



# STRATEGIC COMMUNICATION IN CONCEPTUAL AGE :

## NEW PARADIGM IN BUSINESS PARTNERSHIP

Proceeding 15th International Annual Symposium of Management  
Burapha University, Tambon Saensuk, Amphur Muang Chonburi 20131, Thailand  
March 1<sup>st</sup>, 2018

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**The 15<sup>th</sup> UBAYA International Annual Symposium on Management**

**STRATEGIC COMMUNICATION IN  
CONCEPTUAL AGE:**  
*New Paradigm in Business Partnership*

Burapha University  
Tambon Saensuk, Amphur Muang Chonburi 20131, Thailand.  
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Department of Management  
Faculty of Business & Economics, University of Surabaya,  
Surabaya, Indonesia

## **Proceeding**

### **The 15<sup>th</sup> UBAYA International Annual Symposium on Management**

STRATEGIC COMMUNICATION IN CONCEPTUAL AGE:  
*New Paradigm in Business Partnership*

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**FOREWORD**

It is with deep satisfaction that I write this Foreword to the Proceedings of *THE 15<sup>TH</sup> INTERNATIONAL ANNUAL SYMPOSIUM ON MANAGEMENT (INSYMA)* held in Tambon Saensuk, Amphur Muang Chonburi 20131, Thailand, March 1<sup>st</sup>, 2018. The 15<sup>th</sup> Insyma aims to provide a forum for discussion among leading academics, researchers, students, and practitioners from all over the world, experts in economic and social sciences.

The theme for INSYMA 2018 is **STRATEGIC COMMUNICATION IN CONCEPTUAL AGE: *New Paradigm in Business Partnership***. This theme represent emerging and highly challenging and opportunities area of research and practice.

Conceptual age was chosen as the 15th INSYMA major theme. As we know, the world now has entered the era of conceptual, where current economic demand requires skilled workers in areas guided by the right hemisphere of the brain including: Design, Story, Symphony, Empathy, Play and Meaning. People tend to emphasize on intangible aspects such as good atmosphere, experience and so on. This leads to great opportunity to combine art with many fields. Consumer not only seeks for utility, but also experience, friendly atmosphere and beautiful scene. We believe there are a lot of opportunities for research and discussion in conceptual age. We indeed invite issues of ethics and morality affecting socio-business systems.

Hundreds of scientific papers were sent to a conference committee, and after rigorous selection 27 elected. This papers were derived from many authors from 8 countries All the articles are then presented at the symposium and documented in this proceedings that proposed to Scopus.

We thank all authors, participants and Co Host for their contributions and we hope that these proceedings can contribute to the development of science and business practices. Hopefully you can enjoy and gain valuable lessons from this article collection.

Surabaya  
March 1<sup>st</sup>, 2018  
Head of Management Department Program  
University of Surabaya

Noviaty Kresna D., Dr

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# Social enterprise: actor network approach

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**ABSTRACT:** The emerging model of social enterprise in Indonesia demonstrates a broadly shared willingness to promote innovative economies. However, there was lack of attempt to provide conceptual clarity on how the role of project organizing is transforming in various ways within the local context. The objective of this study is to describe how social enterprise (SE) adopt technology. Drawing on multiple case studies, this article encompassed the characteristics of actor-network theory, which involves a mission drifting that springs from the intersection of various interests from the stakeholders.

*Keywords:* social enterprise, mission drifting, actor network theory

## 1. INTRODUCTION

Social entrepreneurship and social enterprise have been acknowledged for an innovative way of addressing social problem through market-oriented initiatives (Huybrechts & Nicholls 2012). This involves international development agencies, which concern on promoting business inclusion between the development of a free market, local values, and the full potentiality of innovation (Castresana 2013).

Some products or innovation are developed by stakeholders and government before being transferred to a Social Enterprise (SE). However, a project manager may have a limited responsibility for long-term resources, as they tend to focus on project performance (Lundin *et al.* 2015). In particular, when the project relies on new technology, that may bring environmental turbulence (Pratono 2016). This raises a question on how a technology-based project is embedded in an environment for improving the resources of the ‘bottom of the pyramid’ communities.

This article aims at addressing the research gap, especially on how SE adopts the technology. This study reflects on the potential contributions of ANT and its practical applicability to evaluations of government’s role on the social innovation setting. We illustrate the key issues through reflecting on our ongoing investigation of three case studies.

## 2. ACTOR-NETWORK THEORY

The concept of actor-network theory has been emerging with concern on the enrolment process of science and technology in performing the collective action, which involves market coordination (Callon, 1998). As social cannot be interpreted as a kind of material or domain and to dispute the project of providing a social explanation (Latour, 2005), ANT is about the consciousness of the presence of organizing powers instead of the solace of humanism or mastery of technology (Munro, 2009).

Hence, the ANT application has extended from studies on technology to various field of studies, including economics (Law J. 1992), accounting (Lukka & Vinnari 2017), and tourism (Jørgensen, 2017). Managers need to work on a series of different logics. Sometime they take a role as entrepreneurs, in another time they prefer to be bureaucrats, Kuhnian puzzle-solvers. Sometimes they like to show tremendous charisma (Law J. 2007). The actor-network perspective also provides managerial implications for the national R&D resource allocation strategies for constructing the ecosystem, which needs coordination in the linking activities among different actors in the innovation system (Chen & Hung, 2016).

ANT points out that agency causes a change in the surrounding world, and vice versa (Lukka & Vinnari 2017). The social innovators incorporate their own emerging stent actor–network into the existing market network and creating a new whole without aggravating established actors and entities (Lawlor &

Kavanagh, 2015). The ANT pays attention on negative ones in particular since each actor is from another actor-network, and the translation is a process of negotiation between different actor-networks. Such social ordering makes the actor-network precarious because the representativeness of an actor cannot be foretold (Law J. 1992).

The use of ANT helps to identify actor-networks and translating actors through which individual accountabilities are shaped (2014). For example, the first step involves the engagement of actors acted on the project objective. The second step is on-going negotiation between actors and through the walk-through meeting artifact. Third concerns on mobilization which is the establishment of formalized communication through the email (Burga & Rezanía 2017).

### 3. RESEARCH METHOD

The observation was taken in three communities, Katingan, Bajava, and Surabaya. The communities were located in Indonesia. Surabaya represents an urban area in East Java, while both Bajava and Katingan represent rural areas, which are located in East Nusa Tenggara and Kalimantan. The case-study approach allows research to go beyond initial mainstream conceptions (Rittenhofer, 2015). The case-study method enabled the researcher to study why and how rattan industry players made an effort to carry out cross-cultural collaboration to promote inclusive global value chain. The next step was coding that researcher categorized the meaning units within each of the domains into which they have been organized. This interactive process of dialogue with the data took priority over the data but the understanding was inevitably facilitated by previous understanding (Eliot & Timulak 2015).

### 4. CASE STUDIES

#### 4.1 Case 1

In Katingan, the pilot project of rattan plantation was established in the rubber plantation. In 1990s, the government established a modern workshop to provide a series of training activities for the rattan farmers, who were expected to be able to generate income from the rattan products. In the 2000s, the farmers failed to make a profit due to poor efficiency. The cost of rattan production at the observed communities was much higher than rattan from Java.

#### 4.2 Case 2

In Surabaya, the project adopted Takakura technology. The City Government of Surabaya success-

fully promoted a community-based waste management, by organizing an annual competition in the early 2000s. The communities did not only adopt the technology to recycle their waste, but also developed a green environment and urban farming. Following the new government structure, the communities that participated in the project gained popularity from newspapers. In 2016, the project seemed to struggle to compete with the subsidized compost and began to experience the deprived financial profit.

#### 4.3 Case 3

The case study of Bajava demonstrates how the local communities were encouraged to adopt a modern farming technology, which was an intensive method of housing pigs in groups for growing hogs. The small scale traditional pig farms were expected to be left. New kinds of hybridized pigs for leanness were introduced. However, the communities began to reject, as the domestic pig serves the common purposes of traditional ceremonies, especially for funerals, marriages, and other traditional parties.

### 5. DISCUSSION

The public policy has focused the task on redefining the program management in a highly complex domain to the stakeholders who have varying perceptions of what is important to society. These projects have forced project managers to seriously consider how to better enable owner, design teams, and contract delivery participants to collaborate to introduce the technology and to ensure best value outcomes. However, most of them remained a pilot project, while the farmers still relied on the natural forest.

We observed similar shifting power relationships in the ongoing project. In this case, the technologies have been centrally procured by the government from a small number of commercial suppliers. As a result, the community needs to be enrolled to implement and use the technology. However, changes in governmental structures combined with budget cuts mean that the strategy has changed over time to include increased flexibility and local choice in the way the technology is implemented. Consequently, power relationships have shifted over time from so called "top-down" implementation strategies led by the government, to increased input and choice of local communities and users. This may imply on mission drifting from social purposes to profit-driven project.

The ANT provides a valuable approach in examining the complexity and fluidity of the observed community, which may be neglected by research approaches assuming a more linear and causal approach to studying technology implementation. As a result, ANT helps to conceptualize how different realities

are experienced and enacted by different actors, resulting in a more nuanced picture of the dynamic relationships between different actors without neglecting their inter-relatedness. This is important when the government introduced the innovation and power relationship changes.

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# The Connection of China's Guanxi Diplomacy to its state-owned enterprises' FDI in Latin America

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**ABSTRACT:** This study focuses on the effects of *guanxi* diplomacy in China's relations with Latin America, particularly when SOEs formulate and implement foreign direct investment. As identified by this study, there are three values that could affect the orientation of FDI by China's SOEs, namely: state visits, domestic market demand, and China's image in Latin America. The study investigates how SOEs implement the effect on Latin American economic policy decisions and cooperation resulting from state visits by China's leaders. The study then explores how the extent of SOE FDI not only reflects the influence of China's rise. In the new phase of China's relations with Latin America, good *guanxi* diplomacy is a necessary factor of the influence and internationalization of SOEs, but it is still not sufficient in itself. The leaders of Latin American countries should not rely solely on the effect of *guanxi* diplomacy, but also increase investments from Chinese multinational companies.

*Keywords:* Guanxi, foreign direct investment, state visits

## 1 INTRODUCTION

In this paper, I analyze statistical results of foreign direct investment between two continents that is affecting investment flows between China and Latin American countries in the first decade of the twenty-first century. This paper also presents that China's economic rise with its own models and strategies in the bilateral relationship, *guanxi* diplomacy, between China and Latin American over the 2000 to 2015 period. Based on China's rise in Latin America, the author would like to investigate the implementation of *guanxi* diplomacy related to leaders' ideology, core element, in the annual meeting in the National Congress of the Communist Party of China. In the new era of China-Latin America relation, Chinese leader, Mr. Xi, proposed the win-win strategy instead of asymmetric trade because the government has faced transformation of internal consumption and slower development. Based on report, Chinese FDI in Latin America: New Trends with Global Implications, of Atlantic Council in 2017, Rolando Aavendano, Angel Melguizo, and Sean Miner introduced the implications of Chinese FDI, soft power, with state-owned enterprises' investments began over \$110 billion from 2003 to 2016 and the economic projects also reached peak to launch over 60 deals with \$ 24 billion in 2014.

The Chinese government has initiated a new conceptual thinking of national diplomacy with high ranking leaders' concepts and local governments' needs, "going out" (*zǒu chū gù zhàn lüè*), to adopt its economic expansion that explored foreign trading partners to support the development of a domestic market in the world economy. According to Peter Pham's argument: "Under the leadership of President Jiang Zemin and Premier Zhu Rongji, the PRC launched a national strategy of "going out" to secure access for stable supplies of raw materials and natural resources needed to sustain the country's rapid economic development." China had to import natural resource items to build up supply chain with countries in the world. In the first decade of the 21st century, China also has developed partnership mechanisms, a regional forum, with groups of countries, Latin America, and developing countries, as a platform to existing bilateral strategic partnership and multilateral cooperation.

In the final part of the research, the author analyzes the statistical results of Chinese state-owned enterprises' strategies, which implied Chinese leaders' ideologies, from Deng's to Xin's China Dream, to address economic investment not only produces economic benefits for China but also strengthen its political influence with countries with natural resources and energies. In this primary investigation, the evidence of research explained the results to which

China's state visits by following paramount leaders' ideologies that is the critical factor to support economic expansion is affecting investment flows between China and Latin American in Western Hemisphere.

## 2 IDEOLOGIES OF CHINA'S ECONOMY AND EXPANSION: FROM DENG XIAOPING TO XI JINPING

The new leader, Xi Jinping, has a new perspective of the Chinese economy that constituted China-center regional integration and supported free trade in the world trade system. In the historical process, the leaders, from Deng Xiao Ping to Hu Jin Tao of Community Party transformed China's closed economy to market-oriented market, which accepted a big volume of foreign direct investment and dynamic policy to explore the foreign market in the world. By 2000, Lardy noted that China had become the world's seventh largest trading nation and the second most important destination for foreign direct investment.

In recent days, China is the second-largest economy and the United States' and European Union's second-largest trading partner in the world. Referring to the previous results, Table 1 presents the ideology and economic policy of four Chinese leaders:

Table 1. Chinese Leaders' Ideologies

Chinese Leader	Ideology	Economic Policy
Deng Xiaoping	Economic Reforms in 1979 (Socialism with Chinese characteristics, ideological justification private ownership)	Open Door Policy Social Market Economy
Jiang Zemin	Macroeconomic Control Three Representatives	Attract Foreign Direct Investments Support Industrialization
Hu Jintao	Development of Science Harmonization Harmonious Socialist Society	Rural Reconstruction State-own Enterprises' Investments Inclusive Growth
Xi Jinping	Chinese Dream	Political Reform (Anti-corruption) Liberal Economic Policy (National Financial Reform Plan) The National Medium-and-Long-Term Program for Science and Technology Development (2006-2010)

Source: Lardy, 1998 & 2003.

In sum up, China has experienced trade boom that increased the total trade from \$25 billion in 1984 to \$383 billion in 2003 and sharing of world export from 1.5% to 8.5% in the past two decades. (Devlin et al. 2006) Due to rapid-growing and market-oriented expansion, China has invested in Latin America where

supported its exportation and industrial construction to be a new player in Western Hemisphere. To date, China contributes great volume of FDI and plays as the primary investor with state-owned firms in the process of regional integration from 2005 to 2010 in table 2.

Table 2: Chinese FDI Major Projects and Motivations in Latin America

Year	Month	Quantity(m)	Sector	Country
2005	May	\$500	Metals	Cuba
2005	June	\$550	Metals	Chile
2005	September	\$1,400	Energy	Ecuador
2006	September	\$420	Energy	Columbia
2007	April	\$100	Metals	Mexico
2007	June	\$100	Transport	Uruguay
2007	February	\$186	Metals	Peru
2007	December	\$450	Metals	Peru
2007	June	\$790	Metals	Peru
2008	April	\$92	Manufacturing	Mexico
2008	May	\$214	Metals	Mexico
2008	May	\$2,150	Metals	Peru
2009	May	\$40	Manufacturing	Mexico
2009	September	\$100	Real estate	Bahamas
2009	December	\$400	Transport	Mexico
2009	November	\$400	Metals	Brazil
2009	February	\$1,000	Metals	Peru
2009	December	\$1,900	Metals	Chile
2010	September	\$100	Manufacturing	Brazil
2010	April	\$250	Manufacturing	Mexico
2010	May	\$255	Metals	Peru
2010	September	\$300	Real estate	Brazil
2010	August	\$700	Transport	Brazil
2010	April	\$900	Energy	Venezuela
2010	March	\$1,050	Metals	Chile
2010	March	\$1,200	Metals	Brazil
2010	May	\$1,720	Power	Brazil
2010	May	\$3,070	Energy	Brazil
2010	March	\$3,100	Energy	Argentina

Source: Gallagher & Porzecanski (2010).

These days, China has launched two five-year plans, which called FYPs, 11th FYP (2006-2010) and 12th FYP (2011-2015), to consolidate its market of consumer demand and to boost spending on social safety net program. Furthermore, the Chinese government published an innovative program, titled The National Medium-and-Long-Term Program for Science and Technology Development (2006-2010) that constituted its national plan to modernize the infrastructure and scientific innovation of Chinese economy by transforming it from Asian center of a low-tech and labor-intensive industry to a global hub of innovation in 2020. Right now Xi's "China's Dream" is going to create an innovative image in China in Asia, however, the leaders of government do not consider to promote more stable and balanced economic growth by cooperating other countries in the world. In fact, China im-

plements bank loans to finance infrastructure and proposes the second wave of state-owned enterprises' FDI investment to import extractive raw materials in Latin America. However China's economy grew slowly, President Xi also provides great vision with Latin America where he considers as an extended market to support its transformation in the world economy.

available at: <https://www.imf.org/external/np/apd/seminars/2003/newdelhi/lardy.pdf>.

### 3 CONCLUSION

For above analysis, the Chinese government announced its "White Paper" of guanxi diplomacy that provides prominent economic assistance from FDI to financial loans to hold up China's economic emergence to resource-rich developing nations since 2010. Despite the high expectation of large Chinese FDI outflows in the region, the most striking feature of FID investments mainly went to Brazil, Peru, Argentina, Chile, Venezuela, and Mexico. With extending of China's foreign policy with Chinese characteristics, president Xi Jinping launched FDI goal to invest \$250 billion by 2025 that is certainly attainable in the extractive resources industry, infrastructure, and energies. In the context of China and Latin America relations, the practices of the guanxi diplomacy of Beijing Consensus are considering bilateral interests that China still obtains natural resources for economic development, and Latin America needs financial aid and loans to develop its infrastructure in the society. This can be short-term development for Latin America if investments benefit the whole of regional economies, especially might creating a new model of China-South American cooperation. In the new phase of China's relations with Latin America, good guanxi diplomacy is a necessary factor of the influence of China's rise, but it is still not sufficient in itself. The leaders of Latin American countries should not rely solely on the effect of guanxi diplomacy, but even if the two sides have a high level of economic cooperation, they still need an economic transformation to deepen their bilateral relationship.

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# The potential analysis and people preferences Marpoyan Damai Districts in choosing financial source

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**ABSTRACT:** The study aims to analyze the factors that influence the preferences of the people of Marpoyan Damai District, Pekanbaru in choosing financial resources. Next look at potential financial products for the Marpoyan Damai community. This study involved 200 businessmen as respondents. Factor analysis and logistic regression were used to analyze the community's potential and preferences in choosing financial sources. There were two analytical models used namely testing the influence of internal variables and model examined the selection of the community towards sharia or conventional financial institutions as measured by internal, physical, reference with religious and educational variables as control variables. The analysis showed that service sector is the leading sector in Pekanbaru City, then the potential of fund distribution is not influenced by measured variables (internal, physical environment, and reference). In the second model, it is found that people's choice of financial resources is only influenced by internal variables.

*Keywords:* potential analysis, people references, financial resource

## 1 INTRODUCTION

### 1.1 Background

There are two fund management systems in Indonesia: conventional fund management and sharia-based fund management. Particularly in the banking sector's fund management system, based on Law No.10 of 1998 on Banking, the Indonesian government established two banking systems in Indonesia, providing an opportunity for conventional banks to convert to sharia banks as a whole or partially (with sharia branches). Surely this policy will affect the growth of the financial industry as a whole and will have an impact on the economy of the community.

In addition, there are still people of Indonesia who use the services of conventional financial institutions, this is because there is still a public perception that states that sharia banks in Indonesia together with the conventional. This is because Islamic banks have not been able to provide a solution fully to the needs of Muslims. In addition, Muslims in choosing more dominated profits, defeating the elements of religion in making decisions. The results of the study by Jordan (1989) suggest that religious motivation is not the dominant factor considered for choosing a Sharia Bank but is influenced by Profit Oriented. The results of research conducted by Bank Indonesia (2000) taking samples of West Java community found that 8.1% stated that Sharia Bank exclusively belongs only to

Muslims. Further different from the results of research conducted by Amiiir Mu'allim (2013) states that as many as 40% of the Magelang community states that Islamic financial institutions are able to become an alternative conventional financial institution. This will certainly open the opportunity to the community Marpoyan Damai District to choose Islamic financial institutions and leave the conventional financial institutions, due to the prohibition of interest (riba) for Muslims. The main difference between the activities of banks based on sharia principles and conventional banks basically lies in the system of rewards or services of funds.

### 1.2 Objective of Research

The objective of this study for analyzing the relationship between the factors that determine the preferences of the people of Marpoyan Damai Sub-district to the products and services of sharia and conventional financial institutions

## 2 LITERATURE REVIEW

### 2.1 Prohibition of Riba

Riba comes from the Arabic language, meaning "al-ziyada" which means "extra." In the sense of language, riba also means "to grow" and "to enlarge." The scholars differ in definition of usury, because



they understand and interpret Nash al -Quran and Sunnah, for example formulates the definition of riba as follows, "Riba by Shari'a is the surplus or additional payment without any compensation or reward, which is required for one of two people making the contract or transaction (Jurjani 1990).

Riba things that are forbidden in Islamic Sharia's. The prohibition of usury is mentioned explicitly in the Qur'an. The term riba is called seven times. Of the seven verses, the process of prohibition of usury, as happened to the khamr, takes place in four stages. The prohibition of usury is not immediately one-time, but takes place gradually, in relation to the condition and readiness of the community in accepting an order. The first stage is Surat al-Rum (30): 39, the verse that explains about the assumption of human who considers the wealth of usury will add to his wealth, but in the sight of Allah SWT. That assumption is not true, because his wealth does not increase because of usury.

According to A.M. Saefuddin, a flower identical to usury, by him the act of lending money is haram law, both little or many interest rates. According to him, the interest on loans of money, capital and goods of all kinds and kinds, either for productive or consumptive purposes, with high or low interest rates, and in the long and short term is included usury (A.M. Saefuddin, 1987).

Furthermore, the view of interest on money as usury, also raised by other scholars is based on the verse about the prohibition of usury that exists in the Qur'an like Surat al-Baqarah (2) '275-280, Ali' Imran (3): 130; 30: 39, and certainly reinforced by the hadith of the Prophet Muhammad according to A.M. Saefuddin, the essence of the prohibition of riba (bank interest) in Islam is a phenomenon of rejection of additional financial risks specified in money or capital transactions or the sale of which is charged to one party (debtor) only while the other party (creditor) is guaranteed benefits. It seems that the aspect of justice does not receive attention and consideration in such transactions.

## 2.2 Factors Affecting People's Preferences

Consumer preference is the ability of consumers in determining the choice by way of high order low the efficiency obtained from consuming a bunch of different goods. (Eeng Ahman and Yana Rohmana, 2009: 128; Pyndick, 2009: 73). Consumer preferences is a consumer action in choosing a good item according to the level of need. Preference can be formed through a consumer mindset that is based on several reasons, among others (Bilson Simamora, 2004: 87):

### a. Experience gained

Consumers feel satisfaction in buying the product and feel the fit in consuming the product they buy, then the consumer will continuously use the product.

### b. Hereditary beliefs

This belief is due to the habits of the family using the product, faithful to the products that are always wearied because of the benefits in the use of these products, so that consumers get the satisfaction and benefits of the product. Every individual has a preference in determining the various options to meet his needs. In fulfilling the needs, consumers must have constraints faced such as income owned, time, taste, and other obstacles. budget constraints owned by consumers cause consumers difficult to meet all the wishes expected. This requires consumers to be more selective again in determining the choice.

Preference is the ability of consumers in choosing that is by ordering the high low the usefulness obtained from consuming a bunch of different goods. Paul Samuelson introduced the theory of real preference (Revealed Preference) which aims to perfect ordinal theory. He states that the usability can be measured and the weakness of the ordinal approach, ie by accepting the assumption of convexity from the negative indifference curve. According to Paul Samuelson (Joesron & Fathorrozi, 2003: 69), the theory of preference is revealed whenever there is rationality, consistency, transitive principle and revealed preference axioms. The theory of preference reveals how a person's attitude in determining choices when varied prices and income can be used to determine consumer preferences. An individual in making the choice (preference) first considered is the budget he has. It can be concluded that if the budget owned by an individual has increased, then the preference will be increased. Similarly, if the budget is less, then the preference will be more limited, so consumers are not free in making choices.

Based on the above exposure in the prediction that the factors that affect the preferences of the budget. Furthermore, in addition to budget, preferences are also affected by product attributes. As Kevin Lancaster argues based on attribute approaches that consumers pay attention to are not physical products, but the attributes contained in the product (Nugroho, 2008).

Attributes are characteristics possessed by a product that will be selected by the consumer. Consumers usually determine the choice of a product viewed from the quality of the product itself. There are several dimensions that can be used to analyze the character of product quality. But in this study the researchers limit the dimensions based on consideration, because not all dimensions can be used to analyze the quality of products owned by Islamic financial institutions. The dimensions used are Fea-

ture, Reliability, Service Capability, Perceived Quality. Characteristics that may or may not be possessed by the object (Mowen, 2002).

## 2 RESEARCH METHOD

This study was conducted in Marpoyan Damai Sub-district, Pekanbaru, Riau. Samples were chosen based on purposive sampling of 200 people. The data used consist of secondary data and primary data. Secondary data include the condition of sharia financial institutions, especially the amount and distribution, the socio-economic conditions of the community in the study area which includes: number of respondents, job opportunity structure, education structure, age and so on. Primary data primarily relates to the perception of the public on the financial institution system, and the variables that influence the respondent's decision in choosing financial resources.

The main points of the contents of the questionnaire include: 1) initial screening of respondents, 2) respondent characteristics that include personal / demographic characteristics such as education, age, gender, social characteristics such as social ethos, social standing, religion, , and economic variables covering income, type of work / business, accessibility of area, and household expenditure, 3) Variables concerning the establishment and understanding of bank interest practiced in conventional banking can be feared the same as usury or conventional banking practices are believed to be inconsistent with the principle sharia, 4) Variables concerning the important factors that encourage / motivate the public in transacting with financial institutions, 5) Variables concerning the level of understanding of respondents regarding the operating system, products and services as well as the ins and outs of Islamic institutions, as well as understanding that there is a fundamental difference between banks sharia 6) variables concerning factors that encourage respondents to interact and understand sharia banks (self-driven effort and information from personal contact), 7) Sharia bank customers' attitude toward consistency with sharia bank, 8) community attitude toward system change banking.

The analysis of the research is done by (1) qualitative analysis that is by description analysis, and (2) quantitative analysis that is by using factor analysis, to analyze opportunity of society to choose sharia contract and influencing variable,

Because the dependent variable in this analysis is dummy variable then to measure the influence of each factor to the dependent variable used logistic regression method (Winarno 2015).

## 3 THE RESULT AND DICUSSION

The analysis of three variables as determinants in influencing the preferences of the people using the funds divided into 2 (two) stages of analysis are:

Phase 1:

Model 1 measures whether the community requires additional business capital influenced by internal variables (Product, Profitability, Promotion, Distribution, Process, Personal, Culture, Technology, Characteristics, Psychology, Ideas), physical environment variable of financial institution in Pekanbaru City, and community references that are influenced by families, community leaders, and friends.

$$Y_1 = -0,224 + 0,381INT - 0,304LF - 0,020REF \quad (1)$$

As shown in model 1 that out of the three variables does not affect the choice of the community requires additional venture capital, so further measurement of other variables that influence the interest of the community to make additional funds as a consequence of increased profits. However, according to observations and interviews with some respondents, their objection to increase capital and expand business at this time is the sluggish economic condition, in addition to the low purchasing power of the Marpoyan Damai people.

Phase II:

Furthermore, model 2 analysis, selecting variable  $Y_2$  is the choice of the customer whether to choose the financial source from conventional or sharia.

$$Y_2 = -4,580 + 2,489INT - 0,449LF - 0,136REF - 1,153AGM - 0,066PEND \quad (2)$$

A remeasurement with an INT variable is shown in model 3:

$$Y = -7,551 + 2,327 INT \quad (3)$$

The Models 2 and 3 show that only internal variables can affect the community using the services of sharia or conventional financial institutions. In general, the people of Marpoyan Damai Sub-district move on the scale of micro business.

1. The desired financial products are sharia products that are easy to manage and can be flexible system.

2. The level of profit the community wants is profit based on the results of the business rather than the estimation of loan capital.

3. Promotion of financial institutions to the community is still lacking, until now the public understands the mono model of financial institutions only bid on interest-based money loans, so that people only see the lowest interest rates as their reference.

4. Distribution. The public sees the differences of sharia financial institutions (SFI) and conventional (CFI) in the distribution of products. This means that people perceive the similarity of SFI and CFI. Furthermore, other aspects related to this distribution

are the location of accessible financial resources, Payment of obligations to financial institutions on time, Payment of obligations / rights to financial institutions on time.

5. The Process. Guarantees that must be provided by the public to get capital into a big obstacle, plus the official financial institutions menuntut every business actor shows complete financial statements. So it becomes an inhibitor of acceleration process akadnya. Later it was found that the process in the LKS was very complicated and took a long time.

6. The Personal. Visits by SFI and CFI employees are minimal, so they always integrate with Non-Formal Financial Institutions that offer a fast but highly detrimental process.

7. The Culture. Marpoyan Sub-district community peacefully realizes that the flower system is not in accordance with the culture of the Indonesian nation. The socio-economic culture in Riau Province has long used the profit-sharing system, both in agriculture and in the field of trade. However, this culture disappears as the entry of the interest system initiated by conventional banking institutions of Indonesia, exacerbated by regulations that support this conventional financial system. Then the product with the Islamic term makes people confident and calm.

8. The Technology. Society assesses the importance of technology availability for every financial institution such as ATM, sms banking and Internet Banking.

9. The Characteristics. Marpoyan Damai District community believes the higher level of business enthusiast using the services of financial institutions in the future. Society considers that the conventional financial institution's operations contain Riba is increasingly abandoned, so that the public view of the interest system will be replaced with profit sharing.

10. The Psychology. The performance of sharia financial institutions in the future will be better and more likely to become bigger.

11. The Ideas. Development of LKS to meet the material and spiritual needs, LKS has been able to meet the financial transactions that are needed by the community.

#### 4 CONCLUSION

Marpoyan Damai people wants funding from sharia financial institutions, but until now they are still integrated with conventional financial institutions. This is due to the limited sharia financial products that can be easily accessed by the public. The potential form of financial products for the community is at micro-scale enterprises, and the community wants ease of procedure and ease of re-turn. The community in choosing financial resources is strongly influenced by internal

factors including product aspects, profitability, promotion, distribution, physical environment, process, personal, culture, reference, technology, characteristics, psychology and ideas. While the physical environment of financial institutions and reference does not affect it. The community has not fully responded to the Majelis Ulama Indonesia (MUI) fatwa concerning bank interest rate that can be equated with the interest system applicable to other conventional financial institutions.

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# The effect of human resource, corporate governance, and internal control towards the regional-owned enterprise (BUMN) performance in Riau Province, Indonesia

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**ABSTRACT:** The purpose of this study is to study the effect of Human Resources, Corporate Governance, and Internal Control towards the Performance of Regional-Owned Enterprises (BUMDs) in Riau province. The data was gathered from 33 participants in Riau province who work in BUMDs. The authors used the questionnaire as the main tool for gathering data. To analyze the relationship between the variables included in the study, correlation and multiple-regression statistics were used. The findings from the study supported the variables and indicate that only corporate governance has an influence on the performance of BUMDs in Riau province.

*Keywords:* human resource, corporate governance, internal control

## 1 INTRODUCTION

### 1.1 Background

A Regional-Owned Enterprise (BUMD) is a reliable economic and strategic business institution that is expected able to realize some of its main functions as agent of development, service servant, as well as the source of Local Own Revenue (PAD) of local government, so as to realize sustainable development, by increasing employment opportunities, reducing number of poor people, and increasing people's income.

Based on the previous research, condition and activities of BUMD are not in line with its role. Actually, there are some common problems such as 1) Business units that are virtually non-existent, let alone giving decent dividends as economic institutions, 2) Existing assets have not been optimally utilized, 3) Local government budget subsidies are still in vain, and 4) The BUMD contribution to PAD is below expectation as a business entity.

In addition, other problems faced by the BUMD management, including human resources and management of organizations that is not professional. Based on the economic research center (2010), the problem is the lack of service and marketing of products and services produced by BUMD that is difficult to compete with competitors, as well as human resources managers who are still less qualified.

