We use bidirectional analysis to understand the dynamics and interactions between both sectors. It is because theoretical, as well as empirical contributions, show that the dynamics of the financial sector and business sector are basically interrelated with causality potentially coming from both directions. Second, we develop and modify the proxies for the dynamics of the financial sector and business sector. Instead of using traditional proxy such as GDP growth, we use the index of industrial production (IIP) growth as a proxy for business sector dynamics in our sample countries. We do this because it is hard to ensure the validity and reability of the GDP data in quarterly frequencies especially for developing countries. On the other hand, output in the industrial sector corresponds roughly to output in the traded goods and is closely related to the dynamics of the business sector. So that, IIP growth is a reasonable proxy for measuring the business sector dynamics. Meanwhile, we use two variables to proxy financial sector dynamics, that are credit growth and property price index growth. They both empirically constitute a very good leading indicator of subsequent episodes of financial instability. Third, in doing time-varying analysis we determine the number of windows used in rolling window estimation through Bry-Boschan approach rather than set it arbitrary. We apply newly generalized version of vector autoregressive framework (VAR) spillover index approach proposed by Diebold (2012) as our method of analysis. Based on quarterly data on each variables over the period 1984q1-2015q4 for the ASEAN-4 countries, this study find that: 1) spillovers between variables evolve rather heterogeneously over time for each country, 2) variable that plays as the dominant transmitter crisis in each country is different between one to another, 3) in the period shortly before crisis, the link between variables become more pronounced both within and across the countries. In particular, business sector plays a dominant role during earlier stages of the crisis, while the financial sector quickly takes over as the dominant source of spillovers in deepening the crisis. 4) credit growth in Thailand is the dominant transmitter of shocks to the ASEAN-3 countries. Overall, this result suggest that the magnitude and direction of spillovers between financial and business cycle vary over time along with changes in the economic environment.*

**Keywords:** business sector, financial sector, crisis, recession, spillovers

## **THE RELATIONSHIPS BETWEEN ORGANIZATIONAL TRUST TOWARD KNOWLEDGE TRANSFER, KNOWLEDGE CREATION, AND FIRM'S INNOVATIVENESS: A STUDY OF MASS MEDIA COMPANIES IN INDONESIA**

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### **ABSTRACT**

*This empirical research seeks the relationship between organizational trust, knowledge transfer, knowledge creation, and innovativeness at mass media companies in Indonesia. Despite knowing how organizational trust contribute to knowledge transfer and knowledge creation, it can also impact to innovativeness both directly and indirectly at the company level. This finding signalize to managers at the company that knowledge transfer and knowledge creation involve the organizational trust, which take together result in innovation. Mass media companies has changed rapidly due to information technological accelaration. Mass media has became one of the business that directly got impact from disruption. In response to the climate change impact, mass media must concern about, not only how to win the competition but also adapting to changed itself. Employees has significant role to response those phenomenon, because they are combination between idea, physic, force, knowledge, skills that needs to make company sustain. Based on research conducted by Accenture, 40 percent employees using employee self development to improving their skills and knowledge, meanwhile 60 percent they gain from doing day to day activities at company they are working. Organizational trust has a big roles to develop employees motivation, opportunity, and company skills as a whole. At the same time, company using a lot of methods, process, and strategies that intended to make employees could strengthening and manage their skills and knowledge in appropriate way. Nowadays, company should be more innovative so they will be able to compete to anothers competitors. The purpose of this research to hypothesize a model implying that organizational trust is related to knowledge transfer, which will, in turn, enhance knowledge creation, thereby facilitating higher innovativeness.*

*Data were collected using on-line survey from mass media employees in Indonesia. A total of 120 samples were carried out from mass media companies in Indonesia, with non probability sampling using judgemental sampling. Hypotheses were tested using Structural Equation Modeling and data were processed by using AMOS 22 version.*

*The results show that organizational trust has a positive relationship to knowledge transfer, and innovativeness. Organizational trust itself is identified as primary prerequisite for knowledge transfer. Based on previous research indicates that knowledge transfer in team refers to improving performance because of three reasons, they are better decision making, better problem solving, and increasing creativity. The findings accentuate to managers that knowledge transfer require organizational trust, which has a big impact to innovations.*

**Keywords:** *organizational trust, knowledge transfer, knowledge creation, innovativeness*

## THE ROLE OF CASH TRANSFERS IN POVERTY ALLEVIATION

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### ABSTRACT

*Cash transfers has been widely used as a tool to promote well-being and reduce inequality among the people. Throughout the years, cash transfers are used by the government to achieve its function in the economic. It was firstly used by Brazil before being applicated by other countries who saw the policy as an overall success for the country.*

*In developing countries where inequality become one of the most concerned issue, such policy are needed to balance the already partial condition. However, the effectiveness of this policy must be considered. Many researches have given insights on cash transfers through study cases in several different regions, which points out that the impact of cash transfers are diversed. The social, culture, and other aspects gave contribution due to the diversed result in this asesment. Thus, this paper aims to investigate the role of cash transfers in the affiliation of poverty alleviation in Maluku, Indonesia. The method used in this paper is micro-simulation methode which evaluates conditional cash transfer programmes through simulating selected criteria on intended target.*

*The study found a weak significance between the role of cash transfer and poverty alleviation eventhough it has a positive impact. Through cash transfers that acts a complement of public provisioning of goods and services, public delivery can be improved to meet people's productivity and prompt the economy to grow. Nevertheless, there are errors that can be executed in the practice of cash transfer. The founding suggests that cash transfers was not rightly aimed on intended beneficiaries. Moreover, disturbance is found in reaching the optimum measure due to lack of information regarding targeted individuals background. The study demonstrate the importance of government partnership coordinative support across all stakeholders in the various departments, such as health, education, and social welfare.*

