

STIE ADI UNGGUL BHIRAWA (AUB) SURAKARTA

# PROCEEDING

The 2<sup>nd</sup> International Seminar and Call For Paper

## The Transformation of Cultural and Economic in Global Market Acces



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**THE 2<sup>ND</sup> INTERNASIONAL SEMINAR AND CALL FOR PAPER**

**THE TRANSFORMATION OF CULTURAL AND ECONOMIC  
IN GLOBAL MARKET ACCES**

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## PREFACE

We would like to thank Allah SWT has guidance us so that all preparatory activities of the 2<sup>nd</sup> International Seminar and Call for Papers can be conducted successfully. The second International Seminar and Call for Papers aims to disseminate the results of research in the transformation of cultural and economic in global market access. The international seminar and call for papers fields are: human resource management, marketing management, management accounting, finance and business management, production and operation management and entrepreneurship.

Result of the 2<sup>nd</sup> International Seminar and Call for Papers will be published only on ISBN proceeding. We hope this activity will continue on a regular international seminar and call for paper once every two years with the result of advance research in economic sciences again.

The 2<sup>nd</sup> International Seminar and Call for Papers has been successful because it was supported of STIE AUB Surakarta, Directorate General of Foreign Trade Ministry of Trade and Indonesia Young Entrepreneur Association as well as sponsorship when we can not mention one by one. The committee would like to thank to all those who have helped the second International Seminar and Call for Papers.

In closing we wish to express my gratitude to all participant for their full cooperation and contribution to this seminar. Lastly, We wish you all a fruitful seminar and may we could gain positive outcome and conclusion from this seminar.

Very Sincerely Yours,

Dr. Agus Utomo  
Chief The 2<sup>nd</sup> International Seminar and Call for Papers

## FOREWARD

One of the major sources of change in the world of economy will come from the emergence of large developing countries. Growth generated by these countries will become a greater force in the world than the current interconnected economy.

Increasing attention in recent years is given to opportunities and challenges faced by China, India, and other emerging countries to develop countries such as the U.S., Europe, and Japan. Developed countries would receive the flow of cheap imports from emerging economic countries, so that it can sustain low inflation, interest rates, and enhance consumer welfare. At the same time, countries like China and India grow and open up than domestic market. It is being estimated that economic growth of emerging countries will exceed the economic growth of the developed countries.

The role of Asian countries in the world economy growing is to make business activities more open, giving birth to new entrepreneurs, and certainly requires better management capabilities. Information technology will become a mainstay in supporting business activities. The hope will be done with the business activities continue to promote environmental sustainability.

The process of starting up and developing a business is not just an adventure, but also a real challenge. In order to help entrepreneurs with this, it is essential to create a favourable business environment. Ensuring easier access to funding, making legislation clear, more effective, developing an entrepreneurial culture and supporting networks for businesses are important to set up and to grow businesses.

STIE AUB Surakarta proudly presents The 2<sup>nd</sup> International Seminar and Call for Papers “The Transformation of Cultural and Economic in Global Market Acces”. The international seminar aims to facilitate the academics, researchers, business, consultants, students and managers (in corporation, government, social organization, education institution) in Indonesia and abroad to share and exchange their thoughts and experiences. We welcome sponsorships from organizations to get the advertisement opportunity with the practitioners, academics, researchers, and students in the field.

Best Regards,

Dr. Anwar Hamdani, SH, SE, MM, M.Hum  
Chairman of STIE AUB Surakarta

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## **CUSTOMER EQUITY AND TRUST EFFECT ON WORD OF MOUTH AT PRIVATE UNIVERSITY**

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### **ABSTRACT**

Consumer trust for a product or brand had an effect on consumer loyalty. One of consumer loyalty to the product or brand is word of mouth. This is also applied at private university, which is the student trust for what they received during their study will form into a consumer satisfaction. Therefore, the purpose of this research was to determine the effect of customer equity and consumer trust in word of mouth at private university. This is a survey research with quantitative descriptive research model. The populations are Muhammadiyah University of Yogyakarta undergraduate students in five semesters and upwards, with sample are n=150. The questioner has been tested previously to n=30 respondents and tested the validity and reliability. The result is 100% said the question is valid and reliable to be used. The research method using SEM analyze test. The result from this study is the negative influence of brand equity to the trust. Direct influence brand equity to trust the students obtained a negative contribution value, which lowers the level of confidence of students. However, there is no positive influence brand equity towards WoM. Direct influence brand equity against the perpetrators of the same word of mouth. Then, from the analysis of the positive influence equity value of the trust. In contrast to its effect on WoM, where no positive effect. Direct influence equity value of perpetrators of Word of Mouth contributes given. The final result for a positives influence relationship equity to the trust, with the direct effect of a given magnitude. In contrast to the effect on WoM, where there is no positive influence relationship equity towards WoM. Results from these two values provide information that there is a positive influence trust to WoM. It was concluded that student confidence is directly contribution.

Key words: Word of Mouth, Trust, Customer Equity, and University

### **INTRODUCTION**

The demands of the world of work against the employees have the knowledge and skill level is higher, resulting in an increased demand for the degree program in Higher Education. In the development of quality human resources, this is an opportunity for higher education institutions to develop itself by opening courses that certainly related to the needs of the market.

The pattern of changes in education so quickly, one after another and globalization in all fields including education, led to fierce competition in the field of business education services. Therefore Marketing services from education programs in higher education institutions should be the act professional in every activity of educational services.

Each college trying to maintain the quality of services offered in order to always be on top of its competitors and better. If the quality of student services received better or in line with expectations, it tends to give a good perception to others. The better the value provided to the consumer, it will have an impact on customer satisfaction and invited the other consumers. Basically every customer is satisfied not only will increase the profits were for the organization but will improve the relationship to the organization (Barletta, 2004). The purpose of the activities to foster good relationships with consumers are to increase customer equity. A good relationship between university students by providing quality and quantity of education quality will produce a good relationship thus increasing student equity.

Basically equity is the key to the success of an organization or company in the long term. In general equities to describe customer centric organization. Therefore the customer equity is the value to be obtained by the organization or company from its relationship with the customer throughout the customer life cycle. Measuring the level of customer equity is formed, Rust et.al (2000) stated that there are three driving factors that once served as a dimension of customer equity. The third factor that is driving the brand equity, the equity value, and the equity relationship. Brand equity by Rust et al. (2000) is a promising brand power consumers expected value of a product so that ultimately the consumer will feel to get more satisfaction when compared to other products. Brand equity to the University can be seen from the types of faculties and departments associated therein, in addition to the quantity and quality of a given university. Equity value by Rust et al. (2000) as an objective

assessment of the customers regarding the usefulness of a bid based on the thinking of the benefits received compared to its cost. Driving equity value consists of quality, price, and convenience. Equity value within the scope of the university with more emphasis on the location of the bail conditions, a sense of comfort University. In addition pendidikan affordable cost and in accordance with the quality provided by the University.

In addition to brand equity and value equity, equity relationship (relationship equity) according to Rust, Zeithmal, Lemon (2004) the tendency of consumers to remain loyal to the brand, above and beyond the purpose of the subjective assessment of consumer and brand. Equity relationship can be seen in the university is to establish a good relationship with the students, such as providing rewards or scholarships to outstanding students, education assistance, etc. Therefore, good service system will affect the formation of the equity value and brand equity continues on equity relationships. The formation of the three equities will encourage the formation of customer-centric against an organization (Rust, Zeithmal, Lemon, 2004).

Consumer confidence in a product or brand will result in increased customer loyalty in the product or brand concerned. One form of customer loyalty in the product or the company's brand is shown in the form of word of mouth (Ranaweera and Prabhu, 2003). Basically word of mouth is a statement (in a personal or non-personal) submitted by someone other than the organization (service provider) to customers (Tjiptono, 2002). Word of mouth is usually readily accepted by customers because they can present it is believed, as the experts, family, friends and the mass media publications. In addition, word of mouth is also quickly accepted as a reference because more customers trust recommendations from others than ads.

### RESEARCH METHODOLOGY

Basic method used in this study is descriptive method, describes the relationship between phenomena, hypotheses test, and make the implications of a problem to be solved .While the descriptive method according Singarimbun and Effendi (1989) for the purpose of careful measurement of social phenomena. he purpose of this study was to determine and explain the effect of customer equity (brand equity, value equity, and relationship equity) and trust in the trust and Word of Mouth

#### Population

The population in this study were all students of bachelor, University of Muhammadiyah Yogyakarta about the fifth semester, amounting to over  $N_1 = 12,000$  students who comprise the Faculty of Engineering, Agriculture, Medicine, Economics, Social and Political Science, Law, and Islam.

#### Sample

The sampling technique used by researchers is a non-probability sample by convenience sampling category which means that members of the population are selected based on certain considerations or on the grounds of the ease with which the population at the time and place of the research being conducted. The distribution of respondents by using the following formula.

$$n_i = \frac{N_i}{N_1} \times n_0$$

Description:

$n_i$  = The number of samples of students from each department

$n_0$  = The number of sample

$N_i$  = The number of all students from each department

$N_1$  = The number of all students

Based on the calculation above, the obtained amount of samples are  $n_0 = 150$  students. The criteria for inclusion of students the right to serve as the object of the research is as follows:

- a) Students Bachelor of the University of Muhammadiyah Yogyakarta
- b) Students who have taken more than half of 5

### Variable Operational Definition

#### Exogenous variables

According Singgih (2012), exogenous variables are independent variables that affect the dependent variable. In the SEM model of exogenous variables indicated by the arrows coming from the variable to the endogenous variabel. In this study, the exogenous variables is the brand equity (X1), value equity (X2) and relationship Equity (X3).

Brand Equity (X1), is the power of the brand that provide value to the consumer (Simamora, 2001). Forming elements of brand equity: brand awareness, perceived quality, brand association, brand loyalty, brand proprietary, other assets. Value Equity (X2), as an objective assessment of the usefulness of a brand that is based on the perception of what is given to what is obtained. The indicator or concept analysis of the equity value of that quality, price and convenience. Relationship Equity (X3), the tendency of consumers to remain loyal to the brand, above and beyond the goals of consumer and brand subjective assessment, based on the company's efforts to build and strengthen relationships. Indicators of equities driving relationship: loyalty, the community connecting consumers with other consumers in an enterprise, knowledge creates a strong structural bond between consumers and companies, so that consumers are reluctant to build relationships with same companies

#### Endogenous variables

Endogenous variable is the dependent variable that is affected by the independent variable. In the SEM model of endogenous variables indicated by the arrows towards these variables. In this study, the variables Student Trust (Y1) and word of mouth perpetrators of Communication (Y2). Communication Word of Mouth (WoM) (Kotler & Keller, 2007). There are five indicators of word of mouth: the perception of risk, consumer knowledge, satisfaction, incentives, and opinion leaders. Student Trust, trust as a condition when one of the parties involved in the exchange process confident with the reliability and integrity of the other party. Confidence can be measured through, Technology Orientation, Reputation, and Perceived Risk.

Table 1. Variable and Research Indicators

Variable		Indicator	Manifers	
Exogen	Brand equity	Brand Awareness	UMY have A grade for many faculties and majors.	
		Perceived Quality	UMY have many choice majors for regular or international class.	
		Brand Association	UMY was a best private university in Indonesia.	
		Brand Loyalty	UMY has graduated many student with more benefit such as credibility and loyalty to enter the real work and society.	
		Other Proprietary Brand Assets	UMY was the university that the student was proud.	
	Value equity	Quality	Quality	Quality of services was good. Many facilities in UMY helped the student easier their study.
			Price	Study cost was equal with the benefit.
		Satisfy	Location was strategic. The service and administration were good.	
	Relationship Equity	Loyalties	Loyalties	UMY has many scholarship inside or study abroad for clever student. UMY give a donation for poor student.
			Community	UMY has many connection to another University in many countries, indeed UMY has many student exchange program. UMY make alumni community for any purpose such as social and scholarship.
		Knowledge	Knowledge	UMY give <i>reward</i> or award for each student who have contribution.

Endo gen	Word of Mouth Communication (WoM)	Risk Perception	Share the big name of UMY and the majors to another.	
		Knowledge	Give the explanation any majors in UMY.	
		Satisfied	Share to another about satisfied, quality, and facility among the study.	
		Insentif	Give the detail of study cost to another.	
		Opinion Leader	The information was share is true story.	
	Trust	Technology Orientation.		UMY give a lot of impact for each student to be success full person. UMY was approved can compete with another university from the awards UMY have.
			Reputation	UMY have an outstanding predicate inside and outside country. UMY reputation was a best university equal with quality.
		Perceived Risk		UMY give a detail information about admission, graduation, and scholarship

**HYPOTHESIS**

- H1: Brand equity positive effect on confidence
- H2: Brand equity positive effect on WOM
- H3: Equity value positive effect on confidence
- H4: Equity value positive effect on WOM
- H5: Equity positive effect on the relationship of trust
- H6: Equity relationship positive effect on WOM
- H7: Belief positive effect on WOM

**RESULTS AND DISCUSSION**

The purpose of the confirmatory factor analysis is to examine the dimensions unidimensionalitas of forming respective latent variables to see the value Loading factor. Loading Factor values obtained for the whole variable. Loading Factor is based on the value obtained for each item has been above 0.4, therefore it can be concluded that the question items on the entire variable is said to be valid.

Based on observations obtained value Composite reliability, said items of each variable reliable if Composite reliability > 0.6. Based on the above results obtained Composite reliability for each variable for the regions with a valid query items above 0.6, it can be said to be reliable.

**Analysis of Structural Equation Modeling (SEM)**

To test the hypothesis as described in the previous section performed statistical tests with calculations Structural Equation Modeling (SEM) Before performing the analysis of hypothesis testing using SEM, there are some prerequisite that must be met where the SEM models must meet the criteria of goodness of fit.

**Evaluation criteria of goodness of fit**

**Evaluation of multivariate outlier**

The outliers can be evaluated in this study using multivariate analysis of outliers. Outlier with multivariate analysis seen from Mehalanobis Distance value, based on the value of P1 or P2. If one of the values P1 and P2 are values of less than 0.05, the observation of the number of data containing outliers.

There are several observation number values have a value of P1 and P2 under 0.05, so it can be ascertained that the observation contains a number of outliers. The reason in this study due to the number of samples or the respondent used a number of actual population data, so if the value of the number observation has omitted Oulier value will reduce the number of samples in this study and is not in accordance with the minimum limit research using SEM.

**1) Normality Test**

Testing by univariate normality is to observe the value of skewness and kurtosis of the data used, if the value of CR on skewness and kurtosis CR on the data in between the range of between + 2.58, the data used in this study can be considered normal. There is no value of C which is outside ± 2.58, so it can be concluded in univariate been good even though there are some good indicators of CR CR skew and kurtosis are not normal but the data can still be said to be normally distributed.

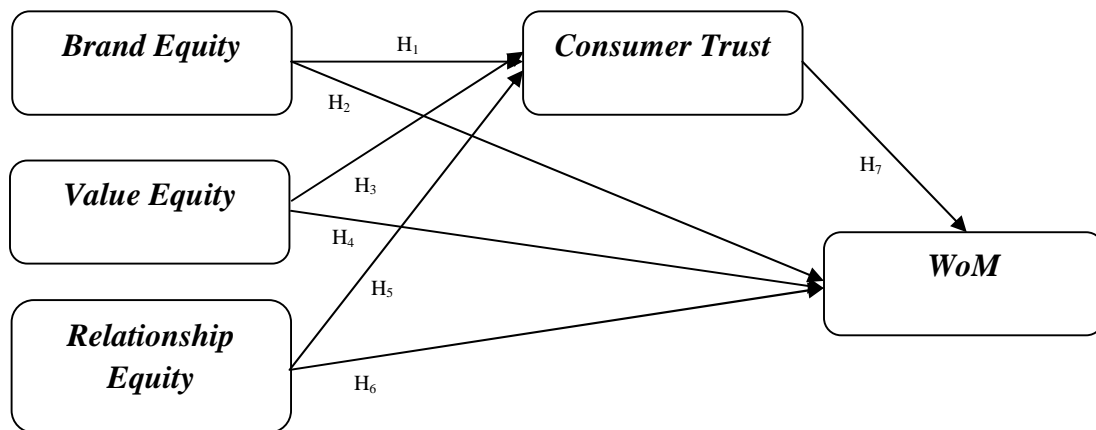
**2) The Suitability of The Model Goodness of Fit Test**

Conformance testing research models used to test how well the level of goodness of fit of the model study. Test results are known goodness of fit index of existing criteria of which are in good condition (Fit). With this result the whole it can be said that the model study had the goodness of fit is good.

**Parth Analysis Structural Equation Modeling (SEM)**

Testing the model in Structural Equation Model done with two tests, which test the suitability of the model and the significance test causality through regression coefficient test. The conceptual framework of this research are:

Pictures 1. Conceptual Framework



H <sub>1</sub>	-0,291	0,420
H <sub>3</sub>	<b>0,495</b>	<b>0,015</b>
H <sub>5</sub>	<b>0,430</b>	<b>0,024</b>
H <sub>7</sub>	<b>0,319</b>	<b>0,016</b>
H <sub>2</sub>	-0,244	0,376
H <sub>4</sub>	0,188	0,133
H <sub>6</sub>	<b>0,277</b>	<b>0,047</b>

Based on the framework that has been presented in the previous section, the structural equation to be searched and tested the coefficient is as follows:

Equation one:

$$\eta_2 = -0,291\zeta_1 + 0,495\zeta_2 + 0,430\zeta_2 + z_1$$

Equation second:

$$\eta_1 = -0,244\zeta_1 + 0,188\zeta_2 + 0,277\zeta_2 - 0,319\eta_2 + z_2$$

Description:

$$\eta_1 = WoM \quad \eta_2 = Consumer Trust$$

Once known models of SEM in accordance with the framework of the research, it is for hypothesis testing based on research data processing using SEM analysis, by analyzing the value of regression. Once the model is qualified, then that needs to be done next is to test the regression

weight/loading factor. This test is done the same as the t test for regression weight / loading factor / coefficient models.

Testing this hypothesis is to analyze the value of Critical Ratio (CR) and the Probability (P) if the results of the data, compared with the required statistical limits, ie above 1.96 for the value of CR and below 0.05 for the value of P (probability) , If the results if the data indicates the value to qualify, then the research hypothesis proposed is acceptable.

**Direct and indirect influence**

In this study the contribution made to brand equity, the Equity value and the equity relationship to the trust of students and actors Word Of Mouth. Obtained contributions direct effect of each variable. The direct effect of the equity relationship to trust students to contribute given by 33.5%, while the perpetrators of Word of Mouth contribution given by 25.7%. While the direct effect of equity value of the trust students by 39.7%, while the perpetrators of Word of Mouth contribution given by 18%. The direct effect of brand equity to trust the students obtained a negative value contribution, which lower the confidence level of 8.1% of students as well as to the perpetrator Trends word of mouth. The amount of direct influence on the students trust word of mouth perpetrators contribution in the amount of 37.9%.

This means that the confidence of students to the University as a place to learn firsthand a very large contribution to the perpetrator in doing word of mouth. It can be concluded that the confidence of students directly contributes to word of mouth perpetrators dipengaruhi by the equity value and the equity relationship.

The indirect effect is the contribution made by the independent variable on the dependent variable mediated the intervening variables. The results of the indirect effect is as follows:

Table 3. Standardized Indirect Effect in SEM Analysis

	<i>Relathionship_Equity</i>	<i>Value Equity</i>	<i>Brand Equity</i>
<i>Trust</i>	.000	.000	.000
<i>Word of Mouth</i>	.127	.151	.031

Source: Calculations by AMOS

Based on the above table is obtained indirect effect between on the brand equity, the value equity and the equity relationship against the perpetrators of Word Of Mouth after the confidence level of the student. The first contribution of the indirect effect relationship equity against the perpetrators of Word Of Mouth after the student confidence level of 12.7%. Then the indirect effect between the equity value of perpetrators of Word Of Mouth after the confidence level of students at 15.1%. Lastly the indirect effect between brand equity against the perpetrators of Word Of Mouth after the confidence level of students in 3.1%.

**Hypothesis**

**1. Brand equity positive effect on trust**

Based on the data processing is known that the value of CR in the table above is at 0.807 P value of 0.420. Results from these two values provide information that there is a positive effect of brand equity to trust, because it does not fulfill the prerequisites which the CR values above 1.96 and did not meet the P value below 0.05, thus it can be said that the hypothesis 1 (H1) declined. The direct effect of brand equity to trust the students obtained a negative value contribution, which lower the confidence level of 8.1% of students. brand equity in a university environment includes a good rating, accreditation of each department have an average rating of A, the regular class and international, have high credibility and loyalty for each alumni. But it does not affect the confidence level of the students, because the brand equity is yet to be felt most students.

In a study of brand equity is not give effect to trust the students because the product does not determine the student be well received or not, have credibility and loyalty are high or not, melaikan of self students themselves who conducted the study at the university, where university just provide the facilities and advantages that can attract any prospective student later. So that the confidence level of the university students are not solely caused their brand equity.

## **2. Brand equity positive effect on WOM**

Based on the data processing is known that the value of CR in the table above is at 0.885 P value of 0.376. Results from these two values provide information that there is a positive effect of brand equity towards WOM, because it does not fulfill the prerequisites which the CR values above 1.96 and did not meet the P value below 0.05, thus it can be said that the hypothesis 2 (H2) is rejected. The direct effect of brand equity (brand equity) to the same word of mouth perpetrators of 8.1% . Basically the students who conducted the study at the university can not perceive it to others, because the experience of brand equity given by the university can not be felt directly so it will not cause the behavior of Word of Mouth (WOM). The indirect effect between brand equity against the perpetrators of Word Of Mouth after the confidence level of students in 3.1%.

## **3. Equity value positive effect on confidence**

Based on the data processing is known that the value of CR in the table above is at 2.345 P value of 0.015. Results from these two values provide information that there is a positive effect of the equity value of the trust, because it meets the prerequisites in which the value of CR above 1.96 and below 0.05 meets the P value, thus it can be said that the hypothesis 3 (H3) be accepted. The direct effect of equity value of the trust students by 39.7%. In this study, the equity value has the highest role of the level of confidence on the university students who serve as a place of learning, so the equity value contributed most to the confidence level of students.

Equity value were assessed from the university give good service, great location, tuition fees are set commensurate with the quality and quantity are obtained, the service is easy and good bureaucracy, the number of facilities provided by the university. Therefore, the level of equity value is a factor that actually can be assessed objectively and directly perceived level of confidence that will lead to the perception that has been felt by students. Basically equity value provide comfort, equivalent price and quality provided to students. Confidence level students above what was once perceived to be an impact on the provision of correct information because it fits with the fact of having experienced students.

## **4. Equity value (equity value) positive effect on WOM**

Based on the data processing is known that the value of CR in the table above is at 1.504 P value of 0.133. Results from these two values provide information that there is a positive effect of the equity value towards WOM, because it does not fulfill the prerequisites in which the value of CR above 1.96 and did not meet the P value below 0.05, thus it can be said that Hypothesis 4 (H4) was rejected. The direct effect of equity value of perpetrators of Word of Mouth contribution given by 18%.

This condition is different from the level of equity value, which is built at the university, which was not directly affect the perpetrators of word of mouth in this case the student as the culprit. The amount of a given quality and quantity, at reasonable prices, as well as strategic location, but if it is not accompanied by the perception of high confidence will not move a person to provide clear information to others. Basically the act of a person to provide information to others about what he had felt before will happen by itself if someone is really feeling terpuasakan with what he earned.

As well as students who have felt from sistem service good university, recognizes the location of the university yag strategic and bureaucratic services good university, reasonable price according to the quality and quantity given, etc. and it is used by students as a perception that should be communicated to others then the student will indirectly provide such information. Unlike the students who do not make all the services obtained become sutau perception, then the student will not provide information to others related to the service that has been felt from the university. Basically perception obtained by students from the level of equity value if used as a student sehigga confidence confident with what is obtained is a good thing, then indirectly the students will provide information to others via word of mouth. Based on the results of research indirect effect between the equity value of Word Of Mouth after the confidence level of students at 15.1%. Basically perception obtained by students from the level of equity value if used as a student sehigga confidence confident with what is obtained is a good thing, then indirectly the students will provide information to others via word of mouth. Based on the results of research indirect effect between the equity value of Word Of Mouth after the confidence level of students at 15.1%.

### **5. Equity relationship positive effect on confidence**

Based on the data processing is known that the value of CR in the table above is at 2.255 P value of 0.024. Results from these two values provide information that there is a positive effect of the equity relationship to trust, because it meets the prerequisites in which the value of CR above 1.96 and meets the P value below 0.05, thus it can be said that the hypothesis 5 (H5) be accepted. The direct effect of the equity relationship to trust students to contribute given by 33.5.

Equity relationship is the second highest factor after the equity value, which have contributed or direct influence on the confidence level of the students. Similarly, the equity value (equity value), in which case the equity relationship have an impact on increasing the confidence level of students who built because of the contribution made from the university.

As for the matters relating to the equity relationship loyalty, cooperation and awards given to students. Loyalty is given to students can take the form of providing a wide range of domestic and foreign scholarships for outstanding students and provide funds for each student that feels not well off financially. While the terms of the relationship with the university gives road space to establish a relationship with the University abroad, so it is not uncommon to many lessons exchange programs, and to make the university's alumni alumni community, for a variety of activities such as scholarships, social, etc.

In addition to equity shows the relationship universities provide rewards or rewards for every student achievement. Equity relationship given by the university to students as a form to show flexibility in dealing and maximizing the mutual benefits of the relationship between students and the university. Therefore, the presence of a mutually beneficial relationship will be formed for the confidence level of students for what they have gained from the universities that are providing good input.

### **6. Equity relationship positive effect on WoM**

Based on the data processing is known that the value of CR in the table above is at 1.988 P value of 0.047. Results from these two values provide information that there is a positive effect of the equity relationship towards WoM, because it meets the prerequisites in which the value of CR above 1.96 and meets the P value below 0.05, thus it can be said that the hypothesis 6 are accepted. The direct effect of the equity relationship against the perpetrators of Word of Mouth contribution given by 25.7%. Basically equity relationship by consumers will impact customer satisfaction because it was considered.

However, in contrast to the results of this study, in which the equity relationship did not affect the action of students to do word of mouth. This is the same as the customer equity, the other is the equity value and the equity of the brand, It is not contribute directly to the word of mouth because of the absence of a strong perception of the students who make a leap of faith because it has merasasakan earlier. Unlike the students who do not get good opportunities such as scholarships and awards which will feel the dissatisfaction against the university, so it is not possible to provide information to others with a good perception. In addition, students are aware of the attitude of loyalty given by the university although it does not get that chance, if students are convinced and believe the equity relationship will possibly take action to provide information to others. The indirect effect of equity relationship against the perpetrators of Word Of Mouth after the student confidence level of 12.7%. Basically any equity relationship with a student will have an impact on the satisfaction of the students because they feel cared for, so it does not shut down the slow lorises will be established a relationship with the other prospective students later.

### **7. Trust positive effect on WOM**

Based on the data processing is known that the value of CR in the table above is at 2.402 P value of 0.016. Results from these two values provide information that there is a positive effect of trust of the WOM, because it meets the prerequisites in which the value of CR above 1.96 and meets the P value below 0.05, thus it can be said that the hypothesis 7 (H7) be accepted. The amount of direct influence on the students trust word of mouth perpetrators contribution in the amount of 37.9%. It can be concluded that when the value of customer confidence increased by 1 then it will increase the value of customer WOM by 0.837. These results mean that the confidence of students to the University of Muhammadiyah Yogyakarta as a place to learn firsthand a very large contribution to the perpetrator in doing word of mouth. It can be concluded that the

confidence of students directly contributes to word of mouth perpetrators dipengaruhi by the equity value (value of equity) and the equity relationship (relationship equity).

It is known that the confidence of customers who gathered in confidence in the company's or management called Credibility. Confidence of students to universities that serve as a place to learn because of the Technology Orientation, Reputation, and Perceived Risk. Belief views of Technology Orientation to provide many great benefits to every student to be a useful and successful and be able to compete with other universities to gain some appreciation. Then students from the trust Reputation is where the university has a rating that is extraordinary both inside and outside the country and as the best university in accordance with the quality provided. Perceived Risk of side student confidence due to give good information registration, graduation, scholarship clearly on each prospective student. This indicates that if students have a high level of confidence, the higher the behavior of Word of Mouth, played by students of the university and its services and all products provided the university.

### CONCLUSION

The negative influence of brand equity to the trust. Direct influence brand equity to trust the students obtained a negative contribution value, which lowers the level of confidence of students. However, there is no positive influence brand equity towards WoM. Direct influence brand equity against the perpetrators of the same word of mouth. Then, from the analysis of the positive influence equity value of the trust. In contrast to its effect on WoM, where no positive effect. Direct influence equity value of perpetrators of Word of Mouth contributes given. The final result for a positives influence relationship equity to the trust, with the direct effect of a given magnitude. In contrast to the effect on WoM, where there is no positive influence relationship equity towards WoM. Results from these two values provide information that there is a positive influence trust to WoM. It was concluded that student confidence is directly contribution.

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## E-COMMERCE CONSUMER PROTECTION IN PERSPECTIVE

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### Abstract

This study is to find out how legal protection for consumers in e-commerce. When consumers harmed in e-commerce remedy what can be done by consumers and how should the model of consumer protection in e-commerce. This research is a normative-empirical, the research by reviewing legislation related to the problem and empirical research to gather information in the field with observations, distribute questionnaires and interviews to the competent authorities to the problems examined. Results of this study found there are still consumers in e-commerce legally existing legal protection namely the presence of UUPK, KUHPperdata, KUHPidana dan UU ITE. The results in the three stores on line shows that e-commerce businesses are trying our best attention to the rights of consumers as is the case in the legislation. However, from the results of the questionnaire found that consumers never harmed businesses in e-commerce. This is due to the lack of supervision in the e-commerce and the lack of understanding and the accuracy of the consumer. Besides, there are e-commerce businesses that do not comply UUPK. Efforts to do is complain to their consumer businesses, Efforts to do is complain to their consumer businesses YLKI, prosecution in court or resolve problems in other dispute resolution institutions. Model of consumer protection in e-commerce businesses should be in the e-commerce web site design featuring a nice and informative, there is no guarantee of security in the digital signature, no supervision in e-commerce and insurance holding in e-commerce as well as some sort of guarantee institutions such as warranty bank.

Keywords: Consumer, Online Entrepreneur, E-Commerce.

### A. Background Issues

In the Middle of the globalization of communications are increasingly integrated (global communications network) with the growing popularity of the Internet, as well as the development of technology and information in Indonesia, so buying and selling transaction was initially conventional slowly turning to transaction of buying and selling goods in electronic that use media internet, known as e-commerce or electronic commerce contracts.

E-commerce can be understood as the activities of trade transactions of goods and services through electronic media providing ease in consumer transaction activity on the internet.

E-commerce has been widely used, especially in Indonesia along with the increase of Internet users in Indonesia. It is estimated that approximately 34 million Internet users (<http://www.program5milyard.com>), the end of 2010. In the era of globalization and free trade today, many emerging assorted goods / services being marketed to consumers, either through promotion, advertising , and deals directly. If not careful in selecting the goods / services desired, the consumers will be the object of exploitation of business people irresponsible. Without realizing it, consumers take for granted goods / services it consumes.

E-commerce provides an incredible comforting familiarity to consumers, because consumers do not need to leave home to shop in addition to the selection of goods / services with a variety of relatively competitive prices. This is a challenge which both positive and negative. Some of the legal issues that arise in the field of law in the activity of e-commerce, among others:

1. Authentication legal subjects who make transactions over the Internet;
2. when the agreement is valid and has legally binding force;
3. The object of the sale transaction
4. The mechanism of transfer of rights
5. The legal relationship and responsibilities of the parties involved in the transaction both sellers, buyers, and supporters such as banking, internet service provider (ISP), and others
6. The legality of electronic records and document digital signature as evidence
7. dispute settlement mechanism;
8. The choice of law and forum judicial authorities in settlement

According to the General Law/UU No. 8 of 1999 on Consumer Protection (UUPK/BFL), the main factors that cause the exploitation of consumers often occur because of the low awareness of

consumer rights. Obviously, this is closely related to lower consumer education. Therefore, the existence UUPK is a strong legal foundation for empowering consumers. If seen more consumer was not only faced with the problem of the lack of awareness and ignorance (education) them of their rights as consumers. Moreover, consumers did not have a bargaining position (bargaining position) who balanced with the business actors. This was shown once on the raw treaty ready for signing and form of standard clauses or provisions that are not basic informative and cannot be negotiable. Based on the above conditions, empowering consumers to be very important. To realize the empowerment of consumers would be very difficult if expecting the awareness of business actors first. Due to the principle adopted by businesses in running its economy is the economic principle, namely to get profit as much as possible with minimal capital. That is, the general thought like this, it is possible consumers will be harmed either directly or indirectly.

### **1. Formulation of Problem**

From the background of the above problems, it can be resumed some problems as follows:

- a. How does legal protection for consumers in e-commerce?
- b. What legal efforts would consumer do if harmed in e-commerce?
- c. How does the model of consumer protection in e-commerce?

### **2. Research Objectives**

The purpose of this research is as follows:

- a. To find out how the legal protection for consumers who making transactions in ecommerce based on existing regulations
- b. To determine the legal remedies that can be taken by consumers were harmed in making transactions through e-commerce
- c. To find out how best model of consumer protection in e-commerce

### **3. Usability Research**

The benefits of research are as follows:

- a. Theoretically  
Theoretically it can be input for the drafting of regulations on the protection of consumers especially legal protection in e-commerce and can add and enrich the knowledge of the legal effort which can be done by e-commerce consumers if consumers harmed in the transaction. Because increasingly more both businesses and consumers who are interested in e-commerce transactions, the results of this research would be able to gain knowledge about future protection model which more secure and protected position of the consumer.
- b. In Practice  
This research is expected to become supporters in the protection of consumers especially in e-commerce, and are also expected to be input for other researchers which will discuss consumer protection, especially in e-commerce. Also taken into consideration for further research on e-commerce consumer protection which not discussed in this research for future researchers.

## **B. Study Theory**

### **1. Definition and History of Consumer Protection Laws**

Consumer protection law consist of two elements, namely "laws and" consumer protection ". Legal sense many legal experts have given the definition, among others, according to Aristotle's Law is a kind of order and good law is good order, a mind that is not influenced by passion and a middle ground . While consumer protection laws PK according to Article 1 paragraph 1 mentioned that "consumer protection is all the effort which guarantees the legal certainty to provide protection for consumers". Consumer Protection Law is needed if conditions are parties hold legal relationships or problematic in a society that is not balanced. "

Basically both consumer law and consumer protection law talk about the same thing, namely the legal interest (the rights of) consumers. How were consumer rights recognized and regulated in the law and how enforced in the practice social life.

Consumer protection law or consumer law can be interpreted as a whole laws that govern the rights and obligations of consumers and producers arising in its efforts to meet its needs. (N.H.T. Siahaan). Object rather than consumer protection laws are the consumers, the notion of consumers according to BFL Article 1 paragraph 2 is "every user of goods and / or services

available in the community, for the benefit of themselves, their families, other people, and other living beings and not for sale".

Consumer Law Developments in the world originated from the consumer protection movement in the 19th century, mainly be marked by the emergence of consumer movement in the United States. Consumer protection laws in Indonesia only began in the 1970s. It is characterized by the establishment of the Indonesian Consumers Foundation (YLKI) in May 1973, chaired by Lasmidjah Hardi. At that time, the idea of consumer protection communicated widely through various consumer advocacy activities, such as education, research, testing, and consumer complaints and media publications. However, over the course of time, the movement of consumer protection (such YLKI) is done through a legal corridor, is how to provide assistance to the public or consumers.

In the reform era, the realization of the desire of consumer protection legislation can be met. At the time of BJ Habibie, precisely on 20 April 1999, the Draft Law on Consumer Protection was formally endorsed as the Consumer Protection Act No. 8 of 1999.

## **2. Rights and Obligations of Consumers**

At the present time this is not a secret that in fact the consumer is king, therefore, as a manufacturer that has a holistic marketing principles should be paying attention to all which rights of consumers. From that sense, so the extent of understanding of consumers and consumer protection (consumer protection) it can also be seen in conjunction with the agreement or contract. By Ali Mansour, at least there are four basic reasons why consumers need to be protected, namely:

- a. Protecting consumers is synonymous with protecting the entire nation, as mandated by the national development objectives according to the Preamble of the 1945 Constitution.
- b. Protecting consumers need to prevent consumers from the negative impact of the use of goods and services.
- c. Protecting consumers need to give birth to healthy spiritual and physical humans as development actors, which means also to maintain continuity of national development.

Besides the actual consumers have the right, both nationally and internationally. National consumer rights contained in Art 4 UUPK, where noted, the consumer has the following rights:

1. The right to choose the goods and / or services, as well as get the goods and / or services in accordance with the exchange rate and conditions, as well as the guarantees promised.
2. The right to be heard opinions and complaints on goods and / or services used.
3. The right to receive guidance and consumer education.
4. The right to compensation, compensation and / or reimbursement, if the goods and / or services received are not in accordance with the agreement or not as it should be.
5. The rights set forth in the provisions of other legislation.

## **C. Principles and Objectives of Consumer Protection**

The principle of consumer protection based on laws of Consumer Protection chapter 2, there are five principles in consumer protection, namely:

1. The Principle of Utility  
the intent of this principle is to mandate that all efforts in the implementation of consumer protection should provide maximum benefit to the interests of consumers overall business.
2. Principle of Balance  
This principle is intended to provide a balance between the interests of consumers, businesses, and governments in terms of material and spiritual.
3. Principle of Security and Consumer Safety  
This principle is intended to provide a guarantee for the security and safety to consumers in the use, handling, and use of goods / services consumed or used.
4. The principle of Rule of Law  
This principle is intended to both businesses and consumers comply with laws and obtaining justice in the implementation of consumer protection, as well as the state ensures legal certainty.

Purpose of Consumer Protection in Consumer Protection Act chapter 3, it was mentioned that the purpose of consumer protection as follows:

1. Increase awareness, ability and independence of the consumers to protect themselves.
2. Raising the value and dignity of consumers by keeping them from negative access of goods / services uses.
3. Improving consumer empowerment in selecting, specifying, and demand their rights as consumers.
4. Creating a consumer protection system contains elements of legal certainty and transparency of information and access to legal information and information transparency and access to information
5. Improving the quality of goods / services that guarantee the continuity of the production of goods / or services, health, comfort, and safety of consumers.

#### **D. Overview of E-Commerce**

##### 1. Definition of E-Commerce

The term of Electronic Commerce do not yet have a definite term / base. There are several terms that are generally known as E-Commerce, WEB Contract and Contract of Electronic Commerce. But in this paper, the term used is e-commerce. E-commerce is part of the Electronic Business (business done through electronic media). The business sector provides a definition of e-commerce as all forms of commerce / trade in goods or services using electronic media. Electronic media here is not limited to the Internet, but because of the use of the internet today is very popular so focus of discussion in this thesis is the e-commerce on the Internet.

Position of e-commerce in Indonesian law lies in the field of civil law as a subsystem of the law of contract, then the e-commerce has the same principles to the law of treaties in general such as:. The principle of freedom of contract, the principle of consensual. Good faith principle, the principle of balance, decency principle, the principle of habit. The principle of compensation, the principle of force majeure, the principle of legal certainty, etc. Due to the enactment of legal principles in e-commerce agreement, the terms of engagement still apply, so apply Article 1320 of the Civil Code (Pasal 1320 KUH Perdata) on the validity of a treaty terms are: Agreed them to bind themselves; Equipped to make an engagement; a certain thing; a halal cause.

##### 2. Scope of E-Commerce

The scope of e commerce covers three sides of which are:

###### a. Business to Business (B2B)

Is a business communication system between business actors or in other words electronically between companies that conducted regularly and in capacity or large product volumes.

###### b. Business to Consumer (B2C)

Business to Consumer in e-commerce is a business transaction electronically conducted business actors and consumer to meet a particular need, and at certain times.

###### c. Consumer to Consumer (C2C) Consumer to Consumer is an electronic business transactions conducted among consumers to fulfill a particular need, and at a certain time anyway,, the scope of these C2C is even more special because the transactions made by consumers for consumers who require a transaction.

The basic laws of E-Commerce in Indonesia.

Law on Information and Electronic Transactions (UU ITE) No. 11 of 2008 is the main legal basis for e-commerce in Indonesia. ITE Law was adopted on 21 April 2008 and came into effect on the date of promulgation (Article 54 paragraph 1). The significance of this ITE law for e-commerce transactions is

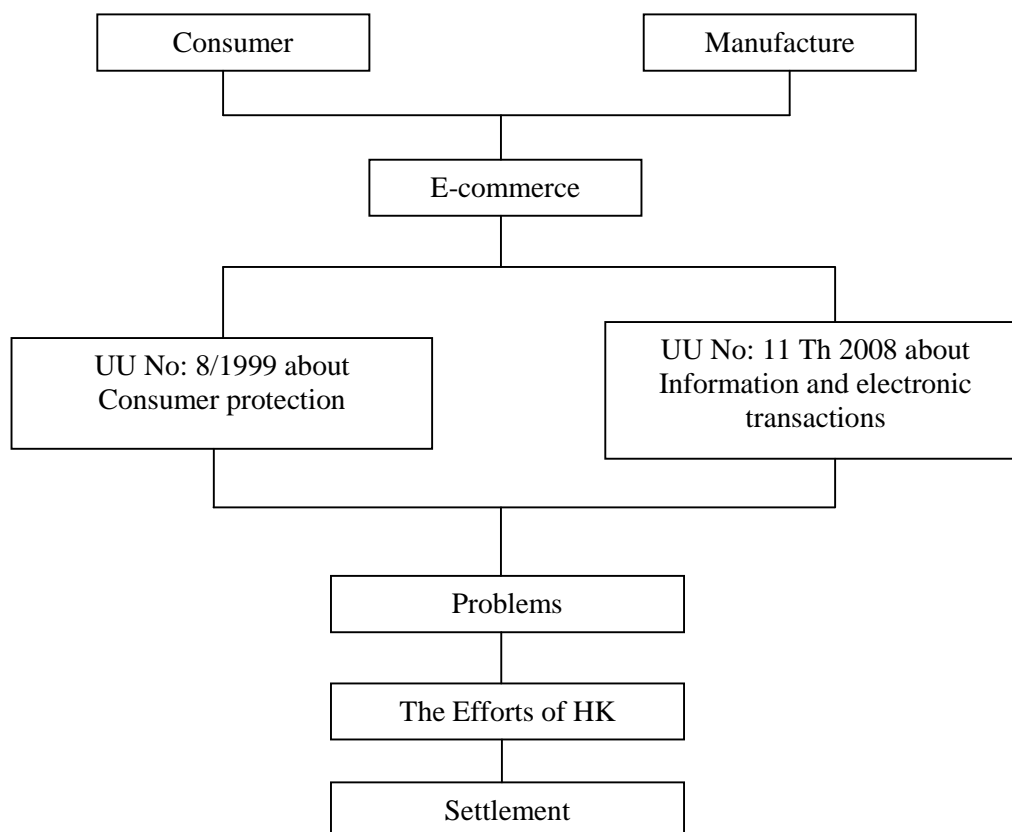
###### d. Recognition of transactions, information, documents and electronic signatures within the legal framework of the engagement and the laws of evidence, so that the legal certainty of electronic transactions can be guaranteed.

###### e. Grouped the measures included qualifying law violations related to the abuse of IT (Information Technology), accompanied by criminal sanctions.

#### **E. Thinking Framework**

This research was be done by identifying the aspects of consumer protection in trade through e-commerce. The problems of consumer protection in Indonesia, especially in trade through e-

commerce identified then made solutions to these problems. Overview of the theoretical framework of thinking it can seen as follows:



## F. Research Method

The study used the following research methods:

### 1. Types of Research

In this study, is a normative-empirical legal research. Normative legal research (normative legal research), is the research done by reviewing the legislation in force or applied to a specific legal issue. In addition, by empirical research is to gather information and opinions from practitioners who have extensive knowledge about e-commerce. With structured interviews or unstructured to entrepreneurs or businessmen as well as to consumers.

### 2. Location Research

The research was conducted in three online stores and the in Consumer institute foundation, while the sites are located are

- a. Bhineka PT Mentari Dimensions ([www.bhineka.com](http://www.bhineka.com)) the sale of electronic equipment in Cibubur floor junction 2. This online store sells computer devices, mobile phones, printers and other electronic items
- b. The Company and T-shirt Store Buzz ([www.kaosbuzz.com](http://www.kaosbuzz.com)) in Serengan Solo. This online store offers several garment products. The most numerous kinds is kind shirt.
- c. Online Roosmijati Batik P G S (<http://www.batikpgs.com>) by address Lt basement of Block B12 No. 07-08 PGS. Besides opening the web to shop online, Batik Roosmijati initially doing business in which PGS is a wholesale center in Solo.
- d. YKY / YLKI in Jogjakarta

Consumer Institute Yogyakarta (LKY) in a standing start in 1978 named the Consumers Foundation (YLK) Representative Yogyakarta. In 1999 renamed YLKI Yogyakarta. Based on results of Member Council II in 2005 renamed LKY. The organization does not have any structural relationships with institutions, both private and government. Although renamed but people still call YLKI Yogyakarta.

### **3. Data and Data Sources**

In this research of primary data source are legally materials which binding obtained through information and opinions from e-commerce business actors, practitioners and also YLKI as well as consumers from the public.

Secondary law, was obtained from the study of literature and study documents. In this research of secondary legal materials in the form of regulations that are related to the problem under study is like Law - Consumer Protection Act is law 8 In 1999, OF THE Law Information and Electronic Transaction Law No. 11 In 2009, the Book of Civil Law (Civil Code), Book of Law Criminal Law (Penal Code) as well as regulatory support in this writing.

### **4. Data Collection Methods**

Data collection method used in this research is

- a. Literature study is a review of relevant laws and regulations as well as books or literature as reading material. After a literature review was undertaken, followed by qualifying the facts and legal qualification. Qualifications facts and legal qualification is done by quoting the literature related to consumer protection and e-commerce.
- b. In addition to field research by conducting field studies with research into the location as well as conducting interviews with parties which is the source of information.

### **5. Data Analysis Techniques**

The qualitative method is a way of writing that produces descriptive analytical report. That is the way the data generated are selected, classified and identified to be analyzed in order to obtain the correct conclusion in keeping with the problems.

Analysis also made to the legal materials be done by means of descriptive, analytical, evaluative, interpretive and argumentative. Descriptions can be a depiction of are legally materials obtained in the field with combined with a secondary material as such. For further materials are processed and then interpreted.

## **G. Research and Discussion Result**

Based on the findings in the field and development results review of some of the literature associated with the formulation of the problem, then research results can be described as follows:

### **1. Legal Protection for Consumers in E-commerce**

Shopping via the Internet or e-commerce today is mostly done by the consumers who need something either goods or services, It is proved from the results of questionnaires filled out by 50 people, which answered ever done e-commerce transactions there are 35 people and 15 people have never done. They agreed to say that it is practically proved there were 42 people, and the remaining 8 people answering complicated and do not know procedure yet because the has never been tried.

With the growing popularity of e-commerce, the more consumers will have transactions with e-commerce, but in the sale remotely like this, fraud can occur and therefore consumers should be protected. Frauds can occur concerning the whereabouts of the seller, regarding the goods purchased, and concern the purchase order and payment by the buyer. Fraud concerning the whereabouts of the seller that the seller, for example, a virtual store in question is a fictitious store.

Regarding the goods delivered to the buyer, a delay of delivery is prolonged, there is damage on the goods shipped or delivered defects goods and other. Purchase order and payment by the buyer which the truth is denied by the seller. For example, the seller only recognizes that the amount of goods ordered is less than stated in the purchase order is sent electronically or price per unit of goods ordered by the buyer is said to be higher than the price listed in the purchase order. Found fact in the field is any customer who feel aggrieved, from 35 people who have e-commerce transactions 9 never felt disadvantaged.

Based on obtained data, the losses suffered by consumers is the condition of the goods that they received does not match the offer via the internet screen. For the purchase of clothes, size does not correspond to the existing standard. Besides the slowness of delivery of the most complained about by the e-commerce consumer.

Viewed from the side business actors or entrepreneur or seller in e-commerce is an interesting business opportunity because the seller does not need to have a store representative

that requires a lot of capital to physical appearance, enough to have a warehouse to store stock of wares. But do not rule out the possibility business actors that have a physical store also opened an online store.

As had been said that consumers may suffer losses either in buying and selling directly or in e-commerce, in order to protect the consumer's position in Law No. 8 of 1999 on Consumer Protection, Article 4 and Article 5 of the rights and obligations of in Consumer. Consumer rights contained in chapter 4 of BFL are:

- a. The right to the comfort, security, and safety in consumption of goods and services.
- b. The right to choose the goods and / or services and get the goods and / or services in accordance with the exchange rate and conditions and guarantees promised
- c. The right to information which correct, clear and honest about the condition and guarantee of the goods and / services.
- d. The right to be heard opinions and complaints on goods and / or services used;
- e. Right to advocacy, protection and mediation in consumer protection should;
- f. The right to receive guidance and consumer education;
- g. The right to be treated or serviced properly and honestly and not discriminative;
- h. The right to obtain compensation, compensation and / or reimbursement, if the goods and / or services received are not in accordance with the agreement or not as it should be;
- i. The rights stipulated in other laws and regulations

The results of the research and observations on the third online store that became an author's research, basically had been providing the best protection to consumers. The action is carried out as an example of PT Mentari Demensi Bhineka prioritizes its customers that include provision of guarantees to ensure the goods are sold to consumers. This shop sells computer devices, mobile phones, printers and others. More consumers purchase computer device by online at [www.bhinneka.com](http://www.bhinneka.com). Consumers are given a choice of whether shopping online through shopping card and or shopping over the telephone or via e-mail. Consumers who are outside Jakarta greatly facilitated by the presence of Bhineka shop where consumers can shop online. The consumer stages in online shopping is as follows:

- a. Select the product you want to buy by pressing the buy button on the product list page, buy buttons on the product detail page or on a page where there is one between the two buttons. The selected product is entered into the table Shopping Card.
- b. After pressing the buttons, the selected item will be entered in the Shopping Card. Please read our Shopping Card manually if you have never used it or have yet to understand the process.
- c. The stages of the consumer further when already specify the items to be purchased, the consumer needs to do is process the payout. Consumers in the payment of the goods most often through the process of payment is bank transfer, pay place (cod) and credit or debit card. Particular consumers who do bank transfer, consumers can do with the transfer through ATM Bank Mandiri, BCA and BII Internet Banking.
- d. Bhineka party doing deliveries of goods after the payment process is complete the consumer. Consumer parties who are outside the city, which has been ready to be sent to the expedition, in this case for example, TIKI. According to the grammar of the TIKI work, when regular delivery then within 2-3 days the stuff up to the big city (destination). Next big city of recently distributed to small town the next day. Today calculated on business days, and delivery recipient to be processed on the same day is before 12.00. If passed this time, means it will be processed the next day. For example for example there are consumers who live in Lhokseumawe, Aceh and ordered items Thursday morning. The goods will be sent to Banda Aceh within 2-3 days, means received Monday in Aceh and new Banda will be sent to Lhokseumawe on Tuesday or Wednesday. The area of its flight schedule is very limited, the delivery of bias. Other examples such as the Papua Timika-can take up to 14 days. As for the bigger cities in the flight path, the goods can usually arrive within 2-3 days or next day if using the services of an ons (overnight service).

Interviews with business actors in e-commerce, namely Mr. Rudi and Mrs. Hanna, said that they provide a warranty or guarantee against goods purchased by consumers. Anyway

after completing the purchase goods online so message will be sent via email to the evidence that consumers have purchased goods business actors place In this case it is clear in fact consumers already are protected if the views of the process is a fairly safe from entrepreneurs. In addition consumers can also use the sign of evidence that, in the condition of the goods received in good condition, the consumer can use his right to exchange goods with sending back goods to the latter with proof of booking of consumer goods that have been received earlier.

In principle based on observation and research on all three stores are not much different from the process of buying and selling online, they are business actors want to give the best service to its customers. From interviews with Mr. Rudi, that business agents is already doing protection to their customers by the way he noticed what the rights of consumers in general.

As an example of consumer rights to get information, already do business with and give you an idea of the condition of the goods traded with mentioned goods speak with details and pictures as well as the size shown in the screen online. In addition the entrepreneurs also still serve consumers who wanted to ask further with replying via email sent. The rights of consumers to get information that is as specific as-details is also important to realize by the entrepreneurs in particular by three online stores that became the site of the research.

Consumer rights on security and safety, research results obtained by information that is made by online entrepreneurs is to provide a warranty or guarantee of goods for Bhineka, Kaos buzz and Batik Roosmijati will also provide a guarantee if the goods have been shipped defective, not in the size or damaged then the goods will be replaced. Aware of the consumer rights so online entrepreneurs especially the three entrepreneurs before making deliveries there will effort to check first in order to ensure that the goods will be delivered correctly and in good condition.

Based on the results of interviews that entrepreneurs should be aware that doing business must be with good business ethics because the long-term prospects and the principle of mutual benefit between the seller and the buyer.

The next Consumer right is the right to vote, in an interview with entrepreneurs online store said that they display a variety of products offered, in the online screen there are pictures of the product being offered is therefore consumer rights so to make the selection of goods in accordance wanted and will be applied at the time delivery of goods that must be ensured that the goods will be delivered in accordance with the consumer's choice. These three online stores maintain the right to choose owned by the consumer.

Consumers' right to be heard, from the interviews with the three online store entrepreneurs this right was already done by online entrepreneurs with a way to serve consumers with Q & via email, via SMS and also by telephone, entrepreneurs have employees who will respond and answer and listen to the things that need to be submitted by consumers.

Next is consumer rights so to get compensation, these rights were already applied by online entrepreneurs, namely with the statement that if the goods become the object of purchase is not up, damaged or defective, these entrepreneurs will replace the goods or will pay appropriate compensation.

If online business actors understand and implement the rights of consumers and ensure consumer's rights, the issue of consumer protection will be assured. This is done by the business person because they understand business ethics. But there are still many online stores entrepreneur that have not been aware of the obligation to protect the rights of consumers. It may cause harm to consumers because the consumer's position is far from online business actors.

In the opinion of the author even in UUPK is already arranged about consumer rights that must be considered by online entrepreneurs, but there is no supervision of e-commerce business, lack of socialization regarding the Consumer Protection Act both to business actors and to consumers, so that violations are still frequent happen.

There are also consumer protection in article 8 UUPK regarding some of the prohibited deeds committed by businessmen, which is forbidden to trade goods and services that :

- a. Does not meet or does not comply with the standard required by legislation.
- b. Not according to the net weight or net contents, neto and the amount in the matter, as stated in the label or sticker to the item.
- c. Not according to the net weight or net contents, neto and the amount in the matter, as stated in the label or sticker to the item.
- d. Does not comply with the conditions of the warranty, privileges or efficacy as stated in the label, the information or the goods and/service etiquette.
- e. Does not comply with the quality, depth, composition, processing, or use of certain fashion style as stated in the label or description of goods and/or services.
- f. Not according to the promise stated in the label, etiquette, information, advertising or promotion of sales of goods and services.
- g. Do not include the date or period of expiry of use/utilization the most good over such items.
- h. Do not follow the conditions of production are halal as kosher statement that are listed in the label.
- i. Do not attach a label or description of goods that contains the name of the item, size, weight or net contents/NET, composition, rules of use, date of creation, due to the sideline, the name and address of the trade as well as other information for use according to the terms should be installed or created.
- j. Do not include information and/or instructions of use of goods in the language of Indonesia in accordance with the applicable statutory provisions.

If the entrepreneur does not heed chapter 8 UUPK, so consumers do not quite understand may suffer losses.

From the results of the questionnaire to the consumer recorded there are suffering from losses, of the 50 respondents noted there were 9 people experience disappointment or loss. In the community of Internet users, many also encountered complaints of consumers who feel disadvantaged in e-commerce and told his colleagues.

Then what if consumers harmed? Consumers are harmed in conducting e-commerce transactions are entitled to legal protection, since consumers who make transactions over the Internet has fulfilled their obligations in good faith to make purchases of goods and / or services, paid in accordance with the agreed exchange rate and to follow the settlement efforts legal disputes of consumer protection as well.

This consumer protection in accordance with Article 16 UUPK which basically protect from fraudulent business actors. In Article 16 UUPK said:

Business actors in offering goods and / services through order prohibited from:

- a. do not keep order and / or in accordance with the agreement settling time promised.
- b. do not keep its promise of a service and / achievement

Furthermore, in article 19 UUPK also regulates the compensation of the defective product. Namely the existence of defective goods is the responsibility of producers / business actors. Therefore business actors or manufacturers should be responsible for damages arising from the defective goods.

From interviews with entrepreneurs online store i.e. Mr. Rudi and Mrs. Susan, obtained information that if any goods ordered turned out to be defective, consumers can directly complain to their online stores, the goods will be replaced, though not all online stores take such actions. Based on the results of interviews with e-commerce business actors are the three online stores have all been receiving complaints from consumers. Two online stores accept complaints from consumers are directed to businesses and the other online stores i.e. stores Bhineka Mentari Demensi as much as 4 customers ever complained through YLKI. Settlement can be done faster if directly to business actors and will be replaced new stuff, whereas if it involves a third party and the process takes a long time.

In e-commerce, there are two important things to be considered and be known by online consumers or buyers or consumers i.e.:

- a. Pre-transaction

At the present time an online consumer need as much information as possible, before finally deciding to buy these products by online. It is very important, if later there is a

problem then an online consumer will be easier to make a complaint. Such information typically ranges from regarding: the certainty of price, the mechanism of buying and selling, type of classification of goods and also the issue of timeliness of delivery.

b. The post transaction

There are things that have to be done an online consumer after the goods bought by online are received, for example on the issue of the warranty, the warranty period is there, what are the things that are included in the warranty or how long the warranty applies.

Further consumer protection is also provided for in Chapter VIII of article 33-UUPK function of this body is to give suggestions and considerations to the Government in an effort to develop Indonesia's consumer protection. Lembaga Perlindungan Konsumen Swadaya Masyarakat (LPKSM) is also possible to play an active role in realizing the consumer protection this is regulated in article 44 UUPK. With their bodies and institutions engaged in the protection of consumers, it is expected that consumers will get stronger protections included in the e-commerce consumers.

If you notice legal protection for consumers are complete enough, especially of e-commerce there are other regulations that support ie Law No. 11 of 2008 on Law OF information and electronic transactions. In fact there are consumers become victims of transactions in e-commerce is because business actors do not pay attention to business ethics, the entrepreneurs who are not responsible for the loss or delay of delivery time, as well as the defective goods, business takes advantage of the situation and the condition of the existence of consumer away and not face to face with entrepreneurs.

From the side of the consumer that is less knowledge about e-commerce, there needs to be an equitable and continuous socialization about rules and conditions. The slogan carefully before buying should watch out for consumers. Consumers themselves must also know what the rights and obligations.

The existing agreement in e-commerce also applies the principle that exists in KUHPerdata. In KUHP, Consumer protection, among others, exist in article 378, which protects consumers from fraud including that conducted trade. Regarding the evidence of electronic transactions since the passage of the ACT (UU) ITE No. 11 in 2008, then the transaction file or electronic e-commerce can be used as evidence. Although the protection of laws – laws but still there are also consumers that harmed it is seen from a questionnaire distributed have 9 people who never harmed in e-commerce. Therefore there is some effort can do inform the consumer.

Consumer protection in e-commerce transactions in terms of the laws of Islam by Nur Azizatil Ajibah, in Journal of the Legality, vol 11, no. 2, September 2003, with the title of consumer protection In E-commerce transactions through. Stating that process transactions through e-commerce, according to Islamic law are considered valid if it meets / in accordance with the rules that have been determined by the Syara. Besides, between the seller and the buyer or the people who make transactions can make a clear aqad agreement that could tie between the two sides. So if there is a dispute later on it will be resolved through agreement (MoU) agreed. The general conditions aqad is if both parties are capable to do, as aqad object can receive its legal, aqad was be done by people who have the right to conduct and implement it, should not do aqad prohibited Syara, aqad that provide benefits, consent it continues to run , not revoked, before going qabul, unification aqad majlis.

Ethics and morals in this transaction become the most important part for sellers that offer products. So that will generate confidence and guarantee the protection of consumers. Islamic law has mentioned some principles that became the benchmark of ethics and morals in the trade. Although a cursory e-commerce is a transaction that is vulnerable to crime and there is no rule that ensures that this transaction may be, but from the aspect of consumer protection can be guaranteed and proven. Thus, in Islamic law that this transaction is legal and permissible.

Institutionally, Muhammadiyah already use ICT facilities in performing its institutional organization. This is evident from the purchase of domain and hosting the official website [www.muhammadiyah.or.id](http://www.muhammadiyah.or.id), at some institutions affiliated with Muhammadiyah as Tabligh

and Dakwah Assembly Special, Hospital of PKU Muhammadiyah University and others. Although Muhammadiyah does not have an official document that records their formal decision institutions Muhammadiyah in responding and respond specifically to the phenomenon of e-commerce set out in a decree or fatwa, but an outline of Muhammadiyah has put it in the form of restrictions normative values (business ethics).

## **2. Remedies Guide If Harmed Consumers can do in E-commerce**

Legal remedies for consumers in e-commerce can do some alternative if indeed harmed by business actors such as by holding complain to entrepreneurs directly, this is often done by consumers, because they are more accurate and faster get a settlement. Moreover, it can through YLKI that will help resolve disputes between consumers and business actors. Intermediary institutions of dispute resolution such as arbitration, settlement institutions could be taken by the consumer are harmed. In addition to the efforts of law can also be a civil lawsuit to court. In the criminal may also be performed as a consumer harmed law, Article 378 of the Criminal Code can be applied in this legal action.

## **3. Model of consumer protection in E-commerce**

Growing convergence of information technology, telecommunications and computers these days have resulted in a growing variety of all miscellaneous services (features) existing communication facilities and the growing sophistication of information technology products are able to integrate all media information. Followed by the many online business actors that can offer a variety of products via the Internet, and the growing number of consumers who want the convenience in shopping

This rapid development must also be followed by a variety of problems that can arise in transactions via the internet. In the previous discussion has been discussed about the consumer's position in e-commerce, consumers have rights and its legal efforts. To achieve the goal of all parties i.e. a mutually beneficial relationship, there is no injured party following discussion about the model of consumer protection, especially in e-commerce.

In the opinion of the author in many cases, an e-commerce company can survive not only rely on the strength of the product alone, but with their management team, timely delivery, good service, the good organizational structure of business, network infrastructure and security, nice website design, some factors included is.

Provide competitive pricing; Providing purchasing services that are responsive, fast, and easy; Providing information on goods and services that are comprehensive and clear; Provide many bonuses such as coupons, special offers, and discounts; Give special attention such as the proposed purchase; Providing a sense of community for discussion, feedback from customers, and others; Easing trading activities; Domestic and international payment systems; newsgroup; On-line Shopping; conferencing; online Banking.

The famous company in this field include: eBay, Yahoo, Google, Amazon.com, and PayPal. For in Indonesia, could be seen tradeworld.com, bhineka.com, fastncheap.com, etc.

In addition, if further discussion of e-commerce transactions, the aspect of consumer protection in the use of digital signatures need to be considered since the purpose of a signature in a document is to ensure the authenticity of the document. A digital signature is actually not a signature as we know so far, it uses a different way to mark a document or data document that not only identifies the sender, but also ensures the integrity of the document is not changed during the transmission process. A digital signature based on the contents of the message itself. In the use of Digital Signature we know that there are two parties, i.e.:

1. *Certificate Authority (CA)*

2. *Subscriber*

This relationship shows the link between the CA as service providers and subscribers as consumers. As a service provider, CA must ensure the rights of subscribers.

Based on the needs that are required to the consumer then its protection model are as follows:

- a. Consumer rights guaranteed are already regulated in existing rules were maintained.
- b. There is recognition of the business people in terms of digital signatures, which includes Privacy

Example: When a subscriber clicking "apply" to the CA, the subs will be questioned about his identity, the size of the accuracy of the identity depends on the type of the certificate level. The higher the level of the certificate, the more accurate the actual identity of the subscriber.

But in this case to be considered is the CA as data publishers obliged to maintain confidentiality about the identity subs from unauthorized parties. CA can only confirm that the certificates owned by subs is true and is recognized by the CA.

In some developed countries the personal data get protection law (data protection act). In the Act in question contained the principles of data protection (Data Protection Principles) that must be obeyed by those that store or process information by using a computer that concerns the life of the people. Agencies computers that provide services for those who want to process the same information is also controlled and must register according to the law. Individuals, that information is stored on the computer itself, given the right to access and the right to obtain rectification records and deletion of incorrect information. They were also able to submit complaints to the Data Protection Register (appointed by law) if they are not satisfied with the way the person or organization that collects information and, under certain circumstances, individuals have the right to compensation.

Violation of the principles of data protection can lead to criminal liability, while these principles include:

- 1) The information contained in personal data must be obtained, and that personal data must be processed fairly and legitimately.
- 2) Personal data must be held for one or more specific objectives and legitimate.
- 3) Personal data controlled for one purpose and objectives may not be used or disseminated in a manner that is not consistent with the objectives or the goals.
- 4) Personal data controlled for the purpose of an objective or objectives to be feasible, relevant and not too broad in relation to the purpose or those purposes
- 5) Personal data must be accurate and, where necessary, kept up to date.
- 6) The personal data is controlled for the purposes of any purpose or those purposes shall not mastered too long of time required for the interests of the purpose or those purposes.
- 7) Measures appropriate safeguards should be taken to deal with unauthorized access to, or alteration, dissemination or destruction of personal data as well as the face of unexpected losses or personal data.
- 8) An individual will be given the right to:
- 9) Within a reasonable time and without delays and at no cost:
  - a) Given the explanation by the data users about whether his party control of personal data where the individual concerned is the data subject; and
  - b) To access the data in a way that is controlled by the user data.  
If deemed necessary, make repairs or deletion of data.

Last principles relating to the security and the threat to this there are two types: security from unauthorized access, and are associated with copy-copy back-up. Data centers that contain personal data.

Related to guarantee privacy issues in relation to the private key, is the need to guarantee that the CA did not seek public key pair of subscriber. CA has a great opportunity to be able to find it. In addition there must be no assurance that the creator of the card containing the private key will not distribute or replicate it. It is quite logical at all for card makers in addition to knowing the public key also knows the corresponding private key because he is the creator. To guarantee this needs to be a Notary system that guarantees it.

#### 1) **Accuracy**

This principle contained in the notion of "precision" between what is asked with what you got. That what is gained by the subs in accordance with what he asked on information it receives. Accuracy of information (information that is true without deception) is also a principle of accuracy. For example: the subs are asking for a certain level of the certificate should not be given a lower level or higher.

CA also obliged to notify all information relating to the offer and the request made indirectly subs are entitled to a CA licensed means when subs access to the CA, there is a

presumption that the CA is a CA that is legitimate and licensed and subs must be protected from deviation CA counterfeit.