### 1.2 Research Objective

In general, the purpose of this study is to examine the relationship between human resources, internal control, and good corporate governance towards the performance of BUMDs in Riau province. Specifically the purpose of this study: first, to analyze the relationship between human resources and the performance of BUMDs in Riau province; second, to analyze the relationship between good corporate governance and the performance of BUMDs in Riau province; and third, to analyze the relationship between internal control and performance of BUMDs in Riau province.

## 2 LITERATURE REVIEW

### 2.1 Human Resources

Human resource is an important key factor for the company to ensure the achievement of organizational goals with the expected satisfaction of each individual and the needs of employees in achieving its objectives. Thus, the human resource department of the organization is critical. Budhar & Debrah (2001) indicates that people who have the skills, abilities, and experience when united with organizational expertise have an impact on the organizational benefit which is also considered as an important source and contributes to the organizational success and competitive advantage.

According to Bratton & Gold (2007), human resource strategy is a process that connects the function of human resources with the strategic goal of improving organizational performance. It was obtained that the problems relating to human resources, including education, age, work experience, and gender affect the motivation of work.

## 2.2 Corporate governance

Good corporate governance is a system that regulates and controls companies in order to create added value for all stakeholders (Monks & Minow 2003). According to Kaen (2003) and Shaw (2003), there are four main components needed in the concept of GCG namely fairness, transparency, accountability, and responsibility. The implementation of these four components in GCG in a sustainable manner had a major impact on improving the quality of financial statements and may also be an obstacle to the engineering performance activities resulting in the financial statement that does not reflect the fundamental value of the company.

In general, there are 5 basic principles of GCG include: first, transparency (openness of information) that is openness in executing the decision-making process and openness in expressing relevant material and information about company; second, accountability relates to clarity of functions, structure, system, and corporate liability so that the management of the company can be implemented effectively; third, responsibility is the compliance in the management of the company against sound corporate principles and applicable legislation; fourth, independence refers to a state in which the company is managed professionally without conflict of interest and influence/pressure from the management that is not in accordance with applicable rules, legislation, and principles of a healthy corporation; and fifth, fairness, which is fair and equitable treatment in fulfilling the rights of stakeholders arising from the existing agreements and laws and regulations.

Therefore, GCG has an important role in improving the company's performance based on the applicable rules and regulatory framework.

## 2.3 Internal control

According to the Committee of Sponsoring Organizations (COSO), internal control is a process that is managed by board of directors, management, and staffs to make reasonable assurance regarding the effectiveness and efficient operations, financial reporting reliability, and compliance with applicable laws and regulations.

Effective internal controls are needed to ensure the integrity of business processes, sustainability, and security (Warketin & Johnston 2006, Whitman 2003).

According to Mulyadi (2002), the objectives of internal control include the reliability of financial information, compliance with applicable laws and regulations, and the effectiveness and efficiency of operations. According to Anastasia & Setiawati (2011), internal control refers to all organizational plans, methods, and measurements determined by a business activity to secure their assets, check the accuracy and reliability of business accounting data, improve operational efficiency, and support the managerial compliance that has been determined

## 2.4 Performance

According to Amaratunga et al. (2001), performance is defined as an improvement of the assessment process towards the determination of the achievement of objectives including the efficiency of resources and the quality of results and operational effectiveness of the organization in achieving organizational goals. Performance by Amaratunga et al. (2001) is a pattern of actions taken to achieve goals measured by comparison with various standards, so it can be declared performance is the work of managers or organizations in carrying out the tasks assigned to them. Furthermore, Amaratunga et al. (2001) added that performance is basically a condition that must be known and informed to certain parties to understand the level of achievement of a company's results and to know the level of achievement of a company's results related to the vision and mission of the company and to know the negative impact of an operational policy which has been set by the company.

## 3 THEORITICAL FRAMEWORK

### 3.1 *The relationship between human resources and performance*

Human resources are an important factor in improving company performance. Among the factors affecting human resources are the level of education, experience, age, and gender that affect the company's performance. Budhar (2001) indicates that people who have the skills, abilities, and experience when united with organizational expertise have an impact on the organizational benefit which is also considered as an important source and contributes to the organizational success and competitive advantage.

Hence, the first hypothesis H1: human resources have an influence on company performance.

### 3.2 *The relationship between corporate governance and performance*

The performance measures that have been set by the organization definitely require an effort to make it

happen. In this case, one effort that can be taken is to perform adequate internal control, where internal control is a tool to reduce the occurrence of irregularities in the implementation of organizational goals for performance improvement. Internal control is an important thing done by an organization to improve the performance of the organization. Amaratunga et al. (2001) has proved that partial internal control affects organizational performance. Based on that, then the second hypothesis is proposed, H2: Internal control can affect company performance.

### 3.3 *The relationship between internal control and performance*

The greatest control of an enterprise comes from the company's internal corporate governance aims to examine and balance the strengths of managers, shareholders, directors, and stakeholders. Good corporate governance includes supervision from management, independent internal audit, board structure to the level of responsibility, separation of control and policy development (Dovoren 2015). From the above explanation, H3 hypothesis is prepared: good corporate governance can affect company performance.

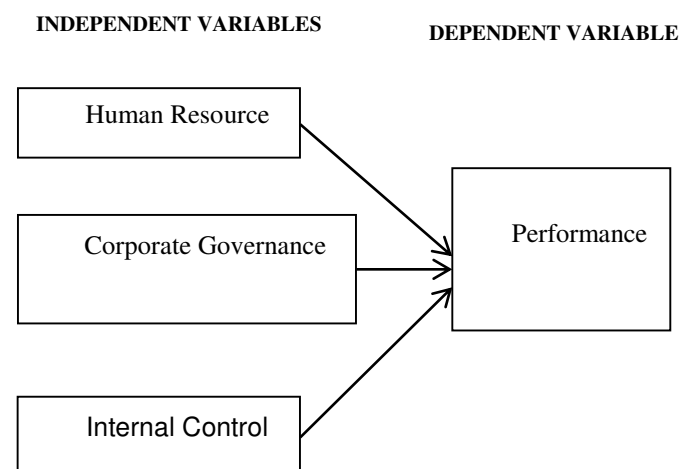


Figure 1. Research model.

## 4 METHODS

### 4.1 *Population and sample*

Population in this research was the management of BUMDs in the Riau Province. Research respondents were a board of directors, managers, and officials of BUMDs in the Riau province that directly related to internal corporate governance. 7 (seven) data on the list of BUMD Riau Province that was taken from websites, including PT. Jamkrida Riau, PT. Permodalan Ekonomi Rakyat (PER), PT. Asuransi

Bangun Askrida, PT. Bank Riau Kepri, PT. Bumi Siak Pusako, PT. Pengembangan Investasi Riau (RIC/PIR), PT. Riau Petroleum, and PT. Sarana Pengembangan Riau.

### 4.2 *Data analysis*

This data was analyzed using SPSS version 22. In this study, the method used was survey research method which is a field research conducted on some sample members of a particular population whose data collection is done using a questionnaire (Sekaran 2003)

### 4.3 *Data collection method*

There were two methods used to collect data as follows: first, Primary Data Collection. A questionnaire that refers to a method of collecting data that is done by asking questions to respondents was used to collect the primary data. The questionnaire covers all questions that are used to obtain data and done by phone, letter or face-to-face (Ferdinand 2006).

The second is Secondary Data Collection. Secondary data were obtained from data provided by the office or company, such as organizational structure and history of the office or company. In this research, a Likert scale was used to measure human resources, good corporate governance, internal control, and company performance. In this research, the scale was used to measure attitudes, opinions, and perceptions of a person or group of people towards social phenomena. Variables measured into sub-variables, then translated into measured components that are then used as a starting point for the preparation of an instrument item that is turned to be the questions answered by the respondents.

## 5 RESULTS

The results of the test conducted to see the influence of corporate governance, internal control and human resources on the performance show that the value of adjusted R square is 0.390 or 39%, which indicates the influence of independent variable to the dependent variable. The ANOVA table shows information about the effect of independent variables on the dependent variable simulant (together). In the significant ANOVA table listed as 0.001, it is showed that the variables of corporate governance, internal control, and human resources have an influence on performance.

However, in the t-test to see the influence of independent variables and dependent variables, it is partially found that only corporate governance has a significant influence on performance while human resources and internal control partially have no effect

on the performance.

Table 1. Coefficient.

Model	Unstandardized Coefficients		Beta	t	Sig.
	B	Std. Error			
(Constant)	3.36	0.98		3.43	0.00
CG	0.47	0.15	0.66	3.08	0.00
CI	-0.06	0.14	-0.06	-0.44	0.67
HR	0.02	0.12	0.03	0.14	0.89

## 5 CONCLUSION

BUMD is the development agent for the Riau province in increasing the local revenue. This research assesses the BUMD performance by looking at the variables of corporate governance, internal control, and human resources. This research indeed shows only corporate governance is good with human and internal control resources are still lacking. It is necessary to conduct further research to see other factors that affect the performance of BUMD in the Riau province.

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# Winner-loser anomaly in stock return before and after the Asean Economic Community enactment

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**ABSTRACT:** The purpose of this study is to examine whether or not there is an anion of stock returns in Indonesia Stock Exchange prior the enactment of the ASEAN Economic Community by 2015. The sample is acquired by using purposive sampling method. There are 13 manufacture companies listed in LQ-45 from August 2015 to January 2016 and there are also 13 manufacture companies listed in LQ-45 from February 2016 to July 2016. Using different tests (by t-test), the result of this research reveals that the first hypothesis testing indicates significant winner-loser anomaly on stock return before the ASEAN Economic Community 2015. The second hypothesis testing indicates significant winner-loser anomaly on stock returns after the second hypothesis is also accepted. The third hypothesis testing indicates that there is no significant difference on winner-loser anomaly on stock return before and that the third hypothesis is rejected.

*Keywords:* winner-loser anomaly, ASEAN Economic Community, manufacture companies

## 1 GENERAL INSTRUCTIONS

Research of Bondt and Thaler (1985) states that there is a price reversal on stocks that had a good performance (winner) in the next period has a bad performance (loser). This is indicated by the reaction of investors in excessive response to information about these shares. This excessive reaction can be concluded that the market is inefficient. If the market is efficient, then the existing stock price at that time may reflect the expectations of all investors, so investors are unlikely to know between profitable and unprofitable investments in the future based on current market prices.

Winner-loser anomaly is one form of capital market anomaly as opposed to the concept of efficient market hypothesis. Anomalous winner - loser was first proposed by Bondt and Thaler (1985). Using United State equity markets De Bont and Thaler (1985) found that stocks that initially provide very positive (winner) or very negative (loser) profits will experience reversals in subsequent periods. Investors who buy loser stocks and sell those stocks as winners will get a significant abnormal return. Bondt and Thaler (1985) stated that the cause of winner and loser anomaly is overreaction hypothesis. This hypothesis states that the market has basically overreacted to information. In this case, market participants tend to set stock prices too high in reaction to good news and price too low in reaction to bad news.

Chaouachi and Douagi (2014) in their research examined the existence of the effects of overreaction on the Tunisian stock market during the period January 1999 to December 2013. Securities that have been underperformed in the market over the past three years will outperform the market over the next three years, and also found that exaggerated reactions is not a manifestation of the January Effect. The performance difference between porter portfolio and winner portfolio is not related to size effect. According to Suroso and Widayaiswara (2015), a picture of the main characteristics of the Asean Economic Community (AEC) is a single market and production base; a highly competitive economic region; areas with fair economic development; and areas that are integrated into the global economy. The impact of the creation of the AEC is the creation of a free market in the areas of capital, goods and services, and labor. The consequences of the AEC agreement are the impact of free flow of goods for ASEAN countries, the impact of free flow of services, the impact of free flow of investment, the impact of skilled labor flows, and the impact of free capital flows. How the effect of the AEC on the performance of winner and loser market anomalies will be examined in this study.



## 2 LITERATURE REVIEW AND HYPOTHESES

According to Jogyanto (2007), how a market reacts to an information to reach a new equilibrium price is important. If the market reacts quickly and accurately to achieve a new equilibrium price that fully reflects the available information, then such market conditions are called efficient markets. The primary key to efficient market measurement is the relationship between the price of securities and information. There is information about the past, information being published and all information including private information, from which information should determine which information can be used to assess an efficient market

Winner-loser anomaly is one form of capital market anomaly as opposed to the concept of efficient market hypothesis. Anomalous winner - loser was first proposed by Bondt and Thaler (1985). Using the US stock market, Bondt and Thaler (1985) found that stocks that initially provide very positive (winner) or very negative (loser) profits will experience reversals in subsequent periods. Investors who buy loser stocks and sell those stocks as winners will get a significant abnormal return.

According to Santosa (2010), price reversal or price reversal is a change in stock price because investors make a mistake in setting the price of shares (mispricing). According to Yull and Kirmizi (2012), the price reversal phenomenon occurs when stock prices move excessively away from their intrinsic value. Shares that have experienced an increase or decrease in prices will continue to increase or decrease in price even though no new information related to company fundamentals. The price momentum will stop and be followed by a reversal due to price corrections by investors. It proves that the stock price does not always reflect the intrinsic value of the company so that the investor can get an abnormal profit from the condition. Psychological factors of investors tend to encourage mispricing in stocks that are relatively difficult to predict as shares of small companies or companies vulnerable to external conditions. Such external conditions are like the imposition of the ASEAN Economic Community (AEC). This AEC will result in different investor confidence in predicting stock prices, which ultimately affects stock returns. The success of predicting prices in the short run can lead to overconfidence that encourages investors to make certain investment strategies, one of which is the contrarian strategy. The hypothesis made in this research are:

H1: There are winner-loser anomalies on stock returns in LQ45 before enactment of the ASEAN Economic Community by 2015

H2: There are winner-loser anomalies on stock returns in LQ45 after the enactment of the ASEAN Economic Community by 2016

H3: There is difference of winner-loser anomaly at stock return in LQ45 before and after enactment of ASEAN Economic Community 2016.

## 3 RESEARCH METHODS

This research is conducted at Indonesia Stock Exchange by taking sample from stocks listed on LQ45 index in period 2015 until 2016. Using purposive sampling method, that is only stock that meet certain criteria that can be used as research sample. The data used is the share price on 13 manufacturing companies listed on the LQ45 index for the period 2015 until 2016, ie in the period August 2015 to January 2016 and the period February 2016 to July 2016.

Furthermore, the sample is classified into stock winner and stock loser. Samples that include winner stocks are stocks that experience daily price increases above the average increase in stock prices on the day of the possibility of stock price increases on a large scale. While loser stock is a share that experienced daily price drop below the average decline in stock prices on the day of the possibility of a stock price decline on a large scale.

## 4 RESULTS AND DISCUSSION

Before testing the first hypothesis that there are winner-loser anomaly at stock return in LQ45 before the enactment of ASEAN Economic Community in 2015 first calculation of CAR portfolio loser difference with CAR portfolio winner before the enforcement of the AEC as follows:

Table 1. Difference Average Abnormal Return Winner-Loser Portfolio. Before AEC Enforcement

Time	ACAR		$\Delta$ ACAR <sub>t</sub>
Weeks	Winner	Loser	
I	-0,002	-0,045	-0,043
II	-4,400	-31,267	-26,867
III	0,043	-0,015	-0,058
IV	21,325	-12,675	-33,999
V	45,987	-45,718	-91,705

Table 1 shows that the largest difference of winner-loser portfolio is in the fifth week prior to the enforcement of AEC of -91,705. While the smallest portfolio loser portfolio is in the first week before the enforcement of the AEC that is equal to -0.043. Furthermore, before testing the second hypothesis that there are winner-loser anomaly at stock return in LQ45 after the enactment of ASEAN Economic Community in 2015 first calculation of CAR portfolio loser difference with CAR portfolio winner after the implementation of AEC as follows:

Table 2. Difference Average Abnormal Return Winner-Loser. Portfolio After AEC Enforcement

Time Weeks	ACAR		$\Delta$ ACAR <sub>t</sub>
	Winner	Loser	
I	0,062	-0,021	-0,082
II	0,022	-0,018	-0,041
III	0,042	-0,074	-0,116
IV	0,050	-0,018	-0,068

Based on Table 2. it can be seen that the largest difference winner-porter portfolio is in the third week after the AEC implementation of -0.116, while the smallest portfolio loser portfolio is in the second week after the application of the AEC of -0.041.

The results of the analysis on the first and second hypothesis are consistent with the research of Ardi, Kiryanto, and Amalia (2008) which states that there is an indication of overreaction which is marked by a portfolio of losers outperforming the winner portfolio. Likewise with research Rahmawati and Suryani (2005) states that there is an indication of overreaction (overreaction) characterized by a portfolio of losers outperform winner portfolio. The effects of this excessive reaction occur not over a long period of time, but occur separately. In accordance with Nurhidayah's (2009) research result, there are winner-loser anomaly (overreaction) on Jakarta Islamic Index (JII) shares during normal condition (not crisis) and also during global economic crisis in 2008.

Based on the result of Paired Samples Test obtained the significance level  $p = 0,187$ . The result shows that  $p > 0,05$  means there is no significant difference of winner-loser anomaly at stock return in LQ45 before and after enactment of ASEAN Economic Community by 2016. Rudiyanto (2016) stated related to impact of AEC to capital market. there is currently an ASEAN CIS (ASEAN Collective Investment Scheme). The ASEAN CIS is a framework that allows participating countries to offer capital market products that meet the common standards.

The results of the analysis for the first hypothesis test showed that the significance level  $p = 0.048$ . The results show that  $p < 0.05$ , meaning there are significant anomaly winners on stock returns in LQ45 before the introduction of the ASEAN Economic Community by 2015, which means the first hypothesis of the study is accepted. Testing of t-test for second hypothesis got significance level  $p = 0,003$ . The results show that  $p < 0.05$ , meaning there are significant anomaly winners on stock returns in LQ45 after the enactment of the ASEAN Economic Community by 2015, which means the second hypothesis of the study is accepted. Results of testing the third hypothesis obtained significance level  $p = 0.187$ . The result shows that  $p > 0,05$ , meaning there is no significant difference winner-loser anomaly at stock return at LQ45 before and after enacted ASEAN Economic Community 2016.

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# Participatory action learning system in maximizing entrepreneurship capacity

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**ABSTRACT:** It is obvious that the role of entrepreneurship education of a university in preparing their students to be entrepreneurs is significant. This paper aims to find out how entrepreneurship education especially Participatory Action Learning System (PALS) is able to maximize entrepreneurship capacity. Hopefully, this paper can contribute the best practices for the university to build students' capacity on entrepreneurship. The paper utilized qualitative analysis and a case study approach. Twenty students were analyzed and qualified to start their business. The author used the PALS method which students were empowered to actively participate in awareness, capacity, and institutionalization phases. The result showed only seven students who were ready to start their business. Indeed, the innovation on their product/service seems to be difficult to discuss because most students only focus on short-term development.

*Keywords:* entrepreneurship, education, capacity

## 1 INTRODUCTION

University's role in building and maximizing entrepreneurship capacity for their students is essential. Through entrepreneurship education, a university can equip their students with entrepreneurial mindset and skill, prepare the students to be ready to start their own business, and become young entrepreneurs.

This article is going to discuss the practice of entrepreneurship education, especially Participatory Action Learning System (PALS) in Ubaya Polytechnic, in preparing the students to start their own business.

## 2 LITERATURE REVIEW

### 2.1 *Entrepreneurship education*

Drucker in Kuratko (2005) stated that entrepreneurship is a discipline, so it can be learned. Moreover, Gorman, Hanlon, & King in Kuratko (2005) supported the idea and stated that most of the empirical studies indicated that entrepreneurship can be taught by entrepreneurship education.

Zhou & Xu (2012) said that entrepreneurship education itself was introduced by the United States in the 1940s. Then entrepreneurship education was adopted in many countries for fostering job creation. Later, the UNESCO World Conference understood its

value and suggested to cultivate entrepreneurial skills in higher education.

## 3 METHOD

This research was a qualitative research with a case study approach on students' entrepreneurship capacity in Ubaya Polytechnic. The collection of the data was conducted through the interview, observation, as well as document review (Miles & Huberman, 1992).

The data were collected from twenty students who passed the selection from a total of forty students who were interested in having their own business. The entrepreneurship capacity of those twenty students is maximized through entrepreneurship program at Ubaya Polytechnic.

The method used by the author was PALS (Participatory Action Learning System). The twenty students have been empowered with PALS in which the students were asked to actively participate, either individually or in a group, in the entrepreneurship process to increase their competence.

Through PALS, the students were expected to build their entrepreneurship capacity through the following phases: first, Awareness phase. In this first phase, the author conducted socialization of the entrepreneurship program and selected students who will be empowered by PALS; second, capacity phase. In this phase, the students' entrepreneurship capacity

was improved through some workshops on the entrepreneurial mindset, finding a business idea, marketing strategy, digital marketing, financial management, and coaching on starting the business. Moreover, students also visited a small business to experience real best practice in the business process especially production process; third, Institutionalization phase. In this phase, after the previous two phases, it is expected students are ready to be a new entrepreneur. They are asked to participate in external and internal entrepreneurship expo at Ubaya Polytechnic.



Figure 2. Business Model Canvas as Selection Tool. Photographs will be scanned by the printer.

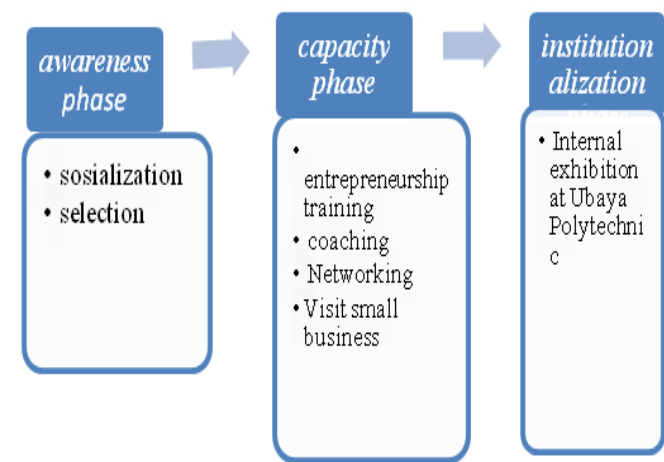


Figure 1. PALS.

4 DISCUSSION

Ubaya Polytechnic applies a tiered entrepreneurship program for students who only want to know about entrepreneurship to students who really want to start their business.

Students who really want to start their business and join the program were 40 students. Then they were asked to develop Business Model Canvas related to their business idea and interviewed by entrepreneurship lecturers. Later, only 20 students were selected.

Table 1 showed 20 Best Students. Then, those 20 students were asked to make teams which can be from friends or family in order to support each other when starting their business. They enter the capacity process and should actively participate in the process

Table 1. 20 best students.

No	Name	Business Idea
1	Aswin Padyanoor	Cheese Banana
2	Achmad Effendi	Anona Photography
3	Dana	English Course
4	Irene Harianto	“Mr. Greentea & Mr. Milkcho”
5	Saidin Anam	Bubble tea “Hora Do Cha”
6	Yuni Halim	“Mintmigurumi”
7	Agisto Ranggaditya	Farming
8	Arif Ganda S.	”Striker Crosswear & Future Apparel”
9	Dara Aulya Hikam	“Linda Fashion”
10	Bagus Hermawan	Customized Machine
11	Mohammad Bustomi	Bubble
12	Firna Adreana	Cosmetic
13	Lina Vekawati	Cosmetic
14	Ma’rifatun M.	Culinary
15	Ahmad Husnu D.	Campus Stationary
16	Tri Deasy R.	Traditional hot pasta
17	Gweneal Nixie F.	Cake
18	Wardiana Nur H.	Cake
19	Wardiana Nur H.	Dessert
20	Annisa Sevanya	Batik Fashion

In this phase, the students received some training that is needed to run their business. The trainings are as follows: the secret of culinary business; how to build your entrepreneurship and lead your own business; creating business idea; marketing strategy; financial management; digital marketing; market research; product, price, place, and promotion. Students also visited a small business to find out real daily activities as the best practice for them to run their own business. After conquering the previous two phases, students are expected to be ready to be a new entrepreneur. Before that, students must develop their business plan. Thus, students will have guidance about their business.

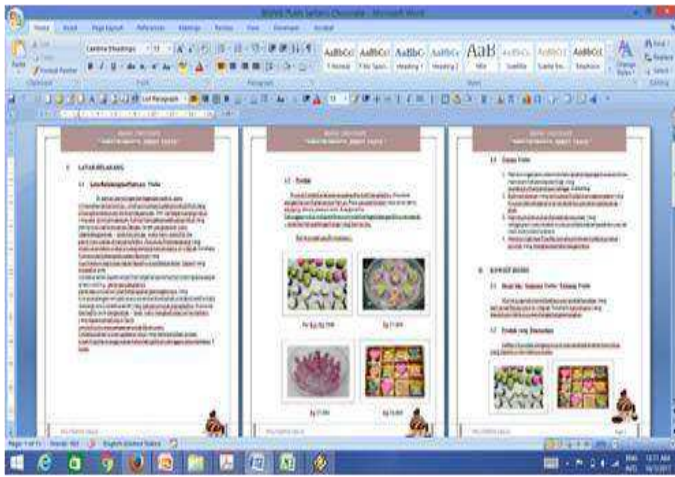


Figure 3. Business Plan.

Some entrepreneurship lecturers also guide and give technical support for the students in running their business. Finally, it comes to the last phase of institutionalization. Students who have already been running their business should join internal entrepreneurship expo at Ubaya Polytechnic and external expo at Gading Murni store. After the final phase, the author found only 7 students who are ready to be young entrepreneurs.

Table 2. 7 young entrepreneurs.

No	Business
1	Mr. Greentea
2	Sellfan's Chocolate
3	Effendiach Photography
4	Traditional Peanut Sauce
5	Bubble Toys
6	Dates Coffee
7	Traditional Snack



Figure 2. Entrepreneurship Products.

## 5 CONCLUSION

PALS needs active participation from both students as well as lecturers. The three phases of awareness, capacity, and institutionalization should be held within a certain period of time in order to keep students' interest and enthusiasm

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# A Conceptual Review in Relationship Between Abusive Supervision and Performance: The Role of Gender on Short-Term and Long Term

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**ABSTRACT:** This study aims to explain the relationship between abusive supervision and employee's performance. In this study, gender was conceptualized as a variable that can influence the pattern of relationship between abusive supervision and employee's performance in short and long-term. Abusive supervision is potential to give a positive impact on the employee's performance when it is applied to the masculine gender in short-term. However, in long-term, high-level abusive supervision can lead to the lower performance of employees with masculine gender. The result of the study is expected to provide a new insight into the relationship between abusive supervision and employee's performance.

*Keywords:* Abusive supervision, Gender, Performance

## 1 INTRODUCTION

Abusive supervision is defined as the subordinate's perception of how far a supervisor is involved in the continuously unpleasant verbal and non-verbal behavior, excluding physical contact (Tepper 2000). The unpleasant behavior is expressed through scorn, rude words, anger, and other indecent behaviors from a supervisor to his subordinates. Abusive supervision is a phenomenon-based research on leadership that is interesting to study. This is indicated by the increased results of research on abusive supervision over the past two decades (Martinko et al. 2013, Tepper 2007, Wu & Hu 2009). Previous studies have revealed a relationship between abusive supervision and employee's performance. However, there are still inconsistent research results.

Such inconsistency is shown by the majority of previous studies that found a negative relationship between abusive supervision and employee's performance (Aryee et al. 2007, Aryee et al. 2008, Harris et al. 2007, Jian et al. 2012, Tepper et al. 2011, Walter et al. 2015, Zhang & Liao 2015, Zhou 2016). On the other hand, there are previous studies indicating that abusive supervision can be used as a strategy of a leader to improve employee's performance (Ferris et al. 2007, Krasikova et al. 2013, Yu et al. 2014). In other words, abusive supervision can be used as a political strategy by the leader within an organization in

order to give a message to subordinates that an error cannot be tolerated, so that it is expected that employees can work optimally (Ferris et al. 2007).

This inconsistent relationship is probably due to differences in employee's characteristics. This is supported by the results of previous research which indicate that not all employees react equally to abusive supervision (See Chi & Liang 2013, Decoster et al. 2013). Employees respond to abusive supervision with their own perceptions. This is highly dependent on the individual characteristics of the employee (Martinko et al. 2012). Therefore, in this research, gender is proposed as a variable that is expected to clarify the relationship between abusive supervision and employee's performance.

Although previous studies have revealed gender as a factor that can distinguish individual performance levels (Bauer & Baltes 2002, Beyer 1990, Cloninger et al. 2015, Hyde 2008), they are still relatively limited as the studies reveal gender as a moderator of the relationship between abusive supervision and employee's performance.

Previous studies indicate that gender is an important variable to be taken into consideration in explaining the relationship between abusive supervision and its impact (Chi & Liang 2013). The reason is that gender differences will have a different impact on employee's performance when facing abusive supervision (Burton & Hoobler 2006; Ouyang et al. 2015).

In this research, gender is defined as one's perspective on the role that is inherent in the individual and is divided into two perspectives, namely masculine and feminine (Bem 1981, Rigg & Spparow 1994). A masculine employee regards a job stressor as a motivation or enthusiasm in doing a job. Previous studies indicate that a masculine person thinks that a motivating job is a challenging job so that an employee who feels mistreated by a superior will be motivated to perform better than a feminine one (Beyer 1990, Hyde et al. 2008). Therefore, masculine employees have a tendency to be able to reduce negative effects resulting from abusive supervision on employee's performance rather than feminine ones.

This research is aimed at proposing gender as a variable that can explain the relationship between abusive supervision and employee's performance in the short and long term. The reason is that abusive supervision is likely to have a different effect on employee's performance in the short and long term. Previous studies indicate that abusive supervision can be used as a strategy to improve employee performance in the short-term if applied under appropriate conditions. However, abusive supervision can have negative impacts in the long-term.

## 2 ROLE OF GENDER IN THE RELATIONSHIP BETWEEN ABUSIVE SUPERVISION AND PERFORMANCE IN THE SHORT TERM

This research employed the theory of Conservation of Resources (Hobfoll 2001) to explain that abusive supervision is a job stressor that can have negative impacts on employee's performance (Chi & Liang 2013, Khan 2015, Walter et al. 2015, Zhou 2016). Although previous studies have indicated that abusive supervision has negative relationship with employee performance (Estes 2013, Harris et al. 2007, Martinko et al. 2013, Tepper 2007) other studies have found that abusive supervision potentially has positive impacts on employee performance in the short term (Ferris et al. 2007, Krasikova et al. 2013). The reason is that abusive supervision can be used as a political strategy by a leader or supervisor to improve individual employee performance in the short-term. Such positive relationship can potentially occur when abusive supervision is applied to an appropriate situation (Ferris et al. 2007, Lee et al. 2013). This depends on employee's gender differences.

In order to explain the relationship between abusive supervision and employee's performance, it is important to take the employee's gender into consideration to produce a detailed explanation of such re-

lationship. The reason is that employees will react differently to abusive supervision that is regarded as a job stressor depending on their gender perspective. A person with a masculine perspective will tend to be stronger and may even regard a job stressor as a challenge to be faced in the workplace compared to a person with a feminine perspective. Therefore, gender will differentiate employee's performance when they are facing a job stressor.

Previous studies have indicated that gender has been conceptualized as a moderator variable of the relationship between abusive supervision and employees' proactive behavior, and it is found that gender can moderate such relationship (Ouyang et al. 2015). However, in those studies, gender is proxied as sex, not as a perspective. Meanwhile, in this study, gender is conceptualized as a perspective of the role that is inherent in a person. This is such an important issue because a man may not necessarily have a masculine, but a feminine character and vice versa a woman may not necessarily have a feminine, but a masculine character.

Based on the aforementioned theoretical explanation, the proposition proposed in this study is as follows:

Proposition 1: In the short term, high abusive supervision leads to higher performance in masculine employees than that in feminine employees.