**Keywords:** *cash transfers, poverty alleviation, inequality, remote islands*

## THE ROLE OF COAST ROAD NETWORK CONSTRUCTION IN THE ABRASION REDUCTION SCHEME AND THE INCREASING OF URBAN SOCIAL-ECONOMIC STRUCTURE

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### ABSTRACT

*In order to make Kupang City to be a water front city, the newest 2010 Regional Regulation of Kupang City Land Use Planning has been approve the exchange of land use structure and pattern along the Pasir Panjang and Kelapa Lima beach, i.e. from an open space into a mixed land use area. Since then, the augmentation of hotel, restaurant and other tourism facilities along the region has been growing faster than before. From the transportation system point of view, the increasing in land used activities not only could reduce the existing road network performance, but also the environmental quality scales. Thus far, the potential damage of environment and social-economic facilities along the beach due to abrasion has been handled by using the sea wall and coast road. However, those facilities were built based on technical consideration only, rather than environment and/or social-economic domain. Therefore, the potential negative impact in transportation, environmental and social-economic aspects should be controled and managed integratedly. The aim of this study is not only to evaluate the effect of road coast development to the existing road network performance but also environmental and social-economic aspects. This study was also focused to recommend the appropriate sustainable coastal infrastructure management strategies and/or tehcniques, in accord with the local conditions.*

*The data were collected through a combination of field observation and literature review such as demography; road infrastructure; the existing constructed coastal infrastructure; and the type, number, scale and location distribution of any social-economic activities, particularly the increasing of tourism facilities and/or activities at the study location, i.e along the Kupang Bay beach. Particularly, in order to evaluate the effect of road coast infrastructure development to the both coastal environmental and tourrism management scheme, the data then was analysed using SWOT matrix.*

*From the result of this study it was found that although the development of the existing coast road network has not been completely constructed as it was designed, but it indicates that the existing constructed road segment was not only successfully protect the shore from the abrasion threat but also reduce the negative impact of traffic activities and trigger the increasing of regional social-economic structure based on tourism activities. These phenomena strongly indicate that the Kupang Bay beach could be developed to be a new urban strategic economic area based on water front concept. However, the negative effect of erosion around the Kelapa Lima beach should be minimized by constructing a detached break water (offshore groin). In addition, it is required to increase the local citizen public space and their involvement in tourisme activities through an appropriate zoning regulation and funding system policy, integratedly. In the future, the development of coastal management scheme should cover not only the potential technical impact but also the derived social-economic activities, including the involvement of local citizen. Therefore, the upcoming zoning regulation should also cover and determine the type, number, scale of activity and the location distribution of all potential social-economic activities along the Kupang Bay proportionally, suite to its bearing capacity.*

**Keywords:** *abrasion threat, environmental quality scale, road coast, water front city, social-economic structure, zoning regulation*

## **THINKING OF THE BLUE ECONOMY - BIG DATA ANALYTICS FOR A SUSTAINABLE FISHERY BUSINESS DEVELOPMENT PROGRAM**

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### **ABSTRACT**

*If we have followed global business trends over the past two decades (1997-2017), we know that fishery business is one of the most challenging businesses because fisheries around the world make essential contributions to human well-being, providing basic food supplies, employment, livelihoods, recreational opportunities, sources of foreign currency or recreational opportunities for hundreds of millions of people. According to the Food and Agriculture Organization of the United Nations (FAO UN, 1997), fisheries management is the integrated process of information gathering, analysis, planning, consultation, decision- making, allocation of resources and formulation and implementation, with enforcement as necessary, of regulations or rules which govern fisheries activities in order to ensure the continued productivity of the resources and the accomplishment of other fisheries objectives.*

*In addition, to providing benefits for global society, fisheries business also have negative impacts which, if not sufficiently managed, can not only destroy or diminish the benefits they provide but also lead to damage to the ecosystem with resulting negative impacts on other important goods and services for humans, including the conservation value of the ecosystems. As a result, there is global concern about the state of most aquatic ecosystems and their ability to sustain to provide benefits, not least the production of fish for human use. There are many reasons for this widespread problem, especially for an inherent conflict between short-term economic need and the longer-term needs for social and deep ecological sustainability. Sppecifically, this paper incorporates the blue economy to explain conscious business strategies associated with the sustainable fishery development program—a case of Indonesia in order to enable and ensure the sustainability of the welfare, prosperity and happiness of society and its ecological environment.*

*This paper elaborates the potential fisheries business which have been developing in Indonesia based on the thinking of blue economy and using big data analytics. Inspired by ecosystems, the blue economy involves the cyclical production of food, income and jobs from wastes in order to create the stakeholder value. The blue economy dares to take a hard look at the complexity of the current social and ecological environmental issues (as the heart of conscious business). There are a huge number of Micro, Small, Medium Enterprises (MSMEs) related to fisheries business in Indonesia which involve gigantic data as well as information. The Government of Indonesia (GOI) has to utilize these big data as a fishery management information system. The GOI needs to achieve the successful of sustainable fishery development program by empowering its MSMEs using big data analytics which covers 4 Vs dimensions: volume, variety, velocity, and veracity. Not only utilizing “high-tech” through innovation of information communication and technology (ICT) policies, the GOI also has to evolve its learning community (“high-touch”) through doing fishery business in the age of conscious business which capable to implement and utilize big data optimally. The foundation for successfully building high performance fishery business is how to balancing between high-tech (innovation perspective) and high-touch (learning perspective) revolutions into big data driven fishery business through MSMEs in Indonesia.*