2) **Property**

Contained in Article 4 point 8 of Law No. 8 of 1999. Subs must be protected proprietary rights of any irregularities that may occur as a result of the inclusion of subs into this system. This means that the subs are entitled to be protected from all forms of interception, copying, and theft. If this is the case then the CA is obliged to replace the losses suffered.

3) **Accessibility**

Contained in Article 4 point 4, 5, 6, and 7 of Law No. 8 of 1999. That every person has the right to equal treatment in terms of access and information. This means that each subs could fit into this system if it meets the requirements, and he could use this system without restriction. And subs are also entitled to be heard opinions and complaints.

4) **Integrity**

Integrity / integrity-related problems need of the transmitted data. A recipient of the message / data can be sure whether the message received is equal to the message that was sent. He can feel confident that the data has been modified or changed during the process of shipping or storage.

5) **Non-Repudiation (There is no denying the truth)**

*Non-repudiation / cannot be denied the existence of a message associated with the person who sent the message. The message sender cannot deny that he had sent a message when he had sent a message. He also cannot deny the content of a message is different from what he submitted when he had sent the message. Non-repudiation is a very important thing for e-commerce, if a transaction is conducted through an Internet network, electronic contracts (electronic contracts), or payment transactions.*

Non-repudiation arises from the existence of digital signatures using asymmetric encryption (asymmetric encryption). This asymmetric encryption involves the existence of a private key and a public key. A message that has been encrypted using the private key so it can only be opened / decryption using the public key of the sender. So if there is a message that has been encrypted by the sender using the private key it cannot deny the existence of the message as it proves that the message can be decrypted with the sender's public key. The integrity of the message can be seen from the presence of the hash function of the message, with a note that the data that has been signed will be inserted into the digital envelope.

6) **Confidentiality**

Messages in the form of electronic data transmitted are confidential / confidential, so not everyone can know the contents of electronic data that has been signed and included in the digital envelope. The existence of a digital envelope that includes an integral part of the digital signature causes an encrypted message can only be opened by the person entitled. The level of confidentiality of a message that has been encrypted, depending on the length of the key / key used for encryption. At this time the standard length of the key used is of 128 bits.

Data security in e-commerce by cryptographic methods through digital signature scheme is technically acceptable and applied, but when we discussed from the standpoint of the law are still not getting the attention. Lack of attention from the science of law is understandable since, particularly in Indonesia, the use of computers as a means of communication through a new Internet network known since 1994. Thus internet network security with digital signature method in Indonesia of course is still a new thing for computer users.

**4. The need for trading over the Internet are insured**

Trading via the Internet as described above has many risks. These risks are: wiretapping, fraud, duplication of transaction information, theft of confidential information, and so forth. In e-commerce utilizing cryptography, the crime can be done in several ways, such as key burglary and theft lock. Piercing the key is where the burglars use a variety of ways to find the same key as the original one. The most commonly burglary ways used is known as a brute-

force attack, as previously described, the perpetrator tried various possibilities until he found the right key. Theft lock, where the perpetrator is found the original key and use it, so that it can act as a real owner. Theft of this kind is known as the man in the middle attack.

E-commerce is one of the economic activities. The perpetrators certainly do not want to run the risk of losses in the future. If he does not want to bear the risk, he shall transmit it. The most suitable institution in this regard is the insurance as a risk transfer tool. Therefore if the actors do not want to bear the loss, will transfer the risk to the insurance agency. The same thing should be applied also in e-commerce.

#### **5. Insurance Agency**

Held insurers between business actors and consumers are reliable, for example, as the bank guarantee which guarantees to the consumer that he will definitely get the goods or services ordered after paying the guarantee institution (bank guarantee) so it's not afraid of the money lost. As for business actors are also guaranteed that they will get paid after the ordered goods to the consumer because they send money from existing customers in bank guarantee or a guarantee institution.

From the survey results look the public interest to do e-commerce has grown substantially over time. The tendency of these communities would certainly be higher if e-commerce supported protocols secure electronic transactions. Secure Electronic Transactions that uses cryptography in its security system of Internet commerce is relatively safest of attacks that may be done in Internet, among other burglary and theft lock.

#### **6. Supervision**

Control Agency in electronic commerce or e-commerce need to be functionalized with the maximum. This is to monitor and anticipate the needs of businesses who fictitious and irresponsible, especially online stores must have a license to offer their goods or services in internet and the conditions must be met. Thus the goal between business actors and consumers can be achieved.

#### **7. Global Standardization**

In the journal, entitled Issues in Mobile E-Commerce, written by Peter Tarasewich, Robert C. Nickerson, and Merrill Warkentin stated that in e-commerce a global company should be able to handle the different wireless communication standards worldwide.

Thus there needs to be a standard that must be met or complied with by online businesses. Government or an international organization authorized to make and formulate the global standardization. With the global standardization, it can answer the key policy challenge facing the administration. Among other challenges on consumer protection, as well as the promotion challenge for developing countries can be applied also to small and medium companies can enter in this trade.

### **H. Cover**

#### **1. Conclusion**

The conclusions obtained in this research discussion is

- a. Consumer protection is regulated in some laws-an invitation that is in UUPK, namely law No. 8 in 1999. In the KUHPerdata article especially with regard to the Covenant. Article in the Criminal Code article primarily related to fraud. In the ACT ITE i.e. Act No. 11 of 2008, especially about the transaction file can be used as evidence in the trial.
- b. Remedies can be done by e-commerce consumer if they are disadvantaged in e-commerce i.e. the most simple and practical is the complaint directly to the online store or business actors directly or may make a complaint to the Consumers Foundation Indonesia, or prosecution by civil or criminal can do.
- c. After doing some research and discussion of the model that is expected to support all stakeholders in e-commerce is the web design is nice and informative, consumer protection in the use of digital signatures, transactions, or trading in E-commerce insured, their supervision of trading on the Internet / E-Commerce and formed Organization dispute settlement E-Commerce as the field in settlement issue.

#### **2. Suggestion/Advice**

- a. There are special surveillance in e-commerce, especially about clear information online shop this is to anticipate their online store fictitious.

- b. Held insurers between business actors and consumers are reliable, for example, as bank guarantees
- c. Consumers are more cautious and careful, especially in choosing the online store entrepreneurs and the goods or services purchased.
- d. And established the institution of dispute settlement E-Commerce as field in different settlement issue. This institution is made more simple and uncomplicated dealing.

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## ANALYSIS OF FINANCIAL LITERACY AT GADING CEMPAKA DISTRICT BENGKULU CITY

by:

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### ABSTRACT

The objective of this research is to analyze how the financial literacy levels of people at the Gading Cempaka District, Bengkulu City. This study used questionnaires distributed a total of 120 questionnaires and only 103 questionnaires that can be used. The method of data analysis is descriptive statistics. Financial literacy level of respondents was quite high. The results showed the level of financial literacy community at Gading Cempaka District, Bengkulu city, through indicators of financial literacy which are : basic knowledge of personal finance, savings, insurance, and investments. Most of the respondents have a high enough financial knowledge about the most basic things in the financial system. Financial Literacy respondents by savings indicators also showed that most respondents understand the savings and private savings in banks. Insurance is one of the indicators of financial literacy indicates that most of the respondents had knowledge about insurance, but only few of respondents who use insurance products. In addition, respondents' knowledge on investment also showed good results, but the number of respondents who use the product is still a few.

Keywords: Financial Literacy, Society in Gading Cempaka District

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### Introduction

In the modern world almost everyone knows the money and almost always want it but a few understand it. Understanding in this case also includes the ability to manage money and knowing the consequences arising from any transaction with money. As a developing country that has a very wide area and population the fourth largest in the world, Indonesia faces many people who do not understand financial problems. Otoritas Jasa Keuangan (2013) defines financial literacy as the level of knowledge, skills and confidence related to financial institutions as well as products and services, as outlined in the parameters or the size of the index. Disclosure of financial literacy index is particularly important in view a map of the real level of public knowledge about the features, benefits and risks, rights and obligations as users of financial products and services. Personal financial management can be done properly, if an individual has had a good financial knowledge as well. Financial literacy is a basic need for everyone to avoid financial problems. Financial hardship is not only a function of income (low income), financial difficulties can also arise in case of errors in financial management (*miss-management*) such as the misuse of credit, and lack of financial planning (Khirsna et al, 2010). One way that can be done to overcome the financial difficulties is to increase financial *literacy*. Bank of Indonesia noted that in early 2015 consumer credit increase and decrease in public savings banks at the province of Bengkulu. Recorded credit growth of 16.78% increase compared to the previous quarter growth of 15.49%. The slowdown in public savings stood at 3.43% lower than the previous quarter amounted to 4.91% (Bank of Indonesia, 2015).

In this study, the authors tried to analyze the level of financial literacy at Gading Cempaka District, Bengkulu city. District of Gading Cempaka is one of the biggest districts which has a community with a rather large amount, so that the Gading Cempaka community is expected to provide an overview of financial literacy levels of people in Bengkulu. Society is any group of people who have lived and worked together long enough so that they can organize themselves and think of themselves as a social entity with boundaries clearly defined (Ralph Linton in Syarbaini and Rusdiyanta 2009; 8).

Issues to be discussed in this research, namely, "What is the level of financial literacy at the Gading Cempaka district , Bengkulu City. The purpose of the research in this paper is to analyze the level of financial literacy at Gading Cempaka District, Bengkulu City.

## Literature Review

Gitman (2002) as cited (Krishna et al, 2010) stated that general financial management is defined as the process of planning, analysis and control of financial activities. One form of financial management is the application of personal financial management (*personal finance*). Personal financial management is the process of planning and financial control of individual or family unit. Personal finance covers financial management, spending and credit, and savings and investment.

Kapoor et al (2004: 4) states that every person wants to manage finances, so they get the satisfaction of any money they spend. A wide variety of financial goals include things like buying a new car, a big house, recreational and pensions in old age. Financial goals can be achieved if everyone were able to identify and define the needs. Satisfaction with personal finance is the result of an organized process that is often referred to as personal money management or personal financial planning.

Someone said financial literacy (*financial literate*) when a person has the knowledge and ability to apply that knowledge. Financial literacy can facilitate a person in making financial decisions and make personal financial planning. Kapoor et al (2004: 13) states that many factors affect the financial decisions, ranging from age, household size, interest rates, and inflation. In addition, there are three main elements that influence the activities of financial planning: life situations, personal values, and economic factors.

Lusardi et al., (2010) stated that financial literacy is an important component in making decisions and a lot of people are also eager to have a high financial knowledge. Otoritas Jasa Keuangan (2015) stated financial literacy is a series of processes or activities to improve knowledge (*knowledge*), skills (*skills*); and confidence (*confidence*); consumers and the public at large so that they are able to manage personal finances better. Meanwhile, Chen and Volpe (1998; 108) said Financial literacy is defined as the ability to manage personal finances. According to the Huston (2010; 307-308), financial literacy is defined as a component of human resources that can be used to improve the financial well-being. Someone said financial literacy as having the knowledge and ability to apply that knowledge. While the definition is more fully described by Vitt et al, (2000; 2). Thus, it can be concluded that financial literacy is an ability that everyone must have in order to be able to manage its finances well, thus helping decision making on matters related to finance.

Financial literacy includes several financial aspects that must be mastered. Chen and Volpe (1998) stated there are some aspects that are used to determine a person's level of financial literacy, namely 1) the general knowledge, 2) Savings and loans, 3) Insurance, 4) Investments.

## Research Methods

This method of this research is descriptive research with using primary data. Primary data specifically collected by researchers to answer research questions. Source of data used in the study is derived from the answers to a questionnaire given to the Community of Gading Cempaka District.

The population in this study is a community in the district of Gading Cempaka Bengkulu at the upper and middle classes who have their own income. Method of sampling is *non-probability sampling* technique by using *purposive sampling*. Sampling with this method aims to obtain a representative sample in accordance with the specified criteria. Those criteria are respondents who are in the middle class and have worked or have had their own income.

This study wanted to see how literate the people at the District Gading Cempaka Bengkulu City. The first step in this research is to see how the characteristics of the people in the District Gading Cempaka Bengkulu city, namely: age, gender, marital status, education, occupation and monthly income. Characteristics were analyzed using descriptive analysis of frequency distribution.

The frequency distribution will generate table count frequency, percentage, and cumulative percentage for the entire value associated with a variable. The results of the frequency distribution will also help determine the extent to which responses are not valid. Then analyzing the financial literacy of Bengkulu City community based indicators of financial literacy, which is a basic knowledge of personal finance, savings, insurance, and investment will be re-analyzed using descriptive analysis.

## **The Findings**

In general, these studies show satisfactory results. Descriptive analysis that involves many as 103 respondents, shows that financial knowledge society in Bengkulu generally is good. It can be shown from the high number of responses from respondents of agreement to a statement that is used as an indicator of financial literacy. According to Lusardi and Mitchell (2007) is a financial literacy financial knowledge and ability to apply it daily life with the goal of achieving prosperity.

From these results, further found that each of the indicators of financial literacy can be used to describe a person's level of financial literacy. While on respondent characteristics include gender, age, marital status, education, occupation, income and ownership of financial products may also affect the level of financial literacy of respondents. Most of the respondents were female with ages 20 years to 30 years, that most of them are in a very early stage of the financial cycle, so in this cycle they have a number of financial problems. Most respondents have undergraduate higher education with work as private employees with revenues ranging from 2.5 to 5 million per month. It is apparent that the higher the level of income and education, it will be higher the person's level of financial knowledge.

Basic knowledge of personal finance is one of the indicators used to describe the level of financial literacy someone, because with a basic knowledge of financial possessed by a person can facilitate someone in the know about general related to finance such as calculating interest on the loan, the value of money in the future come to understand about the loans and debts.

The response of respondents to a statement about the basic knowledge of personal finance as a whole showed the majority of respondents gave positive responses or agreed, so that it can be concluded that the majority of respondents have a fairly good understanding of the basic knowledge of personal finance. However, there are also a large majority of respondents who do not understand where the money is deposited, and many respondents are opting for neutral.

The response of respondents to statements regarding savings, namely the majority of respondents giving positive feedback, this means that respondents understand what saving is good, not only have a good understanding but the majority of respondents have had personal savings in the bank. Most respondents have understood that saving is a form of savings that can be used for emergencies or unforeseen expenses to cover. In addition, respondents also have a good understanding of some of the revenue each month can be set aside for savings that are used in the future.

The response given the respondent about the insurance products can illustrate that most respondents understand the importance of buying insurance products. This can be proven with most providing answers to agree to a statement about the insurance products. Insurance is a financial product that can be used to minimize the risks caused by disasters both life insurance and property insurance products, insurance is expected that one can reduce the amount of losses suffered. Life insurance products solely owned by some of the respondents, and only a small proportion of respondents who insure his property, then it is still very few respondents who apply their financial knowledge in everyday life.

Investments in essence is the placement of the funds at this time with the hope to make a profit in the future. Investment is also a financial product that is used as an indicator to describe a person's level of financial literacy. Overall respondents already have a pretty good understanding about investment products. Most respondents have understood that with a high risk it will generate a high return rate anyway, because of the positive relationship between risk and return. However, many respondents had less understanding of investment in shares, deposits and mutual funds. It is also proved that only 14 respondents who have deposits, of course, only a small part of understanding regarding deposits.

## **Summary and Conclusion**

The level of financial literacy community at Gading Cempaka District, Bengkulu city shows that most of the respondents have the financial literacy levels are quite high, but only a small percentage of the respondents who use financial products. That is, the level of financial literacy possessed by the people in the district of Gading Cempaka Bengkulu have limited knowledge but will not be applied in everyday life.

Based on the conclusions of the studies that have been raised, some advice that can be given are:

1. The community of Bengkulu City should apply their financial knowledge into behavior / attitudes of their day-to-day, so as to make their lives prosperous.
2. Banking should be more vigorous to introduce financial products and their benefits to people at Gading Cempaka District , Bengkulu City, so that people do not merely recognize and know the financial products but is also able to use it. The introduction of a financial product is intended for people at Gading Cempaka district, Bengkulu City can be avoided and overcome the financial problems they face.
3. For further research to be developed by observing the new variables. Future studies are expected to examine the other variables that can affect the level of financial literacy in more depth or with different research objects.

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## **THE EFFECT OF JOB STRESS AND JOB SATISFACTION ON TURNOVER INTENTION WITH ORGANIZATIONAL COMMITMENT AS MODERATOR: THE CONCEPTUAL MODEL**

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### **Abstract**

*This study aims to study the effect of job stress and job satisfaction on turnover intention with organizational commitment as moderator variable. This study is still model to testing of hypothesis. The population of 320 employees and the sample is 178 respondents in Sharia Banking Sector in Surakarta, Central Java, Indonesia. The sampling technique with random sampling and the methods used Structural Equation Modelling (SEM) with AMOS. The findings are 4 (four) hypothesis will be testing and identity a positive or negatif and significant relationships.*

**Key words:** job stress, job satisfaction, organizational commitment, turnover intention

### **Introduction**

In the era of digitalization and globalization, turnover is a persistent problem in organizations and it is common in every type and size of organization and at every organizational level. Staff turnover is a serious issue especially in the field of human resources management (Chan Yin-Fah, Foon, Chee-Long & Osman, 2010).

It is very costly for an organization and the cost is due to termination, advertising, recruitment, selection, and hiring (Abbasi & Hollman, 2008). When an employee leaves an organization, the ability of the remaining employees to complete their duties may be affected. Job satisfaction has been identified as an important factor in the working lives for all occupational groups (Chan Yin-Fah et al., 2010). Employees who are satisfied are more likely to be committed to their organizations and decreased the intention of quit from a job. Besides, job stress experienced by employees is also one of the important factor affect how the committing with organization. Job stress occurs when employees perceive an imbalance between their work demands and their capability and resources to meet these demands.

Based on the human resources limitation has caused a quiet high turnover among banks indicating that only can the banks having competent human resources give much higher incentives or have the human resources development program independently (Bank Indonesia, 2011). The issue in turnover in the national banking sector averagely reaches 10 – 11%/year, lower than the one in oil and gas industry reaching 12% but higher than the manufacturing sector reaching around 8% (Hidayat, 2012). The statement showed that the increased number of job seekers reflected that they are looking for a new job which can satisfy them and highly commit with organization while reduce the job stress in the sharia banking sector.

Many researchers try to understand the major determinants of turnover intention and develop some managerial implications to deal with the problem of high turnover rate (Tuzun, 2007; Chan Yin-Fah et al., 2010). Previous studies indicate that job stress and job satisfaction is significantly effect on turnover intention with organizational commitment as moderator variable of sharia banking sector of employees whether want to continue or quit from a job. For contributing to the further is an research or conceptual model and understanding of these related terms, the task of this study is to examine the effect of job stress and job satisfaction on turnover intention with organizational commitment among sharia banking sector employees in Surakarta, Central Java, Indonesia.

### **Literature Review**

In order to examine the effect of job stress and job satisfaction on turnover intention with organizational commitments as moderator variable, among sharia banking sectors employees in Surakarta, Central Java, Indonesia. This study is adopted to determine the level of effect with independent variables (*job stress & job satisfaction*) and dependent variable (*turnover intention*) as well as moderator variable (*organizational commitments*).

Individual who are well treated are more likely to become affectively committed to the organization, display more organizational citizenship behaviours and lower turnover intention (Sun,

Aryee, & Law, 2007; Chan Yin-Fah et al., 2010). The research done by Hannan, Norman, and Redfern (2001) as well as Chan Yin-Fah et al. (2010) concluded that factors such as training/education, supervision and group cohesiveness, all tapped by the measure of organizational quality environment, were direct predictors of staff commitment. There is research support that job stress influences intention to leave although the linkage appears to be indirect. As stress increases, job satisfaction and organizational commitment decrease. Low job satisfaction and low organizational commitment increase the propensity to leave (Sager, Griffeth & Hom, 1998; Chan Yin-Fah et al., 2010).

Job satisfaction concerns with the affective reaction from the employees to work in to what extent someone desires to achieve a satisfying work that will be compared to the actual result (Cranny et al., 1992; Choerudin, 2014). It is also related to what extent someone loves his or her job (Spector, 1999). Griffeth, Hom and Gaertner (2000) in their study found that work satisfaction might display the highest relationship to turnover among all kinds of satisfaction facets.

Turnover intention is essentially about the work in organization; meanwhile emotional intelligence refers to an essential point in minimizing the high rate of *turnover* in job (Jang & George, 2011; Choerudin, 2014). Robbins (2006) defines *turnover* as a permanent dismissal of employees from an organization either voluntarily done by the employees or by the organization itself. Werther and Keith (1993) said *turnover* as a willingness of employees to leave an organization to move to other one.

### **Importance of Study**

1. This research contributes to the human resource management, particularly related to the use of quantitative models and empirical test on human behaviour of job stress, job satisfaction, turnover intention and organizational commitment in sharia banking sector.
2. This research contributes to the future research through the proposed theoretical construction with the limitation that have not been empirically tested yet and contribute to the thoughts for the managerial practices in an company and provides the result of the research for a new discourse for the development of human resource management.
3. This research contributes to the implications for managerial practice, especially potential and the company's ability to improve the quality of human resources in the competition and the progress of the company.

### **Statement of The Problems**

1. Does job stress have a significantly effect on turnover intention?
2. Does job satisfaction have a significantly effect on turnover intention?
3. Does job stress have a significantly effect on turnover intention with organizational commitment as moderator?
4. Does job satisfaction have a significantly effect on turnover intention with organizational commitment as moderator?

### **Objective of The Study**

1. To test and analyze the job stress have a significantly effect on turnover intention.
2. To test and analyze the job satisfaction have a significantly effect on turnover intention.
3. To test and analyze the job stress have a significantly effect on turnover intention with organizational commitment as moderator.
4. To test and analyze the job satisfaction have a significantly effect on turnover intention with organizational commitment as moderator.

### **Research Methodology**

#### ***Population and Samples***

This research is a survey conducted to 320 employees of sharia banking sector in Surakarta, Central Java, Indonesia. According to Guilford and Flruchter (1973) the number of sample allowed is 178 employees by referring to Hair et. al., (2009) in which the size of 100-200 samples for the technique of maximum likelihood estimation, a technique of taking sample using the method of

simple random sampling. Meanwhile, the data collection was done using observation and the distribution of questionnaires at sharia bank.

#### **Measurements and Testing Research Variables**

*The perceived stress scale (PSS)* is used to measure the stress level of respondents. PSS consisting of 14 items and responses ranged by five point ordinal scaling which 1 = never to 5 = very often. *Job satisfaction (JS)* is about the degree to love job (Spector, 1999). A research using Job Satisfaction Scale was developed by Weiss, Dawis, England and Lofquist (1967) covering 18 items of question using Likert Scale 1 to 5 including intrinsic and extrinsic job satisfaction.

*Turnover intentions (TI)* meanwhile is an intention to quit from an organization using Turnover Intentions Scale developed by Mobley, Horner and Hollingsworth (1978) using Likert Scale 1 to 5. *The Organizational Commitments Questionnaire (OCQ)* consists of 15 items were captured on seven point ordinal scale (1= strongly disagree to 7 = strongly agree). The minimum score is 15 points while the maximum score is 105 points. Higher mean scores are indicative of greater organizational commitments.

#### **Analysis Technique**

The technique on the research analysis used *Structural Equation Modelling (SEM)*, a statistical technique of *multivariate* by testing a series of causality relationship between variables simultaneously (Hair *et al.*, 2009). It also included the explanation of dimensions in each research variable based on the examined theoretical basis.

*Confirmatory Factor Analysis (CFA)* was used to test the construct validity in which each variable was scores above 0,5. The result of data management, loading factor score in each item of questions was higher than 0,5 that shows the validity of the research instruments. The reliability test in this research was measured using the *composite reliability* technique

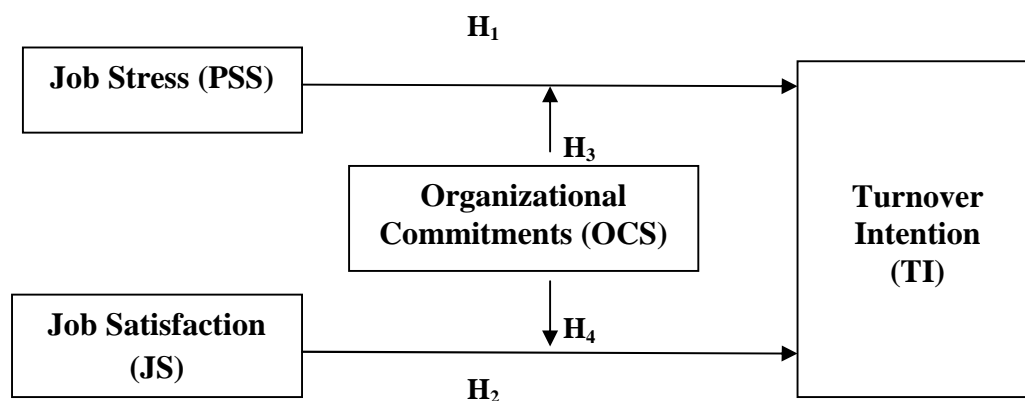
#### **The Conceptual Model**

This model of research give a statement that is the effect of job stress and job satisfaction on turnover intention with organizational commitment as moderator variable. Organizational commitment as moderator because a moderation effect is a causal model that postulates when or for whom an independent variable most strongly or weakly causes a dependent variabel (Baron & Kenny, 1986). In essence, a moderator modifies the strenght or direction positive or negative of a causal relationship (Wu & Zumbo, 2008), so that needs to be done further testing based on empirical results and the theory support.

Turnover intention has been a critical issue for management for many years (Chen, Lin & Lien, 2010) and it is a major problem for organizations now. Tett and Meyer (1993) defined turnover intentions as conscious wilfulness to to low performance and the intention to leave the job (Applebaum, Fowler, Fiedler, Osinubi, & Robson, 2010). There are many researchers who found that the greater the amount of stress, the higher will be the turnover intention of employees (Chen *et al.*, 2010; Applebaum *et al.*, 2010). A positive relationship was also found between work-life conflict, stress, and turnover intentions by Noor and Maad (2008).

Lambert *et al.* (2001), scholars speculate that employee turnover can be predicted using comprehensive measures of job satisfaction; otherwise stated, high job satisfaction is associated with low employee turnover. Moreover, research shows that the relationship between job satisfaction and actual employee turnover is moderated by *intentions*. Schwepker (2001) noted that positive and statistically significant relationships have been reported in dozens of studies exploring leaving intentions and actual leaving behavior. In other words, intention to leave a job is an immediate precursor to actually leaving. The established, inverse relationship between job satisfaction and employee turnover intention is very important to research in organizational behavior.

Organizational commitment has generally been defined as identification and attachment with the organization. Job satisfaction is defined as an individual's, emotional, cognitive and evaluative response for his or her employment. Job stress is unfavorable reaction people have to excess pressures or other type of order place on them at job. Based on the study of theories and empirical studies, the conceptual model and the hypothesis of research such explanations as in the diagram below:



**Figure 1. The conceptual model**

(Source: The development from Chan Yin-Fah et al., 2010)

The model of research and hypothesis below:

H<sub>1</sub>: There is a positive effect of job stress on turnover intention.

H<sub>2</sub>: There is a negative effect of job satisfaction on turnover intention.

H<sub>3</sub>: There is a significant effect of job stress on turnover intention with organizational commitment as moderator.

H<sub>4</sub>: There is a significant effect of job satisfaction on turnover intention with organizational commitment as moderator.

### Conclusion

1. The study in investigate of 4 (four) hypothesis included: (a) H1: There is a positive effect of job stress on turnover intention, (b) H2: There is a negative effect of job satisfaction on turnover intention, (c) H3: There is a significant effect of job stress on turnover intention with organizational commitment as moderator and (d) H4: There is a significant effect of job satisfaction on turnover intention with organizational commitment as moderator are need and necessary to test and analyze in the reserach model.
2. For the practical implementation, it is necessary to give understanding for the employees about organizational commitment role to improve the relationship between job stress and job satisfaction on turnover intention for the capability of organizational commitment in controlling and managing work behaviour in company.
3. For the research appropriateness to the standard of statistics, it is essential to ensure the question indicators completeness in the questionnaires to avoid the respondents' hesitation. Additionally, the number of the analyzed samples must be sufficient based on the requirements of the statistical analysis.
4. This research is based on a single survey instrument (*single self report survey instrument*) questionnaire.
5. This study uses the concept of human resources about organizational commitment role, job stress, job satisfaction and turnover intention is relatively new in the research organization's behavior and condition of the understanding of different espondents may give rise to difficulties in understanding the survey instrument.
6. This research using a limited number of samples of employees, it required a larger number of samples.

### Scope for Future Research

1. This study need and necessary to testing and analyze of the model of job stress and job satisfaction on turnover intention with organizational commitment as moderator. This study is conceptual model based the theory and empirical studies is relevant.
2. It involves the research respondents that had many activities and limitation in sharia banking sector in Surakarta, Central Java, Indonesia. This, as a consequence, brought an effect on data gathering and data management process.
3. Research is done on sharia banking sector when done on conventional banks or any other industry sector possible results will be different because cultural factors, organization, work ethic, management companies and work environment.

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## FACTORS CONTRIBUTING TO THE INFORMATION DISCLOSURE IN CORPORATE GOVERNANCE CONTEXT

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### ABSTRACT

This research aims at examining the relationship between the implementation of corporate governance and the voluntary disclosure level. The existence of company organization (board of commissioners and board of directors) is an evidence of the implementation of good corporate governance in a minimum level. Board diversity will influence the composition of board of commissioners which later will put an effect on the implementation of corporate governance. In this study, board diversity was measured with five variables, including the existence of female members in board of directors, the existence of Chinese Indonesian members in board of directors (served as proxies of minorities), the proportion of independent outside directors, the age of board of directors, and the educational background of members of board of directors. The samples used in this research were 41 manufacturers listed in Indonesian Stock Exchange (Bursa Efek Indonesia) in the period of 2011-2014. On the basis of T test that was carried out, it concludes that both proportion of independent directors and age of the members of board of directors are empirically supported to contribute to the number of voluntary disclosure, while the existence of female members and Chinese Indonesians in board of directors, as well as the educational background of members of board of directors are not empirically supported to have an effect on the number of voluntary disclosure.

**Key words:** Board diversity, corporate governance, voluntary disclosure.

### INTRODUCTION

According to Cadbury Committee of United Kingdom (1992) in Agoes and Ardana (2009), corporate governance is a set of regulations which organize the relationship between shareholders, boards (management) of company, creditors, government, employees, internal and external stakeholders, and other external factors related to their rights and obligations; or in other words, it is a system which directs and controls a company. Agoes and Ardana (2009) define good corporate governance as a system which manages the relationship between the roles of Board of Commissioners, the roles of Board of Directors, shareholders, and other stakeholders. Good corporate governance is also defined as a transparent process in deciding company's objectives, performance, and evaluation.

According to Khomsiyah (2003), there is a connection between the implementation of corporate governance and the voluntary disclosure of company's information. The better the practice of good corporate governance is, the more information the company will reveal.

Suwardjono (2005) suggests that the basic assumption which connects company's size factor and the information disclosure is that a revelation requires high cost, and therefore, large company should be able to make better information disclosure. Moreover, large company has wider range of external relationship and establishes more connections with other partners, whether with government, foreign investors, international banks, and so on. This requires large company to improve its transparency in providing information.

Good corporate governance is closely related to company's boards. In order to put good corporate governance into practice, a company needs to have, in any case, board of commissioners, board of directors and audit committee (Guidelines for Good Governance, 2006). Board composition of a company is believed to have an effect on good company evaluation, either in short term or in long term (Cox and Blake 1991, Robinson and Dechant 1997, as cited by Carter et al. 2003).

The three committees may consist of diverse individual structure and composition. Diversity is variation of social and cultural identity of a group of people in a work place or market, while social and cultural identification is defined as a personal affiliation with a group which, in this research, is identified to have a significant effect on the main life experience of the person, age group, and working specialty (Cox 2001 in Marimuthu 2005). However, more heterogeneous composition of board of directors is believed to put a positive effect on a company, especially in decision making process and giving unique characteristics to the company which can create value added (Kusumastuti et al. 2005). Meanwhile, many experts of corporate governance also state that board diversity can be

profitable for a company, either directly or indirectly. Board diversity can provide some varied alternatives to make optimum decisions.

Transparency means the information openness in decision making process and in material and relevant company information disclosure. However, diversities in interests and information needs of users lead to different opinions on the extent of financial statement disclosure level that has to be made.

Characteristics of a company applying good corporate governance system can be identified from the existence of independent commissioners, the existence of certified good corporate governance codes, the existence of information transparency which can be supported with information technology, the implementation of law procedures which protect shareholders' rights, the implementation of accounting procedures which involve independent commissioners performing as chief of the audit team.

Diversity of board members is defined as the diversity of structure and composition of a board of directors. The composition is everything which deals with individual involving in the board which is different one to another, like differs in culture which includes gender or sex, social orientation, race, ethnicity, and age.

Thus, when the theory above is valid, dealing with the relationship between the implementation of good corporate governance and voluntary disclosure, the level of corporate governance quality is expected to give significant effect on the voluntary disclosure level.

This research tries to investigate the relationship between the implementation of corporate governance and the level of voluntary disclosure of information. The implementation of corporate governance principles is measured with board diversity which uses five criteria for measurement, including the existence of female members in board or directors, the existence of Chinese Indonesian members in the board (as proxies of minorities), the proportion of independent directors, the age of members of board of directors, and the educational backgrounds of the members of boards. Board diversity value is high when there are more female members in board of directors, more Chinese Indonesian members in board (as proxies of minorities), more proportions of independent directors, the higher age board of directors members, and the higher the educational backgrounds of board members will be.

Board diversity in a company is considered to represent the principles of justice, transparency, accountability, independence, and responsibility in decision making, and therefore, it will improve the number of voluntary disclosure. In other words, the board diversity is a signal that a company has applied good corporate governance and it should improve the company voluntary disclosure.

Good corporate governance has created an argument that board of directors composition will contribute to both company's good performance and evaluation. Proper composition of boards will improve the quality of decision making, and the voluntary disclosure level that will be made as well.

## **THEORETICAL REVIEW AND HYPOTHESIS DEVELOPMENT**

### **The Extend of Disclosure in Annual Report**

Annual report is an important communication mechanism of a manager with outside inventors. Outside inventors mean public inventors outside management which do not involve in company's management. The importance of financial statement disclosure practice by management to stakeholders is explained in the relationship between shareholders and management.

Basic principle of transparency deals with the information quality presented by a company. This principle needs the openness in decision making process and in information presentation (disclosure) of a company. However, users' different interests and information require emerge different opinions in the financial statement disclosure level that has to be made. Three concepts of the extend of financial statement disclosure are: a) Adequate disclosure, that is a minimum disclosure prescribed by the regulations, in which investors can correctly interpret the numbers presented; b) fair disclosure, that is indirect disclosure that becomes ethical purpose to all financial statement users to get fair treatment in providing reasonable information to potential readers; and c) full disclosure which deals with relevant disclosure towards the completeness of information presentation.

Disclosure, when related to data, means giving beneficial data to those who need them. Data can include company's financial and nonfinancial information relevant to decision making. Information revealed in the financial statement can be classified into obligatory disclosure and

voluntary disclosure. Each company has different level of expenses and benefits one to another in disclosing certain information. Factors contributing to the differences in company's annual report disclosure are likely to be caused by expenses and benefits of voluntary disclosure of information.

In annual report, disclosure level of companies varies, even in obligatory disclosure which has been clearly set in law and regulation. This phenomenon has drawn researchers' attention, especially to factors contributing to company's voluntary disclosure level.

### Corporate Governance

The main purpose of good corporate governance is creating value added for all interested parties (Arifin, 2005:13). IICC (Indonesian Institute for Corporate Governance) defines corporate governance concept as a set of mechanisms to direct and manage (control) a company to make the company's operation meet stakeholders' expectations. Hence, it can be said that a good corporate mechanism can provide effective protection for stakeholders, including investors.

### Principles in Corporate Governance

Five principles in conducting corporate governance practice in Indonesia are fairness, transparency, accountability, responsibility, and independency. The principles of corporate governance include:

**Fairness** is a condition in which stakeholders' rights are fulfilled and regarded fairly and equally which appear based on agreement and prescribed regulations. Fairness also functions to protect investors' rights, especially minority shareholders, which cover the accountability of shareholders' rights, law system, and regulation and other deceitfulness enforcements.

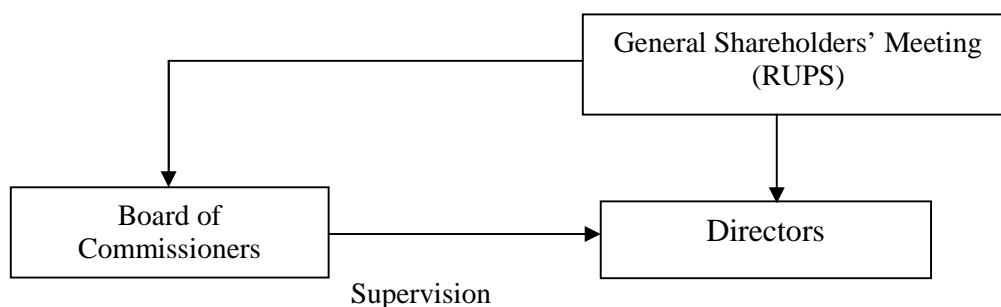
**Transparency** means the openness of a company in decision making process and in material and relevant information disclosure. Material and relevant information on Indonesia capital market is information which can affect the up and down of stock market price of the company, or affect significantly the risk and future chances of the company. Since this definition is very normative, explanation on the operation is required in each company.

**Accountability** is the clearness (accountability) of the function, structure, system and responsibility of a company's organs in order to make the management of the company run effectively. Common problem faced by Indonesian companies is the lack of supervisory function of Board of Commissioners or on the contrary, the High Commissioner takes the directors' authority. In fact, the intelligibility of the company's organ's tasks and functions is demanded to create checking and balancing mechanisms in managing a company.

**Responsibility** is the suitability (loyalty) to healthy corporate principles and existing regulations in a company management. The regulations deal with industrial taxes, environment protection, occupational and health safety, standard of payment, and healthy competition.

**Independency** is defined as professionalism in managing a company which is in accordance with the existing regulations and the principles of healthy company management without any conflict of interest and influence/pressure from any parties.

**Figure 1**  
Two-Board System Model in Indonesia



Source: FCGI, 2001

### **Voluntary Disclosure**

For a company, annual report is a medium to provide information on company's financial condition and other information to shareholders, stakeholders, and creditors. Information disclosure in annual report can be categorized into two, i.e. obligatory disclosure and voluntary disclosure. Obligatory disclosure is an information disclosure which is demanded by the existing regulations outlined by the Indonesia Capital Market Supervisory Agency/*Badan Pengawas Pasar Modal* (BAPEPAM). Meanwhile, voluntary disclosure is an information disclosure of a company which is not demanded or obliged by the existing regulations, and the company can freely choose the type of information that is going to be revealed, which is relevant to help in decision making (Yulianto and Chariri, 2003).

Voluntary disclosure is one of some ways to increase the credibility of company's report. Some factors interact each other and influence the voluntary disclosure of an organization, including: (1) formal rules adopted by an organization which are set by company's culture and habits; (2) accounting norms; and (3) market rules (Gibbins et al., 1992; in Zeghal and Maingot, 2008).

Dealing with the relationship between the implementation of corporate governance and voluntary disclosure, it is expected that the corporate disclosure level will lead to more voluntary disclosure made.

### **Board Diversity**

Experts of corporate governance state that board diversity can directly or indirectly give benefits to company. With board diversity, there will be some various alternatives for optimum decision making.

According to Robinson and Deschant (1997), Charter et al. (2002), and Kusumastuti et al. (2006), there are five propositions of board diversity. The first proposition is that corporate diversity encourages better understanding on market which deals with various suppliers' and customers' demographic condition, and hence, company's market penetration ability will increase. Secondly, diversity causes creativity and innovation to increase. According to this perspective, attitude, cognitive function, and belief are not randomly distributed in population, but are more likely systematically varied in accordance with demographic variables like race and gender. Thirdly, diversity results in more effective problem solving. Diversity causes more conflicts in decision making process, however, many emerging different perspectives make the decision makers evaluate more alternatives and explore more carefully the consequence of the alternatives provided. Fourthly, diversity increases the effectiveness of company leadership. Fifthly, diversity encourages more effective global connections.

### **The existence of Female Members in Board of Directors**

Dealing with corporate governance in Indonesia, board diversity in term of gender becomes an interesting discussion because there remains an argument that men are more suitable to occupy important position in a company. Different points of view on the reasons of men's and women's success can possibly contribute to the fact that there are fewer women having the highest position. Women's success is considered to be more determined by fortune factor, while men's success is considered to be more determined by their high level of ability in terms of talent and intelligence (Deaux and Ernswiller in Crawford, 2006).

On the other hand, compared to men, women are more careful, conscientious, and not risk taking. These characteristics make women tend to be more patient in making decision. Therefore, it is said that among all members of board of directors, women can help make more proper and less risky decision.

When the task structure that has to be handled is complex, women tend to process information more efficiently, which means that when complex tasks indicate differences in processing information, in which women are considered to process information more efficiently than men do.

From the explanation above, the hypothesis of the study is formulated as follow:

H<sub>1</sub> : Companies with female members in board of directors make more voluntary disclosure of information than those without female members in board of directors.

### **The Existence of Chinese Indonesians**

Chinese Indonesians' work ethics are originally derived from the aforementioned basics of value which are characterized by discipline, devotion to family, tolerance of routines as well as strong pragmatism. Thus there came out of their reliable and trustable entrepreneurship's flow of economic activity, power of relation and network, thrift, creativity and innovation, as well as existence of business, work, and entrepreneurship ethics.

Sturdy network of work system implies the first peculiarity of Chinese Indonesian economists' attitude. Nevertheless, a healthy competitive manner remains between them. This results in more intense business network. There would be a mutual cooperation even when crisis occurs or huge challenge is encountered. For that reason, one of their network characteristics which they build is family business.

Determination to work hard and frugal habit are included as other characteristics of Chinese Indonesians. They are able to work in a long period of time and rarely have a rest except when having their feasts. It has been their wont and pleasure for them to earn money for living.

As stated by Bjerke (2000) in Setyawan (2005), their cultural characteristics comprise Power and Autocracy, Familism, *Guan xi* (Personal Contact), Face and Prestige, and Flexibility and Endurance. The diversity in ethnical terms is considered as Chinese Indonesian characteristic influences economy, specifically sector of business. The hypothesis, hence, is formulated below:

H<sub>2</sub> : Companies with Chinese Indonesian members in board of directors disclose more voluntary information than those with no Chinese Indonesian members.

### **Proportion of Independent Directors**

All commissioners are basically independent. With this characteristic, they are expected to be able to conduct their duties independently for the sake of company's interest, regardless of influence of several parties with conflict of interest.

The existence of independent commissioners is intended to create more objective and independent climate, to keep the fairness and to be able to keep the interests of major stakeholders in balance and give protection towards interest of minor ones, even that of other stakeholders as well as the interest of the whole company.

Diversity in term of board members contains board composition denoting percentage of independent directors in the board (Ohlson in Faizal, 2004). The composition can be classified into three categories, namely inside directors, outside directors and grey directors. A relatively strong composition of independent outside directors owns attitude of more intense managerial supervision compared to that of management-controlled board. The capability of independent outside directors to influence management's decision will improve, along with the increase of their board position proportion. Based on the above explanation, hypothesis is shown below:

H<sub>3</sub> : Companies with independent directors in their board of directors disclose more voluntary information than those with no members of independent directors.

### **Board Members' Age**

A person's emotional quotient peaks after the age of 60. That is why elderly people are more sensitive to those at their age than younger ones. In addition, they are supposed to be able to see positive sides when encountering stressful situation. Therefore, it is no wonder they have different perspectives and focus more on interpersonal relationship. The older they are, the more they will care about social relation. Mankind tend to develop high levels of compassion one another prior to their end of life.

When a person comes into a middle age, retirement is prepared since in the old age, a decrease in speed of brain to process information occurs and hence the information in mind is less able to be produced. Brandstadter and Renner (in Santrock 1995) state that one thing to consider related to the middle age is the increase of wisdom when someone is getting old.

The aforementioned explanation implies that diversity in term of the members of board of directors' age is related to the owned wisdom. The older a person is, the wiser he will be. Being in the middle age in which satisfaction in career is achieved and maintained, when connected to performance, a person tends to prefer focusing on his job to moving from one company to another. This reveals that age can influence a person's performance in a company which later will affect the

corporate value as well. Moreover, senior employees have higher level of loyalty towards their company compared to younger ones. Based on the explanation above, hypothesis is figured out below:

H<sub>4</sub> : Companies with senior members in the board of directors disclose more voluntary information than those with no senior members.

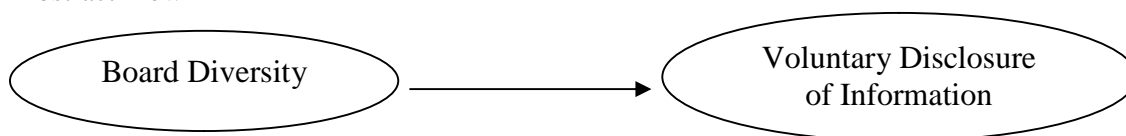
**Educational Background**

Educational background diversity of members of board of directors influences knowledge which is possessed. It will be better for them to have educational background in business and economics although it is not mandatory accomplishment for a person to enter business world. Those with business and economics knowledge have, at least, better capability to run a business and make a business decision compared to those with no business and economics knowledge. In the end, this will affect corporate value.

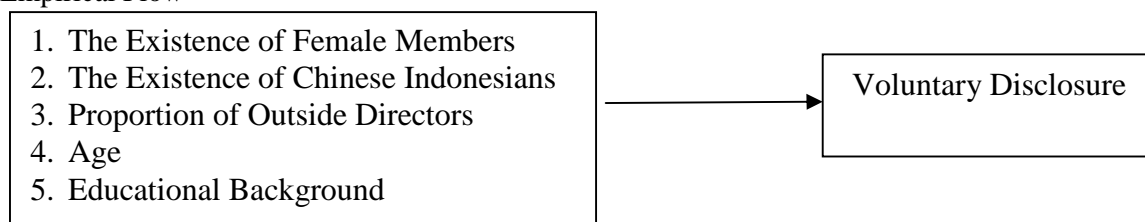
Knowledge obtained from formal education is beneficial to help members of board of directors do their jobs and maintain their company’s position in the competitive areas towards other companies through the enhancement of the company performance. More business and economics knowledge will be helpful in making decision, specifically related to what strategies will be applied by the company in the future. The hypothesis, hence, is stated below:

H<sub>5</sub> : Companies with members of board of directors having various educational backgrounds disclose more voluntary information than those with no various educational backgrounds

Abstract Flow



Empirical Flow



**RESEARCH METHODS**

**Data Source Determination**

Population in this research included manufacturers. In addition, manufacturers with sub-sector of basic industry and chemicals enlisted in Indonesian Stock Exchange (*Bursa Efek Indonesia*) releasing audited financial statements for the period of 2011, 2012, 2013, and 2014 were used as samples. They were selected by using non-probability sampling method, specifically purposive sampling based on suitability of characteristics and sample criteria previously determined.

Criteria used to select samples in this research included: 1) manufacturers with sub-sector of basic industry and chemicals which issued their financial statements and notes to the audited ones in the consecutive years of 2011-2014, 2) fiscal year ended December 31<sup>st</sup>, and 3) the availability of information about board diversity in annual reports.

Below is description of sample selection results used in this research

**Table 1**  
**Sample Criteria**

No	Sample Criteria	The Number of Samples
1	Manufacturers with sub-sector of basic industry and chemicals enlisted in <i>BEI</i>	58

2	Manufacturers with sub-sector of basic industry and chemicals which did not issue their financial statements and notes to the audited ones in the consecutive years of 2004-2007	(6)
3	Manufacturers with sub-sector of basic industry and chemicals which was newly enlisted in <i>BEI</i> in the years of observation	(7)
4	Manufacturers with sub-sector of basic industry and chemicals with no information about board diversity in the annual report	(4)
Final Number of Manufacturers		41
<b>The Number of Observed Manufacturers</b>		<b>164</b>

Source: idx.co.id and Indonesian Capital Market Directory (ICMD) in the period of 2012-2015  
The table below describes the representation of types of company in the period of 2011-2014:

**Table 2**  
**The Number of Samples Based on Types of Industry**

No	Industry	The Number of Population	The Number of Samples	Percentage of Samples (%)	Percentage of representation (%)
1	Ceramics, porcelain, and glass	24	16	9.75	66.67
2	Cattle feed	16	12	7.31	75
3	Pulp and paper	28	16	9.75	57.14
4	Metal and the like	44	36	21.95	81,81
5	Timber and Its Cultivation	20	12	7.31	60
6	Cement	12	12	7.31	100
7	Plastics and Packaging	52	32	19.51	61.53
8	Chemicals	36	28	17.07	77.77
	Total	232	164	100	

Source: Issuers' Data of *BEI*

### Dependent Variables

Dependent variables included in this research were voluntary disclosures in the period of 2011-2014. The research was limited to it since rules for obligatory disclosure have been determined, while in fact, information users demand to disclose broader information, and therefore, companies' voluntary disclosure of information exceeds what is obligated by government. This variable took measurement of the number of material items of financial statement disclosed voluntarily by the companies. In order to calculate each company's disclosure index, samples were obtained by a) giving score for each disclosure item in dichotomy (high voluntary disclosure and low voluntary disclosure) in which when an item was disclosed, value of 1 was given and when it was not disclosed, value of 0 was given, b) totalizing the scores obtained from each company to get the total score, c) calculating disclosure index by dividing total score which was gained with that which was expected by the company to gain, as shown in the formula below:

$$a = \frac{x}{y}$$

Note:

a= disclosure index

x= the number of items disclosed by samples of companies

y= the number of items which should be disclosed based on the voluntary disclosure index

### Independent Variables

Independent variables in this research comprised diversity of members of board of directors including the existence of female members, the existence of Chinese Indonesian members in the board of directors (as proxies of minorities), proportion of independent directors, age of members of board of directors, and the members' educational background. Below is the explanation of how to calculate and measure good corporate governance and board diversity.

### Data and Data Collecting Method

The data used in this research were secondary data, i.e. the data obtained by the researcher indirectly through intermediary medium. This research only employed secondary data, in the form of financial statements of the manufacturers with sub-sector of basic industry and chemicals in the consecutive years of 2004-2007 as well as notes to financial statements available in [www.idx.co.id](http://www.idx.co.id).

This research applied documentation method in the form of Issuer's Annual Report. The data of disclosure index were taken from issuer's annual reports during the period of 2011-2014. The data in this research, including the existence of female members and Chinese Indonesians (as a proxies of minorities) in the board of directors, the proportion of independent directors, the age of the board members, and the educational backgrounds of the board members, were gained from the financial statements of the manufacturer with sub-sector of basic industry and chemicals enlisted in Indonesia Stock Exchange during the period of 2011-2014.

### Data Analysis

The technique of data analysis is quantitative analysis, an objective data analysis that is based on numbers in conducting the assessment. This data analysis can identify whether the existence of female members and Chinese Indonesians in the board of directors, the proportion of independent directors, the age of the board members, and the educational backgrounds of the board members, influence the voluntary disclosure. The analysis instrument used is paired difference t-test.

## ANALYSIS AND DISCUSSION

### Descriptive Statistics

The following table provides the descriptive statistics of the research results from the samples of manufacturers during the period of 2011 to 2014:

Table 3

The Results of Paired Difference t-test

Independent Variables	1	0	T	Sig.	Note
The Existence of Female Members	79.82	76.92	-.431	.666	
The Existence of Chinese Indonesians	83.20	74.26	-1.328	.184	
The Proportion of Independent Directors	73.20	88.23	-2.136	.033	*
The Age of the Board Members	84.21	70.30	-2.036	.042	*
The Educational Backgrounds	83.20	72.80	-1.512	.131	

Note: \*statistically significant with  $\alpha=5\%$

Based on the results of the test as shown in table 3 above, the influence of each variable can be interpreted towards voluntary disclosure index. The results of t-test are :

- The significance level of the existence of female members is 0.666 which is higher than 0.05. This means that the variable of the existence of female members in the board is statistically insignificant in the significance level of 5% towards the index of voluntary disclosure.
- The significance level of the existence of Chinese Indonesians is 0.184 which is higher than 0.05. This implies that the variable of the existence of Chinese Indonesians in the board is statistically insignificant in the significance level of 5% towards the index of voluntary disclosure.
- The significance level of the proportion of independent directors is 0.033 which is lower than 0.05, showing that the variable of the proportion of independent directors is statistically significant in the significance level of 5% towards the index of voluntary disclosure.
- The significance level of the age of the board members is 0.042 which is lower than 0.05. This means that the variable of the board members' age is statistically significant in the significance level of 5% towards the index of voluntary disclosure.

- e. The significance level of the board members' educational backgrounds is 0.0131 which is higher than 0.05. This proves that the variable of the board members' educational backgrounds is statistically insignificant in the significance level of 5% towards the index of voluntary disclosure.

## Discussion

1. Companies with female members in the board of directors disclose more voluntary information than those with no female members.

Based on the test results as shown in table 3, empirically, the existence of female members in the board of directors does not influence the voluntary disclosure. This result does not in accordance with the theory that women have high prudence attitude, tend to avoid risks, and are more conscientious than men. This aspect should make women careful in the decision making process. However, the result shows that the existence of female members in the board of directors do not help the decision-making process to be more appropriate and to have lower risks.

The result of this research supports Khan (2010) which finds that the proportion of female members in the board of directors does not have significant influence towards the corporate social responsibility. This result is in line with those examined by Wang and Coffey (1992), Williams (2003), and Huse, et al. (2009).

2. Companies with Chinese Indonesian members in board of directors disclose more voluntary information than those with no Chinese Indonesian members.

Based on the test results as shown in table 3, empirically, the existence of Chinese Indonesians in the board of directors does not influence the voluntary disclosure. This result is contradict with those shown by Oxelheim&Randoy (2001); Carter et al. (2002; 2007); Marimuthu (2008); Ararat et al. (2010) which state that the existence of foreigners or minority ethnics in the board of directors has positive effect on the voluntary disclosure. Their existence brings opinions, perspectives, languages, trusts, family backgrounds, and various professional experiences, that enrich the business knowledge and the alternative for complex problem solving. Besides, the existence of foreigners in the board of directors is able to ensure foreign investors which the company is organized professionally (Randoy et al, 2006).

3. Companies with independent directors in the board of directors disclose more voluntary information than those with no members of independent directors.

Based on the test results as shown in table 3, empirically, the proportion of independent members in the board of directors influences the voluntary disclosure. This result supports that proposed by Matolcsy, et al (1997), stating that board of directors dominated by inside directors will tend to bring about weak management. This happens as the inside personnel have duty to monitor themselves. On the other hand, board dominated by independent directors will create stronger management system as they work as independent party. Utama (2005) says that the better the corporate management implementation is, the higher the values created for the investors will be.

4. Companies with senior members in the board of directors disclose more voluntary information than those with no senior members.

Based on the test results as shown in Table 3, empirically, the age of the board members give effect on the voluntary disclosure. This result is in accordance with Desller's (1997) opinion stating that the age of the board members is associated with their wisdom. The older a person is, the wiser he will be. If it is viewed from the relation of the adult stages of a person and the performance, a person in the middle-age group is at the state of reaching and keeping his career satisfaction. He tends to focus on their works instead of moving from one company to another. This reflects that age influences someone's performance in a company, which then, gives effect on the corporate value. Besides, senior employees are usually more faithful to the company rather than young employees.

5. Companies with members of board of directors having various educational backgrounds disclose more voluntary information than those with no various educational backgrounds.

Based on the test results as shown in Table 3, empirically, the background of the board members does not influence the voluntary disclosure. This result is in contrast with Sudiartana (2011) who states that the election of the board members must be guided with some requirements,

such as: education attainment, competence adequacy and business understanding, age requirement, integrity/honesty, and persistence.

The formal educational background of the members of the board of directors and commissioners is a cognitive characteristic that influences the ability of the board in the business decision-making process and management (Kusumastuti et al, 2006). Siciliano (1996) finds that the diverse educational background, which is associated with the board members' job background, has positive effect on the organization performance particularly in social performance. Wallace & Cooke (1990) state that the board members with accounting and business backgrounds are likely to perform broader information disclosure in order to improve the company reputation and the management credibility.

## CONCLUSIONS, SUGGESTIONS, AND LIMITATIONS

### Conclusions

This research aims to empirically prove that the existence of female members and Chinese Indonesians in the board, the proportion of independent directors, the age of the board members, and the educational backgrounds of the board members influence the voluntary disclosure of the manufacturers with sub-sector of basic industry and chemicals in Indonesia Stock Exchange during the period of 2011-2014. The conclusions of the research are as follows:

1. The existence of female members in the board does not influence the voluntary disclosure. This condition shows that the difference between men and women, including the difference of the characters of each individual, does not give an effect on the voluntary disclosure. This is presumably because women do not like to take risks rather than men, so that women have lower percentage in some positions rather than men (Charness&Gneezy, 2004). Besides, Indonesia adopts patrilineal kinship in which a father holds the control of the entire family members, the ownership of goods, the sources of income, and serves as main decision maker (<http://id.wikipedia.org>).
2. The existence of Chinese Indonesians does not influence the information disclosure. Chinese Indonesian descendants are usually considered successful in running business. However, Sugiyo (2007) states that there is no adequate valid theory that shows the factors making Chinese Indonesians successful in running business. Most companies having Chinese Indonesians as board members are usually family companies in which the board members are the family members. Therefore, companies recruit people from their own family by means of controlling the companies under the family authority. Surya & Yustiananda (2006) state that, in general, companies in Indonesia possess the same characteristics as those in Asia. Companies are historically and sociologically owned and controlled by family. Although companies develop as public companies, the family control is still significant. Recruiting broad members from Chinese Indonesians is not an attempt to create additional corporate value but rather to maintain kinship aspect. This phenomenon is in accordance with the characteristics of Chinese culture stated by Bjerke (2000) as cited by Setyawan (2005), they are: power and autocracy, kinship, network relation, self-esteem and dignity, flexibility and survival ability.
3. The proportion of independent directors influences the voluntary disclosure. A relatively strong composition of independent directors owns attitude of more intense managerial supervision compared to that of management-controlled board. The board of directors dominated by inside personnel tends to have weak management. This happens because as inside personnel, they have to monitor themselves. Meanwhile, the board of directors dominated by independent directors would have stronger management as they perform as independent party. According to Utama (2005), the better the corporate management implementation is, the higher the values created for the investors will be.
4. The age of the board members influences the voluntary disclosure. This is because it is related to wisdom. The older a person is, the wiser he will be, and, thus, it can influence his performance in a company. Later, it would also influence the voluntary disclosure.
5. The educational backgrounds do not influence the voluntary disclosure. The proportion of broad members with business and economics backgrounds does not influence the voluntary disclosure. The absence of the influence occurs as this research only specifically defines the educational backgrounds in the field of business and economics. There is a probability that the broad members'

educational backgrounds suitable with the company's types of business would be required more in order to support the business better. Besides, soft skill is also needed in running the business while the education gained at school is included as hard skill. A research conducted by Harvard University in United States of America states that 20% of success is gained with hard skill, while the rest, 80%, is obtained with soft skill (Nurudin, 2004). A board member must have credibility, skill, and experience in order to give independent judgment for issues of the strategies, the performances, and the company resources.

### Limitations

The research limitations are as follows:

1. There is subjectivity factor in obtaining the data about the variable of Chinese Indonesians in the board of directors in which the researcher did not crosscheck the companies' websites.
2. The numbers of samples used in this research are only 41 companies during the period of four years due to the incompleteness data presented by each company.

### Suggestions

1. The results show that among 41 manufacturers with sub-sector of basic industry and chemicals enlisted in Indonesia Stock Exchange during the period of 2011 to 2014, for 4 years, with 30 items of voluntary disclosure, only 302 companies of the total 4920 items voluntary disclosure or 6.14% perform the voluntary disclosure. Thus, a company should disclose more voluntary information in order to provide positive assessment towards the company concerned.
2. Among 58 manufacturers with sub-sector of basic industry and chemicals enlisted in Indonesia Stock Exchange during the period of 2011 to 2014, 6 companies do not publish their financial statements and notes to the audited ones consecutively. Thus, government should apply the rules equipped with sanctions to those companies.
3. For the upcoming researches, the researchers may consider to put the control variable into their researches. Control variable is variable that can be managed or made constantly so that the relation between both independent and dependent variables are not influenced by unobserved external factor, such as the size of the company.

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**THE RELATIONSHIP BETWEEN LEADERSHIP, COMPETENCE AND PERFORMANCE THROUGH WORK DISCIPLINE AND MOTIVATION AT PUBLIC HEALTH CENTER TUNJUNGAN BLORA CENTRAL OF JAVA**

by

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**Abstract**

Purpose of this study is to know influence of leadership and competence to both of work discipline and motivation, and leadership, competence, work discipline, and motivation to performance of Public Health Center Tunjungan Blora employees.

The technique sampling used in this study is census method. The sample in this research is 35 respondents. The data collecting techniques is used observation and questionnaires. The data analysis technique is used research instrument test such as validity and reliability tests; linearity test; hypothesis test such as path analysis, t test, F test, determination coefficient; variable correlation.

The test results shown that all instruments are valid and reliable. The result of this study shown that: leadership have positive but insignificant effect to work discipline, while competence have positive and significant effect. Leadership and competence have positive and significant effect to motivation. Leadership, competence, work discipline, and motivation have positive and significant effect to performance. The results of path analysis shown that: direct effect of leadership to employees performance is more effective rather than its indirect effect via both of work discipline and motivation. Indirect effect of competence to employees performance via work discipline is more effective rather than its direct effect and indirect effect via motivation. Indirect effect of competence to employees performance via discipline is most effective. Variable intervening work discipline and motivation in this study is able to mediate variable leadership to employees performance but ineffective. Variable intervening work discipline is able and effective to mediate competence to employee performance, while variable motivation is able to mediate competence to employees performance but ineffective. Total effect of competence to employees performance is more dominant rather than total effect of leadership to employees performance.

**Keywords:** Leadership, competence, work discipline, motivation, performance

**Introduction**

Performance organization not in there Only top management level, but also must on the middle management and subordinates. if only the top management has high costs, whereas their subordinates do not have a boarding costs high thus service quality perceived 'community will be differences was low. it is because the singer hearts practices in the field implementers precisely field is the subordinate, by because it u efforts to improve the boarding costs of the organization and should include the overall level of the organization as well.

The size of the organization and is not a boarding costs can be measured from the executor services, but rather from receiver services, because of boarding costs essentially is the output and not input. Parties which can be felt the output was not the operator services (bureaucracy) but service service users (community), by therefore hearts measurement a boarding costs should involve 'the community as service users service. happens performance in Public Health Center Tunjungan blora for singer need more improved. Important factors that can be increase the boarding costs and the organization is leadership. leadership in the organization and have the role of yang sangat determine hearts as well as the achievement of organizational goals. it is because the singer through the good leadership a leader can be influencing subordinates to improve boarding costs.

Problems leadership happens in Public Health Center tunjungan blora during singer is chief there can be to optimize the potential of the organization as well and yet can be adjust with demands external environment hearts hal singer meet your need for society because during singer leaders generally shackled with their rules applicable so less improvisation and

innovation is aiming to review increasing community welfare happens leaders always based on rules already, head of Public Health Center tunjungan blora always rely on official authority yang has so power being strength hearts stir subordinate and low competence leadership in Health Center Tunjungan Blora.

This is not apart from Pola sale the Less expensive competence officer yang will be appointed because during singer promotion what do leaders on employee health center tunjungan blora do differences fundamental basis of rank, class as well as the findings rating costs boarding through skp, while findings skp not able provide information kos chief operating costs objectively.

Another factor that can support performance improvement is competence. Competence can be defined as the ability, skill, state authorities or qualified under the provisions of the law. Employee competency can be defined as the ability and authority employees in performing work profession. Competence consists of a combination of knowledge, skills and capabilities needed to accomplish the task and function in the workplace (Muhibbin, 2007: 230).

Description of the three competencies are as follows: (1) personal competence of an employee include; have knowledge of the customs of both social and religious, have knowledge of the culture and traditions, have knowledge of the essence of democracy, have an appreciation and awareness of the social, have a knowledge of aesthetics, have the right attitude towards knowledge and work, and faithful to human dignity, (2) professional competencies include; understand and can apply the foundation of educational philosophical and psychological, understand and can apply the theory learned in accordance with the level of work, able to handle the work assigned to him, understand and can apply the method suitable employment and capable of using tools and working facilities, able to organize and implement the work program , capable of carrying out evaluation work, and is able to motivate the work, (3) social competence of employees include; the ability to communicate with people, hanging out and serve the community well, encourage and support the creativity of the community, keep emotions and behaviors that are less good, and put themselves in accordance with their mandate, both at work and in society. The problems that occurred in the health centers of competence Tunjungan Blora regency over the years is still found unscrupulous employees who do not have the competency to do the job so that it can interfere with the performance of employees in achieving organizational goals.

Discipline is also very important not only for employees, but all components of public organizations. The attitude and behavior of an employee will be role models for other employees. For that an employee is required to have high discipline in carrying out its duties and tanggungjawabanya. According Nitisemito (2010: 112) discipline is as an attitude, behavior, and act in accordance with the rules of the organization in writing or not.

Employee motivation factors also determine the success of employee performance in Public Health Center Tunjungan Blora. Coaching and human resource development for all employees in the health center Tunjungan Blora Regency is a necessity that should be implemented as long as these are always required to provide the best quality service to the community on the one hand, while on the other hand sometimes leaders have not been able to motivate employees to work optimally. This disparity occurs because there is hope and desire of each employee sometimes can not be met by the health center Tunjungan Blora as a government institution so that if the condition is not addressed immediately, it can demotivate employees and have been implicated in the decline of employee performance. One important function of leadership is to motivate the employees to work in accordance to the achievement of organizational goals.

Public Health Center leadership Tunjungan Blora Public should strive to create work motivation of employees in order to create the expected performance. Based on this

background it is necessary to study "The Influence of Leadership and Competence To Performance Through Work Discipline and Motivation on Employee Nursing Blora.

## **Literature Review**

### **Performance**

Understanding the performance is basically the activity and results that can be achieved or continue a person or group of persons in execution of duties, a good job, it means reaching a goal or working standard that was set before or even exceed the standards set by the company at a certain period ( Handoko, 2009: 135), while Mahsun (2006: 25) defines the performance is an overview of the level of achievement of the implementation of an activity or program or policy in achieving the goals, objectives, mission and vision of the organization as stated in the strategic plan of an organization.

According to Hessel (2010: 178) the factors affecting the performance of the organization is: Motivation. The issue of motivation in the bureaucracy that good governance needs serious attention because it functions as well as the position of employees in order in order to sustain the efficiency and effectiveness to achieve maximum performance. Organizational culture. Establishment of good performance generated if there is communication between all employees so as to form a strong organizational culture internalization and understood in accordance with the values of the organization that may cause a positive perception among all levels of employees. Compensation. Compensation system is a very important role in improving the performance of employees because employees are more skilled and professional in carrying out the work then has the opportunity to obtain compensation. The leader has a strategic role in the organization. The success of public bureaucracy in carrying out his duties determined by the quality of leadership.