## 3 ROLE OF GENDER IN THE RELATIONSHIP BETWEEN ABUSIVE SUPERVISION AND PERFORMANCE IN THE LONG-TERM

Theoretically, it is difficult to accept that abusive supervision has positive impacts on employee performance in the long term. Previous studies indicate that abusive supervision potentially has positive impacts on employee performance in the short term, but it does not last in the long term (See Ferris et al., 2007; Krasikova et al., 2013). Individuals who receive continuous job stressors will try to cope with the work stressors experienced, so that they will have less desire to display maximum performance, which may decrease performance of an employee.

Based on the perspective of situational leadership theory (See Hersey & Blanchard, 1982), subordinate characteristics are an important situational factor that can determine the success of a leader's leadership style in making good performance. In this study, although gender is conceptualized as a situational variable expected to weaken the negative impacts caused by abusive supervision on employee performance, such relationship only takes place in the short term.

In the long term, an employee who receives an abusive supervision will tend to try to cope with the job stressors, so that the employee's performance will decrease (Mackey et al., 2015; Martinko et al., 2013; Tepper, 2007). Although an employee with masculine characteristics tend to be stronger in facing abusive supervision than those with feminine characteristics, the employee performance will tend to decline if the abusive supervision felt by employees in the long term.

Based on the aforementioned theoretical explanation, the proposition proposed in this study is as follows:

Proposition 2: In the long term, high abusive supervision leads to lower performance even in masculine employees.

#### 4 CONCLUSION

This study proposes a theoretical model to provide a detailed explanation concerning the relationship between abusive supervision and employee performance in the short and long term. The theoretical model proposed in this study is that in the short term abusive supervision potentially has positive impacts on employee performance when applied in appropriate situation. This can occur when abusive supervision is given on masculine employees. Although abusive supervision can potentially have positive impacts on employee performance, such impact only takes place in the short term. In the long term, abusive supervision will have negative impacts on employee performance. Although abusive supervision is given to masculine employees, it will have negative impacts on employee performance. Theoretically, this study can contribute to the development of theory related to the concept of abusive supervision. This study provides a theoretical explanation of the role of gender in its relationship between abusive supervision and employee performance in the short term and long term. It is expected that the conceptual model proposed in this study can be used a source of reference for academicians in conducting research on abusive supervision.

In addition to the theoretical contribution, this study also makes a practical contribution. It is expected that the conceptual model proposed in this study can offer insight to practitioners in the field of human resource management, especially leadership on providing treatment or stimulus of abusive supervision to employees within the organization. In order to give treatment or stimulus to employees to produce high performance, it is expected that practitioners can

use the conceptual model proposed in this study. Abusive supervision can be used as a strategy to improve employee performance in performing tasks by taking employee's gender into consideration. Otherwise, it is feared this will have negative impacts on employee performance. However, if gender is properly taken into consideration, positive results on employee performance can potentially take place. Although such positive impact does not last in the long term, this strategy can be implemented to produce performance as expected in the short term to finish important works or tasks. It is expected that future research test the conceptual model and propositions as proposed in this empirical research. It is strongly recommended that empirical research with either experimental or longitudinal design follow up the propositions proposed in this study. This is important to see the pattern of causal relationship between abusive supervision and employee performance in the short and long term and to see fluctuations in changes in dependent variables as a result of the treatment or manipulation of independent variables. This is very important for the development of science, especially in the field of leadership.

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# The opinion of youth on corruption and policy on anti-corruption of Thailand

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**ABSTRACT:** The research on the opinion of the youth on corruption and policy on anti-corruption of Thailand aims to study the opinion of the youth on corruption and policy on anti-corruption of Thailand. It also suggests guidelines for fighting corruption problem. The population of the research or the youth includes students studying in the fields of political science and public administration from universities situated in Bangkok and being in the “Singh Relationship” Network. Those universities are Chulalongkorn University, Thammasat University, Kasetsart University and Srinakharinwirot University. This research conducted both qualitative and quantitative methodology and collected data for analysis from interviewing 9 students in depth and 350 questionnaires. The findings of the research on youth opinion on corruption and policy on anti corruption of Thailand categorized by personal factors were summarized as follows; the opinion of the youth with different sex had statistically significant difference at the statistical level 0.5. The mean of the opinion of the male youth was higher than the female youth respectively.

*Keywords:* corruption, anti-corruption, political science, singh relationship

## 1 INTRODUCTION

The Problem of corruption has its deep roots in the culture and has been around in Thailand.

The effects of the problem are on many aspects. The present government has a strict policy for suppressing corruption by imposing heavier penalties for corruption offenders and also promote the preventing measures especially for the young people. The youth studying politics and administration in universities often follow up political news including anti-corruption of the youth because of the subject matter of their fields of study include the public policy too. Students in the universities locate in Bangkok are in the center of the country. It is interesting to research about their opinion on corruption and policy on anti-corruption of Thailand.

## 2 METHODS

The population of the research or the youth includes students studying in the fields of political science and public administration from universities situated in Bangkok and being in the “Singh Relationship” Network. Those universities are Chulalongkorn University (993), Thammasat University (344), Kasetsart

University (998) and Srinakharinwirot University (478). The population totaled 2,813 students. The duration of data collection are from November 1996 - February 1997. The total samples of the research are 350 samples drawn from stratified random sampling as follows ; 123 samples from Chulalongkorn University (35%), 42 samples from Thammasat University (BMIR: The Combined Bachelor and Master of Political Science Program in Politics and International Relations (English Program) (ThaPrachan) (12%), 126 samples from Kasetsart University (36%), 478 samples from Srinakharinwirot University (17%)

This research conducted quantitative methodology and collected data for analysis from 350 questionnaires respectively. The research assumption are : The youth with different sex had different opinion on corruption and anti-corruption policy of Thailand, the youth with different year(s) of study had different opinion on corruption and anti-corruption policy of Thailand, the youth with different GPAX had different opinion on corruption and anti-corruption policy of Thailand, the youth with different institution had different opinion on corruption and anti-corruption policy of Thailand, the youth with different field of study had different opinion on corruption and anti-corruption policy of Thailand, the youth with different-

ent activity participation had different opinion on corruption and anti-corruption policy of Thailand, the youth with different follow-ups of political news had different opinion on corruption and anti-corruption policy of Thailand.

As for personal factors, the research found that the majority of the youth were female (66.9%), first-year students(35.1%), with GPAX grades ranging from 3.01 to 3.50 (45.4%), studying in Kasetsart University (36.0%), studying in the field of international relations / foreign affairs / diplomacy(45.4 %), participate in university/faculty activities occasionally or moderately (54.9%) and follow news once or twice a week (45.7).

### 3 RESULT AND DISCUSSION

#### 3.1 *The Opinion of the Youth on Corruption*

The survey found that the overall level of youth opinion on corruption is slightly high ( $\bar{X}$ = 3.59). Considering each aspect separately, The research found that the three aspects that the youth agreed at the slightly high level were 1. causes of corruption committed by politicians, political office-holders and government officials ( $\bar{X}$ = 4.12). 2.effects of corruption ( $\bar{X}$ = 3.99) and 3. being interest in participating in fighting corruption ( $\bar{X}$ = 3.79) ,while the other aspect that the youth agreed at the slightly low level was accepting corruption deeds committed by politicians, political office-holders and government officials ( $\bar{X}$ = 2.44).

#### 3.2 *The Opinion of the Youth on Anti-Corruption Policy*

The survey found that the overall level of youth opinion on the policy on anti-corruption of Thailand was medium ( $\bar{X}$  = 2.93). Considering each aspect separately, both aspects were in the medium level, that were 1. corruption prevention ( $\bar{X}$  = 3.08) 2. corruption suppression ( $\bar{X}$ = 2.77).

#### 3.3 *The Research Result of the Prevention Aspect*

The research found that the all topics were in the medium level ( $\bar{X}$ = 3.08). When arranged in descending order, they were as follows ;

1. The government sector cooperates with other sectors, such as the business sector and the people sector in preventing corruption ( $\bar{X}$ = 3.16)
2. The government sector can use modern social networks and technology to prevent corruption efficiently. ( $\bar{X}$ = 3.12)
3. Law, regulations and orders preventing corruption are appropriate and in accordance with circumstances ( $\bar{X}$ = 3.13)

4. The government sector provides knowledge and training in working skills to those performing the tasks of prevention corruption ( $\bar{X}$ = 3.10)
5. The government control , examine and supervise those concerned with discrimination ( $\bar{X}$ = 3.09)
6. The People have chances at accessing to news and information about corruption, law, rules, and working procedures of the government sector thoroughly. ( $\bar{X}$ = 3.09)
7. The present laws, measures and regulations preventing politicians or government power-holders against abusing their powers by intervening, putting pressure on, dominating and interfere the government officials are strict and careful enough ( $\bar{X}$ = 3.06)
8. The government control , examine and supervise those concerned to comply with the law, regulations and order continuously and regularly ( $\bar{X}$ = 3.03)
9. The government rapidly control , examine and supervise those concerned to comply with the law, regulations and order ( $\bar{X}$ = 2.95)

#### 3.4 *The Research Result of the Suppression Aspect*

Regarding the suppression aspect, The research found that the all topics were in the medium level ( $\bar{X}$ = 2.77).When *arranged in descending order*, they were as follows ;

1. The government sector has enough personnel to perform the tasks of anti-corruption suppression. ( $\bar{X}$ = 2.94)
2. The government sector can use modern social networks and technology to suppress corruption efficiently. ( $\bar{X}$ = 2.92)
3. The government sets up legal measures and appropriately impose increased penalties on offenders who committed corruption ( $\bar{X}$ = 2.90)
4. The government personnel is professional, that is to say, having knowledge, abilities, experience, intelligence and sagacity in suppressing corruption. ( $\bar{X}$ = 2.90)
5. The corruption suppression units can efficiently cooperate and without redundancy. ( $\bar{X}$ = 2.78)
6. The government sector can suppress corruption in the deep level by tracing back to the principal actors of the wrongdoings and taking legal proceedings against those actors. ( $\bar{X}$ = 2.76)
7. The corruption suppression is at a rapid rate. ( $\bar{X}$ = 2.59)
8. The corruption suppression proceeds without discrimination. ( $\bar{X}$ = 2.58)
9. The corruption suppression proceeds with transparency ( $\bar{X}$ = 2.55)

### *3.5 The Research Findings on youth opinion on corruption and policy on anti corruption of Thailand*

The findings of the research on youth opinion on corruption and policy on anti corruption of Thailand categorized by personal factors were summarized as follows : the opinion of the youth with different sex and institution had statistically significant difference at the statistical level 0.5.

The opinion of the youth with different year(s) of study, GPAX, fields of study, activity participation, follow-ups of political news had statistically significant difference at the statistical level 0.5.

## 4 CONCLUSION

The research presented guidelines for fighting corruption problem of Thailand as follows:

1. The government and the civil society sector should work together more on cooperation to prevent and suppress corruption.
2. The government sector and the educational institutions should work together more on holding campaigns to educate the youth about the corruption problem.

# Innovation strategy for startup business: a case study using business model canvas

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**ABSTRACT:** Unlike in the past, today, thinking about innovation will refer directly to the uniqueness of a product as well as the added value it creates, especially for start-up companies. Bird's nest, known as one of the Chinese Emperor's dishes, is a very expensive food ingredient that can be obtained from many provinces in Indonesia. This research aims to analyze the concept of Business Model Canvas and discuss the design of the key elements in it. Based on the research on Vitnest bird's nest beverage brand, it seeks to outline how the business model can be implemented successfully in Indonesia and analyze the production of Non-Alcoholic Ready to Drink (NARTD) from the bird's nest using a Business Model Canvas as a theoretical framework. This research also described the innovation process linking value-added of a product to marketing strategy, organizational strategy, and operational strategy.

*Keywords:* Startup business, business model canvas, business analysis

## 1 INTRODUCTION

Indonesia is the world's 14th-largest country in terms of land area and world's 7th-largest country in terms of combined sea and land area. It has big potential to become center of bird's nest cultivation.

Lying along the equator, Indonesia's climate tends to be relatively even year-round making Indonesia as optimal habits for swallow bird. No doubt for Indonesia because the product for bird's nest is one of the best in the world. When the supply of bird's nest from Indonesia to China become hard to supply, most of the bird's nest cultivator sells their products as cheap as possible. 30-50% from the original price. But when two of the governments tend to make the bilateral connection stronger, bird's nest cultivators hope that export of the bird's nest from Indonesia is increasing.

There are many bird's nest supplies in Indonesia but also go along with the uncertainty demand, bird's nest is Chinese emperor's food according to Chinese history that contains protein and they believe bird's nest also can regenerate skin cell faster. From these advantages, we can make it to be the purpose of the research, using bird's nest as a main ingredient for beverages, especially beverages for fast-moving people so the beverages can save up time but also very healthy.

## 2 PROBLEM DESCRIPTION

Addressing the problems from uncertainty demand of bird's nest from China and high capacity and availability of bird's nest from Indonesia that also make uncertainty price. To make start-up business that suitable for 21<sup>st</sup> century lifestyle using business canvas model. this research study examined factors that determined the decision as to whether or not to adopt the strategies generated from business model canvas. The study examined some of those factors in this decision-making process along with the corresponding perceived benefits. This research was framed on a start-up business, as each potential respondent was representative of their corresponding factors, with their corresponding demographics likewise collected and examined.

## 3 BUSINESS ANALYSIS AND VALUE PROPOSITION DESIGN

### 4.1 Business Plan Description

Bird's nest known as an expensive ingredient, you can make soup with it, but rarely consumed because is not common to eat bird's nest in Indonesia, but because the advantages from consuming bird's nest, this

reason will be motivating business man to produce “non-alcoholic ready to drink” beverage that suitable with 21st century lifestyle, high-mobility lifestyle, and easy to drink with good advantages. And the most important is everybody can drink and feel the advantages of bird’s nest without spend so much money.

4.2 Product Description

The beverage to be make is from metamorphosis of bird’s nest soup that will be packed in a can with bird’s nest inside, the beverage will be include the bird’s nest also red sugar from Indonesia. For the operational, all of the bird’s nest must be chosen with the professional labors that already know about bird’s nest processing. Adopting BrC or British Consortium International packaging as a production standard.

4.3 Value Map

There are 3 factors on value map, product/ service, pain relievers and gain creators. Next is customer profile. the value of the product that must be given are:

- ready to drink beverage
- suitable high-mobility lifestyle
- unique taste

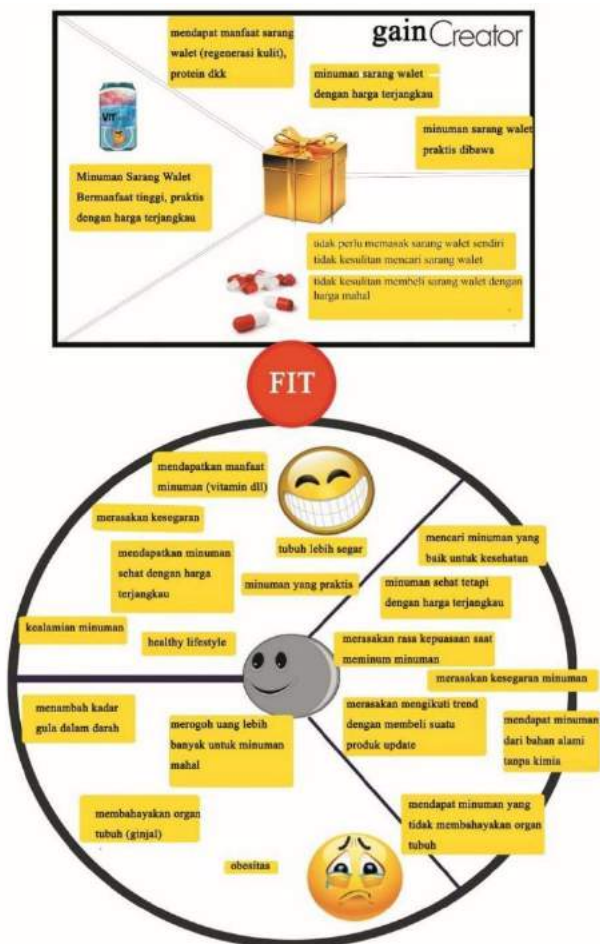


Figure 1. Value Map

4.4 Marketing Aspect and Strategy

Kotler (2013) said that key of the marketing management is plan and creative strategy that understand the activities of the marketing. So we will use the STP or segmentation, targeting and positioning analysis as a base. Segmentation for this business divided by 3:

- Demography: Based on survey, we will use 10-54 years old and also the outcome for every person must be more than IDR 1.750.000
- Psychographic: Healthy lifestyle, especially young working generations
- Geography: Indonesia as a main target of the study.

Based on segmentation, targeting is more specific, we choose 1-54 years old because in these ages gap, many people use more money than other age-gap, and we can be grouping this age gap to SES A1-A2 because the outcome is more than IDR 1.750.000 every month, for the highly mobile and working generations we can say that consumer in 21st century tend to do multi-activities, so everything must be fast but also healthy

4.5 Potential Market

Age Group	Male	Female	Total	Percentage
"0-4"	111.593	105.731	217.324	8%
„5-9,,	114.728	108.480	223.208	8%
"10-14"	104.264	99.137	203.401	7%
"15-19"	106.351	118.035	224.386	8%
"20-24"	127.323	137.812	265.135	10%
"25-29"	145.605	147.479	293.084	11%
"30-34"	132.778	132.902	265.680	10%
"35-39"	122.551	121.041	243.592	9%
"40-44"	104.410	106.879	211.289	8%
"45-49"	84.940	90.860	175.800	6%
"50-54"	72.804	74.455	147.259	5%
"55-59"	54.647	52.668	107.315	4%
"60-64"	32.675	35.398	68.073	2%
"65+"	53.172	66.769	119.941	4%
Total	1.367.841	1.397.646	2.765.487	100%

Figure 2. Potential Market

For the potential market we can use data from Indonesia statistics center, and we can know how many people age 10-54 years old, but also with the outcome more than IDR 1.750.000 every month.

After the calculation between potential market and AC Nielsen index, we calculate with other variables and resulting effective market potential.

4.6 Marketing Mix

To choose the strategy of the marketing we can use marketing mix of 5 P.

- Product: The purpose of the product is fulfilling the demand of the people that want to healthy

beverages but can drink it easily. Here also we need to use branding to give brand for the beverage, the primary packaging must be good and ready to drink.

- Price: Based on survey, bird's nest still expensive but after the survey, we still can make the price of the product is premium but below the competitor.
- Place: Indonesia has many different standard of salary in every city. So we choose the city with not-very high salary standard but the location must be strategic so it can help the operational aspect like supply and logistics chain.
- Promotion: Promotion need to use offline and online techniques, like advertising and sales promotion.
- People: Human resources is good criteria to increase the sales using indirect or direct methods.

## 5 RESEARCH METHOD

This research study was conducted using a questionnaire given in the field, gathered from various levels prospective and eventual final respondents. The overall survey population from this study will determine the results.

The factors for generating the strategies was based on prior study that focused on the Quantitative Strategic Planning Matrix (QSPM) as a suitable tool which is used to evaluate alternative set of strategies applied to start-up business of bird's nest

Using sample size of 100 individuals that went out to all potential survey respondents, the instrument provided an introduction to potential respondents by stating the purpose of study, explaining both confidentiality and risks, informing prospective respondents of voluntary participation.

Using QSPM as an incorporate earlier stage detail in an organize way to calculate the score of multiple strategies in order to find the best match strategy for the startup business, comes under the third stage of strategy formulation which is called the decision stage and also the final stage of this process. The best thing about QSPM is that it never insists the strategist to enter the information on assumptions, it extract the information from stage 1 the input stage and stage 2 the matching stage.

The input stage is based on EFE matrix, IFE matrix and CPM, and stage 2 made up of SWOT matrix, the QSPM itself combine the intuitive thinking of managers with the analytical process to decide the best strategy for the organization success.

For the data analysis, the completed survey was collected and tabulated and coded within Microsoft Excel for statistical review purposes.

## 6 RESULTS AND DISCUSSION

This research based on mini-research adopting business canvas model hoping that can help people especially in Indonesia to start small start-up business to help cultivator of bird's nest. And also this research can help start-up owner to do the evaluation of their start-up.

With elements from the business model canvas, start-uppers can know the location, competitor, marketing and sales aspect, operations aspect also to choose which the good strategy for business start-up is. We choose market penetration strategy as a main strategy to do the differentiation in this area. And focusing on what will the strategy to in every time periods. With the support of calculation from NPV to IRR and calculation of data that we get from survey, we can tell this research ready to use and have good prospect to support start up business in the future.

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# Determinant factors affecting the quality of financial report of the regional government

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**ABSTRACT:** The research aims to assess and analyze the effects of the internal control system, the competencies of human resources, internal auditing, and organizational commitment to the quality of financial reporting by the regional government. The setting of the research was at the regional government of Tolitoli Regency. Data were obtained through correlation study by delivering questionnaires to finance staffs at the management and accounting departments of 51 Regional Government Units (SKPD). The sample population was 89 people. Data were analyzed using Partial Least square (PLS) method. The result shows that the internal control system, the competencies of human resources, internal auditing, and organizational commitment have a positive and significant effect on the quality of the financial report of regional government. This study is relevant for the regional government to help developing a better quality of the financial report.

*Keywords:* internal control system, human resource competence, internal audit, organizational commitment.

## 1 INTRODUCTION

In the development of the public sector in Indonesia, demands for accountability of public institutions are increasing. One form of accountability of local governments is to submit a financial report. Financial accounting information is used for some specific purpose, mainly related to the decision-making process (Achim, 2014). Therefore, local governments should pay attention to the quality of their financial report. Quality is something that meets or exceeds expectations of defined criteria. According to the Government Regulation number 71 the year 2010, criteria for assessing the quality of financial report are relevant, reliable, comparable, and understandable.

Good local government accountability is reflected in the opinion of the Supreme Audit Board of the financial report capable of generating unqualified opinion (WTP). From the summary of the examination results of the State Audit Board in the second half of 2015 for the fiscal year 2014, it can be seen in Indonesia that from 504 local government's financial reports examined, 251 of them received unqualified opinion, 230 of them received reasonable with the exception, 4 of them received unfair opinions, and 19 of them received no opinion status. This indicates that there are still many areas that have not yet achieved unqualified opinion (WTP), and the condition is more

apprehensive on the Regional Government of Tolitoli Regency which until now has never received unqualified opinion (WTP). There are still many areas that have not been able to reach the WTP that signifies the lack of the regional financial report quality.

Research on factors influencing the quality of local government's financial reports has been done before. Lashgaria et al (2015) study shows that the quality of financial information is strongly related to control weaknesses. In companies with high internal control weaknesses, will reduce the quality of financial information. Evicahyani (2015) found that the internal control system has a significant effect on the quality of the financial report. The low quality of reports can be attributed to the accounting comprehension of the report authors themselves (Yuliani et al. 2010). Research conducted by Sudirianti et al (2015) proves the competencies of human resources positively affect the quality of financial reports in Tabanan district.

The low quality of financial report can also be influenced by internal audit. Internal auditors are expected to assist local governments in preparing quality financial reports. The shifting role of the internal auditor, who should no longer act as an 'observer', but more than that, should be able to act as a 'consultant', which can add value to management. Research con-



ducted by Haliah (2013), found the internal audit positively affect the quality of financial report information.

The organizational commitment represents a power of a person in identifying his involvement in an organizational part (Mowday et al. 1972). Prior research that examines the quality of local government's financial reports with organizational commitment variables has been done by Herman (2015) and found that organizational commitment has a positive effect on the quality of financial report information.

This study aims to determine and analyze the determinants that affect the quality of local government's financial report. The benefits of this research can contribute to the development of science, especially in the field of public sector accounting in improving the quality of local government's financial report.

## 2 THEORETICAL FRAMEWORK AND HYPOTHESES

### 2.1 *Theory Stewardship*

Stewardship theory (Donaldson & Davis 1991) describes a situation where the management is not motivated by the goals of individuals but rather aimed at the main target results in the benefit of the organization. The theory built on philosophical assumptions about human nature, that is, human beings are basically trustworthy and able to act with full responsibility, integrity, and honesty of the other party. This theory has basic psychology and sociology that are designed where the executive as steward motivated to act according to the wishes principal, in addition to the behavior of the stewards who would not leave the organization because the steward tried to reach the target.

### 2.2 *Hypotheses*

H1: Internal control system has a positive effect on the quality of financial report. H2: Human resource competencies have a positive effect on the quality of the financial report. H3: Internal audit has a positive effect on the quality of financial report. H4: Organizational commitment has a positive effect on the quality of the financial reports

## 3 METHODS

This research was conducted in Tolitoli Regency Government of Central Sulawesi Province. This type of research was hypothesis testing through correlation

studies to identify important factors related to the research problem. The population in this study was employees who perform accounting functions at the management and accounting departments of 58 in Tolitoli Regency Government. The sampling method used was saturated sampling or census sampling that used all members of the population as a sample, so the number of samples was 89 people.

Data were collected by using questionnaires in the form of a set of questions/statements to respondents. The scale of measurement used a *Likert* scale, to measure the results of an answer or opinions of respondents with a five-answer option that have different levels of scores. Data analysis techniques used in this research was *Partial Least Square (PLS)* using *software Smart PLS 3.0*.

## 4 RESEARCH RESULT

Convergent validity test results show all question items on the instrument have all loading factor value above 0.50 (valid). The results of the reliability testing show that all constructs meet reliable criteria. A construct or variable is said to be reliable if it gives the value of Cronbach's Alpha > 0.6 and Composite Reliability > 0.7. The structural model is evaluated by using R-square for the t-test dependent construct and the significance of the path parameter coefficient. The R-square value for the Y variable is 0.774. These results indicate that 77.4% variable quality of financial reports can be explained by internal control system variables, human resource competencies, internal audit, and organizational commitment, while the remaining 22.6% is explained by other factors outside this study.

### 4.1 *Effect of internal control systems to the quality of the financial report*

The test of direct influence between Internal Control System (X1) and Quality of Financial reports (Y) shows the value of path coefficient is 0.239, with T-statistic equal to 2.760, and p-value 0.006. Since the T-statistic value > 1.96 and p-value < 0.05, the internal control has a significant direct influence on the Quality of Financial reports (Y). A positive *inner loading* coefficient indicates a positive influence on the internal control system of the quality of the financial report. These results show that the internal control system has a positive and significant impact on the quality of financial reports.

This study supports the theory that sees stewardship of management can be trusted to act in the best

possible way for the principal to generate quality financial reporting through the internal control system. With a sociological approach, the steward is motivated to act according to the principal wishes at the time of the five elements of internal control are executed in order to produce a high-quality financial report. In line with the assumption that the structure in the form of facilitation and empowerment stewardship theory, the control environment with the organizational structure that describes the division of authority and responsibility of employees, more concerned with facilitating and empowering than direct aid. Through facilitation and empowerment, it can help and strengthen the principal (community) in order to solve problems and meet their own needs appropriate potentials.

#### 4.2 *Effect of Human Resources Competence to the quality of the financial report*

The test of direct influence between Human Resource Competencies (X2) on quality of financial report (Y) shows the value of the coefficient of the path is 0.389, with T-statistic equal to 9.334, and p-value equal to 0.000. As the T-statistic value  $> 1.96$  and p-value  $< 0.05$ , Human Resource Competencies (X2) has a significant direct influence on Quality of Financial report (Y). A positive inner loading coefficient indicates a positive influence between the competencies of human resources and the quality of the financial reports. These results show that the human resource competencies have a positive and significant impact on the quality of the financial report. Thus, the second hypothesis is supported because it is proven empirically

This means that in order to produce qualified financial reports, competent human resources are required. The financial report is a product produced by the discipline of accounting, therefore it takes competent human resources, supported by accounting educational background, often attended training, and has experience in finance, the willingness to continue the study, hone ability in accounting, and also have good behavior. Understanding of human resources in preparing financial reporting is needed to facilitate the presentation of financial information that has benefits for the parties concerned.

The results support the theory by assuming the stewardship of philosophical and psychological assumptions. In accordance with the philosophical assumption of human nature, human resources should be capable of acting with full responsibility and having integrity, which is contained in the dimensions of behavior that work always put forward ethics. Consideration of psychological factors such as motivation in implementing the duties and responsibilities, where

governments have an obligation as stewards serving quality and useful information to users of financial information.

#### 4.3 *Effect of Internal Audit on the Quality of Financial Report*

The test of the direct influence between internal audit (X3) and the quality of financial report (Y) shows the value of path coefficient of 0.374, with the value of T-statistics of 5.470, and a p-value of 0.000. Since the T-statistics  $> 1.96$  and p-value  $< 0.05$ , internal audit (X3) has a significant direct influence on the Quality of Financial report. A positive inner loading coefficient indicates a positive influence on the internal audit and the quality of the financial report. This result shows that the internal audit has a positive and significant impact on the Quality of Financial Statement. Thus, the third hypothesis is supported because it is proven empirically.

Internal audit is the front line in the implementation of supervision activities and as early detection in case of deviation. Internal Audit is a reviewer of the financial report, thus providing reasonable assurance of a financial report before being audited by an external party that is BPK.

These findings support the theory of stewardship of the philosophical assumptions about human nature that is reliable, able to act with full responsibility, integrity, and honesty of the other party. Similarly, internal auditors are required to have integrity and honesty in carrying out their duties and responsibilities in order to produce quality financial reports. Stewardship theory also assumes that the interests of the manager and the principal are convergence.

#### 4.4 *Effect of Organizational Commitment on the Quality of Financial Report*

The test of direct influence between Commitment Organization (X4) to Quality of Financial reporting (Y) shows the coefficient value of 0.287, with T-statistic equal to 4.658, and p-value equal to 0.000. Since the T-statistic value  $> 1.96$  and p-value  $< 0.05$ , the Organizational Commitment (X4) has a significant direct influence the Quality of Financial report (Y). A positive inner loading coefficient indicates a positive influence on organizational commitment and quality financial report. These results indicate organizational commitment has a positive and significant impact on the quality of financial reports. Thus, the fourth hypothesis is supported because it is empirically proven.

The findings of this study support the theory of stewardship of the philosophical assumptions about human nature that can be trusted. Organizational

commitment is built on the trustworthiness of workers on organizational values, the willingness of workers to help realize organizational goals and loyalty to remain a member of the organization. Government as steward to behave loyally in carrying out the tasks given and stewards tried to achieve organization goals is to produce a high-quality financial report. In accordance also with the interests of managers and the principal assumption is convergence, organizational commitment from all parties based on the same principal goal is to produce a high-quality financial report.

## 5 CONCLUSION

This study aims to examine and analyze the determinants that affect the quality of local government financial reports. This study concluded that the internal control system has a positive effect on the quality of the financial report. This means that the improvement of internal control system gives a positive impact on the quality of local government's financial report. Human resources competencies positively affect the quality of financial reports. This means that higher competencies have a positive impact on the quality of local government financial reports. Internal Audit has a positive effect on the quality of financial reports. This means that an increase in Internal Audit has a positive impact on the quality of the Local Government financial report. Organizational Commitment positively affects the quality of the financial report. This means that increased organizational commitment gives a positive impact on the quality of local government's financial report. The results of this study indicate that the quality of local government financial reporting is strongly influenced by internal control system factors, human resource competencies, internal audit and organizational commitment. The four variables are the determinant variables for improving the quality of local government financial reporting.

## 6 IMPLICATIONS AND LIMITATIONS

The results of this study provide theoretical implications for the development of science and provide practical implications for the refinement of existing policies. For science, the results of this study support the stewardship theory in public sector organizations that is the government. While the practical implications, the results of this study indicate the importance of effective internal control system, improve human

resources competencies, internal audit quality, and increase organizational commitment so as to improve the quality of local government's financial report.

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# Determinants of bank performance in Indonesia: evidence Rural Banks in Pekanbaru City

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**ABSTRACT:** The purpose of study is to find out how big the financial ratios related to Non Performing Loan (NPL), Operating Expense to Operating Income (OEOI), Loan to Deposit Ratio (LDR), and Capital Adequacy Ratio (CAR) in terms of affecting profitability that occurred in rural banks in Pekanbaru City. A purposive sampling method based on certain criteria was used in this study. The result of the study showed the operational risks proxied through BOPO variables have a negative and significant impact on Return On Assets (ROA). Liquidity risk proxied through LDR variable has a positive and significant impact on the profitability of RB. This indicates that any increase in LDR is followed by increased profitability, where as the amount of credit disbursed increases, the income from such credit will increase so that the bank's ability to earn profit also increases.