**Keywords:** *big data analytics, blue economy, conscious business, msme, innovation perspective, learning perspective*



## UNDERLYING FACTORS OF UNIVERSITY SPIN-OFFS' SURVIVABILITY IN INDONESIA

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### ABSTRACT

*Nowadays, universities in many countries are encouraged to take their research products into the next level by translating them into commercialized products to the benefits of society at large. In doing so, they establish a firm, so-called university spin-off (USO), specialized to carry out the mission. USO is a firm which is established to optimize or commercialize intellectual property rights (IPRs) of the university.*

*Previous studies on USO documented in the extant literature have mainly focused on investigating initial process of USO establishment, such as drivers to initiate USOs. Only little attention has been paid to investigate various drivers affecting the development of USO. Studies on survivability of USO is relatively limited. The current study is intended to fulfill this gap. Additionally, the findings are expected to add the existing literature on USO particularly in the context of developing countries.*

*This study aims at identifying factors affecting USOs survival. We used the resource-based view and contingency theory to identify and understand various factors (internal and external) that might affect a USO's survivability. Data of this study was collected through a survey. From the literature, we identified 10 relevant factors of USO's survivability and 41 items to operationalize them, which we then used to develop a questionnaire. The factors are business orientations, human resource reputation, product innovation, business plan, business model innovation, social network, export activities, capital access, government support, and business incubator.*

*The data was collected from 111 USOs established by 14 universities located in five big cities in Indonesia. The survey was conducted from February until May 2017. Before performing regression analysis, we deployed factor analysis to validate the instruments and found that all the 41 items were valid and fell into 10 factors.*

*The analysis found that only two factors which significantly affect the USO's survivability: human resource reputation and social network. These findings lead us to a conclusion that building reputation and maintaining social network are very important in ensuring the survivability of USOs.*

**Keywords:** *university spin-off, firm survivability, Indonesia, developing countries*

## **WORKING CAPITAL MANAGEMENT AND COMPANY'S PROFITABILITY: EVIDENCE FROM FOOD AND BEVERAGE COMPANIES LISTED IN INDONESIAN STOCK EXCHANGE**

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### **ABSTRACT**

*Working capital management is a very important part of corporate finance. If the company's lack of working capital, the company cannot run its operation to the maximum. However, if company had excess working capital, the company will have idle funds. It reduces company's profitability. This problem makes the management must be careful in making decisions related to working capital. Firm may have an optimal level of working capital that maximizes their value.*

*There are few studies in many countries that show the influence of working capital management to company's profitability. Deloof (2003), Raheman dan Nasr (2007), Ukaegbu (2014) dan Gama (2015), found that working capital management (proxied by average collection period, average payable period, inventory conversion period, and cash conversion cycle) affects to company's profitability. However, Mathuva (2010) dan Vahid et al. (2012) did not find the effect when working capital management was measured using cash conversion cycle. Gill et al. (2010), Napompech (2012), dan Abuzayed (2012) also cannot prove the effect when working capital management was measured using average payable period. Based on the inconsistency of these empirical results, we interested in re-examine the effect of working capital management to company's profitability in Indonesian's food and beverage sector companies that listed at Indonesian Stock Exchange from the period 2009 to 2014.*

*Data for this study was collected from the food and beverage companies on the Indonesian Stock Exchange for the periods 2009 to 2014. Our study used purposive sampling method. The final sample of this study is 72 firm-years observation. We use the pooled regression type of panel data analysis. Our research had two regression models. In Model 1, we used Cash Conversion Cycle (CCC), which measure comprehensively working capital management, as an independent variable. In Model 2, the three components of working capital management, i.e. Average Collection Period (ACP), Inventory Conversion Period (ICP), Average Payment Period (APP) has been regressed againts the dependent variable. We used ACP, ICP and APP to indicate the company's sales policy, inventory policy and purchasing policy, respectively. To show the effect of working capital management policies on the firm profitability, this study used the return on assets (ROA) as dependent variable.*

*The results show that the component of working capital management, i. e. Average Collection Period and Inventory Collection Period have negative effect on the company's profitability. Furthermore, we found that Cash Conversion Cycle dan Average Payment Period has not impact on the profitability. Raheman et al. (2010) showed that there are two beliefs which can explain about the relationship between working capital management and profitability. The traditional belief argue that reducing working capital investment would positively effect the profitability of firm by reducing proportion of current asset in total assets (working capital aggressive policy). However, divergent to traditional belief, more investment in working capital might also increase profitability (working capital conservative policy). Our findings provide empirical support for the traditional belief, i.e. working capital aggressive policy.*

*The results of our study indicate that companies need to accelerate their cash collection and sales to enhance the company's profitability. The management of a company can enhance profitability by reducing the number of days account receivables and inventory turnover. Our findings help the management of a company to choose which working management policy must be implement in the company, in order to enhance the profitability.*

**Keywords:** *working capital, working capital management, profitability, aggressive policy*

## **IMPLEMENTATION OF RISK MANAGEMENT AND ITS EFFECT ON GOOD COOPERATIVE GOVERNANCE AND COOPERATIVE SUCCESS**

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### **ABSTRACT**

*Risk management in Indonesia's cooperative organization is still rarely implemented, and most of cooperative managers still view that risk management is only implemented for large-scale enterprises. As a form of responsibility of cooperative management (agent) to members as an owner of cooperative organization (principal), cooperative management must be operated by good cooperative governance and the end objectives are cooperative success and sustainable. The purposes of this study to implement and identify risk management especially in saving and loan cooperative, and the final study to test and prove empirically about the directly and indirectly effect of implementation of risk management on good cooperative governance and cooperative success. The research method of this study use descriptive quantitative analysis, population in this study is consisting of cooperative's board of directors, supervisors, manager, and administrators. The saturation sampling techniques used in this study, the size of population are 73 persons. Primary data needed in this study by using survey method conducting questionnaires and structured interviews. This study uses a statistical approach by using path analysis. The result of this study shows that it can be identified two categories of risks that are minor and insignificant risks. Minor risk includes credit risk and strategic risk, and insignificant risks remaining of six risks include market risk, liquidity risk, operational risk, legal risk, reputation risk and compliance risk. Based on statistical analysis indicates that directly, there is not effect of implementation of risk management on cooperative success, but there is effect of implementation of risk management on good cooperative governance and good cooperative governance has an effect on cooperative success. Indirectly, cooperative success is not influenced by implementation of risk management, but influenced by implementation of risk management through good cooperative governance as an intervening variable.*