### **Leadership**

Leadership is the overall pattern of a leader's actions, both visible and invisible by his subordinates. Leadership illustrates a consistent combination of philosophy, skills, characteristics and attitudes that underlie behavior. Leadership is demonstrated directly or indirectly on the conviction of a leader of the ability of subordinates (Veithzal, 2006: 64), while according to Terry in Sedarmayanti (2011: 249) leadership is the activity of the Influencing people to strive willingly for mutual objectives (leadership is to the overall activities or activity to affect the willingness of others to achieve a common goal).

A leader requires the terms as follows: (Kartono, 2010: 36) Flexibility of Culture (cultural flexibility), communication skills (communication skills), Creativity (creativity), according Siagian (2007: 27) the type of leadership can be grouped into: Type autocratic , parternalistik, charismatic type, type of laissez faire, democratic mode.

Leaders who run this type are usually looked at its role as coordinator and integrator of various elements and components of the organization so that it moves as a totality. A democratic leader usually realize that the organization should be structured to clearly describe a variety of tasks and activities that should be implemented to achieve the objectives and targets Organizational

### **Competence**

According Sedarmayanti (2011: 126) competence covers the following aspects : Skills, Knowledge, social role of self-image, nature or characteristics and Motif are thoughts or intentions constant basis that encourages individuals to act or behave, for example, wants to be appreciated and encouragement influence others.

## **Discipline**

Discipline as proposed by Nitisemito (2010: 112) is as an attitude, behavior, and act in accordance with the regulations of the company in writing or not. Discipline in practice implies two elements, namely: Elements positive, the attitude in the line of duty officers concerned willingly accepted the assignment and was partly responsible for the completion and successful task; element is negative, ie discipline dead or soulless, discipline owned by people who are not honest soul. Whenever a task is run by people like this, it is difficult to grow and irresponsibility will not be good.

## **Motivation**

Definition of motivation is the willingness to struggle or strive to a higher level towards the achievement of organizational goals provided this does not overlook its ability to obtain satisfaction in the fulfillment of needs - individual needs Hasibuan (2009: 141). Another opinion is everything motivation that drives behavior that requires or encourages people to meet a need (Siagian, 2007: 285).

According to Robbins and Coulter (2009: 92) definition of motivation is the willingness to do a high-level effort to achieve the goals of the organization which is conditioned by the ability of an attempt to satisfy the needs of a number of individuals. Another opinion is everything motivation that drives behavior that requires or encourages people to meet a need (Siagian, 2007: 285).

Motivation or motivation means giving a motive, motive or the onset of stimulation or circumstances which give rise to boost employment. Motivation can also be interpreted factors that encourage people to act in certain ways. While the motive is the driving force that encourages people to act or a power in man that causes human acts (As'ad, 2009: 45). Understanding motivation can be concluded that the researchers are motivated by something or conditions that will give a boost employee to work harder.

## **Leadership of the Labour**

Relations Discipline The success of an organization both as a whole and as a group in a particular organization, is highly dependent on the quality of leadership that is contained within the organization. Quality leadership of an organization plays a very dominant role in the success of the organization in organizing various activities especially noticeable in employee discipline. According to Robbins (2010) leadership acceptable to all employees can grow the discipline of every employee. Deni research results Susanti (2012) demonstrated an association leadership to work discipline.

## **Leadership Relationship to Motivation**

An individual will be highly motivated to work if the individual assess existing leadership as they wish. Employees in their duties have high motivation when assessing its leaders were able to understand the desire of employees that are expected to established a harmonious relationship in running the organization's objectives. The relationship between leadership and motivation are intertwined, according to Robbins (2010) leadership as desired employees can motivate employees to work optimally so that is expected to improve the performance to the maximum. Chaudhry research results and Husnain (2012) showed that the leadership effect on employee motivation.

## **Development of hypotheses**

### **Relations Competence to Work Discipline**

Competence can be defined as an act or behavior that can be measured through a combination of knowledge, skills and ability to do something. Competence is shown in the context of the task and are influenced by organizational culture and working environment, in other words, competence consists of a combination of knowledge, skills and capabilities

needed to accomplish the task and function in the workplace. According Siagian (2007) employees who have high competency can provide a high work discipline.

#### **Competence relationship to Motivation**

According Sedarmayanti (2011) one of the aspects of competence is the motif that is thought or intention constant basis that encourages individuals to act or behave, for example, wants to be appreciated and encouragement to influence others so that increasing the competence of an employee can increase employee motivation. Ngatemin research results and Arumwanti (2012) showed that competence can affect motivation.

#### **Relationships on the Performance Leadership**

Leadership may involve the development of a closer relationship between leaders and subordinates. In leadership, leaders help subordinates to see a greater importance for the achievement of the vision and mission of the organization. Led efforts to develop confidence, self-efficacy and self-esteem of subordinates, are expected to have a strong influence in improving the performance of subordinates. This is reinforced by the results of research Agustini Sulistiyansih (2009) and Wiwiek Harwiki (2013) showed that the leadership have a significant effect on employee performance.

#### **Relations Competence to Performance**

Employee attitudes toward work implies as a form of evaluation or feedback feeling of an employee for the work performed by him, in this case as a civil servant. Employees who have a positive attitude towards work, of course, will show a good performance on the job so that it will reflect an employee who has performed professionally. Results Agustini Sulistiyansih research (2009) shows that the competence of an effect on performance.

#### **Relationships Work Discipline to Performance**

Discipline is very important work for the employee and the organization for the discipline will affect employee performance. According Desler in Supartha (2006: 124) work discipline is an attitude of respect, respect, comply with and obey the regulations that apply both written and unwritten, and able to run and do not swerve to accept sanctions if that worker abuse duties and authority given to him. Meta Nandha research results (2012) show that the effect on the performance of labor discipline.

#### **Relationships Motivation on Performance**

Motivation is the driving or towing someone's willing to carry out the task as well as possible. Employees who have high motivation will have a high responsibility to work with enthusiasm and as best as possible, with all of the abilities and skills in order to achieve optimal performance. Good employee performance will be achieved if employees have a high motivation in work. Employees without any motivation arising from within the employees themselves, impossible employee performance will be achieved. Employee motivation is higher, the higher the performance of employees. The results of the study Wiwiek Harwiki (2013), shows that the effect of motivation on employee performance

Based on a review of literature formulated the following hypotheses:

- H<sub>1</sub>: Leadership effect on employee discipline Tunjungan Blora Public health center.
- H<sub>2</sub>: Leadership effect on employee motivation Tunjungan Blora Public health center.
- H<sub>3</sub>: Competence effect on employee discipline Tunjungan Blora Public health center.
- H<sub>4</sub>: Competence effect on employee motivation Tunjungan Blora Public health center.
- H<sub>5</sub>: Leadership effect on employee performance Public Health Center Tunjungan Blora.
- H<sub>6</sub>: Competence effect on employee performance Public Health Center Tunjungan Blora
- H<sub>7</sub>: Discipline influential work on employee performance Public Health Center Tunjungan Blora.
- H<sub>8</sub>: Motivation effect on employee performance Public Health Center Tunjungan Blora.

### Methodology of Research

This research is a census. The data used are primary data by taking a sample of the entire population of 35 respondents. This study uses analysis tools such as validity, reliability, linearity test, path analysis, multiple linear regression analysis, t-test, F and coefficient of determination.

Regression analysis is a path, path analysis is a direct development of the multiple regression form with the aim to provide an estimate of the level of interest (magnitude) and significance (significance) hypothetical causal relationship in a set of variables.

Causality will be used path analysis and intervening. In this research work discipline and motivation variables are placed as an intervening variable for variable leadership and competence to performance.

Multiple linear regression analysis was used to analyze the influence of several independent variables or independent variables (X) to the dependent variable or the dependent variable (Y) as follows:

$$Y_1 = + {}_1X_1 + {}_2X_2 + \text{(Equation I)}$$

$$Y_2 = + {}_1X_1 + {}_2X_2 + {}_3X_3 + \text{(Equation II)}$$

### Interpretation of Descriptive Results

Table 1  
Results Regression Equations First

**Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	11,961	8,067		1,483	,148
	Kepemimpinan	,034	,176	,030	,192	,849
	Kompetensi	,634	,176	,570	3,599	,001

a. Dependent Variable: Disiplin Kerja

Table 2  
Results Regression Equations Second

**Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,884	7,486		,118	,907
	Kepemimpinan	,371	,164	,321	2,269	,030
	Kompetensi	,562	,163	,487	3,438	,002

a. Dependent Variable: Motivasi

Table 3  
Third Equation Regression Results

**Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-15,24	3,028		-5,03	,000
	Kepemimpinan	,228	,069	,193	3,310	,002
	Kompetensi	,208	,083	,176	2,500	,018
	Disiplin Kerja	,599	,065	,565	9,268	,000
	Motivasi	,286	,070	,280	4,107	,000

a. Dependent Variable: Kinerja Pegawai

Table 4  
Test results F Equation 1

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	115,375	2	57,687	8,266	,000 <sup>a</sup>
	Residual	223,311	32	6,978		
	Total	338,686	34			

a. Predictors: (Constant), Kompetensi, Kepemimpinan

b. Dependent Variable: Disiplin Kerja

Table 5  
Test results F Equation 2

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	172,409	2	86,205	14,347	,000 <sup>a</sup>
	Residual	192,276	32	6,009		
	Total	364,686	34			

a. Predictors: (Constant), Kompetensi, Kepemimpinan

b. Dependent Variable: Motivasi

Table 6  
Test results F Equation 3

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	354,287	4	88,572	96,279	,000 <sup>a</sup>
	Residual	27,599	30	,920		
	Total	381,886	34			

a. Predictors: (Constant), Motivasi, Disiplin Kerja, Kepemimpinan, Kompetensi

b. Dependent Variable: Kinerja Pegawai

Table 7  
Determinant coefficient ( R<sup>2</sup> )

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,584 <sup>a</sup>	,341	,299	2,642

a. Predictors: (Constant), Kompetensi, Kepemimpinan

Table 8  
Determinant coefficient ( R<sup>2</sup> )

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,688 <sup>a</sup>	,473	,440	2,451

a. Predictors: (Constant), Kompetensi, Kepemimpinan

Table 9

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,963 <sup>a</sup>	,928	,918	,959

a. Predictors: (Constant), Motivasi, Disiplin Kerja, Kepemimpinan, Kompetensi

b. Dependent Variable: Kinerja Pegawai

Determinant coefficient (R2)  
Table 10  
Correlation coefficient

		Correlations				
		Kepemimpinan	Kompetensi	Disiplin Kerja	Motivasi	Kinerja Pegawai
Kepemimpinan	Pearson Correlation	1	,423*	,271	,527**	,568**
	Sig. (2-tailed)		,011	,115	,001	,000
	N	35	35	35	35	35
Kompetensi	Pearson Correlation	,423*	1	,583**	,623**	,761**
	Sig. (2-tailed)	,011		,000	,000	,000
	N	35	35	35	35	35
Disiplin Kerja	Pearson Correlation	,271	,583**	1	,444**	,844**
	Sig. (2-tailed)	,115	,000		,008	,000
	N	35	35	35	35	35
Motivasi	Pearson Correlation	,527**	,623**	,444**	1	,742**
	Sig. (2-tailed)	,001	,000	,008		,000
	N	35	35	35	35	35
Kinerja Pegawai	Pearson Correlation	,568**	,761**	,844**	,742**	1
	Sig. (2-tailed)	,000	,000	,000	,000	
	N	35	35	35	35	35

\*. Correlation is significant at the 0.05 level (2-tailed).

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Based on the analysis results can be obtained path

Equation 1 :

$$Y_1 = 0,030X_1 + 0,570X_2$$

Sig. (0,849) (0,001)\*\*

Equation 2 :

$$Y_2 = 0,321X_1 + 0,487X_2$$

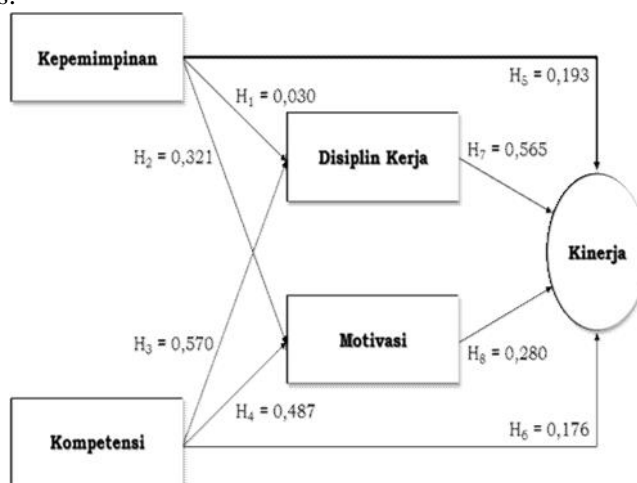
Sig. (0,030)\*\* (0,002)\*\*

Equation 3:

$$Y_3 = 0,193X_1 + 0,176X_2 + 0,565Y_1 + 0,280Y_2$$

Sig. (0,002)\*\* (0,018)\*\* (0,000)\*\* (0,000)\*\*

Model Analysis Results:



**Discussion**

1. Effect of Leadership on Employee Performance

The direct effect of leadership on employee performance more effectively. There by improving the performance of employees aimed at improving leadership directly. The results support the research conducted by Agustini Sulistyaningsih (2009) and Wiwiek Harwika (2013) showed that the leadership have a significant effect on employee performance. Efforts to improve the leadership to do the steps as follows: Public Health Center leaders Tunjungan Blora must have exemplary high spirit, leadership Tunjungan Blora Public health centers to reward outstanding employees, the head of the health center Tunjungan Blora regency have a high sense of empathy.

## 2. Effect of Competence on Employee Performance

Effect of competency to employee performance through more effective work discipline. Thereby improving the performance of employees aimed at improving the competence of the employee performance through the discipline of work. The results support the research conducted by Agustini Sulistiyaningsih (2009) and Siagian (2007) which states that employees who have high competency can provide a high work discipline that will result in the increase of employee performance.

Efforts to improve the competence to do the steps as follows: an employee health center Tunjungan Blora can cooperate with a good team, employee health center Tunjungan Blora regency have a high work integrity, and employee health center Tunjungan Blora able to think conceptually and work scientifically

## Conclusions and Suggestion

### Conclusions

Based on the description in the previous chapter, especially in the analysis and further discussion can be concluded as follows :

1. The results in this study show that:
  - a. Leadership is not a significant positive effect on employee discipline Tunjungan Blora Public health center.
  - b. Leadership significant positive effect on employee motivation Tunjungan Blora Public health center.
  - c. Competence significant positive effect on employee discipline Tunjungan Blora Public health center.
  - d. Competence significant positive effect on employee motivation Tunjungan Blora Public health center.
  - e. Leadership significant positive effect on employee performance Public Health Center Tunjungan Blora.
  - f. Competence significant positive effect on employee performance Public Health Center Tunjungan Blora
  - g. Labor discipline significant positive effect on employee performance Public Health Center Tunjungan Blora.
  - h. Motivation significant positive effect on employee performance Public Health Center Tunjungan Blora.
2. The results of path analysis showed that :
  - a. The direct effect of leadership on employee performance is more dominant than the effect of leadership on employee performance through the discipline of work and leadership influence on employee performance through motivation. These results indicate that the direct effect of leadership is more dominant than the indirect effect on employee performance.
  - b. Indirect effect on the competence of employee performance through disciplined work more dominant than direct influence on employee performance and competency indirect influence competence to employee performance through motivation. These results indicate that the indirect effect is more dominant than the competence of direct influence on employee performance.
  - c. Variable work discipline and motivation in this study were able to mediate the leadership variables influence on employee performance but not effective. Variable able to work discipline and competence to effectively mediate influence employee performance, while also able to mediate motivation variable influence on the performance of competence but ineffective.
  - d. Effect of total competence to employee performance more dominant than the total effect of leadership on employee performance.
3. F test results showed that together leadership, competence, discipline and motivation affects the performance of employees in the health center Tunjungan Blora.
4. The coefficient of determination test results showed that the total value of R square of 0.975, meaning that the variable is explained by the leadership performance and competencies with work

discipline and motivation as an intervening variable 97.5% and the remaining 2.5% described other factors outside the research model such as job satisfaction and variable compensation.

### Suggestion

Suggestions in this study are :

1. Increased leadership can be done by: Public Health Center Leaders Tunjungan Blora must have exemplary high spirit , leadership Tunjungan Blora Public health centers to reward outstanding employees , the head of the health center Tunjungan Blora regency have a high sense of empathy .
2. Increased competence can be done by: Public Health Center employees Tunjungan Blora can cooperate with a good team , employee health center Tunjungan Blora regency have a high work integrity , and employee health center Tunjungan Blora able to think conceptually and work scientifically.

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## MODELS DEVELOPMENT SAVING ACCOUNT HAVE INNOVATION, CASE STUDY IN BANK BENGKULU

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### ABSTRACT

Now days the Banking institution in the Bengkulu city has growth rapidly. Approximately there are fourthy of bank registered and completing the banking competition. In the way to increase cost amount from three party, therefore Bengkulu Bank is star to developing the process of new account in order to increase cost amount from three party.

The way of method for this research using qualitative method where is based on questioner such as interview and focus group decision. To develop model innovation of account saving, this research supported by theory of value innovation combining with the new product development according to harisson, 2000. The plus of advantage in development of account product is using pick up and delivery transaction wich make the costumer easily to conduct transaction and gain of information. Furthermore, the name of this account product is UKM (for you, we serve) with the motto "Commit to serving".

Keyword: Banking competition, saving account, model new product development

### A. Introduction

The policy legislation of Bank Indonesia in article 39 chapter V in 2009 to makes easy for banks to open a regional office. The existence of the act gives impact on all banks both national banks and private banks to get prepared to expand the network to spot potential untapped.

Bengkulu province is one of the private banks and nationals targets which seek to widen their network. Bengkulu Regional Development Bank is one of Regional owned bank that enlivened competition between banks in grabbing attention of people to invest their money or capital. Bengkulu Regional Development Bank, better known by the name of Bank Bengkulu was established on August 9, 1969 by decree of the Governor of Bengkulu province with numbers: 8/14 / E KU / 1969. (Annual Report of Bank Bengkulu, 2007).

From year to year Bank Bengkulu achieve visible progress better financial performance is measured by *capital, asset quality, earnings and liquidity* and efficiency performance is measured from the data envelopment analysis (DEA). ABFI magazine (Asian banking, finance and informatics institute) edition of October 2008 put Bank Bengkulu as second rank among all local banks in Indonesia Province (Info Bank, June 2009).

A good achievement for Bank Bengkulu at this time is to be a reference passion to further improve the existing management system in Bank Bengkulu. Nevertheless, Bank Bengkulu must keep innovating in order to increase the number of customers as well as retain the loyalty of its customers to save money in this bank. War profits and excess interest rate savings products are further shown in the banking sector in the public interest. Besides, the existing of Islamic banking has come to give color in banking in Indonesia, especially in Bengkulu Banking.

One of the strategies of Bank Bengkulu to attract the customers is launching saving product that innovate. Bank Bengkulu currently has three kinds of banking products. One of them is Tabungan Tabot (Tabungan Orang Terencana/ the planned savings). It is an iconic product of Bank Bengkulu. The Tabot product was inaugurated on 13 of April 2007. The Tabot product has life insurance imposed by the bank. In addition, interest rate is relatively varied.

But in reality, Tabot product is constrained due to lack of public interest. It is because the product is almost the same as other savings products of the bank. To strengthen and become a stable bank in its own area, the internal bank should begin to develop innovative savings products and has a distinct uniqueness so as to align with other bank savings products.

Each bank has their uniqueness in product savings banks. To simplify the process of developing new savings products, Bank Bengkulu needs to do the right innovation in developing savings products in order able to compete with other banks. Thus, to be able to be host for its own

area, Bank Bengkulu should begin to develop new products to follow existing competition. The research question above can be detailed as follows;

1. How is arcing ideas in the development of saving product?
2. How is the selection of ideas in the development of saving product?
3. How is the concept development and testing in the development of saving product?
4. How is the development of marketing strategy in the development of saving product?
5. How is the business analysis in the development of saving product?
6. How is the products development in the development of saving product?

There are six objectives of this research, they are; (first) To know how is arcing ideas in product development savings used by Bank Bengkulu, (2) how is selecting ideas used by Bank Bengkulu in the development of saving products. (3) how is development and concept of testing used by Bank Bengkulu in the development of saving products, (4) How is development of marketing strategy used by Bank Bengkulu in the development of saving products, (5) how is the business analysis used by Bank Bengkulu in the development of saving products, and the last one (6) how is product development used by Bank Bengkulu in the development of saving products

## B. Review Literature

### 1. Definition of Product

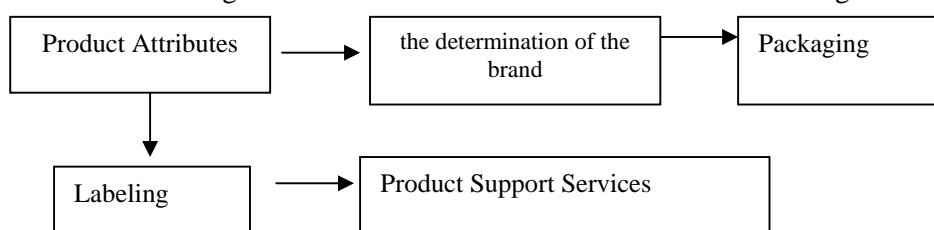
According to Kotler & Armstrong (2006; 267), product is a key element of overall deals. *Harrison (2000; 96)*, explains that product is anything tangible objects and obtained by conducting transactions. The process of banking products is one of the tangible object, in the form of a savings product that can be owned by the customers, can do the financial transaction and detailing what requirements must be met when the books of account is a manifestation of a bank savings product.

### 2. Products Decision and Services

According to Kotler and Armstrong (2006; 269), the marketing attributes makes decisions products and services in three levels; the first level is the individual product decisions. The second level is the line decisions product and mix decisions product. The last level is decisions of products and services covering various decisions about the attributes of product, the determination of the brand, packaging, labeling, and product support services.

The product decisions is the most important thing that is done to launch a product, it must be seen from various aspects in order to those aspects can be known by the society and can be used. The following is the explanation of the products decisions and services that consists of 5 levels according to Kotler and Armstrong (2006).

Figure 1. The decisions Product and Product Marketing Services



Source: Kotler and Armstrong (2006;269)

The features of products also become the important thing in creating a product, creating a product with the interesting features can be a value in a product. The other way to add value of customers is through different style and design product. According to Kotler and Armstrong (2006; 270), design is the bigger concepts than size and shape.

According to Kotler and Armstrong (2006; 270), the determination of the brand is the ability of building and managing of brand well. In banking field, brand is the important thing for the prospective customers or customers itself to get beliefs of the public at large. To build a brand is not easy thing, but need guarantee and high trust of the public at large.

Packaging involves the design and production of a product. Labeling is range from the simple naming affixed to the product through a series of letters complicated in part of package.

Label has several functions, at least label illustrate a few things about the product and be able to promote a label.

Product support services that open the service complaints relating to the work performed. This product support services is also to make easy to survey the prospective customers or customers who want to get the access of the products.

### **3. The issues around product strategy**

According to Harisson (2000), the product will be perfect if the customers have known what the advantages and the usefulness of a product are. To determine the usefulness of product will require a wide range strategy to determine whether the product is worthy or not to be used by the customers. The following is the issues of product strategy;

The process and the involvement of product, to know the saving product, so the customers must be involved to know the process and how the product will be used can be useful for the prospective customers. To open a new savings, the prospective customers are entailed to know the process of saving and how the products can be used in accordance with the benefits needed by the customers.

The factor that contributes of the successful of adoption after the product has been used by the customers; the bank can start to find out the different saving products and keep to adopt the previous savings product. It is done to complete the existing products and enhance the existing product :

- a. How to manage the products to protect the competition?
- b. How did a product make different from the same products?
- c. When to pull the products that did not work?
- d. How to implement the best possible way in the withdrawal process with minimal effect on the financial organizations?

### **4. Life Cycle of Products**

A product has life cycle in the roles of making a product. Not all products that are issued by banking may continue to be used by the customers. The product of banking in this era has similarity such as specification, the benefits and other advantages. According to Kotler and Keller (2006), the life cycle of products is divided into four steps, they are as follow :

#### **a. Introduction Steps**

The growth period is signed by the products are less attractive to the public. None of profits are coming from big expenses for the large-scale promotion which resulted funds are used for things that bigger. Early adoption is usually the costumers who like products and services that are introduced, then, the customers start to buy or use them. During the introduction, the firms used some strategies to hold out and keep doing the promotion activity that is done.

#### **b. Growing step,**

The products or services that are introduced by society at large begin to be received and used of its benefits.

#### **c. Maturity Step**

In this step, usually products and services recorded a decline. Then at the stage of maturity it happen the replacement products or services. The products and services can complement existing.

#### **d. Decline step,**

The decline in sale or the benefits of services record a decline, it happens because a number of reason, they are the advance of technology, the changes of customers interest, and raise competition in domestic and foreign.

Table 1 the Applications of Concepts in Banking Services

Basic of benefits	The initial of Product	Expected Products	Product Development	Potential of Products	Examples
<b>Access cards</b>	Cash card, withdraw book, branches of ATM	ATM must be functioning and serving branches are opened and can be accessible appropriate time	The additional services via ATM and branches	Wider access and greater distribution	Halifax cash card
<b>Asset security</b>	Many possible products ranging from deposits, capital investments of basic attribute becomes as tool for saving and developing fund	Deposit is safe and protection from theft. Protection from the effects of inflation that access to funds at predefined time.	Additional services of interest rate level is competitive, and withdraw without penalty	The interest rate that is set/ researchers that are set in accordance habit of individual saving.	The notification of account 90 days of Bank of Scotland.
<b>Fund Transfer</b>	Presenting easiness for moving funds between accounts and bills payment	Safe and accurate system that protects transactions from errors	Insurance and guarantees mistakes made by the system. The ability of checking the latest transaction	Giving greater control over transactions on customers. Link to other people accounts	Mondex, Bank of Scotland HOBS.
<b>Defer Payment</b>	Preparing the current money based on potential of future income	Level of interest rate and repayment period agreed in the beginning. Penalty for non-compliance	Payment protection Insurance, interest rate options for early payment or <i>penalty</i> . Interest rate option for non principal payment	Loan period is flexible that is connected to personal condition, cash payment or regular payment	Net west of personal loans mart age.
<b>Financial advice</b>	Receive advice on the products and services to meet the needs of present and future	The relevant advice of a trusted source and reliable.	Anticipate of the customers' needs, proactive and provide needs before appearing	Check financial condition, and keep <i>up-to-date</i> with the development. <i>Review periodic</i> and shipping of magazine/ or information of customers product.	Independent advice service of weol wich.

Source : Harisson, Management of Marketing (2000)

### C. Research Methodology

The design of this research is explorative study. According to Sekaran (2009), basically, explorative study is a researcher who is interested in investigating situational factors to gain an understanding of the characteristics of the phenomenon to be studied. The design of the research needs information by interviewing the related people.

The design of the explorative study is done by investigating or looking for information on events and conducts interviews or further research about what will be studied. The kind of investigation that is used for the development of new savings products of Bank Bengkulu is descriptive investigation.

Type of investigation of this research is minimal intervention. Sekaran (2009) states that distributing questionnaires to the respondents, researcher does not intervene to existing normal activities.

This situation of this research is using field study. The analysis units used is the organization in Bank Bengkulu. The setting of this research is Bank of Bengkulu with a time horizon that is a cross-sectional study that is performed with data only once (one shot), the data of the research will be collected in one week.

This research study about the influence of variable that related to the process of the new development product of the Bank of Bengkulu, that is, there is a wish from the management of Bank of Bengkulu to arcing the ideas, the selection of ideas, development and testing concepts, marketing strategy development, business analysis and market testing and product development.

There are several operational definitions of the variables in this research are as follows:

1. Arcing ideas

The Arcing ideas are thoughts or ideas of the thought of some ideas in developing a new savings product for bank of Bengkulu. The Arcing ideas can come from the results of the research of Bank of Bengkulu or competitor banks in Bengkulu province. The arcing ideas can be generated from internal party Bank of Bengkulu that is related parties, the directors of marketing and head of the division of planning, and external parties namely customers of Bank of Bengkulu customers who did not save at the Bank of Bengkulu.

2. Selecting ideas

The selecting ideas is the result of arcing wide range of ideas or ideas regarding the development of new savings products for Bank of Bengkulu then filtering through the selection of ideas, and finally have an idea that can be used by the Bank Bengkulu. The selecting ideas can be done by using focus group decision in taking the right decision or can be done with a open meeting for the related parties concerned

3. Developing and testing concepts

Developing and testing concepts is the innovation development of existing products, developing the idea of a savings product that has existed thus becoming an interesting concept? The concept was created to represent an image of the product, especially savings product of bank of Bengkulu. The concept can be formed or created by conducting research in developing products that can be used. Besides, it can be used by testing with several samples.

4. Marketing strategy development

Marketing strategy development is design in developing the new savings products that has already existed. How the best strategy that can be use to introduced the new savings product at Bank of Bengkulu. The existence of a good strategy, the products to be produced will be able to produce a good result anyway. Product development strategy is related to marketing directors and Planning Division of the Bank of Bengkulu.

5. Business analysis

Business analysis is analyzing the concepts of products and marketing strategy that already exists. The business analysis involves a review of the use of any costs involved in developing new products. To determine the projected profit and loss and to know whether the objectives in developing a savings product that is desired by bank of Bengkulu has been reached.

6. Product development

Product development is developing the new savings products of bank Bengkulu is developed into a product that has a unique or excess of savings products that already exist.

Table 2. Variable, Indicator and Source

VARIABLES	INDICATORS	SOURCES
Arcing ideas	- Focus Group Decision with Related Parties Bank of Bengkulu - Doing research with the External Bank Bengkulu, such as Customers and non-customers of Bank Bengkulu - Existing competitors	(Harisson 2000)
Selection of ideas	- Focus Group Decision with Related Parties of Bank Bengkulu - Doing the research by using the questionnaires with related external parties of Bank Bengkulu	

Concepts Development and Testing	- Focus Group Decision with Related Parties of Bank Bengkulu - Doing the research by using the questionnaires with related external parties of Bank of Bengkulu	
Marketing Strategy Development	- Focus Group Decision with related parties of Bank Bengkulu - Doing the research by using the questionnaires with related external parties of Bank Bengkulu	
Business analysis	- Focus Group Decision with related parties of Bank of Bengkulu -Doing the research by using the questionnaires with related external parties of Bank Bengkulu	
Product Development	- Focus Group Decision with related parties of Bank Bengkulu - Doing the research by using the questionnaires with related external parties of Bank Bengkulu	(Kimb& Maubrogne, 2006)

Source: Harisson, Kim & Maubrogne

The measurement of this research variable is done to facilitate in taking and analyzing data. The measurement scale is interval scale. According to Sugiyono (2009), interval scale is used to measure attitude, idea, and perception of someone or a group of people on social phenomenon.

The Data can be obtained from primary and secondary data. According to Sekaran (2005) primary data refers to information obtained first hand by researchers associated with the variable interest for the specific purpose of studies and secondary data refers to information that has been gathered from sources that already exist.

Sampling is the process of selecting a number of elements sufficiently from the existing population. Sekaran (2009), explained that the study of the samples and the understanding of the nature or characteristics will make us to generalize the nature or the characteristics of the elements of the population. The techniques of sampling in this study are as follows:

1. The management of related Bank Bengkulu  
The management of related parties of Bank Bengkulu, the technique of sampling used is probability sample which did not give an opportunity for every elements and a group of population to be chosen as sample instrumentation. The respondents that will be chosen are two related parties in developing savings products of bank Bengkulu.
2. The technique of sampling for the customers of Bank Bengkulu is using non-probability technique. Besides, the incidental sampling method is also used. The incidental sampling method is the technique of determining by coincidence respondents defined as samples in the provision of samples taken from the overall savings customers, especially in sub-branch Pasar Minggu approximately 6000 accounts and selected 50 people from the sample who are interviewed.
3. The Customers who are not open savings account at Bank of Bengkulu also uses non-probability sampling techniques. Sugiyono (2009) said that using incidental sampling method is based on the technique of determining coincidence. Respondents were defined as samples in the provision of samples taken from the overall non-customers of savings account in the bank of Bengkulu are approximately 50 people were interviewed.

The method of collecting data of this research is direct observation. The interview uses *focus group decision* to related parties. In collecting the data, the researcher uses primary data collection method.

Sekaran (2009), explains that the primary data used in this research is a way through the dissemination of research instruments / questionnaires. The questionnaire is a list of written questions that have been formulated in advance to be answered by the respondents. The questionnaire is an efficient data collection mechanism if researchers know exactly what is required and how to measure variable. While the structured interview is an interview that is known in the information needed. In this research, the interviewer has a list of questions to ask the respondents.

The spread of this research instrument is by distributing questionnaires to savings customers and non-customers savings of Bengkulu Bank, and conduct focus group Bengkulu decision to the management / stakeholder of Bank Bengkulu, which is responsible for the development of savings products.

This research uses qualitative technique that focus on the description, and the placement of data on each its contexts, and describe them in words rather than by numbers. The qualitative data is in the form of words, sentences or narration that is gathered from interview and observation.

The procedure of the research is examining all the existing data, which is from the focus of group decision, questionnaire, and documents. After that, making abstraction and the summary of entire process and the statements required, then organized into units that will be categorized, and checking the validity of data. Categorizing the data will consider the validity by considering the competence of the subject of the research, level of authenticity and triangulation of data sources. In the last steps, the researcher will make a conclusion from the presentation and analyzing data.

**D. Result and Discussion**

**1. Result**

Selection of ideas, is the result of arcing wide range of ideas or ideas regarding the development of new savings products for the Bank of Bengkulu. Selection of ideas Bank Bengkulu has many factors which can be viewed from a variety of existing competitors, other than that of the business environment is also a selection of ideas for the Bank Bengkulu to create new products, the selection of ideas is created also from the factor of saturation of society with products that have been circulating in the community.

*”Surawardi explained that the Bank of Bengkulu has its own way in choosing an idea that is seen from the saturation level of the community for a savings product that is viewable through the data that they process and the environment play a role in Bank Bengkulu which could be outside environment and the environment in. The outdoor environment can be seen from existing competitors, such as banking in Bengkulu province, in addition to competitors outside competitors become one of the essential ingredients for the Bank of Bengkulu in determining the selection of the idea that the development of products that will be released have differences. In terms of the internal inputs from Bank Bengkulu parties who have an interest and understand the model of the development of savings products”*

In terms of interest, the public interest against the interest banks are not less of a problem can be seen in Table 5.2 that the insurance is not the most important thing for customers because almost all banks have the same relative interest. There are only a few banks that provide great interest to its customers. One of the banks that help provide a large interest rate that Bank Mega provides savings of up to five percent and Bank Bengkulu also provide the same interest with mega bank that is five percent.

Other product advantages are almost all owned by banks in the province of Bengkulu. Savings products that they show almost all the same or homogeneous. With products that have facilities similar competition was even more severe. One of the benefits of products that is owned by another Bank Technology with almost instantaneous access. Almost all banks have internet banking to make it easier for customers to make transactions even more bank BCA. The advantages are almost the same that causes competition between banks in the province of Bengkulu is progressing very rapidly.

Here is a scheme that can be used by the Bank Bengkulu to create a model of the development of a savings product that has value innovation.

Table 3. Continuous Product Innovation Savings Scheme Value

<p><b>Eliminate</b></p> <ul style="list-style-type: none"> <li>• Administrative costs in the transaction</li> </ul>	<p><b>Increase</b></p> <ul style="list-style-type: none"> <li>• Gifts</li> <li>• Care services</li> <li>• Location banking strategy</li> <li>• Public confidence in banks</li> </ul>
<p><b>Decrease</b></p> <ul style="list-style-type: none"> <li>• Interest that so high</li> </ul>	<p><b>Create</b></p> <ul style="list-style-type: none"> <li>• Shuttle service exclusive customer money</li> <li>• Provide information service for exclusive customers BB</li> </ul>

Sustainable scheme, strategy blue ocean, Kim & Maubrogne.

Use of all of this is as follows:

1. Encourage companies to pursue differentiation and low cost simultaneously. With the above scheme can be seen that for the pursuit of differentiation, the one strategy that can be used is to provide a shuttle service for money for its customers exclusive in addition to reducing the cost of expensive is the interest rate cut in order to fund the existing allocation can be used for more important things.
2. The scheme was immediately hit companies that only focus on efforts to increase and created so as to improve their cost structure. 5.4 The scheme can be seen that in order to improve and create a savings product that has the innovation one of them namely, creating products that airport shuttle savings and provide better services.
3. This table will be easily learned by anyone or manager of a company or a bank, creating a high level of involvement in its application. This analysis can be perfectly applied can be learned and applied in accordance with the continuous. With tables may encourage companies or banks to eager to analyze the factors that have been there.
4. Make it easier for banks to act in developing a savings product that is innovating so as to create a superior product and can be used in a wide audience.

The following explanation of the scheme are:

1. Focus, every company profile we should be able to have a good focus and mature in thinking and acting. In developing a savings product that innovates then the BB can focus on three main factors namely, the deposit insurance agency, speed of access (access services), as well as the technology that is used by customers or savers.
2. Divergence, which has a movement away without having disappeared that try to create a new model that unconsciously by the wider community that we spend savings product has its own uniqueness.
3. Motto compelling, to believe customer as a customer is not an easy thing people need time to realize that the motto used by the BB can affect the savings in product development, to develop new savings products that have the innovation, the researchers will develop a model of savings products innovate. The savings would be created that is saving innovations for the Bank of Bengkulu.

Figure 2. Sample of Innovation Saving in Bengkulu Bank



**Motto : Always for you**

Terms Saving :

1. Savings products can be used by age in years 17 and over
2. Have ID card, driver's license or Permit

Excess Savings products that innovate

1. Free monthly administration fee
2. Pick a minimum deposit transactions of 250 thousand rupiah
3. The administration fee ATM

4. Free of charge insurance claims
5. The bank rate which varies between 2-4%
6. Care services one door
7. The prize cash of 75 million, taxes paid by the Bank.
8. Mileage 5-20 Kilometer

The above savings products is the development of savings products that have a good innovation that can be used by the Bank of Bengkulu. With seven advantages that there will be a motivation for the Bank Bengkulu to market or introduce a product. The segmentation of society savers are middle class and lower middle class, in addition to a special savings product can be used for customers who own a small business. such as small and medium enterprises to lower and medium-sized enterprises. UMK savings product was created for customers who have little time to carry out their transactions in the Bank. With a one-stop service Bengkulu Bank hopes not only be felt by most people but the entire community Bengkulu yag in Bengkulu. Careful with the motto of "Always For You" can be tailored to a savings product that will be in use.

After developing the concept of a subsequent process which is doing the marketing strategy. Development of marketing strategy is designed to develop new savings products that already exist. The development of this marketing strategy is how the Bank Bengkulu able to publish their products to the middle of the community and able to become one of the flagship savings product for the Bank of Bengkulu.

Development of marketing strategy is the final stage in the process of introducing a savings product to the general public.

Table 4. General Framework Mix Marketing Communication PT Bank Bengkulu

ADVERTISING	SALE PROMOTION	PUBLIC RELATIONS	FACE TO FACE SALE	DIRECT MARKETING
Adv. media	Contest	Press kits	Presentation	Catalog
Adv. electronic	Playing	Speech	sale	Latter/mail
Packing	lottery	Seminar	Meeting	<i>Telemarketing</i>
Pict	lottery	Annual report	Intensive	<i>Electronic</i>
Brosur	Gift exhibition	sponsorship	Example	<i>Shopping</i>
Buklet	Exhibition	Publication	Exhibition	<i>Email</i>
Poster	Demonstration	Relations,	Trading	<i>Voice mail</i>
<i>Billboard</i>	Low Interest	lobbying		
Display	Rabat	Magazine		
<i>Audiovisual</i>	Financing	Company		
<i>Symbol</i>	Entertainment	Event		
<i>Video tape</i>				

From : *Sutisna, SE.ME 2002 “ Perilaku konsumen dan Komunikasi Pemasaran*

From there the 4P 3P be complementary marketing strategies, namely, People, physical evidence and process. Table 5.4 is an overall implications for marketing strategies that can be used by the Bank of Bengkulu in introducing such products to the middle - the middle of the wider community. The above components which consist of a mix of marketing communication mix and the addition of 3P consisting of people, physical evidence and the latter the process.

Here's an explanation of the table 5.5. At the beginning of the process that must be done first of all is the readiness of Bengkulu Bank in introducing new savings products to the middle of the wider community. The readiness is comprised of several factors, first the readiness of employees / the Bank of Bengkulu in control of the information that the new savings products to the public and be able to communicate properly and systematically. The selection of employees in introducing products such savings hendakna have good qualities so that the product can be known to the public, as has a high responsibility, professionals are able to work together well, loyalty to the bank and unyielding in the condition as well as any kind of pressure. By having employees / workers whose condition as described above, the employee is able to introduce such products terhadap society and be able to serve the public or customers well.

Technology that supports such systems include the improvement in the Bank's internal Bengkulu, after HR updated, the technology should also be able to grow with the

release of new savings products. The usefulness of the technology, enables customers to search information and transactions.

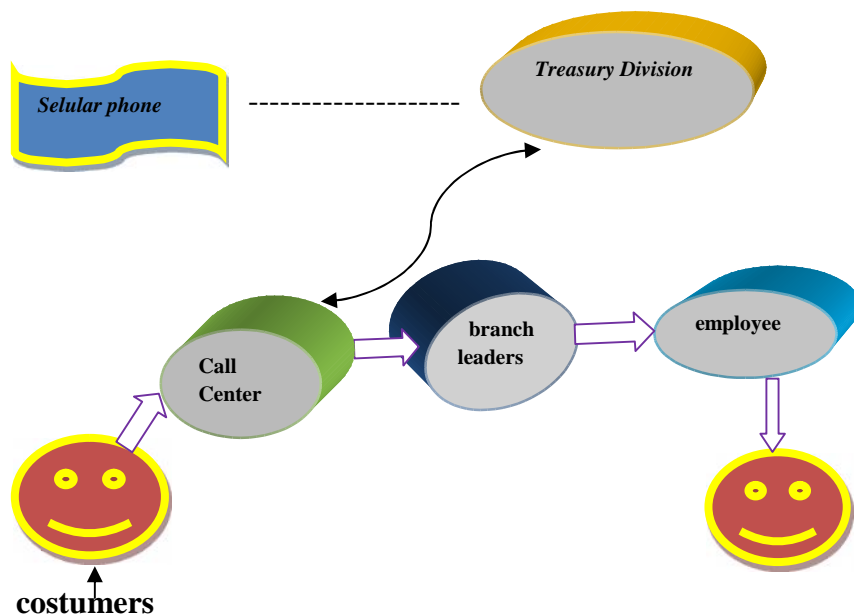
To increase customer value and reduce the overall budget then things became a major staple in the introduction of such products should be able to run properly. After that to facilitate one-stop service, operational vehicles must be in top shape. With operational vehicles as well as a strategic place, the Bank of Bengkulu is ready to introduce the product to the public. The thing that can be done to introduce these savings product which is a way to advertise savings products "MSE" to the media with the support of savings products.

As for the media that can be used on-line media and below the line. Top-line media can be used namely, billboard and banners that can be installed in place - public. Bottom line media also played a role in developing such savings products namely booklets, brochures, pamphlets and other electronic devices. Electronics that can be used is using television and radio. Television Bengkulu Bank can cooperate with one local television station that broadcast the advantages and benefits of savings products MSE. With the radio can also be heard on a given frequency.

By using advertising thorough and persuasive approach to be the sole sponsor of an event, the other thing that can be done by the Bank of Bengkulu that is closer to the target will be savers or become prospective customers Bank Bengkulu by organizing special events for potential customers who will being targeted. Such conduct SME for small and medium sized businesses. Target Small and medium businesses have when processed more capable and can develop into a large business with the way the Bank of Bengkulu able to provide infomasi about the ease of Savings "UMK" owned by Bank Bengkulu to facilitate the public in the transaction without having to make a transaction at the nearest bank. Another thing you can do that is a personal approach banking, which is to meet the target target- who really want to open a savings account at Bank of Bengkulu. Savings products "MSE" is a savings product that can be used by everyone without terkecual and has special facilities for people who do not have the time to conduct transactions face to face with the concerned bank teller.

The process can be explained is, the prospective customers for the first time that it comes to Bank Bengkulu nearby to open a new savings with memgisi of data - data that has been prepared by the Bank, then after filling the data required then the Bank Bengkulu provide education about saving products "MSE" as well as the advantages and mafaat of such savings products. Education is given the ordinances in doing menabung properly and how to conduct transactions without going to the bank. Once customers have contacted the Bank of Bengkulu, the nearest branch of the Bank of Bengkulu plunge into the field to meet potential that will make a deposit. It would be easier if the internal systems Bank Bengkulu supported as well as the good cooperation between the branches with other branches in the success of savings "UMK" that provide comfort and convenience for prospective clients in accordance with the motto that is given the "Always for you". Following a systematic explanation Bank Personal Banking Bengkulu

### Bank Personal Banking systematic curve Bengkulu



#### Explanations:

*Personal Banking is one of the uniqueness that can be used by the Bank of Bengkulu in creating a savings product that has value innovation. Personal banking is a personal approach taken by the Bank of Bengkulu in closer to prospective clients / customers what they want. The system is used ie, Bank Bengkulu through treasury division leader made a new breakthrough in conducting financial transactions on clients personally. The first thing to do that, the treasury division of the Bank Bengkulu through cooperation agreements with mobile operators in Bengkulu, the point is to make it easy for customers to obtain information and conduct transactions. In providing convenience, the Bank Bengkulu not only offer call center but sms banking that allows customers to be able to search for information and get the information they need. Banking SMS or phone can be used free of charge by telephone and sms system that uses the same costs with other operators which ranged between Rp100-150 for one message short service (sms).*

The internal Bank of Bengkulu that provide training for employees who will be the third party in carrying out their duties in conducting transactions to customers. To conduct a transaction the Bank Bengkulu through treasury division can provide information and convenience for employees and customers. For employees, in performing their duties they had a mandate from the leadership of the branch / head-branches in which they work. Bank of party officials Bengkulu particularly the treasury division provides services such as call center that the point is to facilitate customers in finding information as well as provide information. Call center is a number that can be reached by customers seeking information or asking for information. The call center number that is issued by the Bank of Bengkulu the numbers that are easy to remember.

The use of call center also provides information on the branch / Capem nearby will conduct financial transactions or simply provide information. To avoid suspicion or mistrust of customers to employees of the Bank, the Bank Bengkulu Bengkulu provides code / pin secret given through the call center of the Bank of Bengkulu. The secret code is only given to customers through the call center has been contacted on the orders of the leadership is concerned. To its employees in order to avoid suspicion on the part of customers, each employee is equipped with a special indentitis of Bank Bengkulu, while the special identity is only given when they are on duty.

After the customer met with employees of the first things done by the client is asking for pin code provided by the employees to be matched by the customer, having no pin together and have been assured, the second thing to do that is the customer asking the bank to

provide a warrant or identification cards duties in accordance with a secret code / Bank Bengkulu. The task of each employee card with a secret key known only to the owner of the savings and Internal Bank Bengkulu appointed. Meanwhile, to minimize the occurrence of unruly customers or want to commit a crime, the employee must be able and keen to know who will be the savers and depositors can know by identity through identity cards or other identity. In the transaction, the escort should also be given by the Bank of Bengkulu in order to prevent crime can be minimized, as their escorts as well as working with insurance that is able to be invited to cooperate. With maximum effort and reduce the danger level of the Bank Bengkulu should have systems and technologies more sophisticated and accurate. In addition, the distance that can be provided by internal parties in the pick money is 5-20 kilometers.

## E. Conclusion and Recommendation

### 1. Conclusion

Some conclusions can be drawn from research on the development of models of savings products innovating value, Bengkulu Bank case studies are:

- a. With competition among banks in the province of Bengkulu then to raise third party fund Bengkulu can mengembakan savings products have innovation.
- b. Development of savings products Bengkulu Bank split 3 factors in the development of a savings product that is viewed from the side of the business environment factors, namely the business environment of internal and external business environment, factors that both the weariness of existing savings products as well as third factor is a competitor dominate
- c. Based on the results of questionnaires conducted by researchers counted 100 respondents said that based on the seven attributes of savings products they choose, the trust factor to be number one for the customers in choosing savings products. Trust becomes the main thing for the customers in deposit money that they have.
- d. Based on the competition which consisted of fourteen banks in the province of Bengkulu with uniqueness and excellence of each bank savings products, things that need to be improved by the Bank which is doing personal banking Bengkulu to obtain third-party funds on a regular basis.
- e. Savings products are used by researchers to innovate the savings UMK

### 2. Recommendations

Based on the results of research, product development savings then there are some suggestions from the author would be taken into consideration or input for Bank Bengkulu namely:

- a. For the development model of savings products, the Bank Bengkulu hendaknya has a special division to handle branding, promotion and marketing professionals
- b. Free access to, and the technology must be improved in order to avoid dropping by other banks.

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## ANALYSIS OF INTERNAL BARRIERS INFLUENCED TOWARD THE GROWTH OF START UP COMPANY IN SOLO CITY

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### ABSTRACT

This study aims to analyze internal barriers such as motivation, management capacity, funding and marketing influenced toward the growth of start up company in Solo City. This research in SME's Surakarta using samples from 60 company with sample technique is purposive sampling. Data collection method used a questionnaire, documentation and interview. The method of analysis used is multiple linear regression. The result showed that the motivation, management capacity, funding and marketing influence on the growth of start up company in Solo City.

Keyword: internal barriers, start up, SME's

### A. Introduction

Given the current economic challenges facing many countries across the globe, the notion of engendering greater entrepreneurial activity has become a prominent goal for many national governments. The relevance of entrepreneurship to economic development has been highlighted by many researchers (e.g. Davidsson *et al*, 2006) and it is now well-recognized that education and training opportunities play a key role in cultivating future entrepreneurs and in developing the abilities of existing entrepreneurs to grow their business to greater levels of success (Henry *et al*, 2003). According to the European Commission (2008), the aim of entrepreneurship education and training should be to 'develop entrepreneurial capacities and mindsets' that benefit economies by fostering creativity, innovation and self-employment.

More globally, governments across the world are increasingly recognizing the positive impact that the creation of new businesses can have on employment levels, as well as the competitive advantages that small firms can bring to the marketplace (Scase, 2000). Moreover, while entrepreneurship provides benefits in terms of social and economic growth, it also offers benefits in terms of individual fulfilment, with entrepreneurship now breaking through the barriers of class, age, gender, sexual orientation, and race. However, because the relationship between entrepreneurship and economic growth is quite complex, many different approaches to encouraging entrepreneurship have been applied by a wide variety of agencies, with enterprise policies varying from country to country.

Hoy *et al* (1992) recorded that a wide variety of growth measures were used ranging from increased market share or enhanced venture capital funding, to growth in revenue, return on investment, or the number of customers of a firm. Within these studies, employment was generally the most accepted method of measuring growth. This occurs because the data is easily gathered, determined and categorised, and because this system is already frequently utilised to ordain firm size. Additionally, employment figures will be unaffected by inflationary adjustments and can be applied equally in cross-cultural studies, although difficulties may arise in determining how one measures part-time or seasonal employees. It is also worth noting that while a firm may increase its level of employment, it does not necessarily follow that it has expanded its market or financial success. However, it is now broadly agreed that if a firm is to achieve sustained expansion, it must satisfy a number of requirements for growth - it must increase its sales, it must have access to additional resources, it must expand its management

team, and it must extend its knowledge base. But each set of requirements establishes a different set of obstacles for the entrepreneur.

In addition to resource shortages and capacity limitations, an important set of internal barriers to growth is related to the whole issue of human resource management and the conditions concerning the hiring and firing of labour. Where there are limitations of the use of fixed-term labour, where long advance notification of layoff is required, where there are high mandatory severance payments which increase the cost of dismissal, and where taxes and contributions on labour are excessive, then entrepreneurs may be reluctant to expand their activities if this would require that they take on new permanent employees. A key internal constraint on growth of SMEs is a reluctance or inability of owner managers to diversify control over business functions to professional managers.

It is clearly evident from a review of current entrepreneurship literature that entrepreneurship involves more than business start-up, and that it also includes the development of skills to grow a business, together with the personal competencies to make it a success. Gibb (1987) noted that while the entrepreneurial role can be both culturally and experimentally acquired, it is consistently being influenced by education and training. It has also been argued that the traditional approach to entrepreneurship (with its emphasis on business start-up) needs to change and that the relevance of entrepreneurship education and training must be expanded. Indeed it is now widely recognised that there is a requirement to move from traditional 'instruction' towards an experiential learning methodology, utilising an action oriented, mentoring and group-work approach to ensure greater learning effectiveness. Within this approach, critical thinking and problem solving are recognised as key skills, while it is also appreciated that skill development regarding risk-taking, innovation, creativity and collaboration needs to be valued more. A more hands-on approach is also required for the development of project management and budgetary skills. Therefore, increasingly it is being recognised that teaching entrepreneurship skills should be interactive and might include case studies, games, projects, simulations, real-life actions, internships and other hands-on activities. But using active learning methods requires highly skilled trainers and trust in involving participants more in the learning process, fostering innovation and creativity and learning from success and failure needs to be encouraged. It must also be recognised that the entrepreneurial skill development process occurs over a period of time and requires the active involvement of entrepreneurs (Kutzhanova et al, 2009).

## **B. Literature Review**

### **1. Entrepreneurship and Enterprise Growth**

Entrepreneurship is all about the identification of an opportunity, creation of new organization, and pursuing new ventures (Carton *et al.*, 1998). There are many studies done on entrepreneurship like external skills required in entrepreneurs. For example, Wickham (2006) has stated that an entrepreneur needs to be innovative, creative and should be able to take risk. Barringer and Bluedorn (1999) have described entrepreneurs as individuals who can explore the environment, discover the opportunities, and exploit them after proper evaluation. Kuratko (2009) in his book, distinguishes between entrepreneurs and small business owners. He highlights that these two terms are often used interchangeably, but both have a lot of differences in their reaction under certain situations. An entrepreneur aggressively focuses on innovation profit and growth of the enterprise. On the other hand, a small business owner's objective and focus is mostly on managing stable growth, sales, and profits. An entrepreneurial venture is successful if it is growing. Growth has various connotations. It can be defined in terms of revenue generation, value addition, and expansion in terms of volume of the business. It can also be measured in the form of qualitative features like market position, quality of product, and goodwill of the customers.

As stated earlier, growth is a vital indicator of a flourishing enterprise. There are many factors like characteristics of the entrepreneur, access to resources like finance, and manpower which affect the growth of the enterprise and differentiate it from a non-growing enterprise. Gilbert *et al* (2006) suggested how and where questions are important in the context of the growth of the enterprise. It has been highlighted that growth is a function of the decisions an

entrepreneur makes, like how to grow internally or externally and where to grow in domestic market or international market. There are many different theories on identifying the main factors underlying the growth of the enterprise. One set of theories addressed the influence of enterprise size and age on growth (Morone and Testa 2008), and the second set deals with the influence of variables such as strategy, organization, and the characteristics of the enterprise's owners (Freel and Robson, 2004) on growth of the enterprise. Mateev and Anastasov (2010) have found that an enterprise's growth is related to size as well as other specific characteristics like financial structure and productivity. They further added that the total assets which is one of the measure of the enterprise size has a direct impact on the sales revenue, but the number of employees, investment in R & D and other intangible assets have not much influence on the enterprise's growth prospects. Lorunka *et al* (2011) have found that the gender of the founder, the amount of capital required at the time of starting the business, and growth strategy of the enterprise are very important factors in predicting growth in a small enterprise. They have further highlighted that apart from human capital resources, the growth of an enterprise can be predicted on the basis of commitment of the person starting a new enterprise.

## **2. Entrepreneurship Skills Required to Overcome Barriers to Growth**

Drucker (1985) argued that entrepreneurship is a practice and that *“most of what you hear about entrepreneurship is all wrong. It’s not magic; it’s not mysterious; and it has nothing to do with genes. It’s a discipline and, like any discipline, it can be learned.”* If one agrees with Drucker’s concept of entrepreneurship, then it follows that education and training can play a key role in its development. In a traditional understanding, entrepreneurship was strongly associated with the creation of a business and therefore it was argued that the skills required to achieve this outcome could be developed through training. More recently entrepreneurship is being viewed as a way of thinking and behaving that is relevant to all parts of society and the economy, and such an understanding of entrepreneurship now requires a different approach to training. The educational methodology needed in today’s world is one which helps to develop an individual’s mindset, behaviour, skills and capabilities and can be applied to create value in a range of contexts and environments from the public sector, charities, universities and social enterprises to corporate organisations and new venture start-ups. Lichtenstein and Lyons (2001) argued that it is important for service providers to recognise that entrepreneurs come to entrepreneurship with different levels of skills and therefore each entrepreneur requires a different ‘game plan’ for developing his or her skills. Furthermore, they suggested that skill development is a qualitative, not quantitative, change which demands some level of transformation on the part of the entrepreneur.

Storey (1994) have found that the principal barriers to firm growth through a detailed review of the literature, there was broad agreement that the primary issues involved in growth are (1) motivation, (2) resources and (3) market opportunities. Indeed much of the literature highlights the central role of the business owner in determining future growth and that their attitude to growth may even influence the chances of firm survival. A study by Orser (1997) found that of the firms studied in her research, those firms whose owners had stated five years previously that they wanted to grow the business were now more successful, while the majority of firms owned by entrepreneurs who did not prioritise growth had either not grown or had failed.

## **3. Significance of growth Start Up in SMEs**

SMEs are considered as a major source of employment generation also. It has the advantage of cheap labor and flexibility of operations along with indigenizing technology (Mitra and Pingali, 1999). There are a large number of studies suggesting that small businesses play a major role in job creation (Smallbone and Wyr, 2000). Though there are many arguments on the overall contribution of small businesses in the new employment, it is considered as an important source for employment creation (Curran, 2000; Gibb, 2000; Hamilton and Dana, 2003; Robbins *et al*, 2000). Baumol (2004) suggests that small entrepreneurial organizations and entrepreneurs will always be considered important for growth of developing economies. Hence, it is critical to pay attention on the overall growth of this sector. There are different views on the growth of SMEs. The existing body of knowledge

covers different factors influencing the growth of small firms. Some of the work is being discussed in this section to highlight different views on SMEs and growth.

Chaston and Mangles (1997) suggest that if an enterprise adopts multi-strategy transformation initiatives, the probability of achieving the growth objective increases. They further points that in planning a performance improvement program, different capabilities must be given priority depending upon the development stage of the firm. In their study, Kolvereid and Bullvag (1996) found that almost 40% of the respondents do not want to grow. Further, they found that there is a significant relation between education, industry, past growth turnover, past growth in employees, and entrepreneur's aspiration to grow. Aspirations are also significantly related to many factors like experience, sex, location, and size of the firm. They concluded that entrepreneurs who want their firm to grow will have higher level of education and will tend to have manufacturing firms rather than service firms. Government has included many promotional policies for the promotion of this sector like product reservation, infrastructure support, direct and concessional credit, tax concession, special assessment in procurement of equipment, facility of duty drawback, quality control, and provision of market network. Small scale companies provide support to large scale companies by supplying goods and services in small quantities, which in turn help them to achieve competitive advantage (Majumdar 2007). Muthaih and Venkatesh (2012) suggest that many factors contribute in the SME growth; similarly, there are many barriers to growth. For small businesses, barriers can be of two types, institutional and financial. An institutional barrier includes the enterprise's interaction with government, issues related to legalization, taxation, and government support. Financial barriers will involve lack of financial resources (Davidsson, 1989). Further, the authors notice that SMEs can also face external and internal barriers along with social barriers which would cover aspects of market position of an enterprise, access to right kind of human resources, and access to network (Bartlett and Bukvic, 2001). Studies have shown that there are many other factors that would contribute to the failure of a small firm/business. Small businesses are dependent on the owner's insight, managerial skills, training, education, and the background of the company's leader. Often, lack of these characteristics is the cause of small business' failure (Gaskill *et al*, 1993).

### **C. Research Method**

The method used in this research is survey method. The sampling method used was purposive sampling. The number of respondents as many as 60 respondents. The data collected method used questionnaire, documentation and interview. The data analysis technique used was multiple linier regression.

### **D. Result and Discussion**

#### **The Research Instruments and Feasibility Testing of Multiple Linier Regression Model**

The results of instruments testing to the test validity of the study indicate that all the variable in the status of valid and reliable, while testing the feasibility of the indicate that the research data in normal status, the data did not have problem multicollinierity, heteroscedastisitas and autocorrelation.

#### **Hypothesis Testing**

The results of hypothesis testing indicate that that motivation, management capacity, funding and marketing positive and significant influence on the growth of start up company in Solo City.

#### **Discussion**

Storey's (1994) finding that real employment growth was created by a small number of high-growth firms has concentrated the minds of researchers and policy-makers alike to seek to identify the key entrepreneurial skills that needed to be developed by growth-orientated entrepreneurs. Following the extensive review of the literature undertaken for this review, the following are the principal entrepreneurial skills that need to be developed amongst growth orientated entrepreneurs:

1. Customer-Orientated - Entrepreneurs must be committed to creating customer value through the provision of innovative products / services;

2. Strategic Development - Entrepreneurs should learn how to select from a number of market strategies that can influence their chances of success (e.g. Choice of Market, Customer Driven, Constantly Innovate, Differentiation/Focus, Highest Quality, Exporting);
3. Financial Management – Entrepreneurs must learn the skills required to access additional venture capital (e.g. how to structure a proposal);
4. Human Resource Management - Entrepreneurs need to understand and appreciate the need to enhance the HR practices of the firm and to offer financial incentives to employees (share the rewards).

But the development of these skills is not enough in themselves because the following conditions must exist if any progress is to be achieved:

1. The entrepreneur must be motivated to grow the business;
2. Peer-to-peer mentoring from successful entrepreneurs is a critical element of any training programme (mentors must also be motivated to work in this role);
3. Entrepreneurs must be provided with increased access to networks, finance and international markets

Kutzhanova *et al* (2009) examined an Entrepreneurial Development System located in the Appalachian region of USA and identified four main dimensions of skill:

1. Technical Skills - which are those skills necessary to produce the business's product or service (e.g. operation specific to industry, communications, design, research and development, environmental observation)
2. Managerial Skills, which are essential to the day-to-day management and administration of the company (e.g. planning, decision making, motivating, marketing, finance and selling)
3. Entrepreneurial Skills - which involve recognizing economic opportunities and acting effectively on them (e.g. inner discipline, ability to take risk, innovative, change orientated, persistence)
4. Personal Maturity Skills - which include self-awareness, accountability, emotional skills, and creative skills.

## E. Conclusion

The most significant barrier to growth was based upon motivational factors. If there is not a strong commitment by the entrepreneur / management team to grow the business, then it is unlikely to happen of its own accord. However, even if the commitment to growth is demonstrated, then issues such as management capability, funding, sales / marketing capacity and poor product/ service offering has also been featured as being the internal barriers to firm growth in Solo City.

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## **TESTING OF MODEL: THE INFLUENCE VALUE CUSTOMER TO LOYALTY THROUGH RELATIONAL MARKETING, AFTER SALES SERVICE, SATISFACTION AND TRUST IN BRANDS**

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### **ABSTRACT**

In the global market, especially monopolistic competition one of the criteria is the presence of a very high competition, it is difficult to create loyalty customers. Our study was to test the conceptual model of the effect of the value of customer loyalty through satisfaction, after sales service, trust the brand and relationship marketing. This study is a survey research. The data used are primary and secondary that customers motorcycles in the city of Surakarta, as research objects. Data collection instruments in the form of a list of questions (questionnaire) either the open or closed questions. Data analysis methods used include 1) analysis instrument test that is validity and reliability testing, 2) descriptive statistical analysis, 3) analysis of the SEM (Sequential Equation Model). This research resulted in a model. The conceptual model that describes the relationship of the value of customer loyalty through satisfaction, after sales service, trust the brand and relationship marketing empirically acceptable (meets the criteria Goodness of fit) scientific. The findings of this study is the customer value (quality of service, price, product) and after-sales service provide a significant contribution to customer loyalty in the concept of monopolistic competition.

**Keyword** : customer value, loyalty, satisfaction, after sales service, trust in the brand, relationship marketing

### **INTRODUCTION**

Business sales of motorcycles, is one example of monopolistic competition. Monopolistic market is one of the market where there are many manufacturers who produce goods similar but differ in several aspects. Sellers on a monopolistic market is unlimited, but each product definitely has its own character which distinguishes it from other products. Example: shampoo, toothpaste, motorcycles. Monopolistic market, manufacturers have the ability to influence the price even though the effect is not as big as producers of market monopoly or oligopoly. This ability comes from the nature of the goods produced. Because of the differences and characteristics of a product, consumers will not easily switch to another brand, and still chose the brand despite producers raise prices. Motorcycle products do tend to be homogeneous, but each has its own special characteristics. Call it a Honda motorcycle, where the particular characteristic is fuel efficient. While Yamaha has the advantage on the machine stable and rarely broken. As a result, each brand has a loyal customer respectively. Fidelity (loyalty) becomes the focus in the business of monopolistic market

The business development of motorcycle sales experienced a very tight competition. Empirical phenomena show that the turnover of sales of motorcycles in Indonesia has increased rapidly. The sales turnover and market share of motorcycles increased, starting in 2009 amounted to 5,881,777 units, the year 2010 amounted to 7,398,644 units, the year 2011 amounted to 8,043,535 units, the year 2012 amounted to 7,141,586 in 2013 amounted to 7.3870.653 units (source : Indonesian Motorcycle Industry Association (AISI)).

In the fierce competition, businesses in the field of motorcycles are required to give priority to the creation of customer loyalty. Loyalty is the crowning achievement of business people (Arie 2013). Loyalty is an important base for business development (Rully 2006), because the company will benefit greatly. Some studies have shown that several factors have affected the loyalty significantly. Loyalty affected customer value, customer satisfaction (Blocker & Boutin 2011). Loyalty related to quality of service (Ou et al., 2011). Other studies explain that relationship marketing effect on satisfaction and loyalty (Leverin & Liljander 2006). Other studies show that the effect on the after-sales service customer satisfaction (Fazlzadeh et al. 2011; Chaniotakis et al., 2008). Some researchers also have shown that belief affect customer loyalty. Lau and Lee (1999) suggest that trust in the brand positively affects customer loyalty. Delgado et al. (2001) explains that the trust in the brand has a

significant relationship with loyalty. Abraheem et al. (2012) have shown trust in the brand also impact on the creation of customer loyalty. Sahin et al. (2011) describes the impact of trust in the brand, satisfaction with the creation of customer loyalty

In search of the journal, researchers found many factors that influence loyalty, however, researchers have not found a more comprehensive research (Research gap). Therefore, researchers, trying to construct more comprehensive models based on variables that have significant relationships with loyalty, include: customer value, customer satisfaction, customer relationships, trust in the brand and after-sales service.