*Keywords:* bank performance, Rural Banks, and Return On Assets

## 1 INTRODUCTION

These two types of banks can be found in most countries in the world. There are private- owned and government-owned banks, but in Indonesia, there is another category called the Rural Banks (Bank Perkreditan Rakyat, BPR), which makes Indonesian banking system unique. One form of Microfinance Institutions (MFIs) for poverty reduction is a Rural Bank or hereinafter referred to as RB. RB as one of the banking institutions has an important role in supporting the economy of Indonesia.

RB also participates in supporting the development of Small and Medium-Enterprises (SMEs) in Indonesia. SMEs have been one of the largest business sectors in Indonesia that also assists the government in job creation. RB role here is to help the development of SMEs through lending capital raised from public funds; RB should improve their business performance. RB in Indonesia exists in every district. RB has two systems, namely Islamic and conventional banking. Hence this study will try to identify whether the bank system pattern will affect the bank performance. How the rural bank performance at Pekanbaru? Both are the questions that the study intends to answer.

Nowadays, the development of Rural Banks in Pekanbaru City is very fast because of the increase of

bank units. RB is one of the business entities that provide banking services to SMEs. Increasingly, the increasing credit units, time deposits, savings deposits, and withdrawals of funds in the bank raise a risk faced by rural banks.

Based on these developments, people and investors can measure financial performance through the financial statements of Rural Banks. The financial performance of a company is often measured by how the ability of a company to generate profits. From a management point of view, the ratio of Return On Assets (ROA) is seen as a useful measure because it indicates how well the management utilizes the total resources owned by the company to generate profits. The greater the ROA, the higher the profitability which means the better the company's performance, the performance of rural banks experienced fluctuations (not fixed) income or profit every year. The following data Ratio Profitability of Rural Bank in Pekanbaru City.

## 2 REVIEW OF LITERATURE

### 2.1 *Financial Intermediary Theory*

The main function of the bank is a financial intermediary where the bank will sell a financial claiming product such as savings account and current account.

At the same time, banks will also purchase financial products such as mortgages, business loans, and personal loans. With this activity, the financial transfers occur from units with surplus funds to units with deficit funds through financial intermediaries. Financial intermediaries have advantages over individual or non-financial companies due to three factors. First, financial institutions or intermediaries can reduce transaction costs such as search costs, information costs, and contract costs. The cost of information exists because there is one party that does not know exactly about the information related to the other party.

There are two situations of asymmetric information in financial markets i.e. adverse selection, which occurs before a transaction occurs and the moral hazard, which arises after a transaction (Allen & Santomero 1998). Adverse selection occurs when the surplus unit has no accurate information regarding the deficit unit.

### 1.2 Agency theory

Agency theory describes the relationship between the owner as a principal and manager as an agent. The relationship is very important because it affects the performance of a bank. Performance contracts are formed so that rewards received by managers are closely linked to bank performance. The contractual relationship between the owner and the manager is in line with agency theory (Jensen & Meckling 1976). Jensen & Meckling (1976) reveal that the difference in importance between owners and managers that creates an agency conflict occurs because the manager does not hold company shares or has insufficient ownership.

The concept of agency as disclosed by Jensen & Meckling (1976) can be seen in the results of the study of Berger & Bonaccorsi (2006), Basu et al. (2007) and Sullivan & Spong (2007) which indicate that bank owners are handing over to the manager as an agent to manage the bank. This is because the owner has difficulty in managing the company directly because of the following factors. First, the size of a growing bank will be difficult to manage. Second, the need for specialized expertise to manage large banks and generally the owners have no such expertise. Third, bank ownership is determined by the number of shareholders.

Berger & Bonaccorsi (2006) point out that managers may ignore the interests of shareholders, instead of paying attention to their interests such as job continuity, luxury lifestyle, professional membership, and personal vehicle facilities, all of which are borne by the company. Shleifer & Vishny (1997) stipulate

to address agency issues, shareholders have incentives to monitor managers so as to minimize the problem of principal-agents.

For a bank that is largely owned by the family, conflicts between bank owners and managers are rare. Arifin (2003) notes that when a majority of the shares are owned by the family, it reduces the agency's problems compared to companies owned by many shareholders. In Indonesia, 90 percent of the company's shares are owned and operated by a family. This situation is not much different from other countries such as Spain (La Porta et al. 1999). Arifin (2003) states that the advantages of a family owned and operated company are family members will manage the company and this will reduce agency problems. According to Allen et al. (2011), bank capital also affects the performance of a bank. Due to the large capital of private banks in Indonesia issued by individuals or families, they have higher incentives to monitor loans issued due to bank performance and their wealth will be affected by repayments.

This affects the company's performance (Megginson et al. 1994, Megginson & Netter 2001). The agency problem in the context of government ownership is more complicated as the government holds shares in the company on behalf of the public or the people. Since the government is led by politicians who have no ownership in these companies, they may not monitor the actions of the board of directors or management. Shleifer (1998) and La Porta et al. (2002) states that the politicians tend to meet political goals that may negatively affect the financial performance of the company. This view is supported by Paskelian (2006) and Xu & Wang (1999) stating that the company becomes inefficient due to an agency problem arising from certain political motives.

The study of Berger & Bonaccorsi (2006), Mashharawi & Al-zu'bi (2009), Barry et al. (2011), Hoffmann (2011), Gul et al. (2011) and Trujillo-Ponce (2011) found that the ratio of equity has a negative influence on ROE. This suggests that the cost of the agency consistent with the theory that the increased use of debt will increase ROE. Meanwhile, Mashharawi & Al-Zu'bi (2009), Alexiou & Sofoklis (2009), Sufian (2010), Davydenko (2010), Sufian & Majid (2010), Javaid et al. (2011), Ramadan (2011), Riewsathirathorn et al. (2011) and Sufian & Habibullah (2010) found that the ratio of equity has a positive influence on ROA.

Sufian (2010) and Trujillo-Ponce (2011) found that the ratio of loans to assets has a positive influence on ROA and ROE. While Mamatzakis & Remoundos (2003), Staikouras & Wood (2005), Trivieri (2007), Mashharawi & Al-zu'bi (2009) and Gul et al. (2011) found that the ratio of loans has a positive influence

on the ROA. Demircug-Kunt & Huizinga (2000), Kosmidou et al. (2007), Garcia-Herrero et al. (2009) and Javaid et al. (2011) found that the ratio of loans to assets has an influence on ROA.

The findings Mashharawi & Al-zu'bi (2009) found that the ratio of operating costs to total assets has a negative influence on ROA and ROE. Meanwhile, Kosmidou et al. (2007) showed that the ratio of operating costs to total assets has no influence on ROA.

## 2 DATA AND METHODS

The population in this study was 19 rural banks in Pekanbaru City over the period of 2012 - 2015. A purposive sampling method based on certain criteria was used in this study. From the sampling criteria, it can be obtained the number of Rural Banks that meet the criteria were 13 banks. Multiple linear regression equation used was as follows:

$$Y = \alpha + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + \varepsilon \quad (1)$$

where  $Y = \text{ROA}$ ;  $X_1 = \text{credit risk (NPL)}$ ;  $X_2 = \text{operational risk (OEOI)}$ ;  $X_3 = \text{liquidity risk (LDR)}$ ;  $X_4 = \text{capital adequacy ratio (CAR)}$ ;  $\varepsilon = \text{residual}$ .

## 3 RESULT AND DISCUSSION

Based on the results of statistical data, it can be seen that the credit risk proxied through NPL has a positive but not significant effect on the profitability of BR. This indicates that the RB has other income that can overcome the losses of NPLs.

Table 1. The result regression.

Model	Unstandardized		t	Sig.
	B	Std. Error		
Cons	13.22	0.93	14.18	0.00
NPL	0.00	0.04	0.05	0.96
OEOI	-0.14	0.01	-12.10	0.00
LDR	0.02	0.01	3.25	0.00
CAR	-0.02	0.02	-0.84	0.40

dependent variable: ROA.

Based on the results of processed statistical data can be seen that operational risks proxied through *OEOI* variables have a negative and significant impact on ROA, is due to high operational costs of BR is still not working efficiently, thus lowering ROA. The results of this study in consistent with previous research is Mashharawi and Al-zu'bi (2009).

Based on the results of processed statistical data, it can be seen that operational risks proxied through *OEOI* variables have a negative and significant impact on ROA. This is due to high operational costs of

BR is still not working efficiently, thus lowering ROA. The results of this study are consistent with previous research from Mashharawi and Al-zu'bi (2009).

Based on the results of processed statistical data, it can be seen that liquidity risk proxied through LDR variable has a positive and significant impact on profitability BR. This indicates that any increase in LDR is followed by increased profitability, where as the amount of credit disbursed increases, the income from such credit will increase so that the bank's ability to earn profit also increases. The results of this study are consistent with previous research of Sufian (2011) and Trujillo-Ponce (2011) that found the ratio of loans to assets has a positive influence on ROA and ROE. While Mamatzakis & Remoundos (2003), Staikouras & Wood (2005), Trivieri (2007), Mashharawi & Al-zu'bi (2009), Gul et al. (2011).).

Based on the results of research, CAR has a negative and insignificant effect on Return On Assets (ROA). This is caused by the increase in capital cannot increase credit. The results of this study are inconsistent with previous research such as Mashharawi & Al-Zu'bi (2009), Alexiou & Sofoklis (2009), Sufian (2010), Davydenko (2010), Sufian & Majid (2010), Javaid et al. (2011), Ramadan (2011), Riewsthirathorn et al. (2011), Sufian & Habibullah (2012) that advocated the ratio of equity has a positive influence on ROA.

## 4 CONCLUSION

In this study, we examine the Rural Banks in Pekanbaru City performance over the period of 2012 to 2015. Based on the results, from statistical data, it can be seen that the credit risk proxied through NPL has a positive but not significant effect on the profitability of BR. Operational risks proxied through *OEOI* variables have a negative and significant impact on Return On Assets (ROA). This is due to high operational costs of BR is still not working efficiently, thus lowering ROA. Liquidity risk proxied through LDR variable has a positive and significant impact on profitability BR. This indicates that any increase in LDR is followed by increased profitability, where as the amount of credit disbursed increases, the income from such credit will increase so that the bank's ability to earn profit also increases. CAR has a negative and insignificant effect on Return On Assets (ROA). This is caused by the increase in capital cannot increase credit.

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# System of rice intensification (sri) of organic rice as an attempt to improve farmers welfare

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**ABSTRACT:** The purpose of this study are to determine: the application of the correct SRI planting method, and the factors that affect the enthusiasm of organic rice cultivation to SRI method. The population in this study is all rice farmers in the Purworejo regency, while the samples are 96 rice farmers. The sampling technique is non-probability sampling. Research was conducted from April to December 2016. The results show that: to obtain a maximum result from SRI method application in organic farming, it needs to be done carefully, conscientiously, diligently, the level of organic rice farmers' willingness after the application of the correct SRI planting method is quite large, there is a significant difference in the amount of income and benefit derived by organic rice farmers after the application of SRI method, compared to the prior application of SRI method; there are a number of factors that positive significantly effect on the enthusiasm in organic rice planting by applying SRI planting method. These factors are the ease of selling rice, the benefits of cultivation.

*Keywords:* Organic rice, economic profit, SRI planting method

## 1 INTRODUCTION

Rice is a primary need for Indonesians, because rice is a source of energy and carbohydrates for Indonesian. To increase rice productivity, it is necessary to develop technology and research related to productivity and technical efficiency of rice to improve farmer's welfare (Handono, 2013). Organic farming is one of the alternatives to increase agricultural production. In the long term, organic farming is believed to increase agricultural productivity and maintain soil fertility.

One of the most sustainable and eco-friendly strategies to increase rice yield is organic farming using the System of Rice Intensification (SRI) method. The basic concept of the SRI method is to move one seed plant of rice per hole during the immature rice ages (7-14 days after sowing) with loose spacing (30 cm x 30 cm), and provide disjointed irrigation water without inundation in the paddy field crop. If the basic concept of the SRI method is applied correctly, more rice harvest will be obtained despite of the reduced external inputs (seeds, water, chemical fertilizers, etc.) (Kurniadiningsih, 2013).

The research result of Handono (2013) shows that net income of SRI rice cultivation is 42% higher for each hectare compared to farmers who do not apply SRI. Economically, productivity shows a comparison between output and input (Rutkauskas and Paulaviciene, 2005, Baek and Pagan, 2003). Based on the background stated, therefore this research is

entitled: "System of Rice Intensification (SRI) of Organic Rice as an Effort to Improve Farmers Welfare".

The problem formulations in this research are: (1) How to apply SRI planting method correctly in order to increase productivity and efficiency of organic rice farming?; (2) How big is the organic farmer's willingness after the application of SRI planting method?; (3) Is there any significant difference in the income of organic rice farmers before and after the application of SRI planting method?; (4) Is there any significant difference in the economic profit in organic rice farming before and after the application of SRI? (5) What are factors influencing the enthusiasm of organic rice cultivation by SRI method?

## 2 THEORETICAL FRAMEWORK AND HYPOTHESIS

The SRI method is a rice cultivation method applied according to the principle of improving rice roots by regulating irrigation, applying single planting, early planting times, and improving soil quality (Randriamiharisoa, Barison and Uphoff, 2006). Previous study shows that organic farming system is more efficient and environmentally friendly compared to inorganic farming system. There are at least three previous researchers conducted research in the same or adjacent location. Those researchers Sri (2012), Syamsudin, Suryati & Aktaviyani (2009) and Prayoga (2008).



Referring to the problem formulations stated, referring to number 1 and 2 need not be hypothesized, while for number 3, 4 and 5 are hypothesized as follows: (1) There are differences in the level of community willingness of organic rice farmers before and after the application of SRI planting method, (2) There is a significant difference in the level of economic profit on organic RICE farming before and after the application of SRI planting method. (3) There is significant influence of average price, ease of sale, risk of cultivation and the benefits of organic rice cultivation on the enthusiasm of organic rice farmers with SRI method.

### 3 RESEARCH METHOD

The research was conducted from April to December 2016 in Ringgit and Popongan Village Purworejo District, Central Java Province. The population of the research is all organic and inorganic rice farmers throughout the village. The sample in this research are 96 respondents consisting of 48 organic rice farmers and 48 inorganic rice farmers. Sampling was conducted by non probability sampling technique.

Data collection techniques are conducted with questionnaires, focus group discussions, and interviews. Data analysis techniques used: descriptive analysis, mean difference test, and multiple regression analysis. The analysis technique is used to analyze the respondent characteristics, data of the correct SRI method implementation, and the level of willingness of organic rice farmers to implement the correct SRI method. The mean difference test technique is used to test the differences in the acceptance of organic farmers and economic benefits before and after the application of the SRI method. The multiple regression analysis technique is used to analyze the factors influencing the enthusiasm of farmers implementing organic rice cultivation by SRI method.

### 4 DATA ANALYSIS AND DISCUSSION

#### 4.1 *Applying the Right SRI Planting Method*

Based on direct observation, and the result of focus group discussion, it is known that the farmers have implemented the application of SRI planting method. Based on the results of interviews with farmers in Ringgit Village, the seeds required in rice farming with SRI method is only 6 kg/ ha whose yield can reach 6-7 tons/ ha, while conventionally the required seed is about 36 kg/ ha whose harvest is only 4 ton/ ha.

#### 4.2 *Level of Organic Farmers Willingness to Implement SRI Method*

The level of willingness of organic rice farmers to implement SRI planting method after introducing the method is quite hard. They are willing to take the recommended steps in the SRI system, knowing the advantages of the SRI system over the conventional systems. This has proven their results in recent years by the higher efficiency of seeds and yields per hectare.

Organic rice cultivation also changes the point of view of the farmers. The farmers not only do rice cultivation to earn income in the form of money but also in the form of health benefits that they receive for themselves and their families. ctor.

#### 4.3 *The Differences of Organic Farmers Income Before and After applying the SRI method*

Different mean test has been conducted to analyze if there is a significant difference in the income of organic farmers before and after applying the SRI method, as in Table 1 below.

Table 1. Mean Differences of the Farmers' Income (in thousands). Paired Samples Statistics

		Mean	Std. Deviation	Std. Error Mean
Par1	Income before SRI	1.94E4	48	2082.748
	Income after SRI	2.22E4	48	2570.051

Source: primary data, processed 2016

This is in line with the findings of Handono (2013), Qingquan (2002), Syamsudin & Aktiviyani (2009) that the net income of organic rice cultivation using the SRI method is higher than the income of the farmers who do not use the SRI method.

#### 4.4 *The Differences of the Economics Profit Before and After SRI Planting Method Implementation*

Different mean test has been conducted to analyze if there is a significant difference in the economics profit of organic farmers before and after applying the SRI method, the results are shown in Table 2 below

From the table below, it can be said that the economics profit of organic rice farmers after the application of SRI method is higher than the economics profit of organic rice farmers before the application of the SRI method. This is in line with the findings of Handono (2013), and Darmansyah, Sukiyono & Sugiyati (2013) that the net economics profit of organic rice cultivation with the SRI method is higher than the net economics profit of farmers who do not use the SRI method.

Table 2. Mean Differences of the Economic Profits of the Farmers Before and After Applying the SRI Method (in thousands). Paired Samples Statistics

	Mean	N	Std. Deviation	Std. Error Mean
Par 1 Economics profit before SRI	232.00	48	2082.748	300.619
Economics profits SRI	3005.33	48	2570.051	300.955

Source: primary data, processed 2016

This significant difference occurs because the average harvesting result of organic farming is higher than inorganic one. The increasing of the production result is influenced by the level of technical efficiency of organic rice cultivation process.

#### 4.5 Factors Affecting the Enthusiasm of Organic Rice Cultivation Using SRI

Multiple regression analysis was conducted to analyze the factors that influence the enthusiasm of the community to conduct organic rice cultivation with SRI planting method. Multiple regression test results with four predictors, can be made equation is as follows:

$$Y = -0,156 - 0,014 X_1 + 0,623 X_2 - 0,089 X_3 + 0,222 X_4 \quad (1)$$

(0,830)<sup>TS</sup> (0,886)<sup>TS</sup> (0,000)\* (0,513)<sup>TS</sup> (0,041)\*\*

\*) significant at 1% alpha.

\*\*\*) significant at 5% alpha.

To find out whether the above regression equation can be used as a good estimation tool, it is necessary to test the classical assumption. The classical assumption test intended in this study consists of multicollinearity test and heteroscedasticity test.

Based on the classical assumption test can be seen that the regression equation has been free from symptoms of heteroscedasticity and multicollinearity which means that the regression equation has qualified as a BLUE estimator (best, linear, unbiased, estimator). From that regression model it can be defined that the beta coefficient for the negative constant is -0.156 (p. values 0.830 > alpha 0,05), it can be concluded that other factors outside the model of this research did not significantly influenced the enthusiasm of people doing organic SRI rice cultivation.

Ease variable of organic rice cultivation in which used SRI planting method has a negative beta coefficient of -0.014 (p. values 0.886 > alpha 0,05) it can be concluded that there is no significant effect of ease of organic rice cultivation used SRI method to the enthusiasm of organic rice cultivation in which used SRI planting method.

For ease of selling variable of organic rice has beta coefficient marked positive equal to 0,623 (p. values 0.000 < alpha 0,01), it can be concluded that there is

positive influence ease of selling of organic rice to enthusiasm of organic rice cultivation that used SRI method.

Risk variables of organic rice cultivation that used SRI method has a beta coefficient marked negative by -0.089 (p. values 0,513 > alpha 0.05), it can be said that the risk of cultivation does not significantly influence the enthusiasm of farmers to conduct organic rice cultivation used SRI method. For farmers, the risk of organic rice cultivation is not harder than inorganic rice cultivation.

The benefit of organic rice cultivation SRI method has positive beta coefficient value of 0.222 (with p. values 0.041 (p. values 0,05 < alpha 0,05), it can be concluded that there is a positive and significant effect of the level of benefits of organic rice cultivation on the enthusiasm of organic rice cultivation SRI method.

From F test by using multiple regression analysis, it obtained  $F_{arithmetic}$  17,507 (p. value 0,000 < 0,05) which means that ease of organic rice cultivation, ease of selling of organic rice SRI, risk of organic SRI Rice cultivation, and benefit of organic SRI rice cultivation influence to enthusiasm of society planting organic rice SRI method. In other words, the regression model used to predict the enthusiasm of organic rice cultivation SRI method is correct.

In order to know how much the influence of the independent variables toward the enthusiasm of the people to grow the organic rice SRI method then calculation of coefficient determination was done. The result of  $R^2$  count is 0,620 which means that 62% variation of society enthusiasm to plant organic rice SRI method is determined by four independent variables namely ease organic rice cultivation, ease of selling of organic SRI rice, risk of organic SRI rice cultivation, and the benefits of organic SRI rice cultivation, while the rest by 38% is determined by other variables. The value of  $R^2$  in this research can be determined as high category. That means the four independent variables chosen in the regression model can explain the variation of the enthusiasm of organic rice cultivation SRI method.

## 5 CONCLUSIONS, SUGGESTIONS AND LIMITATIONS

Based on the results of the research above conclusions, suggestions and limitations can be drawn as follows.

### 5.1 Conclusion

*First*, the application of the SRI method in organic farming needs to be done carefully, thoroughly, diligently and supported by the willingness to work hard in order to get the maximum results. *Second*, the level of community willingness of organic rice farmers after the implementation of SRI planting method is good enough. They know the advantages of planting

organic rice SRI methods, compared with conventional rice cropping systems. *Third*, there is a significant difference in the income earned by organic farmers after the implementation of the SRI method, compared to before they used the SRI method, where the aftermath of the SRI method was greater than before the SRI method was applied. *Fourth*, there is a significant difference in the magnitude of the benefits that received by organic farmers after the SRI method, compared to before the SRI method. *Fifth*, there are a number of factors that give significant positive influence the enthusiasm of organic rice cultivation by applying SRI planting method. These factors are the ease of selling rice, the benefits of cultivation, while the ease of cultivation and the risk does not significantly influence the enthusiasm to grow organic rice by applying the SRI method.

## 5.2 Suggestion

*Firstly*, The farmers who have not applied this method of planting SRI immediately try it by learning from the experience of farmers who have been applied it. *Second*, an organic rice stem SRI method requires perseverance and endless learning, it is better for farmers who have tried to keep learning until they know the maintenance of rice life. *Third*, organic rice planting SRI planting method should be a joint movement with local government support.

## 5.3 Limitation

*First*, in calculating the unit of rice fields of farmers using "iring". . Between one iring and another is not exactly the same which would result in the conversion result to the hectare unit not yielding a fully accurate calculation. *Second*, in calculating the rice production of each farmer that is expressed in quintal units, they only based on the approximate counting (not direct weighing), therefore it is possible that there is an inaccuracy.

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# The impacts of lowering room rate to room departmental profit: A case study of Alla hotel in Bali

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**ABSTRACT:** This research has two objectives to achieve. First, to estimate the magnitude of room department operating profit should room rates changed. Second, providing empirical evidences on the above impacts given the structure of operating costs of the Alla hotel. The method in doing so was by simulation. The study analyzed the room rate changes than its impacts on the room department operating profit. In the simulation room rate would be changed while controlling the variable and fixed operating expense of room department remain the same. The findings of this research will contribute for the following. First, to provide empirical evidence on the impacts of room rate changes to room department operating profit. Second, to provide a new horizon in determining the room changes in order to maintain the acceptable room department operating profit.

*Keywords:* pricing, profit, room departement

## 1 INTRODUCTION

Pricing is one of revenue management strategies to boost business revenue. In the hotel business, pricing strategy works better when the management segmented its guests in such a way so that the prices are charged to the right guests, at the right time, and at the right place (Weatherford 1995). Scholars stated that revenue management is pillared by marketing management, operations management, inventory management, human resource management, and finance management (Sanchez & Satir 2005, Vinod 2004, Huefner & Largay III 2008, and Tse & Poon 2012).

Room revenue management practiced in a hotel is also pillared by those disciplines. It is known from the literature that in the hotel business, the number of hotel rooms is more than the number of arrivals, the demand; indicating a tight competition. To cope with such situation, a viable pricing strategy should be applied. The Alla Hotel in Bali province applied pricing strategy to its guests. Yet, the movements of its Average Daily Rates (ADR) gave different impacts on room department profit. In January 2015, ADR was USD 546 which gives the room department operating profit per available room was USD 120. On the other hand, in April 2015, ADR decreased to USD 510 and

Room Department Operating profit per available room was USD 259.

### *1.1 Research questions*

Based on the above phenomenon the following research question is posed “what are the impacts of room rates changes to room department operating profit?”

### *1.2 Research objectives*

This research has two objectives to achieve. First, to estimate the magnitude of room department operating profit should room rates changed. Second, providing empirical evidences on the above impacts given the structure of operating costs of the Alla hotel.

### *1.3 Research contribution*

The findings of this research will contribute for the following. First, to provide empirical evidence on the impacts of room rate changes to room department operating profit. Second, to provide a new horizon in determining the room changes in order to maintain the acceptable room department operating profit.

## 2 RELATED LITERATURES

Revenue management gained its popularity by applying different prices for different customers as done by the American Airline in 1985 (Cross et al. 2009). Two techniques commonly applied to revenue management are pricing and non-pricing. Pricing techniques cover price presentation, dynamic pricing, lowest price guarantee, and price discrimination. While non-pricing techniques include capacity management, over-contracting and overbooking, room availability guarantee, and length-of-stay control (Ivanov 2014). Pricing techniques are complex tasks to do since it should satisfy at least three parties: the owner/investor, the potential guests, and the management and employees (Steed & Gu (2005).

Pricing techniques can be generally classified as cost-based pricing, market-based pricing, and the combination of cost and market-based pricing. (Steed & Gu (2005)). Kimes (1989), quoted by Steed & Gu (2005) argued that the optimal room revenues would be achieved by the combination of capacity, customer, and room rates. In technological pricing, the hotel applied the technological advancement via the third parties, i.e. online travel agent in charging room rates to potential guests.

Pricing techniques using the combination of cost and market based was proposed by Steed & Gu (2005). Another model was developed by Tse & Poon (2012). All of the previous pricing theories implicitly argued that pricing techniques are a very dynamic subject. Besides charging the optimal room rate to generate higher profit, changes in room rates to the bottom line was also studied by PKF-HR 2013. Their study was conducted in the period of 1978 to 2011. The findings of their study were as follows: Full-service hotel revenues increased by 6.2% and net operating income by 14.5% if economic conditions are good. On the other hand, in economic recessions, their study revealed revenue decreased by 18.4% and net operating income decreased by 37.60%.

This study differs from the aforementioned one in the focus of its analysis. The focus of this study is the impact of room rate changes on room department operating profit. Thus, this study analyzed the room rate changes and its impacts on the room department operating profit. The analysis used a simulation method. In the simulation room rate would be changed while controlling the variable and fixed operating expense of room department remain the same. Two consecutive years' data taken from income statement of Alla Hotel were used to do the simulation.

## 3 METHODS

To achieve the aforementioned objectives, archival data were needed. Income statement data of

two consecutive years of 2015-2016 were used to investigate the impacts of room changes on room department operating profit. Budgeted and actual figures of those income statements were needed. The following formulas were applied to analyze and answer the research question posed. (1) Variable operating expense ratio; (2) Fixed operating expense; (3) Operating leverage; (4) Room department operating profit; (5) Room department flex; (6) Gross Operating Profit (GOP) flex.

## 4 RESEARCH RESULT

Table 1 below presents variables that are applied in this study. Figures shown in this table were monthly data in 2016 comparing budgeted amounts versus actual ones.

Table 1a. Budgeted versus actual figures of variable applied (in USD except for occupancy in %).

	Occ.		ADR.		Rev.PAR.	
	Bud.	Act.	Bud.	Act.	Bud.	Act.
Mean	61	53	590	534	488	393
Median	61	53	581	533	531	412
Std. Dev.	8	5	31	39	121	85
Kurtosis	0.32	1.55	0.11	-0.38	-0.22	-1.20
Skewness	-0.54	-0.43	1.04	0.22	-1.07	-0.43
Minimum	44	43	555	147	252	252
Maximum	73	62	655	660	621	498

\* Occ = occupancy, ADR = average daily rate, RevPAR = revenue per available room. Bud.:Budgeted. Act.:Actual.

Table 1b. Budgeted versus actual figures of variable applied (in USD except for occupancy in %).

	RmDProf.		TotGOP.	
	Bud.	Act.	Bud.	Act.
Mean	578708	448338	487103	356325
Median	595328	452013	511094	364883
Std. Dev.	95907	63362	109392	98427
Kurtosis	0,55	1.88	0,19	-0.80
Skewness	-0,25	-1.21	-0,52	-0.29
Minimum	391326	296166	268023	176225
Maximum	754852	516002	663741	483978

\* RmDProf: Room Department Profi. TotGOP: Total Gross Operating Profit. Bud.:Budgeted. Act.:Actual.

From table 1a,b,c above, the most influencing variables were Average Daily Rate (ADR) and room occupancy percentage (Occ). The change in ADR impacted room occupancy rate, Room Department Profit, and subsequently hotel GOP.

Table 1c. Budgeted versus actual figures of variable applied (in USD except for occupancy in %).

	GOP Occ.		GOP Avl.	
	Bud.	Act.	Bud.	Act.
Mean	397	335	238	173
Median	405	346	258	184
Std. Dev.	47	77	63	55
Kurtosis	-0,10	-0.81	-0,76	-1.45
Skewness	-0,50	-0.05	-0,59	-0.23
Minimum	301	209	130	90
Maximum	460	457	329	244

\* GOP Occ: Gross Operating Profit per Occupied Room. GOP Avl.: Gross Operating Profit per Available Room. Bud.:Budgeted. Act.:Actual.

In brief, the Alla management should control its financial budget to minimize the negative variance. In applying the flow/flex formula, two consecutive years of income statement of Alla Hotel were analyzed. Table 2 presents actual results of variables in this study for 2015 and 2016. In Brief, The Alla management should control in such a fashion its financial budget to minimize. Table 3 presents the flow/flex results for room department and GOP for Alla Hotel.

Table 2. Actual results in 2016 versus 2015.

	2016	2015
ADR	511	535
Avg.Occ.	51	53
Room rev.	6,248,587	6,767,878
Total rev.	9,531,288	9,905,347
Room Prof.	4,756,257	5,388,317
GOP	3,829,245	4,300,724

ADR: Average Daily Rate. Avg.Occ.: Average Occupancy. Rev.:Revenues. Prof.: Profit. GOP: Gross Operating Profit.

Except for Average Occupancy (Avg.Occ.) stated in percentage, all figures in table 3 were in USD. All variables in 2016 were lower compared to the results in 2015. ADR in 2016 was 24 USD or 4.5 % lower compared to ADR in 2015. This led to lower occupancy by 2 % compared to occupancy in 2015. The impact of lower ADR is Room Revenues (Room rev.) decreased by 8%. This was 1.8 times of ADR. These findings indicating that a 1 USD decrease in ADR would cause a 1.8 USD decrease in room revenue in 2016. The impact of a 4.5 % decrease in ADR led to a 3.78% decrease in total revenues.

Another impact of ADR decrease was a 12% decrease in room department profit. Stated differently, a 1 % decrease in ADR causes a 2.7% decrease in room department profit. Finally, the impact of lower ADR caused an 11% in GOP. This means that every 1% ADR decrease caused GOP decrease by 2.4%. The calculation of flex multiple for Room Department and for Alla Hotel is presented in table 4 below..

Table 3. Flex results for Room Department and GOP Alla Hotel.

	Flex results for Room Department	Flex results for GOP
Room profit 2016	4,756,257	
Room profit 2015	5,388,317	
Room rev.2016	6,248,587	
Room rev.2015	6,767,878	
RevenueVar.	-519,290	
Profit Var.	-63,206	
Flex multiple	-0.22	
Total rev.2016		9,531,288
Total rev.2015		9,905,347
GOP 2016		3,829,245
GOP 2015		4,300,724
RevenueVar.		-374,059
Profit Var.		-471,479
Flex multiple		-0.26

Var.:variance. Rev.: revenues. GOP: Gross Operating Profit.