**Keywords:** *Implementation of risk management, Good cooperative governance, Cooperative success*

### **1. INTRODUCTION**

The success of Cooperative organization as a business entity until now still always is a problem, despite the fact there is a good-performing cooperative, which is able to run its activities to achieve goals. The orientation of cooperative is a member service rather than profit orientation, with the aim to improve the welfare of its members. The cooperative organization consists of two households, ie cooperative enterprise and member household as both of consumer or producer. Dulfer (1994) call it as double nature of cooperative, it is principally on the one hand (a) an

association, a group in the sociological and sociopsychological sense, whose members are the individuals owning and maintaining the cooperative which, on the other hand is also (b) a jointly under taken enterprise of the members' individual economies (households, individual farms and businesses) the owners of the cooperative enterprise are the individual members of the co-operative group. That the cooperative as an economic institution as well as a social institution. As an economic institution / business must be run by economic principles that put forward the principle of efficiency as other business entities, but the

cooperative must also be able to carry out its social functions.

A well-performing cooperative should be able to play its role as an economic institution as well as a social institution both in its organizational environment and to the surrounding community. Co-operative managers must have a multi-function role of service in order to increase the welfare of its members and help build the national economic order. Thus the manager of the cooperative must play its role to realize the purpose of the cooperative is to provide services to its members, advancing cooperative bisins and should have an impact on the development of cooperative working areas.

The success of organization as well as the cooperative should implement good cooperative governance, because the implementation of good cooperative governance is directed to build the culture and awareness of the parties in the cooperative in order to always lead to the achievement of cooperative objectives. Based on research conducted by Adrie Putra (2014) found evidence that the implementation of good corporate governance which is important in the value of a company". Ms.S.Danoshana and Ms.T.Ravivathani (2013) revealed that variables of corporate governance significantly impact on firm's performance.

The presence of good corporate governance is one of the solutions to create conducive business activity and avoid scandal within the company (Santoso, 2008). Therefore, the cooperative as economic and social institution must be managed on good governance by referring to the values and principles of cooperatives. Governance undertaken by cooperatives should be based on cooperatives as an economic and social institution, with the objectives mentioned above. Good governance is an important component of corporate risk management so that corporate governance can not be separated from risk management. This is in accordance with the opinion of James Lam (2014) corporate governance is an essential component of enterprise risk management because it provides top-down monitoring and management of risk.

Thus the implementation of risk management becomes increasingly important because failure in managing risk can result in substantial losses for both the organization and for individuals within the organization, as well as for cooperative that have savings and loan business. The potential losses from risks are greater if the people in an organization do not behave carefully in any decision-making, although the implementation of credit risk management of saving and loan business has not been optimized.

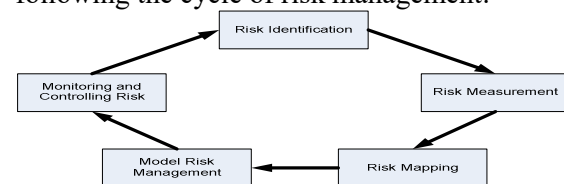
The purpose of this study is to examine the implementation of risk management in cooperative that have savings and loan business, and its impact on good cooperative governance and cooperative success that is assessed by coopertive business efficiency, members efficiency and impacts on environmental development.

## 2. LITERATURE REVIEW

### 2.1. Risk Management

Risk analysis is needed in an organization either small or large scale, profit or non profit oriented. Management must be able to manage a risk optimally in order to achieve its intended purpose. According to the Financial Services Authority Regulation No. 18 of 2016 Concerning the Application of Risk Management for Commercial Banks, Article 1, risk management can be defined as a set of methodologies and procedures used to identify, measure, monitor, and control risks arising from all business activities of the Bank".

Risk management is the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of unfortunate events or to maximize the realization of opportunities (Wenk, 2005). Risk management must be managed in accordance with the concept of risk management, Figure 1, following the cycle of risk management:



**Figure 1. Risk Management Cycle**  
Source: Bramantyo Djohanputro (2008)

Risk management refers to a process of identifying loss exposures faced by an organization and selecting the most appropriate techniques for treating these particular exposures effectively (Rejda, 2003). There are many techniques available for companies to manage risks including; (James Lam 2014): (1) Strategic risk, is the risk corporate and business strategies, growth strategies, product innovations) are flawed or ineffectively executed; (2) Business risk is the risk that annual financial and operating results may not meet management and stakeholder expectations; (3) Market risk is the risk that prices and rates will move in a way that has negative consequences for company; (4) Credit risk is the risk that a customer, counterparty, or supplier will fail to meet its obligations; (5) Liquidity risk is the risk that a company cannot raise cash to meet its requirements in a timely and cost-effective manner; (6) Operational risk is the risk that people, processes, or systems will fail, or than an external even (e.g., earthquake, fire) will negatively impact the company; and (7) Compliance risk is the risk that company may violate laws and regulations.

According to Dorfman (2007), ensuring that an organization makes cost effective use of risk management first involves creating an approach built up of well-defined risk management practices and then embedding them. These risk management practices include financial risks management practices, operational risk management practices, governance risk management practices, and strategic risk management practices.