## LITERATURE REVIEW

### 1. Loyalty

Ali Hasan (2008) states loyalty are: a) the generic concept, loyalty shows the tendency of consumers to purchase a particular brand with a high level of consistency, b) The concept of behavior, repeat purchase is often associated with brand loyalty. The difference is, when brand loyalty reflects the psychological commitment to a particular brand, the behavior of repeat purchase involves buying the same brand repeatedly, c) Purchase reset is the result of dominance: (1) successfully made products become the only alternative available, (2) the continue - constantly do promotions to lure and entice customers repurchase the same brand. Loyalty is one of the core objectives are pursued in modern marketing, so loyalty is expected the company will benefit over the long-term mutual relationship that exists within a certain time (Reichheld 1993). Loyalty is an attitude that becomes impulse behavior to make a purchase of products / services of a company that includes aspects of feeling in it, especially those who buy regularly and repeatedly with high consistency, but not only buy the goods and services, but will also have commitment and a positive attitude towards companies that offer products / services (Griffin 2003)

### 2. Customer Value

Kotler (2009) describes the customer value is the difference between customer value and total customer cost total which, customer value total is a set of benefits expected by customers of products or services and customer cost total is a set of costs expected by consumers incurred to evaluate, acquire, use and dispose of the product or service. Customer value is consistent concept that excellence value offered consists of only three, namely product quality, service quality and value for the price, as defined Nauman (1995).

#### a. Service Quality

Goetsch and Davis (2008) suggests that the quality is a condition dimension associated with the products, services, people, processes and environments that meet or exceed expectations. Parasuraman et al. (1996) suggested that the quality is a measure of a thorough assessment of the level of a good service. In addition Juram (2008) defines quality as suitability for use and Crosby (1979) defines quality as conformance to requirements. From the definition it can be concluded that emphasize the quality of the orientation on fulfilling expectations of service quality pelanggan. Pengertian itself centered on addressing the needs and desires of customers as well as the accuracy of delivery to compensate customers. Wyckop (1978) stated that the quality of services is the expected level of excellence and control over the level of excellence to meet customer desires

#### b. Product

Products are offered something to get attention, purchased, used or consumed to meet the needs. While the product is a complex trait that is both tangible and excluding wrap, color, price, prestige companies and retailers, services companies and retailers that can be accepted by the buyer to satisfy the desires or needs (Stanton 2003). For products in the form of goods, decisions on product covers the determination of the physical form, brand, wrapping warranty and after sales service, all of these elements is seen as a means of satisfying the needs of the buyer. Developing a product requires companies to apply what benefits will be given on the product, which is called product attributes such as quality, characteristics, design, branding, packaging, size, service and warranty. The quality of the product showed the ability of a product to perform its functions. Characteristic competitive product is a means to differentiate the company's products with competitors' products. Brand can add value to the product, so it becomes important in product strategy. Every company wants its products to remain on the

market in the long term and generate good sales. To that end, the management company needs to perform product life cycle strategies

**c. Price**

Prices can give money satisfactory performance (Kotler 2009), in this situation the employer should immediately determine the most appropriate basis for consideration in pricing. Manufacturers must calculate such a way that it benefits the producer price but also attract consumers, for example, provide rebates and prizes in the purchase of products. Price is the exchange of goods or services with a monetary unit that is mutually agreed between sellers and buyers (Kotler 2009).

**3. Customer Satisfaction**

Satisfaction is a phenomenon that describes how much consumers like or dislike the product after customers gain experience. Gaspers (1997) say that customer satisfaction depend largely on the perceptions and expectations of consumers. The factors that influence the perceptions and expectations of consumers, among others: a) The needs and desires with regard to things that are perceived by consumers when'm trying to do a deal with the manufacturer of the product, b) Past experience when consuming products of the company and its competitors c) experience of friends. Engel et al. (1994) says that satisfaction is the evaluation of post-consumer to choose several alternatives in order to meet expectations. Band (1991) says that satisfaction is achieved when the quality meets and exceeds the expectations, desires and needs of consumers.

**4. Relationship Marketing**

Relationships are efforts to establish long-term relationships conducted by the motorcycle dealers with customers. Relationship lies in the capacity of the motorcycle dealers understand the needs and desires of customers. Indicators based Chaffey et al. (2000) are: 1) Identification is studying customer characteristics in detail, 2) Individualization is adjusting bids according to the characteristics of customers, 3) Interaction is to build and maintain two-way communication with customers, 4) Integration is integrating relations / relations with understanding on customers performed by the staff / employees, 5) Integrity is maintaining the privacy / every customer and trust are nurtured well. Thus, in a nutshell it can be said is an effort introduction of relational marketing to individual customers more closely, creating a two-way communication with customers, and manage mutually beneficial relationships between the customer and the company

**5. After Sales Service**

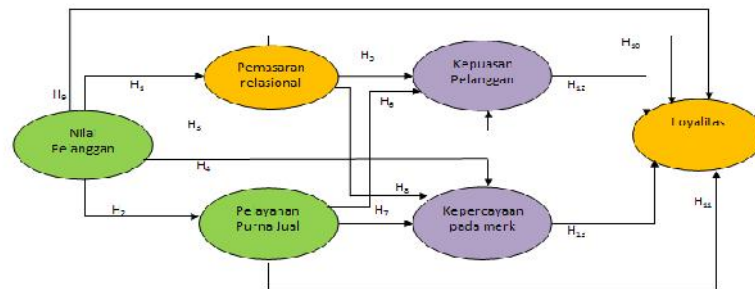
After sales service is an important factor in improving the competitiveness of companies that must be considered in order to design the company's business strategy to win the competition, in addition to the advantage in price or cost, quality, delivery, flexibility, and design of products or services (Wibisono 2006). In technical aspects, the after-sales service requires a draft concerning: Systems and procedures to withdraw a product or service, systems and procedures to claim insurance, systems and procedures to control all documents related to the products or services offered, consulting services, Repair products does not meet the specifications, the assignment of the employees who have to respond to customer complaints, the development assessment system after-sales service (Wibisono 2006). After-sales service is a service provided by the seller after purchase and after delivery of goods and services (Kotler, 2009). After-sales support, especially with regard to the time of delivery and the assistance provided, include the following: (a) The speed of delivery, related to the length of time between when a customer ordered a product and time of delivery of the product; (B) Consistency, relates to the ability to fulfill the promised schedule; (C) The level of order fulfillment, relating to the completeness of the orders are shipped; (D) Information concerning the status of the order; (E) The response in emergencies, related to the ability to handle non-standard requests that are suddenly; (F) The policy of return, associated with the procedure to handle damaged goods are returned customers (Gaspersz 1997).

**6. Trust in the Brand**

Trust is a very important factor in changing the buyers or consumers become first-time customers. Consumers who believe in a brand, tend to entrust the issue on the brand. Consumer confidence in the brand (brand trust) will have an impact on the attitude of loyalty or loyalty to a brand (Chauduri and Holbrook 2001; Gecti et al. 2013). Confidence in the brand is consumer confidence that the brand they want reliable, guaranteed not detrimental and performance is highly valuable.

Based on earlier research (Blocker & Mental 2011; Ou et al. 2011; Leverin & Liljander 2006; Fazlzadeh et al. 2011; Chaniotakis et al., 2008; Lau and Lee 1999; Delgado et al. 2001; Abraheem et al., 2012; Sahin et al. in 2011, the construction of models to be tested are as follows:

Figure 1. Conceptual Framework model to be tested



Sumber: Kotler (2000:12), Chaudhuri & Talbrock (2001), Chaffey, et al (2000:37)

## RESEARCH METHODS

### 1. Sample and Data Research

The population is a mix of all the data elements in the form of events, things or people who have similar characteristics to be the center of attention of the researchers because it is seen as a research universe (Ferdinand 2006). The population in this study is the customer's motorcycle in Surakarta. To determine the sample size of the population can use the formula Slovin (Sevilla et al. 1993). In determining the data to be examined data collection techniques by sampling method. The sampling method used was accidental sampling. Accidental sampling method is a method in selecting samples, where samples are taken from customers encountered by researchers, and make a purchase motorcycles on a dealer by giving questionnaires that are closed (Likert scale) to give an opinion on the factors that influence the loyalty of a customer , Samples taken in this study is 200 people

### 2. Variable Operational Definition

In this research model, variables (variables) consists of variables exogenous and endogenous variables. Exogenous variable is the value of the customer. Endogenous variables include loyalty. Variables mediation include: relational marketing, after-sales service, customer satisfaction, trust in the brand. Indicators of customer value (NIP) is 1) quality of service, 2) product, 3) price. Indicators of relational marketing (PER) include 1) identification, 2) Individualization, 3) Interaction, 4) Integration, 5) Integrity. Indicators of customer satisfaction (KEP) are 1) the buying interest, 2) unmet needs, 3) promotion agency. Loyalty indicators (LOY) is 1) to capitalize on the service, 2) express a positive thing, 3) repeated transactions. after-sales service indicator (PUJ) are 1) the availability of authorized workshops, 2) ease of finding spare parts, 3) service of employees, 4) for handling consumer complaints. An indicator of confidence in brands (KEM) is 1) Predictability Brand (Brand Predictability), 2) passions in Brand (Brand Liking), 3) Competence Brand (Brand Competence), 4) Reputation Brand (Brand Reputation), 5) Confidence in Company (Trust in the Company)

### 3. Analysis Tools

The analysis technique used to test the model developed in this research is descriptive statistics and SEM (Structural Equation Modeling), which is operated via the AMOS program 20.0 (Hair et al, 1998; Ferdinand, 2006)

## RESULT AND DISCUSS

### 1. Descriptive Statistics Analysis

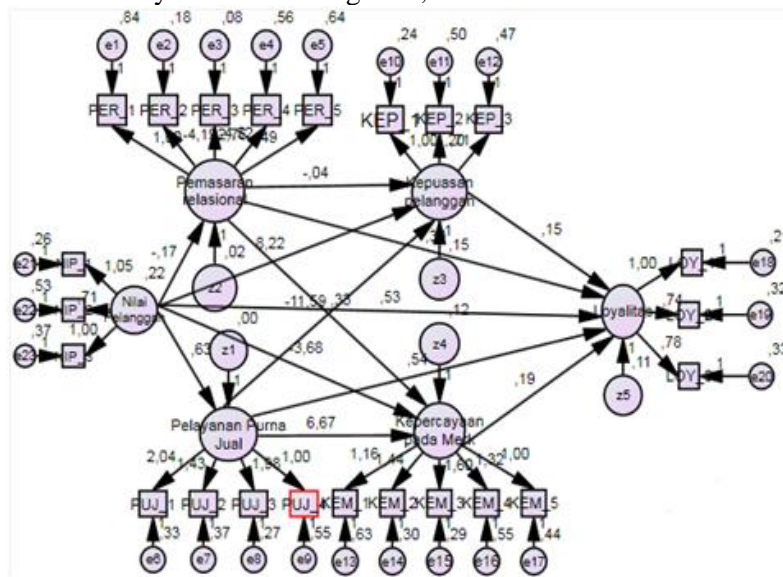
The results of the study conducted on 200 respondents, and the majority of respondents are respondents sex women is 62.5%, while 37.5% of men. The results of this study also showed that of the 200 respondents, most of it is respondents aged adults (35 s.d 45) is 40%. while respondents aged lowest is the oldest (55 s.d 65) by 3.5%.

**2. Test Validity and Reliability**

The results showed that all of the data processing indicator (observed) is valid, it is characterized by the value of Corrected Item - Total Correlation > r table (0.176). Proof shows that all indicators (observed) should be used as an indicator of the constructs (latent variables). The results of data processing also showed coefficient alpha (Cronbach alpha) has a value above 0.60 so that it can be explained that the variables - the study variables (constructs) is reliable or has a high reliability, so as to have a high accuracy to be used as a variable (construct) on a research.

**3. Analysis and Testing Model**

The analysis in this study is testing the model with the analysis of Structural Equation Model (SEM) in Full Model is intended to test the model and hypotheses developed in this study. Testing the model in Structural Equation Model done with two tests, which test the suitability of the model and test the significance of causality through regression coefficient test. The results of data processing for SEM analysis shown in Figure 1, below:



**Tabel.1. Model Structural Equation Modification**

Kriteria	Cut of value	Hasil	Evaluasi
Chi Square Probability	2 dengan df : 26 ; p : 5 % =	350,000	Baik
GFI	> 0,05	0,106	Baik
AGFI	> 0,90	0,932	Baik
TLI	> 0,90	0,959	Baik
CFI	> 0,95	0,958	Baik
RMSEA	> 0,95	0,955	Baik
	< 0,08	0,121	Marginal

Based on the results of the full model analysis charts can be shown that the model meets the criteria of fit, the calculation results of chi-square test on a full model obtain the chi-square value of 350 on chi-square table for 114 degrees of freedom at the 5% significance level of 152 151. These results suggest that the overall model meets the criteria of model fit. Probability value of 0.106 which is where the value is above 0.05 as well as other criteria that meets most of the well. These results suggest that the overall model meets the criteria for goodness of fit models. The results of data processing and analysis showed that each indicator forming latent variable meets most of the criteria, ie the value of CR above 1.96 with P less than 0.05 and the value of lambda or a loading factor of greater than 0.5. The result can be said that the indicators forming latent variable it constitutes a significant indicator of the latent factors are formed. Thus, the model used in this study is acceptable / valid. Koefisien determination for loyalty variables by 69.9%, while 30.1% is a variable that is not research.

These results suggest that both models can be accepted because according to state data. Structural regression equation which can be obtained from the processing of data (Table Regression Weight) is :

$$\text{Loyalitas} = 0,531 \text{ NIP} + 0,298 \text{ PER} + 0,536 \text{ PUJ} + 0,148 \text{ KEP} + 0,192 \text{ KEM}$$

Based on the above results, the factors that most influence brand loyalty is after-sales service and customer value. Both variables or factors that contribute most to customer loyalty. The test results hiptesis research shows the conclusions of this study show the following hypotheses:

- a. The hypothesis that a significant effect on the value of customer loyalty, was tested proved. This is based on the p-value (Table Regression Weights) influence the value of customer loyalty shows the value of  $\alpha = 5\%$ . Thus, the study has shown that a significant effect on the value of customer loyalty.
- b. Hypothesized that the after-sales service have a significant effect on loyalty, was tested proved. This is based on the p-value (Table Regression Weights) influence the value of customer loyalty shows the value of  $\alpha = 5\%$ . Thus, the study has shown that after-sales service have a significant effect on loyalty
- c. Another hypothesis states not proven. This is based on the p-value (Table Regression Weights) influence satisfaction, trust in the brand, relationship marketing not significant effect on loyalty

#### 4. Discuss

- a. Customer loyalty is significantly affected by the value of the customer and after-sales service. Customer value which consists of the quality of services, products and prices leads directly to the interests or wishes of customers, customers always expect good quality service, reasonable prices and quality products. If the customer's expectations are met in terms of price, product and service so customers will be satisfied, satisfied customers have a tendency to loyal or faithful, to make purchases that are repetitive or recommend to others. Likewise, after-sales service have a significant effect on loyalty, it may be due to the characteristics of the product. Motorcycle is a product that can be resold after the use by a pelanggan. Selanjutnya influence of after-sales service to customer satisfaction can be explained by the theoretical concept of Levitt (1983), which saw the initial sale of a product is only the beginning of a buyer-seller relationship, where the contract or a system of relationships that last for long periods of time is the key to long-term profits, and thus make an important function of a company's sales (Saccani et al 2007). Several studies support the results of this research, such as research Ahmad Fauzi (2013) which states that customers value and significant positive effect on customer loyalty (in the case of Honda motorcycles). Research Ricki Janitra (2015) which states that the after-sales service and significant positive effect on customer loyalty.
- b. Relational Marketing, customer satisfaction, trust in the brand less make a strong contribution to customer loyalty. This can occur because of considerations:
  - 1) Varian products are very varied, with the pros and cons of each, thus making it difficult for the customer's purchasing decision let alone have a loyal attitude towards the product.
  - 2) Customer satisfaction is difficult to measure, because each customer has a different character different. There are customers who prefer products that are fuel efficient, but also there are customers who prefer desain an attractive product. Product motorcycles (Honda, Suzuki, Yamaha, Kawasaki) offers advantages and disadvantages of each, so that customer satisfaction is determined by the element of customer perception. Customers will experience the satisfaction as perceived by each, may be due to factors of design, color, fuel economy or the other, it is very subjective.
  - 3) The belief in the brand, relationship marketing is largely determined by the quality and characteristics of the products. Most customers said that Honda is better because it is more fuel efficient, but others say that Suzuki is more robust and stable to drive, this shows that each product has the advantages required by the customer. Therefore, customers have difficulty in purchasing decisions motorcycle.

Research on the market share of motorcycle products into discourse for understanding monopolistic competition. In view of the structure, monopolistic markets closer to the perfectly

competitive market (characterized by a lot of companies that participate in the market, without limitation incoming serious industry) but the companies that participate in these markets produce different product characteristics.

## CONCLUSION

1. In the concept of monopolistic competition, customer value (quality of service, price, product) and after-sales service provide a significant contribution in the creation of customer loyalty. Therefore, the creator of customer loyalty efforts need to include: 1) improve the quality of service, 2) improving the quality of products, 3) creating an affordable price, 4) the availability of authorized workshops, 5) ease of finding spare parts, 6) the service employees and 7) handling of complaints of customers. This has been the researchers found that in a monopolistic market specialty automotive products customer loyalty significantly influenced by the value of the customer and after-sales service.
2. In the concept of monopolistic competition, other factors such as satisfaction, trust in the brand and relationship marketing contributes little effect on customer loyalty
3. Limitations of the study lies in the selection of variables, because this study only took a few variables that influence loyalty includes satisfaction, after sales service, trust in the brand and relationship marketing. Researchers advocate for subsequent research on different variables.

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## **TRANSFORMATIONAL LEADERSHIP, COMPETENCE, WORK DISCIPLINE AND ITS INFLUENCE ON THE PERFORMANCE OF TEACHERS IN THE SMP NEGERI 2 DEMAK**

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### **ABSTRACT**

This study aimed to examine the influence of transformational leadership, competence and discipline work against the performance of the teacher in the SMP Negeri 2 Demak. The study took a sample 61 number of teachers in the SMP Negeri 2 Demak. Method of data collection methods used are questionnaire, observation, and study of the literature. Prior to testing, testing done in advance validity and reliability, then continued with a classic assumption test include; normality test, multikolinealitas test, heteroskedastisitas test and autocorrelation test.

Hypothesis test results with linear regression showed that the variables work discipline has the dominant influence on performance of teachers in the SMP Negeri 2 Demak. This is because the variable work discipline have most high regression coefficient. t test results obtained that transformational leadership of influential variables are not significantly to the performance of teachers, significant effect on performance competence of teachers and influential work significant discipline against the performance of teachers. F test results obtained that transformational leadership is variable, the competence and discipline work effect significantly to the performance of teachers in the SMP Negeri 2 Demak simultaneously.

**Keywords :** Teacher Performance, Transformational Leadership, Competence and Work Discipline.

### **A. INTRODUCTION**

#### **The performance of Teachers**

According to Manthis in Sari (2004:35-36) the performance of teachers is affecting how much they contribute to the organization. On the basis of the opinions above, improved performance both for individuals and groups to become article attention in an attempt to improve the performance of the Organization of the school. The performance of the teachers can be successful if, giving effect to the development potential of the students in psychological and physical context, i.e. the positive nature of what he had learned in schools, as long as good views of the purpose as well as its benefits. So the intelligence of the students as a whole can thrive. The point is whether there is a change of behavior, systematic thinking and skilled regarding what happened.

Teacher performance is always seen and highlighted through the characteristics of the activity of the teaching Ministry in totality, from preparing, implementing and evaluating systematically and continuously. According to Supadi in Hidayati (2008:10), many of the causes that make the teacher does not produce optimal performance. As for the cause is as follows: a. the teacher does not understand the expected performance management. b. the teacher did not understand the role that he carried. c. the teacher does not have the required skill to generate targeted performance. d. Teachers have no passion to focus its activity in generating and encouraging performance.

The performance of each individual employee is affected by many factors can be classified in three groups, namely the individual competence of the person concerned, the support organization and management support (Simanjutak 2005:10). The competence of individuals is the ability and skills to do the job. Variable competence is the ability of the views of the organization. Variable competence consists of:

- a. The quality of teachers,
- b. Ability to finish a job
- c. Power in memeberi referral and teaching to the students,
- d. The expertise of teachers,

e. Basic teaching.

According to Danim (2002:39) Teachers have the responsibility that generally can be grouped as follows: a. teachers as educators, b. teachers as counselors, c. teachers as administrators of the class.

**Transformational leadership.**

Transformational leadership is the leadership in an organization is the ability to influence a group or an individual to achieve a certain goal or vision. While according to (Nuraini,2004:67), leadership is the ability to affect a group towards the achievement of the purpose or an attempt to use a style affects and is not forced to motivate the individual in achieving goals.

Transformational leadership as a leader who has the power of untuk mempengaruhi subordinates with certain ways. (Yukl, 2005:24) with application of transformational leadership subordinate will feel valued, trusted, loyal and respect to his vassal, eventually will be motivated to do much more than expected. Transformational leadership is usually done by a leader who realized the importance of a good change in the environment of work. Environment it works it could be in terms of the physical environment or psychic, circumstances, situations that arise and that affect conditions in the work. So an organization that wants to reach the goal well and do a change then it should have a leader who uses a style of leadership that's been transformational.

Bass and Aviola (1993:112; Bass,1997:21; Bass et, all 2003:208) proposes four dimensions in a transformational leadership levels with the concept of 4I which means :

1. the first is the "I" idealize influence described as behavior that generates respect (respect) and confidence (trust) from his people. Idealized influence meaning sharing risks through consideration over the needs of the led above the needs of personal and moral and ethical behavior.
2. the second "I" is inspirational motivation, reflected in behavior that always provides the challenges and meaning over the work of the people who led, including behavior that is able to articulate a clear expectations and behaviors that are capable of mendemonstrasian a commitment to target organizations.
3. the third "I" is the intellectual stimulation. Leaders who demonstrate the leadership types are constantly digging new ideas and creative solutions from the people-people who are his flock. He also always encourage new approaches in doing the work.
4. "I" fourth is individualized consideration, which is reflected by the leader who always listened to with great attention, and give special attention to the needs of the achievements and needs of his people.

**Competence**

According to Suyuti in Rosidah (2001:5) competence is the ability of the individual and is able to master or implement a job as well as being able to analyze the job or workplace regulations, competency can provide a description of the behavior of the skills and knowledge of a person or team work as well as the potential of self owned someone against a capacity of proficiency in carrying out work that varies with the success or success when working.

According to Shah (2000:230) competence is the ability of know-how, State authorities or qualified according to law provisions. Further still, according to Shah, expressed that the competence of teachers is the ability of a teacher in performing obligations responsibly and deserve. So the teacher professional competency can be defined as the ability and authority of the teacher in the exercise of the profession of keguruannya. The competent and professional teachers are teachers proficient in the melaksanakam professional authority in the exercise of his profession, teacher competence is divided in three parts, namely: 1. the cognitive Competence, i.e., kemampuan in the field of intellectual property such as knowledge about teaching and learning, and individual tingkahlaku. 2. effective Competence, readiness and ability of teachers in a variety of matters related to the task. 3. behavioral Competencies, i.e. the ability to behave, as guide and assess.

Teacher Competency indicators 1. Understanding learners have in depth indicator: understanding learners by utilizing the principles of cognitive development. Understanding the learners by utilizing the principles of personality, and identified the provision of early learning-

learners. 2. designing learning, including understanding the Foundation of education for the benefit of learning have indicators: understanding the Foundation of an educational institution; applying the learning theory and learning; determine the learning strategies based on the characteristics of learners, competencies to be achieved, and teaching materials; as well as drawing up a draft learning based on the selected strategy. Implement learning have indicator: setting the backlight (setting) learning; and implement a conducive learning. 3. Designing and implementing evaluation of learning have indicator: designing and implementing evaluation (assessment) and the results of learning process on an ongoing basis with a variety of methods; analyze the results of the evaluation of the process and the results of the study to determine the level of learning ketuntasan (mastery learning); and utilize the results of the research study for improvement of the quality of learning program in General. 4. develop learners to actualize its potential has various indicators: facilitate learners to develop a range of non-academic potentials.

### **The working discipline**

Discipline can be defined as a set of activities/exercises designed because it is considered necessary to be able to reach certain targets (Sukadji,2000:67). Discipline is an attitude or behavior which describes the compliance to an order or provision. Discipline also means an assertion for the continuation of the same life, regular and orderly, that made the absolute requirement for the continuation of a progress and changes into a better direction.

Discipline is something regularly, for example in resolving disciplinary work means working on a regular basis. Discipline with regard to compliance and adherence to a person or group of people against the norms and regulations that apply, either written or unwritten. Discipline was formed and developed through training and education so that formed the consciousness and belief in himself to do without coercion:

#### **a. The purpose of discipline**

Gaustad in Sari (2005) suggested that the discipline has two objectives, namely to give comfort to the students and staff (teachers) as well as creating an environment that is conducive to learning. (Subari 2006) argues that the discipline had goals for obedience to a rule with his own consciousness to the creation of that regulation. Discipline has a dual purpose, namely to develop a specific regulation in the follow up of the human Horn and gave him a particular target and simultaneously limit the cakrawalanya. Yahya, (2005:45) argue that the goal of discipline is a development from the development of yourself and redirect yourself without influence or control from the outside. Discipline is an inner practice that is reflected in the behaviour of that aims to let people keep strict regulations. The existence of discipline expected student discipline themselves in obeying school rules so that lessons went smoothly and facilitate the achievement of the objectives of education

#### **b. Functions of the discipline**

The function of discipline according to Tu'u (2004) are:

##### **1) Organize a joint life**

Discipline made him useful to school students that he needs to appreciate the other person by means of adhering to and complying with regulations, so that it will not harm the other party and the relationship with a fellow being well and smoothly.

##### **2) Build a personality**

The growth of one's personality is usually influenced by environmental factors. Discipline that is applied in each of the impacted environment for the growth of a good personality. Therefore, with the discipline of a person will be accustomed to follow, abide by the rules and customs that apply it gradually entered into him and was instrumental in building a good personality.

#### **c. Factors Affecting the level of Discipline**

According to (Joseph, 2005:25) factors that influence the discipline is as follows:

##### **1) purpose and capability**

purpose and capability goals and this ability affects the level of discipline of employees. The goal will be achieved should be clear and defined, ideally and quite challenging for the ability of the employee. This means that the work was charged to the employee must

comply with the ability of the employee concerned in order for the employee to work in earnest.

- 2) Exemplary Leadership  
Exemplary Leadership is good leadership by example, discipline of subordinates will join either.
- 3) Retribution  
Retribution or salary, welfare influenced employee discipline, because retribution would give satisfaction and passion of employees towards the company. If the love of employees of the higher against the work of the discipline will be the better. To realize a good employee discipline the company must provide a relatively large retribution.
- 4) Justice  
Justice relied upon policy in the awarding of retribution or punishment would have created a good discipline. Good managers in the lead is always trying to be fair to all employees. With a good justice will create a good discipline anyway.
- 5) Penalty Sanctions  
Penalty Sanctions are instrumental in maintaining discipline employees. With the increasingly heavy penalty sanctions, employees will be more afraid of violating the regulations of the company. Heavy or light penalty sanctions that will be applied to influence both bad discipline employees.
- 6) Assertiveness  
Assertiveness leadership in performing actions will affect discipline employees of the company, the Chairman should be bold and decisive Act to provide sanctions in accordance with the established companies before. Thus the leadership will be able to keep/maintain discipline employees.

## **B. RESEARCH METHODS**

The population in this research is the teacher of a number of 61 teachers in the SMP Negeri 2 Demak. Sampling techniques using the Census sampling technique, i.e. by way of the entire foundation of the respondent sample. The questionnaire used in the study is divided into two parts. The first section includes a description of respondents who were asked to fill out a questionnaire. The second section contains items of questions from each of the variables used in this research include leadership, organizational culture, discipline of work and performance of the teacher. Researchers in the study do data collection through the dissemination of a list of questions that are arranged in tiered based on Likert scales the measurement with a sequence of five i.e. 1, 2, 3, 4, 5.

## **C. RESULTS**

### **1. Instrument Test**

#### **a. Validity Test**

Based on the results of the test instrument is known that the value  $r$  count each item the question of the respective variable performance of the teachers, transformational leadership, competence and discipline work retrieved results greater than  $r$  table, namely 0.248. So the conclusion to be drawn that the questions contained on the teacher's performance variables (Y), transformational leadership (X 1), competence (X 2) and discipline work (X 3) means valid questionnaire for use in legal research

#### **b. Reliability Test**

Based on testing to transformational leadership variables (X 1), competence (X 2), the discipline of work (X 3) and performance of the teacher (Y) is the reliability because the value of  $0.60 >$  so that it can be concluded that the questionnaire can be used in research

### **2. The classical Assumptions Test**

#### **a. Test For Normality**

The results of the test of normality in the image above indicates that the probability values on the number of samples (N) of 61 means that the spread of the data (indicated by the dots exist around the regression line) berdistribusi normally.

b. Test For Multicollinearity

They would when there is multicollinearity a linear relationship between the independent variables used in the model. Methods for testing the presence of multicollinearity views of tolerance value or the Variance Inflation Factor (VIF). The results obtained are all variables have a tolerance value is less than the Variance Inflation Factor (VIF). The regression model means that there are no multicollinearity.

c. Test Heteroskedastisitas

Heteroskedastisitas is where every variable variants of disturbance (disturbance term) that is restricted by a specific value in a variable-free variabel not the same constant value with 2. Based on the results of processing the data it can be concluded that the regression model is free from heteroskedastisitas because of the scattered dots above and below the zero point, so it can be inferred the existence of past life regression models do not contain heteroskedastisitas.

d. Autocorrelation Test

Based on autocorrelation test results obtained by the value of the Durbin Watson of 1.934. From the results it can be noted that the value of the Durbin Watson of 1.934 lies between -2 to + 2 means it doesn't happen autocorrelation.

**3. Test the hypothesis**

a. Multiple Linear Regression Test

The analysis in this study dimaksudkan to know the influence of transformational leadership (X 1), competence (X 2) and discipline work (X 3) against the performance of teachers (Y). This analysis is performed using multiple linear regression analysis. The process of calculation in the analysis of multiple linear using SPSS 15 computer help for windows. As:

Variable	Unstandardized Coefficients
Counstant	0,172
Transformational leadership	0.108
Competence	- 0.727
Discipline Work	0.825

The results of the regression model of sports data obtained :

Y:  $0.172 + 0.108 X_1 - 0,272X_2 + 0,825X_3$  Description:

- 1)  $0.172$ , meaning that positive teacher performance in transformational leadership, competence and discipline work software packages have a constant value.
- 2)  $1 = 0.108$ , meaning that there is a positive influence transformational leadership among variables (X 1) against the performance of teachers (Y). Transformational leadership is enhanced if the then teachers ' performance will increase.
- 3)  $2 = -0.727$ , meaning that there is a negative influence among variables (x 2) competencies on performance guru (Y) and if the teacher's performance then enhanced competencies will decrease.
- 4)  $3 = 0.825$ , meaning that there is a positive influence among variables discipline work (X 3) against the performance of teachers (Y). And if work discipline is improved then the teacher will ever increasing performance.

The working discipline most dominant variables influencing teacher performance in the SMP Negeri 2 Demak, because it has the largest coefficient: 0.825

b. t Test

The t-test results (partial)

Variable	Sig	Conclusion
Transformational leadership	0.273	not significant
Competence	0.035	Significant
Discipline Work	0.009	significant

c. F Test

The magnitude of the value  $F = 0.021$  significance value of  $3.523 < 0.05$ . The conclusion of the test results is transformational leadership variable F, competence and discipline work together to affect the performance of teachers in the SMP Negeri 2 Demak significantly.

d. R<sup>2</sup> Test

Test results R<sup>2</sup> of 0.88 or 88% of the variability of the dependent variable means that which can be explained by the variability of independent of 88% whereas the rest (12%) is explained by other variables that are not included in the regression model, for example, motivation, work environment or communications.

#### D. DISCUSSION

1. Significant positive effect of work discipline on performance in the SMP Negeri 2 Demak. Work discipline is adherence to the rules and norms that apply surroundings where it is located, sehingga sometimes occurred were exposed to shame and fear of sanctions if it violates these rules. Discussion of this research is the work discipline needs to be maintained and enhanced by means of: a teacher is never absent in teaching the students, the teacher always comes to school on time, teachers are able to complete the process of teaching and learning, teachers are able to exercise the duties of the principal and get it done on time, teachers wear seragam and attributes in accordance with the code of conduct, teachers implement the norms already in force at school.
2. The variable is negative and significant influential competencies on performance of teachers in the SMP Negeri 2 Demak . The competence is an ability that is owned by someone in doing his job. Discussion of this research is the competence in the SMP Negeri 2 Demak indeed have an effect on the performance of teachers but inversely proportional. The arguments can be given i.e. in school organization certainly had not the same work ethic and work ethic that is affected by the difference in the status of teachers are civil servants and honorary teacher. Honorary teacher generally has higher performance than on the teacher of civil servants because the teacher had nothing so that the target honorary grabbed the teacher status of civil servants. Observation of the author, the number of teachers in the SMP Negeri 2 Demak more teachers are civil servants from honorary teacher at. The improvement of competence can be done by the teacher using the appropriate learning model with an understanding of learners and teachers are able to effectively get along with fellow learners, educators and the community.
3. As for the transformational leadership variable has no effect on performance of teachers of in the SMP Negeri 2 Demak, transformational leadership because they are already sufficiently so that optimum maintained.

#### E. CONCLUSIONS AND SUGGESTIONS

##### 1. Conclusions

Based on the results of data analysis and a discussion of the influence of transformational leadership ( $X_1$ ), competence ( $X_2$ ), the discipline of work ( $X_3$ ) against the performance of teachers (Y) in the SMP 2 Demak, then it can be summed up as follows:

- a. There are no significant positive influence transformational leadership variables ( $X_1$ ) against the performance of teachers (Y) in the SMP Negeri 2 Demak. Variable

competence ( $X_2$ ) a significant negative influence on performance of teachers (Y) in the SMP Negeri 2 Demak. There is a significant positive influence on the discipline of work variable ( $X_3$ ) against the performance of teachers (Y) in the SMP Negeri 2 Demak.

- b. Variable transformational leadership, competence and discipline work together to affect the performance of teachers in the SMP Negeri 2 Demak significantly.
- c. Test results  $R^2$  of 0.88 or 88% of the variability of the dependent variable means that which can be explained by the variability of independent of 88% whereas the rest (12%) is explained by other variables that are not included in the regression model, for example, motivation, work environment, compensation, organizational culture or communication.

## 2. Suggestions

Upon conclusion, then it is recommended to the head of the school, especially in the SMP Negeri 2 Demak things as follows:

- a. To improve the performance of teachers in the SMP Negeri 2 Demak, the need for the role of Principal to form a strong management. Like giving a school vision and mission is clear and focused so that teachers and learners can perform.
- b. From the results of the study, the variable competence is inversely proportional. This is because the 39% age of the teachers is  $> 50$  years and tend to decline. Therefore in any event held in the State SMP Negeri 2 Demak should involve teachers aged  $< 50$  years so that performance teacher at SMP Negeri 2 Demak it helpful. Competence of teachers in the SMP Negeri 2 Demak should use appropriate learning model with an understanding of learners.
- c. In the conduct of its work a teacher should have a self discipline. One of the disadvantages of disiplin work in the SMP Negeri 2 Demak is some teachers are still not concerned with attributes such as ID cards, badges and uniforms are not on schedule. . Hence the need for the school's code of conduct for teachers about attributes and order the wearing of uniforms for teachers in the SMP Negeri 2 Demak
- d. Expected in the next study, should focus the same respondents with the use of a different analysis.

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## THE STRATEGY OF CREATING THE FISCAL INDEPENDENCE OF WONOGIRI REGENCY IN FACING OF GLOBAL MARKET

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### Abstract

This research aims to identify the factors – factors that affect the revenue of the original area (PAD). This research takes the object on the territory of Wonogiri Regency. The data used in this research is time series data (time series). Such data is the data of the original Regional Income, the income of the agricultural sector of the service industry, trade, population, and per capita income in 2000 to 2012. Variable agriculture, services, trade, industry, population and per capita income has positive influence against the original local Revenue areas in Wonogiri Regency. While the trade sector is the dominant variable in this research.

The t-test results showed that the agricultural sector and services sector effect insignificant against the original revenue Areas whereas the sectors of trade, industrial population and per capita income effect positive and significant against the original Revenue area of Wonogiri Regency, F test results indicating that jointly sector variables agriculture, services, trade, industry, population and per capita Income significantly influence Local Revenue Wonogiri.Regency.

The variability of the variable Local Revenue can be explained by the variability of the variable agriculture, services, trade, industry, population, and income per capita amounted to 99.7% while the rest (0.3%) is explained by other variables not included in the regression model. This model meets the criteria BLUE because of free from Classical assumption violations especially pass the test of normality, Heterokedasitas and autocorrelation.

**Keywords:** PAD, agriculture, services, trade, industry, Population, income

### INTRODUCTION

With disseminated autonomy through Law No. 22 of 1999 and updated by Act No. 32 of 2004 on local governments as well as Law No. 25 of 1999 and updated by Act number 33 of 2004 on the financial balance between the central government and the region has given broad authority to the regions to implement regional development on the initiative of local communities themselves.

Providing authority within the framework of regional autonomy have implications to the region to take advantage of all the potential in the region so autonomous that can be implemented to bring tangible results for people the region itself in the form of welfare enhancement.

In practice there is still a high dependence of local government finance the second level of the Central Government. It looks at the reality of the fiscal relationship as follows:

- a. The low proportion of local original revenue (PAD) against the Total income of the area compared with the amount of subsidies / grants given by the Central Government.
- b. Transfers / subsidies from the Centre is still dominant.

Wonogiri regency is one of regencies in Central Java with a ratio of local original revenue (PAD) to the budget (APBD) amounted to 8.66%. This led the district ranks 22 out of 26 districts / cities. The main problem of the low income native wonogiri regency is not yet optimal local revenue sources and the development of potential Income Original area.

According to Government Regulation No. 105 of 2000 on Regional Financial Management and Accountability; Article 1 mentioned that the Regional Finance are all rights and obligations in the context of regional governance that can be valued in money including all forms of wealth associated with the rights and obligations of the region within the framework of the Regional Income and Expenditure Budget (APBD).

On the other hand the local finance is as a tool of local government fiscal, is an integral part of the financial state in allocating economic resources, evenly distribute development results and creating economic stability in addition to social and political stability.

Increasingly important role of regional finance, in addition to the lack of funding that can be transferred to the regions in the form of subsidies and aid, but also because of the increasing complexity of the problems faced by the region and its solution requires the active participation of the

region communities. Besides that, the role of regional finance increased would encourage the realization of autonomous region that is more real and responsible (Elijah Radianto, 2007:41)

Then in the Financial Memorandum and RAPBN (Elijah Radianto, 2007:41) mentioned that in order to better support the achievement of the objectives of the development areas that are evenly distributed throughout the area in accordance with the principle of regional autonomy, then was revealed five basic policy in the regional finance sector as following:

First,. Discretion to increase local original revenue (PAD), especially sourced from taxes and regional retribution/levies, increasing acceptance for the results of tax and non-tax optimally, subsidies and assistance, as well as loans to local governments and local owned enterprises (BUMN). It is the hope of local governments can be more able to manage and organize the administration and regional development. Second, the policy in the field of local government spending is essentially aimed at creating the society economic development for a better, expanding employment, encouraging business equity, encouraging the private sector, helping weaker businesses and increasing the production of export commodities and tourism. Third, policy capacity building of local government organizations, including the improvement of the management and improvement of the organizational structure. Fourth, policy increase regional financial information system and controls of development. Fifth, the policy to encourage private participation in public service in the region, either as investors or as a manager of public services.

These days there is a tendency that occurs around the world will demand to increase regional authority in implementing economic policy. This demand was of course supported by the reason that the issues raised in the region so complex and multidimensional that it is impossible be solved with a therapy that is centralized. Besides it is also realized that the span of control government is very limited, so that policies are made ineffective and inefficient.

#### **Autonomous and Decentralized Systems**

Regional autonomy according to law. No. 22, 1999, is the right of regional communities to organize and manage his own household, as well as to develop the region potential and resources. Implementation of autonomy intended to encourage the empowerment of communities, fostering initiative and creativity, enhance the role of the community and develop the role and functions of Parliament. With the granting of autonomy to the region, then the system adopted by the region is a decentralized system.

Decentralization, according to Law. No. 22, 1999 is the devolution of government power by government to autonomous regions within the framework of the unitary Republic of Indonesia. So that the autonomous region is able to organize and manage the household has been submitted, then the area must have a variety of abilities, among others financial, personnel, economy and others.

According to Dennis Rondinelli et al. (Didier P., 1991: 32), the success of the decentralization policy in developing countries are strongly influenced by political factors, economic and cultural such as: First, Until the extent of the central political leadership and bureaucracy to support decentralization and organization delegated responsibility. Second, to what degree the behavior, attitudes and culture which encourages the creation of decentralized decision-making and governance. Third, policies and programs designed adequately to encourage decentralized decision-making and development management. Fourth, To what extent the available financial resources, human and physical infrastructure that is adequate for organizations that delegated responsibilities.

Regional Fiscal Decentralization shows how dependent the local government to the central government to finance the development. To find out how much the level of dependence is done by using the size of the so-called Fiscal Decentralization Degree with a variety of proxy as well as research conducted by Rouhaty Nur Hikmah, 1996 (Sukanto, 1999: 155) as follows:

- (1).  $\frac{\text{local original revenue (= PAD)}}{\text{total regional revenue (= TPD)}} \times 100\%$
- (2).  $\frac{\text{Profit Sharing of Tax and Non-Tax for Region (= BHPBP)}}{\text{Total Regional Revenue (= TPD)}} \times 100\%$
- (3).  $\frac{\text{Region Donations (= SB)}}{\text{Total Regional Revenue (TPD)}} \times 100\%$

Where: **TPD = PAD + BHPBP + SB**

If the result is high, the degree of decentralization is large (independent).

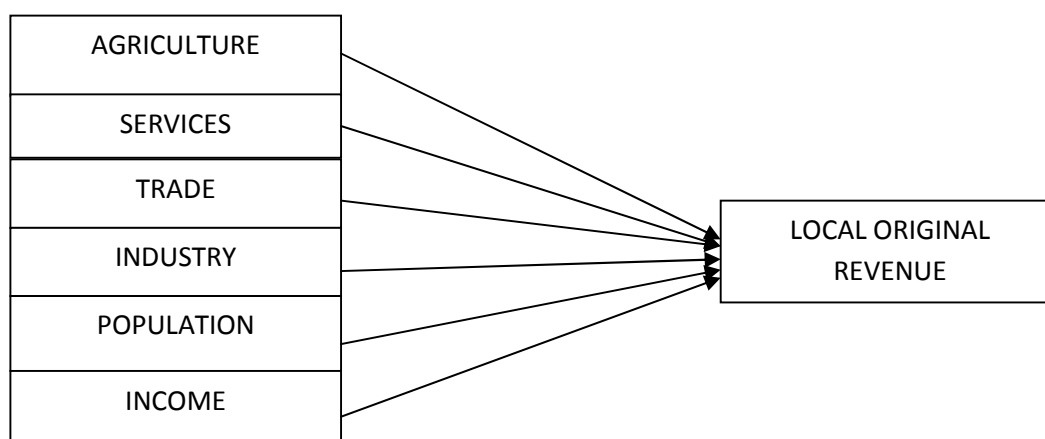
Based on the criteria established by the Research Agency Ministry of Home Affairs and the Fisipol UGM (1991)

The criterion of the degree of fiscal decentralization is as follows:

- |    |                 |   |              |
|----|-----------------|---|--------------|
| 1. | 0,00 % s/d 10 % | = | very less    |
| 2. | 10,1 % s/d 20 % | = | less         |
| 3. | 20,1 % s/d 30 % | = | enough       |
| 4. | 20,1 % s/d 40 % | = | good         |
| 5. | 40,1 % s/d 50 % | = | very good    |
| 6. | > 50 %          | = | satisfactory |

### Framework of thought

The variables used in this research refers to the results of research Elia Radianto, 1997: 47 as well as research Anwar Shah, 1994 (Jaka Sriyana, 1999: 109), which summarizes the theoretical framework of thought of this research can be implemented in the following chart:



### The Hypothesis

- The agricultural sector has positive and significant effect against local original revenue of Wonogiri Area/Regency.
- The Service sector has positive and significant effect against local original revenue of Wonogiri Regency/Area.
- The trade sector has positive and significant effect against local original revenue of Wonogiri Regency/Area.
- The industrial sector has positive and significant effect against local original revenue of Wonogiri Regency/Area.
- The Income per capita has positive and significant effect against local original revenue of Wonogiri Regency/Area.
- The population has positive and significant effect against local original revenue of Wonogiri Regency/Area.

## RESEARCH METODOLOGY

### Variable Operational Definition

- Regional Fiscal (Y) is the amount of local original revenue (PAD) Wonogiri Regency/Area. The amount of Local Original Revenue (PAD) is measured by millions of rupiah.
- Agricultural Sector (X1) is the amount of income per year of agricultural sector in the PDRB Wonogiri Regency/area based on current prices, expressed in millions of rupiah
- The services sector (X2) is the amount of income per year the services sector in the PDRB Wonogiri Regency/area based on current prices, expressed in millions of rupiah
- The trade sector (X3) is the amount of income per year in the trade sector in the PDRB Wonogiri Regency/area based on current prices, expressed in millions of rupiah.

- e. The industrial sector (X4) is the amount of income per year in industry sector in the PDRB Wonogiri Regency/area based on current prices, expressed in millions of rupiah.
- f. Population (X5) is the overall population of the administrative area of Wonogiri Regency, expressed in the soul
- g. Per capita income (X6) is the average income of population/residents in Wonogiri regency administration stated in rupiah

#### **Types and Sources of Data**

This research uses secondary data yearly time series (time series) for the period of 2010.1 s / d 2012.12 in the form of:

- a. Data of revenue realization of Local Original Revenue Wonogiri Regency year 2010.1 to 2012.12.
- b. Data Gross Regional Domestic Product (GRDP) Wonogiri, where there are data of the population per capita income and the amount / value of some of the sectors which in this research only focused on agriculture, industry, trade, service sector, which is calculated according to current prices 2010.1 years up to 2012.12.

#### **Method of Data Collection.**

This research uses secondary data collection instruments collected in the preliminary stages, and advanced. The preliminary stage is done by examining the various libraries to get a clearer picture of the issues examined. While the advanced stages be done to obtain the necessary data in order to answer the question that has been presented as well as to answer the hypothesis. Considering the unavailability of data ON per capita income, population, GRDP/PDRB and Regional Original Income in months then this research used linear interpolation method.

### **DATA ANALYSIS AND DISCUSSION**

#### **Multiple Linear Regression**

This analysis is used to determine the effect of independent variables (Agriculture, Services, Trade, Industry, Population and Income per capita) on the dependent variable (Regional Original Income). Regression line can be formulated as follows:

$$Y = 0,201 X_1 + 0,002 X_2 + 0,914X_3 + 0,046X_4 + 0,351X_5 + 128 X_6$$

Variable of agricultural sector has a regression coefficient with positive direction towards improvement of Regional Original Income. This means that when the agricultural sector increases will improve Regional Original Income. Variable of services sector has a regression coefficient with the positive direction of the regional original income. This means that when the service sector increased will improve the regional original income. Trade sector variables affect positively the regional original income this means that if the factor of trade sector increased will improve Regional Original Income. Variable industry sector has a coefficient of the regression with positive direction towards improvement of Regional Original Income. Variable of industry sector has a coefficient of the regression with positive direction towards improvement of Regional Original Income. That is when the industrial sector increases will improve Regional Original Income. A variable of number of the population has a regression coefficient with the positive direction of the regional original income. This means that when a population increase will improve Regional Original Income. Variable per Capita Income positive effect on Regional Original Income. This means that when income increases will improve Regional Original Income.

**Test\_t (testing of Partially Variable)**

**Table 1 results of the Test\_t**

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

Model	Standardized Coefficients	t	Sig.
	Beta		
<b>1 (Constant)</b>		<b>-13.148</b>	<b>.000</b>
<b>Agriculture</b>	<b>.201</b>	<b>1.910</b>	<b>.066</b>
<b>Services</b>	<b>.002</b>	<b>.323</b>	<b>.749</b>
<b>Trade</b>	<b>.914</b>	<b>8.139</b>	<b>.000</b>
<b>Industry</b>	<b>.046</b>	<b>2.262</b>	<b>.031</b>
<b>Population</b>	<b>.351</b>	<b>11.790</b>	<b>.000</b>
<b>Income</b>	<b>.128</b>	<b>3.451</b>	<b>.002</b>

**a. Dependent Variable: PAD**

From the results of the t test showed significant value tabel.1 agricultural sector amounted to  $0.066 > 0.05$ , then the agricultural sector had positive effect and not significant at the 5% significance level. Means the first hypothesis is not proven. The influence of the services sector to the Regional Original Income shows that the significant value of  $0.749 > 0.05$ , then the services sector had the positive effect and not significant at the 5% significance level. Means a second hypothesis is not proven.

Influence trade sector to Regional Original Income shows that the significance value of  $0.000 < 0.05$ , then the trade sector had significant positive effect on singnifikansi rate of 5%. Means third hypothesis proved.

The influence of the industrial sector of the Regional Original Income shows that the significance value of  $0.031 < 0.05$ , so the industry positive had significant effect at a significance level of 5%. Means third hypothesis is accepted or proven. The influence of the number of population to Regional Original Income shows that the significance value of  $0.000 < 0.05$ , and the total population had significant and positive effect on the level of significance of 5%. Means third hypothesis is accepted or proven. Effect of per capita income to Regional Original Income shows that the significance value of  $0.002 < 0.05$ , then the per capita income had significant and positive effect on singnifikansi rate of 5%. Means third hypothesis is accepted / proven.

**Test\_F**

**Table 2. Test\_F Results**

<b>ANOVA<sup>b</sup></b>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.389E8	6	1.398E8	990.886	.000 <sup>a</sup>
	Residual	4092217.832	29	141110.960		
	Total	8.430E8	35			

a. Predictors: (Constant), income, Population, Industry, Trade, Services, Agriculture

b. Dependent Variable: PAD

The test results simultaneously (Test F) note the value of the significance level of  $0.000 < 0.05$ . It can be concluded jointly agriculture, services, trade, industry, population and per capita income affects the Regional Original Income Wonogiri Regency.

**Coefficient Of Determination**

**Table 3 Coefficient of Determination**

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.999 <sup>a</sup>	.999	.999	1876.39693	1.702

a. Predictors: (Constant), Income, Population, Trade, Agriculture, Services, Industry

b. Dependent Variable: PAD

Test of the coefficient of determination (Adjusted R2) obtained result of equal to 0.997 or 99.7%. Which means that the variability of the variable Regional Original Income can be explained by the variability of the variable agriculture, services, trade, industry, population, and per capita income amounted to 99.7% while the rest (0.3%) is explained by other variables not included in the regression model.

**Classic assumption test**

**Normality test**

**Table 4  
Normality test**

	Skewness		Kurtosis	
	Statistic	Std. Error	Statistic	Std. Error
Unstandardized Residual	.769	.393	-1.451	.768
Valid N (listwise)	36			

From the normality test results shows that the ratio of skewness =  $0,769/0,393 = 0,957$  while the ratio of kurtosis  $-1451 / 0.768 = -1.957$ . Because skewnes and kurtosis ratio is between -2 to +2, it can be concluded normal data distribution.

**Test of Heteroskidastity**

**Table 5  
Heteroskedasitas test results**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	26500.315	239707.980		.111	.913
	Agriculture	.029	.077	.495	.370	.714
	Services	.050	.124	.259	.403	.690
	Trade	-.100	.189	-.601	-.526	.603
	Industry	.021	.068	.076	.308	.760
	Population	-.071	.232	-.109	-.304	.763
	Income	.001	.001	.453	1.263	.217

a. Dependent Variable: abresid

Based on the results of data processing can be concluded that the regression model free of heteroskedastisitas because none of the variables were significant.

### Autocorrelation Test

Table 6 Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.999 <sup>a</sup>	.998	.997	25745.35531	1.516

a. Predictors: (Constant), Income, Population, industry, Services, Trade, Agriculture

b. Dependent Variable: PAD

From the Table 6 above can be seen Durbin-Watson value of 1,516 will be compared with the value of the table using a 5% degree of confidence, number of samples 36 and the number of independent variables 6, the Durbin-Watson at the table will get the value  $dU = 1,977$ .  $4 - dU = 2,923$  and  $DW = 1,516$  because the DW lies between  $4 - dU$  and  $dU$  and then accepted. It can be concluded that there is no autocorrelation in the regression model.

### COVER

#### Conclusion

Based on the analysis and discussion can be concluded that the variables of agriculture, services, trade, industry, population and per capita income have positive influence on Regional Original Income in Wonogiri Regency. While the trade sector is the dominant variable in this research. T test results showed that the sector of agriculture and services sector not significant effect on original local income while the trade sector, industrial population and per capita income had significant and positive effect to Regional Original Income Wonogiri regency. F test results showed that the variables together agriculture, services, trade, industry, population and per capita income significantly influence Regional Original Income Wonogiri Regency. The variability of the variable Regional Original Income can be explained by the variability of the variable agriculture, services, trade, industry, population, and income per capita amounted to 99.7% while the rest (0.3%) is explained by other variables not included in the regression model. This model meets the criteria BLUE because of free from Classical assumption violations especially pass the test of normality, Heterokedasitas and autocorrelation.

#### Suggestions / Recommendations

- To improve the regional original income Wonogiri regency can be done by increasing the volume of trade, This is done by holding the exhibition, held in cooperation with other regions or countries, the promotion of excellent products and many others.
- Besides the trade sector needs to be improved industrial sector also needs to be improved in order to increase regional original income. Policies that can be done in developing the industrial sector is to provide incentives to employers, opening up new business opportunities and stimulate investors to Wonogiri Regency.

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**“THE INFLUENCE OF LEADERSHIP STYLES, WORK ENVIRONMENT, WORK DISCIPLINE, AND JOB SATISFACTION ON PERFORMANCE OF EMPLOYEES AT PT TEMPO SCAN PACIFIC DISTRIBUTOR OF PHARMACEUTICAL AND HEALTH PRODUCT SOLO BARU BRANCH”**

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**ABSTRACT**

This research aims to find out and prove empirically influence variables of the style of leadership, work environment, work discipline and job satisfaction on performance of employees at PT Tempo Scan Pacific Solo Baru Branch Recently. Data is taken directly by giving all employees a questionnaire. Respondents in this research were 60 employees. Analytical techniques in this research consisted of, testing instruments, classic assumption test, multiple linear regression analysis, t-test, F-test, and the test of  $R^2$ . Regression results indicate that the variables of leadership style, work environment, work discipline and job satisfaction has positive influence on the performance of employees at PT. Tempo Scan Pacific Branch of Solo Baru. T test results showed that the variables of leadership style and discipline not significant effect on the performance of employees, while the variables of work environment and job satisfaction have a significant effect on the performance of employees at PT. Tempo Scan Pacific Branch of Solo Baru. F test results show there were significant effect on the variable of leadership style, work environment, work discipline and job satisfaction together the performance of employees at PT. Tempo Scan Pacific Branch of Solo Baru. The influence given by the variables of leadership style, work environment, work discipline and job satisfaction on the performance of employees of PT. Tempo Scan Pacific Branch of Solo Baru amounted to 0.402, or by 40.2% while the rest influenced by other factors not included in the regression model.

**Keywords:** *leadership style, work environment, Work Discipline, job satisfaction and Employee Performance*

**INTRODUCTION**

Human resources is a central figure in the organization or company. In order to management activities goes well, the company must have employees who are knowledgeable and highly skilled and efforts to manage the company as optimal as possible so that the employee's performance increases. According to Budi Setiyawan and Waridin (2006) is the result of the performance of employees or employees' performance is assessed in terms of quality and quantity based on labor standards specified by the organization. The excellent performance is optimal performance, i.e. the appropriate performance standards organizations and supports the achievement of business objectives of the organization.

Good organization is an organization that is trying to improve its human resources, because it is a key factor to improve employee performance. The achievement of a good organization is an organization that is trying to improve its human resources, because it is the key to improving employee performance.

Employees are required capable of completing tasks and responsibilities effectively and efficiently. Employee's success can be measured by customer satisfaction, reduced the number of complaints and the achievement of optimum targets. For the performance of the employee should receive the attention from the leadership of the company, because the decline in the performance of employees may affect the company's overall performance. Chairman of PT. Tempo Scan Pacific Distributor of Pharmacy and Health Products, Solo Baru Branch, gives less direction so that employees have a good performance in advancing the company. Employee morale in PT. Tempo Scan Pacific Distributor of Pharmacy and Health Products, New Solo Branch, decline and received less of motivation from the leader. Leaders also does not provide sanctions and reprimands for employees who work not in accordance with the applicable procedures.

In an organization or company, the leadership style is one important factor. Leadership styles that encourage employee motivation is leadership that can foster the confidence of employees in carrying out their respective duties. PT. Tempo Scan Pacific Distributor of Pharmacy and Health Products, Branch of Solo Baru, less assertive leadership, so that employees do not execute the work with full responsibility.

The conditions of the work environment is very influential towards the performance of employees.. The work environment is an environment where the employees work and can affect them in carrying out the work that will be charged. Factors include work environment is cleanliness, lighting, coloring, the noise, the exchange of air, space, music, and the relationship between an employee or an employee with the employer. In PT Tempo Scan Pacific Distributor of Pharmaceuticals and health products, the Solo Baru Branch, work environment less comfortable, relationship with colleagues or superiors are not harmonious, and has facilities that are so not good enough that support the smooth process of working inefficiently.

Related to employee performance, discipline factor also plays an important role. With discipline, employees can carry out tasks and responsibilities well, so it will create job satisfaction. Discipline is the awareness and the willingness of a person to comply with all organization regulations and prevailing social norms (Malayu SP. Hasibuan, 2001: 193). PT. Tempo Scan Pacific Distributor of Pharmacy and Health Products, Branch Solo Baru, employees completing the tasks assigned are not on time and less obey the rules that exist in the office.

Job satisfaction is defined as pleasant situation or positive emotions is generated from the assessment of a person's job or work experience. Job satisfaction is generated from employees' perceptions of how well their work to provide things deemed important. Five aspects of job satisfaction was measured by the Job Descriptive Index (JDI) is the work itself (associated responsibilities, interests, and growth), quality of supervision related to technical assistance and social support), relationships with colleagues (related to social harmony and respect ), promotion (associated with the opportunity for further development), and payments (related to the payment of adequate and perception of fairness) (Luthans, 2006). PT. Tempo Scan Pacific Distributor of Pharmacy and Health Products, Solo Baru Branch, employees feel unsatisfied in doing any job, because of his working time exceeds a predetermined working hours so that they can not come home from work on time.

The task of the company is to pay more attention to style factors of leadership, work environment, work discipline and good job satisfaction, thus making the employees have high morale and diligent in their work.

## **FORMULATION OF THE PROBLEM**

The formulation of the problems that the authors proposed in the research are as follows:

1. Is the leadership style have a significant effect on the performance of employees at PT. Tempo Scan Pacific Distributor of Pharmacy and Health Products, Solo Baru Branch?
2. Does working environment have a significant effect on the performance of employees at PT. Tempo Scan Pacific Distributor of Pharmacy and Health Products, Solo Baru Branch?
3. Does the discipline of work have a significant effect on the performance of employees at PT. Tempo Scan Pacific Distributor of Pharmacy and Health Products, Solo Baru Branch?
4. Does job satisfaction significantly influence employee performance in PT Tempo Scan Pacific Distributor and Health Products, Solo Baru Branch?

## **THEORETICAL BASIS**

### **1) Employee Performance**

#### **a. Understanding The Performance**

Performance comes from the job performance or the actual performance, which means the actual performance or achievements achieved by a person. Definition of performance (work achievement) is the result of the quality and quantity of work is achieved by an employee in performing its functions in accordance with the responsibilities given to him.

*Performance or performance is the result or output of a process (Nurlaila, 2010: 71). According to behavioral approaches in management, performance is the quantity or quality of something produced or services provided by a person who does the job (Luthans, 2005:*

165). *Performance is the result of both quality and quantity achieved by a person in performing tasks according to responsibilities given (Mangkunagara, 2002: 22).*

b. Factors Affecting Performance

1) Effectiveness and efficiency

Authority according to the nature of a communication or command in a formal organization that is owned by a member of an organization to another member to perform an activity in the work according to their contributions (Prawirosentono, 1999: 27). The order says what should be done and what should not be in the organization.

2) Otoritas (wewenang)

Authority is the nature of a communication or command in a formal organization that is owned by a member of an organization to another member to perform an activity in the work according to their contributions (Prawirosentono, 1999: 27). The order says what should be done and what should not be in the organization.

3) Discipline

Discipline is obedience to the laws and regulations (Prawirosentono, 1999: 27). Thus, employee discipline is concerned employee's activities in respect of employment with the organization where he works.

4) Initiatives

The initiative is related to the power of thought and creativity in shaping the idea to plan something related to organizational goals.

c. Employee Performance Characteristics

Characteristics of people who have high performance are as follows (Mangkunagara, 2002: 68) :

1) It has a high personal responsibility.

2) Dare to take and bear the risks involved.

3) Have a realistic goal.

4) Have a thorough work plan and strive to realize the goal.

5) Utilizing feedback (feedback) of concrete in all work activities are done.

6) Look for opportunities to realize the plan that has been programmed.

d. Employee Performance Indicators

Indicators for measuring the performance of individual employees there are five indicators, namely (Robbins, 2006: 260) :

1) Quality

Quality work is measured from the employees' perception of the quality of work produced and the perfection of tasks towards the skills and abilities of employees.

2) Quantity

Is the amount produced is expressed in terms such as the number of units, number of cycles completed activity.

3) The timeliness

is activity level which is completed at the beginning of the stated time, from the point of coordination with the output results and maximize the time available for other activities.

4) Effectiveness

Is the level of use of organizational resources (manpower, money, technology, raw materials) is maximized with the intention of raising the results of each unit in the use of resources.

5) Independence

Is level of an employee who will be able to carry out job functions of work commitments? Is a level where employees have the commitment to work with other agencies and the responsibility of the employee towards the office?

## 2) Leadership style

a. Understanding Leadership Styles

Path-goal theory of leadership is a contingency model of leadership developed by Robert House, which filter elements of research on leadership at Ohio State initiating structure and consideration as well as expectancy theory of motivation. Path term goal comes from the belief that effective leaders clarify the path to help its members from the beginning to the

achievement of their goals and create a search along the path easier by reducing roadblocks and pitfalls (Robbins: 2003, 54)

b. Indicators of leader behavior according to Path-Goal theory, is as follows:

- 1) Directive Leadership,
- 2) Supportive Leadership
- 3) participative leadership
- 4) Achievement-Oriented Leadership

### 3) Work Environment

a. Understanding of Work Environment

The work environment is something that is around the workers and that affected him in performing the tasks assigned (Nitisemito, 1992: 25).

Furthermore, according to Sedarmayati (2001: 1) the work environment is the entire machine tools and materials at hand, the surrounding environment where the person is working, working methods, as well as the arrangement works well as groups and individuals. Working conditions said to be good or as if a human can undertake optimal, healthy, safe, and comfortable. The suitability of the work environment can be seen the consequences in the long term further work environments that are less well able to sue labor and more time and does not support obtaining an efficient work system design (Sedarmayanti, 2001: 12).

b. Type of Work Environment

In outline, the type of work environment is divided into two, namely (Sedarmayanti, 2001: 21):

1) Physical Work Environment

Physical work environment are all situation the physical form that are around the workplace that may affect employees either directly or indirectly. Physical work environment can be divided into two categories :

- a) The work environment is directly related to employees such as job centers, chairs, tables, and so on.
- b) Intermediary Environment or the general environment can also be called a work environment that affect the human condition, for example the temperature, humidity, air circulation, lighting, noise, vibration, odor, color and others. In order to minimize the influence of the physical environment to employees, the first step must study humans, both know the physical and behavior, then used as a basis to think of an appropriate physical environment.

2) Non Physical Work Environment

Non-physical work environment is all of the circumstances relating to the employment relationship, a good relationship with the superiors, and relationships with colleagues or relationship with a subordinate. Companies should be able to reflect the conditions that support cooperation among levels of superiors, subordinates or who have the same status. Conditions should be created is a family atmosphere, good communication, and self-control (Nitisemito, 2000: 171). So the non-physical work environment is also a group working environment can not be ignored.

c. Work Environment Factors

The important factors that affect the working environment is as follows: Soedarmayanti (2003: 46)

1) Staining

Staining should be linked to psychiatric and objectives to be achieved.

2) Cleanliness

For a normal then clean working environment will definitely be the cause of pleasure, and pleasure is going to influence someone to work more and more passionate spirit, thus increasing productivity.

3) Lighting

Lighting here is not limited to solar lighting. In carrying out the duties of employees often require adequate lighting, especially if the work performed demands accuracy.

- 4) Air exchange  
Sufficient air exchange, especially in the working space is very much needed especially in the room full of employees. Conversely exchange less air can lead to fatigue from his employees.
- 5) Music in office  
As for the music in the office is intended to create a more pleasant atmosphere and reduce tension the nerves.
- 6) Security  
A sense of security will lead to serenity and tranquility will encourage employee morale, thus increasing productivity.
- 7) Noise  
The absence of noise, then the concentration of employees in the work will be disrupted. With the disruption of this concentration, the work done will be many errors arise, causing damage.

d. Indicators of Work Environment

Physical Work Environment Indicators are used in this research, according Soedarmayanti (2003: 86) as follows:

- 1) Working atmosphere  
Each employee has always wanted a pleasant working atmosphere, comfortable working environment that includes light / illumination clear, low noise and quiet, safety in the work.
- 2) Relationship with colleagues  
One of the factors that may affect the employees remain in an organization is the harmonious relationship among colleagues
- 3) The working facilities  
It is intended that the equipment used to support the smooth running of the work is complete and up to date. There are facilities complete working, although not as sophisticated and modern is one of support in a smooth process to work.

**4) Work Discipline**

a. Understanding of Work Discipline

According Hasibuan (2005: 193-194), discipline is the most important function of HRM operative for the better discipline of employees, the higher the work performance that can be achieved. Sign of a good employee discipline, it is difficult for enterprise organizations achieve optimal results. Good discipline reflects a person's sense of responsibility towards tasks assigned to him. This encourages morale, spirit of work, and the realization of objectives of the company, employees and communities. Therefore, every manager always tried to keep subordinates have good discipline. A manager is said effective in leadership, if subordinates well disciplined. To maintain and enhance good discipline is a difficult thing, because many factors that influence it.

b. Work Discipline Indicators

According Hasibuan (2005: 194-198) Basically a lot of indicators that affect the discipline of employees of an organization, including :

- 1) Objectives and Capabilities  
Interest and ability to influence the level of discipline of employees. Goals to be achieved must be clearly defined and ideal and challenging enough for the ability of employees.
- 2) Exemplary Leadership  
Exemplary leadership was instrumental in determining discipline employees for leadership as a model and a role model by subordinates.
- 3) Remuneration  
Remuneration (salaries and benefits) influence the discipline of employees for remuneration will provide satisfaction and love for the employees to the company / job.
- 4) Justice  
Justice has encouraged the establishment of employee discipline, because ego and human nature is always self-important and have to be treated the same as other humans.