The results of operating variables in 2016 for Alla Hotel are as follows: operating expense ratio variable used above (1) was 11 %. While the result of Fixed operating expense used (2) was 23 %. Finally, the result of Operating leverage (formula (3)) was 7.39. These results should be interpreted with caution by comparing to the previous year(s), to competitive sets, and to industry results in general. The management of Alla hotel could take the appropriate strategy on this expense to Room Department.

Flex empirical results revealed the following: since in 2016 Alla Hotel experienced revenue and profit decrease, formula (5) and (6) above were applied. Flex for Room Department of Alla hotel showed negative sign indicating an unfavorable situation. The ratio of room profit decrease to the room revenues decrease was 0.22. Due to this situation, the flex multiple for Room Department in 2016 was -.22 (-22%) which was unfavorable. This finding for Room Department of Alla Hotel revealed that every 1 USD decrease in revenue would result in 22 % saving or flex in Room Profit. This situation should be controlled in such a way by the Hotel Manager especially for operating room expenses so that the flex could be minimized. Flex for GOP of Alla Hotel revealed the following. The magnitude was -.26 (-26%). This finding indicating that each 1 USD decrease in hotel revenues caused to flex to hotel GOP to 26%. Stated differently, if Alla hotel revenues decrease 1 USD would cause GOP saving of flex by 26% of each 1 USD. As in Room Department, all department heads that generate revenues should pay attention to achieve targeted GOP. This situation drove the Hotel General Manager to control in a tighter manner for all operating expenses of all departments in an effort to minimize flex to GOP.

This study was conducted by increasing the ADR from USD 511 to USD 523 for 2016. The actual ADR in 2016 was USD 511 while in 2015 was USD 535; thus there was a 4.5% decrease in ADR. In doing the

simulation the ADR for 2016 was set to USD 523 while other variables remain constant; thus the decrease of ADR was 2.25% instead of 4.5%. The results of ADR simulation are presented in table 4 below.

Table 4. ADR simulation results.

	ADR simulation
Room profit 2016	4,867,949
Room profit 2015	5,388,317
Room rev.2016	6,395,325
Room rev.2015	6,767,878
RevenueVar.	-372,553
Profit Var.	-520,368
Flex multiple	-0.40

Var.:variance. Rev.: revenues. GOP: Gross Operating Profit.

As indicated by simulation results above, each 1 USD decrease in ADR would result in 40% save or flex in Room department profit. This simulation results suggested that the management of Alla Hotel should lower the room rate or ADR since it significantly influenced Room departmental profit

## 5 CONCLUSION

Using empirical financial data for 2015 and 2016, the findings of this study were as follows: First, a decrease in room revenues of 1 USD would drive to room department profit flex multiple to -0.22, which means that every 1 USD decrease in ADR would save only 0.22 USD as Room Department Profit. While for GOP, each 1 USD decrease in hotel revenues would cause a USD .26 decrease in GOP. To cope with this situation, it is strongly suggested that the management of Alla Hotel Ubud should control all of its operating costs so that the targeted GOP could be achieved. For the next study, it is suggested to make a wider sample that consists of all hotel classification in order to map the profile of flow through or flex of that samples. This study has limitations by its design. First, it used only one hotel, hence it is a case study. Its findings could not be generalized. Second, it analyzed only Room department profit and GOP. For the next study, it may analyze all operated department in a hotel to estimate its flow through or flex multiple.

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# The empowerment of Small Medium Enterprises that manufacture and export rattan products in West Java Province Indonesia: problems and solutions

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**ABSTRACT:** This research is a qualitative research, which studies Small Medium Enterprises (SMEs) that produce and export rattan products in West Java Province, Indonesia. The research aims to find out SMEs' problems that inhibit SMEs' export marketing performance and to explore possible solution of the problems. Data were collected through a research on libraries, distributing questioners to 60 (sixty) SMEs' managers, doing an interview with 10 (ten) SMEs' owners, and conducting Focus Group Discussion (FGD) attended by 19 (nineteen) SMEs managers, owners, government officials, and academicians. SMEs' problems are a high-cost business operation, raw material scarcity, low strategic marketing implementation, human resource scarcity, less access to funding institutions, and artificial rattan product threats. The possible solution involves willingness and authorities of the Indonesian government, SMEs' association, SMEs' managers, and academicians to make some changes in order to improve the export marketing performance of SMEs.

*Keywords:* strategic marketing, export marketing performance, high-cost operation, human resource scarcity, SMEs.

## 1 INTRODUCTION

The Ministry of Trade of the Republic of Indonesia data showed that from 2011 to 2015, export of rattan products achieved an average export transaction value of US\$ 226.85 million. In 2011, the total export transaction was US\$ 215 million. In 2012, it increased to US\$ 288.34 million but from 2012 to 2015, the total export transaction has declined.

China has dominated world market of rattan products since 2009. Chinese furniture exports were US\$ 27 billion at the end of 2009 and Vietnamese furniture exports were US\$ 3.85 billion. Indonesia was only able to earn US\$ 2.65 million ([www.tempo interaktif.co](http://www.tempo.interaktif.co)).

Indonesia used to supply raw materials of rattan worldwide. It stopped supplying rattan raw materials when the Regulation of the Minister of Trade of the Republic of Indonesia number 35/M-DAG/PER11/2011 was issued to ban rattan raw material exports.

In Indonesia, areas that produce rattan are Kalimantan, Sumatra, Sulawesi, and Papua with 622 thousand ton rattan raw materials per year. 80% - 85% of the world's rattan raw materials are from Indonesia. The rest is from Vietnam and the Philippines ([www.tempo.co](http://www.tempo.co)).

The Ministry of Industry of the Republic of Indonesia has recorded 665 SMEs engaged in the rattan product industry. 330 (49%) SMEs operate in West Java province. There are 148 SMEs exporting rattan products in Indonesia. 95 exporters are located in some districts such as Cirebon, Majalengka, Karawang, and Bogor.

As the export performance slowed down due to a tough competition in the global market, some SMEs have stopped their operation. The situation jeopardizes the SMEs' business sustainability.

This study aims to find problems that SMEs may have and formulate some solutions to overcome the problems. In order to find and overcome the problems, strategic marketing theories and practices are supposed to be implemented. The solution is expected to improve SMEs' export marketing performance and to ensure their business sustainability in the future.

It is undeniable that the existence of SMEs plays a very important role in the movement of the nation's economy. A well-managed economy will contribute to the well-being of the people. In an effort to mobilize the nation's economy, it is necessary to empower SMEs. Thus, SMEs can play its social role, which is to build and improve the social welfare.



## 2 LITERATURE REVIEW

### 2.1 *Strategic marketing*

Most studies on strategic marketing of Small Medium Enterprises (SMEs) recently used quantitative approaches. There have been fewer researchers applying qualitative approaches concerning strategic marketing. It is undeniable that qualitative approach research provides more profound findings. Interviews and discussion with reliable people provide reliable data for the researchers to draw a conclusion.

There are not many researchers studying strategic marketing of SMEs. It is because SMEs do not generally implement strategic marketing in their daily operation.

Best (2009) describes strategic marketing as strategic market planning. Strategic market planning establishes a long-term direction for a business and has a big role in achieving business goals such as sales growth, profit performance, and market share position.

One of the issues in strategic marketing is a marketing strategy. SMEs' managers need to formulate a right marketing strategy. Johansson (2009) explains that the first step in a global marketing strategy is to define the targeted segments and product positioning being pursued. Marketing strategy is to allocate and coordinate resources and marketing activities effectively to accomplish the company's goals within a particular product market (Walker & Mullins 2014). In conclusion, marketing strategy is defined as long-planned and implemented efforts, with structured scheduling overtime periods through mobilization of all resources to run marketing programs that can fulfill needs and desires of customers so that customers are satisfied.

As strategic marketing needs marketing capabilities, not many SMEs implement strategic marketing in their business operation. Chang et al (2009) define the ability of marketing as a repeatable corporate action pattern to effectively supply business-related marketing needs. In addition, Vorhies (1998) in Ghouri (2013) defines marketing capabilities as integrative processes designed to apply the firm's knowledge, skills, and resources to market-related business needs that enable the company to generate added values in goods and services, meet the demands of competition, adapt to market opportunities, and meet the threat of competition.

The other issue in strategic marketing is market orientation culture, Behboodi & Shagerdi (2013) argue that market orientation is the most effective and efficient organizational culture that produces behaviors required for superior value building for buyers and improves the performance of the business. In addition, Assauri (2012) argues that market orientation is a business perspective that makes the customers as

a central point of view over the company's operations as a whole.

Implementing strategic marketing is an important thing to do in order to increase marketing performance of the SMEs. Sukati et al. (2013) said business performance has been reported as a result of organizational goals achieved through the effectiveness of strategies and techniques. Marketing performance is supported by effective marketing strategy, high marketing capability, and strong implementation of market orientation.

### 2.2 *Industrial competition*

Strategic marketing is not the only factor that hinders SMEs to achieve better business performance. The other factor can be competition. Hunger & Wheelen (2014) rewrite Michael E Porter' five force model. They describe that there are 6 (six) forces that trigger an industrial competition. The forces are the rivalry among established firms, risk of entry by potential competitors, bargaining power of suppliers, bargaining power of buyers and threat of substitute products, and a relative power of unions, government, special interest group, etc.

## 3 RESEARCH METHOD

The research method in this study was a survey method. The objectives of the survey were to gather detailed factual information about existing symptoms, to identify problems or justify ongoing conditions and practices, to make comparisons and evaluations, and to determine what other people do when they have the same problems or situations and benefit from their experience of making plans and decisions in the future.

To obtain accurate and reliable data, which are relevant to the problems under investigation, the data collection was done by several methods such as distributing questionnaires to SMEs' leaders to find out the implementation of strategic marketing in 60 SMEs, doing interview with 10 SMEs' managers, and focus group discussion attended by 19 SMEs leaders, managers, owners, academicians and government officials to identify the SME's problems.

## 4 ANALYSIS AND DISCUSSION

This study refers to Porter's 5 (five) force model. The researchers identify problems faced by SMEs on producing and exporting rattan products and formulate some solutions.

The main competitors of the SMEs are Chinese rattan product industries. China dominates the sales of the world's rattan products because they are well-

known for their durability, aesthetics, mass production capabilities, and relatively lower selling prices. Another problem that hinders an increase in sales is the high bargaining power of overseas buyers due to the presence of Chinese products. Domestically, SMEs face high-cost operations such as the obligation to have a high-cost Wood Legality Verification Certificate, high-cost product exhibition, raw material scarcity, and low strategic marketing implementation, threats of artificial rattan products, and low access to funding institution.

There are some solutions to the above-mentioned problems. Firstly, the government needs to maintain the Regulation of the Minister of Trade of the Republic of Indonesia number 35/M-DAG/PER11/2011 which prohibits the export of raw materials of rattan. The regulation ensures the availability of raw materials for the benefit of domestic industries. Secondly, the government needs to minimize the cost of the Wood Legality Verification Certificate, the cost of product exhibition, and another cost like Terminal Handling Cost. The cost minimization helps SMEs formulate competitive prices for their products. Thirdly, the government needs to provide more training programs, especially for operators. Since the business in this industry has slowed down, a lot of operators quit and switch their jobs. To anticipate the increasing demand of the world's rattan products, training programs for operators need to be held. Fourthly, the government needs to facilitate SMEs to access funding sources as an effort to strengthen SME's business capital. Finally, strategic marketing training program such as the implementation of market orientation culture, marketing strategy, marketing capability, and export sales performance need to be implemented. It is because more than 90% of the SMEs do not make their own product design. They just produce products based on orders. They do not.

## 5 CONCLUSION AND SUGGESTIONS

### 5.1 Conclusion

There are more or less 95 SMEs producing and exporting rattan products in West Java province. The problem they have is a decline of SMEs' export sales performance. The decline is due to various problems. Firstly, Indonesian products face a tight business competition. The major competitor is China. Chinese products have good durability, good design, and low selling prices. This condition triggers high bargaining power of buyers so that buyers can press the price of Indonesian products. Domestically, SMEs face problems such as relatively high operating cost, especially with the obligation to have a Wood Legality Verification Certificate, high promotional costs especially for

exhibitions, low strategic marketing implementation, raw material scarcity, human resources scarcity, low access to funding institution, and the threat of artificial plastic rattan products.

### 5.2 Suggestions

There are 3 (three) suggestions that need to be done. Firstly, SMEs' managers need to apply marketing strategies by formulating and implementing their own marketing mix and not just as sewers who work on patterns at the buyer's request. Secondly, to support the application of strategic marketing, SMEs' managers need to join training programs on strategic marketing in earnest way and communicate with a business consultation about the problems faced during the implementation of strategic marketing. Thirdly, SMEs' managers need to openly participate in the SMEs' strategic marketing training and implementation.

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# Educational management via professional learning community

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**ABSTRACT:** Educational management is a complex human enterprise in which different resources are brought together and made available to achieve and accomplish the desired and expected goals. The purpose of this research was to determine whether establishing educational management via Professional Learning Communities (PLC) can have a positive effect in school improvement. These Professional Learning Communities bring teachers to collaborate through dialog and reflective practice. The research area of four primary schools was purposively selected. Participatory Action Research was implemented with 40 participants. The instrument used for data collection was interview and observation form. The research findings were as follows 1) share vision; 2) conduct empirical studies; 3) develop plans to work/training teacher 4) conduct follow up activity and coach teacher after training 5) conduct reflection on project 6) plan needed reaction 7) share best practices and 8) write up a supportive. Summary and suggestions of the PLC were also provided for practitioners in participating schools.

*Keywords:* Educational management, Professional Learning Community, Coaching.

## 1 INTRODUCTION

The Basic Education Core Curriculum 2008 provides local communities and schools with a framework and orientation for preparing school curriculums. Teaching-learning activities organized for all Thai children and youths at basic education level are aimed at enhancing learners' quality regarding essential knowledge and skills required for their lives in an ever-changing society. They will thus be empowered to seek further knowledge for continuous lifelong self-development (Ministry of Education, 2008).

The learning standards and indicators prescribed in this document will enable relevant agencies at all levels to clearly visualize the expected learning outcomes throughout the entire course of study (Cohen 1998). It will boost the confidence of relevant local agencies and schools in their collaborative efforts to prepare school curriculums of higher quality and harmony. Learning measurement and evaluation will have greater clarity, thus eliminating the problem of inter-school transfer of learning outcomes. Therefore, curriculum development at all levels—from national to school levels—must exhibit the quality as prescribed in the learning standards and indicators. The core curriculum provides a framework and direction for the provision of education of all types, covering

all target groups of learners that receive the basic education (Hord et al. 2009).

In the real world, the learning gap between rural and urban school is an entrenched problem in Thailand, especially in small schools. School plays a significant role in student achievement outcome, although rural students are also disadvantaged by their family backgrounds.

Inspired by the collective approach, this study attempts to examine teaching gap from the perspective of the establishment of a co-operative approach to teacher learning through the implementation of Professional Learning Community (PLC). People everywhere generally agree that the purpose of schools is "student learning". Furthermore, people are generally in consensus that the most significant factor determines whether students learn well is "teaching quality". Teaching quality is improved through "continuous professional learning" (Goodwin 1999). Today, the most promising context for continuous professional learning is the professional learning community. The three words explain the concept: Professionals coming together in a group—a community—to learn (Johnson & Johnson 1999). A professional learning community is not just a place where faculty meets regularly or groups come together to work collaboratively. It is a way of organizing the educational staffs to engage in purposeful and collegial learning.

It serves to promote quality teaching and supports the school's purpose--high-quality student learning. In this article, the author examines the development of the PLC as a structure for school improvement.

### 2.1 Objective of the study

The purpose of this research was to determine whether establishing educational management via Professional Learning Communities (PLC) can have a positive effect on school improvement.

## 3. METHODOLOGY

### 3.1 Population and sample of the study

The research area was purposively selected from 4 primary schools. Participatory Action Research was implemented to the 40 participated teachers from Maharakham Province

### 3.2 Instrument

The instrument used for data collection was interviews and observation form.

### 3.3 Procedure

Participatory Action Research was implementation. These Professional Learning Community brought teachers to collaborate with Communities of dialogue and reflective practitioners. These semi-structured interviews were conducted to each participant for 30-50 min. The interviews inquired the teacher professional training, work experiences, instructional methods, school-wide professional development measures, and teacher performance evaluation.

### 3.4 Data analysis

The data analysis began with open coding to establish categories for common patterns. Once the themes had been narrowed down, we proceeded with focused coding to teacher activities: peer class observation, collective lesson planning, and mentor-novice schemes.

## 3 FINDING

The evidence for teacher professional training, work experiences, instructional methods, school-wide professional development measures, and teacher performance evaluation. The research finding provides insights into the process of Professional Learning Community were as follows: 1) shared vision 2) Site Visit/empirical study 3) Plan to Work/Training

Teacher 4) Follow Up and coaching 5) Reflection 6) Re-action 7) Share Best practice, and 8) Supportive.

### 3.1 Shared vision

In schools where administrators and teachers learn and work together as a PLC, the focus is unceasingly on students and their successful learning. The staff members' commitment to their own continuous learning is directed by evidence of students' learning. This efficacious staff believes that each student has the capacity to learn well. The staff creates the vision and, subsequently, the environment wherein all students will reach their potential. The vision is kept visible and is revisited often to ensure its currency and authenticity.

### 3.2 Empirical study

Mentor team visiting the school with coaches; Role of resource provider, the coach assists teachers with materials, tool, information, etc. to support classroom instruction. The provided resources could be linked to the Internet, material shared from other teachers.

As a learning facilitator, a coach helps to coordinate and to facilitate learning experiences for school staff. A coach engages teachers in inquiry, collaborates with teachers to determine areas of need and together they design ways to address the issues of concern. Coaches coordinate cross-department classroom visitations.

### 3.3 Plan to work or training teacher

Instructional specialist: the coach supports teachers with the knowledge of the "how" of teaching. He/she collaborates with teachers in designing instruction to meet the needs of all students. Multiple instructional strategies/processes are shared with teachers. The coach also coordinates with other specialists in the school to provide a seamless approach to the educational process in the school, supporting the idea that literacy is a process, not content. The coach must maintain confidentiality and be responsive to the "territorial" limitations of teachers' classroom.

### 3.4 Follow up and coaching

As a mentor, the coach needs to assist all teachers and learners using their experience. He/she provides guidance and structure where needed, encouraging relationship building among colleagues. A mentor focuses on teacher's strengths, collaborating and discussing common issues of concern and is a shoulder to bounce off ideas and concerns.

### 3.5 Reflection

As a classroom supporter, a coach is a co-planner, a co-teacher and feedback provider. The role is varied including

co-planning units of study, providing over the shoulder coaching, participating in co-team teaching, modeling lessons, encouraging reflective practice, assisting with small group instruction, helping with assessments, co-creating classroom management techniques with support instruction, and facilitating after visitation discussions. The coach helps to facilitate discussions resulting in the collaborative activity of all students and teachers

### 3.6 *Re-action*

After reflection, teacher organizes lesson plan and reteaching in different teaching method to make more effective classroom and management.

### 3.7 *Share best practice*

Share Best practice: Learning event: set the stage; watch a video clip of a lesson taught by one of the PLC members. Sharing Protocol, Dimensions of Teaching where he or she would especially like feedback from PLC member. Gather data or evidence on any dimension of teaching that would be helpful feedback i.e 1) teacher professional training 2) work experiences 3) Instructional methods 4) School-wide professional development measures 5) Teacher performance evaluation

### 3.7 *Supportive*

Catalyst for change: A coach models and facilitates continuous improvement on the classroom and school levels. On many occasion, he/she challenges the status quo, asks questions and facilitates difficult conversations helping to shape the culture of the school. As a catalyst for change, the coach must motivate the teachers and encourage them to step out of the box, reinforcing their learning's with support. A coach helps teachers retain what they learn through practice and helps teachers transfer/synthesize their learning by co-planning ways to use the information in new settings.

## 5 CONCLUSION AND DISCUSSION

PLC was also provided for practices in schools. Primary education level: basic learning time for each learning area can be adjusted as appropriate. Total learning time structure shall be as prescribed in basic learning time structure, while learners must attain the quality prescribed in learning standards and indicators. Learning management is an important process for curriculum implementation.

The Basic Education Core Curriculum prescribes learning standards and learners' major capacities and desirable characteristics, which are the main goals of children and youth development. In the efforts to develop learners, enabling them in attaining various

characteristics prescribed in the curriculum goals, attempts will be made by teachers to select appropriate learning processes. Learning is provided by assisting learners to master all the eight learning areas, as well as by inculcating and strengthening desirable characteristics and developing various skills essential for acquiring major capacities as envisaged in the goals.

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# Implementation of promoting agritourism region: a case study in Wedi and Tanjungharjo Village, Bojonegoro

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**ABSTRACT:** For a snake fruit (salak) farmer, the effort to promote the salak farm to become an agritourism region is a challenging and complex problem. The promotion effort requires the proper approach and support from some related parties in order to make the agritourism area in the region is well known by public. This research was conducted using qualitative approach utilizing semi structured interview method and field observation packed into a research design to produce accurate information on the implementation of promotion of salak agritourism region in Wedi and Tanjungharjo, Bojonegoro Regency. The result of the study showed that the success of the promotion implementation of the agritourism requires the attention of many aspects using an integrated approach involving several related parties.

*Keywords:* promotion implementation, agritourism region, integrated approach

## 1. INTRODUCTION

Agricultural business has experienced a number of difficulties along with the significant decrease of purchasing power, bad weather condition, and the slow development of business. This business is often known as agritourism, which is a field of business combining traveling world and the experience of enjoying traditional food and farm production activity in certain areas. Previous writers such as Abdullah & Hosain (2013) believe that the agribusiness contributes significantly to the gross domestic income of a country.

The promotion implemented in an agribusiness region has become an important part in the agribusiness marketing program (Sullins et al. 2010). This also applied in the agritourism in Wedi Village and Tanjungharjo Village, Kapas District, Bojonegoro Regency, East Java Province, Indonesia that required a proper promotion effort to support both villages as an agritourism region, so that they can support the economic development in Bojonegoro Regency. Although the local government of Bojonegoro Regency has launched the agritourism region development program through the master plan design and policy support, and has implemented it through the role of Local Government Agency in relation to making Wedi and Tanjungharjo village as the agritourism region corridor. However, there were plenty of obsta-

cles to overcome. The purpose of the study was to explore the factors supporting the salak farmers in Wedi and Tanjungharjo village in an effort to promote the salak agritourism which is interesting for tourism.

### 1.1 Agropolitan and Agritourism

The concept of Agropolitan as an effort to develop farming region that grows and develops because of the established system and agribusiness industry which is expected to be able to encourage the agritourism activities in the surrounding area. (*Badan Perencanaan Pembangunan Daerah Kabupaten Bojonegoro* 2015). The development of agritourism requires the development of regional strategy in the area. The development strategy in every area is expected to have the autonomy and adequate resources to plan and carry out the development (Rukmi 2000).

In order to run agritourism business, a proper effort is required to be able to produce a more interesting income for business people and have an interesting appeal to tourists. The success of agritourism business is affected by a number of factors, internal and external factors, similar to running a business in general (David 2012).

### 1.2 Promotion of Agritourism Region

The promotion of an agritourism as a tourist attraction is required to support the success of agritourism business people in the related area. The writers agree that the promotion activity has a low success rate when it is done by the business owners individually. The result of the study conducted by the writers Naipaul & Okumus (2009) shows that it is necessary to form a partnership among agritourism business owners through a collaborative approach so that the promotion activity can give effective result.

## 2. RESEARCH METHODS

This research was an exploratory study conducted with the farmers/salak farm owners as the subject as well as the practitioner of agritourism business. The research strategy was conducted by doing direct contact with the subjects, getting involved in their activities, and conducting a semi structured interview in order to obtain accurate information (Bennard 2000, Creswell 2007, Patton 2002). This research design began by setting forth and reviewing the background of the research which were considered as a reference to build coordination with the local government in the regency, district, the sub-district the agritourism instructor team and the Tourism Awareness Group (*Kelompok Sadar Wisata* or POKDARWIS). The result of the coordination was then considered as the foundation of planning events in the form of salak farm cleanness competition, processed salak product development competition, and craft making from salak waste competition. The competition was an efficient way to obtain subjects who are the practitioners of agritourism business interested in running and developing their businesses better. The business people participating in the three competitions were chosen to become the subject of research to be able to identify the geographical, social, as well as the main concerns in every village chosen as the object of the study.

The interview with the subjects was conducted on the agritourism business practitioners who won the three competitions. This approach was based on the expectation that they are expert in the agricultural issues in the District namely Kapas. Interview was conducted using an interview guidance to discover more information on the factors supporting the success of the promotion implementation of agritourism region in the Wedi and Tanjungharjo Village. The subjects were also specifically interviewed on the important role of agritourism in Kapas District, the tendencies of the salak farmers in Kapas District, the reasons behind the promotion of salak agritourism in the village, the potential opportunities to promote salak agritourism that they run, and the role of some parties in supporting the promotion of agritourism in each region, Wedi Village and Tanjungharjo Village.

## 3. RESULTS AND DISCUSSION

The result of the study on the information given by the subject of the research is that the geographical, demographical, and social condition in Wedi and Tanjungharjo village shows a significant difference even though both villages are in the nearby region.

The factors considered important in promoting salak agritourism region in general are the quality of the processed salak products quality, the supply of the resources, the consistent and sustainable support of the local government, and the support of the academic team of IBW or *IPTEKS BAGI WILAYAH*. In general, the practitioners of salak agritourism business in both villages believe that salak agritourism still possesses the economic potential in the future. They also believe that the support of the parties involved in the production of the festival event or processed salak product exhibition is very beneficial in promoting the result of the processed salak product. The role of the IBW team is very helpful in improving the quality of the processed salak products. The result of the processed salak products that gives high economic value are salak dates and salak seed coffee. There are many variants of processed salak products that can be developed. The owners of salak farm realize that salak agritourism is important and interesting to be developed in order to attract tourists to visit the agritourism region. Therefore, the infrastructure support, the guidance, and facilitation of the local government and the IBW team are still needed. Moreover, the related parties which involve in facilitating the development of the agritourism region in the area need to design a strategy to improve the participation of the agricultural society by (1) involving the agritourism business practitioners in the planning process, (2) organizing a focus group and meetings at a convenient time and place for the agritourism business people, (3) setting up the committee of agricultural advisors, (4) inviting and encouraging the agritourism business people to participate in the planning process, (5) recognizing the leaders of salak farmers and encouraging them to give feedback to the salak farming society, (6) giving suggestions to salak farmers on ways to participate effectively in the planning process of developing the agritourism region.

## 4. CONCLUSIONS

Using the information obtained and the deep analysis performed from the discussion of the researchers team in the field, it is believed that the implementation of the promotion of agritourism region is highly determined by the integrated approach which is made through the partnership among the business practitioners collaborating with the tour and travel agency supported by the local authorities such as the Local

Government Agency (SKPD), Tourism Awareness Group (POKDARWIS), the advisor and IBW team (academics/professionals).

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# Consumer behavior in accordance with sufficiency economy philosophy of university students in the eastern region

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**ABSTRACT:** This study aimed 1) to study the Sufficiency economy philosophy of university students in the Eastern region, 2) to study the consumer behavior of university students in the Eastern region, and 3) to study the problems, obstacles, and recommendations for the consumer behavior in accordance with Sufficiency economy philosophy of university students in the Eastern region. The sample was 400 of university students in the Eastern region. The results that 1) overall the sufficiency economy philosophy among university students in the Eastern region was at highest level by the highest score was on sufficiency, morality, reasonable, good immune system and competency, respectively. 2) University students in the Eastern region had most quality-oriented consumer behavior, second by price oriented, brand loyalty consumption, pleasure oriented, brand oriented, reputation, confusion, fashion and self-spoiled, respectively. 3) Sufficiency economy philosophy had influenced on quality oriented consumer behavior of the university students in the Eastern region.

*Keywords:* consumer behavior, sufficiency economy philosophy.

## 1 INTRODUCTION

Sufficiency economy is the philosophy of concept, rationale, and guideline that are applied by all people and the organization at all levels. It can be applied to family, community, and at the national level either in the national administration and development to process in a middle way. It considers self-sufficiency and potential as well as environment, reason, and good immune in oneself using the knowledge with rationale from academic, carefulness, and awareness together with morality with no advantage gain, sharing, helping each other and social cooperation that leads to unity. The balance and sustainable development with a prompt to accept changes under the globalization flow at some point, reasonable, and it also requires having good self-protection system to handle any impacts from both internal and external changes. Thus, it needs to rely on competencies, carefulness, and cautiousness to bring any academic subjects to use in the planning and implementation at all steps. At the same time, it shall promote the mental basis of citizens especially, government officers, theorists, and businessmen at all levels to be aware on morality, with honestly and suitable knowledge to live with patience and attempt, wisdom and carefulness for the well balanced and prompt for wide range and rapid

changes on the aspects of objects, society, environment, and cultures from the external world.

Consumption is the activity that everyone wants to do every day from the first until last day of life. This occurs in daily life for 24 hours; after wake up in the morning, each person begins the consumption since their feet touching the ground, then several of consumption activities will take place until bedtime (Holbrook 1985). Human consumption covers economical products and services up to those expensive products and services. It indeed relates to products required for living such as food, water, drug, and clothes or any extravagant products. Consumption then can be counted as an important part of all human life. It can also be said that most of people expenses are for consumption of products and services for daily life. In Thailand, the investigation of households' economic and social condition in B.E. 2550 found that throughout the country, the households have the average monthly income of 18.66 baht with the average expenses of 14.50 baht or 77.7 percent of the income. The highest expenses covers food and drink (33%), second covers accommodation and household items (20.1%), third covers transportation and vehicles (18.2%), and fourth covers personal costs/clothes/shoes (5.6%) (National Statistical Office of Thailand, B.E.2551).

## 2 RESEARCH METHODOLOGY

The author used a Quantitative Research method. Populations used in this study were university students in the eastern region.

## 3 RESEARCH CONCLUSION

Overall, the sufficiency economy philosophy among the university students in the Eastern region is at the highest level on the aspect of sufficiency and the second on morality, reasonable, good immune system, and competence respectively. Thus, as the aspect of sufficiency among the university students in the Eastern region shown the highest level, the issues with highest score are economic, saving, and second by reasonable for the needs of consumption; anything to be processed should be fit with one's status, society, environment and each local culture without carelessness in life. To use time that worth with benefits and sufficient that is not too low or high in the living and not take advantage of the other and oneself respectively. Sufficiency economy philosophy among the university students in the Eastern region on the part of the reason has shown with the highest level in overall by all the sub-issues are at the highest level. The issue with the highest level of Sufficiency economy philosophy is to efficiently achieve the goal at the least mistakes, second by the decision about the sufficiency level that shall be reasonable considering from the relevant causes. To plan for anything with reason requires knowledge, diligent, and patience to collect data in a systematic way, learning in profession, always seeking for the correct knowledge, careful thinking and considering to make decision through conscious and wisdom as well as smart in the right way, complete the cycle based on correctness in academic, legal, morality, ethics and good culture. Sufficiency economy philosophy among the university students in the Eastern region on the aspect of good immune system overall is at the highest level by every sub-issue is at the highest level.

The issue with the highest score is to think about the possible trend in any situations, second by precaution and good immune system that allow a person to adapt and handle things on time to prompt for impacts and changes in any socio-economic, environment, and cultural aspect. This is to prompt oneself and working approach to handle for changes and not taking too much risk. Sufficiency economy philosophy among the university students in the Eastern region on the aspect of knowledge, overall is in the highest level by the issue with highest score is competency. The deep knowledge in task at hand, wide knowledge in environment and situation related to task at hand are at the highest level, second by work processing for the correctness in which is in the highest level as well.

Wisdom which is to see and understand on things clearly, correct, reasonable and truth is in the highest level while conscious is to hold for consideration and be able to predict things before any actions is at high level. Sufficiency economy philosophy among the university students in the Eastern region on the aspect of morality overall is at a high level by the sub-issue on the morality aspect is all at high level. The issues with highest score are firm, not surrender, and to work toward achievement, second by perseverance and carefulness in which required the deliberately consideration at all aspects before processing to avoid errors and mistakes with honest, not cheat on oneself, and the relevance, not take advantage on others, being patient, good behavior, and honest in work either orally and action.