Risk management does not eliminate risk, but provides a platform for managing business enterprises risks in order to minimise threats, maximise opportunities, and optimise achievement of objectives (Pearce and Robinson, 2000; Hillson and Murray-Webster, 2004; Gray and Larson, 2006; Rejda, 2011). These benefits include, superior financial performance, better basis for strategy setting, improved service delivery, greater competitive advantage, less time spent firefighting and fewer unwelcome surprises, increased likelihood of change initiative being achieved, closer internal focus on doing the right things properly, more efficient use of resources, reduced waste and fraud, and better value for money, improved innovation and better

management of contingent and maintenance activities(Wenk, 2005).

Previous researches revealed that enterprises risk management (ERM) framework implementation and board equity ownership have a significant positive effects on the financial and non-financial performance of financial institutions (Idris Ahmed and Norlida Abdul Manab 2016), While according Teoh Ai Ping & Rajendran Muthuveloo (2015), Muhammad Kashif Shad & Fong-Woon Lai (2015), Izah Mohd Tahir and Ahmad Rizal Razali (2011) Based on the analysis, implementation of ERM was found to have significant influence on firm performance. Hamdu Kedir Mohammeda, Adriana Knapkova (2016), Mohd Shoki Bin Md. Ariff, *et al* (2014), Olajide Solomon Fadun (2013). The result revealed that there is a positive relationship between total risk management and company's performance in companies which have invested higher level of intellectual capital.

But the other study indicates that risk management has a significant negative effect on Financial Performance (Zakir Muhamad, et al 2017). The results do not support the hypothesis that firms which practice ERM would have a higher Tobin's Q ratio than firms which are not. SIZE and ROA establish a negative and significant relationship with firm value”.

## **2.2. Good Cooperative Governance**

Good Corporate Governance necessary for the cooperative to achieve its objectives effectively. According Bramantyo Djohanputro (2008) corporate governance may include: (1) Regulatory rules and practices that determine where the company is directed and controlled; (2) Specify the distribution of rights and obligations of various parties of commissioners, managers, holders and others; (3) Clarity of rules and decision-making procedures; and (4) Not only the interests of shareholders, but also other stakeholders. Owners of capital needs to be assured of getting back their investment as production capital is highly specific and sunk. Corporate governance mechanisms provide this assurance. Managerial opportunism in the form of expropriation of investors or of

misallocation of company funds have been found to reduce the amount of resources that investors are willing to put up *ex ante* to finance the firm (Williamson, 1985).

Governance includes the separation between rights and obligations of stakeholders in the company and provides clear rules and procedures for making decisions. Likewise with the implementation of cooperatives, with good governance of the cooperative activities can be directed and controlled in accordance to its purpose. Governance can also provide rules and procedures in making decisions that always lead to the interests of its members.

While According to Ferry N Idroes (2008) Corporate governance creates structures that assist banks in: (1) Setting goals; (2) Running daily operations; (3) Consider the interests of bank stakeholders by operating in a healthy and sound manner; (4) Adjust with applicable laws and regulations; and (5) Protecting the interests of creditor customers.

According to the National Committee of Governance Policy (2006), the principles of good corporate governance are: (1) Transparency, to maintain objectivity in conducting business, the company must provide material and relevant information in a way that is easily accessible and understood by stakeholders . Companies should take the initiative to disclose not only the problems required by legislation, but also important for decision-making by shareholders, creditors and other stakeholders. (2) Accountability, the company must be able to account for its performance in a transparent and reasonable manner. Therefore, the company must be managed properly, measurable and in accordance with the interests of the company by taking into account the interests of shareholders and other stakeholders. Accountability is a necessary prerequisite for achieving sustainable performance. (3) Responsibility, companies must comply with laws and regulations as well as carrying out responsibilities to the community and the environment so as to maintain business continuity in the long term and be recognized as a good corporate citizen. (4) Independence, to implement good corporate governance principles, companies must be managed independently so that each company's organs are not dominating and can not be interfered

by others, and (5) Fairness, in carrying out their activities, the company must always pay attention to the interests of shareholders and other stakeholders based on the principle of fairness and equality.

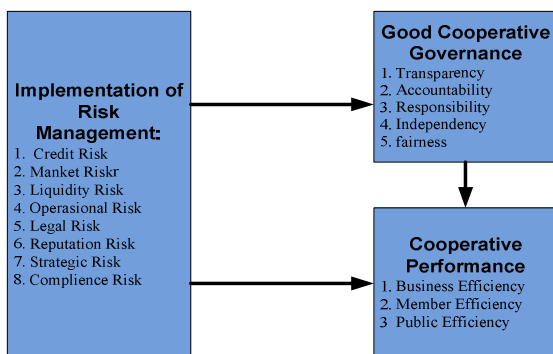
Corporate governance deals with company direction and control in accordance to predetermined objectives, the previous study found that a strong relationship exist between the Corporate Governance practices under study and the firms' financial performance. Cahit Yilmaz and Ali Hakan Buyuklu (2016), his research concludes that corporate governance variables influence firms performances. The other study reveals that generally corporate governance is important in the financial performance of the company (Ochoi Ong'ondo Dominic and Florence Memba; 2015). Igor Todorović (2013) Results of the analysis indicate that there is an obvious correlation and impact of implementation of principles of corporate governance on performance of companies. Amina Buallay, *et al* (2017) The results of the study test indicate that there is no significant impact for corporate governance adoption on firm's operational and financial performance in the listed companies in Saudi stock exchange.

### **2.3. Cooperative Success**

Cooperative success should be measured based on its objectives by taking into account its identity which includes the values and principles of cooperative that must be followed, so it is differentiation between cooperative organizations and other business entities. The primary task of the cooperative enterprise is a promotion of the members economic thought the provision of such goods and services, which are needed by the members (Hanel A; 1985). The promotion of the members is the dominant objective of the co-operative (Dulfer; 1994). Cooperative organizations have a duty to encourage business activities/ household members through the provision of goods and services that can provide benefits for members so that members will feel satisfied by cooperative services, thus member economic promotion as a most important measurement of cooperative organizations success.