5) Waskat

Waskat is real action and effective to prevent or find out mistakes, correct errors, maintaining discipline, improving work performance, activate the role of supervisor and subordinate, digging systems work most effectively, and create a system of internal control that is best in supporting the realization of the company's goals, employees and the community.

6) The Penalty Sanctions

Under penalty of increasingly heavy, employees will be more afraid of breaking company rules, attitudes and behavior of employees will be reduced indiscipline. Severity of punitive sanctions that will be applied to influence the good / bad discipline employees. Punitive sanctions should be considered logical, reasonable and informed clearly to all employees. Penalty sanctions should not be too soft, but not too heavy to remain educate employees to change their behavior.

**5) Job satisfaction**

a. Definition of Job Satisfaction

One important tool in the Management of human resources in a organisasi is the creation of job satisfaction of employees / employee. Here notions of job satisfaction, according to some experts. Job satisfaction according to Susilo Martoyo (1992: 115), job satisfaction is basically a psychological aspect that reflects one's feelings toward his work, he was satisfied with the fit between the capabilities, skills and expectations with the job he faced.

b. Factors Job Satisfaction

According Hasibuan (2003: 203), job satisfaction is influenced by many factors, among others :

- 1) The remuneration is fair and reasonable;
- 2) Proper placement and in accordance with the expertise;
- 3) The atmosphere and environment;
- 4) Severity of work;
- 5) The equipment support;
- 6) The attitude of the leadership of the leadership.

According to Robbins (2002: 36), employee job satisfaction is influenced by many factors, among others : the challenging work, awards, work environment and interpersonal relationships.

1) Mentally challenging work

In general, people prefer a job that gives an opportunity to use their skills and abilities as well as provide a variety of tasks, free demand feedback about how well the improvements. This will make the job more challenging mentally. A less challenging jobs will create boredom, but that is too challenging can also create frustration and a feeling of failure.

2) Award accordingly

Employees want a fair pay system, it is not ambiguous, and in tune with the expectations of employees. When payment is considered fair, in the sense in accordance with the demands of work, the skill level of the individual, public standard fee, will likely create satisfaction.

3) The working conditions are supportive

Employees associated with the work environment for personal comfort and ease of doing a good job. Which includes such spatial, cleanliness of working space, facilities and tools, temperature and noise level.

4) Supportive colleague

Individuals get something more than money or real accomplishment of the work but the employees also meet the needs of social interaction. Behavior superiors is also a major determining factor of satisfaction. Therefore, it is necessary to apply mutual respect, loyal and tolerant with each other, openness and familiarity among employees.

c. Job Satisfaction Indicators

As for the indicators of job satisfaction according to Robbins (2003: 148) include, among others:

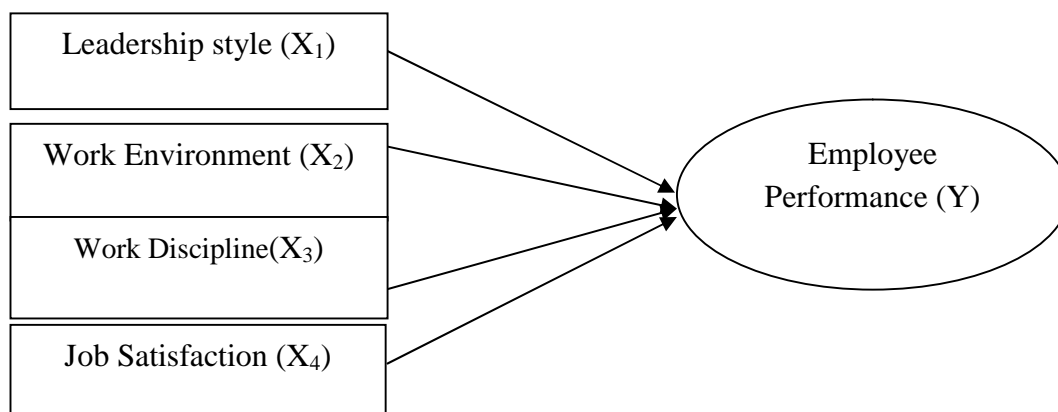
- 1) Job. The contents of the job done someone does have a satisfying element.
- 2) Wages. Total payments received by a person as a result of the implementation of the work is in accordance with the requirements perceived as fair.
- 3) Promotion. Possibility one can develop through the increase of Office.
- 4) Supervisors. Someone who continue to give orders or instructions in the execution of the work.
- 5) Co-workers/colleagues. Friends to whom one will have to interact in the execution of work. A person can feel his colleagues very pleasant or unpleasant.

### PREVIOUS RESEARCH

1. Eddy Madiono Sutanto, Budi Stiawan.(2000), *Jurnal Manajemen dan kewirausahaan Universitas Kristen Petra*, **Peranan Gaya Kepemimpinan yang Efektif dalam Upaya Meningkatkan Semangat dan Kegairahan Kerja Karyawan di Toserba Sinar Mas Sidoharjo, Hasilnya** There are positive and significant influence of leadership styles in an attempt to improve morale and excitement of the performance of the employee
2. Dwi Agung Nugroho Arianto (2013), *Jurnal Economia Universitas Islam Nahdlatul Ulama Jepara*, **Pengaruh Disiplin, Lingkungan Kerja, Dan Budaya Kerja Terhadap Kinerja Tenaga Pengajar, Hasilnya** There is a significant and positive influence of the discipline, work environment and work culture together on performance of teachers
3. Dian Kristianto, Suharnomo, Intan Ratnawati, (2011), *Juurnal Manajemen Universitas Diponegoro*, **Komitmen Organisasioanal Sebagai Variabel Intervening (Research at RSUD Tugurejo Semarang)** The results are based on the results of the analysis of deskritif majority of respondents assess and agree that job satisfaction (X 1) and organizational commitment (X 2) applied by the RSUD Tugu Rejo Semarang has gone well and can improve the performance of employees (Y)

### THE FRAMEWORK OF THOUGHT

The relationship between the variables can be arranged in the following scheme:



Pictures II. 1 the framework of thought

Source : Eddy Madiono Sutanto, Budhi Stiawan (2000), Dian Kristianto, Suharnomo, Intan Ratnawati (2011), Dwi Agung Nugroho Arianto (2013).

### THE HYPOTHESIS

Hypothesis testing is a procedure that will generate a decision in accepting or rejecting this hypothesis (Hasan 2006:34). From that argument it is clear that only a hypothesis "conjecture", which has the logical consequence likely true and likely wrong. Accepted or turned hypotheses depend largely on the results of an investigation into the facts collected. Building on the opinion in advance and based on a rationale and framework of the theoretical basis that has been described, it can be formulated a hypothesis as follows:

H<sub>1</sub> There is a significant influence of leadership styles on performance of employees.

H<sub>2</sub> There is a significant influence of work environment on performance of employees.

H<sub>3</sub> There is a significant influence on the discipline of work on performance of employees.

H<sub>4</sub> There is significant influence towards job satisfaction kineja employees.

## RESEARCH METHODS

### A. Research Location

The location of this research are PT Tempo Scan Pacific, located at Jalan Manggar Kingdom 14/22, Grogol Sukoharjo Solo Baru. As for who becomes the object of the research was employees in the marketing office PT Tempo Scan Pacific Solo Baru Branch.

### B. Operational Definition of Variables used

#### 1. The definition of the concept of variable

The concept of variables in this research consisted of the independent variable (X), namely: leadership (X<sub>1</sub>), work environment (X<sub>2</sub>), work discipline (X<sub>3</sub>) and job satisfaction (X<sub>4</sub>), while the dependent variable is composed of: performance (Y).

#### 2. The Definitions Of Operational Variables

##### a. Leadership Style (X<sub>1</sub>)

Indicators of leader behavior according to Path-Goal theory, is as follows:

- 1) *Directive Leadership*
- 2) *Supportive Leadership*
- 3) *participative leadership*
- 4) *Achievement-Oriented Leadership*

##### b. The Work Environment (X<sub>2</sub>)

Physical Work Environment indicators are used in this research, according Soedarmayanti (2003: 86) as follows :

- 1) Working atmosphere
- 2) Relationship with colleagues
- 3) The working facilities

##### c. The discipline of work (X<sub>3</sub>)

According Hasibuan (2005: 194-198) Basically a lot of indicators that affect the discipline of employees of an organization, including :

- 1) Objectives and Capabilities
- 2) Exemplary leadership
- 3)Retribution
- 4) Justice
- 5) Waskat
- 6) Penalty Sanctions

##### d. Job satisfaction (X<sub>4</sub>)

Indicators of employee satisfaction or dissatisfaction can be demonstrated by several aspects included:

- 1) Work performed employees has satisfactory result.
- 2) Waged /salary received according to the perceived needs of fair.
- 3). Employees can progress though promotion.
- 4). Supervisor giving orders or instruction in the execution of work
- 5) Employees can feel her coworkers are pleasant or unpleasant

##### e. Employee performance (Y)

Indicators for measuring the performance of individual employees there are 5 indicators, namely (Robbins, 2006: 260) :

- 1) Quality.
- 2) Quantity.
- 3) Timeliness.
- 4) Effectiveness.
- 5) Independence.

### C. Populations and Samples

According to Arikunto (2006:103) population is a whole subject of research. (Nur Indriantoro, Bambang 2015:115) . population is a group of people, events or anything that has certain characteristics.The population in this research was an employee of PT Tempo Scan

Pacific Distributor of Pharmaceuticals and health products, the Solo Baru branch of as many as 60 people.

Samples are partly or representative of the population studied (Arikunto, 2006: 109). In determining the sample suggests guidelines that: "when the subject is less than 100, better taken all that research was population research" (Arikunto, 2006: 112). Sehubungan with a population of less than 100, the authors take the entire population of 60 employees of PT. Tempo Scan Pacific Distributor of Pharmacy and Health Products, Solo Baru branch for the research sample.

## **DATA ANALYSIS AND DISCUSSION**

### **1. Multiple Linear Regression Analysis**

Multiple linear regression analysis

According to the table IV.16 above, can be formulated regression model in this study are as follows :

$$Y = 6.280 + 0,070X_1 + 0,021X_3 + + + 0,478X_2 + 0,235X_4$$

From the equation it can be concluded that leadership style variable ( $X_1$ ), work environment ( $X_2$ ), Work Discipline ( $X_3$ ) and job satisfaction ( $X_4$ ) has positive influence on employee performance, as shown by the regression coefficients are all positive.

### **2. t test**

Leadership style variable variables do not significant effect on the performance of employees of PT. Tempo Scan Pacific Distributor of Pharmacy and Health Products Branch Solo Baru. Work environment variables have a significant effect on the performance of employees of PT Tempo Scan Pacific Distributor of Pharmacy and Health Products Branch Solo Baru. Work discipline variables do not significant effect on the performance of employees of PT Tempo Scan Pacific Distributor of Pharmacy and Health Products Branch Solo Baru. job satisfaction variables have a significant effect on the performance of employees of PT Tempo Scan Pacific Distributor of Pharmacy and Health Products Solo Baru Branch.

### **3. F test**

Simultaneously variable of leadership style, work environment, Work Discipline and job satisfaction had a significant influence on performance of employees of PT Tempo Scan Pacific, a branch of the Solo Baru.

### **4. Test $R^2$**

Leadership style, work environment, Work Discipline and job satisfaction of performance variables explain performance variable of 40.2% whereas the rest (59.8%) is explained by other variables that are not included in the regression model.

## **Managerial Implications**

1. Work Environment proven to have a positive and significant effect of the Employee Performance PT. Tempo Scan Pacific Branch of Solo Baru. The implications of this research if the company will increase the performance Employees then have to be increased, it means that PT. Tempo Scan Pacific Branch of Solo Baru considers that the Work Environment is something that is around the workers and that affected him in performing the tasks assigned (Nitisemito, 1992: 25) and the benefits of working environment is creating morale, so that productivity and work performance increased (Isaac and Tanjung 2003). Increased employee performance can be done by: providing security protected in carrying out daily tasks, complete the facilities provided by the company in accordance with the needs of the employee, the employee relationship with colleagues harmony and provide a comfortable working environment.
2. Job Satisfaction proven to have a positive and significant effect of the Employee Performance PT. Tempo Scan Pacific Branch of Solo Baru. The implications of this research if the company will increase the performance Job Satisfaction Employees then have to be increased, it means that PT. Tempo Scan Pacific Branch of Solo Baru considers that job satisfaction is one of the psychological aspects that reflect one's feelings toward his work, he will be

satisfied with the fit between the capabilities, skills and expectations with the job he faced (Susilo Martoyo 1992: 115) and satisfaction employee is influenced by many factors, among others: the challenging work, awards, work environment and interpersonal relationships (Robbins 2002: 36). Improved Performance of employees can be done by: the work produced by the employee to have a satisfactory outcome for the company, supervisors provide direction in performing the job, the salary received according to the needs and perceived as fair, employees felt coworkers were pleasant and employees can develop through a promotion.

3. Variables leadership style and work discipline have a positive and not significant effect on the performance of employees, the implications of this research if the company will increase the performance Employees then variables of leadership style and work discipline be ignored.

### Conclusion

1. The regression equation demonstrate leadership style variable, (X<sub>1</sub>), Work Environment (X<sub>2</sub>), Work Discipline (X<sub>3</sub>), job satisfaction (X<sub>4</sub>) has positive influence on employee performance (Y) n PT Tempo Scan Pacific, Branch Solo Baru and work environment variables have the greatest influence (dominant).
2. Partialtesting of theresearch hypothesisshowedthat: Variables of working environmentand job satisfactionsignificantly influencethe performance of employees of PTTempoScan PacificBranch ofSoloBaru.Variables of leadership style andwork disciplinedo not significant effect onthe performance of employees of PTTempoScan PacificBranch ofSoloBaru.
3. F test showed jointly variables of Leadership Style, Work Environment, Work Discipline and job satisfaction significantly influence employee performance PT Tempo Scan Pacific, Solo Baru Branch.
4. The value of Adjusted R<sup>2</sup> explained variable of employee performance can be explained by the variability of Leadership Style, Work Environment, Work Discipline and Job Satisfaction variables of 40.2% while the rest (59.8%) is explained by other variables not included in the regression model as cultural organization.

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**DIFFERENCES PURCHASE DECISION AUTOMATIC MOTOR HONDA AND YAMAHA  
AUTOMATIC MOTOR VIEWS FROM THE ASPECT OF ATTRIBUTES PRODUCTS ,  
BRAND IMAGE , AND PRODUCT QUALITY  
(CASE STUDY IN STUDENTS HIGH SCHOOL CAMPUS ECONOMICS  
ADI UNGGUL BHIRAWA SURAKARTA )**

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**ABSTRACT**

The purpose of this research are: 1) To determine differences in purchasing decisions matik Honda and Yamaha motorcycle seen from the aspect of product attributes. 2) To determine differences in purchasing decisions matik Honda and Yamaha motorcycle seen from the aspect of brand image. 3) To determine differences in purchasing decisions matik Honda and Yamaha motorcycle seen from the aspect of product quality at the Campus STIE-AUB Surakarta. Samples taken using accident sampling method, ie 100 respondents users automatic motorcycle Honda and Yamaha in STIE-AUB Surakarta. Data analysis techniques such as validity, reliability test, Wilcoxon different test and Wilcoxon Signed Ranks

The results were obtained: the results of different test Wilcoxon, Z values are known for product attributes at -2.297 with a significance value p-value of 0.022, which is less than 0.05. So there are differences in purchasing decisions matik Honda and Yamaha motorcycle from the aspects of the product attributes that exist in the Campus STIE-AUB Surakarta. Z value to the brand image of -3455 with a significance value p-value of 0.001, which is less than 0.05. So there are differences in purchasing decisions automatic Honda and Yamaha motorcycle from the aspects of brand image in Campus STIE-AUB Surakarta. Z value for the quality of products at -2.172 with a significance value p-value of 0.030, which is less than 0.05. So there are differences in purchasing decisions automatic Honda and Yamaha motorcycle seen from the aspect of quality of existing products in the Campus STIE-AUB Surakarta. 3) Results of Wilconxon Signed Ranks, known attributes of Honda more desirable than Yamaha attributes. this is shown with negative rank (N) at 52 with a mean rank 48.21, positive rank (N) mean rank of 36 with 39.14 and ties (N) by 12. Honda's brand image is more desirable than the Yamaha brand image. This is indicated by a negative rank (N) of 60 with a mean rank 49.38, positive rank (N) with a mean rank of 31, 39.47 and ties (N) of 9. The quality of Yamaha products more desirable than the quality of Honda products. This is indicated by a negative rank (N) of 37 with mean rank 40.80, positive rank (N) mean rank of 53 with 48.78 and ties (N) of 10.

Keywords: purchasing decisions, product attributes, brand image, product quality

**A. Introduction**

Development of the motorcycle market in Indonesia grew rapidly. This is shown by the many variants of both models and types of motorcycles on the market. These developments may result in an increase in consumer considerations in using or choosing a motor. Previously only known to the user motors on the market. But now, automatic motor also be an option for many people. Such conditions no doubt make people faced with a wide choice in determining purchase decisions, particularly for motor products. Communities can choose a variety of types and a variety of convenience and suitability of sales in order to meet their needs. Therefore do not be surprised if every motor company always strives to develop innovations in order to meet the needs of an increasingly diverse society. Today in the midst of the increasing number of motorcycles on the street certainly made the flow of motor vehicle travel in increasingly congested roads. For that there is a consideration people to choose automatic motor designed practical and simple to use on the streets are crowded and suitable for use in cities. As a result not be surprised if a lot of people these days are more interested in using the automatic motor for their transportation needs, even this situation would continue until it can be said that the current variant of automatic motor capable of dominating variant moped or underbone in the country. Various considerations in determining purchasing decisions to choose to use automatic motor that exist in the community is very diverse. The more complex the behavior of society the more complex they are also a consideration in determining the choice of products. This is what makes

marketers look that analyzes the consumer behavior is an important thing. An understanding of the consumer behavior in determining the purchase will be easier for marketers to determine the company's strategy so that the product is readily accepted by consumers. Nonetheless there are several factors that can influence the consumer the difference in deciding the purchase of a product including the factor of product attributes, brand image and product quality. Product attributes as a complex trait that is inherent in a product that can be assessment for the consumer to a product. Through attributes of these products so consumers can enjoy the maximum benefits of the product. Product attributes can often be a factor in determining consumer purchasing decisions. This statement is supported by the results of research conducted by Bayu Puspita (2007), from his research stating that the product attributes are the factors that have a significant influence on purchasing decisions. One of the factors that can influence the purchase decision including the factor of brand image. Brand image is an image that is attached to a product that allows consumers familiar with these products. Through the existing brand image in a product, it will make consumers remember the product. Brand image is displayed for automatic motor products that exist today are the motor that is practical for travel within the city and a trendy motorcycle. Nevertheless there is also a bad image attached to the automatic motor products such as low sales prices and fuel more wasteful. Another factor that can influence consumer purchasing decisions, particularly for motor products is their perception of the quality. Perception of quality is one factor that is often the subject of public consideration in their purchasing decisions. Especially for motorcycles product quality factor can be viewed from various aspects such as durability, service purchasing and servicing the existence of spare parts, the reliability, the product's ability to meet the expectations of consumers. Related to the above description, the researchers are interested in this opportunity raised issues relating to factors that may influence purchasing decisions, especially on motorcycle purchases. In this study, researchers see there are differences in factors that can influence purchasing decisions automatic motor, which for now is largely divided into two consumer choice between automatic motor produced by the motor manufacturer Honda and automatic motor manufactured by Yamaha motorcycle manufacturer. Honda and Yamaha are two giant motor manufacturers who currently compete fiercely to attract consumers to the country. Various ways taken by both the motor manufacturers in particular in meeting the demands and needs of consumers for automatic motor. The big difference in strategy undertaken by both these manufacturers look very real. As a result it is becoming an important factor for consumers to put a top priority when they want to buy automatic motor issued by the manufacturer of the motor. Campus School of Economics Adi Unggul Bhirawa Surakarta is one of the areas that have consumers in the motor automatic Honda and Yamaha automatic motor are balanced. Of course this lead to a difference in perception between consumers Honda automatic motorcycle users and automatic motor Yamaha in the Campus School of Economics Adi Unggul Bhirawa Surakarta.

Based on the description of the background of the above problems, in this study the authors formulate the problem to be addressed in this study, namely :

1. Is there a difference in purchasing decisions motor matik matik Honda and Yamaha motorcycle seen from the aspect of product attributes on the campus of the College of Economics Adi Superior Bhirawa Surakarta?
2. Are there differences in purchasing decisions motor matik matik Honda and Yamaha motorcycle seen from the aspect of brand image on the campus of the College of Economics Adi Superior Bhirawa Surakarta?
3. Are there differences in purchasing decisions motor matik matik Honda and Yamaha motorcycle seen from the aspect of product quality at the Campus School of Economics Adi Superior Bhirawa Surakarta?

## **B. Theoretical**

### **1. Consumer Behavior**

#### **a. Understanding Consumer Behavior**

With a comprehensive analysis of consumer behavior, the manager will know and will have a broader view of the reasons consumers in making purchasing decisions, then the

company can create, develop and update the products and services offered to consumers, pricing, promoting, and distributing products or services better. Basu Swasta and T. Hani Handoko (2002) states: "Consumer behavior is the activities of individuals who are directly involved in obtaining and using goods and services, including the decision-making process on the preparation and determination of these activities". From the above definition, consumer behavior contains two important elements, namely the decision making process and physical activity involving individuals in assessing, acquiring and affecting goods and services. Consumer behavior not only observe activities that seem obvious and easily observed are a part of the decision-making process, but should also involve in activities that are difficult and can not be observed which always accompanies the purchase. So the analysis of consumer behavior should analyze the activities that are clearly visible from the processes that are difficult to observe and means in addition to studying what consumers also learn where consumers buy, how to buy it, and under what conditions these goods and services purchased.

b. Purchase Decision Making

In decision-making is a process of purchase there were only one phase of the overall consumer purchase process. According to Basu Swasta and T. Hani Handoko (2002: 103) the decision making process through five stages :

- 1) Analyze or recognition of the need and desire. In analyzing the needs and desires of a process aimed to find out their needs and desires unfulfilled. If a need is known, then the consumers will understand their immediate needs met, or are pending fulfillment.
- 2) Search and assessment of information sources. Search information can be active or passive, internal or external, the search for information that is active may include visits to several stores to make price comparisons and product quality, while searches passive information just by reading an ad in a magazine or newspaper without having the specific objective of picture the desired product.
- 3) Assessment and selection of the alternative purchase. Includes two stages, set goals and assess purchases and conduct the selection of alternative purchase based on the purpose of purchasing.
- 4) The decision to buy. Stages in the purchase decision process in which consumers actually buy the product. The decision to buy or not the product offered.
- 5) Conduct after purchase. After making the purchase of a product, the consumer will experience a level of satisfaction or dissatisfaction. Consumers will take action after buying activity in the use of these products should be considered by marketers that marketing's job does not end when a product has been purchased but continued until the period after purchase.

c. Factors Influencing Purchasing Decisions

Philip Kotler (2007: 153) suggests that the factors that influence consumer buying behavior,

- 1) Cultural factors, cultural factors have a broad and deep influence on behavior. The role of culture, sub-cultures and social classes buyer is essential. Culture is the determinant of the desire and the most fundamental behavior. Sub-cultures composed of national, religious, racial, and geographic region. Many sub-cultures that make up important market segments, and marketers often design products and marketing programs that are tailored to their needs. Social class, basically all societies have social strata. The strata are sometimes shaped the caste system in which members of different castes grew up with specific roles and can not change their caste membership.
- 2) Social Factors. Reference Group is made up of all the groups a person who has a direct influence (face to face) or indirectly on the attitudes or behavior. The family is the organization's most important consumer purchases in the community, and he has been the object of extensive research. Family members are the primary reference group of the most influential. The role covers the activities expected to be carried by a person. Each role has a status. People choose to consume products that their role and status in society.

- 3) Personal Factors. The buyer's decision was also influenced by personal characteristics . These characteristics are age and life cycle stage , occupation , economic circumstances , lifestyle , as well as the buyer's personality and self-concept .
- 4) Psychological Factors, The buyer's choice of a person affected by four major psychological factors are motivation , perception , knowledge, and confidence and conviction. According to Kotler (1999 , p . 246 ) there are five kinds of roles in purchasing decisions , namely :
  - a) The originator of the idea : A person who first proposed the idea to buy a particular product or service .
  - b) Giving effect : A person who views or opinions influence purchasing decisions .
  - c) Decision-makers A person who decides each component in purchasing decisions : whether to buy , what to buy , what to buy or where to buy .
  - d) Buyer: Someone who do the actual purchase .
  - e) User : A person who consumes or uses a product or service.

## 2. Product Attributes

### a. Definition Products

Kotler (2006: 27) defines that "the product is a complex trait that can be touched, including wrappers, color, price, the company's achievements and retailers received by the purchase to satisfy the needs and desires". Based on the definition of the above products are basically all the opinion gives a meaning that "Product is everything that can meet and satisfy the needs and desires of man, whether real or tangible or intangible, or service or service.

### b. Definition of Product Attributes

Kotler (2002: 72) states that "the product attribute is a component of the product properties which ensure that the product can meet the needs and desires that are applied by the buyer". With the attributes attached to a product that is used by consumers to assess and measure the suitability of the product characteristics and the needs and desires. A product must have the attributes that support, for example, is the price that serves as the applicable purchase price for consumers. Here are the attributes that should be present in a product, namely :

#### 1) Price

According to Kotler (1997: 339) price is the amount of money charged for a product or service, this amount being exchanged for the benefit of consumers have with using the product or service.

#### 2) Brand

Brand is all a name, term, sign, symbol, design or a combination of all of which are intended to identify products from a seller's to distinguish it from competitors' products. The brand name is well proven to increase the success of a great product, but looking for the best brand name is not an easy task. William J. Stanton, (2005: 269) attributes attached to a product that influence consumers in making the decision to purchase, among other things :

a) The brand is a name, term symbols or special design or some combination of these elements that are designed to identify the goods or services offered by the seller. A brand that distinguishes the products or services of a company from a rival product.

b) Packaging. Packaging is the overall activities of designing and producing the wrapper or packaging of a product. There are three reasons why the packaging is required: packaging meets the objectives: security (safety) and benefits (utilitarian). The packaging may carry the company's marketing program. By going through the identification of packaging products to become more effective and by itself prevent the exchange by a competitor's product.

c) Management can pack their products in such a way to increase profit. There is a characteristic shape and packaging so interestingly that customers are willing to pay more just to obtain this special packaging.

3) Label (Labeling), Label is part of a product that carries verbal information about the product or about the seller.

- 4) Design products (Product Design). The product design is one aspect of the image-forming products. With a unique design, unlike the others, it could be the only distinguishing feature of the product. With the support of good product design can improve the marketing of products in a variety of ways, for example: facilitate product marketing operations, increase the value of the quality and durability of the product, and adds to the appearance of the product
- 5) Color. Making a decisive factor in terms of whether or not a product is accepted by consumers. Actually, the color does not have the value of expediency in sales for almost all factories must offer color as the image of the product.
- 6) Quality of products, The product quality is an ability of the product to meet the needs or desires of consumers. Attention to product quality increases, as more and more consumer complaints focused on the poor quality of the product, both the material and work. In the implementation of this factor is characteristic of the image-forming products that are most difficult to describe.
- 7) Care products. Problems associated with product warranty is promised service under warranty. Care products is an activity that requires special management attention because of its own products increasingly sophisticated and complex, increasing consumer dissatisfaction and all the more difficult to handle by the service of the product itself.
- 8) Distribution. Distribution is the agencies involved in delivering goods or services from the manufacturer to the consumer or industrial user. The function and role of distribution channels: In an economy, Bringing supply-demand (buy large quantity, sell little corresponding demand), Creating economic efficiency (simplifying contact producer-consumer). For Company : To help carry out the functions of information, promotion and negotiation. Assist in financing, risk taking. Facilitate transfer of physical and ownership. It can be a source of competitive advantage.

### 3. Brand Image

Definition of Brand Image

Brand Image' Refers to how the target market perceives the brand (Doyle, 1998: 172). According to Schiffman & Kanue (1997: 30), brand image is perception about a brand as reflected by the brand associations held in consumer memory. Aaker (1992: 109), Brand Association is anything linked on memory to a brand. In developing the brand managers have to think about what strategies can be used in developing the brand. Therefore we need a brand positioning strategy that means a defined plan on how your way of managing the brand (Doyle, 1998; 171) In developing its own brand positioning strategy required four stages (Doyle, 1998; 171), namely:

- a. Attribute-qualitative research of the type Described above, into what buyers attribute use in considering alternative brands.
- b. Competitor research-competitive indentifying how brands are perceived along Reviews These attributes.
- c. Gap analysis-exploring Whether there are any gaps need: attractive positions the which would allow the company to offer superior desirable added to or not offered by competitors.
- d. Concepts testing - Evaluating Whether any positioning the resulting concepts to offer added values roomates are understood, Believed, and perceived value to the target customers.

Image (image) is the public perception of the company or its products. Image is influenced by many factors that are beyond the company's control. Effective image do three things, first: karater solidify the product and the proposed value, the second: the characters convey a different way so as not to be confused with the character of a competitor, third: give emotional strength is more than just a mental image. To be able to serve that image should be conveyed through every means of communication available and contact brands (Kotler,

**Indicators Assessment Brand (Brand Image)**, Indicators that can be used for the assessment of brand image (brand) based on the above it can be seen from:

- a. The ability of the brand in the form of consistent emotional promise

- b. Ability to penetrate every fence brand culture and market.
- c. The ability of the brand to create a communication interaction with consumers.
- d. The ability of the brand to simplify the process of making purchasing decisions by consumers. (Russel Lane, 1995: 3)

#### 4. Quality Products

Talking about the quality of the product, there are some issues related to the quality of products which can be described as follows: (Lupiyoadi, 2004: 84).

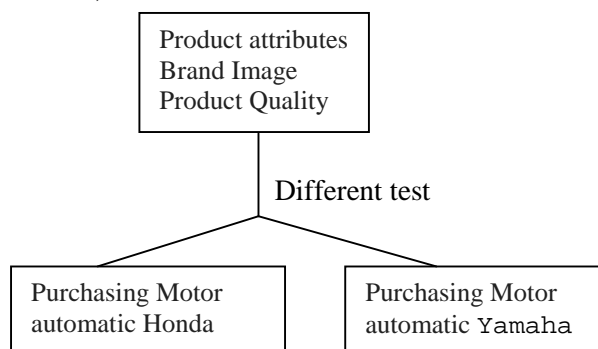
- a. Reliability (reliability). Reliability product means the product has the ability to be used in a long period of time or can be regarded as a product that is durable. In addition the product has the capability to provide convenience to consumers in using it. Consumers would tend to choose a product that is durable or not easily damaged. For consumers value the reliability This saves maintenance costs, so as not to run into problems in a certain period.
- b. Appearance (Performance). Appearance of products related to things such as the form or shape of the product, color, and material. Forms of interesting products will increase the purchasing power of the consumer to use the product. Appearance for consumers is an impression caused by the product. The better the appearance of the product, consumers will make their own judgment to buy it. However, the appearance of the product is now not only visible from physical factors, but also the views of any content contained in these products. Sometimes found many similar products with a great view, but what's inside is not in accordance with the packaging. The value of a product of art (aesthetics) The quality of a product is also seen from the artistic value of the product. Products that have aesthetic value (art) high will affect the selling price and purchasing power. The value of art is related to the appearance or shape of the product. Products that shape or appearance than imitating other products necessarily less get the attention of prospective customers. While the product is designed with an interesting shape, make a good impression, and not imitate will be separate consideration for prospective customers. d) The ability of the product to provide services (serviceability) Product quality in providing services is an important part, especially for certain products that require fast service, right with satisfactory results. This ability also is associated with reliability. But the capability in question is the ability of the product during use so as to meet the needs of consumers who buy it. Based on the description above, the assessment indicators of the quality of products that can be used include: a. Reliability (reliability) b. Appearance (Performance) c. The artistic value of a product (aesthetics) d. The ability of the product to provide services (serviceability) (Lupiyoadi, 2004: 84).

#### 5. Research Accomplished

- a. Chandra sekaran Kathiravana (2010) with the title: "The Competitive Implications Of Consumer Evaluation Of Brand Image, Product Attributes, And Perceived Quality In Two-Wheeler Competitive Markets Of India". The results of this study explains that there are significant differences on purchasing decisions between motorcycle and scooter seen from the aspect of brand image, product attributes and perceived quality.
- b. Januar Anggy Q. (2012) with the title: "Consumer Perceptions About the Brand, Product Attributes, and Price and Its Influence Purchase Decision Making Smart phones (Blackberry Consumer Studies in Yogyakarta)". The results of this study will explain that consumer perceptions of brand image, product attributes and price have a significant influence on purchasing decisions smart phones.

## 6. Framework

Based on the description above, it can be described framework in this study are as follows :



## 7. Research Hypothesis

In this study the authors formulate the hypothesis in this study are as follows:

- H<sub>1</sub>: There is a difference in purchasing decisions motor automatic Honda and Yamaha motor automatic from the aspects of the product attributes that exist on the campus of the College of Economics Adi Unggul Bhirawa Surakarta.
- H<sub>2</sub>: There is a difference in purchasing decisions motor automatic Honda and Yamaha motor automatic seen from the aspect of brand image that is on the campus of the College of Economics Adi Unggul Bhirawa Surakarta.
- H<sub>3</sub>: There is a difference in purchasing decisions motor automatic Honda and Yamaha motor automatic seen from the aspect of quality of existing products on the campus of the College of Economics Adi Unggul Bhirawa Surakarta.

## C. Methods

### 1. Location and Object Research

Subjects Research: Students Honda automatic motorcycle users and automatic motor Yamaha in the Campus School of Economics Adi Superior Bhirawa Surakarta.

### 2. Variable Operational Definition

- Product attributes is the character or qualities inherent in the product, be it motorcycle or motor automatic Honda Yamaha was then seen by the consumer and necessary to meet the needs and desires. Indicators of product attributes include product design, color, services for the factory, prestige and performance.
- Brand image is an impression that is embedded in the minds of consumers, related products from specific manufacturers. In this case, an indicator of brand image includes the ability of a brand to establish a promise of emotion that is consistent with how to meet the development trend of automobile today, the ability of the brand to penetrate every fence cultures and markets, the ability of the brand to create a communication interface with the customer through the community, the ability of the brand to maintain big names to maintain quality, as well as the brand's ability to facilitate the process of making purchasing decisions by consumers.
- Product quality is the best form that can be given manufacturers to meet consumer interest for products that they offer. The indicators of the quality of the products include reliability (reliability), appearance (performance), the artistic value of a product (aesthetics), the product's ability to provide services (serviceability), and the value of sales.

### 3. Population and Sample

The population in this study were students of the automatic motorcycle Honda and automatic motor Yamaha in the Campus School of Economics Adi Superior Bhirawa Surakarta, where the total number of students in the Campus of the College of Economics Adi Superior Bhirawa Surakarta period 2012 - 2013 is 1957 students , with the number of users automatic motor which could not be determined. The number of samples to be taken in this study can be determined by the following criteria :

- a. Sugiyono (2005 : 89 ) that the minimum number of samples allowed is 10 times the number of variables.
- b. Djarwanto and Pangestu (1998 : 64 ) also provides a rule of thumb , where if the population to be studied in number is infinite , then the samples will be taken to be the right amount. To take a sample of the formula used is :  
The samples in this study was conducted using the method Slovin

$$n = \frac{1}{4} \left( \frac{Z_{0,05/2}}{0,1} \right)^2 \quad n = \frac{1}{4} \left( \frac{1,96}{0,1} \right)^2 \quad n = 96,04 = 100$$

## D. DATA ANALYSIS and DISCUSSION

### 1. Hypothesis test

- a. Test the hypothesis with the Wilcoxon test

Based on the results of statistical tests, it can be concluded as follows :

- 1) Product Attributes Yamaha - Honda Product Attributes, Statistics of the Test table above can be seen that the value of Z is at -2297 with a significance value p-value of 0.022, which is less than 0.05. So there are differences in purchasing decisions motor automatic Honda and Yamaha motorcycle from the aspects of the product attributes that exist on the campus of the College of Economics Adi Unggul Bhirawa Surakarta.
  - 2) Yamaha Brand Image - Brand Image Honda. Statistics of the Test table above can be seen that the value of Z is at -3455 with a significance value p-value of 0.001, which is less than 0.05. So there are differences in purchasing decisions motor automatic Honda and Yamaha motorcycle seen from the aspect of brand image that is on the campus of the College of Economics Adi Unggul Bhirawa Surakarta.
  - 3) Yamaha Product Quality - Quality Products Honda. Statistics of the Test table above can be seen that the value of Z is at -2172 with a significance value p-value of 0.030, which is less than 0.05. So there are differences in purchasing decisions motor automatic Honda and Yamaha motorcycle seen from the aspect of quality of existing products on the campus of the College of Economics Adi Unggul Bhirawa Surakarta.
- b. Wilcoxon Signed Ranks Test can be concluded :
    - 1) Attribute Yamaha - Attribute Honda
      - a) Attributes Honda Yamaha is more desirable than an attribute. This is indicated by a negative rank (N) of 52 and a mean rank 48.21.
      - b) Yamaha attribute less desirable than Honda attributes. This is indicated by positive rank (N) of 36 and a mean rank 39.14.
      - c) Attributes Yamaha and Honda attributes are considered equally authentic. This is shown by ties (N) is 12.
    - 2) Brand Image Yamaha - Brand Image Honda
      - a) Brand image Honda is more desirable than the Yamaha brand image. This is indicated by a negative rank (N) of 60 and a mean rank 49.38.
      - b) Brand image is less desirable than the Yamaha brand image Honda. This is indicated by positive rank (N) of 31 and a mean rank 39.47.
      - c) Brand image and brand image Honda Yamaha considered equally authentic. This is shown by ties (N) at 9.
    - 3) Product Quality Yamaha - Honda Product kualitas
      - a) The quality of Yamaha products more desirable than the quality of Honda products. This is indicated by a negative rank (N) was 37 and the mean rank 40.80.
      - b) The quality of Yamaha products more desirable than the quality of Honda products. This is indicated by positive rank (N) of 53 and a mean rank 48.78.
      - c) The quality of Yamaha products and the quality of Honda products are considered equally authentic. This is shown by ties (N) of 10.

### 2. Managerial Implications

#### a. Product Attributes

Variable product attributes provide a substantial contribution and significant to distinguish the purchasing decision Honda automatic motor and automatic motor Yamaha

at AUB students STIE Surakarta. There is a significant difference where respondent to buy more than the Honda automatic motorcycle automatic motor Yamaha due to factors of product attributes. The results showed that the product attributes Honda automatic motorcycle more positive response than the automatic motor Yamaha product attributes. Based on the reasons and respondents already described, it can be concluded that the product attributes Honda automatic motorcycle more attractive and to have a higher level of confidence than product attributes automatic motor Yamaha, which ultimately exert significant influence on purchasing decisions. The implications of this research, automatic motor manufacturer Honda proved to have been successful in establishing a good consumer buying interest with their automatic motor production. This is evident from the ministry considered his serve easily, then its existence is considered able to give the impression of fashionable, and the design is considered attractive. Even so, Honda still have to continue to go further in order to make consumers believe that any automatic motor that their production has a high quality. Smart innovations in terms of color is also considered necessary to make the Honda automatic motorcycle more attractive in the eyes of consumers. While on the side of the manufacturer Yamaha, automatic motor they are considered sufficiently qualified in terms of design are considered attractive, convenient services for recognized and its existence might create an impression that is considered fashionable. Even so should Yamaha to develop in terms of color options as well as more aggressively again to give the impression in the hearts of consumers to their automatic motor products are considered higher quality than it already is today.

**b. Brand Image**

Variable brand image provide a substantial contribution and significant to distinguish the purchasing decision Honda automatic motor and automatic motor Yamaha at AUB students STIE Surakarta. As already mentioned, there is a significant difference where respondent to buy more than the automatic motorcycle Honda automatic motorcycle Yamaha brand image due to factors. The indicators are used to distinguish the buying decision automatic motorcycle Honda and Yamaha when viewed from the aspect of brand image consists of a five-point questions that focus on several points including the development trend of automobile today, the market share, the fan community, the level of popularity of the manufacturer, and appeal. The results showed that the Honda automatic motorcycle brand image more positive response than the automatic motor Yamaha brand image. Based on the reasons and respondents already described, it can be concluded that the brand image Honda motor matik more attractive and to have a higher level of trust than brand image automatic motor Yamaha, which ultimately exert significant influence on purchasing decisions. The implications of this research, automatic motor manufacturer Honda proved to have been successful in establishing a good consumer buying interest and instill public confidence in the products they produce automatic motor. This can be seen from the level of consumer confidence is assessed that Honda automatic motorcycle has a special attraction that can create consumer interest high. Besides motor matik Honda also considered able to meet the needs of the development of the current automotive trends, while at the same time is able to embrace the consumer by establishing automatic motor fan community is recognized. Even so, Honda still has to think intelligently in order to penetrate the wider market that the young and the elderly, as well as to impress on consumers that the brand image they have worthy to be called the best. While on the Yamaha, they produce automatic motor rated discount the appeal of its own, able to meet the needs of consumers in the automotive era of flourishing, and has a good relationship with the consumer through the establishment of a community of fans. Even so should Yamaha still have to attract consumers to intensify promotion so the market share that they aim to more broadly both the young and the elderly, and promoting marketing strategy coupled with the achievement so that consumers can be confident that any product produced under the umbrella Yamaha is the best production.

**c. Product Quality**

The variable quality of the products provide a substantial contribution and significant to distinguish the purchasing decision Honda automatic motor and automatic motor

Yamaha at AUB students STIE Surakarta. Known that there is a significant difference where respondent to buy more than the automatic motor Yamaha motor matik Honda due to factors of product quality. Indicators used to distinguish the buying decision matik Honda and Yamaha motorcycle when viewed from the quality of the product consists of a five-point questions that focus on some of the points include the reliability, appearance, beauty of design, after-sales service and value. The results showed that the automatic motor Yamaha product quality more positive response than the product quality Honda automatic motorcycle. Based on the reasons and respondents already described, it can be concluded that the quality of the automatic motor Yamaha products more attractive and to have a higher level of confidence than quality products automatic motorcycle Honda motorcycle, which ultimately exert significant influence on purchasing decisions. The implications of this research, manufacturer Honda proved able to attract customers through the motor automatic assessed already proven its reliability, has the beauty of a good value considering the beautiful design, and after-sale value is fairly high. Even though Honda should improve the quality of products in terms of appearance, and improve dealer service so that consumers are not disappointed. While on the Yamaha, a proven automatic motor that their production has managed to attract public confidence in the quality of the products they produce automatic motor. Some aspects seem very prominent as assessed beautiful design, reliability has been tested and approved very attractive appearance. Even though Yamaha still have to work extra hard to ensure that the value of sales of each of their automatic motor production remained high and stable in the market, and at the same time also improve the service process for dealers to get better again.

## E. CONCLUSIONS

Based on the results of data analysis and hypothesis testing that has been done shows that all instruments are valid and reliable. While the hypothesis testing results obtained :

### 1. Wilcoxon

- a. Product Attributes Yamaha - Honda Product Attributes. Z value of -2297 with a significance value p-value of 0.022, which is less than 0.05. So there are differences in purchasing decisions motor automatic Honda and Yamaha motorcycle from the aspects of the product attributes that exist on the campus of the College of Economics Adi Unggul Bhirawa Surakarta.
- b. Yamaha Brand Image - Brand Image Honda. Z value of -3455 with a significance value p-value of 0.001, which is less than 0.05. So there are differences in purchasing decisions motor automatic Honda and Yamaha motorcycle seen from the aspect of brand image that is on the campus of the College of Economics Adi Unggul Bhirawa Surakarta.
- c. Yamaha Product Quality - Quality Products Honda. Z value of -2172 with a significance value p-value of 0.030, which is less than 0.05. So there are differences in purchasing decisions motor automatic Honda and Yamaha motorcycle seen from the aspect of quality of existing products on the campus of the College of Economics Adi Unggul Bhirawa Surakarta.

### 2. The Wilcoxon Signed Ranks Test

- a. Attribute Yamaha - Attribute Honda. Attributes Honda Yamaha is more desirable than an attribute. This is indicated by a negative rank (N) of 52 and a mean rank 48.21.
- b. Attributes Yamaha is less desirable than the attributes of Honda. This is indicated by positive rank (N) of 36 and a mean rank 39.14.
- c. Attribute Yamaha and Honda attributes are considered equally authentic. This is shown by ties (N) is 12.

This means that for students STIE-AUB product attributes Honda automatic motor is still considered superior to attribute automatic motor Yamaha, which then will influence the decision on the purchase of automatic motor.

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**ANALYSIS OF EFFECT OF RETURN ON EQUITY , DEBT TO EQUITY RATIO AND  
CURRENT RATIO OF EARNING PER SHARE ON TELECOMMUNICATIONS  
NETWORK SERVICES COMPANY LISTED IN INDONESIA STOCK**

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**ABSTRACT**

This study aims to examine and analyze the effect of Return On Equity, Debt to Equity Ratio and Current Ratio of Earning Per Share in telecom network services company listed on the Indonesia Stock Exchange 2010-2014. The sample used in this study is a telecommunication network services company listed on the Indonesia Stock Exchange 2010-2014. This research is descriptive quantitative and quantitative study of data obtained from the Indonesia Stock Exchange (BEI) and the Indonesian Capital Market Directory (ICMD). Analysis tool used is multiple linear regression model by first using classic assumption test. To determine the effect of simultaneous F test and to determine the effect of partially used t test.

Results of regression analysis results Return On Equity positive effect while the Debt to Equity Ratio and Current Ratio negative effect on the Earning per Share. Based on the partial test all variables used in this study is a significant effect on the earning per Share..Secara simultaneous variable variable Return On Equity, Debt to Equity Ratio and Current Ratio has significant influence to Earning Per Share. Based on the result of determination magnitude Adjusted R Square is 34.8 this means that the total variation in the dependent variable earning per share can be explained by the independent variables of ROE, DER and CR while the remaining 65.2% is explained by other variables that are not included in this paper as (Price Earning Ratio) PER, Price Book Value (PBV), Return on Assets (ROA), Net Profit Margin (NPM), as well as other variables that can affect the size of EPS.

Keywords: Return On Equity, Debt to Equity Ratio, Current Ratio Earning Per Share

**A. INTRODUCTION**

Economic developments were accompanied by the development of technology to make the capital market activities more widely known . In this case the ease of transactions , the number of brokerage firms that provide convenience facilities to the investors, the public's understanding of the world of capital markets, as well as remuneration ( return) is relatively high derived from capital market activity make its own interest for people to be able to join in market activity capital. The capital market is the economic function for providing funding facilities and financial functions to provide funding. The efficiency of the capital market has always been associated with the available information that may affect the price of securities in the capital market.

According to (Princess Dhinar, 2013) Efficient capital markets are capital markets-securities securities prices reflect all relevant information to the securities. To obtain information relevant capital market needed their financial statement analysis capital markets which will become a basis related information used by multiple parties including the investors. In an analysis of the stock, there are two kinds of basic approaches that can be used, ie technical analysis (technical analysis) and fundamental analysis (fundamental analysis). Technical analysis is an analytical technique that uses historical market data to estimate the fluctuations in stock prices, both individual stocks and the overall market. While fundamental analysis is an analytical technique which assumes that each share mrmpunyai intrinsic value (intrinsic value), or the exact value as estimated by the investor, which is a function of the combined variable good company in generating returns (return) is expected, as well as risks may arise (Purwanto, 2002).

Fundamental analysis takes into account various factors, such as the performance of the company, analysis of macro-economic and micro-markets. Fundamental analysis is usually used to determine the stock evaluation, how normal it was worth the stock rupiah appreciated. In principle, fundamental analysis is used to determine a stock (overvalued) or expensive (undervalued) cost (Modules Capital Market STIE AUB 2014). In terms of investing the fundamental analysis is very helpful, for example, is used by investors as a tool to see how the financial health of the company

of a company's financial statements. The financial statements can provide information to the parties involved in this case investors. In the investor to invest their funds are always concerned about the rate of return on their investments. The high level of earnings in a company can determine the return on capital is higher the stock, and therefore the company's profit is a major concern for investors. The rate of profit in the financial ratios can be calculated using the Earning Per Share (EPS).

According to (Dwi Prastowo and Rifka Juliaty 2008) Earning Per Share (EPS) in the capital market indicates the amount of profit that the rights of every shareholder. In investing investors expect the benefits that will be produced in the form of earnings per share or the Earning Per Share (EPS). According to Usman, who was quoted by Hairul liansyah Muchtar, Earning Per Share (EPS) is one of the main indicators used prospective investors in view of the attractiveness of a stock. Investors invest for placing their funds within a certain period of course to expect a number of advantages to the form of dividends or income from the difference between the selling price of stock over its purchase price (capital gain). According to (Amin Rokhmat Saputro, 2013), Earning Per Share (EPS) can show the level of prosperity of the company, so if the Earning Per Share (EPS), which are distributed to the investors high, it signifies that the company is able to provide a level of good welfare to shareholders and vice versa if the Earning Per Share (EPS) shared low then the company failed to provide welfare as expected by shareholders. Thus Earning Per Share (EPS) shows the company's ability to make profits and can also be used to measure success in achieving benefits for shareholders in the company.

According to (Amin Rokhmoat Saputro, 2013) of additional funds will be able to use debt improved its earnings per share for its shareholders. Debt can provide benefits to their owners, if debts are used effectively and profit earned enough to pay periodic interest costs. With Debt to Equity Ratio (DER) is high the company bears the risk of high losses but also the opportunity to earn increased profits. Thus, according to (Mamduh and Abdul, 2007) Debt to Equity Ratio (DER) high can have an impact on net income, which means giving an increase Earning Per Share (EPS).

Current Ratio (CR) is the ratio between current assets (current assets) and Current Payables (Current Liabilities). Suad Husnan and Emi Pujiastuti 2004 stated that one of the Current Asset liquid assets are cash. Cash is the most liquid of liquid assets, meaning very easy to use to pay financial obligations. The higher the profit generated, the greater the Current Asset, So the easier the company's debt. Thus the higher the current ratio showed high profits and the impact on improving the Earning Per Share (EPS) of the company.

The last few years the telecommunications company experienced rapid growth given the current telecommunications facilities becomes almost mandatory possessed by all human beings , so that it becomes an interesting thing for authors to analyze how the influence ratios mentioned above to profits that can attract investors to invest in the telecommunications market that can be seen from the financial information in the Indonesia Stock Exchange (BEI) .

## **B. FORMULATION OF THE PROBLEM**

Based on the above , the writer can formulate the problem as follows :

1. What is Return On Equity (ROE) effect on Earning Per Share (EPS) at the terdadar Telecommunications companies in Indonesia Stock Exchange ?
2. Does Debt To Equity Ratio (DER) effect on Earning Per Share (EPS) at the telecommunications company listed on the Indonesia Stock Exchange ?
3. Does the Current Ratio (CR) effect on Earning Per Share (EPS) at the telecommunications company listed on the Indonesia Stock Exchange ?

## **C. THEORETICAL**

### **1. Financial Statements**

#### **a. The Financial Statements**

The financial statements are a couple of sheets of paper with numbers written on it, but it is also important to think about real assets lies behind these figures. (Brigham, Houston.2010). From some reports published by companies to their shareholders, the annual report is perhaps the most important. The annual report is a report published by the company for its shareholders. This report contains the basic financial statements and management analysis

on the operation last year and future prospects. There are two types of information provided in this report. First, the verbal part is often presented as a letter from the chief executive who describes the results of the company's operations last year, and then discuss the new developments that will affect the future operations. Second, the annual report presents four basic financial statements balance sheet, income statement, statement of retained earnings, and cash flow statement. When presented together, these reports provide an overview of accounting for the operation and financial position. Quantitative and verbal material have the same meaning. The financial statements report what actually happened at the time of earnings and dividends over the past few years, while the verbal report tries to explain why the bleak circumstances it happened and what is likely to happen in the future.

b. Balance Sheet

Balance Sheet reflects a "photograph" the position of a company at a certain period of time. The left side of the financial statements present the assets owned by the company. The right hand side presents the liability and equity that reflects a claim against assets. (Brigham, Houston, 2010). Assets are divided into two main categories: current and long-term. Current assets include cash plus other items that should be converted to cash within one year, including cash equivalents, accounts receivable, and inventory. Long-term assets are assets whose useful life of more than one year, and these assets include physical assets such as plant and equipment as well as matters of intellectual property such as patents and copyrights. There are two types of claims on the assets, liabilities (the company's debts to creditors) and shareholders' equity, which reflects equity holdings as well as homeowners, which is the value of the home minus the amount of mortgage loan is still unpaid. Furthermore, the company's liabilities are divided into two main categories: current liabilities and long-term debt. Current liabilities are obligations that fall ttempo within one year, including accounts payable, accrued expenses (total wages and taxes accrued) and notes receivable maturing within one year, part of shareholders' equity is divided into two accounts, namely stock regular and retained earnings. The numbers presented as ordinary shares is basically the amount of cash paid by the shareholders to the company when the company first issued the shares used to buy assets.

c. Earning Per Share (EPS)

Earning Per Share (EPS) according to (Kashmir, 2010) states that the ratio per share is a ratio to measure management success in achieving profits for shareholders. A low ratio means that management has not managed to satisfy shareholders, in contrast with the high ratio, then shareholder wealth increased by another pengertian, that the high rate of return. Earning Per Share illustrate how benefits can be obtained from the per share. This means it must be seen from the amount of net income that can be seen in the income statement. When adhere to the Accrual Basis is the amount of revenue that the credit income and cash income. Where credit income related to receivables, while cash income related to cash. Receivables and cash is an element of Current Ratio. The higher the current ratio shows the company in a healthy condition, due to improvements in the conditions of current assets, the company has a greater ability to increase production and generate sales growth and greater profit. If in such circumstances, the Current Ratio if higher then Earning Per Share Companies also will rise following strong profit growth as well. Companies such conditions can increase investor confidence and improve the company's stock. In this study Earning Per Share was chosen to be the dependent variable, with the following formula:

$$\text{EPS} = \frac{\text{Net profit after interest and tax}}{\text{Number of shares outstanding}} \times 100\%$$

d. Profitability

Profitability is the ability to generate profits (profit) during a certain period by using productive assets or capital, both overall capital and own capital (Van Horn and Wachowicz, 1997). There is another opinion stated that profitability is the net result of a series of policies and decisions (Brigham and Houston, 2001). Profitability ratio shows the company's ability to generate profit in relation to sales, total assets, and the capital itself. The higher profitability of the company the higher the efficiency of the company in utilizing the company's facilities. According to (Hand, 2013) profitability as a benchmark in determining

the alternative financing, but a way to assess the profitability of a company are a diverse and highly dependent on earnings derived from the company's operations or net profit after tax with their own capital. With the variety of ways in the assessment of a company's profitability is not surprising that there are some companies that have a difference in determining an alternative to calculate profitability. It is not a requirement but the most important is the profitability of which will be used, the aim is solely as a tool to measure the efficiency of use of capital in the company concerned. One measure of profitability ratio that is often used is Return On Equity (ROE), which is a measure of a company's ability to generate profits with total own capital employed. This ratio shows the level of efficiency of investment seen in the effectiveness of the management of their own capital. How to assess the profitability of the company is vary depending on the total assets or capital which will be compared with each other. In this study to measure the level of profitability of the company used Return On Equity (ROE), because ROE measures the ability of the company makes a profit available to shareholders of the company in shares of their own capital invested by shareholders, which is formulated as follows:

$$ROE = \frac{(\text{Net Profit After Tax})}{(\text{Total Equity})} \times 100\%$$

e. Solvency

Definition of the solvency ratio according to (Kashmir, 2008) or the solvency ratio Leverage is the ratio used to measure the extent of the company's assets are financed with debt. This means that some large debt burden borne by the company as compared to its assets, in the broad sense it is said that the solvency ratio is used to measure a company's ability to pay its liabilities, both short term and long term if the company is dissolved or liquidated. In connection with this study was measured using a solvency ratio of Debt To Equity Ratio (DER). Debt To Equity Ratio (DER) measuring the ratio between the funding provided by the owner or management company resulting from the company's creditors. DER reflects the company's ability to meet all its obligations, as demonstrated by some within his capital which is used to pay the debt. The increase in debt will lead to high ratio of DER. This means that the greater the interest expense to be paid by the company, which in turn will affect the size of the net profit earned. with analysis use DER solvency ratio can be seen whether the proportion of the greater use of debt may boost the share price or decreased use of debt may boost the share price. Where formula Debt To Equity Ratio (DER) are as follows:

$$DER = \frac{(\text{Total Debt})}{(\text{Total Equity})} \times 100\%$$

f. Liquidity

In (Munawir, 2004) Declare liquidity ratios used to analyze and interpret financial position short term but also helps management to check the efficiency of working capital in the company. Current high ratio indicates a company's ability to pay its current debts, which means the company has a high earning assets and be a potential to improve profits as more and more assets that can be used to increase profits. Liquidity is the ability of a company to pay its obligations to be fulfilled soon. Obligations that must be fulfilled immediately is short-term debt. Liquidity is the ability of a person or company to meet the obligations or debt that must be paid immediately with the smooth treasure. Liquidity also means the ability of an individual or a company to convert assets into cash or cash equivalents with no significant losses (Hand, 2013). In this study, the level of liquidity have become variables using the Current Ratio (CR), which is formulated as follows:

$$CR = \frac{(\text{Current Assets})}{(\text{Current Debt})} \times 100\%$$

g. Research Accomplished

Lutfi Manar (2013) research on the analysis of the factors influencing the Earning Per Share on manufacturing companies listed on the Stock Exchange 2006-2010. Independent variables used in this study is the Current Ratio ( CR ), Inventory Turnover ( ITO ), Debt to Equity Ratio ( DER ), Return On Equity ( ROE ), Total Asset Turnover ( TATO ) and Net

Profit Margin (NPM) . Partially concluded that the variables are positive and significant impact on EPS and ROE is CR , while variable positive and insignificant is ITO , DER , and NPM and for negative and significant variables are TATO . Juwarin Pancawati (2004) examines the variables that affect the analysis of Earning Per Share (EPS) in manufacturing companies listed on the JSE before and after the financial crisis. Based on the results of a significant influence variables simultaneously Net Sales, Debt to Equity Ratio, Current Ratio, Inventore Turnover, Total Asset Turnover, net profit margin and to EPS Growth Book value before the crisis. Partially variables that influence positively and significantly is Net Sales, Total Asset Turnover, Profit Margin and Net Book Value Growth. Variables that negatively and not significantly Debt to Equity Ratio, while variable which has negative and insignificant is the Current Ratio, Inventory Turnover. There is a significant influence variables simultaneously Net Sales, Debt to Equity Ratio, Current Ratio, Inventory Turnover, Total Asset Turnover, Net Profit Margin, and Book Value Growth on EPS in the period after the crisis. Partially variables that influence positively and significantly in the period during a crisis is the Net Profit Margin, and Book Value Growth. Variabel that no significant positive effect is variable Net Sales, Inventory Turnover, and Total Asset Turnover. Variables that affect negatively and significantly is the Debt to Equity Ratio, while the influential variable negatif and insignificant is the Current Ratio.

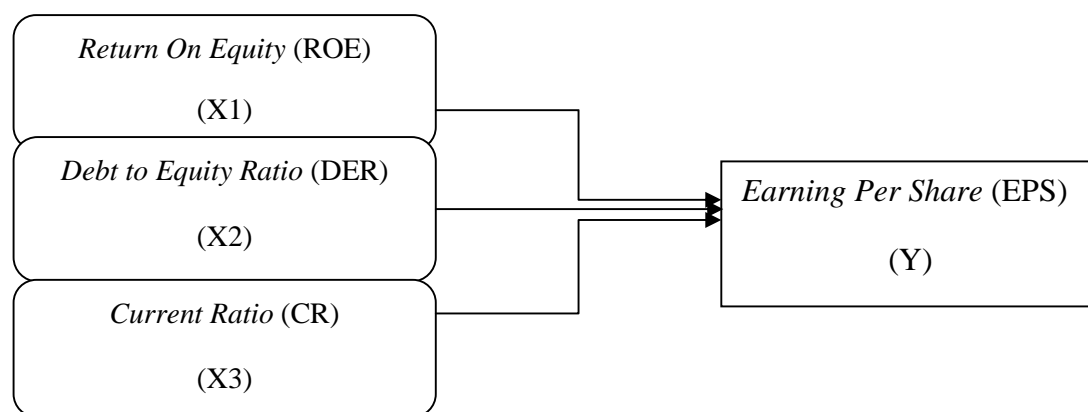
Juwarin Pancawati (2004) examines the variables that affect the analysis of Earning Per Share (EPS) in manufacturing companies listed on the JSE before and after the financial crisis. Based on the results of a significant influence variables simultaneously Net Sales, Debt to Equity Ratio, Current Ratio, Inventore Turnover, Total Asset Turnover, net profit margin and to EPS Growth Book value before the crisis. Partially variables that influence positively and significantly is Net Sales, Total Asset Turnover, Profit Margin and Net Book Value Growth. Variables that negatively and not significantly Debt to Equity Ratio, while variable which has negative and insignificant is the Current Ratio, Inventory Turnover. There is a significant influence variables simultaneously Net Sales, Debt to Equity Ratio, Current Ratio, Inventory Turnover, Total Asset Turnover, Net Profit Margin, and Book Value Growth on EPS in the period after the crisis. Partially variables that influence positively and significantly in the period during a crisis is the Net Profit Margin, and Book Value Growth. Variabel that no significant positive effect is variable Net Sales, Inventory Turnover, and Total Asset Turnover. Variables that affect negatively and significantly is the Debt to Equity Ratio, while the influential variable negatif and insignificant is the Current Ratio.

Karnata (2009) investigated the influence of Current Ratio, Debt to EquityRatio, Return On Equity, Total Asset Turn Over, and Size to Earning Pershare in Jakarta Islamic Index group of stocks in 2005-2007. Independent variables used in this study is the Current Ratio, Debt to EquityRatio, Return On Equity, Total Asset Turn Over, and Size. Based on the results of the study only partially danTotal Current Ratio Asset Turn Over yang positive and no effect on EPS, while the Debt to EquityRatio, negative effect on EPS signifikan while Return On Equity, and Size berpengaruh positive and significant impact on EPS.

Ninik Indawati (2008) studied the effect of the ratio of profitability, liquidity, and leverage the Earning Per Share (EPS) in the automotive industry companies listed on the Stock Exchange. Independent variables used in this study is the Net Profit Margin (NPM), the Current Ratio (CR), and Debt to Equity Ratio (DER). Based on the results of research simultaneously and partially variable NPM, CR, and DER positive and not significant to the Earning Per Share (EPS), but found NPM variables that have a positive and significant impact on the Earning Per Share (EPS).

Muhfiatun (2011) Researching on the effect of financial leverage and profitability of the Earning Per Share (EPS) on a company registered in Islamic securities in 2009. Independent variables used in this study is the Debt to Equity Ratio (DER), Return on Equity (ROE) , Return on Assets (ROA), and the Net Profit Margin (NPM). Based on this study partially shows that only the variables that influence positively and significantly variable Return On Asset (ROA).

**Analisis Pengaruh *Return On Equity*, *Debt to Equity Ratio*, dan *Current Ratio* Terhadap *Earning Per Share***



**Gambar : Kerangka Pemikiran**

Sumber : M. Luthfi Manar (2013), Juwarin Pancawati (2004), Amin Rokhmat Saputro (2013).

**Hypotheses**

H\_1 = ROE significant effect on EPS

H\_2 = DER significant effect on EPS

H\_3 = CR significant effect on EPS

**RESEARCH METHODS**

**1. Location Research**

In this study used data obtained from the financial statements ( annual report ) company engaged in the field of telecommunications services and networks listed in the Indonesia Stock Exchange ( BEI ) in 2010-2014 . The sources of this study didapatkan from published financial reports obtained from Indonnesia Stock Exchange ( BEI ) , ( www.idx.co.id ) , and the Indonesian Capital Marker Directory ( ICMD ) .

**2. Operational Definition of Variables Used**

Variables that will be used in this study were divided into two , namely the dependent variable and independent variables . Here's an explanation of each of the variables :

a. Independent variable

The independent variable is the independent variable that is not influenced by other variables. Independent variables used in this research is financial ratios.

**Return On Equity (ROE)**

Return On Equity (ROE) is the ratio used to measure a company's ability to earn income available to shareholders of the company. To obtain the ROE is comparing between profit after tax (net profit) with their own capital, which can be formulated as follows:

$$ROE = \frac{\text{Net Profit After Tax}}{\text{Total Equity}} \times 100\%$$

**Debt To Equity Ratio (DER)**

Debt to Equity Ratio (DER) is a ratio that illustrates the debt with equity in its financing and shows the extent to which the company is able to fund its obligations with its own capital. To obtain DER ratio is a comparison between total debt with equity capital, which can be formulated as follows:

$$DER = \frac{\text{Total Debt}}{\text{Total Equity}} \times 100\%$$

### **Current Ratio (CR)**

Current Ratio (CR) is a ratio that measures the company's ability to pay short-term financial liabilities using current assets. To obtain the Current Ratio (CR), which compares the current assets by current liabilities, which can be formulated as follows:

$$CR = \frac{(\text{Current Assets})}{(\text{Current Debt})} \times 100\%$$

#### **b. Dependent variables**

The dependent variable is the variable that is affected or become due for their other variables. The dependent variable used in this study is the Earning Per Share (EPS). Earning Per Share (EPS) is the main indicator used prospective investors in view of the attractiveness of a stock, interested investors will invest their shares to gain a number of advantages of a company. Invest their shares in the investor expects the benefits to be generated in the form of earnings per share or the Earning Per Share (EPS). To obtain Earning Per Share (EPS) is by comparing the net income after interest and taxes by the number of shares outstanding, which can be formulated as follows:

$$EPS = \frac{(\text{Net profit after interest and tax})}{(\text{Number of shares outstanding})} \times 100\%$$

### **3. Population and Sample**

The population is a set of objects within a certain scope with various types to be investigated (have now, 2009). The population in this study were all Company Moves in the Field of Telecommunications and Network Services listed on the Indonesian Stock foam and publish annual financial statements in the year 2012-2014. Samples are sub-groups or segments of the population. By studying the samples, the authors will be able to draw conclusions that can be generalized to the population research (have now, 2009). Sampling is the process of choosing a sufficient number of elements of the population, so the study of samples and understanding of the nature or characteristics will make us generalize the nature and the characteristics of the elements of the population (have now, 2009). Selection of the samples in this study using purposive sampling, the sampling based on the criteria that have been determined. The use of purposive sampling which used to have some criteria, which criteria will be used at the same time be a limitation in this study. Thus the authors select criteria as a limitation in this study as follows:

- a. Companies engaged in the Field Service Network Services Telekomunikikasi listed on the Indonesian Stock Busa 2010-2014.
- b. Companies engaged in the Field Service Network Services Telekomunikikasi who has done the issuance of the financial statements for five consecutive years from 2010-2014.
- c. Companies engaged in the Field Services Telecommunication Network does not experience a loss and have completeness of financial data in a row during 2010-2014.