The university students in the Eastern region have quality oriented consumer behavior at most, second by price oriented, familiarity oriented, brand loyalty consumption, pleasure-oriented, famous brand oriented, confusion, fashion and self-spoiled. Overall, the university students in the Eastern region have quality oriented consumer behavior at most second by Perfectionism. The consumer decision considers on product quality as a key with the comparison between products before purchasing and making deliberate purchasing decision. Consumer behavior of the university students in the Eastern region that stresses on brand-oriented overall is at a high level by every sub-issue is in high level. The issue with highest score is the decision of consumer to pay attention on brand and usually select expensive or famous Brand name. The more the product is expensive means the more it has good quality. Besides, this group of consumer still loves to buy from the brand with good sales and advertisement.

Overall, consumer behavior of the university students in the Eastern region on the aspect of fashion trend is at a high level by every sub-issue is at a high level. The issue with highest average is the consumer's decision based on trend or fashion while the issue that consumer loves to seek for new things and always follow up with changes in fashion is to always keep up to date. Consumer behavior of the university students in the Eastern region on the aspect of pleasure-oriented overall is at a high level and all issues are at high level. The issue with highest score is happiness from walking around to choose the products to purchase by oneself, second by to consider if the activity helps creating fun and pleasure; decision is made based on buying products for pleasure and happy spending. Consumer behavior of the university students in the Eastern region on the aspect of self-spoiled is at a high level by all sub-issues is also in high level. The issue with highest score is consumer's quick decision based on their own needs, second by disappointment after the decision is made without deliberate thinking or purchasing plan. In each time of

purchasing, this group of consumers will not care for their spent amount no matter high or low. Consumer behavior of the university students in the Eastern region on the aspect of price-oriented overall is at a high level by all sub-issues is at a high level too. The sub-issue with the highest score is that consumers aim to buy products that worth for their spending as much as they can, second by the consumers' decision concerning a lot on the price that they usually select economical or discounted products.

Consumer behavior of the university students in the Eastern region on the aspect of confusion is at a high level by all sub-issues is also at high level. The issue with highest score is consumers' decision that usually confuse with brands or shops, second by that consumers may receive too much products or shops information and lack of self-confidence in purchasing products. Consumer behavior of the university students in the Eastern region on the aspect of familiarity or brand loyalty overall is at a high level and all sub-issues are also at high level. The issue with highest score is consumers' decision to buy the same brand as their habit, second by to specifically buy from the brand they only prefer and materialism. Sufficiency economy philosophy can influence on the consumer behavior with quality oriented of the university students in the Eastern region by the sub-issue that influences on consumer behavior in the quality oriented issue of university students in the Eastern region are a sufficiency, reasonable, and morality. Sufficiency economy philosophy has no impact on consumer behavior in regard of famous brands, fashionable, pleasure-oriented, self-spoiled, price-oriented, confusion, and buying because of the familiarity or brand loyalty of the university students in the Eastern region.

#### 4 RESEARCH SUGGESIONS

From the research results, it is suggested to implement the results as follows:

1. University in the Eastern region or relevant units shall arrange the university's environment to enhance learning process according to the Sufficiency economy philosophy. This is expected to enable students to absorb the Sufficiency economy philosophy and have good attitude towards it then act accordingly. It should emphasis on daily living which is close to students' way of life rather than to suggest the Sufficiency economy philosophy in regard to agricultural that is still far-reaching to present.
2. University in the Eastern region or relevant units shall arrange for the sighting study in the places that bring Sufficiency economy philosophy to use in daily life for the student to understand and be able to bring Sufficiency economy philosophy to use in their own life.

3. University in the Eastern region or relevant units shall arrange the model activities about Sufficiency economy philosophy starting from providing knowledge about the philosophy in daily life for the students. Then, to study the post behaviors after knowledge gained whether the model students have any changes in their behavior and attitude; then to reveal and persuade other students to join the activity to extend the results toward higher goals.

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# Trust is needed in economic development

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**ABSTRACT:** A growing literature explains that societies could not function without a high level of trust and it also shows that trust is needed in the process of economic development. Some researchers argued that trusting others enables economic agents to operate more efficient and cooperative. This paper discussed previous results of the relationship between trust and growth. In line with others, the discussion supports the importance of any efforts in increasing and maintaining the high level of trust between every party that is involved in business transactions.

*Keywords:* trust, growth, economic development.

## 1 INTRODUCTION

The term trust has generally attracted the attention of academics, politicians, journalists, and various institutions. The government and state agencies emphasize the importance of trust between the government and the people. Politicians expect trust from their voters. Officials expect high trust in their institutions. Hopefully, the trust will be achieved in many sectors and by many parties.

Over the past two decades, trust has been one of the focuses of economic researchers concerned with economic development. Many claims suggest that societies will not be able to function without a high degree of trust and show that trust is necessary for economic growth and performance. Knack & Keefer (1997) suggested that the relationship between trust and growth is mainly found in poorer countries. Recently, Asongu & Gupta (2016) demonstrated that in countries with low quality of growth, decreased inequality and increased human development will enhance the positive relationship between trust and growth.

This article reviews previous studies, exploring both theoretical studies and empirical studies on the influence of trust in economic development. This article also performs statistical retest using the available data. The benefit of this article is to add a light discussion reviewing the literature in order to broaden our insights in a way that is simpler and easier to understand.

## 2 THEORITICAL ARGUMENT

Studies on the topic of social capital often use and show that trust is an important indicator of social capital. What is trust? Different authors may conceptualize trust in several ways, such as one-sided trust, reciprocal trust, and generalized trust. Under a one-sided trust, a trusting person or institution decides to act despite the uncertainty of the future and doubts about the reliability of the other party's promises. For example, according to Rose-Ackerman (2001), trust implies confidence, but not a certainty, that people or institutions will behave in the way they are expected. Farrell & Knight (2003) defined trust as a number of expectations held by the party that the other party will act in an appropriate way upon dealing with a specific issue. Similarly, Knack (2001) defined trust as a belief or perception by one party (the principal) that the other party (the agent) will not cheat on a particular transaction.

Laporta et al. (1997) suggested that prominent studies view trust or social capital as people's tendency within a society to work together in producing socially efficient results. The emphasized aspect here is the cooperation between people as a form of trust. Such condition describes a reciprocal trusting relationship, a condition where all participants are influenced by the attitude and behavior of the party standing on the other side of the transaction. While according to Durlauf & Fafchamps (2004), trust is understood as an optimistic belief or expectation related

to other agents' behavior. It is more like a generalized trust to other parties, which is a general attitude, instead of an evaluation towards relationships among particular persons.

Many claims state that societies will not be able to function without a high degree of trust and show that trust is necessary for the process of economic performance. How does trust affect economic development? There are two main reasons that not only apply to the country level but also to the company level. First, trust encourages cooperation and thus improves performance. According to Laporta et al. (1997), increased trust level between the people in a population should be associated with improved cooperation. Bureaucrats must cooperate with other bureaucrats they rarely meet and with private citizens they have never met in order to produce public commodities. Therefore, trust is needed to ensure cooperation. The performance of local government will be better in a high trust situation because trust allows a bureaucrat to work better with both other bureaucrats and private citizens, thus the government becomes more effective. So it is reasonable that trust may improve economic performance. Laporta et al. (1997) argued that trust is necessary to support cooperation in large organizations, such as the government. They also stated that corporations are big companies which will benefit from the trust among their employees.

The second reason is that high level of trust will lower the transaction costs. According to Knack & Keefer (1997), economic activities which require agents to rely on other agents' upcoming actions will be implemented at lower costs in an increasingly higher trust environment. Trust-sensitive transactions include the exchange of goods and services with an open account, employment contracts in which managers rely on employees to complete tasks which are difficult to monitor, as well as investment and savings decisions which rely on warranties made by the government or the bank that they will not expropriate the assets. They also argued that individuals in high trust societies may spend less to protect themselves from being exploited in economic transactions. A written contract is needed less and lawsuit is getting rarer. Individuals in a society with high level of trust will be less likely to divert their resources to protect themselves from criminal offenses against property rights such as bribery or private security services. In addition, low trust can reduce investment because when trust is low, contracts will not be able to be implemented without costly supervision and performance inspection by the contracting parties.

Akçomak & ter Weel (2006) also argued that low trust obstructs innovation. High social capital may eliminate problems and generate higher innovation output through the prevention of selfish behavior, changes in expectations, and decreased transaction

costs. If entrepreneurs must devote more time to supervise the violations committed by partners, employees and suppliers, they will then have less time to create innovations in new products or processes. In this case, the costs of the supervision and the implementation of the contract are more likely to reduce investment returns and other economic transactions. Costly supervisions will also make investors reluctant to invest in corporate projects. Trust will also encourage the growth and accumulation of human capital. Bjørnskov (2004) argued that when interpersonal trust and honesty are low within a society, employers are very likely to face fraud in the form of work negligence, while in order to protect themselves; they tend to rely on information obtained during job applications rather than emphasizing formal formation such as education.

The theoretical model for reasons based on transaction costs was presented by Zak & Knack (2001). They presented a general equilibrium growth model in which agents do transactions and deal with moral hazard issues. The model describes the principal-agent structure, with investors as the principals and brokers as the agents in investment situations. Investors and brokers meet randomly and transact for a single period in which frauds performed by brokers are possible. They pointed out that fraud is possible (therefore reducing trust) when the social distance between agents is greater, formal institutions are weaker, social sanctions against fraud are ineffective, many greater investments exist, and investors' return is lower. More importantly, this model shows that the number of investments decreases when the social diversity is high and the formal and informal institutions are weaker, therefore causing negative impacts on the growth rate. So, trust, as well as institutional and social factors, will affect the growth. This model predicts that higher level of trust increases investment and growth. Finally, they suggested that this model may be generalized to other principal-agent relationships, like creditors and debtors, employers and employees, clients and consultants, and retailers and consumers.

### 3 EMPIRICAL STUDIES

Indonesia is a country which recently attracted the attention of economic researchers on trust and social capital. Miguel et al. (2005) examined the effect of social capital on Indonesian factory labors' growth from 1985 until 1995. They analyzed social capital and social interactions, including levels of trust, community activities, and informal cooperation. Olken (2006) examined the relationship between media acceptance and social capital in more than 600 villages in two provinces in Indonesia, Central Java, and East Java. The findings suggest that television and radio

really diminish social capital, which is measured from the level of participation in social groups and social trust.

Empirical studies show that a high trust society produces high growth and economic performance. One of the first and most influential empirical studies in this field was performed by Knack & Keefer (1997). They investigated whether social capital – which are trust, networks, and norms of general cooperation – has economic results by researching internationally. From 29 countries used as samples, they found that trust and general cooperation norms have a strong influence on the average growth of annual per capita income and investment/GDP. Horizontal networks, which is measured by group memberships, are not related to trust and general norms and also economic performance. Laporta et al. (1997) examined the effect of trust on government performance, which is measured using various parameters related to efficiency (court efficiency, corruption, bureaucratic quality, and tax compliance), participation (general participation and participation in professional associations), sales of top 20 company/GDP, and social efficiency (infrastructure quality, infrastructure adequacy, infant mortality rate, high school completion, education system adequacy, inflation, and GDP growth). The results show that trust has a significant effect on performance. Using trust data from 41 countries, Zak & Knack (2001) confirmed the connection between trust and growth. Beugelsdijk et al. (2004) also provided similar international evidence. While at the regional level, Iyer et al. (2005) showed similar results in America and Ke & Zhang (2003) studied at the regional level in China.

Next, the authors are interested to recheck the study results of the previous researchers. The test uses a sample consisting of 63 countries, the same number used in the dataset used by Berggren et al. (2008), Asongu & Kodila-Tedika (2013), and Asongu & Gupta (2016). The dependent variable used is the annual growth of real GDP per capita (chained series), while the independent variable was the trust, which is obtained from the World Value Survey. This survey compiled a trust index by drawing samples from each participating country and asking respondents to answer general questions about trust.

Figure 1 plots the proportion of trust and economic growth into two dimensions. It is apparent that the observation points are spread with a positive associative tendency. Furthermore, the authors apply a regression model using the following formula based on the simplified version used in the previous studies:

$$Growth = \alpha + \beta Trust_i + \epsilon_i \tag{1}$$

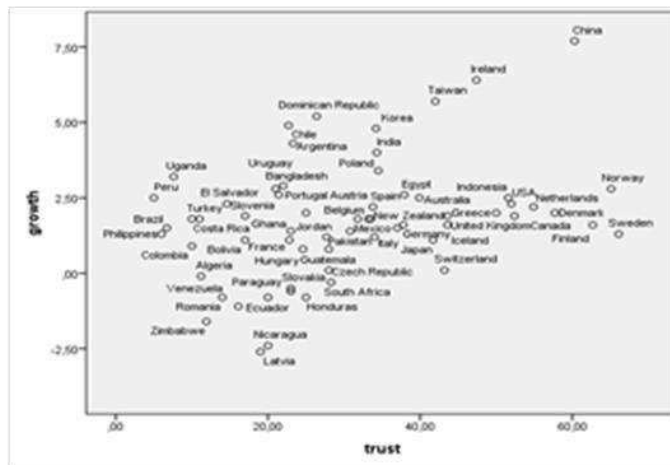


Figure 1. Scatter plot of trust and growth data of 63 countries.

Figure 2 shows the SPSS printout generated by the result of regression analysis on the relationship between trust and economic growth. The regression coefficient was found to be positive 0.042 and significant. The t-statistic is 2.854 and the p-value is 0.006. These results confirm the positive relationship between trust and economic growth as demonstrated by previous studies.

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.467	.506		.922	.360
	trust	.042	.015	.343	2.854	.006

a. Dependent Variable: growth

Figure 2. SPSS printout from regression analysis for trust towards growth.

Recent empirical studies investigate the transmission channels in which trust affects economic growth. Studies show that innovation and human capital are the transmission channels. In the empirical investigation of 102 European regions within the period of 1990-2002, Akçomak & ter Weel (2006) found that higher innovations result in economic growth and social capital indirectly influences growth by encouraging innovation. Kaasa (2007) presented regional level evidence from Europe suggesting that social capital, which is measured using trust, relevant R&D expenditure, and the intensity of obtaining acquisition. In a sample consisting of 52 countries, Bjørnskov (2004) found that the influence of social capital,

which is measured using trust, on the growth of human capital is significant. Likewise, Boulila et al. (2006) and Bjørnskov (2006) showed international result suggesting that trust influences economic growth through mechanisms such as education and investment.

The study on trust does not only examine its influence on economic development but also other social developments. Morris & Klesner (2010) examined the relationships between trust and corruption, although the causality is still debatable. Lederman et al. (2002) examined the impact of social capital, which is measured using trust and participation in voluntary organizations, on criminality.

Thus, all those findings provide important implications for public policymakers and other institutions, promoting the importance of increasing trust. Knack & Zak (2002) suggested that we can increase trust by strengthening law and reducing injustice. In line with this suggestion, Rothstein & Uslaner (2005) pointed out that trust is caused by two types of justice, namely economic equity, and opportunity equity.

#### 4 RESULT AND DISCUSSION

This article reviews the growing literature on trust. Various earlier studies have shown that trust is a decisive factor which is not trivial in explaining economic and corporate development. Trust lowers transaction costs and encourages cooperation so as to increase human capital and create innovation that ultimately produces higher growth and performance. A high trust company will gain competitive advantages that are useful in resolving various problems and causing lower expenditures which are beneficial in contract implementations with various parties.

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# The role of destination branding in tourism development on Southern Coastal corridor

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**ABSTRACT:** Branding concept has been widely applied to products and services in the tourism marketplace. The aim of this paper would like to evaluate the role of destination branding in the relation to tourism development. The paper has expanded the conceptual framework which depicts the role of destination branding in requiring a marketing strategy for tourism activities that satisfied customer's needs. The paper can sum up some factors like identity, logos for creating unique position in the competitive tourism marketplace.

*Keywords:* destination branding, tourism development, marketing strategy

## 1 INTRODUCTION

In the context of partnership and development in many fields of ASEAN countries, especially in tourism, economic corridors played an important role. One of the crucial corridors is the Southern Coastal Corridor. With plenty of beautiful natural sceneries as well as historically famous places such as Sihanoukville and Kampot in Cambodia; Phu Quoc, Ha Tien and Ca Mau in Vietnam, provinces along this sub – corridor display a viable chance to be collaborated and integrated into a tourism chain. Benefits from the tourist attractions in Cambodia and Vietnam could be enhanced when the sight-seeing and leisure networks are expanded to Thailand. This leads to the fact that promoting multi-country destinations can be an efficient and profitable strategy to attract visitors. Generally speaking, this is true in the case of tourists from long-haul source markets who want to make the most of their trip by visiting various countries in the same area that complement each other and enrich the travel experience.

With the objective of developing multi-country destination as the key to attracting more and more visitors, the role of destination branding in tourism stakeholders system plays an important marketing tool for building tourism strategies that related to development and investment. As Keller stated, "Consumers often don't buy a product but buy the image associated with the product. The power of the brand and its ultimate value to the firm resides with the customers". Therefore, by creating a successful destination brand following the "It's all in the mind" strategy

(The Power of Brands 2008), one can see the evolution of a destination into a recognizable brand in the eyes and minds of the world. Currently, there is a lacuna of research on the development of tourism in this region. This proposed research "The role of destination branding in tourism development in the Southern Coastal Corridor" aims to draw up an overview of the situation that helps to derive a better understanding of the role of marketing, particularly brand in the process of growth of tourist route based on the evolution of the economic corridor. Moreover, this paper inclines to find means of solving the issues related to the tourism resources competition and favorable conditions for its development. Overall, the advancement of tourism in the Southern Coastal Corridor will promote the cooperation between nations and strengthen diverse cultural identities in Southeast Asia if destination branding is effectively and efficiently implemented by using right marketing tools.

Currently, there is a lacuna of research on the development of tourism in this regional. This proposed research "The role of destination branding in tourism development on Southern Coastal Corridor" aims to draw up an overview of the situation, that help to derive a better understanding of the role of marketing, particularly brand in the process of growth of tourist route based on the evolution of the economic corridor. Moreover, this paper inclines to find means of solving the issues related to the tourism resources competition and favorable conditions for its development. Overall, the advancement of tourism in the Southern Coastal Corridor will promotes the cooperation be-



tween nations, strengthening diverse cultural identities in Southeast Asia if destination branding is effectively and efficiently implemented by targeting right marketing tools.

## 2 LITERATURE REVIEW

This paper aims to evaluate the role of destination branding related to tourism development. By analyzing the case study of tourism development in the Southern Coastal Corridor, the research outlines the characteristics of destination images as well as its function in offering practical solutions for the increase of tourist arrival in this region. Therefore, the following key issues are developed: (a) Analyzing the place branding strategies finalized to growth the competitive of the tourist attraction, (b) Configuring a proposal destination brand model, with the key factors to define the brand identity and the brand knowledge in the tourists perspective, (c) Validating destination branding model, verifying through an experiential research the descriptive capacity of this framework to elucidate the destination branding process in the explicit geographical context, namely Southern Coastal Corridor, (d) Building the territory marketing campaign via mass media: appeal film industry to promote destination image and create website for sharing "story telling".

In a competitive tourism industry, a brand is currently mentioned as main marketing tools for promoting a destination. Differentiating a place branding has become the starting point for surviving (Qu et al. 2011). Although destination branding is a new concept, some scholars agree that territories could be branded in the same way as consumer goods and services (Morgan & Pritchard 2000; Olins 2002; Kotler & Gertner 2002; Cai 2002, Anholt 2002).

In the competitive environment both at the national and international level, branding techniques were widely required for developing a unique position, identity, and personality. In other words, destination branding entails the trend of advertisements that can influence customer's awareness. "It stands for long-term and holistic destination marketing with an exhaustive understanding of the visitor, the destination's distinct identity, and its competitive position" (Gnoth et al. 2007).

As the report from the Annual Congress of the International Association of Scientific Experts in Tourism, destination brand has been defined as "... a name, symbol, logo, word mark or other graphics that both identifies and differentiates a destination; furthermore, it conveys the promise of a memorable travel experience that is uniquely associated with the destination; it also serves to consolidate and reinforce the recollection of pleasurable memories of the destination experience."

According to Morgan & Pritchard (2000), destination branding serves as an important means, "the battle for customers in the tourism industry is not about price but about the hearts and minds – in essence, branding will be the key for success". More specific, in 2005, Blain, Levy and Ritchie defined destination branding as "a set of marketing activities that a) support the creating of a name, symbol, logo, word mark or another graphic that readily identifies and differentiates a destination, b) consistently convey the expectation of a memorable travel experience that is uniquely associated with the destination, c) serve to consolidate and reinforce the emotional connection between the visitor and the destination, d) reduce consumer search costs and perceived risk".

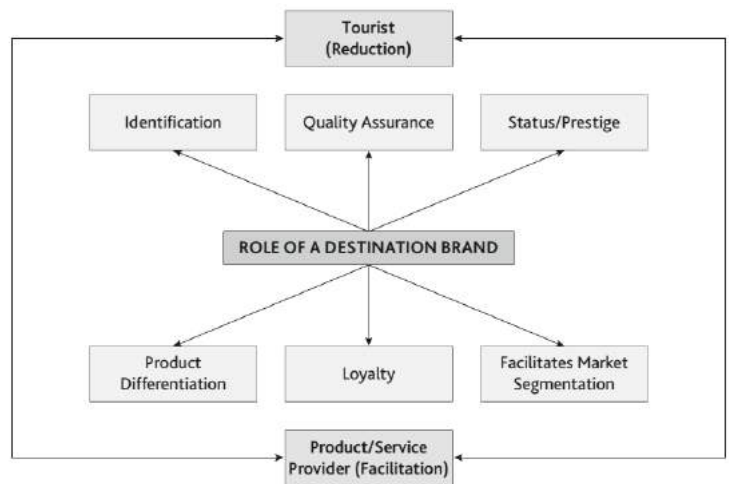


Figure 1. Role of a Destination Brand for the Tourist and Product/Service Provider. Source: Quinlan, T., A Stakeholder Approach to the Branding of Urban Tourism Destinations, Master's Thesis, Waterford Institute of Technology, 2008, p. 34 (adapted from Berthon, Hulbert & Pitt, 1999).

Nowadays, it can be seen that branding concept has been widely applied to products and services in the tourism industry. With the potential of tourism development in the Southern Coastal Corridor related to not only tourism resources but also investment policies and infrastructure improvement, the role of marketing has become the initial step for considering, particularly building destination awareness through brand strategies.

## 3 RESEARCH METHOD

The paper applied these methods that benefit from finding out the relationship between theory and research.

Firstly, a deductive approach was chosen for gathering primary information. According to Bryman & Bell (2007), a deductive method is an approach where the researcher combines knowledge from previous theories and then creates the hypothesis based on former theoretical concerns and ultimately connects it to

a specific topic. Thus, relevant data is mustered and then applied to prove the previously formulated hypothesis.

Secondly, a qualitative method was used to clarify "What's going on" with the phenomenon under the analytical lens. In 2001, Tetnowski & Damico stated that: "Qualitative research is conducted to understand the procedural affairs of the targeted social phenomenon that emphasizes on how things happen rather than the fact that happens". By applying this method, the paper figures out key issues for creating brand identity as well as brand knowledge. Ultimately, the paper approaches the specific case study in order to gather theoretical and practical framework of destination branding in promoting tourism activities in the region.

Ultimately, the paper approaches the specific case study in order to gather theoretical and practical of destination branding in promoting tourism activities in the region.

#### 4 CONCLUSION

The paper aims to analyze the role of destination branding in the process of developing tourism activities in the Southern Coastal Corridor in order to find out some practical solutions as well as build the framework for place branding.

Which main component that organization should consider when developing the territory brand framework for creating destination awareness to customers in the context of tourist attraction competition and how to implement social media for accelerating tourist arrival after evaluating the experimental research?

By analyzing the theoretical framework and empirical data, the paper has expanded the conceptual framework which depicts the role of destination branding in requiring a marketing strategy for tourism activities that satisfied customer's needs.

In regards of the first research question, the paper can sum up some factors like identity, logos for creating unique position in the competitive tourism marketplace. After that, the research proposes the practical strategy by using mass media to appeal customer's attention as well as stakeholders, particularly in film industry, through communications campaigns.

The paper engages destination branding in tourism stakeholders group based on the evolution of tourism in the context of competitive marketplace.

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# Legal problems concerning the seizure of Farmland in civil justice process

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**ABSTRACT:** This research is aimed to present a dimension of the civil justice process in regard to executing the debtors according to the judgment by seizing and holding the debtor's farming property for a public auction in order to repay the debt to the creditors. Providing that the law under the Civil Procedure Code is strictly applied, it may cause damages to the economy and society of the State as a whole. The State should consider the law regarding executing the registered farmers' land and determine the debts protected by the State. An amendment is suggested by adding article 336/1. Conditions of the debtors, as well as types of debts that should be protected by the State, are also suggested to be added. Moreover, there should be a committee responsible for taking care of the farmers' interest so that farmers can continue working on their farms.

*Keywords:* law, farmers, civil procedure law.

## 1 INTRODUCTION

Thailand is one of the largest rice exporters in Asia with the total export of 222.738,8 million THB between January to June 2017 (Reinhard 1992). The survey of agricultural land holdings shows that half of 143.23 million Rai or approximately 71.64 million Rai is leased by farmers. The farmers also own 71.59 Rai of the farmland, 29.72 million Rai of which is still in mortgage while the other 1.15 Rai is tied with an agreement in a sale with the right of redemption. The problem occurs when 70 percent of farmers do not have their own land due to their overdue debt or loan from financial institutions which are triggered by fluctuations in rice prices; crop yields and the climate; heavy rainfall, floods, and droughts especially the increasing cost of production which may cause loss while the farmers still have some expenses for their family (Jeremy 1979). Therefore, farmers have to get a mortgage loan or make a sale with the right of redemption to the capitalists or financial institutions.

Unfortunately, most farmers cannot repay the loan before the due date as administered in the loan agreement. As a result, their farmlands as collateral for debt repayment are executed by being seized and held for public auction according to the civil justice process. The farmland will eventually be in the possession of another person who does not wish to farm which af-

fects rice production areas of the country. This problem leads to great loss and negative effect on the economy and society of the State.

The research problem is how to apply the law concerning the land execution without seizing farmlands while the creditors under the judgment can be repaid. The purpose of this research is to analyze the types of farmers' debts that should be protected by the law so that their farmland will not be seized and offered for public auction. An amendment of the Civil Procedure Code is recommended so that farmers can continue working on their farmland as a source of rice production in Thailand.

## 2 RESEARCH METHODS

The qualitative research method was applied in this research which primarily consists of documentary research (Farmer Registration Database 2012). The following laws have been studied as guidelines to protect Thai farmland from execution; (I) Civil Procedure Code Article 301, (II) the Amendment Act of Civil Procedure Code (No. 30), B.E. 2560, Article 336 regarding the seizure of debtors' property for public auction, (III) Land Lease for Agriculture Act B.E. 2524 which protects farmers from being benefited by landowners and controls the rental rate while farmers' expenses will be taken into account, (IV) The Act on the seizure of farmers' property B.E.

2475, (V) the Bankruptcy Act (No. 4), B.E. 2541 providing financial assistance to debtors under the judgment of the court to rehabilitate the business and repay the creditors fairly, (VI) National Economic and Social Development Plan No. 12 between B.E. 20602564 which is aimed to develop the production base and service in the country, (VII) German Code of Civil Procedure Article 811 (4), (VIII) Japanese Civil Execution Act (Act No 4 of 1979) Article 131 with conditions of certain types of property that cannot be executed and (X) Civil Procedure Law of the People's Republic of China Article 219 and 220 which is obvious that necessities in debtors' daily life cannot be executed and seized so that they can continue living (Lawyer 2003).

John Rawls' Theory of Justice, which frames the intent of the law as a fundamental charter of society that defines the rules and principles of justice which govern the structure of society is also studied in this research. The concept of improving the execution of creditors is a Public Economic Law which was established to prevent damages to the State's security, economy, and social as well as the autonomy of will; it, therefore, provides power to the state through civil and criminal justice processes in dealing with debtors under the judgment despite private contracts. In this research, the researcher will analyze and recommend revising the law on farmland seizure in the civil justice process (Prichard 1961).

### 3 RESEARCH CONCLUSION

It is necessary that the state takes part in protecting farmers in order to work on rice farming as a source of rice production which is the major food and also the major product to export; otherwise difficulties in domestic consumption may grow and lead to food insecurity. After the researcher analyzed the actual legal problems concerning the execution of farmlands in the civil justice process in Thai context with legal, social theories and foreign law, sustainable solutions to this issue have been found as follows: first, determine the type of debts of registered farmers who become judgment debtors and provide a law to protect the debts of farmers' i.e. debt for growing rice in the next production season, debt for necessities in farmers and families' daily life, debt for education of farmers' descendants. A loan guarantee agreement was signed for loans under the Educational Loan Fund Act, B.E. 2560, and debt for leasing agriculture and farm equipments used for farming.

Second, establish a scheme to protect the farmer's land from execution according to Civil Procedure Code, Article 336 as follows: a) A committee is responsible to verify the eligibility of farmers who enters the land protection program. The plan indicates conditions to be implemented: the nature of the debt,

calculating income from rice farming in the production season to bring some profits to repay the judgment creditors. It is recommended to let the judgment creditors participate in the farming business management together with the committee while a debtor can be appointed to be a farm manager to implement the plan; b) The structure of the committee consists of representatives from government agencies and farmers in the province in order to perform the duties as in a; c) The conditions for planning farmlands must include at least the following: 1) The duration of the farming activities and the expected time to complete 2) The types of rice to be planted 3) The amount of rice to be planted 4) The person who plants the rice 5) The financial source needed to invest in rice 6) The assessment of rice cultivation program performance. 7) An income and expense statement for business operations; d) The liabilities of the judgment debtor whose acts do not comply with the order of the committee as in a. must be executed in accordance with Execution of Decree, Civil Procedure Code. The farmer is also liable for the costs of operation of the responsible committee. Third, an amendment to the legal execution law under the Civil Procedure Code by adding "article 336/1 Executing farmland, organizing administrative procedures for seizure or holding an auction, and other procedures to execute must be in accordance with the Ministerial Regulations."

### 4 RESEARCH SUGGESIONS

The next research suggests that there is a legal amendment to the law concerning the registration of the sale of land with the right of redemption by farmers to capitalists which discourages the farmers which the ownership of the farmland legally becomes the capitalists'.

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# Social capital in the development of some traditional trades in Phu le Commune, Ba Tri district, Ben Tre province

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**ABSTRACT:** Phu Le is a countryside with a long historical tradition. Indigenous culture has penetrated into the lifestyle of every Phu Le people and to this day, they still maintain worship custom at communal house every year with full of traditional rituals. The life of Phu Le people has long been attached to two handicrafts which are to weave rattan and bamboo and make alcohol from fermented sticky rice. In the process of integration and economic development today, the households doing traditional trades encounter many difficulties when facing with fierce competition on output products in the market. This article provides an analysis of the role of professional facilities in contributing to the development of social capital for the people, contributing to the renovation of production methods for the development of craft villages from the point of view of cultural ecology theory and social capital.

*Keywords:* social capital, cultural ecology, craft village, Phu Le, Ben Tre

## 1 INTRODUCTION

The ancestors of Phu Le land were associated with the exploration process in the southern delta which was the major migrations flowing from the Central region back to the Nguyen dynasty Abhijit. They brought their lifestyle and cultural activities into the new land and handed down for later generations. The culture of Phu Le village is a part of the cultural space of the South West region. It is not only strongly influenced by natural geography, but also has a close relationship with the Central region. Natural geographic conditions have contributed to shaping the direction of major economic activities in Phu Le. The people in Phu Le commune mainly live on agriculture. In addition to farming, breeding, they also weave bamboo and rattan and make alcohol from fermented sticky rice. Farmers now need supports and linkages from professional facilities to help them break free from safe but limited boundary. In order to achieve this, leaders of all levels and professional facilities should have cooperation and plan to contribute to increase the social capital for the local people in a positive way and in line with the overall development trend of the market today.