The cooperative is successful when its members have gained the welfare of their participation in the cooperative. Therefore, to achieve its success the cooperative must always position the members as its purpose. According to Hanel A (2005) the success of a cooperative can be seen through three approaches commonly called tripartite approach, which include: Hanel A (2005) states that the success of cooperatives can be seen through three approaches commonly called the tripartite approach, namely: Business efficiency, efficiency related to development and member efficiency. (1) Business efficiency is the degree how far the objectives agreed by cooperative organizations especially as a cooperative companies have been achieved; (2) Efficiency related to development as an assessment of the impacts directly or indirectly caused by the cooperative towards the achievement of economic development objectives; and (3) Member efficiency, that is oriented to the interests of members is a level where through various supportive service activities of the cooperative company itself, the interests and goals of the members are achieved.

Based on library reviews and previous researches that relevant to this study were conducted by on three cooperatives which have saving and loan business, theoretical framework of this study describes in the figure 2.



**Figure 2: Theoretical Framework**

#### 2.4. Hypothesis

Based on the theoretical framework, the hypothesis can be formulated as follows: (1) There is effect of implementation of risk

management on good cooperative governance, (2) There is effect of good cooperative governance on cooperative success. (3) There is effect of implementation of risk management on cooperative success, and (4) There is indirect effect of implementation of risk management on cooperative success through good cooperative governance variable as an intervening variable.

### 3. METHOD, DATA AND ANALYSIS

#### 3.1. Method

The sample size of respondents are 73 board of directors, supervisors, managers and employees of 3 cooperatives that have defferent amount of asset are KSP Mitra Usaha Garut, KSU Tandang Sari Sumedang and KSU Bukit Ligar Bandung in West Java that are choosen that have saving and loan business.

Data sources and sampling design, to accomplish above mentioned objectives and hypotheses, the type of data for this study is ordinal data that are collected from respondent by qusionnaires.

Mode of analysis, in this study, different methods of statistical processing has been applied. SPSS software programmed exclusively applicable to statistical processing is used for processing the data. Here, Path Analysis and descriptive statistics are used to analyze the data. In this study the researcher uses implementation of risk management as independent variable, good cooperative governance as intervening variable and cooperative success as dependent variable.

This type of this study is descriptive quantitative research. The survey method and limit the sample are used. Methods of analysis to explain the strength and direction of the effect of the independent/explanatory variables on dependent variable are using path analysis.

Hypothesis test is conducted by the significance test of independent variables to the dependent variable with the statistical t - test.

#### 3.2. Data and Analysis

The purpose of this study is to describe the implementation of risk management in three sample cooperatives and to examine the effect of implementation of risk management on good cooperative governance and cooperative success gradually the results of this study will be explained:



**3.2.1. Implementation of Risk Management**

Based on the results of study on three cooperatives that run the saving and loan business, it has actually implemented risk management although still in the early stages and not in accordance with the principles of risk management is right. Implementation of risk management is still limited to the application of collateral to minimize the risk of bad loans. Gradually the implementation of risk management studies on the three cooperative samples can be explained as follows:

**a. Risk Identification**

The risk that is suspected to occur in the cooperative that have saving and loan business is not only limited to bad debts but also many factors that can encourage the occurrence of risk. The results of the identification can be explained as follows: (1) Credit risk, caused by the timeliness and the amount of loan repayment, (2) Market risk, caused by the interest rate of saving and loan; (3) Liquidity risk, caused by the cooperative ability in paying off both obligations short-term and long-term, (4) operational risks, failures caused by cooperative human resources, (5) Legal risks, risks due to weak laws governing the operation, (6) reputation risk, resulting from lack of trust of member towards cooperative, (7) Strategic risk, resulting from improper management policies, and (8) Compliance risk, resulting from non-compliance of cooperatives against applicable regulations.

**b. Risk Measurement**

After risk identification is done then the next step is to measure the amount of risk, the measurement aims to obtain the magnitude of the possibility of risk and the magnitude of the consequences caused by these risks. The measurements can be presented in the risk matrix presented in table 1 below:

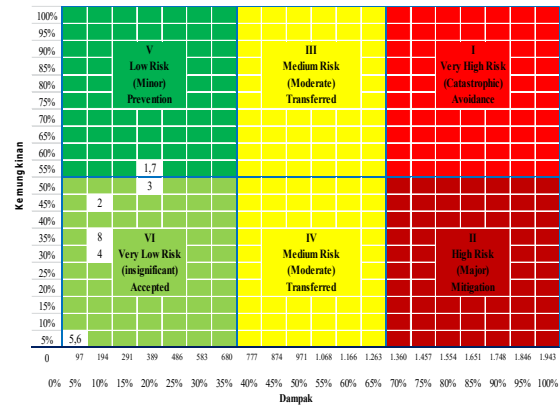
**Table 1: Risk Matrix on Savings and Loans Business**

| No | Risks            | Risk Probability | Impact Probability | Quadrant |               | Management |
|----|------------------|------------------|--------------------|----------|---------------|------------|
|    |                  |                  |                    | To       | Categorizes   |            |
| 1  | Credit Risk      | 55%              | 20%                | V        | Minor         | Prevention |
| 2  | Market Risk      | 50%              | 10%                | VI       | Insignificant | Accepted   |
| 3  | Liquidity Risk   | 45%              | 20%                | VI       | Insignificant | Accepted   |
| 4  | Operasional Risk | 30%              | 10%                | VI       | Insignificant | Accepted   |
| 5  | Rlegal Risk      | 5%               | 5%                 | VI       | Insignificant | Accepted   |
| 6  | Reputation Risk  | 5%               | 5%                 | VI       | Insignificant | Accepted   |
| 7  | Strategic Risk   | 55%              | 20%                | V        | Minor         | Prevention |
| 8  | Compliance Risk  | 35%              | 10%                | VI       | Insignificant | Accepted   |