#### **Sampling Research**

- a. The company services the telecommunications network listed on the Stock Exchange during the study amounted to 10
- b. The company services the telecommunications network that had incomplete data totaling 2
- c. The Company's telecommunications network services that suffered losses during the study amounted to 2 So the numbers studied by 6 companies

#### **Types and Sources of Data**

The data used in this research is secondary data, the research data obtained indirectly or through an intermediary medium. This data is in the form of annual financial statements Corporate Sector Network Services Telekomunikikasi published from the January 2010 to December 2014. Data were obtained from the literature Indonesian Capital Market Directory (ICMD) and website Indonesian Stock Exchange (BEI) [www.idx.co.id](http://www.idx.co.id).

### **Data Collection Methods**

Data collected through the method of documentation, namely in order to obtain the relevant data, trustworthy, objective and may be invoked in the analysis process. Data collection procedures through documentation method used to obtain data of financial reports and stock prices, with data pooling Corporate Sector Services Telecommunication Services and Networks from 2012 until 2014.

### **DATA ANALYSIS AND DISCUSSION**

Results of Sampling Network Services Telecommunications services company as follows: PT. Indosat, Tbk (ISAT), PT. Inovisi Infracom, Tbk (INVS), PT. Telekomunikasi Indonesia, Tbk (TLKM), PT. Tower Bersama Infrastructure Tbk (TBIG), PT. Trikomsel Okay, Tbk (TRIO), PT. Excelcomindo Pratama, Tbk (EXCL).

#### **Hypothesis testing**

##### **1. Regression Testing**

$$1 = 0,568$$

ROE positive effect on EPS, which means that if the value of ROE increases, the value will also increase EPS, assuming DER and CR remains.

$$2 = - 0.373$$

Variable DER negative effect on EPS, which means that if the value of DER lower the value of EPS will be higher, assuming ROE and CR remains.

$$3 = - 0.338$$

Variable CR negative effect on EPS, which means that if the value of CR is getting low, the value of EPS will be higher, assuming ROE and DER fixed.

##### **2. t test**

T test (Partial) is used to indicate how far the influence of each independent variable individually in explaining the variation of the dependent variable. Sig value on ROE amounted to 0,001, variable DER of 0.023, and a variable CR amounted to 0,039. So all the significant variables in this study because it has value  $<0.05$ .

##### **3. test F**

F table value above amounting to 6.166 with a significance level of 0.003. With F positive value and the significance level less than 0.05 then the F test significant positive or it can be concluded that the simultaneous existence of positive and significant influence between the variables Return on Equity, Debt to Equity Ratio and Current Ratio of Earning Per Share Companies telecommunications network services in the Indonesia Stock Exchange.

##### **4. coefficient of determination test**

Adjusted R square is 0.348 means 34.8 % of the total variation of the dependent variable earning per share can be explained by the independent variables of ROE, DER and CR while the remaining 65.2 % is explained by other variables not included in this writing.

#### **Managerial implications**

1. Based on the results of the regression test and t test ROE (X1) has a positive and significant impact on the variable (Y) EPS. ROE can be seen from the level of 0,568 and has a significant value of 0.001 meaning  $<0.05$ . ROE value indicates how much profit when compared with their own capital. The higher the ROE shows also that the more efficient the company in use own capital to generate profit, and the greater the profits, the greater the company's ability to generate EPS, in addition to increasing the value of EPS can also perform additional percentage of capital assuming a percentage profit is greater than the percentage of capital.
2. Based on the results of the regression test and t test variable DER (X2) have a significant negative effect on the variable (Y) EPS. DER can be seen from the value of - 0.373 and has a significant value level of 0.023, which means  $<0.05$ . DER value is reflected in the use of debt to capital adequacy. DER negative value indicates if the lower the DER value of a company, the better the financial condition of the company, in other words, the company is able to generate big profits from loans coupled with the fulfillment of obligations (interest) on the loan. With the low value of the DER, then shows the composition of debt (long-term and short-term) less compared with their own capital, so the impact on the company's expense low against the creditor. This shows the

- company's capital resources are not dependent on outsiders, thereby increasing investor interest in investing on the company, which is a positive effect on the increase in EPS of a company.
3. Based on the results of the regression test and t test variable CR (X3) had a significant negative effect on the variable (Y) EPS. CR can be seen from the value of - 0.338 and has a significant value level of 0.039, which means  $<0.05$ . CR value is reflected in the use of debt has gone well for the fulfillment of current assets. CR values are negative reflects the lower the value CR of a company, it means that the use of current assets very selectively, only provides asset smoothly and funds (cash) in accordance with the needs of current debt, which is tailored to the type of needs of each company, if there is excess or the remainder in the use of current assets and funds can be allocated to other investments that can generate higher earnings. Besides liquid assets can be embodied with supplies in this case telecommunications network services company listed on the Indonesia Stock Exchange can manifest in an increase in inventory in the form of vouchers and SIM cards. Similarly, CR X3 variables have a significant negative relation to variable (Y) EPS

### Conclusion

1. Regression Testing  
ROE positive effect on EPS, which means that if the value of ROE increases, the value will also increase EPS, assuming DER and CR remains. Variable DER negative effect on EPS, which means that if the value of DER lower the value of EPS will be higher, assuming ROE and CR remains. Variable CR negative effect on EPS, which means that if the value of CR is getting low, the value of EPS will be higher, assuming ROE and DER fixed.
2. T test results, the influence of each independent variable individually in explaining variations in the dependent variable in this study is the significant influence of all the variables, Return On Equity, Debt to Equity and Current Assets.
3. F test results, the influence of the independent variable on the dependent variable simultaneously is the existence of positive and significant influence between the variables Return on Equity, Debt to Equity Ratio and Current Ratio of Earning Per Share telecommunications network services company in the Indonesia Stock Exchange.
4. R square value was 34.8 % , which means that there are many other variables that influence the research beyond Earning Per Share , so that it can be used as inputs to seek more alternatives other variables that affect the Earning Per Share on research next.

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## **THE INFLUENCE OF MARKET ORIENTATION AND PRODUCT QUALITY AGAINST COMPETITIVE STRATEGY AND MARKETING PERFORMANCE ON BATIK OF COMPANY SMALL-MEDIUM SCALE IN SRAGEN DISTRICT**

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### **Abstract**

The research focused on the marketing performance of the Batik company in Sragen, which is one part of a business strategy that aims to determine the influence of market orientation and quality of products to competitive strategy and marketing performance. The population in this research are all small and medium scale batik industry in Sragen regency, Central Java. The amount of the population is equal to 165 companies of small and medium scale batik obtained from the Department of Industry and Trade of Sragen 2015. Samples can be received a minimum of 20% of the population, so that the samples were taken by 20% of the population is 33 respondent is calculated to be 35 respondents. Research result : Market orientation have positive and significant impact to the Strategy. Product quality have positive effect and not significantly to competitive strategy. Market orientation have negative effect and not significantly to the Marketing Performance. Product quality has positive effect and significant to marketing performance. Competitive strategy has positive effect and significant to marketing performance. Competitive strategy is able to mediate between market orientations toward marketing performance, thus acquiring correlation results are greater than not using mediation competitive strategy.

Keywords: Market Orientation, Quality Product, Competitive Strategy, Marketing Performance

### **INTRODUCTION**

In the modern era, as now, a company is required to create great opportunities. A company should be able to retain customers or even try to grab market rival companies in order to maintain its presence in the midst of an increasingly competitive competition. In order to win the competition companies must have a competitive advantage through differentiation by offering a product that is obviously better than the competitors' products.

Here is importance of marketing strategies for companies where there are opportunities and opportunities that will be utilized by the company. The competitive advantage for the company is: 1). Companies can build a competitive advantage only by creating value that is rare and difficult to be imitated by competitors by recruiting resource which entry criteria. 2). Human resources which productive and innovative is a competitive advantage to the company. 3). Culture and personality of human resources will form a strong performance and satisfaction. 4). Strong organizational culture is determining an organization's success in achieving a competitive advantage (Private, 2002). Healthy competition will encourage an industry.

One way that the company has a competitive advantage is to create conditions through innovation for market-oriented company which maintains and grab new customers is the main objective. Rod and Morgan explain the changes in the company's businesses include:

1. Changes in the business environment such as: globalization, liberalization, trade, technological developments, deregulation and other changes. Changes in the consumer market is characterized by: customers increasingly educated and increasingly critical, the customer becomes a very selecting (Choosy), customers determine which products and services are required, customers are demanding individualized treatment. Disclosure of the influence of market orientation in the nomenclature of the cash flow where it is understood by managers in all functional areas of the company.
2. The emphasis that spending for marketing is an investment.
3. Provisioning a framework that can be used to guide and analyzes market-oriented company strategy

Globalization of the marketplace is a very important challenge faced by every company. The tendency of the acceleration of change and development companies in the future will lead to a market that is increasingly globalized, making inter-state relations became closer or further loss of national

borders rapidly, the unification of regional, examples of the EU, free trade agreement countries of North America (NAFTA), the Association Southeast Asian nations (ASEAN) and so on.

The increasingly diverse needs and desires of the buyer becomes a guide for companies to define a strategy that will be used as a basis for decision making in segmenting the market. Buyers will usually reveal the preferences and priorities of different products. Usually customers want products or services that will be able to satisfy their desires at competitive prices. On the basis of these differences can be used as a guide for companies to create a market orientation.

The marketing manager who succeeded to recognize that the consumer market for any product or service can be targeted by marketers. This means that there are various groupings of buyers who may be different from each other in the expected benefits. Standby marketing managers take advantage of these differences through a strategy of market share, where each share is seen as different targets with their own requirements for product, price, distribution and promotion (Engel, et al., 1994).

Salah satu perusahaan yang selalu berupaya untuk meningkatkan kinerja pemasarannya adalah perusahaan Batik yang ada di Kabupaten Sragen saat ini persaingan antar industri batik yang ada di Kabupaten Sragen menuntut para manajer pemasaran untuk mengembangkan orientasi pasarnya baik orientasi pasar konsumen, pasar pesaing dan koordinasi antar fungsional. One of who always endeavors to improve the marketing performance is a batik company that is in Sragen today. Competition among the batik industry in Sragen requires marketing managers to develop better market orientation of the consumer market orientation, market competitors and inter-functional coordination.

Research conducted by Eric Hansen, Clay Dibrell and Jon Down (2005) with the title: Market Orientation, Strategy And Performance in the Primary Forest Industry shows that the market orientation of the indicator using the orientation of the consumer, orientation on competitors and the coordination of interfunctional influence on competition strategy in the form of low cost and differentiation. Results of research Eric Molson, Slater and G.Tomas M. Hult (2005) concluded that: (1) The succeeded implementation of competitive advantage for the company's flagship performance, (2) marketing plays a very important role in the implementation of specific strategies used.

Research conducted by Kevin Zheng, Julie Juan Li Dan Chenting Zu (2008) with the title: Market Orientation Job Satisfaction, Product Quality and Firm Performance: Evidence from China, the results showed that the orientation of the market impact the company's performance on each - each level different units. The research also explains that the level of cultural organization of leaders will influence the behavior of market orientation that can improve employee job satisfaction and quality of products that have an impact on improving the company's performance.

The growth of batik industry is getting tighter in the middle of the world's diversity of batik, Indonesia Batik is not losing its character. Central Javanese batik were judged to have the most rich motif still has spirit. However, when neighboring State is heavily promoting batik to various continents, Indonesian batik as if walking in place ([www.batikindonesia.com](http://www.batikindonesia.com)) . Batik is used for everyday clothing is today mostly batik print. Indeed, there are encouraging developments in the consumption of batik today. If the first batik worn only for certain events, is now expanding its area. Batik is also often modified by other motives for everyday clothing.

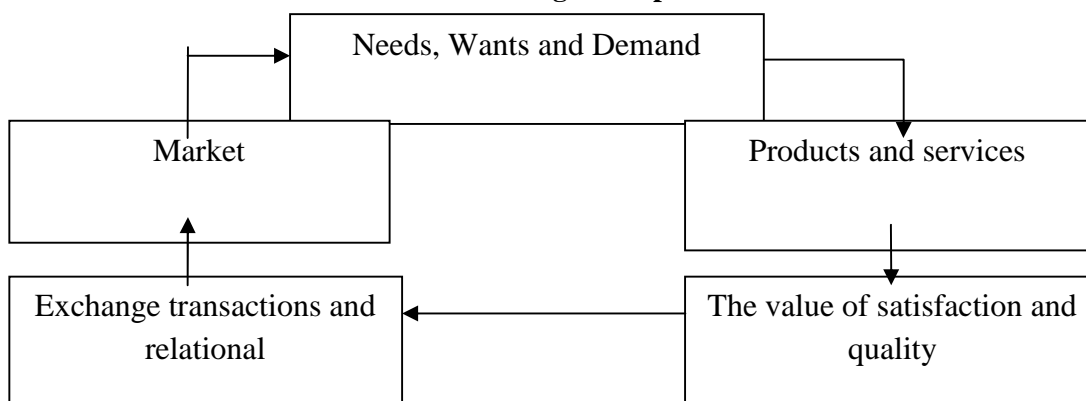
Quality is a factor that is present in a product that causes the product is valued in accordance with the purpose of production, quality is determined by the usability or functionality including durability, comfort, color, shape, packaging and so on. (Handoko, 1992).

The appearance of the concept of market orientation that underlies a fundamental approach to understanding market strategy put forward by, Vorhies, Harker, and Rao (1999) in research conducted by Rod B. McNaughton (2005) which describes the orientation of the market can be described as an organizational culture focused the understanding of the market which help the company to develop strategies for customer value by taking advantage of existing opportunities and reject the threats come.

Marketing is one of the factors are very important to achieving the company's goal or know their ways and new philosophy is the concept of marketing.

Here is a marketing concept according to Kotler and Armstrong (1992) :

**Pictures 1**  
**Core Marketing Concepts**



Source : Kotler dan Armstrong, (1992)

In the marketing concept is stated that the the achievement of organizational goals depends on determining the needs and demands target markets and to create satisfaction to consumers.

The research focused on the performance of Batik companies marketing in Sragen Regency, which is one part of a business strategy unit that will provide inputs for the company together with the results of the performance of other units formulated business strategies into business marketing performance. Issues such as the above needs to be reviewed on - variables that affect marketing performance.

### **HYPOTHESIS DEVELOPMENT**

Research conducted by Eric Hansen, Clay Dibrell and Jon Down (2005) with the title: Market Orientation, Strategy And Performance in the Primary Forest Industry shows that market orientation with indicators using orientation on consumer, orientation on competitors and the coordination of interfunctional influence on competitive strategy. Thus the market orientation significantly influence competitive strategy. Based on the research above, the hypothesis in this research is:

Hypothesis 1: Orientation markets significantly influence competitive strategy.

The research conducted by Kevin Zheng, Julie Juan Li Dan Chenting Zu (2008) with the title: Market Orientation, Job Satisfaction, Product Quality and Firm Performance: Evidence From China. The results showed that the quality of products provides a strong influence on competitive strategy on each level different units within the company. Therefore product quality has strong and significant effect toward competitive strategy. Based on the research above, the hypothesis in this research is:

Hypothesis 2: The quality of products significantly influence competitive strategy.

The research conducted by Eric Hansen, Clay Dibrell and Jon Down (2005) with the title: Market Orientation, Strategy And Performance in the Primary Forest Industry, showed that market orientation with indicators using orientation on consumer, orientation on competitors and the coordination of interfunctional give effect to the company's performance in the form of low cost and differentiation have a positive influence on business performance. Thus the market orientation has strong and significant effect on the marketing performance. Based on the research above, the hypothesis in this research is:

Hypothesis 3: Market orientation significant effect on marketing performance.

The research conducted by Kevin Zheng, Julie Juan Li Dan Chenting Zu (2008) with the title: Market Orientation, Job Satisfaction, Product Quality and Firm Performance: Evidence From China, the results showed that the quality of the product to give effect to the company's performance on each level different units. The research also explains that the level of cultural organization leaders will affect the quality of the product, so it can improve company performance. Thus the quality of the products has strong and significant effect on the performance marketing. Based on the research above, the hypothesis in this research is :

Hypothesis 4: The quality of the products have a significant effect on the performance marketing.

The results of the research of Eric Molson, Stanley F. Slater and G. Tomas M. Hult (2005) concluded that: strategy within the company is crucial in achieving the performance marketing, competitive strategy as a major factor in the success of marketing performance in business competition. Thus a significant competitive strategy and significant effect on the performance marketing. Based on the research above, the hypothesis in this research is:

Hipotesis 5 : Strategi bersaing berpengaruh signifikan terhadap kinerja pemasaran.

## RESEARCH METHODS

To test the hypothesis, researchers collected data with survey technique where - variables studied are not controlled (ex post facto). The population in this research are all small and medium scale batik industry in Sragen regency, Central Java, and the size of the population amounts to 165 companies of small and medium scale batik obtained from the Department of Industry and Trade of Sragen in 2015 (Ministry of Sragen: 2015). According to Emory (1995) for the descriptive method minimum sample of 10% of the population and for a relatively small population, the sample can be received a minimum of 20% of the population, so that the samples were taken by 20% of the population that is 33 respondents was calculated to be 35 respondents to facilitate research.

## RESEARCH RESULTS

**Table I. Hypothesis Test Results**

The hypothesis	Seta (sig) Result	Conclusion
Market orientation affect the competitive strategy.	0,908 (0,000)**	supported
Product quality affect the competitive strategy	0,029 (0,802)	Not supported
Market orientation has positive influence on the performance of marketing	-0,392 (0,056)	Not supported
The quality of the product has positive effect on performance Marketing	0,411 (0,001)**	supported
Competitive strategy affects performance marketing	0,949 (0,000)**	supported

### The role of Competitive Strategies as Mediation variables

Mediation function takes into account the direct and indirect influence or the total influence. The following line diagram shows he direct and indirect influence as well as the total influence of this research.

**Table 2  
Results of Mediation Competitive Strategy**

Variable	Path Coefficient		Total Influence
	DE (Direct Effect)	IE (Indirect Effect)	
X <sub>1</sub> to Y	=P <sub>3</sub> =-0,392		
X <sub>2</sub> to Y	=P <sub>4</sub> =0,411		
X <sub>3</sub> to Y	=P <sub>5</sub> =0,949		
X <sub>1</sub> through X <sub>3</sub> to Y		= P <sub>1</sub> X P <sub>5</sub> =0,908 x 0,949 = 0,862	=-0,392+0,862 =0,47
X <sub>2</sub> through X <sub>3</sub> to Y		= P <sub>2</sub> X P <sub>5</sub> =0,029 x 0,949 = 0,027	=0,411+0,027 =0,438

Source : The processed data, 2016

From the above table shows the competitive strategy is able to mediate between market orientation toward marketing performance, thus acquiring correlation results are greater than not using mediation of Competitive strategy. Relationships between variables can be illustrated by the following chart:

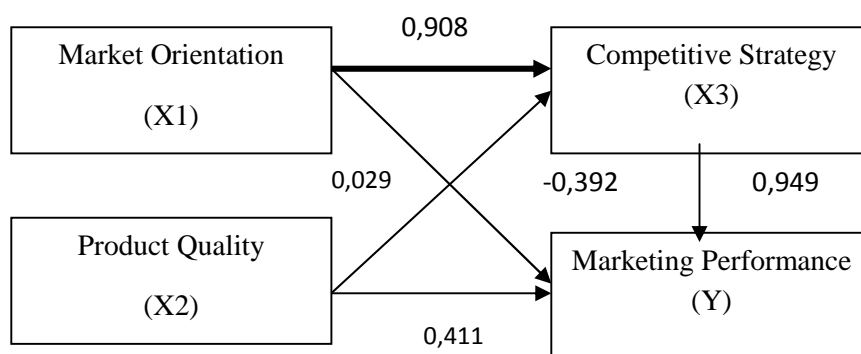


Figure 2. Relationships between variables

## DISCUSSION

### 1. Market Orientation's influence on performance Marketing

The results showed that the market orientation has significantly influence to competitive strategy. While the market orientation does not have significant effect on marketing performance. Mediation results showed the competitive strategy able to mediate market orientation to marketing performance, thus acquiring correlation results are larger and have a higher yield to improve the marketing performance of Small and Medium Scale Batik Company in Sragen Regency.

These results can be interpreted that competitive strategy is an important role in enhancing the performance of marketing in Small and Medium Scale Batik Company in Sragen Regency. According to the theory presented by Eric Hansen, Clay Dibrell and Jon Down (2005), market orientation significantly influence competitive strategy. In this case the market orientation which is run by the Small and Medium-scale Batik Company in Sragen Regency in the form of orientation that focuses on competitors' customers and any coordination on the parts that exist in the company was able to improve marketing performance and impact on the increase in sales volume and amount customers.

Market orientation can improve competitive strategy and marketing performance, therefore, Small and Medium Scale Batik Company in Sragen Regency need to increase the market orientation. The aim is to improve the competitive strategy and marketing performance even better. The steps that need to be done is by:

Improve the strategies applied by the company.

- a. The company serves a specific market segment.
- b. Batik products produced by the company has a price advantage compared to competitors batik.
- c. The Company provides discounted price to customers who make a purchase in large quantities.

### 2. The influence of the quality of products on performance Marketing

Research results showed that the quality of products do not have significant effect on competitive strategy and product quality significantly influence marketing performance. The results of the mediation showed competitive strategy are not able to moderate the quality of products to marketing performance, thus acquiring correlation results are smaller and have lower results to improve the marketing performance of Small and Medium Scale Batik Company in Sragen Regency.

These results can be interpreted that the quality of the product is used for a good complex characteristics tangible, nor excluding wrap, colors price, the prestige of companies and retailers, service of companies and retailers that can be accepted by the buyer to satisfy the desires or needs. According to the theory presented by Stanton (2003), the quality of products significant effect on marketing performance. Companies that want to lead competition should aggressively competing

with a regular pattern differentiate competitors and devise new ways with new products. The more aggressive action, the more opportunities that can be used.

Based on the results of the research, the Small and Medium Scale Batik Company in Sragen Regency should improve product quality in order to better marketing performance back and is expected to achieve a competitive advantage in line with expectations. Steps that can be done is by:

Improving the quality of batik fabric.

- a. Batik Ingredients have long durability compared to competitors batik.
- b. The timeliness of making batik products.
- c. The batik company's ability to develop products.

With some improvements that can be done above expected level of Marketing Performance of Small and Medium Scale Batik Company in Sragen Regency become more optimal. So the Small and Medium Scale Batik Company in Sragen Regency can achieve maximum sales target, the existence of customer growth and sales growth increasing from year to year.

## **COVER**

### **Conclusion**

Market orientation has positive and significant impact to competitive strategy in the Small and Medium Scale Batik Company in Sragen Regency.

1. Quality products do not have significant positive effect to competitive strategy in the Small and Medium Scale Batik Company in Sragen Regency.
2. Market orientation do not effect significant and have negative effect on the Performance Marketing in Small and Medium Scale Batik Company in Sragen Regency.
3. The quality products have significant and positive effect on the Marketing Performance in Small and Medium Scale Batik Company in Sragen Regency.
4. Competitive strategy has effect positive and significant on the Marketing Performance in Small and Medium Scale Batik Company in Sragen Regency
5. Competitive strategy is able to mediate between market orientations to marketing performance, thus acquiring correlation results are greater than not using mediation of Competitive strategy.

### **Suggestions and recommendations**

Based on the research results suggested that in order to improve marketing performance on the Small and Medium Scale Batik Company in Sragen Regency as follows:

1. In view of the role of marketing in particular orientation of the market and product quality to marketing performance, it is recommended that the batik industry, always make product innovations, both in terms of materials, as well as a model of production that is adapted to the trend of fashion, at a reasonable price and decent, so that consumers get good products at reasonable prices.
2. Competitive advantage plays an important role in improving marketing performance, then the batik industry should be more serious in implementing the role of competitive advantage, where competitive advantage is a tool used of batik company to achieve its objectives and implement the concept of management so that is always ahead of its competitors.

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**THE INFLUENCE OF LEADERSHIP, AND MOTIVATION ON EMPLOYEE PERFORMANCE WITH JOB SATISFACTION AS AN INTERVENING VARIABLE  
(patent studies STIE – AUB SURAKARTA)**

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**ABSTRACT**

This study aims to determine the influence of leadership, and motivation on employee performance (patent studies STIE – AUB Surakarta). Data used are primary data collected through questioner, which were distributed to the respondents. The data was obtained was tested with test validity, reliability test, regression test, linieritas test, t test, F test, test R<sup>2</sup>.

The first regression equation :

$$Y_1 = 0,069 X_1 + 0,715 X_2$$

(0,486)      (0,000) \*\*

The second regression equation :

$$Y_2 = 0,539 X_1 + 0,087 X_2 + 0,143 X_3$$

(0,000)\*\*      (0,595)      (0,379)

From the results of the first regression equation shows that leadership has a no significant positive effect on job satisfaction. Motivation has a significant positive effect on job satisfaction. From the results of the regression equation both by intervening show that leadership has a significant positive effect on performance, motivation has a no significant positive effect on performance, and job satisfaction has a no significant positive effect on performance. The test results showed the total R<sup>2</sup> model of this equation, the independent variable (leadership, motivation, and job satisfaction) was able to explain the dependent variable (employee performance) by 93% and the remaining 7% be explained by other variables outside of this research.

Key words : leadership, motivation, job satisfaction, employee performance

**A. INTRODUCTION**

The times today demanded an organization or company to improve itself to follow the changes that occur quickly in order to continue to compete and survive. Organization or company must improve the quality of its human resources for human resources is an important resource for the company. In an effort to improve the quality of human resources to be able to compete in the era of globalization required the ability to adjust. These efforts are constantly being made to improve the knowledge relevant to the job. One of the efforts required to achieve organizational goals of employee performance in accordance with the norms and standards of the organization. If the good performance of human resources, the objectives of the organization or company will be achieved well. In general, employee performance can be affected by factors of the individual employee and organizational factors. Through human resource management aspects of performance can be directed effectively and efficiently to achieve organizational goals. Theoretically an organization will be successful and achieve certain productivity, if the organization can provide the motivation of individuals in organizations that foster kreatifitas and innovations. Employee performance is heavily influenced by a combination of leadership skills, motivation and job satisfaction organizational members.

Employee performance should always be fostered and enhanced in order to achieve company goals can be done easily and quickly. Improved performance can be done by providing training, helping employees to achieve a career, and make an assessment in order to find drawbacks to be remedied. So that the organization can increase performance, it is necessary to note the human

resources that exist in the organization. This is due to the human resources are the key drivers and can be considered as key to the success of an organization in achieving its objectives and targets, therefore, enable an organization to run efficiently and effectively in achieving its goals and objectives, necessary management capabilities to manage human resources in an organization well and draw up the right strategy, because the effectiveness and efficiency of an organization depends on a way to combine the management of human resources with the organizational strategy.

The role of the leader in all situations the organization is a strategic factor. Leaders must be able to manage the mindset of employees to abide by and carry out any work in accordance with the norms and regulations. Leaders should be able to convey the vision and mission of the organization in persuasive language that is easily understood and to increase performance. An organization needs an effective leader has the ability to influence the behavior of their members or subordinates. A leader or leadership of an organization will be recognized as a leader if he can have an influence and capable of directing subordinates towards the achievement of organizational goals. So important is the role of leader so that the issue of the leader are also factors that attract the attention of researchers in the field of organizational behavior. This will bring the consistency that every leader is obliged to give attention in earnest to develop, moving, directing all potential employees in order to realize the volume of their environment and workloads focused on the goal. Leaders need to conduct coaching earnest against employees in order to improve work discipline and lead to higher job satisfaction. When leaders show good leadership, employees will have the opportunity to learn the proper behavior for dealing with their work. Organizations from outside influence or push against a person or group that want to implement something that is stipulated. Motivation as a form of encouragement both internal and external to perform a particular action. Related to the motivation of individuals in an organization, motivation can be attributed to a boost employee motivation to carry out a job is something that is important in supporting employee performance and ultimately will be the deciding factor in realizing the objectives of the organization. This is why motivation is very important in improving employee performance, highly motivated, then the performance of employees will also increase.

Job satisfaction is a person's feelings towards work, if one talks about the attitude of the employees more often it is meant job satisfaction. The term job satisfaction refers to an individual's general attitude towards work. Job satisfaction problem is not simple both in concept and in terms of analysis, because of the satisfaction of diverse connotations nevertheless remain relevant to say that job satisfaction is a person's perspective, both positive and negative about the work done.

Factors that need attention in analyzing the satisfaction of one's work, for example, the nature of one's work has a particular impact on job satisfaction. Various studies have shown that if the working person's degree of autonomy in the act, there varisai, contributed significantly to the success of the organization, and employees get feedback on the results of the work he does, the question will be satisfied. If every employee to feel job satisfaction, performance will be effective.

## **B. FORMULATION OF THE PROBLEM**

Having regard to the background of the problem, can we arrange the formulation of the problem as follows:

1. Is the leadership a significant effect on employee satisfaction STIE - AUB Surakarta?
2. What was the motivation significant effect on employee satisfaction STIE - AUB Surakarta?
3. Does the leadership have a significant effect on employee performance STIE - AUB Surakarta?
4. What was the motivation significant effect on employee performance STIE- AUB Surakarta?
5. Is the job satisfaction significantly influence employee performance STIE - AUB Surakarta?

## **C. THEORETICAL**

### **1. Performance**

Performance is an overview of the level of achievement of the implementation of an activity or program or policy in achieving the goals, objectives, mission and vision of the organization as stated in the strategic plan of an organization. Referring opinions mentioned above it can be concluded that the performance is the result of work achieved by an employee through an implementation of the work or tasks assigned to them in accordance with a predetermined

time, quality, right on target to always follow the stated methods (Mahsun, 2006: 25). Another understanding the performance expressed by Mangkunagara (2001: 67), which explains that the performance is the result of the quality and quantity of work accomplished by an employee in performing its duties in accordance with the responsibilities given by superiors. "Understanding the performance is basically the activity and results that can be achieved or continue a person or group of persons in execution of tasks, a good job, it means reaching a goal or working standard that was set before or even exceed the standards set by the company at a certain period ( Handoko, 2002: 135).

Performance appraisals should dilakukan in a fair, impartial, and should describe the actual performance of accurate, assessment of employee performance objectively, accurately and well-documented, is likely to decrease the potential for irregularities by employees, so its performance is expected to improve in accordance with the performance required company. Performance measurement of Sudarmanto (2010: 13) must pay attention to several aspects of the following elements : productivity the ability to produce goods and services, quality of goods-producing and services produced meets the quality standards, timelines the time needed to produce goods and services, turnover time in any process of change of goods and services is then up to the user , drivers the use of the resources needed to produce goods and services, cost required It can be concluded that the concept of performance is essentially a way or man's actions in carrying out the work to achieve specific results. The actions include appearance, skill through certain processes or procedures that focus on the objectives to be, as well as the implementation of compliance to the standards and quality expected

## **2. Leadership**

Leadership by Siagian (2007: 235) is the ability to influence others in this regard subordinates such a way that the other person is willing to do the will of the leader though personally it might displease. While Yukl (2005: 3) says leadership is the process of influencing others to understand and agree with what needs to be done and how the task was done effectively, as well as the process to facilitate the efforts of individuals and groups to achieve common goals. Besides Gibson et.al (2003: 5) says that the leadership (leadership) is an attempt to exert influence to motivate individuals to achieve several goals.

According Hasibuan (2002: 170) leadership is a way of influencing the behavior of subordinate leaders to cooperate and work productively to achieve organizational goals. From the above opinion can be concluded that the definition of leadership is the process of influencing the group's activities are organized in an effort to set goals and achieve them. So that the effectiveness of the leadership of the leader in question is a matter that is highly coveted by all parties interested in the organization's success

## **3. Motivation**

Motivation according Siagian (2007: 102) is an impetus for people to contribute as much as possible for the organization's success in achieving its objectives. The definition can be interpreted that the achievement of organizational goals also means the personal goals of the members of the organization concerned. Sumadi (2008: 70) provides the following theory: "Motivation is a state in the person that encourage individuals to undertake certain activities in order to achieve a goal." According to the disciplines of psychology, motivation refers to the concept used to explain the forces that exist and working on the organism or individual movers and influence individual behavior. Motivation is something or conditions that will give a boost employee to work harder. Based on some opinions can be taken notion that motivation is the encouragement of individuals that contributed to the efforts to carry out activities in order to meet the needs directed toward goal achievement. Motivation shows a state of the organism that mobilizes energy and effectively directed to the subject of the environment. Basically impulse is anxiety to act. The concept motif includes both the direction and energy aspects of behavior. A motivated is that the energy was mobilized by the encouragement, direction selectively

## **4. Job Satisfaction**

Job satisfaction is a general attitude towards work, the difference between the amount of rewards received by a worker and the many who believed should be accepted. The belief that satisfied employees are more productive than employees who are insatiable a basic teachings

among the leaders. "A baton with high job satisfaction showed a positive attitude towards the work. A person who is not satisfied with his work showed a negative attitude toward work it". (Robbins, 2002: 170).

Someone when talking about the attitude of the employees more often they mean job satisfaction. The term job satisfaction refers to an individual's general attitude toward his work. Job satisfaction problem is not simple both in terms of concepts and in terms of his analysis because of the satisfaction of diverse connotations nevertheless remain relevant to, say that job satisfaction is a point of view of a both positive and negative about his work. Factors that need attention in analyzing the satisfaction of one's work, for example, the nature of one's work has a particular impact on work satisfaction. Various studies have shown that if the person has a job autonomy to act, there are variations, contributed significantly to the success of the organization and the employee, obtain feedback on the results of work performed is concerned will be satisfied.

The exact form of introductory programs that result in acceptance of a person as a member of the working group and by the organization as a sincere and honorable, and generally result in high levels of job satisfaction. Any environmental situation also affect the person's level of job satisfaction. A proper understanding of job satisfaction can be achieved if an analysis of job satisfaction is associated with job performance, absenteeism, desire to move, worker's age, level of position and size of the organization. An intensive review of the literature states that the more important factor that drives job satisfaction are: "work that is mentally challenging, the rewards are worth, supporting working conditions, colleagues who support" (Robbins, 2002: 181). From the above opinion, we conclude that job satisfaction is a series of pleased and displeased feeling and emotion of a worker with respect to how good a job they give something of importance to him. If something were received in accordance with the expectation that someone will feel the satisfaction and vice versa.

## 5. Framework

To give a clear picture in this study are given framework as follows.

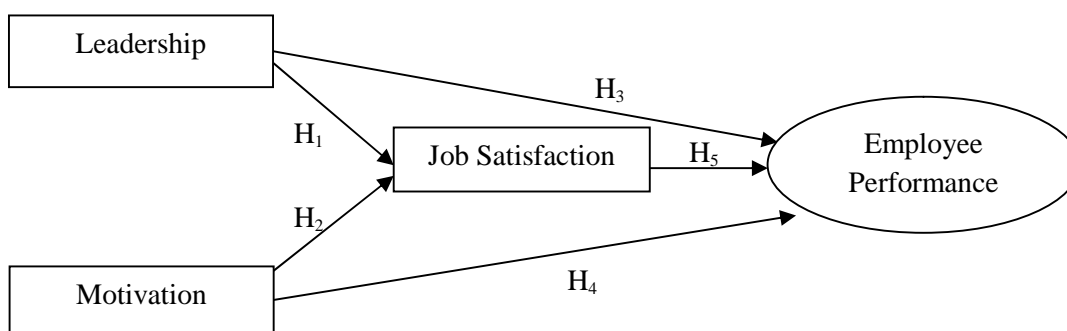


Figure 1. Framework

## 6. Hypothesis

- H<sub>1</sub>. Allegedly there was a significant effect of leadership on job satisfaction
- H<sub>2</sub>. Allegedly there was a significant effect of motivation on job satisfaction.
- H<sub>3</sub>. Allegedly there was a significant influence on the performance leadership.
- H<sub>4</sub>. Allegedly there was a significant effect of motivation on performance.
- H<sub>5</sub>. Allegedly there was a significant effect of job satisfaction on performance.

## D. Research Methods

### 1. Location Research

The research location is in STIE "AUB" Surakarta and the object of this study were employees at STIE "AUB" Surakarta.) .

### 2. Operational Definition of Variables Used

- a. Employee performance (Y) is the rate of success in achieving the goals of employees with the standards that have been established within the organization. Indicators used: loyalty,

achievement, honesty, discipline, creativity, teamwork, leadership, personality, initiative, responsibility and skills.

- b. Leadership (X1) is the overall pattern of actions of a leader, both visible and invisible by the employees in the office STIE-AUB Surakarta. Indicators used: Role of influencing, motivating role, the role of inter-personal, informational role and decision-making role.
- c. Motivation (X2) which is a driving force for an office employee STIE-AUB Surakarta to contribute as much as possible for the organization's success in achieving its objectives. Indicators used: physical needs, security, beprestasi needs, need for power, need for affiliation, actualization needs.
- d. Job satisfaction (X3) is a perspective STIE AUB Surakarta employees whether they are positive or negative about his work. The indicators used are: the type of employee jobs, relationships between employees, suitability in the work place, the development of ideas by employees, the existing facilities in the institution.

### 3. Population and Sample

The population in this study were employees STIE AUB Surakarta some 54 people. The sample is part of the study population. This research is a census is to take all the existing members of the population at AUB STIE Surakarta number 54 to be the respondent (Widayat, 2005: 104).

#### Types and Sources of Data

Data used in this study primary data. Research tool used is by direct observation and distributing questionnaires to employee STIE AUB Surakarta. The questionnaire contains statements with Likert scale of 1 for strongly disagree, 2 to disagree, 3 for the neutral, 4 to disagree and 5 for strongly agree

## E. Data Analysis and Discussion

### 1. Validity and Reliability Testing

Validity of the instrument is a measure that indicates the extent to which the measuring instrument is able to measure what you want measured. To test the validity will be used Pearson product moment correlation test. Reliability is a measure of the consistency of the measuring instrument in measuring the same phenomenon in other occasions. To test the reliability will be used Cronbach alpha. The test results that have been done that all have a valid and reliable instrument so that used in this study.

### 2. Hypothesis testing

Hypothesis testing is done by the linearity test, path analysis, multiple linear regression equation, F test, t test, and test the coefficient of determination ( $R^2$ )

## Linieritas Testing

**Tabel.1**

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,013 <sup>a</sup>	,000	-,060	4,16261022

a. Predictors: (Constant), Leadership, motivation, job satisfaction

From the above table shows the  $R^2$  value of 0.000 with a sample of 54, the value of  $c_2$  count =  $54 \times 0.000 = 0$  while the value of  $c_2$  table at 67.50. Values count  $c_2 < c_2$  table so it can be concluded that the correct model is a linear model

**Regression Line Equations**

**Tables 2  
Regression Test Results 1**

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

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4,537	4,409		1,029	,308
	Leadership	,066	,094	,069	,702	,486
	Motivation	,681	,094	,715	7,246	,000

a. Dependent Variable: Job Satisfaction

$$Y_1 = 0,069 X_1 + 0,715 X_2$$

(0,486)      (0,000) \*\*

1 = 0.069, meaning that there is a positive influence between leadership variable (X1) to job satisfaction

2 = 0.715, meaning that there is a positive influence between the variables of motivation (X2) on job satisfaction.

**Tables 3  
Regression Test Results 2**

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

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	6,566	6,243		1,052	,298
	Leadership	,623	,132	,539	4,712	,000
	Motivation	,100	,188	,087	,535	,595
	Job Satisfaction	,174	,196	,143	,887	,379

a. Dependent Variable: Employee Performance

$$Y_2 = 0,539 X_1 + 0,087 X_2 + 0,143 X_3$$

(0,000)\*\*      (0,595)      (0,379)

1 = 0.539, meaning that there is a positive influence between leadership variable (X1) on employee performance.

2 = 0.087, meaning that there is a positive influence between the variables of motivation (X2) on employee performance.

3 = 0.143, meaning that there is a positive influence between the variables of job satisfaction (X3) to employee performance

**T testing**

Based on the results of tests that have been carried out as in tables 2 and 3 equations 1 and 2 above, it can be explained it - the following

- 1) The effect of leadership on job satisfaction  
Results of regression one testing done shows for leadership variable has a significance value  $0.486 > 0.05$  means leadership variables have positive influence and no significant effect on job satisfaction.
- 2) The effect of motivation on job satisfaction  
Results of regression one testing done shows for motivation variable has a significance value  $0.000 < 0.05$  means that a motivational variable has a positive and significant impact on job satisfaction
- 3) The influence of leadership on performance  
Results of regression testing performed two shows for leadership variable has a significance value  $0.000 < 0.05$  means leadership variable positive and significant impact on performance.

- 4) The effect of motivation on performance  
Results of regression testing performed two shows for motivation variable has a significance value  $0.595 > 0.05$  means that motivation variable and not significant positive effect on performance.
- 5) The effect of job satisfaction on performance  
Results of regression testing performed two shows for the variables of job satisfaction has a significance value  $0.379 > 0.05$  means that job satisfaction variables and no significant positive effect on performance.

### F Testing

F-test was used to test the hypothesis simultaneously or co - operation between the variables of leadership, motivation and job satisfaction on performance.

**Tables 4**  
**F (Anova) test**

#### ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	591,409	3	197,136	11,375	,000 <sup>a</sup>
	Residual	866,517	50	17,330		
	Total	1457,926	53			

a. Predictors: (Constant), Job Satisfaction, Leadership, Motivation

b. Dependent Variable: Performance

The test results simultaneously (Test F) note the value  $F = 11.375$  with a significance level of  $0.000 < 0.05$ . It can be concluded jointly variables of leadership, motivation and job satisfaction affect performance significantly

### R<sup>2</sup> Testing

- 1) Coefficient of Determination Equation 1

**Tables 5**  
**Coefficient of Determination Equation 1**

#### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,738 <sup>a</sup>	,544	,526	2,970

a. Predictors: (Constant), motivation, leadership

R2 test results obtained at 0,544

2) Coefficient of Determination Equation 2

**Tables 6**

**Coefficient of Determination Equation 2**

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,637 <sup>a</sup>	,406	,370	4,163

a. Predictors: (Constant), job satisfaction, leadership, Motivation

R2 test results obtained for 0.406

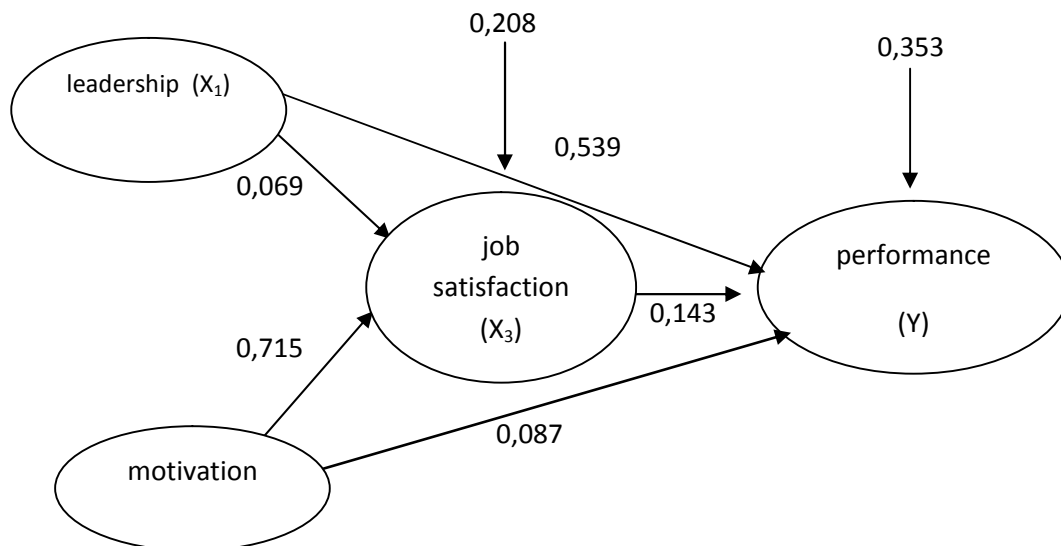
Based on the table, the total value of R2 can be calculated by (Ghozali, 2001: 161)

1. Calculate e1 in equation 1 by:  
 $(1 - R \text{ Square})^2 = (1 - 0,544)^2 = 0,208.$
2. Calculate e2 in equation 2 by:  
 $(1 - R \text{ Square})^2 = (1 - 0,406)^2 = 0,353.$
3. Total R2

Based on the value e1 and e2 value, the total value of R2 are:  
 $1 - (e1 \times e2) = 1 - (0,208 \times 0,353) = 1 - 0,07 = 0,93$

It is meant for a total of R2 on the model used is 0.93 or 93% means that models with this equation, the independent variables (leadership, motivation, and job satisfaction) were able to explain the dependent variable (performance) by 93% remaining 7% is explained by variables other than models such as work culture

**The direct effect, indirect effect, and total effect**



**Figure 2**

### **The direct effect, indirect effect, and total effect**

#### **1) The direct effect**

##### **a) The effect of leadership on employee performance**

The test results with the regression model that has been done shows that the leadership has standardized beta coefficients of 0.539 with 0.000 significance means that the leadership has a direct positive influence and significant impact on employee performance.

##### **b) The effect of motivation on employee performance**

The test results with the regression model that has been done shows that the discipline has standardized beta coefficients of 0.087 with significance 0.595 means that the discipline has a direct positive effect and no significant effect on employee performance.

##### **c) The effect of job satisfaction on employee performance**

The test results with the regression model that has been done shows that job satisfaction has standardized beta coefficients of 0.143 with significance 0.379 means that the motivation has a direct positive effect and no significant effect on employee performance.

#### **2) The indirect effect**

##### **a) The indirect effect of leadership variables on the performance of employees through job satisfaction**

The test results with the regression model first and the second that has been done shows that the influence of leadership on job satisfaction at 0.069 whereas the effect of job satisfaction on the performance of 0.143. This result can be multiplied by  $(0.069 \times 0.143)$  equal to -0.0098. The coefficient of multiplication can be concluded that job satisfaction variables can not be used as an intervening variable for the coefficient value smaller than the direct effect  $(0.0098 < 0.539)$

##### **b) The indirect effect of motivation variables on the performance of employees through job satisfaction**

The test results with the regression model first and the second that has been done shows that the effect of motivation on job satisfaction at 0.715 whereas the effect of job satisfaction on the performance of 0.143. This result can be multiplied by  $(0.715 \times 0.143)$  equal to 0.1022. The coefficient of multiplication can be concluded that job satisfaction variables can be used as an intervening variable for the coefficient value is greater than the direct effect  $(0.1022 > 0.087)$ .

#### **3) Effect of total**

##### **a) Effect of total variable leadership to employee performance through job satisfaction**

Based on the test results regression model first and the second that has been done shows that the influence of leadership on the performance of 0.539 while the indirect effect of leadership on performance through job satisfaction at 0.0098 so it can be concluded that the total effect of the variables on the performance leadership of 0.5488.

##### **b) The net effect of motivation variables on the performance of employees through job satisfaction**

Based on the test results regression model first and the second that has been done shows that the effect of motivation on the performance of 0.087 and the indirect effect of motivation on the performance of 0.1022 so it can be concluded that the total effect of motivation variables had on the performance of 0.1892.

**Correlation between variables**

Correlation between variables can be seen in the table below

**Tables 7**  
**Correlation between variables**  
**Correlations**

		Kepemimpinan	Motivasi	Kepuasan Kerja	Kinerja
Kepemimpinan	Pearson Correlation	1	,286*	,274*	,603**
	Sig. (2-tailed)		,036	,045	,000
	N	54	54	54	54
Motivasi	Pearson Correlation	,286*	1	,735**	,346**
	Sig. (2-tailed)	,036		,000	,010
	N	54	54	54	54
Kepuasan Kerja	Pearson Correlation	,274*	,735**	1	,355**
	Sig. (2-tailed)	,045	,000		,009
	N	54	54	54	54
Kinerja	Pearson Correlation	,603**	,346**	,355**	1
	Sig. (2-tailed)	,000	,010	,009	
	N	54	54	54	54

\* Correlation is significant at the 0.05 level (2-tailed)

\*\* Correlation is significant at the 0.01 level (2-tailed)

The above table shows the following:

- 1) Correlation Leadership variables with motivational variables showed significant yield was 0.286 and that means having a positive correlation and strong enough,
- 2) Correlation Leadership variables with job satisfaction variables showed significant yield was 0.274 and that means having a positive correlation and strong enough,
- 3) Correlation Leadership variables with performance variables showed 0.603 and significant, which means having a positive and strong correlation,
- 4) Correlation motivational variables with job satisfaction variables showed significant yield was 0.735 and that means having a positive and strong correlation,
- 5) Motivation variable correlation with performance variables showed significant yield was 0.346 and that means having a positive correlation and strong enough,
- 6) Correlation variables job satisfaction and performance variables showed significant yield was 0.355 and that means having a positive correlation and strong

**Manajerial implication**

1. Leadership has a positive and significant impact on employee performance. Leaders who are able to lead their subordinates, the employee's performance will continue to rise. The implication is that the leader should be able to communicate well with subordinates so it will be more credible and subordinates will obey and perform every command leadership. Leaders should help develop skills and give confidence to employees and always provide direction and training programs for smooth work. Cultural leaders should have the flexibility to be able to recognize and accept the differences that exist within the organization. The leader should provide career guidance and disseminate information and experiences to subordinates. Leaders foster mutual respect and cooperation, and helping to create goals, priorities and strategies. Leaders should help subordinates to translate the meaning of the events to identify threats and opportunities as well as increasing enthusiasm in the work, commitment to goals and tasks.
2. Motivation has a positive impact and no significant effect on employee performance. Because it has no significant effect, the motivation needs to be maintained as before. Motivation does not need to be improved because it is not significant so if improved will not be meaningful or not having a significant impact.
3. Job satisfaction has a positive impact and no significant effect on employee performance. Because it has no significant effect the job satisfaction of employees needs to be maintained as

before. Employee satisfaction does not need to be improved because it is not significant so if improved will not be meaningful or not having a significant impact.

4. Job satisfaction can not be used as an intervening variable between leadership and performance as the coefficient of indirect influence is smaller than the direct effect.
5. Job satisfaction can be used as an intervening variable between motivation and performance as the coefficient of indirect influence is greater than the direct effect

### Conclusion

1. Individual testing of the hypothesis of the study showed that :
  - a. Leadership positive effect and no significant effect on employee satisfaction STIE - AUB Surakarta.
  - b. Motivation is a significant and positive effect on employee satisfaction STIE - AUB Surakarta.
  - c. Leadership positive and significant impact on employee performance STIE - AUB Surakarta.
  - d. Motivation and no significant positive effect on employee performance STIE - AUB Surakarta.
  - e. Job satisfaction and no significant positive effect on employee performance STIE - AUB Surakarta.
2. There is a significant influence simultaneously between independent variables consisting of: Leadership, Motivation and Job Satisfaction to employee performance STIE - AUB Surakarta.
3. Total R<sup>2</sup> on the model used is 0.93 or 93% means that models with this equation, the independent variables (leadership, motivation, job satisfaction) were able to explain the dependent variable (performance lecturer) by 93% remaining 7% is explained by variables other outside the model, such as work culture.
4. The test results with path analysis showed :
  - a. Job satisfaction can not be used as an intervening variable between leadership and performance as the coefficient of indirect influence is smaller than the direct effect.
  - b. Job satisfaction can be used as an intervening variable between motivation and performance as the coefficient of indirect influence is greater than the direct effect.

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## THE INFLUENCE OF WORK-FAMILY CONFLICT ON TURNOVER INTENTIONS WITH JOB SATISFACTION AS AN INTERVENING VARIABLE ON PUBLIC ACCOUNTANT FIRMS IN INDONESIA

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### Abstract

The purpose of this study is to examine the influence of work-family conflict on turnover intentions with job satisfaction as an intervening variable. Work-family conflict has two dimensions, i.e. work interfering with family (WIF) and family interfering with work (FIW). Turnover intentions may arise because of job dissatisfaction and work-family conflict. This research used convenience sampling technique in the data collection. Data were collected by a mail-survey on 97 auditors in Indonesian audit firms. Data were analyzed by Structural Equation Model (SEM) with SmartPLS2.0 M3 (Partial Least Squares) program. The results showed that work interfering with family (WIF) affects job satisfaction, and job satisfaction affects turnover intention; whereas family interfering with work (FIW) does not affect job satisfaction and turnover intentions. The impact of work interfering with family (WIF) on turnover also can not be found.

**Keywords**-Work-Family Conflict; Job Satisfaction; Turnover Intentions; Partial Least Squares (PLS)

### 1. INTRODUCTION

The performance of a firm is strongly determined by the conditions and behaviors of its employee. A company's performance that has been so good can be destroyed either directly or indirectly by various employee behaviors which is hard to be avoided. One of those behaviors is turnover intentions which lead to employees' decision to leave their jobs. In an accounting profession, turnover faced by Public Accountant Firm (CPA Firm) has been well documented in various professional and academic literatures. Many researches aimed to identify factors influencing turnover of public accountants also have been conducted (Suwandi and Indriantoro, 1996). In general, results of the previous studies suggested that job satisfaction is an antecedent (prior variable) of accountant intention to seek other alternative job (Snead and Harrel 1991, Bline, et al., 1991; Harrel, 1990; Rasch and Harrel, 1990 in Pasewark and Strawser, 1996). Each employee working in an organization must be really want the maximum level of job satisfaction. To achieve this goal, it is unavoidable that the auditor of public accountant firm will face several factors that may affect the job satisfaction while performing the auditing tasks. One of these factors might be work-family conflict.

Work-family conflict arises because of the unbalance between the role as an auditor of CPA firm and as a family member. A family can be defined as a group of people consisting of a father, a mother and their children. The work-family conflict occurs not only because an auditor is not being around his/her family in a relatively long period of time. It is argued by Burke (1986) that the energy, time and concern needed to be success in one role (job or family) leads to the lack of energy, time and concern in the other role, so that conflict between the two roles arises. In other words, time and energy consumed to develop career are time and energy which are not allocated to achieve the success in the family life. This study examines two hypotheses of work-family role conflict dimension. Firstly, conflict may be caused by Work Interfering with Family (WIF), for instance the parents may feel that their works hinder the opportunity to spend the time with their children at home. Previous study found out that WIF was related to stress from job burnout (Bacharach *et al.* 1991), depression (Thomas and Ganster, 1995), and the low quality of family life (Higgins and Duxbury, 1992). Secondly, conflict may happen because of family interfering with work (FIW) as firstly proposed by Gutek *et al.* (1991). Prior researchers have investigated WIF and other researchers noted that Family Interfering with Work (FIW) is different with the concept of WIF (Gutek *et al.*, 1991; Frone *et al.* 1992; Judge *et al.*, 1994; Adams *et al.*, 1996; Netemeyer *et al.*, 1996).

This study examines the influence of work–family role conflict on the job satisfaction and turnover intention either directly or indirectly and the influence of job satisfaction on the turnover intention auditor as well

## 2. THEORETICAL FRAMEWORK AND HYPOTHESES DEVELOPMENT

### 2.1. Attribution Theory

Attribution theory explains the process of how we determine cause/motive of one's behavior (Gibson *et al.*, 1994). This theory is directed to develop explanation by the ways we over judge on someone, depends on the meaning we attribute to a certain behaviour (Robbins, 2003). It refers to how a person explains the cause of other's/his behaviour (Luthans, 1998), which is determined whether from internal or external factors (Robbins, 2003), the influence will be visible on individual's behaviour (Gibson *et al.*, 1994). Turnover intention as a result of job dissatisfaction and the existing work-family conflict in Public Accountant Firm is determined by internal causes (internal attribution) and external causes (external attribution).

### 2.2. Role Theory

The next theory after attribution theory underlying this study is role theory. Role is defined by Siegel and Marconi (1989) as parts that people play in their interactions with others. Role conflict arises when a person occupies several positions that are incompatible or when a single position has mutually incompatible behavioral expectation (Siegel and Marconi, 1989). Auditor as part of public accountant firm plays a role as individual employee with some characters and expectations towards the role. Auditor plays two roles, as a profession that must obey the ethics code of public accountant profession and as a member of a family (Siegel and Marconi, 1989). If auditors in their role as member of professional organization and as member of family feel that there are conflicting values between those adopted in the professional organization and those adopted on in the family, a role conflict will arise within the auditors.

### 2.3. The Influence of Work-Family Conflict on the Job Satisfaction

Job satisfaction is an issue generally resulted from the test examining work–family conflict causing job dissatisfaction. Previous researchers supported the argument stating that an individual who is perceiving that his/her work and household activities are incompatible will face job dissatisfaction more. Some researchers (Good *et al.*, 1988; Rice *et al.*, 1992; Boles and Babin 1996; Good *et al.*, 1996; Boles *et al.*, 1997; Martins *et al.*, 2002; Greenhaus *et al.*, 2003) found a negative correlation between the variable of work–family conflict in general and job satisfaction. Bacharach *et al.* (1991), Thomas and Ganster (1995), Kossek and Ozeki (1998), Boles *et al.*, (2001), and Anderson *et al.* (2002) found that work interfering with family (WIF) conflict has negative correlation with job satisfaction.

Some researchers found that work–family conflict has negative correlation with satisfaction (Adams *et al.*, 1996; Kossek and Ozeki, 1998; Boles *et al.*, 2001; Anderson *et al.*, 2002). Other researchers found that family interfering work conflict (FIW) has negative correlation with job satisfaction, but its level is different from the work–family conflict (WIF) (Frone *et al.*, 1992; Netemeyer *et al.*, 1996).

From the explanations above, hypotheses of this study can be formulated as follows:

**H1a:** Work interfering with family (WIF) negatively influences auditors' job satisfaction.

**H1b:** Family interfering with work (FIW) negatively influences auditors' job satisfaction.

### 2.4. The Influence of Work–Family Conflict on Turnover Intentions

Studies on the relationship between work–family conflict and turnover intentions showed inconsistent results. Some researchers found that work–family conflict has no relation with the turnover intentions (Boles *et al.*, 1999). In this case, work–family conflict firstly influences job satisfaction and then affects intentions to leave the job. Other studies found a direct correlation between work–family conflict and the intentions to leave the organization (Good *et al.*, 1988). Whether work–family conflict influences turnover tend to depend on the dimensions of work–family conflict. Netemeyer *et al.* (1996) found that both FIW and WIF directly correlated with turnover intentions. The turnover potentially relates to various conflict faced between work and family.

From the above explanations, hypotheses of this study can be formulated as follows:

**H2a:** Work interfering with family (WIF) positively influences auditors' turnover intentions.  
**H2b:** Family interfering with work (FIW) positively influences auditors' turnover intentions.

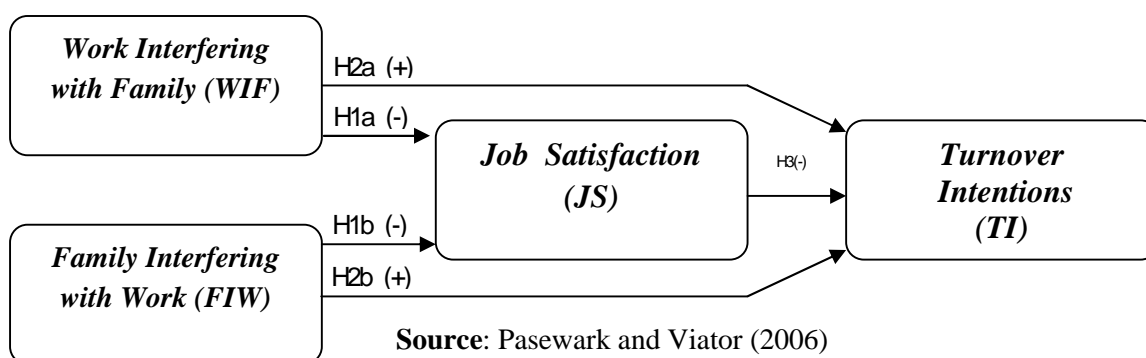
**2.5. The Influence of Job Satisfaction on Turnover Intentions**

Turnover intentions reflects individual's wish to leave his current organization and seek other job. Regarding the individual, job satisfaction is a psychological variable examined in turnover intentions model. The employees who are more satisfied in their job seems to have less turnover intentions. According to Pasewark and Strawser (1996) job satisfaction directly and negatively influenced the employees' turnover intentions. Shafer *et al.* (2002) and Gregson (1992) stated that job satisfaction negatively influenced the turnover intentions. These explanations lead the hypothesis as follows:

**H3:** Job satisfaction negatively influences auditors' turnover intentions.

Model of this study can be seen in the Figure 1 as follows.

**Figure 1. Model of the Study**



**3. RESEARCH METHOD**

**3.1. Population and Data Collection**

Population in this study is auditors in Public Accountant Firms (CPA Firms) in Indonesia. Research sample is married auditor (Manager, Senior Auditors and Junior Auditors). This choice is determined because the conflict is likely to happen in a family and whose member working as in Public Accountants Firms (CPA Firms) in Indonesia as listed in Public Accountants Firm Directory issued by The Association of Indonesian Accountants in 2007. The technique of sampling used in this study is convenience sampling. Because the number of auditors is not identified before, so it is free to choose the sample (Jogiyanto, 2004). This study used structural equation modelling (SEM) with Partial Least Squares (PLS) program (Ghozali, 2006).

**3.2. Research Variables**

**3.2.1. Work-Family Conflict**

Work-family conflict is defined as a role conflict indicated by incompatibility between responsibility at home and work place (Greenhaus and Beutell, 1985; Boles *et al.* 1997) or by the simultaneous pressure in the work and family roles which are contradictive between one another (Greenhaus and Beutell, 1985). Work-family conflict very likely influences some profession (Parasuraman and Simmers, 2001). Gutek *et al.*(1991) found that work interfering with family (WIF) and family interfering with work (FIW) were correlated to each other. The measure of work-family conflict consists of two dimensions as follow:

1. *Work Interfering with Family (WIF)* used the instrument developed by Netemeyer *et al.* (1996) consisting of 6 questions. The scale used is 5 points-Likert Scale.
2. *Family Interfering with Work (FIW)* used the instrument developed by Netemeyer *et al.* (1996) consisting of 6 questions. The scale used is 5 points-Likert Scale.

**3.2.2. Job Satisfaction**

Job Satisfaction is defined as emotional orientation of an individual to play his role and characteristic of his job (Porter *et al.*,1974 in Chiu *et al.*, 2005). Judge and Locke

(1993) stated that the level of the perceived job satisfaction is influenced by the process of one's thinking. Judge and Locke (1993) argued that when an employee is satisfied with his work he will be pleased and feel free from the pressure so that he will feel secure to keep working in his current working environment. The measurement of job satisfaction used the instrument developed by Rusbult and Farrell (1983) in Pasewark and Viator (2006). The Scale used is 5 points–Likert Scale.

**3.2.3. Turnover Intentions**

Turnover intentions is individual's wish to leave Public Accountant Firm (CPA Firm) and look for other job. Turnover intentions in this model referred to voluntary turnover intentions. Turnover intention is measured using the instrument developed by Collins and Killough (1992), Viator (2001) in Pasewark and Viator (2006) consisting of 3 statements and scored 5 points for each statement.

**3.3. Hypothesis Testing**

The hypothesis is tested using structural Equation Model (SEM) approach with Partial Least Squares (PLS) software.

**4. ANALYSIS AND DISCUSSION**

**4.1. Descriptive Statistic**

Respondents of this research are married public accountants (auditors) and hold positions as junior auditor, senior auditor or manager in 2012. There are 137 returned questionnaires out of 600 questionnaires distributed. Forty questionnaires out of 137 returned questionnaires are unusable. It means that the total number of questionnaires used for data processing is 97. The description of the research variables is presented in the table of descriptive variable (Table 1).

**Table 1.**  
**Descriptive Statistics of Research Variables**

Variable	N	Theoretical		Real		
		Range	Mean	Range	Mean	SD
<i>Work Interfering with Family (WIF)</i>	97	6 – 30	18	6 – 26	13,43	3,098
<i>Family Intrefering with Work (FIW)</i>	97	6 – 30	18	8 – 26	13,56	3,479
<i>Job Satisfaction (JS)</i>	97	6 - 30	18	10 – 28	20,67	3,939
<i>Turnover Intentions (TI)</i>	97	3 – 15	9	3 – 15	8,17	2,111

Source: Processed Primary Data, 2014

**4.2. Non-Response Bias Test (t-Test)**

Non-response bias test is done using independent sample t test by considering the average of respondents' responses between the groups returning the questionnaires before and after cutoff date. The recapitulation of non-response bias test result can be seen in Table 2.

**Table 2.**  
**Non-Response Bias Test Based on Cutoff Date**

Variable	Delivery Date	N	Mean	Levene's test		Assumption	t-test		Conclusion
				F	Sig		t	Sig (2 tailed)	
<b>WIF</b>	<i>Before cutoff</i>	76	13,13	1,517	,221	<i>equal variances</i>	-1,845	,068	Equal
	<i>After cutoff</i>	21	14,52						
<b>FIW</b>	<i>Before cutoff</i>	76	13,64	,290	,591	<i>equal variances</i>	,472	,638	Equal
	<i>After cutoff</i>	21	13,24						

<b>JS</b>	Before <i>cutoff</i>	76	20,41	3,625	,060	<i>equal variances</i>	-1,251	,214	Equal
	After <i>cutoff</i>	21	21,62						
<b>TI</b>	Before <i>cutoff</i>	76	8,12	10,105	,602	<i>equal variances</i>	-,502	,617	Equal
	After <i>cutoff</i>	21	8,38						

Source : Processed Primary Data 2014

### 4.3. Test of Hypothesis

Test of hypothesis can be seen from the value of t-statistic. The cutoff to reject or accept the proposed hypothesis is  $\pm 1,96$ , significant at  $p < 0,05$  (2-tailed). Table 3 (*result for inner weight*) gives output estimation for structural model test.

Table 3.