Craft villages in Phu Le and 5 other trade villages in Ben Tre such as: An Hiep mat weaving village, Son Doc bloating cake production village, My Long rice paper production village, Coconut candy production village in Ward 7, Cai Mon seedlings and flowers trade village which have been recognized as typical trade villages in Vietnam [37]. Phu Le traditional trade village was recognized by the People's Committee of Ben Tre province in 2006. Currently, the total number of households in trade village is 227, including 92 households weaving rattan and bamboo and 135 households making alcohol from fermented sticky rice.

## 2 RESEARCH METHODS

This study use qualitative methods with interview and observation approach. Data were collected through depth interview to local people in the district who involved in process of making alcohol and weaving the bamboo. The age ranged between 30 to 70 years old. In addition we also conduct observation to people's activities in this area.

### 3 RESULT AND DISCUSSION

#### 3.1 Making alcohol from fermented sticky rice in Phu Le commune

Since the appearance of *Phu Le Liquor Company* and the *Cooperative*, the people making alcohol from fermented sticky rice here are like to be opened a new chapter in their life, promising a good future for their family and trade village. If they previously only did retail business with unstable income, now their family economy is more stable. Their beliefs have been shaped over time through the actual benefits and commitments brought by *Phu Le Liquor Company* and *Cooperative*.

In modern society, this obedience arises from a hierarchical order according to functions and rationality. The case of the people making alcohol from fermented sticky rice in *Phu Le Liquor Company* or *Cooperative* is not an exception. The business relationship between them is based on trust and disciplined regulations within the framework specified by businesses. The households making alcohol must comply with general regulations and principles set out by *Phu Le Liquor Company* and *Cooperative*.

When working for *Phu Le Liquor Company*, from small handicraft production, the people in the trade village have become artisans with standardized brewing method, synchronized quality, strictly controlled input materials. The Company's general regulations are as follows: the people who make alcohol for the company are not allowed to make alcohol for other places or retail in large quantities (the cases of parties or retail in small quantity are allowed) (Mrs. Cung, 57 years old, Phu Khuong hamlet, October 27<sup>th</sup>, 2017). The house making alcohol must be clean and far away from cattle shed at least 20 m. The Company will provide liquor yeast, sticky rice and water to make alcohol. After being spread, sticky rice must be covered by curtain fabric to avoid insects. Food safety and human hygiene matters are highly focused. If the main maker has disease in their limbs, he/she is not allowed to make alcohol.

The people's income is from 2 million dong or more every month, accompanied by the benefits such as: social insurance, attending parties, traveling organized by the company, participating in the grading process for emulation and rewards at the end of the year. (Mrs. Phuoc, 53 years old, Phu Khuong hamlet, October 27<sup>th</sup>, 2017).

The *Cooperative* is an organization aiming to create a stable output for the people making alcohol. In *Phu Le Liquor Company*, if a person making alcohol is over the age of enjoying social insurance, he/she will ask a member in the family

(mostly his/her children) to name for him/her so he/she can continue to make alcohol (Mrs. Cung, 57 years old, Phu Khuong hamlet, October 27<sup>th</sup>, 2017). Some other old people, after working for *Phu Le Liquor Company*, will move to work for the *Cooperative*.

When making alcohol for the *Cooperative*, people also enjoy the benefits such as: being invited to attend major fairs inside or outside province (Mr. Hung, 71 years old, Phu Khuong hamlet, October 27<sup>th</sup>, 2017), participating in environmental and food safety training courses organized by the *Cooperative*.

In short, the close relationship in the network between people making alcohol and *Phu Le Liquor Company* and the *Cooperative* is based on the belief that these two businesses brings to them. The belief is the ticket for the people are confidently involved in the activities of *Phu Le Liquor Company* and the *Cooperative*.

In addition to the own capital inherited from their family (experiences, traditional alcohol making methods), the people are able to learn more about the production principles according standardized standards specified by *Phu Le Liquor Company*.

Traditional society creates traditional values that deserve to be cherished, preserved and promoted. However, if people do not get rid of the old constraints and learn, foster and grasp the new ones, they will regress and loss by the competition of the market. On the other hand, there are now still some households operating independent production. Mrs. Khuong family is a typical case (Mrs. Khuong, Phu Khuong hamlet, October 27<sup>th</sup>, 2017), because both she and her husband are old now so they buy liquor yeast and sticky rice to make alcohol and sell products for wholesalers.

#### 3.2 Weaving bamboo and rattan in Phu Le commune

Weaving bamboo and rattan has been associated with people living in Phu Le for a long time, as the people said this job was "handed down from mother to daughter – in – law" or "handed down from grandparents". In Phu Khuong hamlet, there is only one place to buy woven products, which is the place of N.T.T who was born in 1970. In addition, some households will send their products for brokers or long – term customers for sale in Ben Tre and Long An provinces, etc. According to local people, bamboo used to make products now is transported from Ca Mau by boat or purchased from neighboring areas. The main products are shrimp, rice sieve, baskets and chicken coop.

In April of 2016, we had the first field trip in Phu Khuong village, where we met Tuyet (who was born in 1970) (24/04/2016) and heard about the story of the weaving cooperative. According to information collected from the local people, this cooperative is established by the Women's Union and the Commune People's Committee. The main task is to support the people doing weaving job. The products which they make will be sent to the cooperative, then sent to the dealers everywhere. In October of 2017, during the second visit, we received information that the cooperative had disintegrated and people doing this job had to face with difficulties in finding a place to sell products as well as the better development direction.

According to the survey in the study area, people doing weaving job are in the middle – age or older. In the first case, married women age from 30 to 40 do both weaving job and housework. In the second case, the elder age from 50 to over 70, are from the ancient family, so that they continue to do this work despite their old age (Mr. Tri, 72 years old, Phu Khuong hamlet, October, 28<sup>th</sup>, 2017). At present, the number of households doing this job in Phu Le commune has been decreased due to due to the competition of the market.<sup>1</sup> (Officials of the People's Committee of Phu Le Commune, October 27<sup>th</sup>, 2017).

The difficulties of the people are the answer to the lack of investment and support capital production, knowledge of the market to catch up the general trend of social development, and the lack of diversity of products, etc. All of them lead to low productivity as well as high competitiveness. On the other hand, individual production by households with few workers also reduces the number of output goods.

In fact, weaving job in Phu Le is as unstable as many other craft villages in Vietnam when modern technology gradually replaces traditional craft values. Farmers cannot find a direction and there is no organization or institution has the capacity to support and direct them to do their job. Even weaving cooperative was established to support people but not effective and had to stop working. People do weaving job seem to be losing confidence in the family's traditional career.

There are differences in the social capital of two craft villages when they have professional support (Phu Le Liquor Company) and non-professional support (cooperatives) and when they do not have support. These differences create a completely opposite social capital, where two factors of network relation and belief play important roles.

#### 4. CONCLUSION

According to a field research in Phu Khuong hamlet, Phu Le commune on the social capital of people doing traditional job, we clarified that the two major components of social capital are the social network based on business facilities and the confidence of the people in the business facilities.

The cultural and ecological environment also influenced the social capital of villagers in the handicraft village of Phu Le commune. In *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty* written by Abhijit V. Banerjee and Esther Duflo, the authors have said: “The poor also limit their risk by keeping traditional farming or business methods.” (Nguyen Le Bao Ngoc translated into Vietnamese, 2016). When receiving support capital for their production, the villagers of the handicraft village of Phu Le are very courageous to cooperate with *Phu Le Liquor Company* or Cooperative and follow their general regulations. In their inner feeling, people always want to maintain and develop their careers to stabilize their lives. On the contrary, households doing weaving job, have experienced the failure of the former cooperative. Nowadays, they have to work separately so they cannot find new directions and lose confidence in career development.

Therefore, these people need the support and cooperation from professional facilities or a system to help them escape the safety that limited in all aspects. To achieve that, leaders and business facilities need to work together and plan to contribute to raising social capital for local people in a positive way and in accordance with the general development trend of the market.

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# Organization, Unit, and Team Engagements in Higher Education Context

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**ABSTRACT:** This research aims to review critically and discuss some definitions of concepts on job engagement, and engagement level (organization, unit, team) in higher education through critical perspective presentation. **Design/methodology/approach** – This research is focus on literary study by understanding engagement through the context of higher education. **Findings** – The result of the review mentioned that the engagement concept in higher education must be considered as part of complex structure in higher education and it needs to be cultivated to the continuous engagement process in higher education. **Originality/value** – This research suggests the unique analysis based on quoted researches publicly on job engagement. It contributes to improve the understanding of job engagement concept in higher education sector. It frames the importance of clear understanding to job engagement terms and its levels. Also, emphasizing that job engagement is difficult to explain in simple structure.

*Keywords:* Work or Job Engagement, Higher Education

## 1 INTRODUCTION

Job engagement theme was arisen as the emergence of Khan's writing (1990). Though it has existed since 27 years ago, this theme is still relevant since it has been newly concerned for the last 10 years (Saks & Gruman, 2014; Sonnentag, 2017). The importance of the study on the theme has been proven in some relevant publications (examples Anitha, 2014; ISO, 2015; Macey & Schneider, 2008; Sundaray, 2011). The job engagement term is also known as work engagement (WE), job engagement (JE), or occupational engagement (OE). Further, in this study, it will be called as engagement.

The study on engagement is in line with the importance of attention toward human resources as the main actor in university. As mentioned by Schaufeli (2014) that; firstly, there is tendency that big load of jobs will be finished by fewer human resources with the help of information technology, and secondly, the modern organization will need employees that are able and have willingness to invest the owned psychological resources or psychological capital (Luthans, Youssef-Morgan, & Avolio, 2015). On the other hand, the proper engagement management will maintain the employees' mental health through personality typical adjustment and the kinds of mandated jobs.

This article is aimed to review critically as well as discussing some concept definitions on job engagement, and engagement levels (organization, unit, team) in higher education through critical perspective presentation.

## 2 THE ORIGIN CONCEPT OF WORK ENGAGEMENT

The engagement concept is not something new. Hackman and Oldham (1975, p. 160) as the master mind of engagement mentioned that there are three critical states (CPS) which are important to be considered so that employees work well: "experienced meaningfulness of the work, experienced responsibility for the outcomes of the work, and knowledge of the results of the work activities". This theory is known as job characteristics model (JCM) (Kahn, 1990) and is revised in more details becoming personal engagement model (PEM) with broader scope of engagement in individual level, jobs context, and antecedent job engagement (Kahn, 1992).

Another idea is on work life model (WLM) (Leiter & Maslach, 1999, 2003). This model is focus more in order to minimizing disengage through control on workload, reward, community, and fairness. Mediator which is in the form of organization value as well

as individual are also play important role in controlling employees disengagement.

Stand on triangle model of responsibility (TMR) which were initiated by Schlenker, Britt, Pennington, Murphy, and Doherty (1994), the job engagement attributes are triggered and composed by: (1) clear task explanation, (2) employees' self-control when doing the task, (3) uniformity of competence and the assigned task, and (4) value of the handled task in employees' perception (Britt, Dickinson, Greene-Shortridge, & McKibben, 2007).

Another model which is triggered in order to understand the dynamic of engagement is Job Demands-Resources model (JD-R) (Bakker & Demerouti, 2007; Bakker, demerouti, & Schaufeli, 2003); Broeck, Ruysseveldt, Vanbelle, & White, 2013). Schaufeli and Taris (2014) position the job engagement as positive attribute which is opposing burnout negative attribute. Enough resources becomes individual extrinsic thruster that want to dedicate efforts and their abilities in order to complete the assigned task since there is accepted compensation (Farndale & Murrer, 2015). The adequacy of resources is also becoming intrinsic instrument since it will fulfill three components or basic individual needs, they are: need for autonomy, competence, and relatedness (Deci, Eghrari, Patrick, & Leone, 1994; Deci et al., 2001; Ryan & Deci, 2001; Ryan, Huta, & Deci, 2013). These three needs are needed to be fulfilled in working life (Vansteenkiste et al., 2007).

JD-R model was developed by Saks and Gruman (2014) and explained clearer by Albrecht, Bakker, Gruman, Macey, and Saks (2015) into strategic integrative engagement (ISE) model by accommodating job engagement model in the frame of strategic human resources management (SHRM) (Sparrow & Cooper, 2014).

### 3 THE MEANING OF WORK ENGAGEMENT

#### 3.1 *Trait or State*

Referring to Steyer (2003), if engagement is trait, the attribute will tend to stick to an employee and are difficult to change. It is called state if it is considered as situational and contextual conditions and can change from situation to another situation. In this article, engagement is looked as psychological state, match with Bakker, Albrecht, and Leiter (2011). By looking at engagement as state, there is optimism for the leader to improve employees' engagement.

#### 3.2 *Engagement in Higher Education Contexts*

The employees in higher education institutions (HEIs) consist of academic staff and supporting staff. Every HEIs wants each staff has engagement, not

only involvement in working. The three types of staff when the task is assigned: (1) competent and want; (2) incompetent but want to; and (3) incompetent and do not want to. When staffs want to do the task which are assigned to them, there is the time of attribute engagement starts coloring the dynamic process of assigned task fulfillment. Quoting Kahn (1990), staffs ideally present physically, cognitively, and emotionally when they are doing tasks or certain jobs.

In addition to support individual professional career (Lee, Kwon, Kim, & Cho, 2016), engagement is also set on fundamental and essential position that supports to facilitate staffs in order to accelerate performance (Kim, Kolb, & Kim, 2012). Even though, engagement cannot be intervened similarly to staffs in all HEIs that have different character which is based on the flexibility of resources management and engagement level. In Indonesia, human resource management flexibility, asset, and financial of HEIs sequentially can be categorized as: (1) PTS, (2) PTN-BH, (3) PTN BLU, and (4) PTN. Meanwhile according to the level, the intervention to engagement is needed to be adjusted to organizations, units, and teams levels.

#### 3.3 *Approach of Defining Job Engagement Concept*

As the result of the review of Shuck (2011), the understanding of engagement can be categorized into four approaches: (1) the burnout-antithesis, (2) the needs-satisfying, (3) the satisfaction-engagement, and (4) the multidimensional.

The burnout-antithesis looks burn-out as psychological syndrome which is negative as measured by Maslach Burnout Inventory (MBI) (Maslach & Jackson, 1981; Maslach, Jackson, & Leiter, 1996) by the emotional exhaustion, personal accomplishment, and depersonalization dimensions. Engagement as positive pole is opposing with burnout negative pole. So, the amount of engagement can be seen based on reverse score from MBI (Maslach & Goldberg, 1998). In engagement context, the dimension names are changed into exhaustion, inefficacy, and cynicism (Maslach, Schaufeli, & Leiter, 2001). According to Leiter and Maslach (2017) engagement is how big the absence of those three dimensions in person when doing the job. Shortly, it is burnout absence. The more employees get exhausted, being inefficacy, and being cynicism in fulfilling jobs, the more the employees disengage with their jobs.

The need-satisfying approach views engagement must be seen as how far the task or job being meaningful, how big is the responsibility, and the confidence to complete it. The distinction between staff in the sense of meaning, responsibility, also confident for being able to do the assigned task will show vari-

ation of job engagement among employees. According to Kahn (1990), Rothbard (2001) look at the magnitude of someone's engagement based on how much he cares and focus on the role he runs. It can be increasing of engagement because of the presence of positive emotion or declining of engagement that is caused by negative emotion.

Satisfaction-engagement approach is triggered by the desire of practitioners in order the managers want to increase the organization performance through attention on employees engagement (Attridge, 2009; Harter, Schmidt, & Hayes, 2002). The measurement instrument which is mostly used based on this view is Gallup Q12 (Thackray, 2001), which basically measures working satisfaction (Harter et. al., 2002) with the measured aspects are expectation, supportive, and personal development (Little & Little, 2006).

The multidimensional approach views engagement is correctly termed as staff engagement, not job engagement or organizational engagement. Staff engagement individually can be concluded based one job or organizational engagement. Hence, Saks (2006) develops engagement measuring tool which consists of two dimensions, they are job dimension and organization dimension.

#### 4 CONCLUSION

This article concludes that engagement in HEIs is not simple thing which can be defined since there are aspects that is needed to be considered, such as level, flexibility, and approach. Based on level, it is needed to see whether they are: (1) organization, (2) unit, or (3) team. Based on the management flexibility, it is important to view if they are: (1) PTS, (2) PTN-BH, (3) PTN BLU, and (4) PTN. On the other hand, it is also crucial to consider the approach, such as: (1) the burnout-antithesis, (2) the needs-satisfying, (3) the satisfaction-engagement, and (4) the multidimensional.

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# Village institutional phenomenon in the base sector through the village funds for business efforts in the underdeveloped area

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**ABSTRACT:** The purpose of this study was to explore the phenomenon of village institutions in the development of rural enterprises reviewed based on the base sector as a potential source to be developed into a rural business improvement program through the utilization of village funds in governance fund allocation of rural business development in eastern Sumbawa regency as an underdeveloped area in eastern Indonesia. This research was constructed using mixed method approach with the quantitative and qualitative approach. The analysis used is Location Quotient (LQ) and descriptive qualitative analysis by data reduction, data validity, and conclusion. The results of the study found that village institutions from the rural base sector results have the potential to be developed in enhancing rural enterprises that are accommodated through Village-Owned Enterprise (*Badan Usaha Milik Desa / BUMDes*) with emphasis on institutional strengthening in indispensable rural business development.

*Keywords:* village institutional, village funds, base sector, rural enterprises

## 1 INTRODUCTION

The new institutional economy confirms that the most important thing in an informal institutional ownership plays a dominant role in entrepreneurship and proven informal institutions resulting in much higher household incomes than in other regions (Brien 2012). Strengthened by that institutional aspect, such as property rights, transactional arrangements, and governance contexts, as explanatory variables significantly increase the strength of institutional models (Woestenburg et al. 2014).

Rural communities in underdeveloped areas face a number of exciting and specific challenges in economic and social development especially focusing on the role of institutions, as they are critical to rural development. This condition, according to the study, reinforces the concept of a New Institutional Economy (NIE) which emphasizes institutional structures to achieve efficient economic growth in rural areas over the long term and to explain rural historical phenomena in relation to rural economic growth (Meador & Skerratt 2017). It is supported that there is a significant relationship between institutional action and legitimacy towards the welfare of the community (Jiyoung & Stoel 2010).

The institutional strategy of artificial resource development is the development and optimal utilization

of all social and government facilities and infrastructure to meet the needs of the community so that economic activity runs smoothly as it builds rural infrastructure according to research in developing countries (Ambrose et al. 2014). This is also reinforced by the fact that the potential for integration in improving the institutional administration capability is in line with the public gap between rural and urban communities (Stefan et al. 2016).

Social phenomena can support existing institutions and joint creation activities contained in institutional work projects (Crawford & Branch 2015). The same is true of the village institutional phenomenon in eastern Indonesia, especially Sumbawa regency of West Nusa Tenggara (NTB) as a 3T (*Terdepan / Outline, Terluar / Outermost, and Tertinggal / Underdeveloped*) village institutions that run only with few people accommodated in the Village Representative Body (*Badan Perwakilan Desa / BPD*) and Village Community Empowerment Institutions (*Lembaga Pemberdayaan Masyarakat Desa / LPMD*). The institution has not fully played an active role in involving the village community to participate in providing optimal participation in changing the paradigm of community thinking, especially in the development of rural communities. Yet village institutional transformation is needed to strengthen the social sustainability of rural areas (Peter 2016).

Therefore, village institutions in rural business development, especially in the base sector through the utilization of village institutional facilities in eastern Indonesia, especially Sumbawa regency as an underdeveloped area are important to do.

The purpose of this study was to know the phenomenon of village institutions in a role of village institutions in utilizing the potential in rural areas generated from the base sector to increase rural enterprises, as this still needs to get serious attention, especially in utilizing village funds that are the top priority of the Indonesian government in the eastern part of Indonesia, especially Sumbawa regency as the 3T (*Terdepan / Outline, Terluar/ Outermost, and Tertinggal/Underdeveloped*) region of Indonesia. However, little research has been undertaken in order to increase the institutional role in the underdeveloped regions of Indonesia. Therefore, the results of this study are expected to expand the scope of pre-existing research on the role of village institutions, especially in rural areas that become the base sector through village funds that can be developed in rural enterprises and can be done through village institutions for improving the welfare of village communities.

## 2 RESEARCH METHOD

This research was constructed using mixed method approach with the quantitative and qualitative approach by revealing the role of village institution in fund management for the development of village potential that can increase rural business. The analysis used is Location Quotient (LQ) analysis because it helps to determine the trade capacity and the degree of self-sufficiency of certain sectors (industries or commodities) in an area. In this technique, the economic activity is divided into 2 groups, namely first, industrial activities that serve the market in the region itself and outside the area concerned. Such industries are called base industries. Secondly, economic or industrial activities those serve only the market in the area. This type is called non-base industry or local industry.

Therefore, a base industry should be developed in an area. The first task that must be done is to help each industry whether it is a base or non-base industry. For this purpose, the Location Quotient (LQ) technique is used to measure the concentration of an activity (business sector, industry or commodity in the base area such as agriculture, fishery and livestock) in a region by comparing its role in the regional economy with the role activities or similar industries in a regional or national economy. In determining the base sector using the Location Quotient (LQ) formula can be written as follows:

$$LQ = \left( \frac{vi/vt}{Vi/Vt} \right) \text{ atau } \left( \frac{vi/Vi}{vt/Vt} \right) \quad (1)$$

where  $vi$  = the sub sector production value of  $i$  in the sub-district (*kecamatan*) area;  $vt$  = PDRB Total of sub-district (*kecamatan*);  $Vi$  = the sub sector production value of  $i$  in Sumbawa Regency area; and  $Vt$  = PDRB Total of Sumbawa Regency.

The assumption of this technique is that all residents in all regions have the same demand pattern as the national demand pattern (same geographical expenditure pattern), labor productivity, and each industry produces homogeneous goods in each sector.

Interpretation of Location Quotient (LQ) is  $LQ = 1$  explains that the population of a region can meet the need for a good with the products of the industry itself.  $LQ > 1$  explains that the area can export industrial products out of the area. And lastly,  $LQ < 1$  indicates that the area needs to import other industrial products. While other analysis using descriptive qualitative analysis by doing data reduction, data validity, and drawing conclusions..

## 3 RESULT AND DISCUSSION

The results of LQ calculations of business sectors in these underdeveloped areas such as (agriculture, fishery, and livestock) in the LQ adoption base area are presented in Table 1 below:

Table 1. LQ Index of Rural Business in Base Area

No	Business Sector	2016	Average.
1	Agriculture	0.98	1.53
2	Fishery	1.01	1.47
3	Livestock	0.20	0.26

Source: Processed data (LQ base calculation)

The data above show that the productive business sector to be developed into a rural business is the agricultural sector because the value of LQ average of 1.53 means the business sector for agricultural commodities is a business sector basis for economic improvement of rural communities in the region, especially in the strategic location of the base sector at subdistricts of Empang, Plampang, and Lape) in the eastern district of Sumbawa.

Based on the above LQ calculation data, the rural institutional strategy that can be developed in building the productive business framework in village fund governance is directed to the development of sustainable natural resources by optimizing the utilization of agricultural land so as to produce a product that has market competitiveness. The management of agricultural land is done by taking into account the physical, chemical and land use capabilities. This is done in order to achieve environmentally-oriented agriculture or sustainable agriculture including utilization of land

for nonfarm activities and of farm optimization of water use, both groundwater and surface water to support community economic activities.

This is done in the agricultural sector with all creativity and open access to rural cooperative capital for the expansion of agricultural land ownership and more efficient land use patterns, as rural capital studies can serve as intermediary agents to reduce transaction costs associated with the exchange of the rights of lands use and not only encourages land leasing / consolidation activities but also allows the entry of non-agricultural household entities into the agricultural business (Ito et al. 2016). This is reinforced by the fact that rural capital has a greater impact on technology adoption than rural microfinance institutions (Abate et al. 2016) and transformation from traditional rural to rural with industrial business activities (Pudianti et al. 2016).

Government major program of the Republic of Indonesia, has adopted a new approach in implementing the concept of building from the periphery of the village in the *Nawacita* program (Nine government missions) which is the subject and active participation by spending village funds of IDR 20.77 trillion in 2015 and expanded to IDR 46.9 trillion by 2016 for all villages in Indonesia utilized for village development including rural business development.

Based on field observations, the management of village funds with the largest proportion is used for the basic needs of rural communities, but the residual allocations are less in line with the condition of the village progress rate, thus less able to reduce the major inequality and weakness for the underdeveloped villages. The findings say that the size of the territory is sufficiently influential on the allocation value but needs to be studied more deeply whether this component should be an element with an important weight in the allocation of village funds. The size of the area needs to consider the distribution of the population due to the fact that village development focuses on reducing poverty more on human development. The distribution of village funds also still shows the delay due to the late delivery requirements delivered.

#### 4 CONCLUSION

Based on the evaluation process by tracing appropriate strategies in the development of village institutions with Location Quotient (LQ) analysis and descriptive qualitative analysis by data reduction, data validity and conclusions found that in Sumbawa regency as an underdeveloped region in 3T (*Terdepan / Outline, Terluar / Outermost, and Tertinggal / Underdeveloped*) in the eastern part of Indonesia synergized with the allocation of the use of village funds that the development of rural enterprises in the base region

ideally planned programs and activities in an integrated and sustainable, to provide maximum benefits to the rural community concerned.

In conclusion, the results of this study extend the scope of pre-existing research on the concept of village institutional strategies in the use of village funds for the development of rural enterprises, especially in underdeveloped areas, namely the need for allocation in planning and governance of village funds through the strengthening of village institutions in the form of natural resource development for sustainable business development. Village institutions from the rural base sector results have the potential to be developed in enhancing rural enterprises that are accommodated through Village-Owned Enterprise (*Badan Usaha Milik Desa / BUMDes*) with emphasis on institutional strengthening in rural business development indispensable.

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# The effect of profitability, company size and financial leverage toward income smoothing practice in property and real estate companies listed in Indonesia Stock Exchange

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**ABSTRACT:** The objective of this research is to find out the effect of profitability, company size and financial leverage toward income smoothing practice. Profitability had proxied by the proportion of net profit margin, company size proxies by the proportion of total asset and financial leverage proxies by the proportion of debt to total asset. The research sample is 19 property and real estate companies listed in Indonesia Stock Exchange since 2013 until 2016. The analysis in this research uses binary logistic regression. The result shows that profitability, company size and financial leverage have a significant effect to income smoothing practice. The implications of research is for investors to be more careful in investing. Profitability can be used by the investor or prospective investor in the company to predict income smoothing practices or not.

*Keywords:* Profitability, Company Size, Financial Leverage, Income Smoothing

## 1 INTRODUCTION

Earnings information is a component of a company's financial statements that aim to assess management performance. It helps to estimate ability of earnings in long term and assess the risk of investment or lending funds (Kirschenheiter & Melumad 2002). IAI in PSAK No. 25 (2009) states the benefits of earnings information to assess potential changes in economic resources which may be controlled in the future, generate cash flow from existing resources, and to formulate considerations about the effectiveness of company in utilizing additional resources. Therefore, management has a tendency to perform actions that can make financial report seems good. One of from the actions is the practice of income smoothing which basically is an action that considered a contradiction to the purpose of company.

Therefore, income smoothing involves the use of certain techniques to reduce or increase the number of earnings in a period equal to the amount of profit in previous period (Salno & Baridwan 2000). However, this effort is not to make earnings in a period equal to the amount of profit in the previous period because reducing earnings fluctuations is also considered as a normal growth rate that is expected in the period. According to Barnea et al. (2004), management performs income smoothing to reduce fluctuations in reported earnings and increase the ability of investors to predict future cash flows. Beidleman

(1973) argued that manager's action in income smoothing is to create a stable income and reduce co-variant return to the market. This causes disclosure of information about the profit to be misleading, so it will result in errors in the decision making by parties with an interest in the company especially external parties.

However, income smoothing practice, if it is done deliberately and with some extent of manipulation can lead to irrelevant income or misleading. As the result, investors may not get sufficient and accurate information to evaluate the outcomes and risks of their portfolios (Machfoedz 1998). Income smoothing action is normally applied to reduce taxes and improve investor confidence which assumes a steady income will reduce the dividend policy and maintain stable relationships between managers and workers in order to reduce earnings volatility in reporting earnings rise quite sharply. The rationality that underlies this study is the relationship between earnings, company size, profitability, and financial leverage. If earnings are manipulated, the financial ratios in the financial statements will also be manipulated. In the end, when users use the information that has been manipulated, for the purpose of making a decision, the decision was indirectly manipulated. On the other hand, information obtained from financial statements and other statements that include company size, profitability, and leverage is used by investors in making

economic decisions. The value of the financial statements as the company's net profit is considered as a signal that indicates the value of the company. It makes the attention of investors and prospective investors are focused on the profits of the company. A rational investor will make predictions before making a decision to observe a signal for the given company. In fact, investors often focus only on earnings information, regardless of the procedures used to generate information such profits which encourage managers to make earnings in an attempt to create an entity to look good financially. One of the management actions on the profits that can be done is the act of income smoothing. This action causes misleading information, so it will result in an error in making a decision by parties with an interest in the company especially external parties. In the end, when users of financial statements using the information that has been manipulated for the purpose of making its decision, the decision will be indirectly manipulated.

The bigger the company debt, the higher the risks faced by investors so that investors will require higher rates of return. Property and real estate companies are used as samples to determine the impact of the crisis because of mortgage 2008 against income smoothing in the pre-crisis, crisis, and after the crisis.

## 2 RESEARCH FRAMEWORK

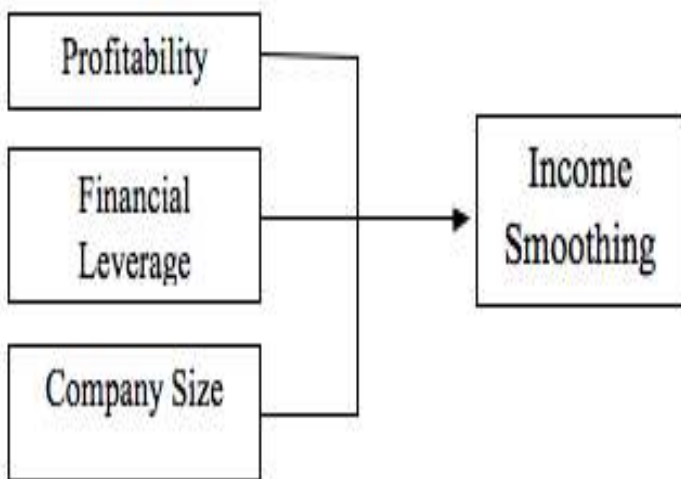


Figure 1. Research framework

Profitability factor uses a proxy that is Net Profit Margin which is the ratio between net income to sales, i.e. sales after deducting the entire cost including tax compared to sales.

The bigger the company debt, the higher the risks faced by investors so that investors will require higher rates of return. These conditions encourage companies to apply income smoothing.

Large companies are expected to avoid too drastic fluctuations in earnings, because of the drastic increase in profits will lead to increase in taxes and vice versa, the drastic decline in profits will result in a poor image. Thus, large companies are estimated to have a greater tendency for income smoothing action.

## 3 RESEARCH METHODS

This research was an empirical research on company real estate and property companies listed on Indonesia Stock Exchange over the period of 2013-2016. The sample of this research used companies that did not make acquisitions or mergers during the period of observation. When the company made acquisitions and mergers during the period of observation would lead to changes in the research variables that make them not comparable with previous periods. Meanwhile, when a company is liquidated then the results would not be used because the company no longer operating..

### 3.1 Likelihood Ratio Test / G Test

The Likelihood Ratio Test or G-test was used to test the importance of regression coefficients by the following formula (Nachrowi et al. 2005).

$$G = -2 \ln \left( \frac{\text{Likelihood Model B}}{\text{Likelihood Model A}} \right) \quad (1)$$

where  $G$  = Test G; Model A = model which consists of all variables; and Model B = model which comprises only constants.

$G$  distributed Khi Kuadrat with of free  $P$  or  $G \sim X_{av}^2$

### 3.2 Wald Test

Wald test was used to test the importance of partial regression coefficients with the following formula (Nachrowi et.al., 2005):

$$W_j = \left| \frac{\beta_j}{SE(\beta_j)} \right| \quad (2)$$

where  $W_j$  = wald value;  $\beta$  = coefficient of regression;  $SE(\beta_j)$  = standard coefficient  $\beta_j$ .