Source: Analysis Results

**c. Risk Mapping**

Risk mapping is done in order to rank or categorize the risks that may result in a saving and loan business. Based on the results of identification of the risks that may occur in the three cooperatives can be arranged risk maps such as figure 3 as follows:



**Figure 3: Risk Mapping on Savings and Loan**

Based on table 1 risk matrix and figure 3 risk mapping, it can be explained as follows:

- 1). The low categorized risks, from 8 incident risks, there are 2 risks that fall into the minor category. Based on the table can be explained that both credit risk and strategic risk have value of risk probability of 55%, this is because saving and loan business can not be separated from lending activities to members, nonperforming loans become the most vulnerable risk on saving and loan business, therefore the possibility the risk is high enough. Similarly, the strategic risk that contains the rules and policies on saving and loan business, so the

possibility of occurrence is quite high. The probability of impact for credit risk and strategic risk is 20%, so it can be concluded that both risks are included in quadrant V that is the minor quadrant.

- 2). The risk is very low category there are 6 risks or 75% of incentives that belong to the category of insignificant. Based on table 1, market risk has a considerable risk probability when compared with other risks that are very low category. Market risk here is related to the interest rate on the loan or interest set by the savings and loan unit, when the loan interest rate is higher when compared to interest in other financial institutions it will affect the participation level of its members. While liquidity risk, operational risk, and compliance risk have a high risk probability when compared with legal risk and reputation risk.
- 3). Based on table 1 and figure 3, management efforts that can be done by the management consist of 2 management efforts, namely prevention and accepted. Prevention efforts can be made for credit risk and strategic risk because these risks fall into the minor quadrant. The remaining are liquidity risk, market risk, operational risk, compliance risk, legal risk and reputation risk including into the insignificant quadrant so that management efforts can be made that is acceptable to those risks.

**3.2.2. The Effect of Implementation of Risk Management on Good Cooperative Governance and Cooperative Success**

Further analysis relates to second purpose of this research is to study the effect of independent variable to dependent variable.

**a. The Effect of Implementation of Risk Management on Good Cooperative Governance**

The result of effect of implementation of risk management to good cooperative governance by using path analysis can be presented in table 2:

**Table 2: Effects of Implementation of Risk Management on Good Cooperative Governance Model Summary**

| Model | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1     | ,264 <sup>a</sup> | ,069     | ,047              | 11,10026                   |

a. Predictors: (Constant), Implementation of Risk Manajemen

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

| Model                                  | Unstandardized Coefficients |            | Standardized Coefficients<br>Beta | t     | Sig. |
|--|-----------------------------|------------|-----------------------------------|-------|------|
|  | B                           | Std. Error |                                   |       |      |
| (Constant)                             | 29,314                      | 10,789     |                                   | 2,717 | ,010 |
| 1<br>Implementation of Risk Management | ,333                        | ,188       | ,264                              | 1,771 | ,084 |

a. Dependent Variable: Good Cooperative Governance  
Source: Analysis Results

Based on table 2, it can be explained that is a significance level of 10% obtained results  $t_{count} > t_{table}$  that is  $1.771 > 1.30$ . It shows that implementation of risk management affects on good cooperative management, while the strong effect of implementation of risk management on good cooperative governance with correlation coefficient  $r = 0.264$ , with significant value  $< \alpha$  that is  $0.084 < 0.1$  means that implementation of risk management have a significant effect on good cooperative governance. While the magnitude of  $r^2$  is 0.069 or 6.9%, it means that the effect of implementation of risk management on good cooperative management is 6.9% and the remaining 93.1% is affected by other factors that are not examined.

**b. Effect of Good Cooperative Governance on Cooperative Success**

The result of statistical analysis of the effect of good cooperative on cooperatives success is presented in table 3:

**Table 3: Effect of Good Cooperative Governance on Cooperative Success Model Summary**

| Model | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1     | ,601 <sup>a</sup> | ,362     | ,347              | 4,70693                    |

a. Predictors: (Constant), Good Cooperative Governance

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

| Model                         | Unstandardized Coefficients |            | Standardized Coefficients | t     | Sig. |
|-------------------------------|-----------------------------|------------|---------------------------|-------|------|
|                               | B                           | Std. Error |                           |       |      |
| (Constant)                    | 11,016                      | 3,123      |                           | 3,527 | ,001 |
| 1 Good Cooperative Governance | ,308                        | ,063       | ,601                      | 4,879 | ,000 |

a. Dependent Variable: Cooperative Success

Source: Analysis Results

Based on table 3, it can be explained by a significance level of 10% obtained results  $t_{count} > t_{table}$  that is  $4.879 > 1.30$ . it shows that there is effect of good cooperative governance significantly ( $0.000 < 0,1$ ) on the cooperative success, while the correlation coefficient of the effect of good cooperative governance on the cooperative success by  $r = 0.601$  or with determinant coefficient  $r^2 = 0.362$  or 36, 2%, the effect of good cooperative governance variables on the cooperative success that is equal to 36.2% and the remaining 63.8% influenced by other factors that are not examined.