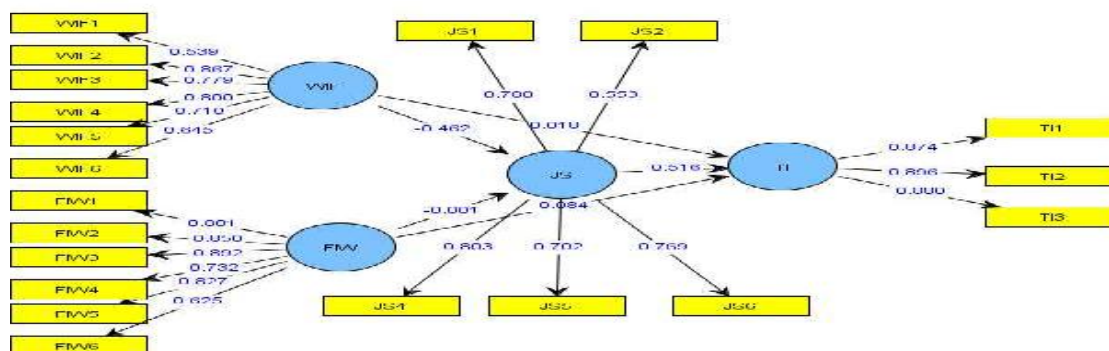
Result For Inner Weights

Hypothesis	Variable	Original Sample Estimate	Standard Deviation	T-Statistic	Conclusion
H1a	WIF -> JS	-0.462	0.140	3.300	Accepted
H1b	FIW -> JS	-0.001	0.183	0.003	Rejected
H2a	WIF -> TI	0.018	0.194	0.092	Rejected
H2b	FIW -> TI	0.084	0.204	0.413	Rejected
H3	JS -> TI	-0.516	0.141	3.662	Accepted

Sumber : Output SmartPLS 2014

After assessing fit model by evaluating outer model or measurement model and inner model, a full model of SEM is obtained. It can be seen in Figure 2.

Figure 2  
Full Model of SEM (Smartpls)



Source: SmartPLS Output 2014

### 4.4. Discussion of Hypothesis Test Results

#### The Influence of Work–Family Conflict on the Job Satisfaction

As Hypothesis Ia ( $H_{1a}$ ) is accepted, it indicates that the employees whose work interfering with family tend to be dissatisfied with their jobs. This finding supports the research of Pasewark and Viator (2006), Good *et al.*, (1988), Rice *et al.*, (1992), Boles and Babin (1996), Good *et al.*, (1996), Boles *et al.*, (1997), Martins *et al.*, (2002), Greenhaus *et al.*, (2003), Bacharach *et al.*, (1991), Thomas and Ganster (1995), Kossek and Ozeki (1998), Boles *et al.* (2001), and Anderson *et al.* (2002) stating that job satisfaction will be less when there is work interfering with family conflict. If auditors in public accountant firms perceive an existing

simultaneous pressures from both work and family which are incompatible between one and another, the work interfering with family conflict will arise leading to job dissatisfaction.

As hypothesis 1b (H<sub>1b</sub>) is rejected, it indicates that the family interfering with work does not have influence on job satisfaction of auditor or in other words the auditors' job satisfactions are not especially influenced by the existing conflict of family interfering with work. This finding is consistent with the research of Pasewark and Viator (2006, Frone *et al.*, (1992), and Netemeyer (1996) stating that family interfering with work (FIW) conflict has negative correlation with job satisfaction.

**The Influence of Work–Family Conflict on Turnover Intentions**

As hypothesis 2a (H<sub>2a</sub>) is rejected, it indicates that work interfering with family conflict does not directly influence turnover intentions. This finding is not consistent with the results from Pasewark and Viator (2006), Good *et al.*, (1988), and Netemeyer *et al.*, (1996) stating that work interfering with family conflict directly influences turnover intentions.

As hypothesis 2b (H<sub>2b</sub>) is rejected, it indicates that family interfering with work (FIW) conflict does not influence turnover intentions. This result (H<sub>2b</sub>) is consistent with the result from Pasewark and Viator (2006) stating that the employees tend to consider to not leave the public accounting firm due to the existing conflict of family interfering with the work.

**The Influence of Job Satisfaction on the Turnover Intentions**

Hypothesis 3 (H<sub>3</sub>) is significantly accepted. Therefore it can be concluded that statistically job satisfaction negatively correlates with the auditors' turnover intentions. The higher level of job satisfaction, the lesser auditor's intention in the public accountant firm to leave his/her job. On the other hand the lower level of job satisfaction, the higher auditor's intention to leave their job. This result is consistent with Pasewark and Viator's finding (2006). According to Pasewark and Strawser (1996) job satisfaction negatively influences the auditor's turnover intention. Martins (2002), Spector (1994), Spencer and Steers (1981), Judge (1993), Reed *et al* (1994), Cahyono (2001), state that job satisfaction negatively correlates with the turnover intentions. Mowday (1972), Tett and Meyer (1993), Gregson (1992), Brayfield and Crockett (1977), Mobley *et al.*, (1979) and (Susskind *et al.*, 2000 in Chiu *et al.*, 2005) also state that job satisfaction has negative correlation with the employee's turnover.

**Analysis of Indirect Influence of Work–Family Conflict on the Turnover Intentions with Job Satisfaction as Intervening Variable**

Based on the result on table 3 it is proved that job satisfaction mediates the relationship between work interfering with family (WIF) and family interfering with work (FIW) on turnover intention (TI). This can be seen from the comparison between direct and indirect influence, where indirect influence is higher than direct influence. This result supported research from Pasewark and Viator (2006) which found the evidence that work interfering with family (WIF) and family interfering with work (FIW) indirectly correlates with turnover intentions through Job Satisfaction.

**Table 3.**  
**Indirect Influence of Work Interfering With Family (WIF) and Family Interfering With Work (FIW) on Turnover Intentions**

Line	Explanation	Direct Influence WIF ->TI (A)	Direct Influence FIW >TI (B)	Direct Influence WIF -> JS (C)	Direct Influence FIW->JS (D)	Direct Influence JS ->TI (E)	Indirect Influence WIF -> JS -> TI dan FIW -> JS -> TI (F) (F1)= (A)+(C x E) (F2)= (B)+(D x E)
1.	WIF -> JS -> TI	0,018		-0,462		-0,516	0,256
2.	FIW-> JS -> TI		0,084		-0,001	-0,516	0,085
Total Influence							0,341

Source: Processed Primary Data, 2014

## 5. CONCLUSIONS, LIMITATIONS AND SUGGESTIONS

### 5.1. Conclusions

This study examines the influence of work interfering with family conflict on the turnover intention with job satisfaction as intervening variable developed from previous literatures. From the test to SEM (*Structural Equation Modeling*) using statistic program *SmartPLS*, the results conclude that:

1. Hypothesis (H<sub>1a</sub>) is accepted. Work interfering with family (WIF) negatively influences job satisfaction.
2. Hypothesis (H<sub>2a</sub>) is rejected. Work interfering with family (WIF) does not influence turnover intentions. Hypothesis 2b (H<sub>2b</sub>) is rejected. Family interfering with work (FIW) does not influence turnover intentions.
3. Hypothesis 3 (H<sub>3</sub>) is accepted. Job satisfaction negatively influences turnover intentions.
4. The test result of direct and indirect influence proves that job satisfaction mediates work interfering with family (WIF) and family interfering with work (FIW) conflict on the turnover intentions (TI).

### 5.2. Limitations

Some limitations that might influence the result of this study are as follow:

1. Since this study cannot explain all factors that may influence the turnover intentions, the future research is hoped to address other factors than work interfering with family and family interfering with work conflict so that it enables a significant result when the hypotheses test is done on hypothesis 1b (H<sub>1b</sub>), hypothesis 2a (H<sub>2a</sub>), and hypothesis 2b (H<sub>2b</sub>) with other factor than job satisfaction as well.
2. The number of indicators which is so few may cause identification problem when data are processed.

### 5.3. Suggestions

Based on those limitations, it is suggested that the future study on the same topic develops research instrument, is based on the conditions and environments of the research object. A pilot study is also necessary to ensure that the question items in the questionnaire can be well understood by the respondents.

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**EFFECT OF TRUST, EASY TRANSACTION AND QUALITY OF INFORMATION  
AGAINST MOBILE/HANDPHONE PURCHASE DECISION BY ONLINE IN SURAKARTA  
(Case Study at Online Sites Lazada.co.id)**

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**ABSTRACT**

This research aims to determine the effect of trust, ease of transaction and the quality of information against mobile/hand phone purchasing decisions by online at Lazada. Samples in this research using the 100 respondents from lazada users in Surakarta city. The analytical method used is multiple linear regression analysis with first tested the validity and reliability, the classic assumption test which includes multicollinearity test, autocorrelation test, heteroscedasticity test and test for normality. By hypothesis testing using t-test was significant partial and simultaneous Test-F and Adjusted R-square.

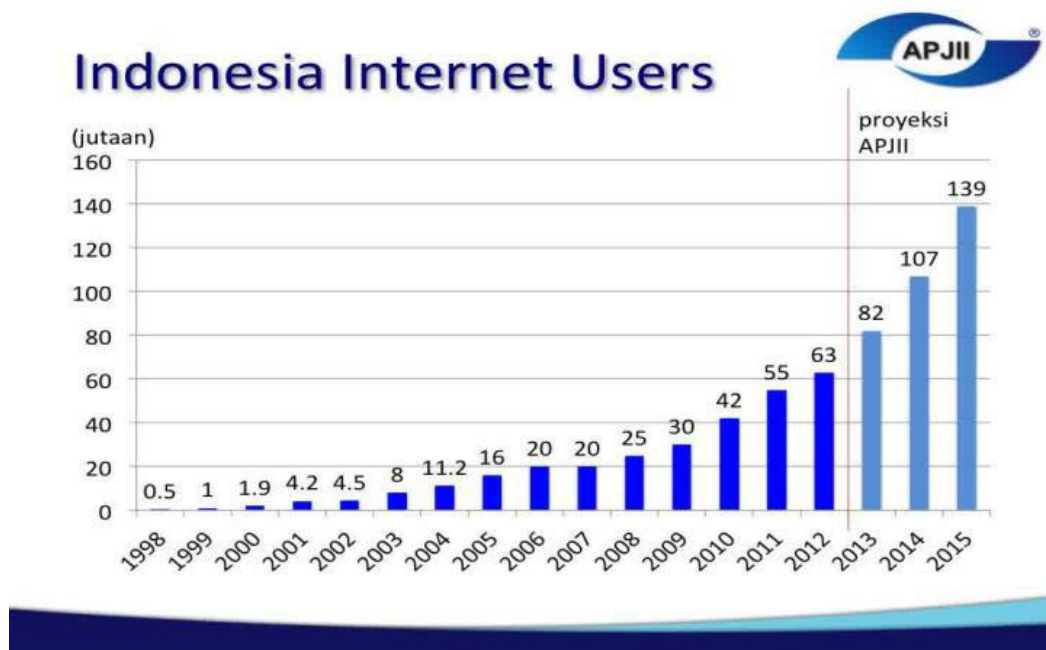
Multiple linear regression equation shows that trust, ease of transaction and the quality of information has a positive influence on purchase decisions by online. T test showed that in partial trust, ease of transaction and the quality of information variables have significant influence on purchasing decisions by online, Simultaneous F test showed that the variables of trust, ease of transaction and the quality of information have significant influence on the variable of purchase decisions by online. Adjusted R-square value of 0.752 means that the variables of trust, ease of transaction and the quality of information can influence purchase decisions by online variable 75.2%, while the remaining 24.8% is influenced by other variables that are not observed in this research as the company's image, advertising and pricing.

**Keywords:** *Confidence/trust, Ease Transactions, Quality of Information and Online Purchasing Decision.*

**A. INTRODUCTION**

Modern technological developments have implications on the performance changes for human life and technology to be a winner and a rapidly growing is a technology that serves and accommodates humanity as a whole not only the advanced technology that was created for the sophistication itself (Herman, 2004). One of the technologies in question are internet technology. Internet is a global system of an entire network of computers connected using a standard Internet Protocol Suite (TCP / IP) to serve billions of users worldwide. Along with the rapid development of technology today, the internet became one of the electronic media that give such great influence by the change of culture in the community every day. This is balanced by increasingly the improvement of infrastructure and supporting modern applications. Likewise with the lifestyle and behavior of the community to utilize the Internet as a practical electronic media and to support their daily activities. With the Internet it would further facilitate the process of "globalization" of the world. Through the Internet, we know many things, ranging from social networking, applications, news, videos, and photos to shopping via the internet or what is often referred to as online shopping. Viewed from statistical data below shows that Internet users in Indonesia continues to increase each year, according to a survey organized by the Association of Indonesian Internet Service Provider (APJII) reveals that the number of Internet users in Indonesia in 2012 reached 63 million people, or 24.23 percent of the total population in Indonesia. In 2013 itself Internet users in Indonesia is predicted to rise about 30 percent to 82 million users and continues to grow to 107 million in 2014 and 139 million or 50 percent of total population in 2015 (tekno.kompas.com).

**Picture I.1**  
**Internet users in Indonesia**



Source: <http://www.apjii.or.id>

In this global era of technological progress always follow the guidance of the business world-oriented relations marketing, where communication is becoming the main tool to engage with the business chain. With the Internet technology (online) communication development goes very quickly, because people from different parts of the world can meet or communicate in a virtual world even though they do not know each other. With more and more consumers are aware of technology to exchange information quickly and compare a wide range of products, therefore marketing activities become more complex. The development of Internet users has prompted the creation of a huge potential of the online shopping. Online shopping makes us easier to shop without spending time and effort. Because of the ease that makes online shopping more attractive. The development of online shop or online shopping in Indonesia is growing rapidly and quickly.

E-commerce is one technology that is growing rapidly along with the presence of the internet in our lives. Many people get the benefits of ease of doing business through internet media (Sunarto, 2009: 25). For most companies today, e-commerce is more than just buying and selling products online. E-commerce covers the entire process of development, marketing, sales, delivery, service, and payment of the customer, with the support of a network of business partners around the world. The increasing number of Internet users also have changed their purchasing behavior of which usually only make a purchase offline until now growing i.e. online purchases. There are many types of e-commerce is growing in the world, but there are only four types of e-commerce is growing in Indonesia. Data from the research institute ICD predicts that e-commerce market in Indonesia will grow 42% from the year 2012-2015. This figure is higher than other countries such as Malaysia (14%), Thailand (22%) and the Philippines (28%). Surely the value of this very tempting for many investors, both domestic and foreign. Only a few of them are Zalora, Lazada, Berrybenka, Tokopedia, Bilna, Saqina, VIP Plaza, 2 Ralali and much more. Those are some examples of the company's e-commerce success and succeed in exploiting the opportunities of e-commerce market in Indonesia rising. (Www.startupbisnis.com). Now Indonesia is one of the countries that trend to online shop, it can be seen emerging number of online shop. One of the most popular is lazada.co.id.

Lazada.co.id is an online shopping center offering a wide variety of products ranging from electronics, books, toys and baby supplies, medical devices and beauty products, home appliances and fixtures of traveling, sports. Lazada Indonesia was established in 2012 and is one

of the branches of Lazada online retail network in Southeast Asia. Lazada international group in Southeast Asia consisting of Lazada Indonesia, Malaysia Lazada, Lazada Vietnam, Thailand Lazada, Lazada Philippines. Lazada Network Southeast Asia is a subsidiary branch in the German internet.

Lazada itself use blue shades of orange similar to the theme used by Amazon. Contrast to special Zalora struggling with fashion products, Lazada's like appearance at the site will focus on electronic products and household appliances. Lazada also provide free delivery excellence in the area Jakarta holding Go-jek. Lazada.co.id may also be referred to the online store is a sales system using internet services, web-based and can transact online without any face-to-face between buyers and sellers. Among the products of existing electronics, mobile phone is one of the most sought-after in Lazada. Lazada provide various models of mobile phones, especially smartphones with a more diverse brands as well as the provision of price discounts on products. Some mobile phone vendors such as Lenovo, Xiami, Infinix, Himax or other phone vendors always choose Lazada as partners to market the product. (M.metrotvnews.com) Excess owned by lazada is specification complete product, giving discounts as well as an easily accessible website. Disadvantages of lazada very prominent is not rule out the possibility of customers who visited this website and dubious of integrity of e-commerce due to a number of customer service that is available on the sites is the provider number for the cell phone is considered equal to a plethora of sites / sellers mock (fraud) are also spread across the internet. What strategy should be done by Lazada.co.id in order to increase the purchasing decisions of consumers? Purchasing is the consumer's decision about what to buy, buy, where to buy, and how payment (Sumarwan, 2003). Furthermore Sumarwan (2003) defines consumer decisions as a decision as an act of ownership of two or more alternative options.

#### **Formulation of the problem**

Based on the description that background, it can be formulated the problem issues as follows :

1. Do the trusts/confidences significantly influence against the hand phone purchasing decision by online at Lazada.co.id?
2. Does the ease of transaction significantly influence the hand phone purchasing decision online at Lazada.co.id?
3. Is the information quality significantly influence the hand phone purchase decisions by online in Lazada.co.id?

## **B. REVIEW OF THE LITERATURE**

### **1. Online Shopping**

#### **a. Understanding online shopping**

Online shopping is a form of commerce using electronic devices to enable consumers to purchase goods or services from sellers via the Internet. Another name these activities are: e-web-shop, e-shop, e-store, internet shop, web-shop, web-store, online store, and a virtual store (source: [www.lenterakecil.com](http://www.lenterakecil.com)). Shopping online is also referred to as electronic commerce (electronic commerce or e-commerce) is the deployment, purchasing, sales, marketing goods and services via electronic systems such as the Internet or television, www or other computer networks.

E-commerce can involve electronic funds transfer, electronic data interchange, automated inventory management systems, and automated data collection systems. Through online shop buyers can see the variety of products offered directly in advance through the website promoted by the seller before the buyer decides to buy it. Online shopping allows both buyers and sellers to not directly face to face, so that it allows the seller to get buyers from overseas or internationally. The activity is a new form of communication that does not require direct face to face communication, but can be done separately from and into all corners of the world through the media of computer, laptop, or mobile phone connected to the Internet access service.

Online shopping or also called Internet shopping is the process of purchasing products or services over the Internet (Prabowo and Suwarsi, 2009: 110). For payment systems, online shoppers can use plastic cards, transfers between accounts, or by Cash on Delivery transactions where a consumer will only pay once the product purchased has reaches the

consumer. Various methods of payment may be selected in accordance with the payment system offered each party online stores. Nowadays online shopping is increasingly sophisticated in their trade via phone (*e-commerce*). Mobile phones have optimized with an application to buy from online sites. The success of a retail no longer all about the physical building, as is evident by the increase in retailers that offer online store interface for consumers. With the growth of online shopping, many new market opportunities for the stores meet the demand of foreign markets with specific service requirements. Like shopping in a regular store, before doing online shopping, a consumer can also search for and compare products or services in accordance with the desire and ability of the consumer.

#### **b. Media Online Shopping In Indonesia**

Some shopping online media in Indonesia, namely:

##### 1) Blog

One of the media displays online shopping among other is blog. Blog is a free web service where businesses can get online using a blog as an online store that he has to sell and promote goods and services that he offers to potential customers.

##### 2) Web Site

There are many websites that provide online shopping services both local and international web web. There are many things that can do in an online shopping service via the web, including is the famous auction. Auction is an online shopping activities where the buyer sets the lower limit of a price to be auctioned, then the interested buyers can bargain submitted in accordance multiples asked. Auctions are usually limited to a certain period so that the buyer with the highest nominal otherwise entitled to purchase the desired goods in accordance with the proposed price.

##### 3) Social Networking Sites

Along with the widespread growth of social networking sites in the world, social media networking is also considered by the perpetrators of shopping online to market their products. Seller will upload items he offered then propagated through messaging or photo sharing feature.

## **2. Trust**

### **a. Understanding Trust**

Trust is a descriptive ideas a person has against something (Setiadi, 2010: 14). Trust is one of the psychological factors in influencing consumer behavior. In online transactions, trust arises when people involved have received confirmation from the other party, as well as willing and able to give their obligations. Trust involves the willingness of a person to behave in particular due to the belief that his partner will provide what he expects and hopes that generally a person that says, promises or statements of others can be shown to be common in a relationship of trust is required. Mowen and Minor (2008: 312), describes that trust is all the knowledge possessed by the consumer and all the conclusions made by consumers about the objects, attributes and benefits. The object can be products, people, companies and everything which a person has beliefs and attitudes.

When a person has a higher trust will certainly be used as a measure to raise the intention to transact online. The higher the trust, the higher the intention to transact. Trust is important to build a business foundation. A business transaction between two or more parties will be happen if each mutual trust. This trust not just be recognized by other parties / business partners, but must be built starting from the beginning of construction and can be proven. When someone wants to make online transaction, then that should be their minds is he had sent the money does not go away, but get a reply the desired product in accordance with what is shown and described in the online store destination. Trust involves the willingness of a person to behave in particular due to the belief that his partner will provide what he expects and hopes that generally a person that says, promises or representations *laindapat* publicly exposed people in a relationship need their trust. When online shopping, the main thing to be considered a buyer is whether they believe in the websites that provide online shopping and online sellers on the website.

Buyer confidence towards online shopping website lies in the popularity of online shopping website. The higher the popularity of a website, the buyer more confident and trust the reliability of the website. Furthermore, the buyer trust against the seller online trust associated with the reliability of online sellers in ensuring the security of transactions and assure the transaction will be processed after the payment made by the buyer. The reliability is associated to the existence of online retailers. The development of technology, growing technology-based scams are also on online shopping. On the websites of online shopping, many fictitious online sellers who market the product fictitious as well. A buyer should advance to check the existence of online sellers. Usually the online shopping site, the site will display information about the sellers whose location is often accessed by people. Buyers can take advantage of this information when buying products online.

#### **b. Dimensions of Trust**

According to Bhattacharjee in Ronggeng Song (2007), factors that form a person's belief over another is the ability (ability), competence (competence) and integrity (integrity).

##### **1) Ability (Ability)**

Ability is the capacity of individuals to do various tasks in a job (Olivia Femi, 2006: 72). Ability is the latest research on what a person could do. In this case how the seller is able to convince buyers and provide a satisfaction guarantee and security when transacting in the online store. (NevizondKhatab, 2007: 102) capability depends on knowledge (knowledge), skills (skills) and attitude (attitude)

##### **2) Competence (Competence)**

Competence is a set of skills, competencies and characteristics that allow the parties to have an influence in some specific areas. Capability refers to the competence and characteristics of the seller / organization in influencing the specific area. In this case, how the seller is able to provide, to serve, to secure the transaction from any other party interference. This means that consumers derive satisfaction guarantee and security of the seller in the transaction.

##### **3) Integrity (Integrity)**

Integrity refers to honesty and truth. This dimension is most important when a person assess whether other people can be trusted or not (Stephen Robbins, 2008: 98). The main thing to be considered a buyer when conducting online shopping is whether they believe in websites that provide online shop services and believe in the online sellers who are in on the website. some research reports show that trust is a factor in establishing a commitment between the company and the customer. Trust (trust) is very important to build and maintain long-term relationships according to Rousseau et al., 1998 (Akbar and Parvez, 2009) .Next is, trust buyers against the online seller related how the vendor with expertise can convince buyers ensure security when are conducting payment transactions to convince the transaction will be processed. These constraints associated to the existence of online retailers. The indicator of the trust, namely Morgan and Hunt (1994), Jia, Shen (undated), Gilbert and Tang (1998)

a. Trust

b. Security

c. To be responsible

d. compensation for losses

e. honesty seller

#### **3. Ease of Transactions**

The concept of online shopping provides many conveniences and advantages when compared to conventional shopping concept. In addition to the transaction process could be faster. A technology provide ease of driving of the transactions on the online business. According to Hartono (2007: 114) accessibility is defined as the degree to which a person believes that using a technology would be free of the effort. Convenience factor will have an impact on behavior, ie the higher a person's perception about the ease of use of the system, the higher the level of utilization of information technology. This convenience factor associated with how operations transact by online. Usually, prospective buyers will have difficulty when first transacting online, and are inclined to undo their intention because of the safety factor

and do not know how to transact by online. On the other hand, there are also potential buyers who took the initiative to try because it has information on how to transact online. A good online shopping website is providing instructions on how to trade by online, ranging from how payments and purchase form filling feature. So with the ease factor customers can order products 24 hours a day where they are located. As well as online shopping customers do not have to drive, find parking, and walk away or find and check the desired goods only to find that the items sought are up. The indicators of the ease of transaction variables that Davis (1989), Amijaya (2010)

- a. easy to learn
- b. Easy to operate the system in accordance what is desired
- c. Easy to use
- d. Time efficiency

#### **4. Quality of Information**

Inside the online shopping should provide information covering relation to the products and services offered by online shopping. The information should be useful and relevant in predicting the quality and usefulness of the product or service. Information products and services must be up-to-date to satisfy the needs of online consumers or buyers. It can help buyers in making decisions, consistent and easy to understand.

As indicators of the quality variables Amsyah Information (2001), Bailey and Pearson (1983) as follows:

- a. up to date information
- b. detailed information
- c. accurate information
- d. relevant information
- e. Complete information

#### **5. Online Purchase Decision**

There are three activities that occurred in the process of purchasing decisions by consumers, namely (Hahn, 2002):

- a. Routines consumers in making a purchase.
- b. Quality acquired in a purchase decision.
- c. Commitment or loyalty of consumers who are used to buy competitors' products.

According to Kotler (2002), consumer buying behavior is influenced by:

- a. Cultural factors, which consist of the:
  - 1) Culture, is a determinant of the desire and the most fundamental behavior.
  - 2) Sub-cultures, each culture has a sub-culture that is smaller that provide more features specific socialization for its members.
  - 3) Social class, is a relatively homogeneous distribution of public and permanent, structured hierarchically and members held values, interests and the same behavior.
- b. Social factors
  - 1) Reference group, the group that has a direct influence (face to face) or indirectly on the attitudes or behavior.
  - 2) Family
  - 3) Role and Status, which is the role of the activities expected to be performed by a person and the respective roles of the generating status.
  - 4) Personal Factors, which consisted of the ages and stages of life cycle; jobs and economic environment; lifestyle and personality and self-concept.
  - 5) Psychological factors, which consist of motivation, perception, learning, beliefs and attitudes.

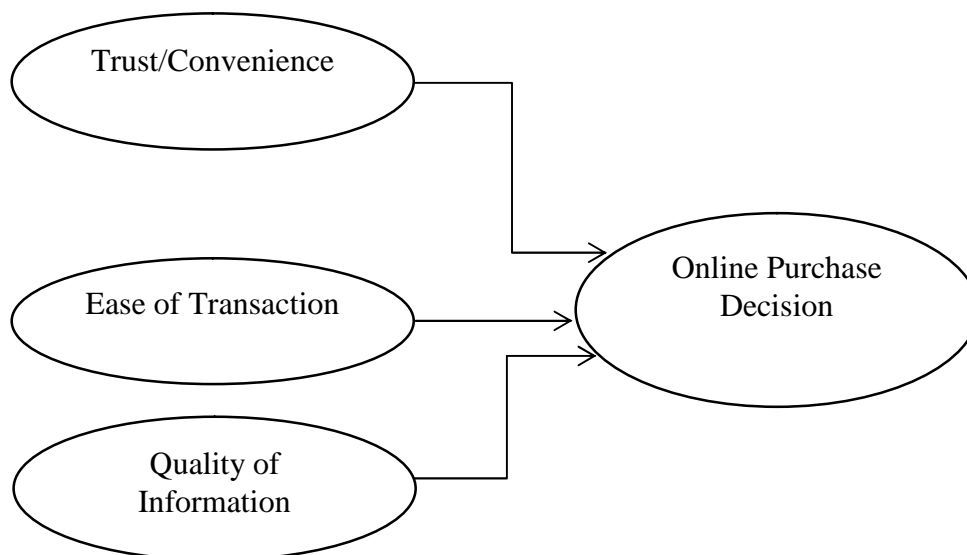
### **C. PREVIOUS RESEARCH**

1. Cahya Anandya Hardiawan (2013) In his research, entitled "Effect of Trust, Convenience, and Quality of Information Decision Against Buying Online (Study On Site Users Online tokobagus.com) analysis results prove that the three variables used in this study, the results showed trust variables the most dominant in influencing purchasing decisions.

2. The research conducted by John Suhari (2008) entitled “Keputusan Membeli secara *Online* dan Faktor-Faktor yang Mempengaruhinya”. The results showed that the decision to buy through online are preceded by the introduction of needs, information search, evaluation of alternatives is influenced by many factors.
3. Benito, Adityo (2011) “Analisis Pengaruh Kepercayaan, Kemudahan dan Kualitas Informasi Terhadap Keputusan Pembelian Secara *Online* di Situs Kaskus”. This research examines the influence of trust, convenience and quality of information on purchasing decisions. The result is that the convenience of having an influence on the consumer to easily use the internet and online shopping services that help in making the decision to make a purchase online
4. Adi Seno Lesmana (2014) “Analisis Pengaruh Iklan, Persepsi Kemudahan, dan Reputasi Terhadap Minat Beli *handphone* Pada Situs Layanan Iklan Baris *online* (studi pada Tokobagus.com)”. The results found that (1) Advertising positive effect on buying interest, with t calculate equal to  $6.627 > t$  table 1.979 and significant level of 0.000 (2) Perceived Ease of positive influence to the level t of  $1.427 < t$  table 1.979 and significant level of 0.156 (3), Reputation positive influence on the buying interest with the t value of  $1.752 < t$  table 1.979 and significant level of 0.082 (4) Advertising, Perceived Ease and Reputation jointly positive effect on buying interest with a value f calculated at  $46.494 > f$  table 2, 67 and a significant level of 0.006.

#### Framework of Thought

To give a clear picture in this research are given the framework of thought as follows:



Source : Hardiawan Cahya, Ananda (2013) developed

#### Research hypothesis

The hypothesis is provisional estimates to be proved through empirical research. Based on the framework of thought and formulation of the problem then the hypothesis proposed in this research are:

- H<sub>1</sub>** : Trust has positive and significant impact on hand phone purchasing decisions by online on the website lazada.co.id.
- H<sub>2</sub>** : Ease of transaction has positive and significant impact on hand phone purchasing decisions by online on the website lazada.co.id.
- H<sub>3</sub>** : The quality of information has significant and positive effect on hand phone purchasing decisions by online on the website lazada.co.id.

#### RESEARCH METHODS

##### Research location

Location of this research was conducted at respondents living in Surakarta and ever make phone purchases by online at Lazada.co.id.

### **Research variable and Operational Definition Variables**

In this research, there are three independent variables are: trustworthiness, ease of transaction, the quality of information and one dependent variable i.e.: online purchase decisions

#### **Operational Definition Variables**

##### **a. Trust/Convenience**

As for the indicators of the trust variables, namely:

- 1) Trust
- 2) Security
- 3) Responsibility
- 4) Honesty seller

##### **b. Ease of Transaction**

There are several indicators of the convenience variables include the following:

- 1) Easy to learn
- 2) Easy to operate the system as what is desired
- 3) Easy to use
- 4) Efficiency time

##### **c. Quality of Information**

There are several indicators of the quality of information variables are:

- 1) up to date information
- 2) detail information
- 3) accuracy information
- 4) Relevancy information

##### **d. Online Purchasing Decision**

There are several indicators of online purchase decision, namely:

- 1) The stability of a product
- 2) The habit of buying the products
- 3) Provide recommendations to others
- 4) To re-purchase

#### **Population and Sample**

Population in this research are mobile/hand phone buyers in online site of lazada.co.id at Surakarta city that the amount is not infinite. Samples are in Surakarta city. Amount of 100 respondent.

#### **DATA ANALISIS AND DISCUSSION**

The results of Computer processing can be known coefficient of linear regression equations obtained are as follows:  $Y = 2,055 + 0,173X_1 + 0,360X_2 + 0,350X_3$

$b_1 = 0.173$  coefficient predictor of trust ( $X_1$ ) of 0.173 indicates that trust can predict purchase decisions online (Y) positively,  $b_2 = 0.360$  ease of transaction can predict purchase decisions online (Y) positively  $b_3 = 0.350$  shows the quality of information can predict purchase decisions online (Y) is positive.

Partial test (t test)

Test t trust ( $X_1$ ) on purchase decisions online (Y)

The results of the t test calculation of the trust variable ( $X_1$ ) obtained significance value of 0.004.

Based on those criteria, the significance value  $0.004 < 0.05$ , then  $H_0$  is rejected and  $H_a$  accepted.

Means, trust variables significantly influence purchasing decisions online (Y) hypothesis is proved.

T test ease of transaction ( $X_2$ ) on online purchase decisions (Y)

The results of the t test calculation of the variable ease of transaction ( $X_2$ ) obtained significance value of 0.000. Based on the criteria mentioned, the significance value  $0.000 < 0.05$  then  $H_0$  is rejected and  $H_a$  accepted. Means, ease of transaction variable significantly influence online purchase decisions (Y) hypothesis is proved.

The t-test information quality ( $X_3$ ) on online purchase decisions (Y)

The results of the t test calculation of the quality of information variables the ( $X_3$ ) significance value of 0.000. Based on the criteria mentioned, the significance value  $0.000 < 0.05$ , then  $H_0$  is rejected and

Ha accepted. Means, variable information quality significantly influence purchasing decisions online (Y) hypothesis is proved.

#### F-Test

From the above F test results significance value  $0.000 < 0.05$ . Thus  $H_0$  rejected and  $H_a$  accepted, which means there is significant influence of variables trust, ease of transaction, and quality of information simultaneously or jointly against mobile phone purchase decision by online at lazada.co.id sites in the city of Surakarta.

#### Coefficient of Determination

Based on calculations using SPSS program obtained value of Adjusted R Square of 0.752

This means that of variables trust, ease of transaction, the quality of information can influence the consumer decision variable 75.2% on a mobile phone purchase decisions by online lazada.co.id sites in the city of Surakarta, while the remaining 24.8% ( $100\% - 75.2\%$ ) is influenced by other variables that are not observed in this research.

### Managerial Implications

#### 1. Trust/Convenience

Trust shows the real attitude of the mobile phone purchasing decisions online at lazada. Therefore trust has been well should be maintained and even improved to impress the general public against lazada aesthetic that is becoming increasingly positive. Based on respondents' answers, it is known that efforts should be made by the company to increase confidence in the lazada is to increase the responsibility for the delivery of goods on time. In the end it can be concluded trust is influential in purchasing decisions.

#### 2. Ease of Transaction

Ease of transaction variables have the greatest influence on phone purchase decisions by online on the website lazada. This needs to be maintained and improved by the company view that the indicators used in the measurement of these variables is easy to obtain product information, product purchase process easy and secure, convenient access, an easy ordering process. Therefore, to increase the ease of purchasing process.

#### 3. Quality of Information

The quality of of information also shows the real impact on the mobile phone purchase decision-making process in lazada site. The quality of of information is created in the minds of consumers proved to be one of the attractions to buy mobile phones on the site lazada. Based on respondents' answers obtained, it can be seen lazada need to pay attention to aspects that provide an up-to-date (date), the information provided detailed, accurate information, the information given in line with expectations. Through respondents obtained, consumers basically want lazada twith some indicators such as the above. It is worth noting as an attraction that will influence purchasing decisions.

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**MISLEADING ADVERTISING IN A MARKETING STRATEGY  
(CASE STUDIES OF NEWSPAPER'S MISLEADING ADVERTISING ON SURAKARTA)**

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**ABSTRACT**

This study aimed to describe and explanations of consumer protection against misleading advertising in newspapers, describing and explanations how much advertising in newspapers in accordance with the legislation to provide legal protection for consumers. and explore models of newspaper advertising in the perspective of consumer protection. This research is a normative-empirical, ie the study by reviewing legislation, regulations discusses advertising and consumer protection as well as empirically explore the information in the field on ad impressions in a newspaper that is considered misleading, and made observations by distributing questionnaires and interview to the competent authorities to the problems examined. The results of this study signify the most that consumer protection against advertising in newspapers had been accommodated in Law No: 8/1999 ttg Consumer Protection, Act No: 40/1999 on PERS, Act No: 7 th 1196 On Food and PP 69 on Food label and Advertisement. In this study proved that many of the ads that aired in newspapers deviate from the provisions of existing law. Model legal protection for consumers against misleading advertising in newspapers in this study are: Establishment of laws advertising, the establishment clause of censor print media advertising, the establishment clause which obliges to publicly misleading advertising to the general public, the establishment clause of the standardize the format of advertisements in newspapers and the increasing role of non-governmental consumer protection agencies.

Keywords: misleading advertising, consumer protection law, advertising

**A. INTRODUCTION**

Advertisement (advertising) is a form of submission of information concerning goods or services from businesses to consumers, so that the ad is very important position for the company as a tool to help introduce the products or services offered to consumers. In conjunction with the information submitted employers, the community or the consumer has a right to obtain correct and complete information about the products offered. The right to information is one of the many rights that consumers have as a purchaser of goods and services, as defined in Article 4 of Law No. 8 of 1999 on Consumer Protection.

The media has a very important role and strategic for advertising activities. Media used in advertising consists of various types. Ads can be delivered through print media (newspapers, magazines, brochures, leaflets, posters and others), the media used in the outer space (banners, billboards,, neon signs, billboards, etc.), electronic media both voice media (audio ) and audio visual (television, radio, film, Videotron, etc.), and others. In this study, the media to be studied is a newspaper that is one atu print media in advertising, newspapers or newspapers as a medium for advertising is a means of delivering information that is already known to the public

Entrepreneurs who advertise their products in print or electronic media should have a good faith as well as fulfill the promised good achievement. If ultimately consumers buy products advertised by businesses are not in accordance with the content of the truth which is shown in the ads served, then businesses are not performing feats correctly, for it was then the consumer should be given a special protection against advertisements that are misleading and make consumers harmed. The need for regulations governing consumer protection for the consumer compared to the weak position of the business, because consumers do not participate or intervene on the process to the production of goods or services that have been produced. So the fact that consumers are always in a position of disadvantage.

As an intermediary between advertisers and their communities the message of these ads, the media will have two interests, namely advertisers as a revenue source for the media and society as a recipient of the advertising message which has the right to obtain complete information and the

right of the ad., And is expected media including newspapers can be the one who really is responsible for maintaining a balance between the two interested parties. Expected against misleading advertising media can be a gate keeper to the incorrect information on the product or service advertised, not in accordance with the effect that would arise if the information is disseminated to the public. As a creative force as a gatekeeper, the media must be active and not passive-negative. Based on the description of the background issues above, the problem in this research are as follows: (1) What is the legal protection of consumers against misleading advertising in newspapers? (2) How much advertising in newspapers in accordance with the laws that provide legal protection for consumers? (3) How to model the newspaper advertising in the perspective of consumer protection?

The method in this study, is a normative legal research - empirical in Surakarta, as for the location and the object of the research to be studied or used as a source of research information are: 1) Advertising in newspapers for 2) Community newspaper readers in Surakarta 3) Publisher newspapers in Surakarta. 4) The non-governmental Organisation (NGO) of consumer protection in this case is the Indonesian Consumers Foundation (YLKI) and the National Consumer Protection Agency Indonesia Solo Raya 5) Advertising Agency Indonesia as the case of advertising resources that harm consumers.

Methods Data collection in the form of (1) literature study and document the form of primary legal materials, secondary law and legal materials tertiary (2) The observations in the form of observation / observation served ads in newspapers and (3) Structured interviews to the public, advertising manager newspapers and Governmental Consumer Protection Organization.

Data analysis techniques with a qualitative method is a way of writing that produces descriptive analytical report. That is the way the data generated are selected, classified and identified to be analyzed in order to obtain the correct conclusion in accordance with the problems

## **B. LEGAL PROTECTION FOR CONSUMERS AGAINST MISLEADING ADVERTISING IN NEWSPAPERS**

Protection of the interests of consumers is needed because there is the fact that consumers are always in the part of the aggrieved. One way manufacturers to attract consumers to use products that are produced is through ad that mentions the characteristics and advantages of the product or service being offered. Here is the emergence of problems, namely when the business makes an ad that was served without providing complete information or giving false information about the product or service concerned, giving rise to errors in receiving information for consumers or referred to as a misleading advertising.

The Federal Trade Commission (FTC), which has the function to prevent monopolies or other barriers to trade; and as one of the advertising regulatory agency in the United States, does not provide an understanding with the firm about the notion of misleading advertising, but in The FTC's Deception Policy Statement explained that: "An ad is deceptive if it contains a statement - or omits information - that:

1. is Likely to mislead consumers acting reasonably under the circumstances; and
2. is "material" - that is important to a consumer's decision to buy or use the product

Basing on the statement of FTC can be explained that an advertisement contains a misrepresentation if the revelation explicitly or implicitly contrary to the facts, or if the information is necessary to prevent misleading in a practice, claim, representation, or the belief that reasonable not presented (omission) so that consumers are rational the conclusion is false or misleading.

Law on Consumer Protection (UUPK) in Indonesia-were not explicitly formulated the notion of misleading advertising, but in Article 10 of Chapter IV Acts Prohibited For business communities, asserts: "Businesses in offering goods and / or services that are held for trading is prohibited offer. Promote, advertise or make a statement that is untrue or misleading about: prices or tariffs of goods and / or services; Usefulness of the goods and / or services; Condition, dependents, guarantees, rights or compensation for goods and / or services; Offer of discounts or attractive prizes offered; The dangers of the use of goods and / or services "

Seeing this reality, then there is a setting on advertising applicable to advertising companies, advertisers, and media that will serve these ads so that consumers can be protected legally.

Legislation that exists is : Press Law, the Law on Consumer Protection, Act No. 7 of 1966 concerning Food, PP 69 of 1999 on Food Label and Advertisement and Indonesian advertising Ethics today can be used as the basis for the legal protection of consumers against misleading advertising. Serving ads in newspapers that are possibly harm consumers because it is misleading advertising could be considered in violation of one or several chapters of one or several such legislation.

### **C. NEWSPAPER ADVERTISING IN CONFORMITY WITH REGULATIONS THAT PROVIDE LEGAL PROTECTION FOR CONSUMERS**

The impact of the use of misleading advertising can be a consumer losses, duping the consumers, the negative image of consumers towards advertising information and pose unfair competition. Proof of whether there is an element of deception is done by comparing the suitability of the conditions / sebenarnya goods or services with the claim or statement made through advertising businesses. Throughout provable claims or advertising statement is supported by the concrete facts of the goods and / services, so consumers can avoid the attempt to mislead

Some advertisements in newspapers for the year 2014 (the period covered by this study) identified violate clauses in legislation related to consumer protection against acts that harm producers. for example, the advertisement of "ALBI GURAA" herbal cough rapid reaction contained in Solo Daily Post November 19, 2014, in the ad gives information that a product can cure a variety of diseases and the products have been tested without any support for the claim. Advertising by way of addition claims the product without proof concrete, is one form of misleading information, the ad does not give the right for consumers on the explanation of information on the support of the claim that the product "may cure various diseases as well as the product has been tested", whereas consumer rights to correct information, clear and honest about the condition and guarantee of the goods and / services are guaranteed by Act No. 8 of 1999 on Consumer Protection.

Ad "Slim Spa" a slimming product that was published in the daily Solo Pos October 31, 2014, in the ad provide a statement that the product is selling products in Singapore from 2006 to 2011. In manners advertising explained that the advertising should not use words superlatives such as "most", "number one", "top", or words beginning with "pitch", or that mean the same, without the typically explain the benefits of which must be evidenced by a written statement from the relevant authority or an authentic source.

The prohibition of the use of words superlative above is only found in the ethics of advertising used as where the ethics of advertising Indonesia (EPI) is a guideline in advertising in Indonesia, which has the content in the form of content in normative about etiquette and manners, regarding the profession and advertising efforts agreed to be respected, obeyed and enforced by all the associations and institutions developer but in relation to the protection of consumer law, when an ad is in conflict or unethical advertising (ethics advertising) that has been made then there is a violation of Article 17 of law No. , 8 of 1999 on Consumer Protection, that the advertising business operators are prohibited from producing ads that violate the ethical and / or the provisions of the legislation on advertising. Some advertisements in this study essentially "only" violates the ethics of advertising, but the presence of Article 17 of Law No. 8 of 1999 on Consumer Protection any violations of the ethics of advertising (Indonesian advertising Ethics ) dianggap has violated legislation so that consumers are protected.

### **D. LAW MODEL FOR CONSUMER PROTECTION AGAINST NEGATIVE ADVERTISING IN NEWSPAPERS**

In this study, the author tries to create a model law for the protection of consumers against misguided ads in newspapers

#### **1. Establishment Act Advertising**

Legislation governing advertising in particular in Indonesia does not yet exist, to set up advertising that is not prejudicial to the community still using Ethics Pariwara Indonesia and clauses in other laws regulating advertising. Regulations on good advertising, is expected to accommodate the interests of the various parties involved in order to run and in harmony. The advertising company has an interest for ads that made a deep impression to target consumers.

Advertiser has an interest for ads booked to the advertising company should be able to increase sales of products advertised. Meanwhile, consumer advertising plays an important role in order to obtain product information is correct, the existence of laws advertising is expected to become the basis for those involved in the field of advertising, namely advertisers, advertising agencies, media and watchdog advertising to generate advertising creative and responsible while protecting consumers against misleading advertising

Constraints formation advertising legislation may come from the advertising industry itself because they have a principle called the principle swakramawi (self-regulation) which is the principle that is used universally in the advertising industry. Simply put, swakramawi in the advertising industry bases itself on the belief that: "an ethics of advertising will be more effective, precisely when he was drafted, agreed and enforced by the perpetrators themselves". Act advertising that accommodate parties related to advertising (corporate advertisers, advertising agencies, media advertising and consumer) into the right model in the context of the legal protection of consumers against misleading advertising

## 2. Establishment of Ad Print Censor Board

The problems that may arise if it is implemented for the print media including newspapers are the complexity and variety of ads in the news media is so diverse, from Multinationals to individuals are using newspapers as a medium for their promotions, from classified ads to ads to color 2 pages full become part of a variety of ads in the newspaper. The fact that there seemed no possible if all the ads that will appear in a newspaper ad to go through censorship. Solutions that can be used to overcome this are: a) For display advertising (ads are at least two columns of up to 1 full page) national advertisers national companies or multi-national must pass the censors advertising established by the government or no labeling that these ads already qualified sensor. b) For advertising column and classified ads, this ad is called the classified ads for messages created only consists of a few lines of words / sentences and the fees charged are calculated per line, and the price is relatively cheap

The classified ads are usually no more than 3-4 lines with an area of no more than one column. The language used in the classified advertisements are generally brief, meaningful, and very simple. Goods advertised in the classifieds is very diverse, covering goods, services, thanksgiving, congratulations, find a mate, and so forth. In one edition of the newspaper publishing hundreds of classified ads that aired, so as to filter this type of advertising can be formed Section Sensor Ads that are part of the print media organization itself.

The internal sensor body advertising work by basing itself on the laws and regulations related to advertising, for example: Press Law, the Law on Consumer Protection, Act No. 7 of 1966 concerning Food, PP 69 of 1999 on Food Label and Advertisement, Ethics Pariwara Indonesia so that each ad will be served an ad that does not violate the rules and regulations as the basis of the foregoing.

## 3. The Policy to Announce Openly of case Misleading Advertising to Community

The ads that have been judged as misleading advertising by the competent authority eg Supervisory Board Advertising (PPPI) or BPOM (National Agency of Drug and Food) should be socialized to the public through the media that can be accepted by the public, by providing direct information on the rules that should , the location of the offense and the effects of violations of advertising it is very helpful in the context of learning to the community, to build public awareness and increase the ability of "self-protection" against misleading advertising.

Misleading advertising is indeed possible to be solved alone among the authorized body for example BPOM (National Agency of Drug and Food) with advertisers without dissemination to the public, but if it happens it is not the right move when viewed from the standpoint of good government (good governanve ). BPOM as one arm of government in creating prosperity, should be transparent by announcing an ad that meets the category misleading, more importantly, advertising of medicines funds foods and drinks whose impact is directly related to the health and safety of life and human life so that the consistency of government to guarantee the right of consumers to obtain the correct information must be kept.

4. Standardization in Newspaper Ad Formats

Format ads in newspapers should be made to appropriate standards to avoid any advertising that could mislead consumers, a) Format Classified Ads: classified ads become part of the most dominant among other ad types in newspapers including local newspapers Solo Pos, because the minimum information can be loaded in the classified ads should be set advertising of products / services what can be contained in a classified ad. b) ad format advertorial: advertorial ads are ads that memorable as a news story, so as if "news" that is not at the initiative of the party advertisers but at the initiative of the newspaper in order to find news or a third party in order to award a product testimonial. This advertising may mislead consumers because it considers that the ad is not a promotional message that will increase the level of consumer confidence in the product. Format ads with these techniques should be annotated "advertorial" or "advertising" with a large font size to distinguish it from the news

## E. CONCLUSIONS AND IMPLICATIONS

1. Protection of the interests of consumers is needed in view of the fact that in general consumers are always in the part of the aggrieved. One way to attract manufacturers of consumer interest in using its products is through advertising that mentions the characteristics and advantages of the product or service being offered. Here is the emergence of problems, namely when the business makes an ad that was served without providing complete information or giving false information about the product or service concerned, causing errors in the received information for consumers. Seeing this reality, then there is a setting on advertising applicable to advertising companies, advertisers, and media that will serve these ads
2. Newspaper as one of the advertising media have contributed also in the circulation of misleading advertising of a product / service, a very tight competition among advertising media also have an impact on the ineffectiveness of the supervisory function performed by the creative advertising media to be loaded or displayed.. In this study proved that many of the ads that aired in newspapers deviate from the provisions of existing law.
3. To achieve the goal of all parties is a mutually beneficial relationship, there are no losers in this study was made on the model of consumer protection against misleading advertising in the news media, namely: 1) Establishment of laws advertising. 2) Determination of the article regarding the censor print media advertisements 3) Announcing openly misleading advertising to the general public 4) Standardize the format of the newspaper ad

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**EFFECT OF RECOGNITION OF UNESCO ASSOCIATED BATIK, VOCATIONAL VILLAGE ON ECONOMIC SOCIAL WELFARE TO BATIK CRAFTSMEN GIRILAYU MATESIH KARANGANYAR**

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**ABSTRACT**

Indonesia is a country that has a lot of cultural diversity, each region have characteristics that distinguish diversity. One form of such property is batik. Batik is the art of Indonesian culture that is still there. Two of these places carry cultural influences, including batik tradition in each territory that is now called the Ex-Karisidenan Surakarta. Javanese Batik motifs have a relationship with social status, beliefs, and expectations for the wearer. Likewise with batik Girilayu, a name or a label given to a batik produced by the craftsmen who produced in the village Girilayu Matesih District of Karanganyar. This study examines the methods of historical method to be adapted to the socio-economic value of historical recognition from UNESCO. UNESCO recognition is an entry vocational villages which aims to enhance the skills and training related to the production process of batik to produce distinctive work of Girilayu. By producing works Girilayu it can improve the welfare of the surrounding community.

Keywords: Batik, recognition, social, economic, vocational villages

**INTRODUCTION**

Indonesia is a country that has a lot of cultural diversity, each region have characteristics that distinguish diversity. According Koentjaraningrat, culture is a system of ideas, actions and man's work in the context of people's lives are made a part of the human way of learning, with the ability of his intellect, humans have developed various systems of actions, ranging from the very simple to the complex ones, according needs. One form of such property is batik. Batik is the art of Indonesian culture that is still there. Batik is actually always synonymous with a process or technique of giving motif on a piece of cloth that begins from the manufacture of the pattern (patterning), pemalaman, coloring and final process is pelorodan.

Batik of Java island famous fine in the manufacturing process, have motives varied and beautiful colors. Surakarta is one of the locations in the development of batik batik centers in Central Java. Surakarta consists of two palaces namely Kraton Surakarta Sultanate and Pura Mangkunagaran smaller size (in the governance structure equivalent to the Duchy). Two of these places carry cultural influences, including batik tradition in each territory that is now called the Ex-Karisidenan Surakarta. Javanese Batik motifs have a relationship with social status, beliefs, and expectations for the wearer.

Likewise with batik Girilayu, a name or a label given to a batik produced by the craftsmen produced in rural districts Girilayu Matesih Karanganyar district. According Girilayu community, the craft has been passed down since ancient times, there is no community or documents that mention the exact date appears its region batik, batik possible Girilayu started there since the agreement Salatiga about the founding of the temple Mangkunegara because Girilayu areas that are in Matesih is from Mangkunegaran territory.

The existence of batik Girilayu can not be released by the Mangkunegaran and is located together with Astana and Astana Mangadeg Girilayu. Even the making of batik has historical ties with the existence of the tombs of the kings in Mangadeg and Girilayu. The pilgrims visiting the tomb be required to use batik, both men and women, then the population in the interests of making batik on a pilgrimage in the cemetery.

**FORMULATION OF THE PROBLEM**

From the background of the issues mentioned above, to obtain a clearer picture, can be formulated in a variety of subject matter in this study are as follows, namely :

1. How is the beginning of the emergence of batik industry and the general picture of society Girilayu Girilayu years 2009-2013?
2. How is the development of batik Girilayu years 2009-2013?

3. How to change the socio-economic Girilayu years 2009-2013?

### PREVIOUS RESEARCH

Thesis entitled Batik Industry Sidomukti In the village of Magetan Year 1960-2012. by Eka Wahyu Hariyadi. Sidomukti Village is one of the centers of batik, batik industry in the area grew into a folk handicraft industry is rapidly increasing. The majority of women in rural communities Sidomukti, working as batik artisans. Pring Sedapur motif inspired by the conditions Sidomukti Village is still a lot of trees bamboo, especially hamlet Papringan. In Masas New Order, the government did a lot of policies that are more concerned with major employers and foreign investors. Many foreign products on the market berterbaran. In many emerging markets textile fabrics originating from abroad. The mode of production in the New Order's manufacturing batik printing to produce batik printing in a missal, refined quality and the price is relatively cheap compared with batik cap. High competition between batik with batik printing can not be avoided, terlebih again batik conditions. This paper provides an overview of the reciprocation of the local batik industry on the development of government policy.

The research report titled Development Girilayu Batik Art Craft Creative Economy Towards Empowering Communities And Support For Tourism Development In Karanganyar by Endang Widiyastuti et al. In this study examines the development of the art of batik Girilayu as the potential winning Karanganyar district, identifying the barriers development, as well as analysis of batik Girilayu contribution towards community empowerment towards strengthening the creative economy, contributing to the diversification of tourist attraction, local government policies and programs. The formulation of the draft model of the development of the art of batik Girilayu towards creative economy for community empowerment supporting the development of tourism in Karanganyar district. The results of this study reveal the number and role of SMEs in the village Girilayu for batik marketing people, and there is only one ukm who manages the local batik business. Potential batik Girilayu very support for Karanganyar travel because it is also an attraction for tourists. This study provides information relating to the role of government in promoting batik in Girilayu.

The book titled Being Java, 2007 shows the role of a Chinese people in 1895 to 1998 in the midst of society Surakarta. The book explains the figures of people Thionghoa like Gan Kam, Tjan Tjoe Siem, Kho Djiem Tong, Go Tik Swan (Panembahan Hardjonagoro) and others that have voluntarily interacted culturally individuals, (the question is in a process of becoming Java) , The process of cultural interaction of people running evolutionarily can be divided into four periods. The first period was a period of Gan Kam creating the packaging art puppet show. In this period the new Thionghua know and love Javanese culture. The second period when Gan Kam create art packaging stage the puppet show as a commercial venture. At this stage people are adopting Thionghua (recognize, understand and appreciate) symbols of Javanese culture. The third period when people Thionghua appear as perpetrators or Actor. At this stage they are no longer as its predecessor, but directly involved as a player and even creators and they are already using the symbolic culture of the Javanese. The fourth is the period when the Chinese came in and acted as actors, directors, creators and advisors Javanese culture in its core Javanese culture in which Kraton Surakarta.

### RESEARCH METHODS

In this study the author uses historical method. Historical method is the means used to conduct research on objective data and facts to fit the purpose of research, so it can be proven scientifically. The method used for this study is a critical historical method is a process of critically examine and analyze footage from the past were based on four main stages :

1. Heuristics, the measures seek and find resources or data. The data collected in the form of documents, archives, data obtained through interviews, and literature relevant to the themes and issues. Techniques of data collection is done is
  - a. Study documents has become.

In accordance with the characteristics of History is always looking for sources in the form of documents. Studies for obtaining such documents relating to the study. Document serves to present the data to test and provide facts to obtain a historical understanding of a particular phenomenon.

b. Literature review

Technics literature study was done in order to obtain data that is theoretical and as a complementary data source that does not unfold from a primary source. Studies conducted in the library among other UPT UNS Central Library, Library of the Faculty of Literature and Arts UNS, Monument Press, Rekso Pustoko.

c. Interview

Interview method is a technique of data collection is conducted orally from an informant. In the research community, there are two interviews, the interviews to obtain information and data on specific individuals for the purpose of information and interviews to obtain personal information about the data itself, the views of the individuals interviewed for comparative purposes. Interviews were conducted with resource persons deemed to have knowledge of and considered each other stakeholders in order to assess the validity of the data.

2. Criticism source, consisting of internal and external criticism. Internal criticism is criticism that include writing, words, language and verbal as well as analysis of useful phrases as the validity of the source or to prove that the source is trustworthy. External criticism, including material that is used to achieve the credibility of the source or authenticity of the source. From the results of the sources collected are classified according to the criteria, especially the event or events what happened and what year, then selected and selected sources are accurate so it got the information accurate and valid.
3. Interpretation or interpretation of interpreting the particulars that are interconnected with the facts obtained. Analysis of the data is an activity clarifying the collected data in a pattern, category, and a description so you can find frameworks that support the hypothesis of the study. Writing is analyzed by qualitative analysis techniques, the technique after the data is collected, selected which is important and not important then interpreted, construed and its contents analyzed by finding causality of a phenomenon at the time and place coverage. From this analysis will be present in the form of a written descriptive analysis. The analysis explains a lot of the ideas based on existing data.
4. Historiography that deliver archival sources have been translated and compiled in the form of historical narrative or historical writing. Then tell us what has been interpreted, assembling the facts in a synthesis as a unified whole with the words and style of language is good.

## LITERATURE REVIEW

Batik art is one of the distinctive art of Indonesia, which has centuries old alive and growing, so it is a proof of cultural heritage of Indonesia. At first the art of batik is born of Javanese art aesthetic conception valuable means beautiful and tall. Indonesian batik art is closely related to social traditions that prevail in a society. It is seen from the presentation of the form 's type and that is why batik in line with, and reflects, the values ketradisian and supporting community dynamics. History of batik in Indonesia is closely linked with the development of the kingdom of Majapahit and the spread of Islam in Java. In some records, the development of batik is mostly done in times of Mataram kingdom, then in the kingdom of Surakarta and Yogyakarta. Widespread batik art belongs to the people of Indonesia and Java in particular tribe after the late 18th or early 19th century produced batik batik is all in the early 20th century and the new batik known after world war unity ended or around 1920. According Kuswadji, in batik is a series of word etymology mbat and tik. Mbat in the Java language is defined as' ngembat'auu throw many times, while tik derived from the word point. So batik means throwing a lot of points and many times on the cloth. So long forms of these points coincide to form a line.

According Hamzuri Batik is a painting on mori created using a tool called a canting. Batik including a two-dimensional work of art, because batik is made of two-dimensional material and the kind of painting. There are some who argue that the kind of batik painting, it's just different from the process of making batik painting making process in general. People paint or draw on cloth wear batik canting called in the Java language is said mbatik.

According to some historians, batik from Indonesia, especially in Java, originally came from India. Batik in the beginning brought by Indian traders who at that time was to trade with merchants of natives on the island of Java. From the exchange of merchandise, in turn gave birth to understanding information about batik. Gradually, people began to recognize the Javanese batik then

modify and develop the use of raw materials and other supporting materials, thus transformed into clothing fabric which has the characteristics of Indonesia.

Girilayu is a village in the subdistrict Matesih, Karanganyar, Central Java Province. Is one of nine villages in the district Matesih. Tradition and when the first community in the village of Girilayu began making batik is not known for certain. Batik tradition in the village community Girilayu are a long way even before Indonesia's independence. Activities and batik tradition in the village community Girilayu originally derived from the previous generation, with the subsequent development of the batik activities passed down tumurun.

The origins of batik in Girilayu itself comes from the royal Mangkunegaran. Both in terms of motif (motif grip) as well as the commercial side can not be separated from Mangkunegaran royal history. The existence of early batik palace in the kingdom or just a part-time job for the daughter of the palace which will be dedicated to her lover, also for the sake of (clothing) king and the relatives of the palace. King only select those clever batik devoted dwells in the palace to make batik cloth. Thus the king and all the relatives of the palace require batik cloth, the king sent the headman looking batik-producing regions.

Batik in Girilayu have in common with Surakarta batik patterns, it can not be released to the historical ties that Girilayu very close to having a funeral palace Mangkunegaran kings Mangkunegaran in Girilayu. Astana Mangadeg in Girilayu, is the burial place of kings Mangkunegaran, where the tomb of Raden Mas Said or the public more familiar with the prince Sambernyowo, to visit the tomb of the pilgrim is recommended using batik cloth in accordance with the tradition of visiting the tomb of the palace. It was also an example of the similarity aspect Girilayu batik with batik Surakarta.

Girilayu as a region that produces batik that could be accepted by the public will not necessarily be a large area batik industry. Batik Girilayu not many are trying to develop the art of batik as an industry, they all just become craftsmen and no businessman, so they hang the batik entrepreneurs from outside the area. They can be called only do services. The lack of enthusiasm also has hampered the development of batik Girilayu.

#### CONDITION OF ARTS CRAFTS BATIK Girilayu Matesih KARANGANYAR DEVELOPMENT ACCORDING TO TIME.

Batik tradition in Girilayu going on for generations of families. Small Since children in Girilayu been introduced with good batik activities ranging from stage just look to get involved in the manufacturing process. The majority of women in Girilayu activity batik as an additional income to meet their daily needs. Girilayu region famous for the quality batik with smooth, although not yet have a characteristic motif Girilayu own. Batik produced in Girilayu seen from motives are motives grip, but its development has begun work on batik outside grift there is.

#### **THE YEAR 2009**

Girilayu village as one of the villages that produces batik products which quality is quite good. Batik is generated in the Village area Girilayu is fine batik which have high quality because through penchanthangan by craftsmen who worked on batik telkah hereditary. Batik motifs that were at the center of batik Girilayu aplenty. The motifs produced by batik Girilayu largely influenced directly from Surakarta batik motif. 2009 batik batik work mostly orders from other regions, the largest is the order of society Surakarta. The role of labor, batik craftsmen in Girilayu majority are mothers households to seek additional income to make ends meet with batik. Daily necessities for daily food consumption is obtained by making batik batik entrepreneurs orders from outside Girilayu. In addition to household mothers are also people who are still in school either still in junior high or high school also worked on batik for additional income outside of granting parents. It can be said that the power of batik in Girilayu majority are women.

Labor batik batik Girilayu acquire skills is largely due to a legacy of skills already taught his family for generations. Batik skills already possessed by children in the village Girilayu because since childhood they are taught how to make batik. Their parents believe that the ability for citizens batik Girilayu especially women can be equipped to meet the needs of life to help the income of the husband. But from the year 2009 a decline in interest batik teenagers in Girilayu. In contrast to

previous years, the younger generation in Girilayu especially women are excited to cultivate the skill to make. This happens due to a shift in the mindset of the younger generations in Girilayu were more inclined to go wander.

The production of batik in Girilayu mostly orders from employers batik outside Girilayu region. Batik has become not need to be marketed itself so that people batik in Girilayu more focused in terms of the production of batik. Batik in Girilayu not concerned in terms of promotion, set pricing, and distribution of the products they produce batik. The products produced by the batik batik digirilayu still limited to only pencantingan process. Marketing results of batik is no longer maintained by the batik Girilayu. Batik has become usually taken personally by the buyer batik. But sometimes unisex from the buyer wants batik-batik has become shipped directly to the buyer. In the process of distribution of batik, batik community in the village took care of Girilayu not much. The buyer has arranged all purposes after pencantingan of the batik process is completed.

In terms of promotions related to the results Girilayu batik village community, not much come into play. Promotion of batik on the results batikan Girilayu society is still very limited. People generally do not know much about batik cantingan result of Girilayu village. Batik made by the villagers Girilayu mostly orders from businessmen batik Girilayu outside the Village area. Most batik result of cantingan Girilayu Village community, setelah finished and ready for sale, not a little selling by gluing brand from the buyer so that the name of the village Girilayu less widely known by the general public the results batikannya outside Girilayu. Batik artisans in the village community Girilayu still passive in promoting batik their own territory. Girilayu batik craftsmen in the village are just focused on getting cantingan batik and yet many who seek to enhance their promotion of results batikan.

Batik in the village Girilayu the batik process only up to the intermediate stage, has yet to make batik so as Laweyan batik village in Solo. This happens because of the low quality of human resources and limited capital. After UNESCO in 2008 endorsed the batik as an Indonesian cultural heritage, batik back to exist in the culture of Indonesia and its market increasingly demanding public. Many attempts to develop batik industries, not least in Girilayu. The amount of public interest in encouraging the government to boost the local economy and the development of batik in Girilayu, socialization and assistance given for advancing the well-known batik in Girilayu very smooth.

### **THE YEAR 2010**

In 2010 the labor force in Girilayu batik has not changed much. The majority of workers who do batik is the mother-housewife looking for side jobs for extra income them. Girilayu labor batik originated from Girilayu own citizens. Girilayu labor batik are the majority of mothers of households living in Girilayu. They worked on batik activities in their own homes. After the provision of UNESCO affect the spirit of batik in Girilayu. Increased public to the appreciation of batik further increase the income of batik in Girilayu. Batikan which dihasilkannya is increasing, the year 2009 is usually a craftsman produce batikan between 4 to 5 batik, after increased demand from the public, the year 2010 in the month of batik craftsmen able to produce 5 to 6 batik with a pattern that is not too complicated.

Labor batik batik acquire capabilities based on what has been taught by their families since childhood. Capabilities that have been taught for generations are utilized by batik artisans in Girilayu in memproduksi batik. There are no formal education related to skills in batik from batik craftsmen in Girilayu. Knowledge in producing batik taught their families as a benchmark in batik. Labor batik Girilayu majority are mothers households have long to produce batik. Batik skills already possessed them since childhood. Batik be produced is likely to have a good quality.

### **YEAR 2011-2012**

In 2011 workers in the region batik Girilayu has not changed much from previous years. The existing workforce is the mother-housewife who lives in the area Girilayu. Activities batik became a sideline activity to provide additional income to the family. Labor adal in Girilayu views of his age is very varied, but the majority are mothers of households who make batik in their homes. No workers coming from outside Girilayu, Girilayu regions which are already widely available workforce able to meet the orders of batik entrepreneurs in the batik batik book you Girilayu.

### **YEAR 2013**

In 2013 workers in the region batik Girilayu has not changed much from previous years. The existing workforce is the mother-housewife who lives in the area Girilayu. Activities batik became a sideline activity to provide additional income to the family. The existing workforce in Girilayu views of his age is very varied, but the majority are mothers of households who make batik in their homes. No workers coming from outside Girilayu, Girilayu regions which are already widely available workforce able to meet the orders of batik entrepreneurs in the batik batik book you Girilayu.

After UNESCO endorsed the batik as an Indonesian cultural heritage, batik back to exist in the culture of Indonesia and its market increasingly demanding public. Many attempts to develop batik industries, not least in Girilayu. The amount of public interest in encouraging the government to boost the local economy and the development of batik in Girilayu, socialization and assistance given for advancing the well-known batik in Girilayu very smooth. Efforts to develop batik Girilayu also been developed, the establishment of cooperative vocational villages, the cooperative village Girilayu that manages the results of batik as well as marketing batik Girilayu which was established in 2013, although the newly formed cooperative vocation is a milestone in the progress of the village Girilayu in the art of batik.