These Chi square statistics were distributed with degree of freedom 1 or  $W_j \sim X^2$ . The test criteria used the  $\alpha$  (alpha) = 5% or with a degree of truth is 95% with degree of freedom (n-k)

### 3.3 B Test

To know the variable that has the greatest influence on the logistic regression analysis, we can see the value of Exp ( $\beta$ ) output on the variable table in the equation. The higher the value independent variables is Exp, the greater the effect on the dependent variable.

## 4 RESEARCH OBJECT

Table 1 show hypothesis testing can be seen through the table Omnibus Test of Model Coefficient, which obtained significance value of  $0.001 p < 0.05 (\alpha)$  or G value of  $19.996 > 7.815 (\chi^2$  the table with the degree of freedom 3), the area  $H_a$  was at the reception. It can be concluded that the profitability, financial leverage, and company size has an influence on income smoothing practices (**accepted**).

Table 1. Omnibus test of model coefficients

		Chi-square	df	Sig.
Step 1	Step	19.99	3	0.00
	Block	19.99	3	0.00
	Model	19.99	3	0.00

## 5 CONCLUSION

The results of this study show that profitability, financial leverage, and company size simultaneously have a significant effect on income smoothing practices in property and real estate companies. This means that the change of variable profitability, financial leverage, and company size simultaneously would result in a change (either increase or decrease) in income smoothing practices.

The net profit after tax earnings smoothing is often used by management objective to reduce fluctuations in earnings and demonstrate to outsiders that the performance of the company's management has been effective. The company size showed a significant influence on income smoothing. This proves that larger company size will affect the income smoothing. Thereby, large companies are also expected to avoid too drastic fluctuations in earnings, because of the drastic increase in profits will lead to increase in taxes and vice versa, the drastic decline in profits will result in a poor image. In the political cost, hypothesis explained that large companies tend to make the management of its profits by decreasing income at a high profit to avoid high taxes (Sulistyanto 2008).

Profitability can be used by the investor or prospective investor in the company to predict income smoothing practices because the net profit margin is the most dominant variable in affecting income

smoothing. Thereby, the investor or prospective investor should look at the value of the net profit margin variable of the company before investing. The higher of the company's net profit margin, the bigger the possibility to practice income smoothing.

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# ESCI model strategies of private universities in Thailand towards sustainable loyalty in P.R.C

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**ABSTRACT:** This paper focuses on the study to the strategies of private universities in Thailand toward sustainable loyalty in China by applying the factors influencing satisfaction on private universities in Thailand. The quantitative analysis method was used as a tools of this paper. This study aims to focus on the survey study and development of the factors and elements of ESCI model in loyalty constructed from students of People's Republic of China for universities in Thailand and come up with the practicability of recruiting Chinese students.

*Keywords:* perceived value, sustainable loyalty, ESCT model

## 1 INTRODUCTION

Studying abroad has been a popular option for Chinese students. With the trends of higher education internationalization and the exchange and cooperation between People's Republic of China and ASEAN countries, especially, Kingdom of Thailand which is the promoter and initiator of ASEAN, and the close proximity geographically and culturally, and the trend of China—ASEAN market integration, more Chinese students and their family becomes the target to study in Kingdom of Thailand, both aiming at degree-seeking, including bachelor, master and doctorate, as well as vocational education, and culture experience, traveling. For those reasons, Kingdom of Thailand is known as the most popular country for tourist all over the world. Studying in Kingdom of Thailand is an important decision for students and their family, and attracts stakeholders such as researchers, administrations, including president of higher institutions. Meeting the market needs, for-profit has become reality, private high institutions has arisen and developed. In Kingdom of Thailand, private universities play an important role. Considering the freedom in academic, flexibility of management, and high quality of education, the gateway in economic and education from China to ASEAN country, even from China to the entire world, such as EU, the US, private universities has been popular options for Chinese students and their family. The market needs from P.R.C is huge, so the strategies for constructing long-term of loyalty is a hot topic to study in academic domain.

Generally speaking, academic research is the “core value” for a university, so academic-orientation is the ever route for universities, but in the trends of internationalization of higher education and the development of China-ASEAN market integration, China, as the world's most populated country with 1.37462 billion (NBSC 2016) added with the economic development and the increasing of family income, the purchase and consumption power of individual family has become a huge market for any industries and countries, especially, the education is a kind of investment for their future, which will definitely change the fate of students and their family. Moreover, study abroad, has been more popular for Chinese family to cultivate their children, broaden their children's horizon and wide the career opportunity in the future. It is supported by the government policy to send Chinese student to study overseas for degree-seeking, cultural experience and give quantities of privileges for the talents who get degree abroad. Kingdom of Thailand, as the gate way of China--ASEAN, has been an important option of Chinese family as, lots of parents decide to choose Kingdom of Thailand as their study destination country. Seeing the opportunities, many universities in the Kingdom of Thailand focus on recruiting Chinese students through various programs, such as establishing branch offices in big cities, for instance Beijing, Shanghai, Wuhan, Kunming, and Nanning, which are located in North, South, East and the provinces which have close connection to ASEAN countries.

The close proximity geographically and politically and the trend of China-ASEAN market integration make Chinese students study at Thailand universities. Bangkok as the capital city of Thailand, has been constructed as the gate way between China to ASEAN countries, which means that, studying in Thailand is a stepping stone for the Chinese students' career. Free trade area between China and ASEAN has been established, so that, the talents need to get involved with companies that engage with China-ASEAN trade. Private universities in Thailand, on the one hand, which is operated on basic of fees paid by students, especially, strong needs and purchase ability of Chinese market, in other words, Chinese students could be renewed of private universities of Thailand, on the other hand, education is totally different with other industries, because function of education is to cultivate students' creative thinking ability, to educate students' problem solving ability, to equip students with knowledge for the future life.

In conclusion, in the trends of sustainable higher education internationalization and China—ASEAN trade and market integration, with the increasing higher education market demands from People's Republic of China, it is important to study the perceived valued strategies for constructing sustainable students loyalty to private universities in Thailand.

2 RESEARCH METHODS

The study aims to focus on the survey study and development to the factors and elements of ESCI model in loyalty constructing from students of People's Republic of China for universities of Thailand and come up with the practicability of recruiting Chinese students.

The European Customer Satisfaction Index model of customer loyalty was argued in 1999 (Grunholdt et al. 2000) and lined its inspiration from the Swedish Customer Satisfaction Barometer (Fornell 1992) and the American Customer Satisfaction Index (Fornell et al. 1996). Many studies that applied the basic ESCI model have been undertaken in Europe since then (Grunholdt et al. 2000). The ESCI model is a good fit to equip strategies of private university in Thailand towards sustainable loyalty.

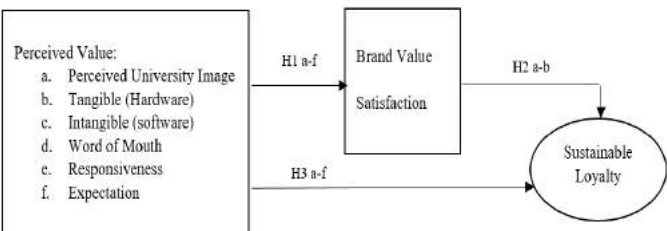


Figure 1. ESCI Model.

The new preproposal of conceptual framework model of constructing sustainable loyalty for private universities of Thailand shown on figure 1.

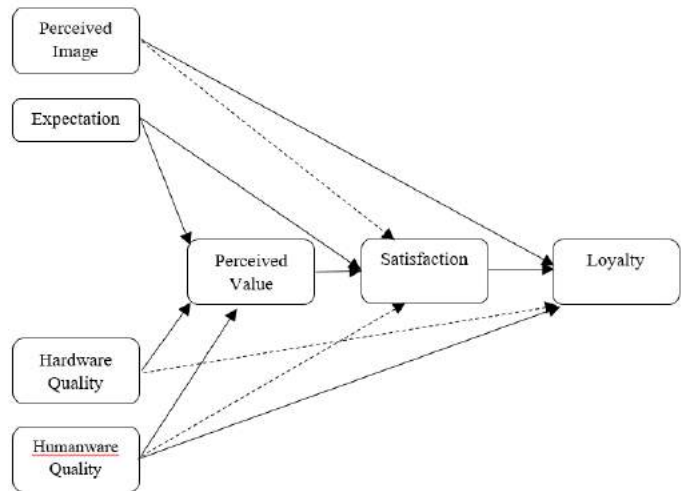


Figure 2. New model of constructing sustainability loyalty adapted from ECSI

Sample includes senior high school students (8,000 persons), students studying at Siam Universities (300 persons), students in high institutions of P.R.C (800 persons).

Sample size was calculated based on the following Cronbach's formulation method:

$$n = \frac{N Z^2 / 4}{NE^2 + (Z^2/4)}$$

Where:

N = population size

Z = standard value from normal distribution 1.96

E = Error value = 0.05

$$n = \frac{5,000,000 (1.96)^2 / 4}{5,000,000(0.05)^2 + (1.96)^2 / 4} = 383.87 \approx 384$$

The population has four groups. So, propitiation by sampling is calculated as follows:

$$n_i = N_i * (n/N)$$

n<sub>i</sub> = sample size of small group

N<sub>i</sub> = population of small group

n = sample size; in this study is 400

N = all of population from this study

Table 1. Sample

Respondents	Population persons	n=N*(n/N)	n	n expected
senior high school students of P.R.C	8000	=8000(384/16300)	188	500
students studying at universities of Thailand	300	=300(384/16300)	8	130
students in high institutions of P.R.C	8000	=8000(384/16300)	188	500
Total	16300	n=N*(n/N)	384	1130

### 3 RESULTS AND DISCUSSIONS

The study explores the creative strategy for establishing sustainable loyalty from Chinese students and their family to study in universities of Kingdom of Thailand in the era of Higher education internationalization, and the trends of China—ASEAN market integration has three categories of contribution, firstly, for higher education department of China and Thailand, (1) to establish the specifications and standards of higher education between China and Thailand; (2) to promote the quality of higher education cooperation and exchange between China and Thailand; (3) to construct suitable and sustainable policies in credit transferring, joint degree programs and academic research programs. Secondly, for the Thailand universities, especially, private university, (1) to market the new generation of Chinese students, who come from different part of China with different family income situation, and perform the necessity of creative marketing strategy, (2) to develop a model of comprehensive marketing which is equipped with internal and external relationship between the university factors between China and Thailand; and (3) to analyze the market strategy in the digital era, and the factors effecting Chinese students and their family in making decision for aiming private universities of Kingdom of Thailand as their finalized target. Thirdly, for Chinese students and their parents, (1) to seek more proper majors and universities, (2) to escape and avoid high cost of studying in Thailand, and (3) to draw a more clear line and blueprint for students' direction of work career.

It was proven that the creative strategies which are equipped with information technology and digital data, which is combined with the factors effecting Chinese students and their family's decision making to target the private universities of Thailand, such as the teaching quality and academic level, the internationalization level, the campus where is located and the facilities, the living standard of Thailand and the cultural distance, and the service and management level. The research aims to construct the causal models of creative strategies for constructing sustainable loyalty from Chinese students to private universities of Thailand, in the era featured by digital and information flying and higher education internationalization.

With the development of economy, China has been the top one country of GDP, studying abroad has been a normal choice for Chinese students and their family, meanwhile, correspondingly private universities in the entire world, especially, the private universities in America, Europe, and ASEAN countries have competing to the huge market, with population of 1.4 billion, and huge high education needs from new generations. But, unquestionably, education, especially,

higher education is totally different with any other industry, because of the aiming and function of education is cultivating students, equipping knowledge and technique for student's career, leading students to master critical thinking ability and seek their happiness in their life, more even, high education change the lifestyle of student and change fate of their family. So, high education is an industry with profits in two sides of a coin, for-profit and for-social progressive.

### 4 CONCLUSIONS

In a nut shell, this research aims to explore the creative strategy of private universities in the Kingdom of Thailand to target the Chinese students and their family from perception of university's internationalization, the perception of emotion of Chinese students and their family, including degree-seeking, cultural and travel experience. The study aims to build a long term loyalty from Chinese students and their family to private universities of Kingdom of Thailand that is composed on basic of the soul, the spirit and the basic features of education, which is talent cultivation-orientation, for-profit orientation, and equipped with digital and information technology that combined with key factors of university, including academic, service and management, teaching, internationalization in the process of China-ASEAN market integration.

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# The impact of personal selling orientation to value creation, relationship development, and customer satisfaction in industrial business

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**ABSTRACT:** Industrial marketing is known as business-to-business (B2B) marketing and the process in the field is quite complex. Personal selling is chosen as one of the common type of promotion in industrial marketing. Though it is the most ancient art of sales ever in the history, it is proven to be an effective type of communication. This research aimed to investigate the influence of customer orientation and selling orientation to value creation, relationship development, and customer satisfaction on industrial business. The study was conducted in a stainless steel industry. Data collection of 120 respondents as the key person in the companies used purposive sampling method and analyzed using Path Analysis with LISREL 9.10. The result of this study leads and points to the direct relationship and indirect relationship between variables, where the direct relationship seen from the relationship between customer orientation to customer satisfaction, sales orientation to customer satisfaction, value creation to customer satisfaction, and relationship development to customer satisfaction.

*Keywords:* Salesperson, Customer Orientation, Selling Orientation, Value Creation

## 1 INTRODUCTION

Industrial marketing is a form of communication and sales specializing in providing goods and services to other businesses and not to individual customers because it involves large orders and long-term relationships between producers and customers, and it requires complex process between business and personal customers. One form of promotion is personal selling, although old-fashioned, but is still the most effective tool for generating the buying process, especially in building preferences, beliefs and buying actions from B2B customers. Singh & Koshy (2010) expressed that customer orientation and selling orientation affect customer satisfaction. Their research revealed that customer orientation and selling orientation will generate "value" where the creation of a relationship between salesperson with customers not only happens without any positive relationship development between the two sides so as to create a close relationship between one with other. In the concept of B2B, it is necessary to have a relationship development between salesperson and buyer, so that an emotional bond occurs either directly or indirectly, and essentially influences the customer's actions to make a long-term business relationship.

At the end of the overall concept and purpose of the company that is judged to be a benchmark of success

is customer satisfaction, which can be seen from the end result of how loyal customers purchase the same product or make purchases from the same manufacturer.

### 1.2 Personal Selling

Personal selling is one of the most effective promotional tools predominantly in the form of buyer preferences, beliefs, and actions. According to Kotler (1997), personal selling has three special properties, namely 1) personal confrontation, 2) cultivation and 3) response,

### 1.2 Customer Orientation

The main goal of customer orientation is the creation of long-term, mutually beneficial relationships with customers through a minimizing problem approach by finding solutions (Keillor et al. 2000 and Saxe & Weitz 1982). There are two main dimensions of the customer orientation model, namely:

1. Functional customer orientation

Functional CO is consistent with traditional CO conceptualization, which is seen as a set of task-oriented behaviors aimed at enhancing long-term customer satisfaction (Saxe & Weitz 1982). Sellers high in functional CO tend to pay attention to the well-being of customers and may find valuable processes to satisfy intrinsic customer needs (Roman & Iacobucci 2010). Functional CO motivates salespeople to diligently and accurately identify and assess customer needs in order to provide the best solution to customer unique issues (Homburg et al. 2011), which is conducive to creativity due to increased customer domain knowledge (Narver & Slater 1990).

2. Relational customer orientation

Relational customer orientation aims to build strong personal relationships with customers (Homburg et al. 2011) leading to a higher level of trust (Morgan & Hunt, 1994). As a result, customers are more willing to share sensitive information with sellers (Hughes et al. 2013).

1.3 Selling Orientation

Salesperson with selling orientation, as an alternative, are the only things that really require the ability to influence, manipulate, and continue to push toward closing sales (Brooksbank 1995 and Spiro & Perreault 1979) regardless of how well the solution offered by the salesperson whether it matches the customer or the prospect's needs.

1.4 Value Creation

The concept of value is very important to succeed in marketing, which is an important stepping stone in achieving customer satisfaction. Glad & Becker (2002) argue that a company's business processes will be downgraded into the company's operational activities that generate added value and focus on value creation in the future. These process activities can be measured through 4 dimensions a) Cost; b) Time of delivery; c) Quality; and d) Flexibility.

1.5 Relationship Development

Relationship development is the extent to which an individual buyer's beliefs and is committed to maintaining and/or increasing the level of interdependence and interaction with sales organization representatives. Relationships generally evolved and developed through a sequential process of five phases: 1. Awareness; 2. Exploration; 3. Expansion; 4. Commitment (commitment); and 5. Termination/ dissolution.

1.6 Customer Satisfaction

The definition of customer satisfaction is also presented by Nasution (2004) that defined customer satisfaction or dissatisfaction as a customer response to the evaluation of discrepancies or perceived disconfirmation between previous expectations and the actual performance of the perceived product after usage.

Wilkie (1994) states that there are five elements in customer satisfaction include expectations, performance, comparison, confirmation or disconfirmation, and discrepancy.

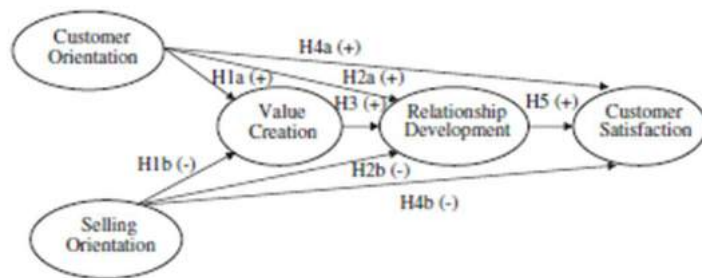


Figure 1. Research Model (Source: Ramendra Singh dan Abraham Koshy (2011))

2 RESEARCH METHODS

In this study, exogenous variables were customer orientation and selling orientation. While endogenous variables were value creation, relationship development, and customer satisfaction. Respondents were 120 people taken by purposive sampling. Measurements used a 5-point Likert scale.

3 RESULT AND DISCUSSION

Hypothesis	Path	Estimates	t-value	Note
H1a	CO → VC	0.73	0.39	Significant
H1b	SO → VC	-0.04	-0.60	Insignificant
H2a	CO → RD	0.52	6.00	Significant
H2b	SO → RD	0.11	2.07	Significant
H3	VC → RD	0.35	4.54	Significant
H4a	CO → CS	-0.08	-0.81	Insignificant
H4b	SO → CS	0.08	1.25	Insignificant
H5	RD → CS	1.05	11.37	Insignificant

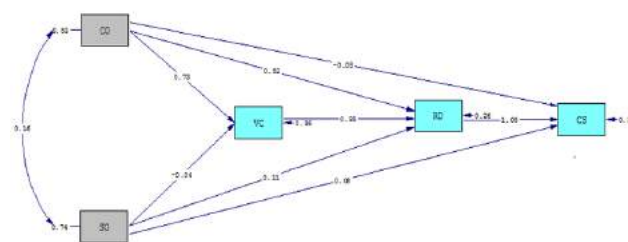


Figure 2. Match Test Results Model Estimates

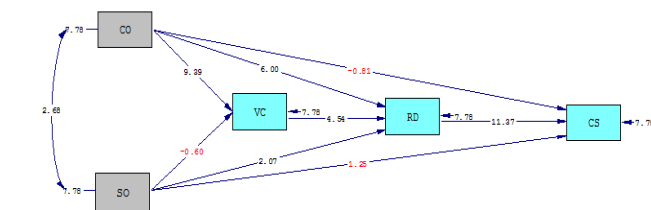


Figure 3. Match Test Results T-Values Model



## 4 SUGGESTION

For PT IAS: (1) Emphasize the salesperson's mindset about the importance of finding and discovering the changes needed and desired from time to time, in order to build long-term business commitments, rather than merely meeting sales targets. (2) Implement good "customer management", in the sense of trying and fulfilling all aspects of customer needs and building long-term business commitments, and not treating customers arbitrarily.

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# The influence of profitability, financial risk, company value, and ownership structure on income smoothing practices (empirical study on plantation companies listed on the Indonesia Stock Exchange over the period of 2011-2015)

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**ABSTRACT:** This research was conducted to determine the effect of profitability, financial risk, company value, and ownership structure to income smoothing practices on plantation companies listed on the Indonesia Stock Exchange (IDX). Samples in this research were plantation companies listed on the IDX over the period of 2011-2015. The data were collected through the purposive sampling method. The analysis used multiple regressions. The results of researches were profitability variable has a significant effect on the occurrence of income smoothing practice. This is indicated by the existence of a regressive relationship between dependent variables and some independent variables. Firm size and financial leverage variable have no effect on income smoothing practice.

*Keywords:* profitability, financial risk, company value, ownership structure, income smoothing

## 1. INTRODUCTION

Profit is one of the parameters used to measure management performance (Belkaoui 1993). As mentioned in the Statement of Financial Accounting Concepts (SFAC) no. 1, earnings information is generally a major concern in estimating the performance or accountability of management and earnings information helping the owner or other parties to assess the potential future profits of the company.

Financial Accounting Standards (SAK) provides management flexibility to choose accounting policies that better represent the proper state of the company. One form of this action is the practice of income smoothing (i.e. income smoothing) which is basically an action that is considered against the goals of the company (Widyaningdyah 2001).

The practice of income smoothing is a common phenomenon and is practiced in many countries. Income smoothing is a normalization of earnings made intentionally to achieve a certain trend or level (Belkaoui 1993).

According to Budiasih (2007), the theory of agency is a relationship or contract between the principal (owner) and agent (management). The agency theory has the assumption that every individual is solely motivated by his or her own interests, causing a conflict of interest between the principal (owner) and agent (management). Fluctuating corporate prof-

itability will encourage management to take the income smoothing measures in order to reduce fluctuations in profitability which can make the company looks stable in generating profits (Zuhroh 1994). Bitner & Dolan (1996) argue that companies with high financial risk will make management tends not to apply income smoothing because the company does not want to do something that endangers the company in the long-term. Herawati (2008) advocated that companies with large share prices are usually called big companies and will get more attention from various parties such as analysts, investors, and the government. In this study, ownership is proxied by managerial ownership. Managerial ownership is the total shareholding by the management in the entire managed company capital (Gideon 2005).

Midiastuty & Machfoedz (2003) suggest that managerial ownership is one of the mechanisms that can be applied in limiting opportunistic behavior of managers in the form of earnings management. Sartono (2001) defines managerial ownership as a percentage of shares related to shares and options owned by managers and directors of a company. Aji & Mita (2010) examined the effect of profitability, financial risk, corporate value, and ownership structure on the practice of income smoothing (empirical study on manufacturing companies listed on the Indonesia Stock Exchange). Results show that the size of the company has a significant effect on income smoothing. Budiasih (2007) also studied the factors that influence the

practice of income smoothing where independent variables are used naked is a measure of company profitability, dividend payout ratio, and financial leverage. Moreover, the result states that firm size, dividend payout ratio, and profitability have a positive effect on income smoothing.

Asih & Gudono (2000) conducted a study entitled companies, business groups, proportion of ownership, and business entity status to income smoothing. Ilmainir (1993) also conducted a similar study with stock price titles, actual profit differences, and normal earnings, accounting policies related to earnings and bonus plans to income smoothing.

This research is a replication of Aji & Mita (2010) study. In this study, the author uses plantation companies to expand the object of research and to obtain results that will be able to generalize the existence of the practice of income smoothing by companies listed on the Indonesia Stock Exchange (IDX). In addition, the plantation company was selected because the company is indicated to make income smoothing.

## 2 LITERATURE REVIEW

### 2.1 Earnings Management

The interest difference between shareholders and agents occurs because the prosperity of managers is very low compared to changes in shareholder wealth, so managers tend to seek their own benefits at the expense of the interests of others. This tendency makes the practice of earnings management often done by management. According to Belkaoui (2006) earnings management is an ability to "manipulate" the available options and make the right choice to achieve the expected profit levels.

### 2.2. Income Smoothing

According to Chariri et al. (2007), income smoothing can be defined as a deliberate attempt to flatten or fluctuate the rate of profit so that at present it is considered normal for the company. Istianah (2006) states that the practice of income smoothing is done to (1) reduce the tax burden, (2) increase investor confidence because investors usually assume that profitability will affect the stability of dividend policy, and (3) management and workers (more precisely to reduce the turmoil) because if company's report earnings is rapidly increasing, it will cause them to ask a wage/salary increase.

#### a. 2.3. Factors affecting profit income

Profitability is an important measure for investors in making an investment decision (Suwito & Herawaty 2005). Financial risk is an additional risk imposed on

ordinary shareholders as a result of the decision to obtain debt financing (Kustini & Ekawati 2006).

Ilmainir (1993) found evidence that stock prices affect the practice of income smoothing. The ownership structure is the proportion of stock ownership by managerial, public, or institutional. This study discusses managerial ownership. Jensen & Meckling (1976) argue that the ownership of shares by managers will affect the performance of managers in running the company's operations. Siallagan & Machfoedz (2006) found that greater management ownership in the company will make the management to try improving its performance for the benefit of shareholders and for its own sake. This is because managers have high voting rights over managerial ownership (Siswantaya 2007). Two of these will affect earnings management because the ownership of a manager will participate in determining policy and decision making on accounting methods applied to the companies they manage (Pujiningsih 2011).

### 2.3. The effect of profitability on income smoothing

Scott (2000) stated that companies tend to make income minimization when obtaining a high level of profitability. While according to Ashari et al. (1994), companies with a low return on assets have a greater tendency to flatten their profits.

### 2.4. The effect of financial risk on income smoothing

As a result of this condition, the company tends to practice income smoothing while Merdiastuti & Surranta (2004) stated that the selection of accounting policy (income smoothing) is done to avoid breach of debt agreement, so companies that have high financial risk will tend to make income smoothing to avoid breach of contract on debt agreement

### 2.5. The effect of firm value on income smoothing

Ilmainir (1993) found evidence that income smoothing was driven by stock prices, the difference between actual profit and normal profit and the effect of changes in accounting policies chosen by management that led to the practice of income smoothing.

### 2.6. The effect of ownership structure on income smoothing

Midiastuty & Machfoedz (2003) suggest that managerial ownership is one of the mechanisms that can be applied in limiting opportunistic behavior of managers in the form of earnings management.

### 3 METHOD

The population this study was 16 plantation companies listed on Indonesia Stock Exchange (IDX) over the period of 2011-2015. It may also support the calculation of the Eckel index that will be used to determine the status of a company included as income smoothing company and a non-revenue-generating company requiring periodic and sequential data (time series).

Based on Table 1& 2, it is known that income smoothing (Eckel 1981) has a minimum value of 0.00, the maximum value of 1.00, the mean value of 0.44, and a deviation standard of 0.50. Based on the results of the analysis, it is also known that the minimum value of profitability is -0.17 which shows that the lowest value of profitability ratio to total assets is -16.9%. The maximum value of 0.25 showed that the highest value of profitability to total asset ratio is 25.1%. A mean value of 0.06 indicates that the average profitability to total asset ratio is 6.14%. While the standard deviation value of 0.08 shows that the average deviation of the value of profitability against the average asset is 7.71%.

From the analysis results, it is also known that the minimum value of financial risk (leverage) 0.14 which indicates that the lowest value of leverage ratio to the total capital of the company is 14.00%. Maximum value of 0.80 indicates that there is a company with a debt of 80.20% compared with the amount of capital owned. While the mean value of 0.49 indicates that the average company has a debt of 48.62% of the total capital owned. The high ratio of leverage indicates that the company has a high risk of bankruptcy, due to the high liability that must be fulfilled

Table 1. Sample of income smoothing practices

Code	Company Names	2011	2012	2013	2014	2015
AALI	PT Astra Agro Lestari Tbk.	BP	P	P	P	BP
BWPT	PT BW Plantation Tbk.	BP	P	BP	BP	P
GZCO	PT Gozco Plantations Tbk.	BP	BP	BP	BP	P
JAWA	PT JAWattie Tbk.	BP	P	P	P	BP
LSIP	PT PP London Sumatera Indonesia Tbk.	BP	P	P	P	BP
SGRO	PT Sam-Poerna Argo Tbk.	BP	BP	BP	P	BP
SIMP	PT Salim Ivomas Pratama Tbk.	BP	P	P	P	BP

SMAR	PT Sinar Mas Agro Resource & Technology Tbk.	BP	BP	BP	BP	BP
TBLA	PT Tunas Baru Lampung, Tbk.	BP	BP	BP	BP	p
UNSP	PT Bakrie Sumatera Palntations Tbk.	BP	BP	BP	BP	P

Source: financial performance.

Table 2. Descriptive of income smoothing, profitability, financial risk

	N	Min	Max	Mean	SD
Income Smoothing	50	0.00	1.00	0.44	0.50
ROA	50	-0.17	0.25	0.06	0.08
Leverage	50	0.14	0.80	0.49	0.17
PBV	50	0.12	4.06	1.55	1.05
Managerial Ownership	50	0.01	0.97	0.53	0.28
Valid (listwise) N	50				

Source: financial performance

The minimum value is 0.12 for the value of the firm, indicating that the company value of 0.12 times the price of the company's shares. The maximum value of 4.06 indicates that the value of the firm is 4.06 times the company's stock price. And the mean value of 1.55 indicates that the average value of the company amounted to 1.55 times the company's stock price.

### 4 FINDING

The results of multiple linear regression analysis in this study can be seen in Table 3 below.

Table 3. Result of Multiple Regression

Model	Un-standardized Coefficients		Standardized Coefficients			Collinearity	
	B	Std. error	Beta	T	Sig.	Tolerance	VIF
Constant	0.24	0.33		0.74	0.46		
ROA	-3.59	1.36	-0.55	-2.65	0.01	0.36	2.75
Leverage	0.30	0.51	0.10	0.58	0.57	0.51	1.96
PBV	0.03	0.08	0.07	0.39	0.70	0.53	1.89
Managerial Ownership	0.42	0.26	0.24	1.61	0.12	0.71	1.41

Dependent Variable: IE. Source: financial report

The results of this study are contrary to the results of research conducted by Aji & Mita (2010) and Suwito & Herawaty (2010).

The test result of the financial risk influence on the practice of income smoothing shows that the financial risk does not affect the practice of income smoothing. This is in accordance with the results of research conducted by Narsa et al. (2003), Prabayanti et al. (2011), and Miqdad & Fauziyah (2007). They also prove that financial risk has no effect on the practice of income smoothing. Therefore, the second hypothesis which states that financial risk factors affect the practice of income smoothing is rejected.

The results of this study show the average sample company has a leverage ratio that is not too high, (i.e. equal to 0.49), so the risk to be borne by the owners of capital is also low. Therefore, the financial risk variable has no effect on this research. This result also denied the assumption that companies with high debts would make earnings management because the company failed to meet its debt obligations in time.

The results of this study are contrary to the results of research conducted by Aji & Mita (2010), Sartono (2001) who said that leverage effect on earning management. The result of the influence of firm value test on income smoothing practice shows that the company value proved to have no significant effect on income smoothing. The result of this research is consistent with the research of Asih & Gudono (2000) who found evidence that firm value has no positive effect on income smoothing but the result of this research is contrary to Aji & Mita (2010), Ilmainir (1993) the company has a significant effect on income smoothing, higher firm's value will make firm to do the pricing of income smoothing.

Based on t-test result using multiple linear regressions, it is found that hypothesis 4 variable of ownership structure proxied by managerial ownership (manj) has no significant effect on income smoothing practice. This is seen from the significance value of  $0.12 > 0.05$ , the managerial ownership variable shows the value of negative coefficient that is not significant indicating that the managerial ownership of the previous year did not affect the practice of income smoothing done by the company in the current year.

## 5 CONCLUSION AND RECOMMENDATION


Profitability of company's proxied by ROA significantly influence the practice of income smoothing in plantation companies listed on the Indonesia Stock Exchange. The results of this study indicate that a company with high profitability does not tend to practice income smoothing. The financial risk of a company proxied by leverage does not significantly affect the practice of smoothing earnings in plantation companies listed on the Indonesia Stock Exchange. The

value of the company proxied by PBV has no significant effect on the practice of income smoothing in plantation companies listed on the Indonesia Stock Exchange.

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