**c. Effect of Implementation of Risk Management on Cooperative Success**

The results of calculations regarding the effect of implementation of risk management on the cooperative success presented in table 4 below:

**Table 4: Effect of Implementation of Risk Management on Cooperative Success Model Summary**

| Model | R                 | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------------------|----------|-------------------|----------------------------|
| 1     | ,080 <sup>a</sup> | ,006     | -,017             | 5,87301                    |

a. Predictors: (Constant), Implementation of Risk Mangement

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

| Model                              | Unstandardized Coefficients |            | Standardized Coefficients | t     | Sig. |
|------------------------------------|-----------------------------|------------|---------------------------|-------|------|
|                                    | B                           | Std. Error |                           |       |      |
| (Constant)                         | 22,932                      | 5,708      |                           | 4,017 | ,000 |
| 1 Implementation of Risk Mangement | ,052                        | ,100       | ,080                      | ,518  | ,607 |

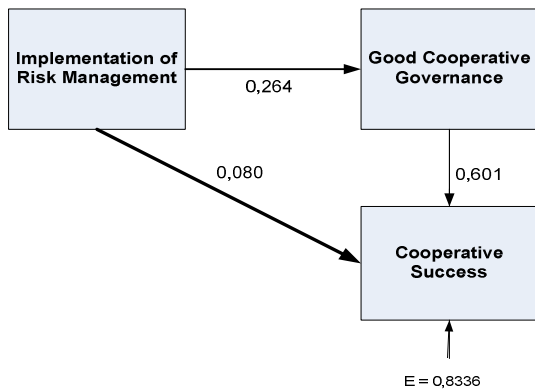
a. Dependent Variable: Cooperative Success

Source: Analysis Results

Based on table 4, it can be explained that  $t_{count} > t_{table}$  that is  $0,518 < 1.30$ , by a significance value of  $0.607 > 0.1$ . Implementation of risk management has no effect on cooperative success. The cooperative success covering the efficiency of business management, efficiency related to development, and efficiency oriented to the interests of members is not determined by the application of risk Management.

**d. Effect of Implementation of Risk Management on Cooperative Success through Good Cooperative Governance as Intervening Variable**

Based on the results of data processing, shows that the effect of implementation of risk management on cooperative success through good cooperative governance as an iintevening variable, the amount of correlation coefficient of direct and indirect effect can be explained in Figure 4.



**Figure 4: Direct and Indirect Effect of Implementation of Risk Management on Cooperative Success**

Based on figure 4 can be explained that the magnitude of the correlation coefficient indirect effect of implementation of risk management on cooperative success through good cooperative governance variables of 0.16 ( $0.264 \times 0.601$ ), significant, while for the direct influence of implementation of risk management on cooperative success is 0.0064 ( $0.080 \times 0.080$ ). Total indirect effect of implementation of risk management on cooperative success through good cooperative management and direct effect of implementation of risk management on cooperative success overall equal to 0.1664 ( $0.16 + 0.0064$ ), based on result of the calculation, the overall effects given by the implementation of risk management on cooperative success is 0.1644 or 16.44% and the rest 0.8336 or 83.36% influenced by other factor that is not examined.

This research study revealed that there is a significant effect of implementation of risk management in the sample of cooperative that have saving and loan business covering credit risk, market risk, liquidity risk, operational risk, legal risk, reputation risk, strategic risk and compliance risk can create good cooperative governance. If the saving and loan business applying risk management then the governance of the saving and loan business will be better. Good cooperative governance can be described by transparency attitude conducted by the

management to the parties concerned, management of financial statements of saving and loan business in accordance with applicable accounting principles, implementing activities in accordance with cooperative identity and cooperative standart operational procedure, the managers of the cooperative free from the pressure or intimidation of any party and give priority to the principle of equality and fairness.

The other results of statistical analysis shows that there is an indirect effect of implementation of risk management on cooperative success through good cooperative governance, cooperative success is determined by good cooperative governance that have been done by cooperative management, in creating good cooperative governance is required implementation of risk management. Implementation of risk management is required to enable the cooperative management to minimize the risks that may occur related to saving and loan activities, in addition to the implementation of good risk management will be useful for the management in decision-making associated with saving and loan business activities. The results of this study can encourage the management to always prioritize prudential attitude with the implementation of risk management, in the hope will be able to create good cooperative governance, namely governance that is always oriented to the achievement of goals. When a cooperative has good governance it can attract members to always participate in the cooperative, both as owner (owner) and as a user (user).

#### 4. CONLUSSION

Based on the above discussion, it can be concluded that: (1) In the sample saving and loan cooperative business can be implementation of risk management starting with identification stage, measurement, mapping, management model and monitoring and risk control. Based on the results identified, measurement and mapping, savings

and loan business risks can be categorized (1) minor risks that include credit risk and strategic risk. (2) Insignificant risks covering market risk, liquidity risk, operational risk, legal risk, reputation risk and compliance risk. (2) Implementation of risk management has a significant effect on good cooperative governance, it shows that if the cooperative implements risk management it will have an impact on good cooperative governance. (3) Good cooperative governance has a significant effect on cooperative success it shows that cooperative success is determined by good cooperative governance. (4) Implementation of risk management does not affect on cooperative success, it shows that cooperative success is not determined by the implementation of risk management. (5) Implementation of risk management indirectly affect on cooperative success through good cooperative governance. Indirect effect is greater when compared to direct effect. This shows that cooperative success is determined by good cooperative governance.

## **5. MANAGERIAL IMPLICATION AND SUGGESTION**

This research has implications in both theoretical and practical aspects. As far as the theoretical aspect has been concerned, this research study is not only highlighting the importance of implementation of risk management has an effect on good cooperative governance and cooperative success. If cooperative manager makes decision especially related to achieve cooperative success have to implement risk management through good cooperative governance.

Good cooperative governance as an effort to achieve the goals that have been set namely the welfare of its members. Good cooperative governance can separate the rights and obligations of members in cooperatives, such as the right of members to receive services and benefits of cooperatives, while the obligation is to capitalize cooperative business activities and provide ideas related to the progress of cooperatives, while the right of the management in the cooperative is receiving wages for their hard work and

the obligation to manage the cooperative in accordance towith the mandate given by the members.

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