Batik is inherited from ancestors that had evolved in line with the process of time, there are times when the industry experienced ups and downs. For that efforts will be made to develop and preserve it so not just swallowed culture of other nations. Karanganyar government has a long-term development plan. The purpose of the Long Term Development Plan and Medium Enterprises (Plan) is to provide a planning document comprehensive 5 (five) year to be used in a regional work plan in accordance with the provisions of the area with the provisions of Law No. 17 of 2004 on national development planning system and legislation No. 32 of 2004 on regional development.

Before the village of Vocational motif created in Girilayu no different from previous years. Motif created is based on the order of batik entrepreneurs who deposit a sample image or design. Besides batik is also made in Girilayu grip like motif mega cloudy, truntum, kawung, machetes, revelation tumurun, sidomukti etc .. motif that shows the characteristics of identity Girilayu yet. All motif created are based on good order or motif motive grip beyond the grip that ada.<sup>60</sup> In terms of motive, there are two types of batik, traditional batik and modern batik. Batik is a type of traditional batik motifs and style is bound to a isen rules and specific, such as motive sidomukti, Sidoluhur, broken machete, and so forth. Modern Batik is all kinds of batik, which has deviated from the bond that has become a tradition tersebut.<sup>61</sup>

After their village communities Vocational batik artisans in Girilayu Acquire counseling on ways of making batik and batik motifs new creations. It improves the skills of batik artisans in Girilayu to be able to create new motifs outside the grip to respond to the changing times. But can not be separated from the image that has been formed by the community of batik artisans in Girilayu in terms of the fine workmanship Pakem motif. This is a distinct advantage over the results of batik is produced in Girilayu in terms pemasaran.<sup>62</sup>

### **COOPERATION MARKETING YEAR 2013**

After the recognition of the role UNESCO associated with batik in Indonesia, the Village area Girilayu achieve a positive impact on the inauguration. The role of batik in Indonesia lifted its existence. Central and local governments began to provide an appreciation for the improvement of the condition of batik artisans in the region. In addition, many scholars began diligently researching the existence of batik artisans in the village Girilayu. In a study conducted by a team of researchers from the Indonesian Arts Institute (ISI) in Surakarta in 2013 on the topic of design activities puppet on batik Surakarta expression of the people as a source of ideas based small business mentoring character education to boost the economy masyarakat.<sup>63</sup>

The study aims to promote batik folk ex-Surakarta to the public. In addition to some of the results that has become a folk batik pattern typical of the region, will also be disseminated results of innovation folk motif, batik wayang with batik folk setting. Batik folk puppets can be produced in the form of batik, batik, batik printing, batik or a combination of written and cap or stationery and printing. Growing a batik marketing people in the scale of cross-district or district. This can be done by way mempublikasikan folk batik centers in the form of leaflets, books, and websites. The batik folk given spirit to be able to market the results of their batik. <sup>64</sup>

The results of these studies resulted in travel guide books batik kampung folk former Surakarta residency including Girilayu Village area. With the guidance documents information about the results of batik in the village Girilayu can be known by people outside Surakarta and the general public. The study also publishes scientific articles in national journals. The positive influence is felt in the presence of such research. Batik Village area in Girilayu now becoming known by the public. The role of academics in boosting the promotion of the creativity of the community in the form of batik Girilayu perceived benefits. With the travel guide book publishing ex-Surakarta batik can introduce batik Girilayu to the general public. 65

## CONCLUSIONS AND RECOMMENDATIONS

In accordance with the mission of Karanganyar district in the welfare of the people through the balance of economic growth and equitable development, which is based on self-reliance, improving the quality of human resources. Batik Girilayu also become the main target, empowerment made to the batik makers through socialization and aid capital, and training development of batik in terms of marketing and use to support the development of rural tourism in Karanganyar.

In 2013 there is guidance-guidance from the government to the people Girilayu began to be seen with the establishment of cooperative vocational, in the cooperative is a real help governments, there are activities on counseling, art making batik and finishing so it is not bound by large companies in Surakarta in the process finishing. Cooperative vocational training to the artisans batik, there are also tools to produce batik of patterning, pemalaman until finishing process so that people who are members can develop specializations and not have to depend on large companies in Surakarta.

In order to overcome unemployment and the poverty and develop the potential of the village in order to have a comparative need to develop models of non-formal education (PNF) via stub village Vocational Education. That to this end needs to be determined by the decision of the village head Girilayu Matesih Karanganyar District of Central Java province. The task of organizing the Vocational Village are :

- a. Develop Rural Vocational Education in order to overcome unemployment and poverty mengetaskan and empower people through skills learning activities based on local wisdom.
- b. Develop and direct the non-formal education programs a priority for citizens who are less fortunate (productive age, unemployed, poor).
- c. Develop local potential in order to have a comparative advantage through the learning process, so that the public welfare increases.

The origins of batik in Girilayu it self comes from the royal Mangkunegaran.

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## ORGANIZATIONAL CULTURE IN HIGHER EDUCATION AUB SURAKARTA

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### SUMMARY

The research objective is to determine empirically Influence Organizational Values ( X1 ) , Organizational Climate ( X2 ) , Attention To Detail Tasks (X3) , The outcome orientation ( X4 ) , orientation of the Team ( X5 ) , and Aggressiveness ( X6 ) to cultural Organization ( Y ) in Higher Education " AUB " Surakarta . The population is Perguruan Tinggi " AUB " Surakarta and as many as 33 faculty research sample . Sampling methods used by the researchers is random sampling . Methods of data analysis using multiple linear regression analysis , to test the hypothesis t-test , F - test and the Test of Determination (R2) and the classical assumptions.

Partially significance test is concluded that variable Attention to Detail Tasks , Orientation to Tim and Aggressiveness significantly influence the organizational culture it can be seen from the significant value ( sig )  $\alpha = 0.05$  of each variable is less than Variable Organization Values, Organizational Climate and The outcome orientation in significant effect on Organizational Culture .  $\alpha = 0,05$  It can be seen from the significant value ( sig ) of each variable is greater than Orientation of the team had the most dominant coefficient of 2.797 .

Simultaneously test results known to the value of 0,000 F significance  $< 0.05$  . It can be concluded jointly independent variables influence organizational culture . So it can be stated that together there is significant influence between the Organizational Values, Organizational Climate, Attention To Detail Tasks, The outcome orientation, orientation of the Team, and Aggressiveness to Cultural Organization.

The test results showed that the determination of Adjusted R Square of 0.859 or 85.9 % , which means that organizational culture variability can be explained by the variability of the variable values of Organizational Values, Organizational Climate, Attention To Detail Tasks, The outcome orientation, orientation of the Team, and Aggressiveness of 85 , 9 % while the remaining 14.1 % is explained by other variables that are not included in the regression model .

With Normality Test, Multicollinearity, autocorrelation overall Heteroskidasitivity and no interference classical assumptions. Based on the above test in the regression analysis can be achieved assuming the concept BLUE or Best Linear Estimator Unbiased , then the application of regression analysis in this study is excellent .

*Keywords : Organizational Values, Organizational Climate, Attention To Detail Tasks, The outcome orientation, orientation of the Team, and Aggressiveness and Cultural Organization.*

### A. Background

The development of an organization goes through a process of cultural interaction in an organization. Culture can change the behavior of individuals, groups and even organizational behavior. Culture does not just appear and culture can be established. Talking about the company's organizational culture or culture means talking mengenai human beings as human resources organization, without people there is no any culture, because culture itself is the work of man.

Environmental factors in organizations, both external and internal, very dynamic. External environmental factors including technological developments, political conditions, economy and a

country's legal, social and cultural organizations, as well as business competition. Internal environmental factors among which are the leadership styles, values, norms and beliefs owners, as well as employee behavior that affects the operation of the organization.

The organizational vision is the direction that will be addressed by the organization in the future. Consideration for the stated vision is for every member to really understand what kind of organization. Vision is a call motto empower people and make them believe that they were able to do it. Once the vision is established, top management and key personnel to formulate the company's mission and objectives of the company. If the top management and key personnel of the mission and their unique purpose, people will participate, work activity into focus. Planning will be more easily accomplished, various opportunities be easily captured and taken. D'Sousa (2006: 116)

College AUB Surakarta under the organizing body Yayasan Karya Dharma Pancasila (YKDP) Surakarta held Higher Education: High School of Economics (STIE) AUB Surakarta, College of Informatics and Computer Management (STMIK) AUB Surakarta and Academy of Technology (AT) AUB Surakarta. As the organizer of Higher Education Institutions are trying to stay afloat in implementing the tasks and anticipate the future is full of competition. As for how to maintain the continuity of the organization required a reorientation of the traditional way of looking at a new understanding of the management of high-quality education.

Cultural organizations include basic assumptions, which are often not tested, about how everything (work) done, as well as various norms and values that guide the behavior of its members. Culture can be very stable over time, but the culture is never static, the crisis may force the group to re-evaluates their values and practices. The emergence of new challenges can bring to the idea of the creation of new ways to do things. Turnover key members, the assimilation of new employees who happen quickly, diversification into a very different business and geographic expansion may weaken or change the existing culture. Instead, the culture can grow to be very strong, where there are many values, behavior patterns and a common practice, as well as the level of culture are intimately interconnected. In addition, the sustainability of leadership, group membership is stable, the concentration of geological, small groups and success can be contributed to the emergence of a strong organizational culture (Kotter and Heskett, 1992: 7-8). The emergence of issues related to human resources in organizations can be caused due to a not yet formalized its organizational culture and promoted, so that the values contained in it are not known, felt, understood, perceived and shared by all employees of the company. However, despite the organizational culture has been known, felt, perceived and understood and shared by all members, the culture may not be adaptive to any changes.

Davis (1989) argues that organizational culture is beliefs and values (value) organizations that understood, animated and practiced by the organization so that the pattern of giving its own meaning and became the basis of the rules of behavior in the organization.

According to Robbins (2003: 721), organizational culture is a common perception held by members of other organizations. A regulation or obligations to be fulfilled by the employee if it has been transformed into a culture then it will be easier for the management to regulate existing employees with minimal action the employee.

Organizational culture strongly influence individual and corporate performance, especially in a competitive environment. The new challenges facing the company encourages the creation of a

new way of doing something for continuous performance improvement (continuous improvement) (Kotter and Heskett, 1992: 8).

According to Monday and Noe (1996), organizational culture is a system of shared values, beliefs and customs within an organization interacting with the formal structure to create norms of behavior, organizational culture also includes the values and standards that drive organizational behavior and determine the overall direction of the organization. While understanding the organizational culture by Engel (1995: 71) is the values and symbols that exist in every organization. Cultural organizations can encourage or reduction in performance depending on the values, beliefs, and norms.

Research conducted Beker (1996) on the human resources strategy aimed at cultural organizations known as High Performance Work System (High Performance Work Systems) to 400 manufacturing company in America to mengidentifikasi extent to which the index Performance Work Systems correlated with human resources to produce HR strategy is very good which is directed at establishing an organizational culture positively correlated with company performance.

In Marcoulides research and Heck (1993), that the variables of latent constructs or organizational culture that includes organizational structure, organizational values, task organization, organizational climate and the values and beliefs of individuals affect the performance of the organization.

According Luthans (1997: 96) cultural elements include:

- 1) Learned (learned); Culture is not inherited, but rather studied and obtained by means of experience.
- 2) Shared (shared); Members of a group, organization, or community share a common culture. Thus, culture is not specific to a single individual
- 3) transgenerational (across generations); Culture is cumulative, passed on from one generation to the next.
- 4) Symbolic (symbolic); Culture is based on the human capacity to symbolize or use something to represent the other.
- 5) Patterned (patterned); Culture has a structure and integrated. A change in one part will bring changes in other sections.
- 6) Adaptive (adaptive); Culture is based on the capacity of human beings to make any changes or adaptations.

Robbins (1990: 480) states seven characteristics that together constitute the essence of a culture of the organization, namely:

- 1) Innovation and the courage to take risks (Innovation and risk-taking),The extent to which the organization encourages employees to be innovative and take risks. Moreover, how the organization appreciated the act of taking a risk by employees and generate ideas of employees.
- 2) Attention to detail (attention to detail),The extent to which the organization expects employees show rigor, analysis and attention to details.
- 3) oriented to results (Outcome orientation),The extent to which the management focus on results than attention to the techniques and processes used to achieve those results.
- 4) oriented to humans (People orientation),The extent to which management decisions take into account the effect of outcomes on people within the organization.

- 5) oriented team (Team orientation),The extent to which work activities are organized around teams not only on individuals to support cooperation.
- 6) Aggressive (aggressiveness),The extent to which people within the organization to carry out aggressive and competitive organizational culture as well as possible.
- 7) Stable (Stability),The extent to which the organization's activities emphasize the status quo as a contrast of growth.

The study of organization behavior, "value" is an important study, because therein lies the basis of understanding the attitudes and motivation as well as the values influence perception and behavior Robbins (1996: 174-175). Brahmajari (2005) Value is the core of culture or basic and belief organizations that form the "heart" of the organization's culture. Values can define "success" of employees and establish standards of achievement in an organization. Values also provide general direction and code of conduct for all employees everyday. There is a presumption that the company's success is due to its employees successfully identify, covers, and act based on the values of the organization.

Values also provide a common direction for all employees and guidelines for everyday behavior. Often, too, one might think that the company's success is due to its employees can identify, cover, and act based on the values of the organization Deal and Kennedy (2000: 13-15).

Organizational climate is defined by Plunkett and Attner (1989: 444) as a psychological environment or personality of an organization where people work. Davis and Newstrom (1985: 23) states that the organizational climate is the human environment in which the organization's employees do their jobs. Based on the above definition, it can be concluded that the climate of an organization is the perception of employees on all aspects of their work environment that affect motivation and behavior in which the employee's perception can be measured.

Brahmajari (2005), Climate centered organization employees, with open communication, as well as their mutual support and decision-making decentralized, the general effect on improving employee performance, reduce the rate of release (turn over) employees, the cost of manufacturing, as well as training time , The most desirable organizational climate, both for production and satisfaction, is climate emphasis on employee performance and attention to employees. One way to boost the effectiveness of the manager is to create a climate organization that emphasizes the importance of achieving results with mutual encouragement, cooperation, and participation in *ektifitas* to give contribution to achieving the company's goals.

According to Robbins as organizational culture elements detail terhadap task attention is the extent to which the organization expects employees show rigor, analysis and attention to details. Robbins (1990: 480). The employee in performing job functions have a thorough understanding of the task details, have a high analisisi to detail tasks, in addition to that of course has paid sufficient attention to detail tasks. In connection with it. Susanto (2008: 272) states that the manager personally interested to monitor the progress of employees also can play a role to ensure success. Managers can identify resource limitations and can immediately take steps to resolve it. The responsibility of a manager who wants to create a high-performing company that is appreciated the extra effort made by employees. Managers must ensure that the awards (satisfaction) is given at the right time, when high performance is to be maintained, it is extremely important to provide employees appreciation for the hard work they do, if the task was given failed to take place even if the employee has tried very hard, they should return be encouraged to accept the challenge and responsibility in accordance with detail tasks owned.

Organizations with good culture tend to be more supportive of employees, thereby making employees more comfortable with his job. The company carries out a variety of ways to provide inspiration for the achievement of the company's performance. When cultural supports, maximum performance can be achieved by improving the standard of performance Susanto (2008: 270). Employees with high environmental performance is expected to hold firm commitment owned task. Karyawan umumnya managers expect more achievements in its work should pay attention to detail tasks and efforts carried out by employees. This does not mean management should oversee in detail how the work is executed Susanto (2008: 272).

Attention to detail (detail) task significant effect on job satisfaction and company performance stated by Bambang (2006). Attention to detail will encourage employees to understand the work clearly, so that employees comfortable in working and able to perform the job properly, job satisfaction will be felt in such conditions, so the direction of work to support the achievement of corporate performance.

An organization that has a culture detail-oriented tasks in carrying out the work, can be said to have a culture oriented towards job details. The employee in performing job functions have a thorough understanding of the details about the job, has analisis a high level of detail assignments, in addition to that of course has paid sufficient attention to detail tasks, ate the positive impact of the elements of this culture will be able to encourage employees to work effectively and efficient.

Orientation of the results is the extent to which the management focus on results than attention to the techniques and processes used to achieve those results. Robbins (1990: 480).

Robbins cited by the Throne (in the Economic Journal, 2002, p.139), stated a company that has a results-oriented culture in carrying out the work, can be said to have a culture oriented towards results. The positive impact of this cultural element is more striking for the advancement of the company (performance), with high culture that embraces a results orientation will be more effective to achieve its goals.

Team work (teamwork) is a relationship most often written and spoken of in the environment as it pertains to the competence of management. Orientation on the team are intended as an orientation group the various individual efforts to produce a more effective performance. The ability to function effectively as part of a group of people working together (team) is a character. The work team is more than just playing a role, but also "talk". Outstanding team players can "lift" the performance of the team through the behavior and style (Robbins, 1998: 286).

Working in a team is much better than trying to think of ideas to work alone. By working in teams, will appear synergies mental and ideas quickly bounced one by one. When a lot of different knowledge accumulated, one can take the knowledge from others and add in his view. As a result, someone will get new ideas and solutions which, if done in isolation will not emerge from himself. In workplaces where there is no team work, new ideas are not revealed to many people.

According to Robbins (1990: 480) Aggressiveness as an element of organizational culture is the extent to which the people in the organization was aggressive and competitive to run the organizational culture as well as possible. The role of employee contributions actively and aggressively to develop intellectual capital, in this role of employees is expected to contribute in full to the company. Thus dynamically organization is expected to improve the capability to respond to developments in service demands.

The attitude of aggressiveness employees in the company with the support of courage, and the ability to improve his performance, considering various options, as well as make their own decisions is a behavior that reflects the courage of employees in the work Boxall, (1998: 127). Inteprestasikan form of aggressiveness employees in the attitudes of employees in carrying out the work to be aggressive for achievement, carry out the work not to be relaxed, and achieve optimal productivity.

Based on the above phenomenon, the researchers wanted to examine the construct and recognize the cultural formation environment College AUB Surakarta, the researchers raised the theme of organizational culture on Higher Education Excellence Adi Bhirawa Surakarta "

## B. Conceptual Framework Research

In this study, based on the study of textual and empirical approach and assumed the actual condition of the College AUB Surakarta, research conceptual framework is presented as follows:

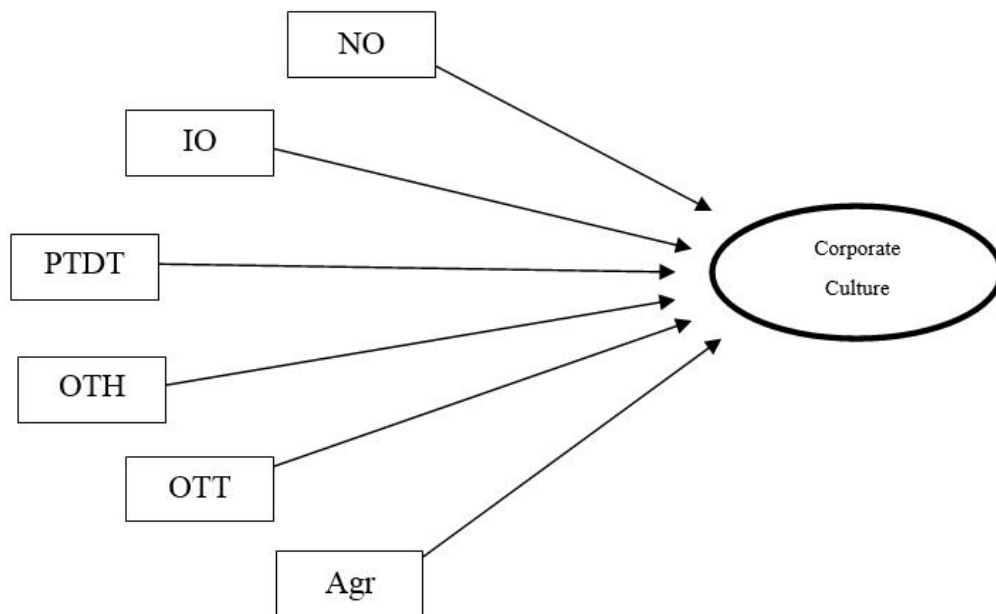


Figure 1: Conceptual Framework

## C. Hypothesis

Based on the background of the problem, research objectives, a literature review and conceptual framework proposed research hypotheses have been formulated as follows:

1. Values Values significantly influence the organization of Organizational Culture.
2. Organizational Climate significant effect on Organizational Culture.
3. Attention To Detail Tasks significant effect on Organizational Culture.
4. Orientation Against significant effect on the results of Organizational Culture.
5. Orientation of the Team significant effect on Organizational Culture.
6. Aggressiveness significant effect on Organizational Culture.
- 7.

## D. Methods

In this study, researchers took the research object is Lecturer College AUB Surakarta, covering STIE-AUB, STMIK-AUB and AT-AUB. Population is the element that will be the object of a

study (Arikunto, 2006: 134). The population in this study are all Fulltime College AUB Surakarta number 100 Lecturer

The sample is part of the study population. If the sample is less than 100 then it should be taken of all, and when the population of more than 100 people in this study can be used 10-15% or 20-25% or more of the entire population as samples Arikunto (2006: 134). The sample in this study will be taken as much as 30% of the population, so the number of samples is 30% x 100 Fulltime is 33 respondents. While the sampling technique using random sampling method. Data analysis used multiple regression analysis

**E. Results of Data Analysis**

1. Multiple Linear Regression Analysis.

Regression analysis is a technique to determine the influence of independent variables on the dependent variable is expressed in the form of mathematical equations. Steps in the multiple regression analysis is to determine the equation of the regression line. To perform multiple linear regression analysis used SPSS for Windows, with the results as in the following table:

Table IV.14

Results of Multiple Linear Regression

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

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	4.134	4.604		.898	.377		
	NNOTOTAL	.004	.354	.002	.011	.991	.094	10.626
	IOTOTAL	.027	.113	.018	.242	.811	.758	1.320
	PDTTOTAL	-2.144	.602	-.856	-3.562	.001	.076	13.098
	OTHTOTAL	-.240	.422	-.096	-.567	.575	.154	6.480
	OTTTOTAL	2.797	.641	1.135	4.366	.000	.065	15.330
	AGRTOTAL	1.857	.317	.685	5.860	.000	.323	3.098

a. Dependent Variable: BOTOTAL

Table IV.14 shows that the multiple linear regression equation is as follows: Multiple Linear Regression Equations

$$Y = 4,134 + 0,004 X_1 + 0,027 X_2 - 2,144 X_3^{**} - 0,240 X_4 + 2,279 X_5^{**} + 1,857 X_6^{**} + e$$

a. Research Hypothesis Testing.

1) Test t.

T tests were used to determine the influence of each of the independent variables affect the dependent variable partially. With SPSS for Windows, the value of t and the significance of each variable looks like in the following table

Table IV.17

T test results

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

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	4.134	4.604		.898	.377		
	NNOTOTAL	.004	.354	.002	.011	.991	.094	10.626
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	OTTTOTAL	2.797	.641	1.135	4.366	.000	.065	15.330
	AGRTOTAL	1.857	.317	.685	5.860	.000	.323	3.098

a. Dependent Variable: BOTOTAL

Table IV.17 shows the results of the t test calculation and can be explained as follows:

- a) Test Scores influence the organization of the Cultural Organization.  
Variable organizational values shows the significant value of  $0.991 > 0.05$ , then  $H_0$  is accepted, means that the variable values of an organization but not significant positive effect on the culture of the organization. This means that if the values of the organization improved the organization's culture but not significantly increased (significantly). So the first hypothesis states that organizational values significantly influence organizational culture, not proven.
  - b) Test the effect of organizational climate on Organizational Culture.  
Organizational climate variables showed significant value of  $0.881 > 0.05$ , then  $H_0$  is accepted, means the organization climate variable positive effect but not significant to the organization's culture. This means that if the climate improved organizational culture organizations increased but not significantly (significant). So the first hypothesis states that the organization climate significantly influence organizational culture, not proven.
  - c) Test the effect of attention to detail assignments to Organizational Culture.  
Variables Attention to detail tasks showed a significance value  $0.001 < 0.05$ , so  $H_a$  is received, attention to detail means that the variable duty significant negative effect on the organization's culture. The attention to detail means that if the duty is increased then decreased organizational culture as well as meaningful (significant). So the first hypothesis states that attention to detail tasks significantly influence the culture of the organization, proven.
  - d) test the effect of orientation on the results of the Organizational Culture.  
Variable orientation towards results show the significant value of  $0.575 > 0.05$ , then  $H_0$  is accepted, means that the variable orientation towards results and no significant negative effect on the organization's culture. This means that if the orientation towards results improved organizational culture will decline as well as non-significant (significant). So the first hypothesis states that orientation towards results significantly influence organizational culture, not proven.
  - e) Test the effect of orientation towards the team against Organizational Culture.  
Variable orientation towards the team showed a significance value  $0.000 < 0.05$ ,  $H_a$  accepted, meaning the variable orientation of the team positive and significant impact on the organization's culture. This means that if the orientation towards the team enhanced the organization's culture as well as a significant increase (significantly). So the first hypothesis states that orientation towards the team significantly influence the culture of the organization, proven.
  - f) Test Aggressiveness influence on organizational culture.  
Aggressiveness variables showed significant value  $0.000 < 0.05$ ,  $H_a$  accepted, meaning Aggressiveness variable positive and significant impact on the organization's culture. This means that if Aggressiveness enhanced the organization's culture as well as a significant increase (significantly). So the first hypothesis states that aggressiveness significant effect on organizational culture, proved.
- 2) Test F.
- F-test is used to determine whether the independent variables affect the dependent variables simultaneously. With SPSS for Windows, F value and significance of appears as shown in Table IV.18:

Table IV.18  
Test results F

**ANOVA<sup>b</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	366.137	6	61.023	33.488	.000 <sup>a</sup>
	Residual	47.171	26	1.814		
	Total	413.308	32			

a. Predictors: (Constant), AGRTOTAL, IOTOTAL, OTHTOTAL, PDDTOTAL, NNOTAL, OTTTOTAL  
b. Dependent Variable: BOTOTAL

The test results simultaneously (Test F) is known the value of F significance of 0.000 <0.05. It can be concluded jointly independent variable affecting Cultural Organization. So it can be stated that together a significant difference between the values of the Organization, Organizational Climate, attention to detail tasks, orientation towards results, orientation towards the team and Aggressiveness of the Cultural Organization.

2. Test the coefficient of determination (Adjusted R2).

Test the coefficient of determination (R2) is required to determine or measure the ability of the model to explain the diversity of the dependent variable. The coefficient of determination is between zero and one. R2 value is small means that the ability of the independent variables in explaining the variation of the dependent variable is very limited. A value close to the mean of independent variables provide almost all the information needed to predict the variation of the dependent variable

Table IV.19  
Calculation Results The coefficient of determination (R2)

**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.941 <sup>a</sup>	.885	.859	1.34990	1.865

a. Predictors: (Constant), AGRTOTAL, IOTOTAL, OTHTOTAL, PDDTOTAL, NNOTAL, OTTTOTAL  
b. Dependent Variable: BOTOTAL

Table IV.19 shows that Adjusted R Square of 0.859 or 85.9%, which means the variability of organizational culture can be explained by the variability of the variable values of the Organization, Organizational Climate, attention to detail tasks, orientation towards results, orientation towards the team and Aggressiveness of 85.9% while the remaining 14.1% is explained by other variables not included in the regression model.

**F. Implications.**

This study aimed to examine the effect Values Organizations, Organizational Climate, attention to detail tasks, orientation towards results, orientation towards the team and Aggressiveness of the Cultural Organization of the College of AUB Surakarta. Model analysis used to test the hypothesis by using multiple regression models, test the coefficient of determination, F-test, t test and the test requirements or test classic assumptions which include normality test, multicollinearity, heteroscedasticity test and autocorrelation.

The implications of the results of the tests recommended for management in an effort to increase the emphasis on strengthening the efforts of emphasis in Organizational Culture in the future include:

1. Implications of organizational values on organizational culture formation.

Variable values of an organization but not significant positive effect on the culture of the organization. This means that if the values of the organization improved the organization's culture increased but not significantly. This condition menggamabarkan that the lecturers

berpandangan that the values of the organization are believed to have been able to form their culture in the organization, so that the values of an organization already understood the strong, it is not necessary emphasis on management. The values of a strong organization, it is agreed with the statement Dessler (1992: 363). The values that are shared and the underlying culture of a company help determine how the organizational structure can and will be designed. This is because these values act as a framework that helps provide direction and goals for employees, even without a rule book or the chain of command.

Marcoulides research results and Heck (1993), that the variables of latent constructs or organizational culture that includes organizational structure, organizational values, task organization, organizational climate and the values and beliefs of individuals affect the performance of the organization.

Then management needs to defend the values that secar concrete organization include:

- 1) Emphasis on productivity college
- 2) Emphasis on efficiency college
- 3) Emphasis college on the regularity of performance
- 4) Free higher education in response to the development of public image
- 5) The emphasis of the college on the improvement of existing products and services on an ongoing basic

2. Implications of Climate Culture organization to the formation of the organization.

Organizational climate variables but not significant positive effect on the culture of the organization. This means that if the climate improved organizational culture organizations increased but not significantly.

Citing the opinion Brahmasari (2005), stating climate centered organization employees, with open communication, as well as their mutual support and decision-making decentralized, the general effect on improving employee performance, reduce the rate of release (turn over) employees, the cost of manufacturing, as well as training time. The most desirable organizational climate, both for production and employee satisfaction, is climate emphasis on employee performance and attention to employees. One way to boost the effectiveness of the manager is to create a climate organization that emphasizes the importance of achieving results with mutual encouragement, cooperation, and participation in ektifitas to give contribution to achieving the company's goals.

So the emphasis efforts to change the behavior or understanding professor of organizational climate is not necessary, since lecturers view that understanding and sukup them against existing climate is good enough, then this understanding needs to be preserved and do not need to be emphasized or enhanced, because it is not effective.

Various characteristics of the organizational climate of understanding concretely include:

- 1) Avoidance of the use of emotional distress to employees by high peguruan maintained.
- 2) Choice company to employees of the feeling of belonging (belongingness) maintained high peguruan
- 3) concern the company on any policy / regulation related to employee needs to achieve / improve achievement (achievement) is maintained.
- 4) emphasis on quality service to students is maintained.
- 5) Emphasis College on the quality of service to business partners universities maintained.
- 6) Emphasis universities on the creation of a climate conducive to accommodate any dissent maintained.

3. Implications The attention to detail assignment to the formation of the organization culture.

Variables Attention to detail tasks significant negative effect on the organization's culture. The attention to detail means that if the duty is increased then decreased organizational culture as well as meaningful (significant).

Robbins refers to the opinion as an element of organizational culture tehadap attention to detail is the task of the extent to which the organization expects employees show rigor, analysis and attention to details. Robbins (1990: 480). The employee in performing job functions have a thorough understanding of the task details, have a high analisisi to detail tasks, in addition to that of course has paid sufficient attention to detail tasks.

The results of the above analysis illustrates that the lecturers of the view that attention to detail is a task that becomes culture merka, deemed to have been sufficiently stressed, so no need for emphasis on the college, but if the emphasis will negatively impact on the culture, namely austerity, analysis and attention to details ,

Concretely various things that need to be preserved include:

- 1) The emphasis of the college in order to carry out the tasks given priority to the accuracy of the analysis
- 2) The emphasis of the college in order to carry out the tasks given priority attention to detail
- 3) The emphasis of the college in order to carry out the tasks given priority to the accuracy of the analysis and attention to

4. Implications for the Orientation to the results of the organization's culture establishment.

Variable orientation towards results and no significant negative effect on the organization's culture. This means that if the orientation towards results enhanced the organization's culture will decline as well as not meaningful, hence the emphasis on orientation towards results for professors do not need ditingkatkan, because understanding lecturers for such a concept is strong enough, then if the management of suppressing actually have a negative impact, then the behavior there is adequately maintained.

Citing the opinion of the Throne (in the Economic Journal, 2002, p.139), an organization's culture will affect the performance begins from inputs organization that among other things is the orientation towards results, which are then perceived as an organizational culture that will be a high strength or low impact on the level of performance and employee satisfaction. Job satisfaction seeks to measure the effective response to the working environment. Job satisfaction relates to how you are feeling like the practice of employee benefits granted by the organization.

Concretely, the behavior memperhankan dikalukan with the following steps:

- 1) The emphasis of the college in order to carry out the work emphasis on results is maintained.
- 2) The emphasis of the college in order to carry out the work put on the results of the technique to obtain sustained results.
- 3) The emphasis of the college in order to carry out the work put on the outcome of the process to obtain sustained results.

5. Implications orientation towards the team against the formation of organizational culture.

Variable orientation toward the team positive and significant impact on the organization's culture. This means that if the orientation towards the team enhanced the organization's culture as well as a significant increase (significantly).

In line with the opinion (Robbins, 1998: 286). Team work (teamwork) is a relationship most often written and spoken of in the environment as it pertains to the competence of management. Orientation on the team are intended as an orientation group the various individual efforts to produce a more effective performance. The ability to function effectively as part of a group of people working together (team) is a character. The work team is more than just playing a role, but also "talk". Outstanding team players can "lift" the performance of the team through the behavior and style.

The results of these analyzes show that cultural Teamwork, which become habits lecturers have focused on improved because it is very effective in perlikaku pembentkan organizational culture and organizational effectiveness in kegiatannya.

Concretely various things that need emphasis include:

- 1) The emphasis of the college in order to control the work schedule, work activities are organized around teams
- 2) The emphasis of the college in order to control a complaint (complaint) of consumer, business activities are organized around teams
- 3) The emphasis of the college in order to control a complaint (complaint) from partner companies, work activities are organized around teams

6. Cultural Implications of aggressiveness towards the establishment of the organization. Aggressiveness variable positive and significant impact on the organization's culture. This means that if Aggressiveness enhanced the organization's culture as well as a significant increase (significantly).

In line with the thoughts and opinions Robbins (1990: 480) aggressiveness as an element of organizational culture is the extent to which people within the organization to carry out aggressive and competitive organizational culture as well as possible. The role of employee contributions actively and aggressively to develop intellectual capital, in this role of employees is expected to contribute in full to the company. Thus dynamically organization is expected to improve the capability to respond to developments in service demands.

In line with the findings Utomo (2010), In conclusion penelitiaanya states to adopt and encourage an increase in the values of the organization, organizational climate and aggressiveness, because as a variable of organizational culture that can provide support and guidance for those involved in interaction between individuals, organizations and society /customer.

This anailis results showed that aggressiveness has an important role in shaping the culture, increasingly aggressive characteristics of the work will greatly strengthen the organizational culture pembentukab.

It needs to be in need of emphasis include:

- 1) The emphasis of the college in order to carry out the work to be aggressive for achievement
- 2) The emphasis of the college in order to carry out the work to not be relaxed for achievement
- 3) The emphasis of the college in order to carry out the work to achieve optimal productivity

## G. Conclusion.

From the description that has been given in Chapter IV in front then it can be concluded that:

1. Variable organizational values shows the significant value of  $0.991 > 0.05$ , then  $H_0$  is accepted, then the variable values of an organization but not significant positive effect on the culture of the organization, the hypothesis is not proven.
2. Organizational climate variables showed significant value of  $0.881 > 0.05$ , then  $H_0$  is accepted, means the organization climate variable but not significant positive effect on the culture of the organization, the hypothesis is not proven.
3. Variables Attention to detail tasks showed a significance value  $0.001 < 0.05$ , so  $H_a$  is received, attention to detail means that the variable duty significant negative effect on the culture of the organization, the hypothesis is proven.
4. Variable orientation towards results show the significant value of  $0.575 > 0.05$ , then  $H_0$  is accepted, then the variable orientation towards results and no significant negative effect on the culture of the organization, the hypothesis is not proven.
5. Variable orientation towards the team showed a significance value  $0.000 < 0.05$ ,  $H_a$  accepted, meaning the variable orientation of the team positive and significant impact on organizational culture, the hypothesis is proven.
6. Variable Aggressiveness show significance value  $0.000 < 0.05$ ,  $H_a$  accepted, meaning Aggressiveness variable positive and significant impact on organizational culture, the hypothesis is proven.
7. Through various classical assumption includes Normality Test, Multicollinearity, and autocorrelation overall Heteroskidastity no interference classical assumptions. Based on the above, the test can be achieved in the regression analysis concepts or assumptions BLUE Unbiased Best Linear Estimator, then the application of regression analysis in this study is very good.

## H. Suggestion.

Based on the research that has been described, the researchers propose suggestions / feedback to management as follows:

1. In order to establish and strengthen the organizational culture at Universities "AUB" Surakarta, management needs to consider increasing or emphasis on behavioral orientation towards results and aggressiveness, as both these behaviors when given emphasis by the management / leadership will further strengthen the organizational culture formation capable encourage the creation of organizational effectiveness in achieving its objectives.
2. The results of this study recommended to be developed by researchers in the future, so it will be able to improve the quality of this study, particularly in assessing and developing the culture of the organization in relation to the dimensions or other variables, such as job satisfaction, work productivity, and so on.

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## DO CSR AFFECT TO REPUTATION AND VALUE OF THE FIRM?

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### Abstract

This study started from the research gap between CSR and corporate value. Most regard CSR as a cost and others regard as a long term investment. This research was conducted at the Indonesian Stock Exchange (BEI) at the official site [www.idx.co.id](http://www.idx.co.id). The data used is data panel in 2009- 2011 with a purposive judgment sampling method. The collection of data used by documentary and literature. Data were analyzed with path analysis. This study proves that CSR disclosures in annual financial statements a positive impact on the company's reputation and value of the company.

Keywords: Corporate Social Responsibility, reputation, value of the firm.

### 1. Introduction

Reality shows who firms have recently been able to adapt to a changing world not only by developing economically but also socially and ethically. A firm's aim remains based on a development strategy that not only favours its share holders but also responds to all stakeholders involved either directly or indirectly in the production process.

A firm is an open system and to carry out its main aim must be able to combine two large categories of interest: profitability and its stakeholders' interest. Given that a system of exchange and mutual influence is created between stakeholders and the firm, management must be able to analyse objectives, resources and the strategy of common groups of stakeholders that need to be considered as well as its own ability to mobilise other stakeholders (Poddi and Vergalli 2009).

CSR is a form of the company's commitment to build a better quality of life together with the relevant stakeholders, especially is the community around where the company is located. CSR is increasingly important role in encouraging more and breadth of corporate social responsibility for the creation of balanced development in economic, social and environmental. It also comes from the fact that in addition to being economic institutions, the company is also a social institution, thus the company is expected to go ahead and developed in harmony with the community around the company.

The commitment was confirmed by the government as a regulator that is reflected in the Regulation on the company's obligation to carry out CSR described in the Limited Liability Company Act No. 40 Article 74 of 2007. Criminal sanctions regarding violations of CSR contained in Law No. 23 of 1997 on Environmental Management Article 41 paragraph (1). Besides, there is the Law No. 25 of 2007 on Investment and Government Regulation No. 47 of 2012 on Corporate Social Responsibility and Environment Company Limited.

In reality, not all companies carry out their CSR obligations. The company regards CSR as a waste, because the absorbed company's budget for activities that are not profitable. If implemented, the practice of CSR is happening now is indicated on the practice of public relations alone so impressed image-centric and prioritize programs that can be seen by the public (as a communication strategy) than look into the company that basically has the same position in the stakeholder CSR. This study aims to present empirical evidence on the effects of CSR on the Company's reputation and value of public companies in Indonesia.

## 2. Literature: Empirical Analyses

Empirical research on the link between CSR and financial performance has given a lot of varied and heterogeneous results.

Relation	
Negative	<ul style="list-style-type: none"> <li>• (Waddock and Graves 1997): assumed that companies with responsible behaviour may have a competitive disadvantage, since they have unnecessary costs.</li> <li>• The costs fall directly on the bottom line and would necessarily reduce shareholder profits and wealth (Preston and Bannon 1997)</li> <li>• Both short-term analysis based on measuring abnormal returns (Wright and Ferris, 1997) market measures (Vance, 1975) and long-term studies (Vance, 1975) have a negative relationship between performance and CSR.</li> </ul>
Neutral	<ul style="list-style-type: none"> <li>• (Waddock and Graves 1997) : their explanation of a neutral relation suggest that many variables in the relation between social and financial performance make the connection coincidental.</li> <li>• (McWilliams and Sieger 2001): one explanation of this could be that firms supplying CSR products to their own customers have a different demand curve compared to those with no CSR.</li> <li>• (Ullman 1985) underlines that no clear tendency can be recorded between connections on social information, social performance and economic results. The main reasons for this is the theory's inadequacy, inappropriate keyword definitions and lack of empirical material.</li> <li>• Other studies highlight the impossibility of defining the sign of the existing relation between CSR and performance, both in the short term – on the basis of Abnormal return measure and market actions - and in the long term (Aupperle, Carroll, and Hatfield 1985).</li> </ul>
Positive	(Luce et al. 2001): studied the relation between CSR enterprise appeal to employees and a firm's public profile. They claim that a firm's reputation has a positive influence on the relation between CSR and appeal.

(Waddock and Graves 1997): outline three explanations for a positive relation between CSR and financial performance:

- a) Valuating what would happen if an enterprise did not act in a responsible manner. If it tried to reduce its implicit costs acting in irresponsibly, the result may be an increase of explicit costs from forcing a inefficient condition. The final result would be a competitive disadvantage. An example would be the case of atmospheric pollution that leads to a lawsuit.
- b) Responsible social practices are the same as “good management”. They strengthen relations with stakeholders and at the same time improve overall performance.
- c) The third explanation follows the “theory of scarce resources” and identifies the adoption of responsible social behaviour as a consequence and not a cause of performance improvement. The idea is that during a positive trend there will probably be fewer limited resources. Some of these resources could be liberated in secondary activity such as CSR.

(Preston and Bannon 1997): made use of a similar hypothesis called “available funds”, as a firm's behaviour depends on accessible resources. The authors present an alternative theory to “good management” called “the hypothesis of social impact”: i.e., better financial performance follows a stronger company reputation. By considering stakeholders' implicit needs, a company increases its reputation which improves financial performance. On the other hand, failing to answer stakeholders' needs creates market uncertainty, raises the risk reward paid to investors and increases costs and possible losses. A less obvious explanation for a positive relation could be that CSR enterprises are more attractive to workers. In the information age, good employees are an extremely desirable resource and it is crucial to more appeal for them.

(Lys, Naughton, and Wang 2015) examined whether the expenditure of corporate social responsibility is a form of corporate philanthropy, investment, or signaling information about the financial prospects of the company's future. The findings of the research that companies do CSR expenditures in the current period when they anticipate stronger financial performance in the future. Research shows that causality positive associations between CSR expenditure and performance of the company in the future is different from what is claimed in most of the literature, and that the disclosure of corporate accountability is another channel where companies disclose personal information about the financial prospects for the future to outsiders.

*H1: Disclosure of CSR have a positive impact on the value of the company*

The company's reputation is the overall evaluation of a company's stakeholders over time (Gotsi and Wilson 2001). The company's reputation is a representation of the perception of past actions and the company's future prospects which describes the overall company appeal to all the key elements when compared to other leading rivals (Fombrun, 1996). The main factors that affect the company's reputation is the financial performance despite the reputation may be strongly influenced by the ethical behavior of members of the company. At the time of earnings and the stock price of a company has outperformed other companies in the industry and the broader market, these companies tend to have a reputation for both businesses and consumers than if the company's financial performance has lagged the market. On the other hand, poor performance led to financial problems and loss of employees and key customers (Vergin and Qoronfleh, 1998). Research (Toms 2002) provides a theoretical extension of resource-based view of the firm to post a quality signal through the channel of accounting disclosure. The research findings indicate that the implementation, monitoring and disclosure of environmental policies and disclosures in the annual report contributes significantly to the creation of environmental reputation. Based on the study of theoretical and empirical hypothesis above it can be submitted as follows:

*H2: Disclosure of CSR positively affects the Company's reputation.*

Growth body of research about the reputation of the company that either has a strategic value for the company that owns it (Roberts and Dowling 2002). According to the resource-based view of the company, the company is a nexus of resources and capabilities that are not freely traded on the market. So far the company specific resources and capabilities to produce economic benefits that can not be duplicated perfectly through the actions of competitors, could be a potential source of sustainable competitive advantage (Augustine and Mary 1994). In a resource-based framework, a company with a very valuable asset and rare to have a competitive advantage and can expect to earn superior returns. Those assets are also difficult to imitate can achieve sustained superior financial performance (Grant 1991). In line with this reasoning, intangible assets such as good reputation is very important because of their potential for value creation, but also because of their intangible character makes replication by companies that compete much harder. Based on the explanation above, it can be built hypothesis as follows:

*H3: The company's reputation has a positive effect on the value of the Company.*

### **3. Research Method**

The research population includes all companies listed in Indonesia Stock Exchange in both manufacturing and non-manufacturing from 2009 to 2011 with the number each year are 414, 425 and 436 companies.

The sampling method in this study using a sample of non-probability sampling with purposive sampling technique. The sampling method of this assessment is a method of sampling where the researcher has the criteria or specific objectives of the sample to be studied (Cooper and Schindler,

2006). Criteria samples used in this study as follows: (1) the company published its annual report consistently from 2009 to 2011; (2) the company applying and reveal the activities of Corporate Social Responsibility (CSR) in the annual report; (3) The company has information about related to measurement variables, such as: the value of a company that is proxied by Tobin's Q and the company's reputation is proxied by the difference in stock market prices in year t and t-1.

Based on the criteria above, the sample selection process is then performed sample by purposive sampling technique as follows:

- a. Check the number of companies listed on the Stock Exchange from 2009 to 2011 mainly companies presenting the annual report. Companies surveyed include all companies in both manufacturing and non-manufacturing. The number of companies that disclose Corporate Social Responsibility in the annual report in the media the Indonesia Stock Exchange for each of 2009 a total of 119 companies; In 2010 as many as 142 companies; and in 2011 as many as 158 companies;
- b. The number of companies that disclose CSR activities from data obtained in point a. Result of data each year 2009-2011 were 86, 86 and 86 of the company;
- c. From the 86 companies each year checked whether the data is consistently there for 3 years from 2009 through 2011. The results of the examination of data there are 76 companies that consistently over the three years as many as 228 respondents.

#### 4. Discussion

The object of observation consists of various types of companies, among others in Table 1 below:

Table 1. Percentage category of companies

Category of Companies	Percentage
1. Agriculture - Plantation	2,6%
2. Mining – Coal Mining	4 %
3. Mining – Crude Petroleum & Natural Gas PR	1,3%
4. Mining – Metal & Mineral Mining	4%
5. Mining – Land /Stone Quarrying	2,6%
6. Basic and Industry Chemical	10,5%
7. Miscellaneuos Industry	8%
8. Consumer Goods Industry	5,4%
9. Property, Real Estate and Building Construction	9,2%
10. Infrastructure, Utilities and Transportation	8%
11. Finance	18,4%
12. Trade, Service & Investment	26 %
	100%

Companies that go public in Indonesia conducting CSR activities are not limited to companies that exploit natural resources but in some types of industrial products, services and trade. This shows that CSR has been applied to a wide range of industry categories.

Table 2. Hypothesis test results

Model	Variables	Beta	Sig	
I	IPCSR→Reputation	0,166	0,012**	H2 Proven
II	IPCSR→Q	0,154	0,011**	H1 Proven
	Reputation→Q	0,407	0,000***	H3 Proven

\*\* significantly at 5%

\*\*\* significantly at 1%

Hypothesis testing results provide evidence that the disclosure of CSR in the company report a positive effect on firm value (Tobin's Q). CSR disclosure in the annual report is a good signal for companies that provide information that the company has a good advantage thus removing some of the profits for corporate social responsibility (H2 proven). It supports research (Lys et al. 2015).

The findings of this study indicate that the implementation, monitoring and disclosure of environmental policies and disclosures in the annual report to contribute significantly and positively to the creation of reputation (H1 proven). Reputation is measured by their share price rise from the previous year. The results support the research (Toms 2002). Reputation impact on increasing the company's value (H3 proven).

Table 3. Direct effect and indirect effect

Effect	Variables Relation	Probability
Direct effect	IPCSR→Q	0,154
Indirect effect	IPCSR→Reputation→Q	0,067

The direct effect of CSR on firm value of 0,154 is greater than the indirect effect of CSR disclosure on corporate value through reputation. But the effect on the reputation of CSR disclosure is greater than the effect of CSR on firm value. This is an indication that the disclosure of CSR in the annual report is a good signal that has an impact on stock prices.

## 5. Conclusion

Disclosure of the implementation, monitoring and disclosure of environmental policy (CSR) in their annual reports on public companies in Indonesia significantly contributes positively to the creation of the company's reputation. CSR disclosures in the financial statements a positive impact on increasing the company's value..

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**EFFECTIVENESS OF PP.46 2013 FOR REDUCING TAX AVOIDANCE**

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**Abstract**

2015 is the right time for evaluating the effectiveness of PP.46 2013. This rules apply for simplification of tax calculation by 1% base on gross turnover (revenue) is expected to increase the interest of taxpayers to pay their tax obligations. But on the other hand, the rules allegedly counter-productive, because there is exposure that can be utilized by the taxpayer. By penetrate the exposure, this rule indicate to increase tax avoidance. This study examined the effectiveness application of PP.46 2013 on tax avoidance reduction both before and after this rule is applied. Tax avoidance is measured by Cash ETR from tax payer financial statement data required as a entities who has a legality of PKP (Pengusaha Kena Pajak). The Location in Surakarta, Sukoharjo and Karanganyar are expected to represent taxpayers in Indonesia as the population because there are variation of urban and rural communities. Research carried out in 2015 is not possible to use as secondary data annual tax report in 2015, because of deadline for tax reporting have not expiration yet. The results showed that there were significant differences on tax avoidance to the base year of 2013 when compared between 2012 and 2014. Thus PP.46 2013 can be said to be effective in converting tax avoidance compared to the year before and after. But the problem is the change of tax avoidance negative significantly from 2012 to 2013 but positive significantly change from 2013 to 2014. The statistical test results also showed that no significant differences on tax avoidance between 2012 and 2014. Based on data which is used as the object of this study concluded that PP.46 / 2013 only effective for reducing of tax avoidance in the previous tax year (in 2012) and ineffective for reducing tax avoidance years later (2014).

*Key Word : tax avoidance, Effectiveness of PP.46/2013*

**INTRODUCTION**

PP.46 / 2013 on taxes for taxpayers with a certain turnover since entered, there are quite a lot of pros and cons. The main goal of this rule is easy reporting for tax calculations only use a single rate of 1 % of turnover, but in another hand this rule to be counter of productive. Scientific assessments of PP.46 / 2013 can allow taxpayers to choose whether to apply this rates or calculate their tax base on Income Tax article 17<sup>th</sup> (PPh Pasal 17). Base on both of the rule, private taxpayers and also entity tax payer can provide both advantages and disadvantages. The formula of the final income of PP.46 / 2013 is 1 % X Total Revenue. When it be compared with the previous taxation treatment facilities Tax Article 31 E, the amount of tax payable is 12.5 % X Taxable Income (in terms of circulation of business-revenue under Rp.4,8 billion) . So from these two functions can be specified break-even point. The Illustration of a mathematical calculation of the break-even point can be given through the taxpayer in figure 1 (Calculation Breakeven Point of Profit Margin between Rates PP.46 / 2013 and Income Tax Article 31E).

Figure 1  
Calculation Breakeven Point of Profit Margin between Rates PP.46 / 2013 and Income Tax Article 31E

PPh Final (Final Tax of Income)	=	1%	x	Revenue		
Tax of Income (Article 31E)	=	50%	x	25%	x	PKP
				Tax of Income (Article 31E)		
BEP =>		Final Tax of Income	=			
Result :		Tax of Income (Article 31E)				
Final Tax of Income	=					

1% Revenue	=	12,5% of net Income	
Taxable Income - Penghasilan Kena Pajak (PKP)	=	1%	x Revenue
<b>Taxable Income (PKP)</b>	=	<b>8% Revenue</b>	

The results show that the calculations to determine the tax rate between the final tax rate and income tax Article 31E will result in the same tax in 8 % of profit margin. Based on the calculation of breakeven above, the advantages and disadvantages of this rule, can be perceived by the taxpayer on the enactment pp.46 2013 can be illustrated on figure 2.

Figure 2  
Illustration of Comparisons Calculation between Rates PP.46 / 2013 rate  
and Tax Article 31E rate for Entity Tax Payer

Percentage of Taxable Income	6%	8%	15%	-5%
Revenue	4.800.000.000	4.800.000.000	4.800.000.000	4.800.000.000
Taxable Income – Penghasilan kena Pajak (PKP)	288.000.000	384.000.000	720.000.000	(240.000.000)
Rates Article 31 E for Entity Taxpayer (A) 12,5%	36.000.000	48.000.000	90.000.000	-
Rate of (PP.46/2013) (B) 1%	48.000.000	48.000.000	48.000.000	48.000.000
Tax payer in advantaged and in (disadvantaged) => (A)-(B)	(12.000.000)	BEP	42.000.000	(48.000.000)

From the illustration above show that the tax planning opportunities, which the tax payer thinking in profit margin above 8 % of turnover, it is possible would prefer to stop or divert their activities at the time of the turnover approaching IDR 4,8 Billion, in a particular month before the end of the year, to avoid tax rates Article 31E. In another hand, the tax payer who have profit margins below 8%, have to pay tax greater when using rates PP.46 / 2013 compared to Article 31E. The illustration show that the more difficult conditions experienced by tax payer who suffered losses because he had to pay a 1% of revenue. The Illustration of taxpayer makes management turnover for making their classification of tax payer to be the tax payer who has to pay in PP.46 2013 and avoid tax rates Article 31E can be illustrated in figure 3.

Figure 3  
Illustration of Tax Avoidance by “ABC” Entity

Year	Revenue	Profit Margin
2012	IDR. 6.786.400.000	12%
January s/d June 2013	IDR. 3.183.600.000	13%
July s/d December 2013	IDR. 1.323.000.000	12%
2014	IDR. 4.598.000.000	15%

The data indicate the possibility of management turnover made by "ABC" to keep turnover to remain their revenue below in IDR 4.8 Billion. The question is whether it's means "ABC" refused all orders after a turnover approaching IDR 4.8 Billion. The answer is, it's impossible, because of the activity of lending and lend the name (the company name) is very common. "ABC" in September turnover is approaching IDR 4.8 Billion, then to keep the turnover for tax avoidance, for the next activities (4 months), "ABC" can use the name of another company to carry out its activities, for example with "XYZ"

According to (Mardiasmo 2009), Tax Avoidance is an attempt to ease the tax burden does not violate existing laws. Subsequently (Xynas 2011) explains that tax evasion is a effort to tax reduction, but still comply with the provisions of the tax laws such as the use exceptions and pieces that allowed or defer taxes that are not stipulated in the applicable tax regulations.

There are several research that raised the issue of tax avoidance as the dependent variable is affected by several factors, among others : corporate governance (Annisa & Kurniasih 2012) ; Character Executive, Company Characteristics, and Dimension Corporate Governance Good (Dewi & Jati 2014) ; Profitability , Owners Family and Corporate Governance (Prakosa 2014) ; Character Executive , Audit Committee , Company Size , Leverage and Sales Growth (Sukartha 2015), Implementation of Corporate Governance , Leverage , Return On assets , and Company Size (Darmawan & Sukartha 2014). All of this studies over use object of the companies listed on the Jakarta Stock Exchange.

Tax Avoidance to be raised in this research is the right time as the evaluation on the issue counter-productive of PP.46/2013. Thus the object of the study will focus on taxpayers who fall into the category PP.46/2013. It is at once to be the difference of this study with previous research as well as the reason for the importance of this research. From the description above, this study will take the title "Effectiveness PP.46 2013 on Reducing Tax Avoidance". Thus the objectives to be achieved in this study is whether there is a significant difference on tax avoidance before and after the implementation PP.46/2013.

## LITERATURE

### Pros and Cons of PP. 46 / 2013

Facts on the field shows that many entrepreneurs in shopping malls, traditional markets, tenants and so on, which turned out to have a turnover (revenue) have a large profit, but difficult to trace the truth of their tax obligations. It is because of the financial report is not been as required for tax reporting and there feel difficult to calculate, pay and make reporting of taxes. To break all the obstacles and problems, the Government Regulation (PP) No. 46 / 2013 is made, by a simple formula that is 1 % of the turnover (revenue).

On the other hand, (Priyantoro 2013) an employee of the tax section in the article gives the following opinion : PP 46/2013 when viewed from the "opposition" is legally flawed. Consideration rate of 1 % of the circulation of business (turnover) is a strange thing. Income Tax is a tax levied on additional economic, not of circulation of business. It is inline among entrepreneurs that say the turnover is income minus expenses. From this simple description it is not always the entrepreneur creates huge revenues automated large income, may actually suffered losses. Understanding in the explanation of the UU PPh No.36 tahun 2008, also explains the conflicting things on PP.46 / 2013, which reads that: the principle of taxation is on each additional economical received taxpayer and turnover is not part of the additional economical.

### Tax Planning, Tax Avoidance Dan Tax Evasion

Erly (2008) explained that the tax planning is part of a widespread tax management as well as the initial stage to perform a systematic analysis of various alternative tax treatment in order to achieve fulfillment of minimum tax obligations. Tax planning is generally always begins with convincing whether a transaction or phenomena will be taxed. If the phenomenon is taxed, whether it can be attempted to be exempted or reduced tax amount, then if the tax payments can be delayed payments.

Darssalam (2009) explains that between a country with other countries can be mutually different views on the scheme of what can be categorized as acceptable tax avoidance (tax avoidance) and unacceptable tax avoidance (tax evasion). Another term often used to describe tax evasion which is not permitted is aggressive tax planning and the term for tax evasion tax planning allowed is

defensive. In the same article (Darussalam 2009) explained that in the context of international taxation, there are various schemes usually done by multinational Corporations to make tax savings is to (i) transfer pricing, (ii) thin capitalization , (iii) treaty shopping , and (iv) a controlled foreign corporation (CFC) . Hanlon and Heitzman (2010) explained that there are several measurement of tax avoidance shown in figure 4.

Figure 4  
Measurement of tax avoidance

Measurement	Formula	Explanation
GAAP ETR	$\frac{\text{Worldwide total income tax expense}}{\text{Worldwide total pre-tax accounting income}}$	Total tax expense per dollar of pre-tax income
Current ETR	$\frac{\text{Worldwide current income tax expense}}{\text{Worldwide total pre-tax accounting income}}$	Current tax expense per dollar of pre-tax book income
Cash ETR	$\frac{\text{Worldwide cash taxes paid}}{\text{Worldwide total pre-tax accounting income}}$	Cash taxes paid per dollar of pre-tax book income
Long-run Cash ETR	$\frac{\text{Worldwide cash taxes paid}}{\text{Worldwide total pre-tax accounting income}}$	Sum of cash taxes paid over <i>n</i> years divided by the sum of pre-tax earnings over <i>n</i> years
ETR differential	Statutory ETR – GAAP ETR	The difference of between the statutory ETR and firm’s GAAP ETR
DTAX	Error term from the following regression : $\text{ETR differential} \times \text{Pre-tax book income} = a + b \times \text{Control} + e$	The unexplained portion of the ETR differential
Total BTD	$\text{Pre-tax book income} - ((\text{U.S CTE} + \text{Fgn CTE})/\text{U.S STR}) - (\text{NOLt} - \text{NOLt-1})$	The total difference between book and taxable income
Temporary BTD	$\text{Differed tax expense}/\text{U.S STR}$	The total difference between book and taxable income
Abnormal total BTD	$\text{Residual from BTD/Tait} = \text{TAit} + \text{mi}$	A measure of unexplained total book-tax differences
Unrecognized tax benefits	Disclosed amount post-FIN 48	Tax liability accrued for taxes not yet paid on uncertain positions
Tax shelter activity	Indicator variable for firms accused of engaging in a tax shelter	Firms identified via firm disclosure, the press, or IRS confidential data
Marginal tax rate	Simulated marginal tax rate	Present value of taxes on an additional dollar of income

Source : Hanlon and Heitzman (2010)

## RESEARCH METHODS

Based on the research objectives have tested the effectiveness of PP.46 2013 to reduce tax avoidance, this research can take the population is the personal taxpayer and entity who have turnover either above or below IDR 4.8 Billion. It is based on the consideration that the tax avoidance can be done mainly on taxpayers with a turnover that is not far from the boundary of the large turnover. With purposive random sampling method, the sample of this research is the taxpayer who has a legality of “PKP – Pengusahan Kena Pajak” in Surakarta, Karanganyar and Sukoharjo. The first consideration in the selection of the sample is the accountability of the financial statements that have a corporate

taxpayer who has a legality of “PKP – Pengusahaan Kena Pajak” to be more secure than other types of taxpayer. This is because this taxpayer type has tax consequences of the implementation of more complex than without PKP. The second consideration of site selection studies is that the city of Surakarta, Sukoharjo karanganyar and have different characteristics, namely characteristics of urban and rural areas that are expected to represent the characteristics of other tax regions in Indonesia.

The data used in this research are secondary data from the financial statements of the taxpayer based on the sample above. By the aim of testing the effectiveness of the comparative data are needed before and after the implementation of PP.46 2013. The data can be used until the beginning of 2016 are the financial statements of the sample in 2014. This is because the deadline for tax returns in 2015 is not over end instead of four 2016. Thus, the data required is the year 2012 to mid of 2013 as the financial statements prior to the implementation of PP.46. 2013. For comparative data is mid-2013 through 2014 as the data after the implementation of PP.46.2013. While tax avoidance in this study was measured by calculating formulated and Heitzman Hanlon (2010) with Formula Cash ETR.

## RESULTS AND DISCUSSION

The results of the research data collection, can get 30 sample. The limited data because of there are not all corporate taxpayers were included in the sample criteria of research, willing to inform their financial statements to investigators. The collection of research data also cannot be done by asking the taxpayer's financial statements in the Tax Office (KPP – Kantor Pelayanan Pajak) in local area. This is because the KPP don't have authorization to publish the financial statements taxpayer. Thus the following can be presented to show the descriptive statistical data from the financial statements 30 corporate taxpayers in accordance with a sample consisting of 2012, 2013 and 2014 in Figure 5.

Figure 5  
Descriptive Statistic

Category	2014			2013			2012		
	Cash ETR	Size	ROA	Cash ETR	Size	ROA	Cash ETR	Size	ROA
Mean	0.1680	8.1057	0.6181	0.3360	7.9445	0.5889	0.1287	7.9153	0.5034
Maximum	0.4000	9.7478	2.2419	0.9551	8.8921	4.1358	0.2534	8.8247	4.4403
Minimum	0.0098	6.7235	0.0253	0.0210	6.6710	0.0026	0.0058	6.7511	0.0106
Daviation Standard	0.0996	0.6468	0.5947	0.2723	0.5808	1.0440	0.0511	0.5753	0.8175

By focusing on observation aimed at tax avoidance behavior tendency, then by looking at the average of descriptive statistic, it can be explained that there are changes in the tax rate avoidance for every year. (Dyreng at all 2010) explains that the greater CASH ETR indicates the lower the corporate tax avoidance and the lower CASH ETR indicate the high tax avoidance. If in 2012 compared to 2013 the result can show 0.1287 compared to 0.3360. It was explained that there was an increase Cash ETR, which means that the lower the tax avoidance carried out by the taxpayer. It can be explained too that government policy is effective in improving tax compliance. But it have to keep in mind also that the implementation of PP.46 occur in mid of 2013. It is possible readiness of taxpayers with tax avoidance is not very mature. So this effectiveness of this rate have to show how about the tax avoidance in 2014 base on 2013. Base on statistic descriptive, tax avoidance in 2014 is smaller base on 2013 (0.1680 compare by 0.3360). From this result, it can be explained that PP.46 2013 is not effective for 2014.

Descriptive statistical explanation above is not enough to determine whether there is a significant difference of tax avoidance between before and after application of PP.46/2013. For

determining whether there are differences in the significance of these differences, using non-parametric statistical t-test. This technique is used for the data research cannot the normal distribution requirement. Statistical test results in figure 6 show that the Tax Avoidance between 2012, 2013 and 2014 are significant differences. The significant difference was also shown in 2013 compared to 2014 and 2012 compared to the results of statistical tests in Figure 7 and Figure 8.

Figure 6  
Hypothesis that there are significant difference between tax avoidance in 2012, 2013 and 2014

**Hypothesis Test Summary**

Null Hypothesis	Test	Sig.	Decision
1 The distributions of Cash_ETR_2014, Cash ETR_2013 and Cash_ETR_2012 are the same	Related-Samples Friedman's Two-Way Analysis of Variance by Ranks	.010	Reject the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

Figure 7  
Hypothesis that there are significant difference between tax avoidance in 2012 and 2013

**Hypothesis Test Summary**

Null Hypothesis	Test	Sig.	Decision
1 The median of differences between Cash_ETR_2012 and Cash ETR_2013 equals 0.	Related-Samples Wilcoxon Signed Rank Test	.001	Reject the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

Figure 8  
Hypothesis that there are significant difference significant between tax avoidance in 2013 and 2014

**Hypothesis Test Summary**

Null Hypothesis	Test	Sig.	Decision
1 The median of differences between Cash_ETR_2014 and Cash ETR_2013 equals 0.	Related-Samples Wilcoxon Signed Rank Test	.001	Reject the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

These results show that 2013 as the base year of PP.46 can be said that it is effective in converting tax avoidance to another year (a year before and after). The question is whether these changes towards a reduction in tax avoidance or otherwise. The question can be answered by statistic descriptive which in 2013 managed to reduce tax avoidance on 2012 but increase tax avoidance in 2014. Thus it can be explained that PP.46 is effective in reducing tax avoidance in that year alone and ineffective in the other year. This is supported by the different test results in Figure 8 are showed no significant difference between 2012 tax avoidance by 2014. There are difference mean between tax

avoidance before and after the implementation of PP.46 base on statistics descriptive, but it is not significant base on t-test.

## COCLUSION AND RECOMMENDATIONS

2015 is the right time for evaluating of the effectiveness PP.46 2013. This rule applies as simplification of tax calculation with the expectations of all reports taxpayers can easily to calculate, pay and report their tax liabilities. But on the other hand, this rule indicate in counter-productive, because there is an exposure that can be used by the taxpayer for their tax planning. The exposure is expected to add tax avoidance. The results showed that there were significant differences tax avoidance base on 2013 when compared between 2012 and 2014. PP.46 2013 can be said to be effective in shifting tax avoidance compared to the year before and after. The main problem is the change of tax avoidance significantly negative from 2012 to 2013 but significantly positive change from 2013 to 2014. The statistical test results showed also that no significant differences on tax avoidance between 2012 and 2014. It can be concluded that PP.46 2013 only effective to reduce tax avoidance in the previous year (in 2012) and ineffective for reducing tax avoidance a years later (2014).

Research carried out in 2015 is not possible to use secondary data in 2015, because the deadline for tax reporting have not expiration yet. Next researchers can collect data to increase the number of samples and the time range as an evaluation policy for more accurate results. The other way can be done by researchers are formulating variable which pressing or adding tax avoidance during implementation PP.46 2013.

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